

KyPSC Case No. 2021-00190
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Duke Energy Kentucky
Case No. 2021-00190
Attorney General's First Set Data Requests
Date Received: June 30, 2021

SUPPLEMENTAL AG-DR-01-046

REQUEST:

- e. Provide an update of the progress for the projected September 2021 issuance, including a description of any terms if now agreed upon.

ORIGINAL RESPONSE:

As of July 8, Duke Energy has mandated KeyBanc as the sole placement agent for the projected September 2021 long term debt issuance. There are no other updates at this time.

SUPPLEMENTAL RESPONSE:

As of September 6, Duke Energy Kentucky ceased all marketing efforts to place \$50 million of unsecured debentures with private placement investors. The decision to cancel the transaction in this market was primarily due to feedback and demands from both existing and potential new investors, including the following:

1. Increased ESG (environmental, social, corporate governance) mandates and new policies enacted by asset managers to limit exposure to utilities that have high levels of coal-fired/high carbon emitting generation. Without a clear and publicly communicated transition path away from coal generation to a cleaner fuel source, investors would not entertain an order of any size and at any price.
2. Overall exposure (portfolio limits) to Duke Energy Kentucky.
3. Investor demands for a more investor-friendly covenant package that would place additional risk and reduce both financial and strategic flexibility of Duke Energy Kentucky.

The company declined to yield to these proposed incremental restrictive covenants.

The \$50 million debt financing is still required by Duke Energy Kentucky in 2021 and the company is actively working to secure financing in the bank market. The financing structure will be a 2-year term loan. The rate will be based on SOFR (Secured Overnight Financing Rate) plus a fixed credit spread of 60 basis points. The Company expects to close the term loan in mid-October 2021 with an expected initial interest rate of 66 bps and an average interest rate of ~85 bps over the life of the loan.

PERSON RESPONSIBLE: Chris R. Bauer