

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>ELECTRONIC APPLICATION OF</b>	)	
<b>KENTUCKY UTILITIES COMPANY FOR AN</b>	)	
<b>ORDER AUTHORIZING THE ISSUANCE OF</b>	)	<b>CASE NO. 2020-00109</b>
<b>INDEBTEDNESS</b>	)	

**RESPONSE OF**  
**KENTUCKY UTILITIES COMPANY**  
**TO COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION**  
**DATED MAY 1, 2020**

**FILED: MAY 11, 2020**

VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 )  
COUNTY OF JEFFERSON )

The undersigned, **Daniel K. Arbough**, being duly sworn, deposes and says that he is Treasurer for Kentucky Utilities Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are 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 8th day of May 2020.

  
\_\_\_\_\_  
Notary Public (SEAL)

Notary Public, ID No. 003967

My Commission Expires:

7/11/2022

VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 )  
COUNTY OF JEFFERSON )

The undersigned, **Christopher M. Garrett**, being duly sworn, deposes and says that he is Controller for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

DocuSigned by:  
*Christopher M. Garrett*  
B5B82BAE09DD417...  
**Christopher M. Garrett**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 7<sup>th</sup> day of May 2020.

*Judy Schoster*  
Notary Public

Notary Public, ID No. 603967

My Commission Expires:

7/14/2022

VERIFICATION

COMMONWEALTH OF KENTUCKY )  
  )  
COUNTY OF JEFFERSON        )

The undersigned, **Eileen L. Saunders**, being duly sworn, deposes and says that she is Vice President, Customer Services for Louisville Gas and Electric Company and Kentucky Utilities Company and an employee of LG&E and KU Services Company, and that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.

  
**Eileen L. Saunders**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 17<sup>th</sup> day of May 2020.

 (SEAL)  
Notary Public

Notary Public, ID No. 603967

My Commission Expires:

7/11/2022

**Kentucky Utilities Company**  
**Response to Commission Staff's Initial Request for Information**  
**Dated May 1, 2020**

**Case No. 2020-00109**

**Question No. 1**

**Witness: Daniel K. Arbough/Counsel**

Q-1. Refer to the application, paragraph 8, in which KU notes it has been working toward the refunding and replacement of the Series B First Mortgage Bonds authorized in Case No. 2019-00242,<sup>2</sup> but refunding and replacement has become administratively and legally problematic for the foreseeable future due to the closing of courthouses and County Clerk offices from the COVID-19 pandemic.

- a. Describe what actions KU made toward the refunding and replacement of the Series B First Mortgage Bonds.
- b. Define "the foreseeable future."
- c. With the recent announcement of the reopening of the state via a phased-in approach, explain whether KU believes that the constraints surrounding the recording of documents at courthouse and County Clerk offices will lessen.

A-1.

- a. The Company had been actively negotiating documents with underwriters and preparing to launch a transaction within a few days when the governor issued his emergency orders and the County Clerk offices closed.
- b. Unfortunately, at this point KU does not know when the County Clerk offices will open to process the Company's documents on a timely basis. See the response to part c below. The request for authorization in this case is being made to avoid a situation where the Company is forced into a transaction at a point in time when markets are not functioning well. It is in the best interest of customers to provide the requested flexibility to approach the markets in an orderly fashion with a structure that has a high certainty of execution.
- c. As referenced in KU's application, KRS 382.380 states:

"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

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<sup>2</sup> Case No. 2019-00242 Electronic Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and Assumption of Obligations, (Ky. PSC Sep. 11, 2019).

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).

To comply with this statute, in order to obtain financing utilizing First Mortgage Bonds as security, the Company would first need to lodge for record a Supplemental Indenture (which amends the original First Mortgage Indenture filed by the Company and the Supplements thereto), containing the information required by the statute, in all 69 Counties in Kentucky where the Company owns real property. In order for the Supplemental Indenture to be "lodged for record", the Company needs each County Clerk office to either issue a receipt for the recording, stamp and return the original or a copy of the document as recorded or both. By being able to record the Supplemental Indentures in-person, the Company is able to get instantaneous lodging in each County.

