

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ORDER AUTHORIZING) CASE NO. 2020-000109
THE ISSUANCE OF INDEBTEDNESS)

VERIFIED APPLICATION

Kentucky Utilities Company (“KU” or “the Company”), hereby requests, pursuant to KRS 278.300 and 807 KAR 5:001, Section 18, that the Commission authorize KU to incur debt not to exceed the aggregate amount of \$750,000,000 in the form of First Mortgage Bonds, unsecured bonds, direct bank term loans, or any combination of these forms of indebtedness. KU also requests to increase the existing \$500,000,000 authority for its revolving line of credit by either increasing its existing line of credit or adding one or more additional revolving lines of credit in the amount of \$150,000,000, not to exceed the aggregate or total amount of \$650,000,000. KU further requests that the Commission amend and extend KU’s existing authority to allow KU to exercise extensions of its existing or any new multi-year revolving credit line(s) in 2020 and 2021 to extend the credit facility maturity date(s) to up to five years from the effective date of the amendment.

The proceeds of the indebtedness will be used to refund and replace the \$500,000,000 Series B First Mortgage Bonds,¹ to repay existing short-term debt, to replace cash flows associated

¹ The Commission authorized the issuance of \$500 million of Series B First Mortgage Bonds in Case No. 2010-00206. *Application of Kentucky Utilities Company for an Order Authorizing the Restructure and Refinancing of Unsecured Debt and the Assumption of Obligations and for Amendment of Existing Authority*, Case No. 2010-00206, Order (Ky. PSC Sept. 30, 2010). The Commission authorized the refunding and replacement of the Series B First Mortgage Bonds with new First Mortgage Bonds in Case No. 2019-00242. *Electronic Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and Assumption of Obligations*, Case No. 2019-00242, Order (Ky. PSC Sept. 11, 2019).

with anticipated arrearages, bad debt, and other related costs resulting from the COVID-19 global pandemic, and for general corporate purposes. KU requests the Commission enter an order on or before June 2, 2020² to facilitate the timely issuance of indebtedness in June 2020.³ In support of this Application, KU states as follows:

1. The Company's full name is Kentucky Utilities Company. The post office address of the Company is One Quality Street, Lexington, Kentucky 40507. KU was incorporated in Kentucky on August 17, 1912, and in Virginia on November 26, 1991 (and effective as of December 1, 1991), and KU attests that it is in good corporate standing in both states. KU can be reached at the email addresses of the counsel listed below.

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

Daniel K. Arbough
Treasurer
Kentucky Utilities Company
220 West Main Street
Louisville, Kentucky 40202
dan.arbough@lge-ku.com

Robert M. Conroy
Vice President, State Regulation and Rates
Kentucky Utilities Company
220 West Main Street
Louisville, Kentucky 40202
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² KU's request for an order by June 2, 2020 is the expiration of the 60-day review period prescribed in KRS 278.300(2).

³ Securities law compliance and market participant practices generally limit the public sale or repurchase of securities by issuers or their representatives during a "blackout period" each quarter during the month prior to the publication of new quarterly or annual financial information. Much of July and early August is thus unlikely to be available for market transactions.

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3. KU is a utility as defined by KRS 278.010(3)(a) and (b) and provides retail electric service to approximately 558,000 customers in 77 counties in Kentucky. A description of KU's properties is set out in Exhibit 1 to this Application.

FIRST MORTGAGE BONDS

4. KU received authority to refund and refinance its Series B First Mortgage Bonds with new First Mortgage Bonds in Case No. 2019-00242.⁴ The Series B First Mortgage Bonds were issued on November 16, 2010, bear a maturity date of November 1, 2020, and can be called by KU at par starting August 1, 2020. The interest rate is 3.25%. The bonds were marketed to the public and are thus owned by various mutual funds, insurance companies, pensions, and hedge funds.

5. The Company's Mortgage Indenture (the "Indenture") authorizes it to issue, from time to time, first mortgage bonds of one or more series, with each series having such date, maturity date(s), interest rate(s), and other terms as may be established by a supplemental indenture executed by the Company in connection with such series. All bonds issued under the Indenture are required to be equally and ratably secured by a first mortgage lien, subject to permitted

⁴ Case No. 2019-00242, Order (Ky. PSC Sept. 11, 2019).

encumbrances and exclusions, on substantially all of the Company's permanently fixed properties in Kentucky. A copy of the form of the Indenture has been previously filed with the Commission in Case No. 2015-00137.⁵

COVID-19 IMPACTS TO AVAILABLE FINANCING

6. In December 2019, a novel coronavirus known as COVID-19 was first detected in Wuhan, China, causing outbreaks of the coronavirus disease COVID-19 that has now spread globally. On March 11, 2020, the World Health Organization classified the COVID-19 outbreak as a pandemic.⁶ The ongoing public health emergency related to the spread of COVID-19 has resulted in declarations of emergency being issued at both the state and federal levels.⁷ In an effort to stop the spread of COVID-19, many offices and public places in Kentucky and throughout the country,⁸ including courthouses and county clerk offices,⁹ have closed, eliminated in-person transactions, or otherwise implemented delayed or reduced service times and processes.

