

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF)	
KENTUCKY UTILITIES COMPANY FOR AN)	
ORDER AUTHORIZING THE ISSUANCE OF)	
SECURITIES AND ASSUMPTION OF)	CASE NO. 2019-00242
OBLIGATIONS)	

RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION
DATED AUGUST 13, 2019

FILED: AUGUST 28, 2019

Kentucky Utilities Company
Response to Commission Staff's Initial Request for Information
Dated August 13, 2019

Case No. 2019-00242

Question No. 1

Witness: Daniel K. Arbough

- Q-1. Refer to KU's application at paragraph 5. Provide a copy of all amendments, if any, to KU's Mortgage Indenture made since it was filed in Case No. 2015-00137¹ and explain the substance of any amendments.
- A-1. There have been four supplemental indentures subsequent to Case No. 2015-00137. Supplemental Indenture No. 4, dated September 1, 2015, created a series of Securities designated First Mortgage Bonds, 3.300% Series due 2025 and First Mortgage Bonds, 4.375% Series due 2045 which were approved in Case No. 2014-00082. Supplemental Indenture No. 5, dated August 1, 2016, created a series of Securities designated First Mortgage Bonds, Collateral Series 2016CCA for \$96 million which was approved in Case No. 2016-00082. Supplemental Indenture No. 6, dated August 1, 2018, created a series of Securities designated First Mortgage Bonds, Collateral Series 2018CCA for \$17.875 million which was approved in Case No. 2018-00153. Finally, Supplemental Indenture No. 7, dated March 1, 2019 increased the aggregate principal of securities designated First Mortgage Bonds, 4.375% Series due 2045 and was approved in Case No. 2018-00153. Copies of these four supplements are attached.

¹ Case No. 2015-00137, Application of Kentucky Utilities Company for an Order Amending and Extending Existing Authority with Respect to Revolving Line of Credit (Ky. PSC July 2, 2015).

KENTUCKY UTILITIES COMPANY

TO

THE BANK OF NEW YORK MELLON,

Trustee

**Supplemental Indenture No. 4
dated as of September 1, 2015**

**Supplemental to the Indenture
dated as of October 1, 2010**

Establishing

**First Mortgage Bonds, 3.300% Series due 2025
First Mortgage Bonds, 4.375% Series due 2045**

SUPPLEMENTAL INDENTURE NO. 4

SUPPLEMENTAL INDENTURE No. 4, dated as of the first day of September, 2015, made and entered into by and between KENTUCKY UTILITIES COMPANY, a corporation duly organized and existing under the laws of the Commonwealths of Kentucky and Virginia, having its principal corporate offices at One Quality Street, Lexington, Kentucky 40507 (hereinafter sometimes called the "Company"), and THE BANK OF NEW YORK MELLON, a New York banking corporation, having its corporate trust office at 101 Barclay Street, 7th Floor, New York, New York 10286 and having its principal place of business at One Wall Street, New York, New York 10286 (hereinafter sometimes called the "Trustee"), as Trustee under the Indenture, dated as of October 1, 2010 (hereinafter called the "Original Indenture"), between the Company and said Trustee, as heretofore supplemented, this Supplemental Indenture No. 4 being supplemental thereto. The Original Indenture, as heretofore supplemented, and this Supplemental Indenture No. 4 are hereinafter sometimes, collectively, called the "Indenture."

Recitals of the Company

The Original Indenture was authorized, executed and delivered by the Company to provide for the issuance from time to time of its Securities (such term and all other capitalized terms used herein without definition having the meanings assigned to them in the Original Indenture), to be issued in one or more series as contemplated therein, and to provide security for the payment of the principal of and premium, if any, and interest, if any, on such Securities.

The Company has heretofore executed and delivered supplemental indentures for the purpose of creating series of Securities as set forth in Exhibit A hereto.

The Original Indenture and Supplemental Indentures No. 1 and No. 2, and financing statements in respect thereof, have been duly recorded and filed in the various official records in the Commonwealth of Kentucky as set forth in Supplemental Indenture No. 3.

Supplemental Indenture No. 3 has been duly recorded and filed in the various official records in the Commonwealth of Kentucky as set forth in Exhibit B hereto.

Pursuant to Article Three of the Original Indenture, the Company wishes to establish two series of Securities, such series of Securities to be hereinafter sometimes called "Securities of Series No. 6" and "Securities of Series No. 7", respectively, and, pursuant to Section 1401 of the Original Indenture, the Company wishes to correct errors in certain sections of the Original Indenture.

As contemplated in Section 301 of the Original Indenture, the Company further wishes to establish the designation and certain terms of the Securities of Series No. 6 and of the Securities of Series No. 7. The Company has duly authorized the execution and delivery of this Supplemental Indenture No. 4 to establish the designation and certain terms of such series of Securities and has duly authorized the issuance of such Securities; and all acts necessary to make this Supplemental Indenture No. 4 a valid agreement of the Company, and to make the Securities of Series No. 6 and the Securities of Series No. 7 valid obligations of the Company, have been performed.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE NO. 4 WITNESSETH, that, for and in consideration of the premises and of the purchase of the Securities by the Holders thereof and in order to secure the payment of the principal of and premium, if any, and interest, if any, on all Securities from time to time Outstanding and the performance of the covenants therein and in the Indenture contained, the Company hereby grants, bargains, sells, conveys, assigns, transfers, mortgages, pledges, sets over and confirms to the Trustee, and grants to the Trustee a security interest in and lien on, (a) the

real property specifically referred to in Exhibit C attached hereto and incorporated herein by reference and all right, title and interest of the Company in and to all property personal and mixed located thereon (other than Excepted Property) and (b) the Company's right, title and interest in the generating stations described in Exhibit D hereto, as and to the extent, and subject to the terms and conditions, set forth in the Original Indenture; and it is further mutually covenanted and agreed as follows:

ARTICLE ONE

SECURITIES OF SERIES NO. 6

SECTION 101. Creation of Series No. 6.

There is hereby created a series of Securities designated "First Mortgage Bonds, 3.300% Series due 2025", and the Securities of such series shall:

(a) be issued initially in the aggregate principal amount of \$250,000,000 and shall be limited to such aggregate principal amount (except as contemplated in Section 301(b) of the Original Indenture); provided, however, that, as contemplated in the last paragraph of Section 301 of the Original Indenture, additional Securities of such series may be subsequently issued from time to time, without any consent of Holders of the Securities of such series, if and to the extent that, prior to each such subsequent issuance, the aggregate principal amount of the additional Securities then to be issued shall have been set forth in a Supplemental Indenture, and, thereupon, the Securities of such series shall be limited to such aggregate principal amount as so increased (except as aforesaid and subject to further such increases);

(b) be dated September 28, 2015;

(c) have a Stated Maturity of October 1, 2025, subject to prior redemption or purchase by the Company;

(d) have such additional terms as are established in an Officer's Certificate as contemplated in Section 301 of the Original Indenture; and

(e) be in substantially the form or forms established therefor in an Officer's Certificate, as contemplated by Section 201 of the Original Indenture.

SECTION 102. Creation of Series No. 7.

There is hereby created a series of Securities designated "First Mortgage Bonds, 4.375% Series due 2045", and the Securities of such series shall:

(a) be issued initially in the aggregate principal amount of \$250,000,000 and shall be limited to such aggregate principal amount (except as contemplated in Section 301(b) of the Original Indenture); provided, however, that, as contemplated in the last paragraph of Section 301 of the Original Indenture, additional Securities of such series may be subsequently issued from time to time, without any consent of Holders of the Securities of such series, if and to the extent that, prior to each such subsequent issuance, the aggregate principal amount of the additional Securities then to be issued shall have been set forth in a Supplemental Indenture, and, thereupon, the Securities of such series shall be limited to such aggregate principal amount as so increased (except as aforesaid and subject to further such increases);

- (b) be dated September 28, 2015;
- (c) have a Stated Maturity of October 1, 2045, subject to prior redemption or purchase by the Company;
- (d) have such additional terms as are established in an Officer's Certificate as contemplated in Section 301 of the Original Indenture; and
- (e) be in substantially the form or forms established therefor in an Officer's Certificate, as contemplated by Section 201 of the Original Indenture.

ARTICLE TWO

COVENANT

SECTION 201. Satisfaction and Discharge.

The Company hereby agrees that, if the Company shall make any deposit of money and/or Eligible Obligations with respect to any Securities of Series No. 6 or any Securities of Series No. 7, or any portion of the principal amount thereof, as contemplated by Section 901 of the Indenture, the Company shall not deliver an Officer's Certificate described in clause (z) in the first paragraph of said Section 901 unless the Company shall also deliver to the Trustee, together with such Officer's Certificate, either:

- (a) an instrument wherein the Company, notwithstanding the satisfaction and discharge of its indebtedness in respect of such Securities, or portions of the principal amount thereof, shall retain the obligation (which shall be absolute and unconditional) to irrevocably deposit with the Trustee or Paying Agent such additional sums of money, if any, or additional Eligible Obligations (meeting the requirements of Section 901), if any, or any combination thereof, at such time or times, as shall be necessary, together with the money and/or Eligible Obligations theretofore so deposited, to pay when due the principal of and premium, if any, and interest due and to become due on such Securities or portions thereof, all in accordance with and subject to the provisions of said Section 901; provided, however, that such instrument may state that the obligation of the Company to make additional deposits as aforesaid shall be subject to the delivery to the Company by the Trustee of a notice asserting the deficiency accompanied by an opinion of an independent public accountant of nationally recognized standing, selected by the Trustee, showing the calculation thereof (which opinion shall be obtained at the expense of the Company); or
- (b) an Opinion of Counsel to the effect that the beneficial owners of such Securities, or portions of the principal amount thereof, will not recognize income, gain or loss for United States federal income tax purposes as a result of the satisfaction and discharge of the Company's indebtedness in respect thereof and will be subject to United States federal income tax on the same amounts, at the same times and in the same manner as if such satisfaction and discharge had not been effected.

ARTICLE THREE

CORRECTIONS

SECTION 301. Correction of Certain Sections of the Indenture.

In accordance with Section 1401(l) of the Original Indenture, the Original Indenture is hereby corrected as set forth in Exhibit E hereto.

ARTICLE FOUR

MISCELLANEOUS PROVISIONS

SECTION 401. Single Instrument.

This Supplemental Indenture No. 4 is an amendment and supplement to the Original Indenture as heretofore amended and supplemented. As amended and supplemented by this Supplemental Indenture No. 4, the Original Indenture, as heretofore supplemented, is in all respects ratified, approved and confirmed, and the Original Indenture, as heretofore supplemented, and this Supplemental Indenture No. 4 shall together constitute the Indenture.

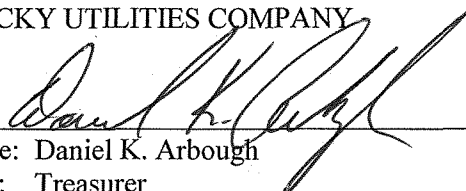
SECTION 402. Effect of Headings.

The Article and Section headings in this Supplemental Indenture No. 4 are for convenience only and shall not affect the construction hereof.

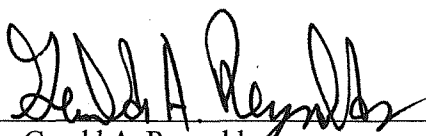
This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture No. 4 to be duly executed as of the day and year first written above.

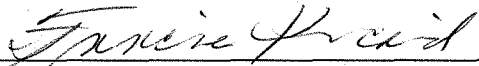
KENTUCKY UTILITIES COMPANY

By: 
Name: Daniel K. Arbough
Title: Treasurer

ATTEST:


Name: Gerald A. Reynolds
Title: General Counsel, Chief Compliance Officer and Corporate Secretary

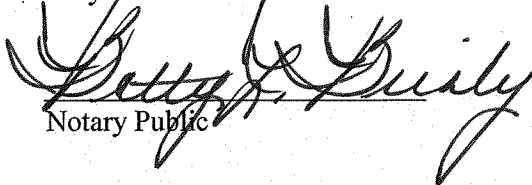
THE BANK OF NEW YORK MELLON, as Trustee

By: 
Name: Francine Kincaid
Title: Vice President

COMMONWEALTH OF KENTUCKY)
) ss.:
COUNTY OF JEFFERSON)

On this 17 day of September, 2015, before me, a notary public, the undersigned, personally appeared Daniel K. Arbough, who acknowledged himself to be the Treasurer of KENTUCKY UTILITIES COMPANY, a corporation of the Commonwealths of Kentucky and Virginia and that he, as such Treasurer, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Treasurer.

In witness whereof, I hereunto set my hand and official seal.


Notary Public

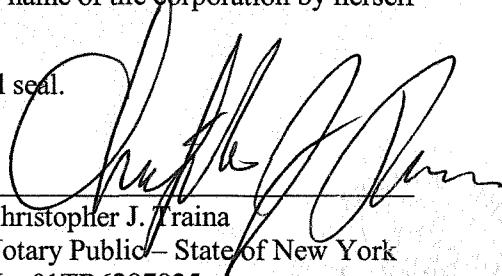


MY COMMISSION EXPIRES:
June 21, 2018

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 17th day of September, 2015, before me, a notary public, the undersigned, personally appeared Francine Kincaid, who acknowledged herself to be a Vice President of THE BANK OF NEW YORK MELLON, a corporation and that she, as Vice President, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by herself as Vice President.