If a County Clerk's office does not allow in-person recordings, and instead only allows the Supplemental Indenture to be mailed in or 'dropped off' in a box at a Clerk's Office, there is no way to guarantee that the Supplemental Indenture will be 'lodged for record' by a given Clerk within any prescribed time frame. Under the terms of the First Mortgage Bond financing, the investors require that the Supplemental Indentures be lodged for record, to enable the issuance of the Bonds, within a fixed number of days, that can vary from 5 to 7 days. If just 1 of the 69 Clerk's offices cannot guarantee lodging within the prescribed time period, the First Mortgage Bonds cannot be issued.

On March 16, 2020, Governor Beshear ordered all in-person government services to be closed as of 5:00 p.m. EDT on Tuesday, March 17, 2020. (Link - <https://kentucky.gov/Pages/Activity-stream.aspx?n=GovernorBeshear&prId=94>). (At that time, most of the required 69 County Clerks' Offices had already closed on their own). As of the date of that action, it became impossible for KU to guarantee the lodging for record of the Supplemental Indentures in all 69 Counties within a prescribed time frame, and therefore the First Mortgage Bonds could not be issued, making that financing option not viable. Governor Beshear has not, as of this date, re-opened government offices for in-person services.

Both the Kentucky Bankers Association and the Kentucky Land Title Association lobbied the Governor and the Secretary of State to require the County Clerks to remain open during the pandemic to accept live recordings. On March 25, 2020, Kentucky Secretary of State Michael Adams forwarded the letter referenced in the application to the Clerks emphasizing the importance of accepting live recordings, to no apparent

avail (with the exception of the Fayette County Clerk, which took some minor steps, as shown in the summary chart described below).

In response to this request for information, KU's counsel surveyed the 69 County Clerks Offices to determine if their recording procedures have changed. Specifically, the law firm called the Clerks' offices, checked the Clerks' websites to verify the latest information or both; the law firm prepared the chart shown in Attachment No. 1 with the information on the current status of the required 69 County Clerks' Offices.

As shown on the attachment, most of the Clerks are only accepting mail-in or drop-box recordings, and with no guarantee of lodging the documents for record in all 69 Counties within a prescribed time period.

KU and its counsel have also continued to monitor Governor Beshear's Healthy at Work Reopening Process for Kentucky businesses. As of this time, no specific date has been set for the re-opening of in-person government services; "office-based businesses" are set to reopen on May 11, 2020, at "50% of pre-outbreak capacity". However, governmental services do not appear to be covered under the Plan's definition of office-based services. ("Office-based businesses" are defined to include finance and accounting, legal, insurance, engineering, architecture, real estate, scientific/technical, property management, non-profit organizations performing administrative services, and other corporate offices and private office-based firms – link: [https://govsite-assets.s3.amazonaws.com/8Yin84XkREOVdcNilqvz\\_Healthy%20at%20Work%20Reqs%20-%20Office-Based%20Businesses%20-%20Final%20Version%201.0.pdf](https://govsite-assets.s3.amazonaws.com/8Yin84XkREOVdcNilqvz_Healthy%20at%20Work%20Reqs%20-%20Office-Based%20Businesses%20-%20Final%20Version%201.0.pdf) ).

If the Governor were to *allow* the Clerks Offices to reopen under the Healthy at Work Plan, there is no obligation for all 69 Clerks would do so, absent an actual Executive Order to reopen.