7. Under Kentucky law, when issuing First Mortgage Bonds KU is required to record supplemental indenture documents to perfect the lien once pricing occurs but before the transaction

⁵ *Application of Kentucky Utilities Company for an Order Amending and Extending Existing Authority with Respect to Revolving Line of Credit*, Case No. 2015-00137, filed May 11, 2015.

⁶ World Health Organization, *WHO Director-General's opening remarks at the media briefing on COVID-19*, Mar. 11, 2020, available at <https://www.who.int/dg/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19--11-march-2020>.

⁷ Executive Order No. 2020-215, Declaration of a State of Emergency, issued Mar. 6, 2020, by Gov. Andy Beshear; Proclamation 9994, Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak, issued Mar. 13, 2020, by President Donald J. Trump.

⁸ Executive Order Number Fifty-Three (2020), Temporary Restrictions on Restaurants, Recreational, Entertainment, Gatherings, Non-Essential Retail Businesses, and Closure of K-12 Schools Due to Novel Coronavirus (COVID-19), issued Mar. 23, 2020, by Virginia Gov. Ralph S. Northam; *see also* Executive Order 20-08 for Directive for Hoosiers to Stay at Home, issued Mar. 23, 2020, by Indiana Gov. Eric J. Holcomb; Executive Order 2020-10, Executive Order to Expand Telehealth Services and Protect Health Care Providers in Response to COVID-19 (COVID-19 Executive Order No. 8), issued Mar. 20, 2020, by Illinois Gov. JB Pritzker; Executive Order No. 7H, Protection of Public Health and Safety During COVID-19 Pandemic and Response – Restrictions on Workplaces for Non-Essential Businesses, Coordinated Response Effort, issued Mar. 20, 2020, by Connecticut Gov. Ned Lamont.

⁹ Supreme Court of Kentucky Order 2020-08, Kentucky Court of Justice Response to COVID-19 Emergency, issued Mar. 13, 2020, by Chief Justice John Minton, Jr.

is closed and funds are provided.¹⁰ The bond investors typically require this to be done within five business days, but will sometimes agree to as much as ten business days. Given the current market volatility, investors are not willing to bear the risk for a period beyond five business days. Because the bonds are secured by substantially all of the Company's fixed properties in Kentucky, KU is required to record supplemental indenture documents in 69 counties and with the Secretary of State's Office for the UCC fixture filings.

8. By March 17, 2020, all counties and the Secretary of State had announced closures to the public, requiring mail-in recordings or, in a few counties, dropping recordings in "drop boxes." Many Clerks had no persons present in the office and could not guarantee when received documents would be lodged for record. Without assurance that the supplemental indentures would be lodged for record within the prescribed number of days, KU cannot ensure that the bonds will be secured as required by law and thus be issued timely. The bond underwriters are not willing to close without assurances that bonds could be issued at the end of the prescribed five-day period. The Secretary of State has recognized that recordings may take two weeks under the present circumstances.¹¹ KU has been working toward the refunding and replacement of the Series B First

¹⁰ KRS 382.330.

If a deed of trust or mortgage is made to a trustee or to a mortgagee to secure the payment of bonds or other obligations to be issued thereafter, the grantor in the deed of trust or the mortgagor in the mortgage, **when or before such additional bonds or other obligations are issued, shall cause to be recorded in the office of the county clerk of the county in which such deed of trust or mortgage was first recorded, a statement by the grantor or the mortgagor acknowledged as deeds are required to be acknowledged, setting forth the amount, the date, the maturity and the description of such additional obligations, and until such statement is so lodged for record no such bonds or other obligations shall be issued by the grantor or the mortgagor or certified by the trustee.**

(emphasis added).

¹¹ Office of the Secretary of State Michael G. Adams, Letter to County Clerks & Deputies, Mar. 25, 2020, available at <https://www.kybanks.com/kba-files/pdf/comleg/COVID19-Secretary-of-State-Letter-to-Clerks.pdf> ("It is our understanding that some clerks are accepting filings through online recording, "drive-throughs," or drop boxes, but that some offices are only accepting mailed-in documents and that actual recording may take up to two weeks."). While the Secretary of State has suggested County Clerks record documents in a more timely manner, he cannot mandate County Clerks do so.