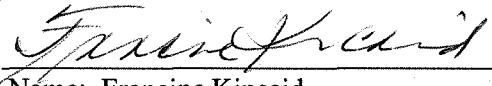
In witness whereof, I hereunto set my hand and official seal.

By: 
Christopher J. Traina
Notary Public – State of New York
No. 01TR6297825
Qualified in Queens County
My Commission Expires
March 03, 2018
Certified in New York County

The Bank of New York Mellon hereby certifies that its precise name and address as Trustee hereunder are:

The Bank of New York Mellon
101 Barclay Street, 7th Floor
New York, New York 10286
Attn: Corporate Trust Administration

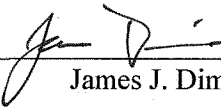
THE BANK OF NEW YORK MELLON, as Trustee

By: 
Name: Francine Kincaid
Title: Vice President

CERTIFICATE OF PREPARER

The foregoing instrument was prepared by:

James J. Dimas, Senior Corporate Attorney
Kentucky Utilities Company
220 West Main Street
Louisville, Kentucky 40202



James J. Dimas

EXHIBIT A

KENTUCKY UTILITIES COMPANY

Bonds Issued and Outstanding
under the Indenture

<u>Supplemental Indenture No.</u>	<u>Dated as of</u>	<u>Series No.</u>	<u>Series Designation</u>	<u>Date of Securities</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding¹</u>
1	October 15, 2010	1	Collateral Series 2010	October 28, 2010	\$350,779,405	\$350,779,405
2	November 1, 2010	2	1.625% Series due 2015	November 16, 2010	\$250,000,000	\$250,000,000
		3	3.250% Series due 2020	November 16, 2010	\$500,000,000	\$500,000,000
		4	5.125% Series due 2040	November 16, 2010	\$750,000,000	\$750,000,000
3	November 1, 2013	5	4.65% Series due 2043	November 14, 2013	\$250,000,000	\$250,000,000

¹ As of September 1, 2015.

EXHIBIT B

KENTUCKY UTILITIES COMPANY

**Filing and Recording
of
Supplemental Indenture No. 3, dated as of November 1, 2013,
to
Indenture, dated as of October 1, 2010**

COUNTY NAME	BOOK & PAGE NUMBER
Adair	MB 325, Pg 73-104
Anderson	MB 513, Pg 525-556
Ballard	MB 69, Pg 99-130
Barren	MB 518, Pg 383
Bath	MB 208, Pg 718
Bell	MB 318, Pg 607-638
Bourbon	MB 562, Pg 355
Boyle	MB 655, Pg 496-527
Bracken	MB 276, Pg 461
Bullitt	MB 1522, Pg 250
Caldwell	MB 293, Pg 374
Carroll	MB 220, Pg 142-173
Casey	MB 231, Pg 760
Christian	MB 1353, Pg 55
Clark	MB 776, Pg 447
Clay	MB 210, Pg 402-433
Crittenden	MB 204, Pg 74
Estill	MB V9, Pg 646
Fayette	MB 7955, Pg 684
Fleming	MB 312, Pg 215
Franklin	MB 1300, Pg 358-389
Fulton	MB 177, Pg 1-32
Gallatin	MB 210, Pg 59-90
Garrard	MB 328, Pg 175
Grayson	MB 20-Y, Pg 524
Green	MB 285, Pg 381
Hardin	MB 2084, Pg 620
Harlan	MB 421, Pg 725
Harrison	MB 368, Pg 555
Hart	MB 344, Pg 116
Henry	MB 319, Pg 819
Hickman	MB 107, Pg 274

Hopkins	MB 1090, Pg 714
Jessamine	MB 1164, Pg 410
Knox	MB 408, Pg 685
Larue	MB 327, Pg 90
Laurel	MB 1057, Pg 70
Lee	MB 108, Pg 288
Lincoln	MB 411, Pg 439-470
Livingston	MB 288, Pg 105
Lyon	MB 222, Pg 470
Madison	MB 1549, Pg 383
Marion	MB 378, Pg 740
Mason	MB 410, Pg 281
McCracken	MB 1416, Pg 430
McLean	MB 183, Pg 1
Mercer	MB 589, Pg 414
Montgomery	MB 493, Pg 755
Muhlenberg	MB 647, Pg 458
Nelson	MB 1022, Pg 821
Nicholas	MB 145-392
Ohio	MB 487, Pg 376
Oldham	MB 2100, Pg 575-606
Owen	MB 249, Pg 79-110
Pendleton	MB 322, Pg 624-655
Pulaski	MB 1388, Pg 22
Robertson	MB 60, Pg 531
Rockcastle	MB 47, Pg 413-444
Rowan	MB A343-151
Russell	MB 361, Pg 375
Scott	MB 1166, Pg 772
Shelby	MB 933, Pg 45-76
Taylor	MB 521, Pg 724
Trimble	MB 197, Pg 23-54
Union	MB 405, Pg 405
Washington	MB 0339, Pg 0056
Webster	MB 314, Pg 391
Whitley	MB 574, Pg 374-405
Woodford	MB 717, Pg 543

EXHIBIT C

KENTUCKY UTILITIES COMPANY

Real Property

Schedule of real property owned in fee located in the Commonwealth of Kentucky

Hardin County, Kentucky:

Being Lot 2A Junior Welding Subdivision, Lots 1 and 2 as Amended, to Hardin County, Kentucky, per plat of said subdivision of record in Plat Cabinet 1, Sheet 5753, in the Hardin County Clerk's Office.

Being the same property conveyed to Kentucky Utilities Company by Deed dated September 11, 2015, of record in Deed Book 1414, Page 383 in the Office of the Clerk of Hardin County, Kentucky.

Livingston County, Kentucky:

This being all of Tract 3 of that property acquired by Kentucky Alltel, Inc., by deed from Verizon South, Inc., dated the 26th day of July, 2002, and of record in Deed Book 207, page 389, in the Livingston County Court Clerk's Office and being more particularly described as follows:

BEGINNING at an iron pin set (5/8" x 18" rebar with aluminum cap bearing PLS-3916, as will typical for all set corner monuments), located on the west edge of right-of-way of US Hwy 60 (D.B. 62, Pg. 512), said pin being 55' west from the centerline of US Hwy 60 and also being approximately 1.52 miles south of the intersection of centerlines of KY Hwy 452 and US Hwy 60 in the town of Smithland, said pin being on the northern boundary line of Jim Smith Contracting Co., Inc. (Tract 1, D.B. 176, Pg. 18), said pin lying near the community of Smithland, Livingston County, Kentucky and having Kentucky State Plane South Zone Coordinates (NAD83) of N=1937130.807 E=867123.897 and being the POINT OF BEGINNING for this description;

Thence leaving the line of Jim Smith Contracting Co., Inc. and with the western edge of right-of-way of US Hwy 60, with a CURVE to the LEFT having a RADIUS of 2,809.90 feet and a chord bearing & distance of N08°49'13"E – 199.11 feet to a point, said point being on the southern boundary line of Jim Smith Contracting Co., Inc. (Parcel 1 – Tract 1, D.B. 136, Pg. 293) and being on the western right-of-way of US Hwy 60;

Thence leaving the right-of-way of US Hwy 60 and with the line of Jim Smith Contracting Co., Inc. (Parcel 1 – Tract 1, D.B. 136, Pg. 293), S87°05'53"W – 174.46 feet to a 1" Iron Pipe Found and S70°49'42"W – 98.29 feet to an 1" Iron Pipe Found, said pipe being on the southern boundary line of Jim Smith Contracting Co., Inc. (Parcel 1 – Tract 1, D.B. 136, Pg. 293) and being the on the western boundary line of Jim Smith Contracting Co., Inc. (Tract 1, D.B. 176, Pg. 18);

Thence leaving the line of Jim Smith Contracting Co., Inc. (Parcel 1 – Tract 1, D.B. 136, Pg. 293) and with the line of Jim Smith Contracting Co., Inc. (Tract 1, D.B. 176, Pg. 18) the following three (3) courses: S20°17'54"E – 120.77 feet to an iron pin set, S70°26'19"E – 113.37 feet to an iron pin set, and S87°07'05"E – 87.93 feet to the Point of Beginning and containing 0.915 acres by survey.

All bearings are referenced to grid north of the Kentucky State Plane Coordinate System – South Zone (NAD83).

The above legal description was created per the physical survey by David L. King II, AGE Engineering Services, Inc., Ky. R.L.S. #3916, dated July 31, 2014.

BEING the same property conveyed to Kentucky Utilities Company by Deed dated October 20, 2014, of record in Deed Book 248, Page 165 in the Office of the Clerk of Livingston County, Kentucky.

Mercer County, Kentucky:

BEGINNING at an iron pin found (PLS# 3118) on the eastern edge of right-of-way of the Norfolk Southern Railway Company (D.B. 104, Pg. 280), said pin was set during the survey the Kentucky Utilities Company (D.B. 328, Pg. 007) property in 2011, said pin also being 100' east of the Railroad centerline and being the Southwest Corner of Kentucky Utilities Company (D.B. 328, Pg. 007), said pin having Kentucky State Plane Coordinate System – South Zone Coordinates of N=2166662.24, E=1936109.81 lying in Mercer County, Kentucky, said point also being S05°28'37"W – 3162.76 feet from the Southeast corner of the Curdsville Bridge Abutment over the Norfolk Southern Railway Company and being the Point of Beginning for this description;

Thence leaving the corner of Norfolk Southern Railway Company and with the line of Kentucky Utilities Company (D.B. 328, Pg. 007), for the following six courses: N87°38'08"E – passing an iron found (PLS#3816) at 2.82 feet and continuing an additional 1449.80 feet for a total distance of 1452.62 feet to an iron pin found PLS #3816, S38°06'58"E – 98.94 feet to an iron pin found PLS #3816, S48°20'38"E – 124.02 feet to an iron pin found PLS #3816, S16°11'02"E – 120.12 feet to an iron pin found (cap unreadable), S30°57'02"E – 250.95 feet to an iron pin found PLS #3816 and S67°55'13"E – 61.50 feet to an iron pin found PLS #3816 at the 760' elevation of Herrington Lake, said pin being a corner of Kentucky Utilities Company (D.B. 328, Pg. 007), and being a corner of Kentucky Utilities Company (D.B. 101, Pg. 491 and D.B. 106, Pg. 270);

Thence leaving the corner of Kentucky Utilities Company (D.B. 328, Pg. 007) and with the line of Kentucky Utilities Company (D.B. 101, Pg. 491 and D.B. 106, Pg. 270) and with the 760 Elevation along Herrington Lake for the following sixteen courses: S56°43'25"E - 118.72 to an iron pin set (5/8" x 18" rebar with a 2" aluminum cap bearing PLS-3118- as will be typical for all set corner monuments), S78°31'57"E -157.28 feet to an iron pin set, S72°58'39"E - 141.20 feet to an iron pin set, S78°36'02"E - 241.55 feet to an iron pin set, S84°51'06"E - 248.49 feet to an iron pin set, S73°20'54"E - 136.13 feet to an iron pin set, N87°20'26"E - 201.56 to an iron pin set, S05°21'17"E - 22.50 feet to an iron pin set, S29°05'28"W - 280.31 feet to a point, S20°50'34"W - 178.62 feet to an iron pin set, S09°10'37"W - 79.31 feet to an iron pin set, S05°25'11"E - 171.59 feet to a point, S03°43'30"E - 348.86 feet to a point, S02°55'52"E - 110.50 feet to a point, S59°19'08"W - 186.13 feet to a point, and S57°19'33"W 209.69 feet to a point, said point being on the 760 elevation of Herrington Lake, a corner of Kentucky Utilities Company (D.B. 101, Pg. 491 and D.B. 106 Pg. 270) and being the eastern most corner of Andrea Perkins (D.B. 301, Pg. 593 Tract 8-1 Plat Book 5, Page 38);

Thence leaving the 760 elevation and Kentucky Utilities Company (D.B. 101, Pg. 491 and D.B. 106, Pg. 270) and with the line of Andrea Perkins (D.B. 301 Pg. 593 Tract 8-1 Plat Book 5, Page 38), N55°42'48"W - passing an iron witness pin set on line at 9.34 feet and then continuing an additional 79.52 feet for a total distance of 88.86 feet to an iron pin found PLS #1880, and N54°53'03"W 65.41 feet to an iron pin set;

Thence continuing first with the property line of Andrea Perkins (D.B. 301, Pg. 593 Tract 8-1 Plat Book 5, Page 38), and second with the property line of Billy Neeley (D.B. 293, Pg. 537 Tract 7 Plat Cab. A, Slide 429), and with or near a woven wire fence N51°43'10"W - 1338.59 feet to an iron pin set at a corner post, said corner post being a corner of Billy Neeley (D.B. 293, Pg. 537 Tract 7 Plat Cab. A, Slide 429);

Thence first with the property line of Billy Neeley (D.B. 293, Pg. 537 Tract 7 Plat Cab. A, Slide 429), and second with the property line of Walter Gross (D.B. 330, Pg. 671 Tract 3, 4, 5 and 6 Plat Cab. A, Slide 429), S79°33'37"W - 533.19 feet to an iron pin set at a found 24" Hackberry tree, being a corner of Walter Gross;

Thence continuing with the line of Walter Gross, S30°30'15"W - 166.64 feet to a 1/2" iron rebar found at a corner post, said pin being a western corner of Walter Gross;