**May 4-6, 2020 Assessment of County Clerk's Offices  
Where Kentucky Utilities Company Must Lodge FMB Indentures**

	<b>County</b>	<b>Open/Closed</b>	<b>If Closed, How Accepting</b>	<b>Deed Room Availability</b>
1.	Adair	Closed	Mail/Drop-Box (drop-box checked every hour)	Online/Appointment
2.	Anderson	Closed	Mail/Drop-Box in Front Lobby and also Drive-Thru Available 9-4:30 M-F	Online Only
3.	Ballard	Closed	Mail/Drop-Box but call first, or use drop box	Appointment Only
4.	Barren	Closed	Mail/Drop-Box (drop-box checked 3-4 times a day)	Online Only
5.	Bath	Closed	Mail Only - Recording every other day one week	Online Only
6.	Bell	Closed	Mail Only	Online Only
7.	Bourbon	Closed	Mail Only – Recording Daily	Online Only
8.	Boyle	Closed	Mail/Drop-Box at vault door (checked when they get time during the day)	Online only
9.	Bracken	Closed	Mail Only – Recorded in order received	Online Only
10.	Bullitt	Closed	Mail Only	Online Only
11.	Caldwell	Closed	Mail/Drop Box	By Appointment Only
12.	Carroll	Closed	Mail Only	Online Only
13.	Casey	Closed	Mail/Drop-Box (box located at front of courthouse and is only checked once per day; recording will likely be the next day)	Online Only
14.	Christian	Closed	Mail/Drop-Box or Electronic	Online Only
15.	Clark	Closed	Mail or Drop-Box located inside Courthouse next to entrance to Clerk's Office Recorded in order received	Online Only
16.	Clay	Closed	Mail/Drop-Box	Online Only
17.	Crittenden	Closed	Mail only	By Appointment Only
18.	Estill	Closed	Mail/Drop through mail slot in door	Online Only
19.	Fayette	Closed	Mail/Drop-Box on M and W only between 2-3 pm; documents are not clocked in; they are recorded when they get to them.	Online Only



	<b>County</b>	<b>Open/Closed</b>	<b>If Closed, How Accepting</b>	<b>Deed Room Availability</b>
20.	Fleming	Closed	Mail Only – Recorded in order received	Online Only
21.	Franklin	Closed	Mail/Drop-Box 8:30-4:00 M-F	Online Only
22.	Fulton	Closed	Mail Only	Appointment Only
23.	Gallatin	Closed	Mail/ Drop-Box (only during business hours; will review document for issues, but not clocked in; recorded in order received)	Online Only
24.	Garrard	Closed	Mail Only	Online Only
25.	Grayson	Closed	Mail Only	Online Only
26.	Green	Closed	Mail/Drop-Box	Online Only
27.	Hardin	Closed	Mail/Electronic	Online Only
28.	Harlan	Closed	Mail/Drop-Box	Online or by appointment (if there's a closing)
29.	Harrison	Closed	Mail or Large Red Drop-Box located on front steps of Courthouse. Only letter-sized envelopes will fit into drop box. Documents recorded daily and will be mailed out day after recording.	Limited to Local Attorneys No online records
30.	Hart	Closed	Mail Only	Online
31.	Henry	Closed	Mail/Drop-Box	Online Only
32.	Hickman	Closed	Mail/Drop-Box available but not recommended	Online Only
33.	Hopkins	Closed	Mail/Drop-Box	Closed
34.	Jessamine	Closed	Mail/Drop-Box	Online Only
35.	Knox	Closed	Mail Only	Online only (free access to eCCLIX with login KnoxPublic4, password Public004 )
36.	LaRue	Closed	Mail/Drop-Box	No
37.	Laurel	Closed	Mail only	Online Only
38.	Lee	Closed	Mail Only	Closed
39.	Lincoln	Closed	Mail Only	Online Only
40.	Livingston	Closed	Mail/Drop-Box	Closed
41.	Lyon	Closed	Mail Only	Online/Appointment
42.	McCracken	Closed	Mail/Drop-Box	Appointment Only
43.	McLean	Closed	Mail/Drop-Box	Online Only