Mortgage Bonds authorized in Case No. 2019-00242, but refunding and replacement has now become administratively and legally problematic for the foreseeable future due to the closing of courthouses and County Clerk offices from the COVID-19 pandemic.

9. In response to the COVID-19 outbreak and the economic hardship it has caused residents and businesses in Kentucky, the Commission promptly initiated a case to address the pressing issues related to utility service arising across the state.¹² In its March 16, 2020 Order, the Commission ordered utilities to suspend disconnections due to non-payment and waive the assessment of late payment fees for at least the next 30 days and until further notice from the Commission.¹³

10. In addition to the Commission's emergency COVID-19 order, KU and its sister company Louisville Gas and Electric Company ("LG&E") separately announced the suspension of disconnections for residential and business customers and the waiver of new late fees until at least May 1, 2020.¹⁴ KU expects to incur larger than normal amounts of arrearages and resulting bad debts during this period and beyond May 1, 2020, which may significantly limit the Company's cash flow. A credit rating agency has recognized that the expected bad debt expense increase may lead to a weakening of credit measures.¹⁵ In order to improve the Company's liquidity position, KU expects the need to finance these arrearages and bad debts.

11. KU currently maintains a revolving line of credit totaling \$400,000,000. As of March 31, 2020, KU has borrowed \$100,000,000 of that \$400,000,000 and has reserved the following amounts for other obligations: (a) \$44,250,000 to repay pending maturities of

¹² *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19*, Case No. 2020-00085.

¹³ *Id.*, Order at 3 (Ky. PSC Mar. 16, 2020).

¹⁴ How we're helping our customers and the community, LG&E and KU, <https://lge-ku.com/covid-19/community> (last visited Mar. 24, 2020).

¹⁵ S&P Global Ratings, *COVID-19: The Outlook for North American Regulated Utilities Turns Negative*, April 2, 2020, available at <https://www.spglobal.com/ratings/en/research/articles/200402-covid-19-the-outlook-for-north-american-regulated-utilities-turns-negative-11415155>.

commercial paper, and (b) \$33,130,000 of the line of credit to support existing tax-exempt bonds that can be put back to the Company by the bondholder on any interest payment date. The remaining \$222,620,000 is available to fund the cash needs of the Company. This line of credit is not sufficient to allow the Company to meet its upcoming \$500,000,000 First Mortgage Series B Bond maturity obligation. Therefore, the Company must access the long-term debt market in some fashion no later than November 1, 2020 and, preferably, somewhat in advance thereof in order to have reasonable timing flexibility to access the market during selected periods.

12. To timely execute the refunding and replacement of the Series B First Mortgage Bonds by the November 1, 2020 maturity date, repay existing short-term debt, and improve the Company's liquidity position due to the Company's suspension of disconnections and waiver of late charges and market conditions, KU requests an Order approving the following financing request by June 2, 2020.

FINANCING REQUEST

13. Due to the great market uncertainty and volatility caused by the COVID-19 pandemic, the Company requests authority to issue in 2020 or 2021 (a) up to \$750,000,000 aggregate principal amount of indebtedness in the form of one or more series of First Mortgage Bonds, and (b) up to \$750,000,000 aggregate principal amount of indebtedness in the form of one or more series of privately placed or publicly issued, unsecured, intermediate term bonds or notes, including direct bank term loans ("Intermediate Term Financings"). The First Mortgage Bonds and the Intermediate Term Financings are proposed in substitute of each other or in combination, so that the aggregate principal amount outstanding of the requested financing options at any one time will not exceed \$750,000,000. KU will continue pursuing the most prudent and reasonable least cost financing option, or combination thereof, available at the time of the Company's decision under the current circumstances. KU is also requesting authority to increase the regulatory

authority for its existing or new revolving lines of credit up to \$650,000,000, and to extend its existing or new revolving line(s) of credit for a five-year term from the amendment date during 2020 and 2021.