Thence continuing on first with the property line of Walter Gross (D.B. 330, Pg. 671 Tract 3, 4, 5, and 6 Plat Cab. A, Slide 429) and secondly with the property line of Warren Davis (D.B. 225, Pg. 243, Tract 1 and 2 Plat Cab. A, Slide 429) and thirdly with the line of Peter Motto (D.B. 278, Pg. 320 Tract 2-A Plat Cab. A, Slide 366) S25°20'09"W - 1607.57 feet to a 1/4" iron pin found on the Northeast edge of right-of-way of Mallard Cove (Plat Book 5, Pg. 38 & 40), being 24.25 feet north of the centerline of said road;

Thence leaving the line of Peter Motto and with the north edge of right-of-way of Mallard Cove, N21°13'11"W - 564.80 feet to an iron pin set, being 27.26 feet Northeast of Centerline, N36°28'11"W - 609.40 feet to an iron pin set, being 28.33 feet Northeast of Centerline, N34°29'16"W - 87.37 feet to a point, N29°17'47"W - 362.91 feet to an iron pin set being 41.69 feet Northeast of Centerline and N71°20'24"W - 75.07 feet a point, said point on the north edge of right-of-way of Mallard Cove and being the Southeast corner of Sam Sadler (D.B. 230, Pg. 246);

Thence leaving the right-of-way of Mallard Cove and with the line of Sam Sadler, N02°25'15"W - passing an iron pin found (PLS # 1880) at 2.67 feet and continuing an additional 115.46 feet for a total distance of 118.13 feet to an iron pin found (PLS# 1880), N00°19'07"W - 123.50 feet to an iron pin found (PLS# 1880), N00°18'13"W - 29.44 feet to an iron pin set and N32°45'30"E - 282.42 feet to an iron pin found (PLS# 1880) and N58°25'08"W - 239.67 feet to an iron pin found (PLS# 1880) at a corner post being on the southeast edge of right-of-way of the Norfolk Southern Railway Company (D.B. 104, Pg. 280);

Thence leaving the corner of Sadler and with the line of the Norfolk Southern Railway, N19°42'48"W - 22.39 feet to an iron pin set, said pin being 100' southeast of the centerline of Rail Road and with a curve to the Left having a Radius of 2010.1 feet, a Chord Bearing and Distance of N50°06'23"E - 1143.75 feet to the Point of Beginning and containing 124.140 acres by survey.

The above legal description was created per the physical survey and Minor Plat prepared by Douglas G. Gooch, AGE Engineering Services, Inc., Ky. R.L.S. #3118, dated the 20th day of November, 2014, which is of record in Plat Cabinet D, Page 94, in the Office of the Clerk of Mercer County, Kentucky.

BEING the same property conveyed to Kentucky Utilities Company by Deed dated December 8, 2014, of record in Deed Book 342, Page 189 in the Office of the Clerk of Mercer County, Kentucky.

Muhlenberg County, Kentucky:

This being all of that remaining property acquired by Ray C. Dunlap by deed from Doyle Blankenship, dated the 9th day of November, 2000, and of record in Deed Book 481, page 380, in the Muhlenberg County Court Clerk's Office.

BEGINNING at an iron pin set (5/8" x 18" rebar with aluminum cap bearing PLS-3916, as will be typical for all set corner monuments), on the east edge of right-of-way being 35' from the centerline of US Hwy 431 (D.B. 134, PG. 407) of US Hwy 431, said pin having KY South Zone (NAD 83) Coordinates of N=2016398.88 E=1238112.26, being approximately 0.47 miles south from the intersection of centerlines of the Green River Power Plant Road and US Hwy 431, said point also being witnessed by a existing wood fence corner post being S52°32'03"E – 13.22 feet from said pin and said pin also being referenced by a 38" Oak Tree located on the east side of US Hwy 431 and being S07°42'07"E – 29.17 feet from said pin set and said pin also being referenced by a 29" Oak Tree (with wire through the middle) located on the west side of US Hwy 431, said tree being N59°26'42"W – 71.93 feet from said pin, said pin also being the Northwest Corner of Clarence J. Turner, Jr (D.B. 377, Pg. 601- Tract 2) and being the POINT OF BEGINNING for this description; Thence leaving the corner of Turner and with the eastern right-of-way of US Hwy 431 (D.B. 134, Pg. 407), N22°16'18"E - 268.24 to an iron pin set 34.05 feet from centerline, a said pin being a corner of right-of-way of the Commonwealth of KY (D.B. 134, Pg. 407 and D.B. 506, Pg. 201- Tract A);

Thence leaving the right-of-way dedicated in D.B. 134, Pg. 407 and with the right-of-way dedicated in D.B. 506, Pg. 201 –Tract A the following four (4) courses: N42°48'35"E - 159.92 feet to an iron pin set 89.53 feet from centerline, N22°31'16"E - 50.00 feet to an iron pin set 89.59 feet from centerline, N19°27'07"E - 186.77 feet to an iron pin set 80.14 feet from centerline, with a curve to the LEFT having a RADIUS of 1989.86 feet and a CHORD BEARING and DISTANCE of N16°18'50"E - 430.31 feet to an iron pin set 80.20 feet from centerline, said pin being a corner of right-of-way of the Commonwealth of KY (D.B. 134, Pg. 407 and D.B. 506, Pg. 201- Tract A);

Thence leaving the right-of-way dedicated in D.B. 506, Pg. 201 –Tract A and with the right-of-way dedicated in D.B. 134, Pg. 407 the following seven (7) courses: N22°21'53"E - 57.99 feet to a point and with a curve to the LEFT having a RADIUS of 990.40 feet and a CHORD BEARING and DISTANCE of N13°07'57" E - 317.80 feet to an iron pin set, said pin being 143.57 feet from centerline, S86°06'00"E - 5.00 feet to a pin, said pin being 148.57 feet from centerline, with a curve to the LEFT having a RADIUS of 995.40 feet and a CHORD BEARING and DISTANCE of N00°44'52" W - 161.31 feet to an iron pin set 153.47 feet from centerline, S84°36'16"W - 5.00 feet to an iron pin set 148.47 feet from centerline, with a curve to the LEFT having a RADIUS of 990.40 feet and a CHORD BEARING and DISTANCE N18°14'25"W - 440.35 feet to a point and N31°05'07"W - 13.34 feet to an iron pin set 90.48 feet from centerline, said pin being a corner of right-of-way of the Commonwealth of KY (D.B. 134, Pg. 407 and D.B. 506, Pg. 201- Tract B);

Thence leaving the right-of-way dedicated in D.B. 134, Pg. 407 and with the right-of-way dedicated in D.B. 506, Pg. 201 –Tract B with a curve to the LEFT having a RADIUS of 1999.86 feet and a CHORD BEARING and DISTANCE of N20°58'47"W - 237.10 feet to an iron pin set 90.00 feet from centerline, said pin being the South West corner of Kentucky Utilities Company (D.B. 162, Pg. 552);

Thence leaving the right-of-way of US Hwy 431 and with the line of Kentucky Utilities Company, S75°28'49"E – passing an iron witness pin set at 3078.83 feet, said pin set at the base of a 28" Sycamore Tree Found and continuing at the same bearing an additional 2.72 feet for a total distance of 3081.55 feet to the center of a 28" Sycamore Tree Found on western bank of the Green River, said tree being the southeast corner of Kentucky Utilities Company (D.B. 162, Pg. 552);

Thence leaving the line of Kentucky Utilities Company and with western bank of the Green River the following five (5) courses: S43°40'46"W – 320.70 feet to a point, S40°44'15"W – 302.68 feet to a point, S40°06'26"W – 211.40 feet to a point, S32°41'04"W – 37.35 feet to a point and S18°05'27"W – 17.02 feet to an iron pin set on the western bank of the Green River, said pin being approximately 19' Northeast from the northern bank of a Manmade Diversion Ditch and being on the line of Clarence J. Turner, Jr. (D.B. 377, Pg. 601 – Tract 2);

Thence leaving the western bank of the Green River and with the line of Clarence J. Turner, Jr, N58°52'23"W – 330.00 feet to an iron pin set on the side a hill, said corner being referenced by a 40" Oak Tree being S51°30'30"E – 122.64 feet from said corner; Thence continuing with the line of Clarence J. Turner, Jr., S41°07'37"W – 2178.00 feet to an iron pin set at the Top of Bank of a Manmade Diversion Ditch; Thence continuing with the line of Turner, N52°32'03"W – passing the center of a 30" Oak Tree with old wire grown through the middle at 11.95 feet and continuing at the same bearing an additional 1200.80 feet for total distance of 1212.75 feet to the POINT OF BEGINNING and containing 104.629 acres by survey.

All bearings are referenced to grid north of the Kentucky State Plane Coordinate System – South Zone (NAD83).

The above legal description was created per the physical survey by David L. King II, AGE Engineering Services, Inc., Ky. R.L.S. #3916, dated June 18, 2014.

BEING the same property conveyed to Kentucky Utilities Company by Deed dated July 15, 2014, of record in Deed Book 569, Page 849 in the Office of the Clerk of Muhlenberg County, Kentucky.

EXHIBIT D

KENTUCKY UTILITIES COMPANY

Generating Facilities

Schedule of additional generating stations located in the Commonwealth of Kentucky

1. An undivided 78% interest in Unit 7 of the Cane Run Generating Station, located in Jefferson County, Kentucky, the remaining undivided 22% interest in Unit 7 being owned by Louisville Gas and Electric Company.
2. An undivided 62% interest in each of Unit 6 and Unit 7 of E.W. Brown Generating Station, located in Mercer County, Kentucky, the remaining 38% undivided interest in such Units being owned by Louisville Gas and Electric Company.

KENTUCKY UTILITIES COMPANY

Corrections to Original Indenture

1. Clause (d) of the exceptions to the granting clauses under "EXCEPTED PROPERTY" in the Original Indenture is hereby corrected by inserting "(b)," immediately following the words "referred to in clause".
2. Clause (p) in the third paragraph of Section 301 of the Original Indenture is hereby corrected by deleting the word "Eight" in each instance and replacing such word with the word "Nine" in each instance.
3. Clause (e) in the first paragraph of Section 806 of the Original Indenture is hereby corrected by deleting the word "Eight" and replacing such word with the word "Nine".
4. The fourth paragraph of Section 1107 of the Original Indenture is hereby corrected by deleting the word "Eight" and replacing such word with the word "Nine".

KENTUCKY UTILITIES COMPANY

TO

THE BANK OF NEW YORK MELLON,

Trustee

**Supplemental Indenture No. 5
dated as of August 1, 2016**

**Supplemental to the Indenture
dated as of October 1, 2010**

Establishing

First Mortgage Bonds, Collateral Series 2016CCA

SUPPLEMENTAL INDENTURE NO. 5

SUPPLEMENTAL INDENTURE No. 5, dated as of the 1st day of August, 2016, made and entered into by and between KENTUCKY UTILITIES COMPANY, a corporation duly organized and existing under the laws of the Commonwealths of Kentucky and Virginia, having its principal corporate offices at One Quality Street, Lexington, Kentucky 40507 (hereinafter sometimes called the “Company”), and THE BANK OF NEW YORK MELLON, a New York banking corporation, having its corporate trust office at 500 Ross Street, 12th Floor, Pittsburgh, Pennsylvania 15262 and having its principal place of business at 225 Liberty Street, New York, New York 10281 (hereinafter sometimes called the “Trustee”), as Trustee under the Indenture, dated as of October 1, 2010 (hereinafter called the “Original Indenture”), between the Company and said Trustee, as heretofore supplemented, this Supplemental Indenture No. 5 being supplemental thereto. The Original Indenture, as heretofore supplemented, and this Supplemental Indenture No. 5 are hereinafter sometimes, collectively, called the “Indenture.”

Recitals of the Company

The Original Indenture was authorized, executed and delivered by the Company to provide for the issuance from time to time of its Securities (such term and all other capitalized terms used herein without definition having the meanings assigned to them in the Original Indenture), to be issued in one or more series as contemplated therein, and to provide security for the payment of the principal of and premium, if any, and interest, if any, on such Securities.

The Company has heretofore executed and delivered supplemental indentures for the purpose of creating series of Securities as set forth in Exhibit A hereto.

The Original Indenture and Supplemental Indentures No. 1, No. 2 and No. 3, and financing statements in respect thereof, have been duly recorded and filed in the various official records in the Commonwealth of Kentucky as set forth in Supplemental Indenture No. 4.

Supplemental Indenture No. 4 has been duly recorded and filed in the various official records in the Commonwealth of Kentucky as set forth in Exhibit B hereto.

Pursuant to Article Three of the Original Indenture, the Company wishes to establish a series of Securities, such series of Securities to be hereinafter sometimes called “Securities of Series No. 8”.

As contemplated in Section 301 of the Original Indenture, the Company further wishes to establish the designation and certain terms of the Securities of Series No. 8. The Company has duly authorized the execution and delivery of this Supplemental Indenture No. 5 to establish the designation and certain terms of such series of Securities and has duly authorized the issuance of such Securities; and all acts necessary to make this Supplemental Indenture No. 5 a valid agreement of the Company, and to make the Securities of Series No. 8 valid obligations of the Company, have been performed.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE NO. 5 WITNESSETH, that, for and in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to secure the payment of the principal of and premium, if any, and interest, if any, on all Securities from time to time Outstanding and the performance of the covenants therein and in the Indenture contained, the Company hereby grants, bargains, sells, conveys, assigns, transfers, mortgages, pledges, sets over and confirms to the Trustee, and grants to the Trustee a security interest in and lien on, the real property specifically referred to in Exhibit C attached hereto and incorporated herein by reference and all right, title and interest of the Company in and to all property personal and mixed located thereon (other than Excepted Property), as and to the extent, and

subject to the terms and conditions, set forth in the Original Indenture, as heretofore amended; and it is further mutually covenanted and agreed, for the benefit of the Holders of the Securities of Series No. 8, as follows:

ARTICLE ONE

SECURITIES OF SERIES NO. 8

SECTION 101. Creation of Series No. 8.