	County	Open/Closed	If Closed, How Accepting	Deed Room Availability
44.	Madison	Closed	Mail/Drop-Box	Online Only
45.	Marion	Closed	Mail/Drop-Box	Online Only
46.	Mason	Closed	Mail Only – Record daily	Online Only
47.	Mercer	Closed	Mail/Drop-Box box located at sheriff's Office near the funeral home (External). That box is for tax payments, but the Sheriff is accepting recording for the clerk and bringing them to their Office inside where the public is not allowed.	Online. Appointment Only for Notary and Marriage License
48.	Montgomery	Closed	Mail/Drop-Box located at exterior front entrance of Courthouse, box checked at least once a day. Recording documents daily	Online Only
49.	Muhlenberg	Closed	Mail or drop box	Appointment Only
50.	Nelson	Closed	Mail/Drop-Box (Can view records online using username: nelsoncollookup password: nelsonlookup )	Online Only
51.	Nicholas	Closed	Mail Only – Usually Recorded daily but sometimes in order received	Online Only (Offering eCCLIX usage for free during shutdown)
52.	Ohio	Closed	Mail/Drop-Box	Appointment Only
53.	Oldham	Closed	Mail/Drop-Box	Online Only (Offering eCCLIX usage for free; call for password)
54.	Owen	Closed	Mail/Drop-Box 8:00-4:00 M-F	Online Only
55.	Pendleton	Closed	Mail Only – Recording daily	Online records for recording info Appointment only for title exams
56.	Pulaski	Closed	Mail/Drop-Box (a clerk will come outside to get the document from you)	Online/Appointment
57.	Robertson	Closed	Mail or Drop Box located on exterior left side of courthouse, box is checked hourly. Recording daily	Online Only

	<b>County</b>	<b>Open/Closed</b>	<b>If Closed, How Accepting</b>	<b>Deed Room Availability</b>
58.	Rockcastle	By appointment (email <a href="mailto:danetta.allen@ky.gov">danetta.allen@ky.gov</a> first)	Mail or Drop-Box at front of building	Appointment Only – one person at a time
59.	Rowan	Closed	Mail Only – Recording daily in order received	Online Only
60.	Russell	Closed to Public	Mail/Drop-Box (drop-box is checked 3-4 times a day; likely recorded the same day if dropped in the morning)	Online only
61.	Scott	Closed to Public	Mail or drop through mail slot in door	Closed
62.	Shelby	Closed	Mail Only	Online Only (Boxing eCLIXX usage for free; call for password)
63.	Taylor	Closed	Mail/Drop-Box	Appointment Only
64.	Trimble	Closed	Mail/Drop-Box (ramp with two windows only during business hours; will review document for issues, but not lodged in; recorded in order received.)	Online/Appointment (Offering eCLIXX usage for free; call for password)
65.	Union	Closed	Mail/Drop-Box	Appointment Only
66.	Washington	Closed	Mail Only	Closed
67.	Webster	Closed	Mail/Drop-Box	Online Only
68.	Whitley	Closed	Mail/Drop-Box	Appointment/Online
69.	Woodford	Closed	Mail/Drop-Box (box by Sheriff's Office entrance door that is checked every hour or so)	Online

**Kentucky Utilities Company**  
**Response to Commission Staff's Initial Request for Information**  
**Dated May 1, 2020**

**Case No. 2020-00109**

**Question No. 2**

**Witness: Eileen L. Saunders**

Q-2. Refer to the application, paragraph 10. For the anticipated amounts of arrearages,

- a. Provide KU's plan for payment plans for reimbursements of arrearages.
- b. For those who have arrearages, provide the anticipated percent that KU believes will participate in a payment plan.

A-2.

- a. KU is evaluating offering payment plans based on the duration of disconnect moratorium which is still in effect. For example, a moratorium of 3 months would result in offering minimum of a 3-month payment plan to a maximum of a 6-month payment plan from which the customer could choose. KU will continue to evaluate potential payment plans until the moratorium is lifted and will reassess the level of payment plans based on the length of the moratorium and the size of the arrearages.
- b. For KU customers who received a disconnect notice, 29% requested a payment plan in 2019. The 5-year average was 28%. The final number of customers who take advantage of a payment plan however is uncertain and historical averages may not indicate the number in this unprecedented time. See also the response to Question No. 8.