14. The increases to KU’s long-term debt and short-term debt requested in this Application and existing authority for indebtedness as it relates to this Application are summarized in the following table:

	Amount Authorized	Requested Increase to Amount Authorized	Type of Debt to be Issued	Total Amount
Long-Term Debt	\$500,000,000 ¹⁶	\$250,000,000	First Mortgage Bonds or Intermediate Term Financings	\$750,000,000
Short-Term Debt	\$500,000,000 ¹⁷	\$150,000,000	Revolving Credit Line(s)	\$650,000,000

First Mortgage Bonds/Intermediate Term Financings

15. If the Company decides to issue First Mortgage Bonds in any amount up to an aggregate principal amount of \$750,000,000 in 2020 or 2021, the First Mortgage Bonds of each series would be issued and secured by the Indenture as to be further supplemented and amended by a supplemental indenture creating the bonds of such series. Such supplemental indenture would set forth the terms and provisions of such series, including without limitation, the maturity date(s), interest rate(s), redemption provisions, and other applicable terms. The price, maturity date(s), interest rate(s), and the redemption provisions, and other terms and provisions of each series of

¹⁶ KU first received authority to issue First Mortgage Bonds by Order dated September 30, 2010 in Case No. 2010-00206. *Application of Kentucky Utilities Company for an Order Authorizing the Restructure and Refinancing of Unsecured Debt and the Assumption of Obligations and for Amendment of Existing Authority*, Case No. 2010-00206, Order (Ky. PSC Sept. 30, 2010). In Case No. 2019-00242, the Commission authorized the refunding and replacement of the Series B First Mortgage Bonds with new First Mortgage Bonds.

¹⁷ In Case No. 2012-00232, the Commission authorized KU to increase the total aggregate amount of its revolving credit facilities to \$500,000,000. *Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and Assumption of Obligations*, Case No. 2012-00232, Order (Ky. PSC Aug. 3, 2012). KU currently maintains a revolving credit facility of \$400,000,000.

First Mortgage Bonds (including, if all or a portion of the First Mortgage Bonds bear a variable rate of interest, the method for determining the interest rates), would be determined on the basis of negotiations among KU and the underwriters, agents, or other purchasers of such First Mortgage Bonds. Additionally, KU does not waive the authority granted by the Commission in Case No. 2019-00242 to enter into interest rate hedging agreements in connection with its issuance of First Mortgage Bonds and to establish regulatory assets or liabilities to account for the losses and gains arising from its use of the interest rate hedging agreements and to amortize those losses and gains over the remaining life of the First Mortgage Bonds. The amount of compensation to be paid to underwriters or agents for their services would not exceed one percent (1%) of the principal amount of the First Mortgage Bonds of the series to be sold. Based upon past experience with similar financings, KU estimates that issuance costs, excluding underwriting fees, would be approximately \$1.5 million.

16. In requesting this authority to issue these additional forms of indebtedness, the Company is not withdrawing or waiving the authorization to issue long-term debt in the form of First Mortgage Bonds up to \$500,000,000 granted by the Commission in Case No. 2019-00242.¹⁸ Rather KU is asking that the current authorization for First Mortgage Bonds be increased from \$500,000,000 to \$750,000,000. To the extent KU can issue First Mortgage Bonds that are the lowest cost source of funds available to the Company, KU will continue to evaluate the availability of this funding source.

17. KU's request for additional authorization for the alternative financing options, namely unsecured bonds and direct bank term loans, is to supplement its existing and requested

¹⁸ KU may act upon the Commission's authorization in Case No. 2019-00242 and issue First Mortgage Bonds up to \$500,000,000 if the recording difficulties are resolved and the market improves before the Commission issues an order in this case. KU however presently does not anticipate such action will be possible.

increase in authority to issue first mortgage bonds, provide flexibility under the current volatile market conditions, and ensure the Company can timely issue or refinance debt while obtaining the most favorable pricing under the existing circumstances.

18. If the Company decides to issue Intermediate Term Financings in any amount up to an aggregate principal amount of \$750,000,000 in 2020 or 2021, the provisions of the bonds or loans, including interest rate(s), maturity date(s), expenses, and other applicable terms, will be governed by the agreements between KU and the lenders. The commercial terms, excluding pricing, fees or interest rates, for bank term loans are expected to be very similar to the commercial terms for the existing revolving line of credit except that funds once repaid may not be re-borrowed. The other forms of Intermediate Term Financings would likely be done using one or more new indentures as a method to establish the terms of the indebtedness.