There is hereby created a series of Securities designated “First Mortgage Bonds, Collateral Series 2016CCA”, and the Securities of such series shall:

- (a) be issued in the aggregate principal amount of \$96,000,000 and shall be limited to such aggregate principal amount (except as contemplated in Section 301(b) of the Original Indenture);
- (b) be dated August 25, 2016;
- (c) have a Stated Maturity of September 1, 2042, subject to prior redemption by the Company;
- (d) have such additional terms as are established in an Officer’s Certificate as contemplated in Section 301 of the Original Indenture; and
- (e) be in substantially the form or forms established therefor in an Officer’s Certificate, as contemplated by Section 201 of the Original Indenture.

ARTICLE TWO

MISCELLANEOUS PROVISIONS

SECTION 201. Single Instrument.

This Supplemental Indenture No. 5 is an amendment and supplement to the Original Indenture as heretofore amended and supplemented. As amended and supplemented by this Supplemental Indenture No. 5, the Original Indenture, as heretofore supplemented, is in all respects ratified, approved and confirmed, and the Original Indenture, as heretofore supplemented, and this Supplemental Indenture No. 5 shall together constitute the Indenture.

SECTION 202. Trustee.

The Trustee accepts the amendment of the Original Indenture effected by this Supplemental Indenture No. 5 upon the terms and conditions set forth in the Original Indenture, as heretofore amended and supplemented, including the terms and provisions defining and limiting the liabilities and responsibilities of the Trustee, which terms and provisions shall in like manner define and limit its liabilities and responsibilities in the performance of the trust created by the Original Indenture, as heretofore amended and supplemented, and as hereby amended. The Recitals of the Company contained in this Supplemental Indenture No. 5 shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness and makes no representations as to the validity or sufficiency of this Supplemental Indenture No. 5.

SECTION 203. Effect of Headings.

The Article and Section headings in this Supplemental Indenture No. 5 are for convenience only and shall not affect the construction hereof.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

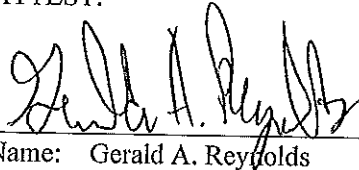
IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture No. 5 to be duly executed as of the day and year first written above.

KENTUCKY UTILITIES COMPANY

By: 

Name: Daniel K. Arbough
Title: Treasurer

ATTEST:



Name: Gerald A. Reynolds
Title: General Counsel, Chief Compliance
Officer and Corporate Secretary

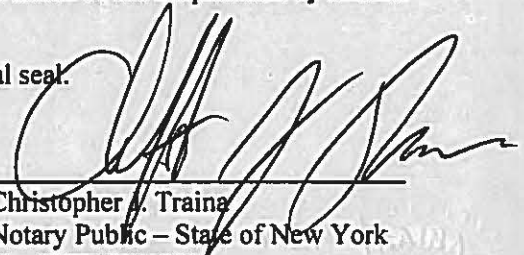
THE BANK OF NEW YORK MELLON, as Trustee

By: 
Name: Francine Kincaid
Title: Vice President

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 9th day of August, 2016, before me, a notary public, the undersigned, personally appeared Francine Kincaid, who acknowledged herself to be a Vice President of THE BANK OF NEW YORK MELLON, a corporation and that she, as Vice President, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by herself as Vice President.

In witness whereof, I hereunto set my hand and official seal.

By: 
Christopher J. Traina
Notary Public – State of New York
No. 01TR6297825
Qualified in Queens County
Certified in New York County
My Commission Expires
March 03, 2018

The Bank of New York Mellon hereby certifies that its precise name and address as Trustee hereunder are:

The Bank of New York Mellon
500 Ross Street, 12th Floor
Pittsburgh, Pennsylvania 15262
Attn: Corporate Trust Administration

THE BANK OF NEW YORK MELLON, as Trustee

By: 
Name: Francine Kincaid
Title: Vice President

CERTIFICATE OF PREPARER

The foregoing instrument was prepared by:

James J. Dimas, Senior Corporate Attorney
Kentucky Utilities Company
220 West Main Street
Louisville, Kentucky 40202


James J. Dimas

KENTUCKY UTILITIES COMPANY

**Bonds Issued and Outstanding
under the Indenture**

<u>Supplemental Indenture No.</u>	<u>Dated as of</u>	<u>Series No.</u>	<u>Series Designation</u>	<u>Date of Securities</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding¹</u>
1	October 15, 2010	1	Collateral Series 2010	October 28, 2010	\$350,779,405	\$350,779,405
2	November 1, 2010	2	1.625% Series due 2015	November 16, 2010	\$250,000,000	None
		3	3.250% Series due 2020	November 16, 2010	\$500,000,000	\$500,000,000
		4	5.125% Series due 2040	November 16, 2010	\$750,000,000	\$750,000,000
3	November 1, 2013	5	4.65% Series due 2043	November 14, 2013	\$250,000,000	\$250,000,000
4	September 1, 2015	6	3.30% Series due 2025	September 28, 2015	\$250,000,000	\$250,000,000
		7	4.375% Series due 2045	September 28, 2015	\$250,000,000	\$250,000,000

¹ As of August 1, 2016.

KENTUCKY UTILITIES COMPANY

Filing and Recording
of
Supplemental Indenture No. 4, dated as of September 1, 2015,
to
Indenture, dated as of October 1, 2010

COUNTY NAME	BOOK AND PAGE NUMBER
Adair	MB 338 P 655
Anderson	MB 545, Pg 29-48
Ballard	Mortgage Book 80, Page 105
Barren	MB 552 P 170
Bath	MB 221-100
Bell	Book/page: 331/795
Bourbon	Mortgage Book 587, Page 443
Boyle	MB 683 PG 50
Bracken	M285, PG277
Bullitt	MB 1609 P 487
Caldwell	Book 309, Page 169
Carroll	M 229, Pages: 1-20
Casey	MB 241 P 844
Christian	MB 1415, page 172
Clark	M 813, PG 475
Clay	Book 216, Pages 507-526
Crittenden	MTG Book 212, Page 304
Estill	M E 10, Page 300
Fayette	MB 8388, Page 564-584
Fleming	MB 327-547
Franklin	M 1355, Pg 229-248
Fulton	MTG No. 181, Pages 293-312
Gallatin	M219, Pages: 458-477
Garrard	MB342, page 60-79
Grayson	MB 21x, PG 643
Green	MB 298, Pg 113
Hardin	MB 2140 P 744
Harlan	MTG BK 436, PG 439
Harrison	MB 385 PG 484
Hart	MB 363 P 404
Henry	MB 334, P 15-34
Hickman	Mortgage Book 111, Page 59

Hopkins	MB 1138, page 363
Jessamine	MB 1227 page 307
Knox	MB 425 PG346
Larue	Mtg Book 343, Page 610
Laurel	MB 1102 PG142
Lee	MTG 112, Page 237
Lincoln	MB 428, PG 649
Livingston	M297, PG 698
Lyon	MB 232, Pg 540
Madison	MB1641, page 143
Marion	MB 394, PG 741
Mason	MB 426–750
McCracken	Mtg Book No. 1476, Page 681
McLean	MB 190, PG 378
Mercer	MB 619 Page 656
Montgomery	MB 516–850
Muhlenberg	MB 670, PG 33
Nelson	MB 1078 PG 107
Nicholas	MB 152–643
Ohio	MB 509, PG 366
Oldham	M2177, Pages: 640–659
Owen	M259, PG 206
Pendleton	Deed Book No. 332, Page 399–418
Pulaski	MB 1455 P 546
Robertson	MB 63 PG38
Rockcastle	Mtg Book 265, Page 173
Rowan	Book: A363 Pages 580–599
Russell	MB 377 P 110
Scott	MB 1249, page 532
Shelby	MB 986 PG 368
Taylor	M544, Page 201
Trimble	M 205, PG 363
Union	Mortgage Book 418, Page 241
Washington	Mortgage Book N. 271, Page 599
Webster	MB 325 PG 328
Whitley	MB 596 PG890
Woodford	MB 757, Page 08

KENTUCKY UTILITIES COMPANY

REAL PROPERTY

Schedule of real property owned in fee located in the Commonwealth of Kentucky

Ballard County, Kentucky:

Tract I:

Lot #7 as shown on the Plat of Subdivision for West Kentucky Technology Park, which plat was recorded July 20, 1993, in Plat Book "F", page 4 (now Plat Cabinet 1, Slide 154), Ballard County Clerk's Office.

Tract II:

Lot #8 as shown on the Plat of Subdivision for West Kentucky Technology Park, which plat was recorded July 20, 1993, in Plat Book "F", page 4 (now Plat Cabinet 1, Slide 154), Ballard County Clerk's Office.

Tract III:

Lot #9 as shown on the Revision to Plat of Subdivision for West Kentucky Technology Park, which plat was recorded May 8, 1997, in Plat Book "F", page 58 (now Plat Cabinet 1, Slide 208), Ballard County Clerk's Office.

Being the same property conveyed to Kentucky Utilities Company by Deed dated December 22, 2015, of record in Deed Book 109, Page 199 in the Office of the Clerk of Ballard County, Kentucky.

KENTUCKY UTILITIES COMPANY

TO

THE BANK OF NEW YORK MELLON,

Trustee

**Supplemental Indenture No. 6
dated as of August 1, 2018**

**Supplemental to the Indenture
dated as of October 1, 2010**

Establishing

First Mortgage Bonds, Collateral Series 2018CCA

SUPPLEMENTAL INDENTURE NO. 6

SUPPLEMENTAL INDENTURE No. 6, dated as of the 1st day of August, 2018, made and entered into by and between KENTUCKY UTILITIES COMPANY, a corporation duly organized and existing under the laws of the Commonwealths of Kentucky and Virginia, having its principal corporate offices at One Quality Street, Lexington, Kentucky 40507 (hereinafter sometimes called the "Company"), and THE BANK OF NEW YORK MELLON, a New York banking corporation, having its corporate trust office at 500 Ross Street, 12th Floor, Pittsburgh, Pennsylvania 15262 and having its principal place of business at 225 Liberty Street, New York, New York 10281 (hereinafter sometimes called the "Trustee"), as Trustee under the Indenture, dated as of October 1, 2010 (hereinafter called the "Original Indenture"), between the Company and said Trustee, as heretofore supplemented, this Supplemental Indenture No. 6 being supplemental thereto. The Original Indenture, as heretofore supplemented, and this Supplemental Indenture No. 6 are hereinafter sometimes, collectively, called the "Indenture."

Recitals of the Company

The Original Indenture was authorized, executed and delivered by the Company to provide for the issuance from time to time of its Securities (such term and all other capitalized terms used herein without definition having the meanings assigned to them in the Original Indenture), to be issued in one or more series as contemplated therein, and to provide security for the payment of the principal of and premium, if any, and interest, if any, on such Securities.

The Company has heretofore executed and delivered supplemental indentures for the purpose of creating series of Securities as set forth in Exhibit A hereto.

The Original Indenture and Supplemental Indentures No. 1, No. 2 and No. 3, and financing statements in respect thereof, have been duly recorded and filed in the various official records in the Commonwealth of Kentucky as set forth in Supplemental Indenture No. 4, and Supplemental Indenture No. 4 has been duly recorded and filed in the various official records in the Commonwealth of Kentucky as set forth in Supplemental Indenture No. 5.

Supplemental Indenture No. 5 has been duly recorded and filed in the various official records in the Commonwealth of Kentucky as set forth in Exhibit B hereto.

Pursuant to Article Three of the Original Indenture, the Company wishes to establish a series of Securities, such series of Securities to be hereinafter sometimes called "Securities of Series No. 9".

As contemplated in Section 301 of the Original Indenture, the Company further wishes to establish the designation and certain terms of the Securities of Series No. 9. The Company has duly authorized the execution and delivery of this Supplemental Indenture No. 6 to establish the designation and certain terms of such series of Securities and has duly authorized the issuance of such Securities; and all acts necessary to make this Supplemental Indenture No. 6 a valid agreement of the Company, and to make the Securities of Series No. 9 valid obligations of the Company, have been performed.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE NO. 6 WITNESSETH, that, for and in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to secure the payment of the principal of and premium, if any, and interest, if any, on all Securities from time to time Outstanding and the performance of the covenants therein and in the Indenture contained, the Company hereby grants, bargains, sells, conveys, assigns, transfers, mortgages, pledges, sets over and confirms to the Trustee, and grants to the Trustee a security interest in and lien on, the real property specifically referred to in Exhibit C attached

hereto and incorporated herein by reference and all right, title and interest of the Company in and to all property personal and mixed located thereon (other than Excepted Property), as and to the extent, and subject to the terms and conditions, set forth in the Original Indenture, as heretofore amended; and it is further mutually covenanted and agreed, for the benefit of the Holders of the Securities of Series No. 9, as follows:

ARTICLE ONE

SECURITIES OF SERIES NO. 9

SECTION 101. Creation of Series No. 9.