**Kentucky Utilities Company**  
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**Case No. 2020-00109**

**Question No. 3**

**Witness: Daniel K. Arbough**

- Q-3. Refer to the application, paragraph 13. If KU enters into Intermediate Term Financing,
- a. Provide the length of time KU anticipates before the Intermediate Term Financing is rolled over into Long-Term Financing such as First Mortgage Bonds.
  - b. Provide the advantages and disadvantages of Intermediate Term Financing.
  - c. Explain how KU determines the costs and benefits associated with Intermediate Term Financing.
- A-3.
- a. The ability to replace an Intermediate Term Financing will depend on the type of financing used. If an unsecured bond is issued, it likely will include a make-whole provision that would require the Company to effectively make the investor no worse off than if the bond had been held to maturity. If interest rates have declined since the bond was issued and the investor must reinvest at a lower rate elsewhere, the Company must make a payment equal to the present value of the difference between the cash flow on the KU bond and the cash flow on a replacement investment. If a bank term loan is used, the loan can typically be repaid on any interest payment date without penalty. KU would likely look to replace a term loan with a First Mortgage Bond in the future once practicable, but the make-whole payment requirement would likely make it uneconomic to replace an unsecured bond.
  - b. The key advantage of the Intermediate Term Financing options is they can be implemented at any time as opposed to the First Mortgage Bonds which require the ability of county clerk offices to be open and able to process the paperwork in a timely fashion. Having the ability to fund the business when markets are favorable vs. when the funds are urgently needed is a significant benefit. The bank term loan structure also is typically priced at a variable rate which may be slightly lower than fixed rate prices. However, long-term interest rates are at or very near all-time lows and most of the Company's assets are long-lived assets. As noted above, bank term loans can also be prepaid without a penalty in most instances.

Unsecured bonds will be more expensive than First Mortgage Bonds and will include a make-whole provision to protect investors from falling interest rates. Issuing a long-

term debt security that is subordinated to First Mortgage Bonds is unusual in the market so the additional complexity could add to the price premium.

- c. KU determines the costs and benefits associated with Intermediate Term Financing in accordance with the priority of the following criteria: (1) the ability to timely raise the required funds to avoid any default on maturing bonds, (2) the ability to raise the required amount, (3) cost and (4) the ability to repay the investor in advance.

**Kentucky Utilities Company  
Response to Commission Staff's Initial Request for Information  
Dated May 1, 2020**

**Case No. 2020-00109**

**Question No. 4**

**Witness: Daniel K. Arbough**

- Q-4. Explain how the issuance of First Mortgage Bonds and short-term debt for which approval is sought herein will affect KU's equity position.
- A-4. The Company strives to maintain a balanced capital structure consistent with a credit rating of A/A from S&P and Moody's. Over time, it is anticipated that the equity of the Company will grow commensurate with the growth in bonds to maintain this credit rating.

**Kentucky Utilities Company**  
**Response to Commission Staff's Initial Request for Information**  
**Dated May 1, 2020**

**Case No. 2020-00109**

**Question No. 5**

**Witness: Daniel K. Arbough**

- Q-5. Explain whether and, if so, how KU contends that the issuance of the First Mortgage Bonds and short-term debt for which approval is sought herein will affect KU's credit rating.
- A-5. No change in the credit rating of KU is anticipated as a consequence of approval of the issuance of the requested long-term debt. The Company does not anticipate having the entire amount of the requests outstanding at the same time, but is seeking approval for the requested amounts to allow flexibility in issuing debt as needs arise. No change is expected in the credit rating of the Company following the completion of the contemplated financing activities.



**Kentucky Utilities Company**  
**Response to Commission Staff's Initial Request for Information**  
**Dated May 1, 2020**

**Case No. 2020-00109**

**Question No. 6**

**Witness: Daniel K. Arbough**

- Q-6. 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-6. Pricing indications as of May 5, 2020 for a First Mortgage Bond are approximately 2.31% for a ten year bond and 3.18% for a 30 year bond. The ten year rate is based on an underlying ten year treasury bond yield of 0.66% plus a credit spread of 1.65%. The 30 year rate is based on an underlying 30 year treasury bond yield of 1.33% plus a credit spread of 1.85%. Variable rate bonds are typically not issued for the above tenors, but can be achieved using an interest rate swap to convert the fixed rate obligation to a floating rate obligation. Using the above rates, a ten year bond could be swapped to floating to yield a rate of LIBOR + 1.66% and a 30 year bond could be swapped to floating to yield a rate of LIBOR + 2.32%. Given the extremely low interest rates, the Company does not intend to utilize interest rate swaps to convert to a floating rate. These pricing indications were provided by an investment bank active in the First Mortgage Bond market.