Revolving Line of Credit

19. KU requests the Commission to increase the regulatory authority for its multi-year revolving line of credit by up to an additional \$150,000,000 or, in the alternative, the regulatory authority to enter into similar additional facilities not to exceed that amount. KU received regulatory authority to increase its multi-year revolving line of credit to \$500,000,000 in Case No. 2012-00232, but presently maintains a \$400,000,000 revolving credit facility.¹⁹ The existing revolving line of credit provides KU with the opportunity to request that the maximum debt allowed under the credit facility be increased by an aggregate of \$250,000,000. While the lenders are not obligated to increase the limit under the revolving line of credit, KU believes that it is likely that many of the lenders will agree to do so. However, in the event that the current lenders are unable or unwilling to increase the existing credit limit, KU proposes to obtain one or more

¹⁹ *In the Matter of: Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*, Case No. 2012-00232, Order (Ky. PSC Aug. 3, 2012).

additional revolving credit facilities in the aggregate amount of \$250,000,000. KU anticipates that any new, additional revolving credit facilities would be on similar terms as its current revolving line of credit, excluding pricing, fees and interest rates.

20. The additional credit under the revolving credit facility or facilities would be available for the same purposes for which existing credit is currently available. Loan proceeds could be used to provide short-term financing for KU's general corporate funding needs and to provide new or expanded liquidity or credit support for KU's other debt.

21. KU also requests the Commission authorize KU, during 2020 and 2021, to extend the termination date of the existing revolving credit facility or any new credit facility to five years from the date of amendment. By Order dated August 3, 2018, in Case No. 2018-00153, the Commission authorized KU to extend the term of its existing revolving credit line for a five-year term in 2019 and 2020.²⁰ On March 8, 2019, KU extended the Credit Agreement from January 26, 2023 to January 26, 2024.²¹ Extending the current revolving credit facilities will allow KU to continue to obtain favorable short-term debt costs while avoiding higher commitment fees and related transaction costs expected in the future. This would provide KU with flexibility to further optimize its short-term debt for its customers. If the Commission grants the authority, KU will provide notice of each extension to the Commission within thirty days of execution.

22. Under the current agreements, KU must notify the revolving credit service providers of its intent to extend the current lines. As such, KU requests authority to amend its existing Credit Agreement to effectuate the extension, and also requests authority to amend and restate the Credit Agreement, if necessary. Although KU expects that all credit service providers

²⁰ *Electronic Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and Assumption of Obligations and an Order Amending and Extending Existing Authority with Respect to Revolving Line of Credit*, Case No. 2018-00153, Order (Ky. PSC Aug. 3, 2018).

²¹ See March 14, 2019 filing in Case No. 2018-00153.

will agree to extend the credit facility at the current individual or aggregate participation levels, KU also requests alternatively to enter into separate or individual revolving credit lines to replace any non-extended portion of the credit facility, up to the maximum total aggregate sizes, dates, and terms described further herein.

23. The extended credit facilities are expected to be on similar terms as KU's existing revolving credit and would be available for the same purposes for which revolving credit is currently available and the purposes described in this Application.

Required Financing Information

24. Exhibit 2 to this Application contains the financial exhibit required by 807 KAR 5:001, Section 18(2)(a), as described by 807 KAR 5:001, Section 12. It also contains information required by 807 KAR 5:001, Section 18(2)(b).

25. Copies of KU's mortgages were filed with the Commission in Case No. 2015-00137,²² and the most recently executed supplemental indenture was filed with the Commission in Case No. 2019-00242.²³

26. No contracts have been made for the disposition of any of the securities which KU proposes to issue, or for the proceeds of such sale.

27. A certified copy of KU's Board of Directors resolutions authorizing the assumption of obligations and all transactions related to the refunding and replacement of the Series B First Mortgage Bond debt, along with the financing of arrearages, bad debt expenses, and other general corporate purposes, as discussed in this Application will be filed as soon as it is available.

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

²² The copy was filed with the Commission on May 11, 2015.

²³ Supplemental Indenture No. 7 was filed as Exhibit 3 to the Application in Case No. 2019-00242 on July 15, 2019.

regarding the use to be made of the proceeds, (1)(e) regarding the intended use of the proceeds, and (1)(f) regarding the obligations being refunded have been supplied in the preceding paragraphs of this Application.

WHEREFORE, Kentucky Utilities Company respectfully asks the Commission to enter an order on or before June 2, 2020 authorizing KU to do the following:

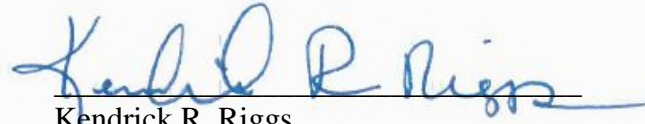
(1) Incur debt in 2020 or 2021 not to exceed the aggregate amount of \$750,000,000 in the form of First Mortgage Bonds, Intermediate Term Financings, or a combination thereof;

(2) Increase the Company's authorized regulatory authority for a revolving line of credit in 2020 or 2021 in the additional amount of \$150,000,000, for a total of up to \$650,000,000, to allow KU to increase the existing revolving line of credit or add one or more additional revolving lines of credit; and

(3) Exercise extensions of its existing multi-year revolving credit line or any new multi-year revolving credit line in 2020 and 2021 to extend the credit facility maturity date to up to five years from the effective date of the amendment.