There is hereby created a series of Securities designated "First Mortgage Bonds, Collateral Series 2018CCA", and the Securities of such series shall:

- (a) be issued in the aggregate principal amount of \$17,875,000 and shall be limited to such aggregate principal amount (except as contemplated in Section 301(b) of the Original Indenture);
- (b) be dated September 5, 2018;
- (c) have a Stated Maturity of February 1, 2026, subject to prior redemption by the Company;
- (d) have such additional terms as are established in an Officer's Certificate as contemplated in Section 301 of the Original Indenture; and
- (e) be in substantially the form or forms established therefor in an Officer's Certificate, as contemplated by Section 201 of the Original Indenture.

ARTICLE TWO

MISCELLANEOUS PROVISIONS

SECTION 201. Single Instrument.

This Supplemental Indenture No. 6 is an amendment and supplement to the Original Indenture as heretofore amended and supplemented. As amended and supplemented by this Supplemental Indenture No. 6, the Original Indenture, as heretofore supplemented, is in all respects ratified, approved and confirmed, and the Original Indenture, as heretofore supplemented, and this Supplemental Indenture No. 6 shall together constitute the Indenture.

SECTION 202. Trustee.

The Trustee accepts the amendment of the Original Indenture effected by this Supplemental Indenture No. 6 upon the terms and conditions set forth in the Original Indenture, as heretofore amended and supplemented, including the terms and provisions defining and limiting the liabilities and responsibilities of the Trustee, which terms and provisions shall in like manner define and limit its liabilities and responsibilities in the performance of the trust created by the Original Indenture, as heretofore amended and supplemented, and as hereby amended. The Recitals of the Company contained in this Supplemental Indenture No. 6 shall be taken as the statements of the Company, and the Trustee

assumes no responsibility for their correctness and makes no representations as to the validity or sufficiency of this Supplemental Indenture No. 6.

SECTION 203. Effect of Headings.

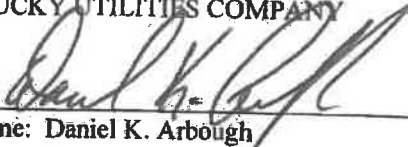
The Article and Section headings in this Supplemental Indenture No. 6 are for convenience only and shall not affect the construction hereof.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture No. 6 to be duly executed as of the day and year first written above.

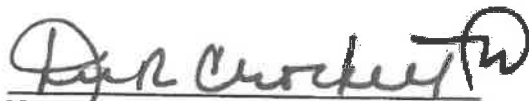
KENTUCKY UTILITIES COMPANY

By:



Name: Daniel K. Arbough
Title: Treasurer

ATTEST:



Name: John R. Crockett III
Title: General Counsel, Chief Compliance
Officer and Corporate Secretary

THE BANK OF NEW YORK MELLON, as Trustee

By: 
Name: Francine Kincaid
Title: Vice President

KENTUCKY UTILITIES COMPANY

TO

THE BANK OF NEW YORK MELLON,

Trustee

**Supplemental Indenture No. 7
dated as of March 1, 2019**

**Supplemental to the Indenture
dated as of October 1, 2010**

**Increasing the Aggregate Principal Amount
of the Securities of Series 7 under the Indenture
designated**

First Mortgage Bonds, 4.375% Series due 2045

SUPPLEMENTAL INDENTURE NO. 7

SUPPLEMENTAL INDENTURE No. 7, dated as of the first day of March, 2019, made and entered into by and between KENTUCKY UTILITIES COMPANY, a corporation duly organized and existing under the laws of the Commonwealths of Kentucky and Virginia, having its principal corporate offices at One Quality Street, Lexington, Kentucky 40507 (hereinafter sometimes called the "Company"), and THE BANK OF NEW YORK MELLON, a New York banking corporation, having its principal place of business and corporate trust office at 240 Greenwich Street, 7E, New York, New York 10286 (hereinafter sometimes called the "Trustee"), as Trustee under the Indenture, dated as of October 1, 2010 (hereinafter called the "Original Indenture"), between the Company and said Trustee, as heretofore supplemented, this Supplemental Indenture No. 7 being supplemental thereto. The Original Indenture, as heretofore supplemented, and this Supplemental Indenture No. 7 are hereinafter sometimes, collectively, called the "Indenture."

Recitals of the Company

The Original Indenture was authorized, executed and delivered by the Company to provide for the issuance from time to time of its Securities (such term and all other capitalized terms used herein without definition having the meanings assigned to them in the Original Indenture), to be issued in one or more series as contemplated therein, and to provide security for the payment of the principal of and premium, if any, and interest, if any, on such Securities.

The Company has heretofore executed and delivered supplemental indentures for the purpose of creating series of Securities as set forth in Exhibit A hereto.

The Original Indenture and Supplemental Indentures Nos. 1 through 5, and financing statements in respect thereof, have been duly recorded and filed in the various official records in the Commonwealth of Kentucky as set forth in Supplemental Indenture No. 6.

Supplemental Indenture No. 6 has been duly recorded and filed in the various official records in the Commonwealth of Kentucky as set forth in Exhibit B hereto.

Pursuant to Article Three of the Original Indenture and Supplemental Indenture No. 4 dated as of September 1, 2015 ("Supplemental Indenture No. 4"), the Company established a series of Securities, such series of Securities hereinafter sometimes called the "Securities of Series No. 7".

As contemplated in Section 301 of the Original Indenture and Section 102 of Supplemental Indenture No. 4, the Company wishes to increase the limitation on the aggregate principal amount of the Securities of Series No. 7 and provide for the issuance of additional Securities of such series. The Company has duly authorized the execution and delivery of this Supplemental Indenture No. 7 to increase such limitation, provide for the issuance of additional Securities ("Additional Securities") of such series and specify certain provisions to be applicable to the Additional Securities, and has duly authorized the issuance of such Additional Securities; and all acts necessary to make this Supplemental Indenture No. 7 a valid agreement of the Company, and to make the Additional Securities of Series No. 7 valid obligations of the Company, have been performed.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE NO. 7 WITNESSETH, that, for and in consideration of the premises and of the purchase of the Additional Securities by the Holders thereof and in order to secure the payment of the principal of and premium, if any, and interest, if any, on all Securities from time to time Outstanding and the performance of the covenants therein and in the Indenture contained, the Company hereby grants, bargains, sells, conveys, assigns, transfers, mortgages,

pledges, sets over and confirms to the Trustee, and grants to the Trustee a security interest in and lien on (a) the Company's right, title and interest in the real property specifically referred to in Exhibit C attached hereto and incorporated herein by reference and all right, title and interest of the Company in and to all property personal and mixed located thereon (other than Excepted Property) and (b) the Company's right, title and interest in the generating stations described in Exhibit D hereto, as and to the extent, and subject to the terms and conditions, set forth in the Original Indenture; and it is further mutually covenanted and agreed as follows:

ARTICLE ONE

ADDITIONAL SECURITIES OF SERIES NO. 7

SECTION 101. Additional Securities of Series No. 7.

The Additional Securities of Series No. 7, which is designated "First Mortgage Bonds, 4.375% Series due 2045," shall:

(a) be issued in the aggregate principal amount of \$300,000,000 so that the aggregate principal amount of Securities of Series No. 7 shall be limited to \$550,000,000 (except as contemplated in Section 301(b) of the Original Indenture); provided, however, that, as contemplated in the last paragraph of Section 301 of the Original Indenture, additional Securities of such series may be subsequently issued from time to time, without any consent of Holders of the Securities of such series, if and to the extent that, prior to each such subsequent issuance, the aggregate principal amount of the additional Securities then to be issued shall have been set forth in a Supplemental Indenture, and, thereupon, the Securities of such series shall be limited to such aggregate principal amount as so increased (except as aforesaid and subject to further such increases);

(b) be dated September 28, 2015;

(c) have a Stated Maturity of October 1, 2045, subject to prior redemption or purchase by the Company; and

(d) have such additional terms and be in such form, as were established for the Securities of Series No. 7 in the Officer's Certificate dated September 28, 2015 as contemplated in Sections 201 and 301 of the Original Indenture (the "Original Officer's Certificate"), and such additional provisions as shall be set forth herein and in an Officer's Certificate supplemental to the Original Officer's Certificate as contemplated by Section 301 of the Original Indenture and such Original Officer's Certificate.

ARTICLE TWO

MISCELLANEOUS PROVISIONS

SECTION 201. Single Instrument.

This Supplemental Indenture No. 7 is an amendment and supplement to the Original Indenture as heretofore amended and supplemented. As amended and supplemented by this Supplemental Indenture No. 7, the Original Indenture, as heretofore supplemented, is in all respects ratified, approved and confirmed, and the Original Indenture, as heretofore supplemented, and this Supplemental Indenture No. 7 shall together constitute the Indenture.

SECTION 202. Effect of Headings.

The Article and Section headings in this Supplemental Indenture No. 7 are for convenience only and shall not affect the construction hereof.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture No. 7 to be duly executed as of the day and year first written above.

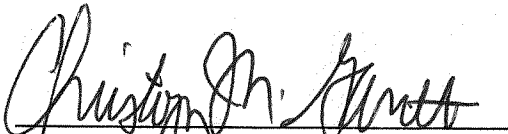
KENTUCKY UTILITIES COMPANY

By: 

Name: Daniel K. Arbough

Title: Treasurer

ATTEST:

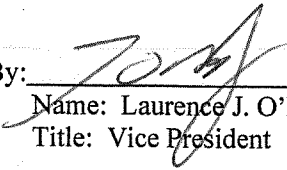


Name: Christopher M. Garrett

Title: Controller

THE BANK OF NEW YORK MELLON, as Trustee

By: _____


Name: Laurence J. O'Brien
Title: Vice President

CERTIFICATE OF PREPARER

The foregoing instrument was prepared by:

James J. Dimas, Senior Corporate Attorney
Kentucky Utilities Company
220 West Main Street
Louisville, Kentucky 40202


James J. Dimas

EXHIBIT A

KENTUCKY UTILITIES COMPANY

**Bonds Issued and Outstanding
under the Indenture**

<u>Supplemental Indenture No.</u>	<u>Dated as of</u>	<u>Series No.</u>	<u>Series Designation</u>	<u>Date of Securities</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding¹</u>
1	October 15, 2010	1	Collateral Series 2010	October 28, 2010	\$350,779,405	\$227,977,405
2	November 1, 2010	2	1.625% Series due 2015	November 16, 2010	\$250,000,000	\$0
		3	3.250% Series due 2020	November 16, 2010	\$500,000,000	\$500,000,000
		4	5.125% Series due 2040	November 16, 2010	\$750,000,000	\$750,000,000
3	November 1, 2013	5	4.65% Series due 2043	November 14, 2013	\$250,000,000	\$250,000,000
4	September 1, 2015	6	3.30% Series due 2025	September 28, 2015	\$250,000,000	\$250,000,000
		7	4.375% Series due 2045	September 28, 2015	\$250,000,000	\$250,000,000
5	August 1, 2016	8	Collateral Series 2016CCA	August 25, 2016	\$96,000,000	\$96,000,000
6	August 1, 2018	9	Collateral Series 2018CCA	September 5, 2018	\$17,875,000	\$17,875,000

¹ As of March 1, 2019.

EXHIBIT B

KENTUCKY UTILITIES COMPANY

Filing and Recording
of
Supplemental Indenture No. 6, dated as of August 1, 2018,
to
Indenture, dated as of October 1, 2010

COUNTY NAME	BOOK & PAGE NUMBER
Adair	MB 363, Pg 223
Anderson	MB 603, Pg 146
Ballard	MB 96, Pg 444
Barren	MB 619, Pg 57
Bath	MB 240, Pg 176
Bell	MB 352, Pg 245
Bourbon	MB 630, Pg 515
Boyle	MB 731, Pg 364
Bracken	MB 301, Pg 404
Bullitt	MB 792, Pg 819
Caldwell	MB 338, Pg 312
Carroll	MB 245, Pg 423
Casey	MB 260, Pg 339
Christian	MB 1527, Pg 249
Clark	MB 882, Pg 376
Clay	MB 226, Pg 436
Crittenden	MB 226, Pg 755
Estill	MB V10, Pg 19 - 38
Fayette	MB 9168, Pg 130
Fleming	MB 354, Pg 444
Franklin	MB 1464, Pg 831
Fulton	MB 188, Pg 273
Gallatin	MB 235, Pg 424
Garrard	MB 371, Pg 417
Grayson	MB 23-U, Pg 210
Green	MB 318, Pg 565
Hardin	DB 1461, Pg 1096
Harlan	MB 458, Pg 408
Harrison	MB 415, Pg 269
Hart	MB 401, Pg 226
Henry	MB 358, Pg 887
Hickman	DB 138, Pg 552

Hopkins	MB 1223, Pg 432
Jessamine	MB 1342, Pg 198
Knox	MB 454, Pg 410
Larue	MB 373, Pg 14
Laurel	MB 1182, Pg 463
Lee	MB 119, Pg 105
Lincoln	MB 459, Pg 476
Livingston	MB 314, Pg 112
Lyon	MB 250, Pg 15
Madison	M 1821, Pg 755
Marion	MB 423, Pg 519
Mason	MB 452, Pg 647
McCracken	MB 1575, Pg 607
McLean	MB 204, Pg 631
Mercer	MB 668, Pg 443
Montgomery	MB 558, Pg 505
Muhlenberg	MB 703, Pg 1252
Nelson	MB 1180, Pg 700
Nicholas	MB 165, Pg 621
Ohio	MB 550, Pg 316
Oldham	MB 2319, Pg 388
Owen	MB 278, Pg 399-418
Pendleton	DB 349, Pg 340
Pulaski	MB 1578, Pg 381
Robertson	MB 68, Pg 219
Rockcastle	MB 287, Pg 576
Rowan	MB A397, Pg 701
Russell	MB 407, Pg 579
Scott	MC 48, Pg 302
Shelby	MB 1091, Pg 432
Taylor	MB 585, Pg 381
Trimble	MB 221, Pg 768
Union	MB 436, Pg 474
Washington	MB 289, Pg 76
Webster	MB 343, Pg 405
Whitley	MB 632, Pg 633
Woodford	MB 824, Pg 60