**Kentucky Utilities Company**  
**Response to Commission Staff's Initial Request for Information**  
**Dated May 1, 2020**

**Case No. 2020-00109**

**Question No. 7**

**Witness: Daniel K. Arbough**

- Q-7. Describe the interest rates that KU anticipates receiving on the short-term debt, and explain the bases for those anticipated interest rates.
- A-7. The Company's current revolving line of credit allows it to borrow at LIBOR + 1%. One month LIBOR as of May 5, 2020 is 0.22%. One month commercial paper rates are currently very volatile, but are trading in the same range as the pricing available under the revolving line of credit at this time.

**Kentucky Utilities Company**  
**Response to Commission Staff's Initial Request for Information**  
**Dated May 1, 2020**

**Case No. 2020-00109**

**Question No. 8**

**Witness: Christopher M. Garrett**

Q-8. For KU company-wide, provide a list of expenses and savings that are COVID-19 related.

A-8. Through April, KU has incurred additional expenses for personal protective equipment (PPE), facilities cleaning, legal matters, sequestration planning, labor and credit card processing fees with limited reductions in costs including business travel and off-site training expenses. KU has also evaluated the federal stimulus package and determined no significant impact on its financial statements. However, KU does note that it will be permitted to defer approximately \$4 million in payroll tax payments in 2020. KU has established cost tracking measures in its accounting system to capture all associated COVID-19 costs.

KU continues to monitor its allowance for credit losses (bad debts) and loss of late payment charges and reconnect fees and will continue to do so in relation to the amounts it is recovering in rates. To date, KU has not adjusted its allowance for credit losses for additional expected credit losses as the impact is uncertain. Waived late payment charges were \$695 thousand and budgeted reconnect fees that were uncollected were \$216 thousand through April.

While incremental COVID-19 costs may become significant should an economic recession ensue and continue for a prolonged period, the need for additional liquidity is currently being driven by the potential impact on customer receipts as a result of decreased demand for electricity coupled with the impact of the moratorium on disconnections. In April, KU experienced a 13% decrease in sales, driven by a 19% decrease in commercial and industrial sales, partially offset by a 3% increase in residential sales compared to budget. The decrease in total sales volumes equated to a \$1.8 million decrease in base energy revenues (excluding fuel commodity costs) compared to budget. Additionally, KU experienced a \$5.6 million (18%) decrease in demand revenues compared to budget. With regards to the moratorium, KU has experienced a significant increase in its aged Accounts Receivable since the beginning of March, with Accounts Receivable outstanding over 30 days rising to \$17.6 million, representing a \$4.6 million increase (35%). Additionally, KU currently shows delinquent cash payments from customers of more than \$13 million from March 16<sup>th</sup> (the start of the moratorium) through April 30<sup>th</sup>. While the federal stimulus funds have provided some relief to KU's customers, these payment trends may quickly deteriorate further after stimulus funds are fully consumed.

Until COVID-19 is contained or an effective vaccine is identified and widely -available, the COVID-19 virus poses significant risks to the health and welfare of KU's customers, employees, contractors and suppliers, and to the conduct of its business. Mandates to stay at home, shelter in place, or quarantine and resulting lock-down or closures of non-essential businesses will reduce demand for electricity and gas, or cause shifts in demand between residential, commercial and industrial customers that could negatively impact KU's financial condition. Customers experiencing financial strain from unemployment, furloughs, or reduced work hours may not be able to pay their bills on a timely basis, which could negatively impact KU's liquidity.

All of these factors have the potential to materially and adversely affect KU's business and operations, especially if they remain in effect for a prolonged period of time. At this time, KU cannot predict the extent to which these or other pandemic-related factors may affect liquidity, as it depends on the duration and scope of the outbreak and other future developments, all of which are highly uncertain. KU must act now to ensure ample liquidity is available *if* needed.