Dated: April 3, 2020

Respectfully submitted,



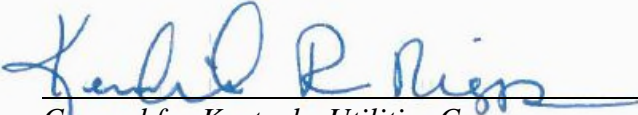
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Counsel for Kentucky Utilities Company

CERTIFICATE OF COMPLIANCE

In accordance with 807 KAR 5:001 Section 8(7) and the Commission's March 16, 2020 Order in Case No. 2020-00085, this is to certify that Kentucky Utilities Company's electronic filing was transmitted to the Commission on April 3, 2020; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that a physical copy of the filing will be submitted to the Commission once the State of Emergency has ceased.

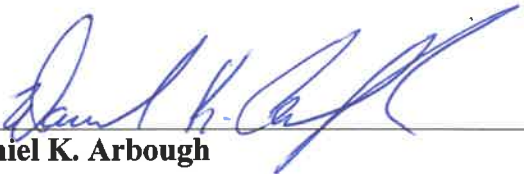


Counsel for Kentucky Utilities Company

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Daniel K. Arbough**, being duly sworn, deposes and says that he is the Treasurer for Kentucky Utilities Company and an employee of LG&E and KU Services Company, that he has personal knowledge of the matters set forth in the foregoing Verified Application and that the material contained therein is true and correct to the best of his information, knowledge, and belief.


Daniel K. Arbough

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 2nd day of April, 2020.

Notary Public Judith Hood (SEAL)
Notary Public, ID No. 603967

My Commission Expires: 7/11/2022

KENTUCKY UTILITIES COMPANY
(807 KAR 5:001, SEC. 18(1)(b))

A DESCRIPTION OF APPLICANT'S PROPERTY, INCLUDING
A STATEMENT OF THE NET ORIGINAL COST OF THE
PROPERTY AND THE COST THEREOF TO APPLICANT

February 29, 2020

The applicant's generating, transmission and distribution systems described herein are calculated annually. As of December 31, 2019, the applicant had ownership in 6 and operated 5 coal fired steam electric generating units having a total capacity of 2,776 Mw; owned and operated a hydroelectric generating station having a total capacity of 32 Mw; had ownership in and operated a solar powered generating station having a total capacity of 5 Mw; and had ownership in 17 and operated 9 gas/oil peaking units having a total capacity of 1,962 Mw.

The applicant's owned electric transmission system included 141 substations (61 of which are shared with the distribution system) with a total capacity of 14 million kVA and 4,062 pole miles of lines. The electric distribution system included 469 substations (61 of which are shared with the transmission system) with a total capacity of 8 million kVA, 14,020 circuit miles of overhead lines, and 2,593 underground cable miles.

KU's service area includes an additional 11 miles of gas transmission pipeline providing gas supply to natural gas combustion turbine electricity generating units.

Other properties include office buildings, service centers, warehouses, garages and other structures and equipment.

The net original cost of the property and cost thereof to the applicant at February 29, 2020:

	<u>Utility Plant</u>
Original Cost	
Production Plant	\$ 6,381,629,737
Distribution Plant	2,064,049,885
Transmission Plant	1,154,902,851
General Plant	224,862,558
Intangible Plant	89,099,190
Construction Work in Progress	477,429,742
Property Under Operating Leases	<u>27,475,907</u>
Total Plant at Original Cost	\$ 10,419,449,869
Less Reserve for Depreciation	<u>3,112,140,589</u> *
Net Original Cost	<u><u>\$ 7,307,309,280</u></u>

* Excludes \$376,279,795 related to cost of removal reserves that is not included in the reserve in the Financial Statements and Additional Information, but instead is included as a regulatory liability

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

February 29, 2020

(1) Amount and kinds of stock authorized.