EXHIBIT C

KENTUCKY UTILITIES COMPANY

Real Property

Schedule of real property owned in fee located in the Commonwealth of Kentucky

Carroll County, Kentucky:

Beginning at an iron pin with a plastic identifier cap stamped "PLS #1548" found in the north right-of-way line of US Hwy. 42, said iron pin being approximately 3200 feet west of Montgomery Road and a corner to the property conveyed to Kentucky Utilities Company by Deed of Record in Deed Book 71, Page 563, in the Office of the Clerk of Carroll County, Kentucky, and being further defined by Kentucky Single Zone NAD 83, coordinates 4162762.675 North and 5128934.182 East; thence leaving said north right-of-way line and running with Kentucky Utilities Company North 27°37'47" West, 451.18 feet to a found iron pin with a plastic identifier cap stamped "PLS #3118"; thence leaving Kentucky Utilities Company and running along two new lines across the parent tract North 63°26'09" East, 829.25 feet to a found iron pin with a plastic identifier cap stamped "PLS #3118" and South 29°37'34" East, 414.50 feet to a point in the aforesaid north right-of-way line of US Hwy. 42, said point being North 28° 37'07" West, 0.27 feet from a found MAG Nail with identifier disc #3118; thence with said right-of-way line, along a curve to the right having a radius of 22,883.00 feet, an arc length of 633.77 feet and a chord of South 60°42'43" West, 633.75 feet to a found 5/8" re-bar; thence continuing with said right-of-way line South 61°30'16" West, 210.08 feet to the beginning, containing 8.351 Acres.

Unless otherwise noted, all aforesaid set iron pins are 5/8" re-bar, 18" in length, with a plastic identifier cap stamped "K. Crowe 2957".

BEING the same property conveyed to Kentucky Utilities Company by Deed dated November 13, 2018, recorded in Deed Book 210, Page 67, in the Office of the Clerk of Carroll County, Kentucky.

Hardin County, Kentucky:

Beginning at a stake in the North right of way line of Mulberry Street 219 feet Westwardly from the end of Green Hills Subdivision; thence N 37° 01' W 179 feet; thence S 74° 47' W 80.78 feet; thence S 37° 01' E 149 feet to the North right of way line of Mulberry Street; thence with said right of way line N 52° 59' E 75 feet to the beginning, and being Lot Nos 7,8,9 of Block G, of Green Hills Subdivision to Elizabethtown, Hardin County, Kentucky as per plat of said Subdivision recorded in Deed Book 102, Page 484 and transferred to Plat System 11A, in the office of the Clerk of Hardin County Court.

The above legal description is replaced by the following legal description prepared from a physical survey conducted by David L. King II, AGE Engineering Services, Inc., Ky. P.L.S. #3916, dated September 26, 2018:

BEGINNING at a ½" Rebar with No Identification Cap, said pin being:

- the southernmost corner of the property being surveyed
- the easternmost Corner of Lloyd Harlan Funkhouser (D.B. 1274, Page 485)

- having KY State Plane Coordinate System – South Zone (NAD83) coordinates of N=2139097.15, E=1611608.05
- being approximately 950' Northeast from the intersection of centerline of Panther Lane and N. Mulberry Street
- lying on the northern edge of right-of-way of N. Mulberry Street (as shown on plat of Green Hills Subdivision, Plat File 11-A)
- being 40' Northwest from the centerline of N. Mulberry Street
- lying in Elizabethtown, Nelson County, Kentucky
- and being the POINT OF BEGINNING for this description.

Thence leaving the northern edge of right-of-way of N. Mulberry Street (Plat File 11-A) and with the line of Lloyd Harlan Funkhouser (D.B. 1274, Page 485), N36°08'12"W – 150.93 feet to a 2-½" x ¼" Mag Nail Set with Washer Stamped (PLS # 3916), said Mag Nail being the Northern most corner of Lloyd Harlan Funkhouser (D.B. 1274, Page 485) and being on the southeastern boundary line of the Hardin County Water District No. 2 (D.B. 1402, Page 128);

Thence leaving the line of Lloyd Harlan Funkhouser (D.B. 1274, Page 485) and with first the line Hardin County Water District No. 2 (D.B. 1402, Page 128) and second the line of Elizabethtown Independent School District Finance Corp (D.B. 919, Page 109), N32°32'38"E – 80.27 feet to an iron pin set (5/8" x 18" rebar with aluminum cap bearing PLS-3916, as will be typical for all set corner monuments), said pin being on the southeastern line of the Elizabethtown Independent School District Finance Corp (D.B. 919, Page 109) and being the western most corner of Kentucky Utilities Company (D.B. 730, Page 265);

Thence leaving the line of the Elizabethtown Independent School District Finance Corp (D.B. 919, Page 109) and with the southwestern line of Kentucky Utilities Company (D.B. 730, Page 265), S36°08'12"E – passing an old wood post online at 95.81 feet and continuing an additional 83.81 feet for a total distance of 179.62 feet to an iron pin set, said pin set being S36°08'12"E – 0.36 feet from a ¼" Rebar found, said pin set being the Southeast Corner of Kentucky Utilities Company (D.B. 730, Page 265) and being on the northern edge of right-of-way of N. Mulberry Street (as shown on plat of Green Hills Subdivision, Plat File 11-A), said pin set being 40' Northwest from the centerline of N. Mulberry Street;

Thence leaving the line of Kentucky Utilities Company (D.B. 730, Page 265) and with the northern edge of right-of-way of N. Mulberry Street (as shown on plat of Green Hills Subdivision, Plat File 11-A), S53°28'50"W – 74.77 feet to the Point of Beginning and containing 0.284 acres by survey.

Being TRACT 1 on the survey plat attached to the Deed of record in Deed Book 1463, Page 1138, in the Office of the Clerk of Hardin County, Kentucky, and being the same property conveyed to Kentucky Utilities Company by Deed dated October 16, 2018, of record in Deed Book 1463, Page 1138 in the Office of the Clerk of Hardin County, Kentucky.

Pulaski County, Kentucky:

Ikerd Tract:

This being a landlocked parcel from that property acquired by Jerry S. Ikerd and Brenda Ikerd, Trustees of the Jerry S. and Brenda Ikerd Trust, U.T.D. October 24, 1996, by Deed dated June 22, 2017, of record in Deed Book 984, Page 602, in the Office of the Clerk of Pulaski County, Kentucky, and shown as Tract A on the Minor Severance Plat attached hereto as Exhibit A-1. Said Property being more particularly described as:

Beginning at an Iron Pin Found PLS# 2463 at the southwest corner of the Parent Tract of J.S.I. Investments Limited Partnership. This pin is approximately 413.2 feet (measured perpendicular to centerline) east of the centerline of KY Highway 39 and approximately 232.5 feet (measured perpendicular to centerline) North of the centerline of Quarry Road, in Somerset, Kentucky. Said pin having Kentucky State Plane Coordinate System (South Zone) coordinates of Northing = 1922849.92 and Easting = 1975183.18, and being on the north property line of a parcel owned by the estate of James Lee Stewart D.B. 385, PG. 322 (also see Master Commissioner's D.B. 011, PG. 329), and being the Southeast corner of Strack Apartments D.B 687, Pg. 656 and being the Point of Beginning for this description; Thence leaving the north line of the Stewart Estate and first with the east line of Strack Apartments D.B 687, Pg. 656, and secondly with the east line of Strack Apartments D.B. 939, Pg. 582 N10°06'21"E 163.95 feet to an iron pin set (18"x 5/8" iron rebar with a 2" aluminum cap stamped Douglas G. Gooch PLS #3118 as will be typical for all set corner monuments unless otherwise defined); Thence leaving the line of Strack Apartments and across the parent tract with a new line to the parent tract 574°23'23"E 153.73 feet to and iron pin set, the northeast corner of the parcel being created this day; Thence first with the parent tract and secondly with the west line of James's Towing & Recovery LLC D.B. 987, Pg. 611, Tract 2 S23°37'32"W (passing an iron pin found PLS 3630 at 1.73' and passing an iron pin found PLS 3630 at 167.33') for a total of 167.86 feet to an iron pin set on the north line of a piece of property once owned by Susie Wright D.B. 58, Pg. 396 (current ownership cannot be determined but this property may be claimed by Jerry Ikerd); Thence with the north line of Susie Wright and James Lee "Jimmie" Stewart N72°52'44"W 114.63 feet to the point of beginning and containing 0.507 acres by survey.

This description is prepared from a physical survey conducted by AGE Engineering Services Inc., on October 31, 2018. All bearings are based on Grid North of the Kentucky State Plane Coordinator System South Zone.

BEING the same property conveyed to Kentucky Utilities Company by Deed dated January 24, 2019, recorded in Deed Book 990, Page 685, in the Office of the Clerk of Pulaski County, Kentucky.

Stewart Tracts:

Parcel 1:

Being Tracts 1 and 3 on the Plat of record in Plat Cabinet F, Slide 173D, in the Office of the Clerk of Pulaski County, Kentucky.

BEING the same property conveyed to Kentucky Utilities Company by Deed dated January 23, 2019, recorded in Deed Book 991, Page 58, in the Office of the Clerk of Pulaski County, Kentucky.

Parcel 2:

Being Tract 2 on the Plat of record in Plat Cabinet F, Slide 173D, in the Office of the Clerk of Pulaski County, Kentucky.

BEING the same property conveyed to Kentucky Utilities Company by Deed dated January 23, 2019, recorded in Deed Book 991, Page 67, in the Office of the Clerk of Pulaski County, Kentucky.

Scott County, Kentucky:

BEING TRACT 1 on the Minor Subdivision Plat dated November 15, 2018, as approved by the Georgetown-Scott County Planning Commission on November 16, 2018, of record in Plat Cabinet 12, Slide 179, in the Office of the Clerk of Scott County, Kentucky.

TRACT 1 is more particularly described as follows:

COMMENCING at an 5/8" iron pin found (PLS #2536), said iron pin being a corner to the parent tract and being 20' northeast from the existing centerline of US-460 (aka Frankfort Road), said iron pin having Kentucky State Plane Coordinate System – North Zone Coordinates of N=257989.36, E=1508681.22;

Thence leaving said iron pin and running along the parent tract the following three courses: S07°13'40"W – 20.00 feet a point, said point being in the existing centerline of US-460 (aka Frankfort Road), thence along the existing centerline of US-460 (aka Frankfort Road) S86°58'41"E – 309.56 feet a set MAG Nail with Washer bearing PLS # 4048, said MAG Nail being a corner to Tract 2 (a Tract dedicated to right-of-way of US-460 as shown on the Plat of record in Plat Cabinet 12, Slide 179), thence leaving the existing centerline of US-460 (aka Frankfort Road) and along Tract 2 N07°35'34"E – 20.07 feet to an iron pin set (All corners monuments referred to herein as iron pins set are 5/8" x 18" iron rebar with 2" aluminum survey cap bearing P.L.S. #4048), said iron pin being the southwest most corner of the tract being surveyed and the northwest corner of Tract 2 (a Tract dedicated to right-of-way of US-460) and being 20.00 feet from the existing centerline of US-460 (aka Frankfort Road) and having Kentucky State Plane Coordinate System – North Zone Coordinates of N=257973.09, E=1508990.49 lying in Scott County, Kentucky and being the Point of Beginning for this description;

Thence leaving Tract 2 (a Tract dedicated to right-of-way of US-460) and along a new division line with the parent tract the following four courses: N07°35'34"E – 878.99 feet to an iron pin set, S81°51'38"E – 246.13 feet to an iron pin set, S07°52'06"W – 407.58 feet to an iron pin set and S06°54'42"W – 448.23 feet to an iron pin set, said iron pin being the southeast most corner of the tract being surveyed and the northeast corner of Tract 2 (a Tract dedicated to right-of-way of US-460) and being 20' northeast from the existing centerline of US-460 (aka Frankfort Road);

Thence along Tract 2 (a Tract dedicated to right-of-way of US-460) and 20' parallel to the existing centerline of US-460 (aka Frankfort Road) the following two courses: N87°29'15"W – 75.85 feet to a point and N87°03'39"W – 174.50 feet to the Point of Beginning and containing 4.901 acres by survey.

This description prepared from a physical survey conducted by John Henry Russell, AGE Engineering Services, Inc., Kentucky P.L.S. #4048, dated the 2nd day of October, 2018.

BEING the same property conveyed to Kentucky Utilities Company by Deed dated November 30, 2018, recorded in Deed Book 402, Page 114, in the Office of the Clerk of Scott County, Kentucky.

EXHIBIT D

KENTUCKY UTILITIES COMPANY

Generating Facilities

Schedule of additional generating stations located in the Commonwealth of Kentucky

1. An undivided 61% interest in the Brown Solar facility of the E.W. Brown Generating Station located in Mercer County, Kentucky, the remaining 39% interest in such facility being owned by Louisville Gas and Electric Company.

