COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF	)	
LOUISVILLE GAS AND ELECTRIC COMPANY	)	
FOR AN ORDER AUTHORIZING THE	)	**CASE NO. 2020-00110**
ISSUANCE OF INDEBTEDNESS	)	

RESPONSE OF LOUISVILLE GAS AND ELECTRIC COMPANY TO ATTORNEY GENERAL'S FIRST SET OF DATA REQUESTS DATED APRIL 30, 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 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.

Daniel K. Arbough

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.

Judy Schooler (SEAL)

Notary Public

Notary Public, ID No. 603967

My Commission Expires:

7/11/2022

Louisville Gas and Electric Company
Response to Attorney General's First Set of Data Requests
Dated April 30, 2020

Case No. 2020-00110

Question No. 1

Witness: Daniel K. Arbough

Q-1. Provide a comparison of the interest rates that the Company would expect to pay related to the issuance of First Mortgage Bonds in comparison to the alternative financing options.

A-1. 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 interest rate for an unsecured bond would be higher than a First Mortgage Bond due to the expectation of it having a lower credit rating. It is unusual for a utility to have secured and unsecured bonds so pricing data is scarce. However, LG&E estimates that the unsecured bond interest rate would be 0.30% to 0.50% higher. It is important to note that the price differential does not matter if the Company is unable to issue First Mortgage Bonds due to the County Clerk offices being closed. The price differential can also be eroded by increases in credit spreads or Treasury bond rates if the Company is forced to wait to issue bonds until the County Clerk offices reopen. Bank term loans have a much shorter tenor and are priced as a spread above LIBOR. Indications for a two year term loan in the range of LIBOR + 1.625%.

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Question No. 2

Witness: Daniel K. Arbough

Q-2. To the extent the Company is required to enter into a financing option that does not include First Mortgage Bonds, describe whether the Company would seek to replace that financing with First Mortgage Bonds when practicable. Describe whether the terms of the alternative options would preclude or disadvantage replacement for some period.

A-2. The ability to replace one of the alternate forms of financing with a First Mortgage Bond when practicable depends 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 LG&E 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. LG&E 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.

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Question No. 3

Witness: Daniel K. Arbough

Q-3. Describe all communication of which the Company is aware which have occurred since the filing of the application and which impacts the ability of the Company to pursue First Mortgage Bond issuance, including but not limited to access to courthouses, etc.

A-3. See the response to PSC 1-1.

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Question No. 4

Witness: Daniel K. Arbough

Q-4. Describe the ratio of Company's debts in relation to its assets.

A-4. At March 31, 2020, the Company's debt to asset ratio was 33% as calculated below:

At March 31, 2020	LG&E
Notes Payable to Associated Company	$ 20,565,000
Notes Payable	159,278,272
Other Long-Term Debt	2,019,947,474
Total Debt	**$ 2,199,790,746**
Total Assets	**$ 6,720,826,761**
Debt to Assets Ratio	**33%**