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

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

Common Stock:

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

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

None

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

Date of Execution: As of October 1, 2010 (Supplemental Indentures were executed as of October 15, 2010, November 1, 2010, November 1, 2013, September 1, 2015, August 1, 2016, August 1, 2018 and March 1, 2019.) Mortgagor: Kentucky Utilities Company

Trustee: The Bank of New York Mellon

Amount of Authorized Debt: One quintillion dollars

Amount of Debt Secured: \$2,641,852,405

Sinking Fund Provisions: None

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

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

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

Kentucky Utilities Company

<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Rate of Interest</u>	<u>Authorized</u>	<u>Outstanding at December 31, 2019</u>	<u>Interest Expense Year Ended December 31, 2019</u>
Pollution Control Bonds					
05/19/00	05/01/23	1.30%	\$ 12,900,000	\$ 12,900,000	\$ 197,342
05/23/02	02/01/32	Variable	20,930,000	20,930,000	315,969
05/23/02	02/01/32	Variable	2,400,000	2,400,000	36,233
05/23/02	02/01/32	Variable	7,400,000	7,400,000	114,473
05/23/02	02/01/32	Variable	7,200,000	2,400,000	36,233
08/25/16	09/01/42	1.55%	96,000,000	96,000,000	1,165,333
10/20/04	10/01/34	1.75%	50,000,000	50,000,000	845,728
02/23/07	10/01/34	1.20%	54,000,000	54,000,000	814,358
09/15/18	02/01/26	3.375%	17,875,000	17,875,000	603,281
10/17/08	02/01/32	1.20%	<u>77,947,405</u>	<u>77,947,405</u>	<u>1,178,520</u>
			<u>\$ 346,652,405</u>	<u>\$ 341,852,405</u>	<u>\$ 5,307,470</u>
First Mortgage Bonds					
11/16/10	11/01/20	3.250%	500,000,000	500,000,000	16,250,000
09/28/15	10/01/25	3.300%	250,000,000	250,000,000	9,655,380
11/16/10	11/01/40	5.125%	750,000,000	750,000,000	38,437,500
11/14/13	11/15/43	4.650%	250,000,000	250,000,000	10,196,694
09/28/15	10/01/45	4.375%	<u>550,000,000</u>	<u>550,000,000</u>	<u>21,767,306</u>
			<u>\$ 2,300,000,000</u>	<u>\$ 2,300,000,000</u>	<u>\$ 96,306,880</u>

(6) As of February 29, 2020, there was \$116 million of commercial paper outstanding at a weighted average rate of 1.78%.¹

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

None, other than current and accrued liabilities.

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

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

2015	\$153,000,000
2016	\$248,000,000
2017	\$226,000,000
2018	\$246,000,000
2019	\$229,000,000

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

2015	\$2,679,352,744
2016	\$2,716,574,965
2017	\$2,749,496,925
2018	\$2,835,126,676
2019	\$2,967,162,173

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

Monthly Financial and Operating Reports are filed each month with the Kentucky Public Service Commission. Attached are detailed Statements of Income, Balance Sheets and Retained Earnings for the Company for the period ending February 29, 2020.

¹ KU maintains a syndicated revolving credit facility of \$400 million. Although at February 29th there was no outstanding balance on the revolver, KU has executed notes under the multiyear revolving credit program.

Kentucky Utilities Company
Comparative Statement of Income
February 29, 2020

	<u>Year Ended Current Month</u>
Electric Operating Revenues.....	\$ 1,735,269,293.14
 Total Operating Revenues.....	<u>1,735,269,293.14</u>
 Fuel for Electric Generation.....	404,710,927.16
Power Purchased.....	43,274,083.67
Other Operation Expenses.....	285,375,447.36
Maintenance.....	139,810,326.16
Depreciation.....	296,649,804.59
Amortization Expense.....	16,650,087.13
Regulatory Debits.....	9,741,275.90
Taxes	
Federal Income.....	37,238,077.47
State Income.....	5,236,869.78
Deferred Federal Income - Net.....	28,517,924.96
Deferred State Income - Net.....	13,108,025.55
Property and Other.....	45,365,693.26
Investment Tax Credit.....	432,019.00
Loss (Gain) from Disposition of Allowances.....	(113,149.56)
 Total Operating Expenses.....	<u>1,325,997,412.43</u>
 Net Operating Income.....	409,271,880.71
 Other Income Less Deductions	
Amortization of Investment Tax Credit.....	1,915,400.20
Other Income Less Deductions.....	(3,085,094.59)
AFUDC - Equity.....	323,287.40
 Total Other Income Less Deductions.....	<u>(846,406.99)</u>
 Income Before Interest Charges.....	<u>408,425,473.72</u>
 Interest on Long-Term Debt.....	103,792,848.32
Amortization of Debt Expense - Net.....	3,415,049.87
Other Interest Expenses.....	3,594,088.65
AFUDC - Borrowed Funds.....	(214,539.62)
 Total Interest Charges.....	<u>110,587,447.22</u>
 Net Income.....	<u>\$ 297,838,026.50</u>