Kentucky Utilities Company
Response to Commission Staff's Initial Request for Information
Dated August 13, 2019

Case No. 2019-00242

Question No. 2

Witness: Daniel K. Arbough

- Q-2. Refer to KU's application at paragraph 9.
- a. Explain the extent to which KU currently expects to raise the \$500 million at issue herein with variable-rate bonds as opposed to fixed-rate bonds.
 - b. Explain the factors that would affect KU's decision to raise the capital with variable-rate bonds as opposed to fixed-rate bonds and vice versa.
 - c. Explain the advantages, if any, of raising the capital with variable-rate bonds as opposed to fixed-rate bonds and vice versa.
 - d. Explain why KU contends that it is advantageous to refund and replace the existing First Mortgage Bonds with variable-rate First Mortgage Bonds. If KU does not contend that it is advantageous, explain why KU is proposing to replace the existing First Mortgage Bonds with variable-rate First Mortgage Bonds.
- A-2.
- a. KU does not currently expect to issue any of the requested \$500 million as variable-rate bonds.
 - b. Increases in long-term interest rates due to economic or geopolitical factors could alter the Company's current plan, and, therefore, the Company believes it is prudent to have the flexibility to issue variable rate bonds should market conditions change.
 - c. At times, variable rate bonds can be advantageous if the yield curve is steep (i.e. the difference between short-term and long-term rates is large). Additionally, at times a variable rate bond swapped to a fixed rate could be less expensive than a fixed rate bond. Based on current market conditions, the Company believes raising capital using fixed-rate bonds is more advantageous than using variable-rate bonds.
 - d. See the response to part c.

**Kentucky Utilities Company
Response to Commission Staff's Initial Request for Information
Dated August 13, 2019**

Case No. 2019-00242

Question No. 3

Witness: Daniel K. Arbough

- Q-3. Refer to KU's application at paragraph 10.
- a. Explain in detail what KU meant by "[i]n connection with the issuance of First Mortgage Bonds."
 - b. Identify each type of "interest rate hedging agreement[s]" KU is seeking authority to enter; explain in general terms what KU and the counterparty would be agreeing to in each type of agreement; and briefly explain how each type of agreement would function to hedge against risk or changes in interest rates.
 - c. Explain how KU proposes to mitigate counterparty risks when entering into interest rate hedging agreements (e.g., will KU only enter into such agreements with counterparties with investment-grade credit ratings).
 - d. Describe how KU proposes to ensure the quality of interest rate hedging agreements into which it enters.
 - e. State the extent to which KU is requesting approval to enter into interest rate hedging agreements.
- A-3.
- a. The purpose of the language is to indicate that any Hedging Facility would be directly associated with the bonds for which authorization is being sought. The Company is not seeking any authorization for Hedging Facilities that are speculative in nature or related to any other transaction.
 - b. There are three potential types of interest rate hedging agreements KU seeks authority to use.
 1. Forward Starting Fixed Payer Interest Rate Swap – This transaction involves KU agreeing to pay a fixed interest rate on a notional (principal) amount starting at a future date while the counterparty agrees to pay a floating interest rate on the same notional amount. For example, if KU expects to issue a fixed rate bond in mid-2020, it could enter into this type of swap to hedge against changes in interest rates between what the market currently expects interest rates to be

in mid-2020 and what they actually are at that point in time. It is important to note that the Company would not be locking in current interest rates, but rather the market's expectation of rates on the swap starting date. When the fixed rate bond is issued in mid-2020, the swap is terminated at a gain or a loss. If the actual interest rates are higher than expected, the Company would receive a payment and that gain would be amortized over the life of the bond to effectively reduce the bond's interest rate. If the actual interest rates are lower than expected, the Company would have to make a payment to terminate the swap and that loss would be amortized over the life of the bond to effectively increase the interest rate on the bond. This is the type of agreement used in 2013 and 2015 pursuant to the authority granted in case numbers 2012-00233 and 2014-00089.

2. Treasury Lock – This transaction has a similar objective as the forward starting interest rate swap except that the Company uses treasury bonds rather than interest rate swaps. The key difference is that interest rate swaps have a credit spread element similar to the credit spread on a bond whereas there is no credit spread component to a treasury lock. Consequently, Treasury Locks do not hedge against changes in credit spreads. In a Treasury Lock the Company agrees on what the treasury bond yield would be on a future date. As is the case with the forward starting swap, if rates are higher when the bonds are issued the Lock is settled and the Company would have a gain. If rates decline, the Company would have to make a payment upon settlement and would have a loss. The gain or loss would be amortized over the life of the underlying bond.
3. Floating Rate Payer Interest Rate Swap – This transaction involves KU agreeing to pay a floating interest rate on a notional (principal) amount while the counterparty agrees to pay a fixed interest rate on the same notional amount. This transaction would be done if the Company had issued a fixed rate bond and wanted to convert that obligation to a floating interest rate. As described in paragraph 10 of the application, this transaction would reduce the volatility of the value of the fixed rate bond as the change in the value of the swap should virtually offset a change in the value of the bond.

- c. The Company has requested authorization to enter into Hedging Facilities with an affiliate company or a bank. If an affiliate is used, the Counterparty would be PPL Corporation (“PPL”). PPL has numerous International Swaps and Derivatives Association (“ISDA”) master agreements in place with banks whereas the Company does not have many such agreements.² Utilizing PPL’s existing ISDA agreements will save time and legal fees associated with the Company putting such agreements in place. These agreements can be quite time consuming to negotiate and attractive market opportunities may be available only for short periods. If affiliate transactions are allowed, PPL would enter into the swap with the bank and a mirror transaction with the Company. PPL would not charge any fee to provide this service. Regardless of whether the Company enters into a Hedging Facility with a bank or PPL enters into a Hedging Facility with a bank, corporate policy requires that the counterparty be rated at or above A3 as defined by Moody’s Investor Services or A- as defined by Standard and Poor’s at the time the transaction is booked. In addition, the counterparties all have unsecured credit exposure thresholds, and are required to post collateral if the threshold is exceeded. The exposure is measured as the market value of the swap if it was terminated that day and is monitored on a daily basis by PPL personnel. If the counterparty is downgraded by the credit rating agencies, the credit threshold is reduced.
- d. The response assumes the question is referring to the credit quality of the Counterparty which is addressed in part c.
- e. The Company is seeking authority to enter into Hedging Facilities up to the entire amount of the bonds issued. If the Company were to issue less than the entire \$500 million, the Hedging Facilities would not exceed the amount of the actual bond amount.

² Pursuant to the Amended and Restated Utility Services Agreement entered into February 24, 2016, PPL Corp. may procure goods and services from third parties on KU’s behalf. The Amended and Restated Utility Services Agreement was approved by the Virginia State Corporation Commission in Case No. PUE-2015-00126 and filed with the Kentucky Public Service Commission in Case No. 2018-00294, Response to Commission Staff’s First Request for Information, dated September 19, 2018, Attachment 1 to Question No. 61(c).

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Case No. 2019-00242

Question No. 4

Witness: Daniel K. Arbough

- Q-4. Refer to KU's application at paragraph 10, which states: "If KU elects to issue variable rate bonds, the Hedging Facility would be an interest rate agreement designed to allow KU to actively manage and limit its exposure to changes in interest rates. If a fixed rate bond is issued, the Hedging Facility would be designed... to lower the volatility in the value of the bond if the Hedging Facility is entered into after the bond is issued."
- a. Explain why KU cannot manage the risks referred to in the quoted language by managing the mix of variable- and fixed-rate bonds at the time of issuance.
 - b. If KU can manage the risks referred to in the quoted language by managing the mix of variable- and fixed-rate bonds at the time of issuance, explain why it would not do so as opposed to incurring the costs and additional risks posed by interest rate hedging agreements.
- A-4.
- a. The tenors of fixed-rate and variable-rate debt available in the capital markets differ. Fixed-rate debt can have a tenor of up to 30 years or longer while the longest variable-rate debt available is 5 years. Additionally, to obtain the most favorable pricing the size of the bond offering must be index³ eligible (i.e., at least \$300 million). These factors limit the Company's ability to mitigate the interest rate risk solely by managing the mix of variable- and fixed-rate bonds.
 - b. As indicated above, the interest rate risk cannot be managed through the mix of variable-rate and fixed rate bonds.

³ The Bloomberg Barclays US Aggregate index.

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Case No. 2019-00242

Question No. 5

Witness: Daniel K. Arbough

- Q-5. Refer to KU's application at paragraph 10, which states: "KU requests authority to establish regulatory assets or liabilities for accounting purposes for the losses and gains arising from a Hedging Facility and amortize the gains and losses over the remaining life of the First Mortgage Bonds." Explain in detail how all losses and gains would be determined (e.g., what would result in a loss and what would result in a gain), and explain how and when KU intends to account for the losses and gains arising from its use of interest rate hedging agreements.
- A-5. The interest rate swaps represent an exchange of cash flows which can convert fixed rate bonds to a variable rate or variable rate bonds to a fixed rate.

In a swap contract in which the Company pays fixed rate cash flows and receives variable rate cash flows, when fixed interest rates are higher at the termination of the contract than at its inception, there is a gain on the contract. Where fixed interest rates are lower at the termination of the contract than at its inception then there is a loss on the contract.

Conversely, in a swap contract in which the Company pays variable rate cash flows and receives fixed rate cash flows, when fixed interest rates are higher at the termination of the contract than at its inception, there is a loss on the contract. Where fixed interest rates are lower at the termination of the contract than at its inception then there is a gain on the contract.

In the case of a gain, if the requested treatment is granted, the Company would account for the gain as a regulatory liability and amortize this gain over the life of the bonds being hedged. In the case of a loss, if the requested treatment is granted, the Company would account for the loss as a regulatory asset and amortize the amount over the life of the bonds it was hedging. This treatment is identical to that approved in Case Nos. 2016-00370 and 2018-00294.

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Question No. 6

Witness: Daniel K. Arbough

Q-6. Refer to KU's application at paragraph 11.

- a. Explain how KU determined the costs for the proposed "interest rate hedging agreements," and provide documentation supporting those costs, if any.
- b. Identify all savings that KU anticipates receiving from its use of interest rate hedging agreements and explain the basis for those anticipated cost savings.
- c. State whether and, if so, explain why KU contends that it would be cost-beneficial for it to enter into interest rate hedging agreements in connection with the issuance of the First Mortgage Bonds for which approval is sought herein.

A-6.

- a. The cost was based on market data available on Bloomberg on June 25, 2019. See attached for the documentation and calculation.
- b. KU employs hedging solely to manage interest rate risk. The hedging could result in higher costs or lower costs depending upon the movement of interest rates.
- c. As noted above, KU would only utilize hedging to mitigate the interest rate risk. Using forward starting swaps at the current interest rates would offset any change in interest rates between current expected rates for the future date when the Company expects to issue the bonds and the actual interest rates at that time.

KU also could issue variable rate bonds and using an interest rate hedge, swap these bonds to a fixed rate. However, based on existing rates there is no economic benefit for employing this strategy currently.

			3 Yr Swap vs 1M LIBOR
3Y Swap	Spot	1.5647	[A]
3Y Treasury	Spot	2.4044	[B]
		<u>(0.8397)</u>	(Swap - Treasury) = Swap Spread
(0.84)			Total "Cost"

			10 Yr Swap vs 3M LIBOR
10Y Swap	Spot	1.9085	[C]
10Y Treasury	Spot	1.9979	[D]
		<u>(0.0894)</u>	(Swap - Treasury) = Swap Spread
10Y Swap	1 Yr	1.9461	[E] "Dodd-Frank Mid-Mark"
10Y Swap	Spot	1.9085	[C]
		<u>0.0376</u>	(Forward - Spot) = Forward Premium
All-in Rate		1.9561	"Fixed Rate" on Forward Starting Swap
10Y Swap	6 Mo	1.9461	[E] "Dodd-Frank Mid-Mark"
		<u>0.0100</u>	(Fixed Rate - DF Mid) = Credit Charge
(0.04)			Total "Cost"

- [A] Refer to Page 2
- [B] Refer to Page 2
- [C] Refer to Page 4
- [D] Refer to Page 4
- [E] Refer to Page 3

91) Actions		92) Products		93) Views		94) Info		95) Settings		Swap Manager	
3) Main		4) Details		5) Curves		6) Cashflow		7) Resets		8) Scenario	
Deal		Fixed Float Swap		Counterparty		SWAP CNTRPARTY		Ticker / SWAP		20) Properties	
Swap		Leg 1: Fixed		Leg 2: Float		US 1mth Libor		Valuation Settings			
Notional	10MM	Pay	10MM	Notional	10MM	Receive	10MM	Curve Date	06/25/2019		
Currency	USD	Currency	USD	Currency	USD	Currency	USD	Valuation	06/25/2019		
Effective	0D 06/25/2019	Effective	0D 06/25/2019	Effective	0D 06/25/2019	Effective	0D 06/25/2019	CSA Coll Ccy	USD		
Maturity	3Y 06/25/2022	Maturity	3Y 06/25/2022	Maturity	3Y 06/25/2022	Maturity	3Y 06/25/2022	<input checked="" type="checkbox"/> OIS DC Stripping			
Coupon	1.564707 %	Index	1M US0001M	Index	1M US0001M	Index	1M US0001M				
Pay Freq	SemiAnnual	Spread	0.000 bp	Spread	0.000 bp	Spread	0.000 bp				
Day Count	30I/360	Leverage	1.00000	Leverage	1.00000	Leverage	1.00000				
Calc Basis	Money Mkt	Latest Index	2.40438	Latest Index	2.40438	Latest Index	2.40438				
		Reset Freq	Monthly	Reset Freq	Monthly	Reset Freq	Monthly				
		Pay Freq	Monthly	Pay Freq	Monthly	Pay Freq	Monthly				
		Day Count	ACT/360	Day Count	ACT/360	Day Count	ACT/360				
Market		Leg 1: NPV	-10,030,684.08	Leg 2: NPV	10,030,684.08	Leg 1: NPV	-10,030,684.08				
Accrued	0.00	Accrued	0.00	Accrued	0.00	Accrued	0.00				
Premium	-100.31	Premium	100.31	Premium	100.31	Premium	100.31				
DV01	-2,947.94	DV01	22.13	DV01	22.13	DV01	22.13				
Valuation Results		Premium	0.00000	Premium	0.00000	Premium	0.00000				
Par Cpn	1.564707	BP Value	0.00000	BP Value	0.00000	BP Value	0.00000				
Principal	0.00										
Accrued	0.00										
NPV	0.00										
Suggested Functions		FWCM See implied & historical forward rates				DOCP Purchase direct issuer CP offerings					
						2) Calculators					
						PV01		-2,925.44			
						BR01 USD (vs. 1)		2,981.00			
						DV01		-2,925.81			
						Gamma (1bp)		-1.02			

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		20) Properties					
Deal		Fixed Float Swap		Counterparty		SWAP CNTRPARTY		+ Ticker / SWAP			
Swap		Leg 1: Fixed		Leg 2: Float		Receive		Valuation Settings			
Notional		10MM		Notional		10MM		Curve Date		06/25/2019	
Currency		USD		Currency		USD		Valuation		06/25/2019	
Effective		1Y 06/25/2020		Effective		1Y 06/25/2020		CSA Coll Ccy		USD	
Maturity		10Y 06/25/2030		Maturity		10Y 06/25/2030		<input checked="" type="checkbox"/> OIS DC Stripping			
Coupon		1.946054 %		Index		3M US0003M					
Pay Freq		SemiAnnual		Spread		0.000 bp					
Day Count		30I/360		Leverage		1.00000					
Calc Basis		Money Mkt		Latest Index		1.52914					
Reset Freq		Quarterly		Reset Freq		Quarterly					
Pay Freq		Quarterly		Pay Freq		Quarterly					
Day Count		ACT/360		Day Count		ACT/360					
Market											
Leg 1: NPV		-203,235.20		Leg 2: NPV		203,235.20					
Accrued		0.00		Accrued		0.00					
Premium		-2.03		Premium		2.03					
DV01		-9,238.64		DV01		-53.99					
Valuation											
Par Cpn		1.946054		Premium		0.00000		22) Calculators			
Principal		0.00		BP Value		0.00000		PV01		-9,060.34	
Accrued		0.00						DV01		-9,292.63	
NPV		0.00						Gamma (1bp)		-11.11	
Suggested Functions		FWCM See implied & historical forward rates		DOCP Purchase direct issuer CP offerings							

FWCV <GO>

US Dollar Swaps (30/360, S/A) Cl		5) Export ▾	6) Graph	Forward Curve Analysis		
Curve Date	06/25/19	Market	Mid	Back Test	06/26/19	<< Curve List ⚙
7) Horizon Curve		8) Implied Forwards				
Horizon Curve Dates		6 Mo	Projected	3 Mo	Projected	
		6 Mo	Projected	9 Mo	Projected	
	US Treasury Actives Curve		US Dollar Swaps (30/360, S/A) Curve (REF)			
Tenor		Spot			Spot	
1 Mo		2.08098			2.31125	
2 Mo		2.09829			2.34977	
3 Mo		2.13481			2.36261	
6 Mo		2.08937			2.15883	
9 Mo		1.98550			2.05246	
1 Yr		1.92953			1.95425	
2 Yr		1.72842			1.73190	
3 Yr		1.67718			1.67100	
4 Yr		1.70786			1.66913	
5 Yr		1.73205			1.69530	
7 Yr		1.85299			1.77750	
9 Yr		1.95653			1.86630	
10 Yr	[b]	1.99788			1.90850	
12 Yr		2.13402			1.98060	
15 Yr		2.26872			2.05680	
20 Yr		2.40059			2.12700	
30 Yr		2.52850			2.16600	
50 Yr		2.62383			2.11745	
Suggested Functions		CRVF Browse & chart fixed income curves		ECO See upcoming economic releases & events		

Kentucky Utilities Company
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Case No. 2019-00242

Question No. 7

Witness: Daniel K. Arbough

- Q-7. State what, if any, limits KU contends would be reasonable for the Commission to place on KU's use of interest rate hedging agreements and explain the basis for KU's position.
- A-7. KU believes the limits proposed in its application are reasonable constraints on KU's use of interest rate hedging agreements. KU has requested the same authority to use interest rate hedging agreements in prior financing applications and has exercised that authority only when prudent to do so, as dictated by market conditions. KU has utilized such agreements to hedge against adverse interest rate movements, which is intended to benefit KU's customers. As explained in the response to Question No. 3, the Company is not seeking any authorization for Hedging Facilities that are speculative in nature or related to any other transaction. Given that KU's cost of debt, which has remained among the lowest in its utility peer group for over a decade, is subject to review in periodic rate case proceedings, KU does not believe limitations on the use of interest rate hedging agreements are necessary.

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Question No. 8

Witness: Daniel K. Arbough

- Q-8. State whether KU identified any risks posed by the use of interest rate hedging agreements and, if so, describe those risks and how KU proposes to mitigate them.
- A-8. The key risks of using interest rate hedging agreements are counterparty credit risk and basis risk. See the response to Question No. 3(c) for an explanation of how KU plans to mitigate counterparty credit risk. Basis risk is the risk that the derivative instrument does not move in step with the underlying bond. This risk is mitigated by matching the terms of the interest rate hedge agreement as closely as possible to the underlying terms of the bond. For example, if a Treasury Lock is used the Company would attempt to identify the specific treasury bond for the Lock that is expected to be used to price the bond. For an interest rate swap, the notional amount should match the amount of the bond, and the interest payment dates and the maturity date of a swap should match those of the bond.

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Question No. 9

Witness: Daniel K. Arbough

- Q-9. Explain how the issuance of First Mortgage Bonds for which approval is sought herein will affect KU's equity position.
- A-9. The issuance of First Mortgage Bonds, for which approval is sought, is a replacement of the maturing First Mortgage Bonds and therefore would have no impact on KU's equity position.

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Case No. 2019-00242

Question No. 10

Witness: Daniel K. Arbough

- Q-10. State what, if any, limits or parameters KU contends would be reasonable for the Commission to place on its issuance of First Mortgage Bonds and explain the basis for KU's position (e.g., a limit on the interest rate and costs associated with fixed-rate bonds).
- A-10. KU's Application offered reasonable parameters regarding the issuance of First Mortgage Bonds, such as thorough reporting requirements. The reports provide the Commission the opportunity to review KU's business judgment on the interest rates and associated costs, and take action in rate cases if the costs are found to be unreasonable. Interest rates and the associated issuance costs are dictated by market conditions, which are fluid. KU has consistently demonstrated its ability to secure favorable interest rates and associated costs. Given that KU's cost of debt, which has remained among the lowest in its utility peer group for over a decade, is subject to review in periodic rate case proceedings, KU does not believe additional limitations are necessary or reasonable.

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Question No. 11

Witness: Daniel K. Arbough

- Q-11. Describe the interest rates that KU anticipates receiving on the variable-rate and fixed-rate First Mortgage Bonds and explain the bases for those anticipated interest rates.
- A-11. The current fixed-rate for a 10-year First Mortgage Bond is 2.507%, which consists of the current 10-year risk-free treasury rate of 1.557% plus the current risk premium (spread) of 0.95%. A 30-year First Mortgage Bond would have a current rate of 3.268%, consisting of the current risk-free 30-year treasury rate of 2.018% plus the current risk premium of 1.25%. Finally, a 5-year variable rate First Mortgage Bond would have an initial interest rate of 2.918% consisting of the current 3-month LIBOR rate of 2.168% plus the current risk premium of 75 basis points. This rate would adjust every 3 months to reflect the then-current 3-month LIBOR rate. These indicative rates will change as rates move between now and the actual issuance date.

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Question No. 12

Witness: Daniel K. Arbough

- Q-12. Provide KU's current credit ratings with Fitch Ratings and Standard and Poor's.
- A-12. KU has a senior secured credit rating of "A" from Standard and Poor's. KU is not rated by Fitch Ratings.

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Question No. 13

Witness: Daniel K. Arbough

- Q-13. Explain whether and, if so, how KU contends that the issuance of the First Mortgage Bonds for which approval is sought herein will affect KU's credit rating.
- A-13. As noted in the response to Question No. 9, the issuance of the First Mortgage Bonds is a replacement for the maturing First Mortgage Bonds and therefore will have no effect on KU's credit ratings.

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Question No. 14

Witness: Daniel K. Arbough

- Q-14. Explain whether and, if so, how KU contends that the Commission's refusal to approve the First Mortgage Bonds for which approval is sought herein will affect KU's credit ratings and its liquidity.
- A-14. Denying approval of the issuance of bonds would have very long-lasting negative ramifications for customers and the Company. The liquidity position of the Company would be severely restricted. The Company has approval from the FERC to issue short-term debt up to \$500 million. Given the pending maturity of the \$500 million First Mortgage Bonds, the Company could seek additional equity contributions from its parent. Substituting higher cost equity for debt would drive up customer rates.

A refusal to authorize the bond issuance would be viewed extremely negatively by the rating agencies. Liquidity is among the most important elements rating agencies expect from issuers since a lack of liquidity can impair an issuer's ability to pay interest and principal when due. Such a denial would almost certainly result in the credit rating agencies reassessing their views of utility regulation in Kentucky being credit supportive. This, in combination with the impaired liquidity, would almost certainly result in a credit rating downgrade, thereby increasing costs to customers.

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Question No. 15

Witness: Daniel K. Arbough

Q15. Provide a cash flow analysis comparing the debt service for the existing Series B First Mortgage Bonds (Prior Bonds) to the debt service for the proposed First Mortgage Bonds.

A-15. See attached.

Debt Service Comparison

	Bond:	Series B - \$500MM	Proposed Issuance
Principal Amount:	\$	500,000,000	\$ 500,000,000
Interest Rate:		3.25%	2.507% ¹

Payment Dates	Series B - \$500MM Amount	Proposed Issuance - \$500MM Amount
11/16/2010	(Issue Date)	
5/1/2011	\$ 7,402,778	\$ -
11/1/2011	\$ 8,125,000	\$ -
5/1/2012	\$ 8,125,000	\$ -
11/1/2012	\$ 8,125,000	\$ -
5/1/2013	\$ 8,125,000	\$ -
11/1/2013	\$ 8,125,000	\$ -
5/1/2014	\$ 8,125,000	\$ -
11/1/2014	\$ 8,125,000	\$ -
5/1/2015	\$ 8,125,000	\$ -
11/1/2015	\$ 8,125,000	\$ -
5/1/2016	\$ 8,125,000	\$ -
11/1/2016	\$ 8,125,000	\$ -
5/1/2017	\$ 8,125,000	\$ -
11/1/2017	\$ 8,125,000	\$ -
5/1/2018	\$ 8,125,000	\$ -
11/1/2018	\$ 8,125,000	\$ -
5/1/2019	\$ 8,125,000	\$ -
11/1/2019	\$ 8,125,000	\$ -
5/1/2020	\$ 8,125,000	\$ -
8/15/2020	\$ -	(Issue Date)
11/1/2020	\$ 508,125,000	\$ -
2/1/2021	\$ -	\$ 5,571,111
8/1/2021	\$ -	\$ 6,267,500
2/1/2022	\$ -	\$ 6,267,500
8/1/2022	\$ -	\$ 6,267,500
2/1/2023	\$ -	\$ 6,267,500
8/1/2023	\$ -	\$ 6,267,500
2/1/2024	\$ -	\$ 6,267,500
8/1/2024	\$ -	\$ 6,267,500
2/1/2025	\$ -	\$ 6,267,500
8/1/2025	\$ -	\$ 6,267,500
2/1/2026	\$ -	\$ 6,267,500
8/1/2026	\$ -	\$ 6,267,500
2/1/2027	\$ -	\$ 6,267,500
8/1/2027	\$ -	\$ 6,267,500
2/1/2028	\$ -	\$ 6,267,500
8/1/2028	\$ -	\$ 6,267,500
2/1/2029	\$ -	\$ 6,267,500
8/1/2029	\$ -	\$ 6,267,500
2/1/2030	\$ -	\$ 6,267,500
8/1/2030	\$ -	\$ 506,267,500
	\$ 661,777,778	\$ 624,653,611

¹ Based on the 10-year rate and credit spread at August 15, 2019

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Question No. 16

Witness: Daniel K. Arbough

- Q-16. Provide a detailed calculation of the approximate net present value of the debt service savings that would occur by refunding and replacing the Prior Bonds with the proposed First Mortgage Bonds. Include an explanation for interest rates used to calculate all savings.
- A-16. Refer to the response to Question No. 15 for a comparison of the debt service costs for the Prior Bonds to the proposed First Mortgage Bonds.