Kentucky Utilities Company
Comparative Balance Sheets as of February 29, 2020

Assets	Liabilities and Proprietary Capital
<p>Utility Plant</p> <p>Utility Plant at Original Cost..... \$ 10,419,449,869.15</p> <p>Less: Reserves for Depreciation and Amortization..... <u>3,487,737,813.39</u></p> <p>Total..... <u>6,931,712,055.76</u></p> <p>Investments</p> <p>Ohio Valley Electric Company..... 250,000.00</p> <p>Nonutility Property-Less Reserve..... 657,564.21</p> <p>Special Fund..... <u>30,690,207.86</u></p> <p>Total..... <u>31,597,772.07</u></p> <p>Current and Accrued Assets</p> <p>Cash..... 9,898,547.82</p> <p>Temporary Cash Investments..... 87,105.20</p> <p>Accounts Receivable-Less Reserve..... 247,442,491.05</p> <p>Accounts Receivable from Associated Companies..... 20,047.85</p> <p>Materials and Supplies-At Average Cost</p> <p>Fuel..... 63,575,111.14</p> <p>Plant Materials and Operating Supplies..... 57,907,628.70</p> <p>Stores Expense..... 3,709,407.08</p> <p>Emission Allowances..... 125,320.20</p> <p>Prepayments..... <u>19,533,754.05</u></p> <p>Total..... <u>402,299,413.09</u></p> <p>Deferred Debits and Other</p> <p>Unamortized Debt Expense..... 17,767,179.35</p> <p>Unamortized Loss on Bonds..... 9,188,768.56</p> <p>Accumulated Deferred Income Taxes..... 313,445,797.65</p> <p>Deferred Regulatory Assets..... 428,848,037.59</p> <p>Other Deferred Debits..... <u>63,764,230.72</u></p> <p>Total..... <u>833,014,013.87</u></p> <p>Total Assets..... <u>\$ 8,198,623,254.79</u></p>	<p>Proprietary Capital</p> <p>Common Stock..... \$ 308,139,977.56</p> <p>Less: Common Stock Expense..... 321,288.87</p> <p>Paid-In Capital..... 696,858,083.00</p> <p>Other Comprehensive Income..... 0.01</p> <p>Retained Earnings..... <u>2,020,459,496.64</u></p> <p>Total Proprietary Capital..... <u>3,025,136,268.34</u></p> <p>Other Long-Term Debt..... <u>2,639,794,945.01</u></p> <p>Total Long-Term Debt..... <u>2,639,794,945.01</u></p> <p>Total Capitalization..... <u>5,664,931,213.35</u></p> <p>Current and Accrued Liabilities</p> <p>Notes Payable..... 115,984,034.45</p> <p>Accounts Payable..... 105,869,193.35</p> <p>Accounts Payable to Associated Companies..... 47,865,144.94</p> <p>Customer Deposits..... 31,914,533.79</p> <p>Taxes Accrued..... 33,366,236.02</p> <p>Interest Accrued..... 37,287,336.61</p> <p>Miscellaneous Current and Accrued Liabilities..... <u>30,894,820.29</u></p> <p>Total..... <u>403,181,299.45</u></p> <p>Deferred Credits and Other</p> <p>Accumulated Deferred Income Taxes..... 1,105,135,642.02</p> <p>Investment Tax Credit..... 89,768,366.37</p> <p>Regulatory Liabilities..... 744,623,292.01</p> <p>Customer Advances for Construction..... 4,504,774.88</p> <p>Asset Retirement Obligations..... 136,717,407.20</p> <p>Other Deferred Credits..... 4,570,542.81</p> <p>Miscellaneous Long-Term Liabilities..... 25,663,740.76</p> <p>Accum Provision for Pension & Postretirement Benefits..... <u>19,526,975.94</u></p> <p>Total..... <u>2,130,510,741.99</u></p> <p>Total Liabilities and Stockholders Equity..... <u>\$ 8,198,623,254.79</u></p>

Kentucky Utilities Company
Analysis of Retained Earnings
February 29, 2020

	Year Ended Current Month
	This Year
Retained Earnings and Undistributed Earnings	
Balance at Beginning of Period.....	\$ 1,951,621,470.14
Add:	
Net Income for Period.....	297,838,026.50
Deduct:	
Common Dividends	
Common Stock Without Par Value.....	229,000,000.00
Adjust for Equity in Subsidiary	
Earnings for Year	
EEI Inc.....	-
Balance at End of Period.....	\$ 2,020,459,496.64