



PPL companies

Informal Conference Long-term Debt Applications

January 10, 2024

Case # 2023-00397 & 2023-00398

Requested Authorizations

- During the period 2024 thru 2027:
 - Requesting authorization to incur indebtedness as follows:
 - LG&E: Up to \$1,150,000,000
 - KU: Up to \$1,350,000,000
 - Requesting authorization to maintain and renew their syndicated revolving credit facilities for up to five years from the date of each amendment date:
 - LG&E: Up to \$750,000,000
 - KU: Up to \$650,000,000

Use of Proceeds

- Repayment of short-term debt primarily incurred for the financing of ongoing capital expenditures, including expenditures related to the retirement of certain fossil fuel-fired generation as approved in the recent CPCN (Case No. 2022-00402)
- Refinancing of long-term debt
- General corporate purposes

[Redacted]

[Redacted]

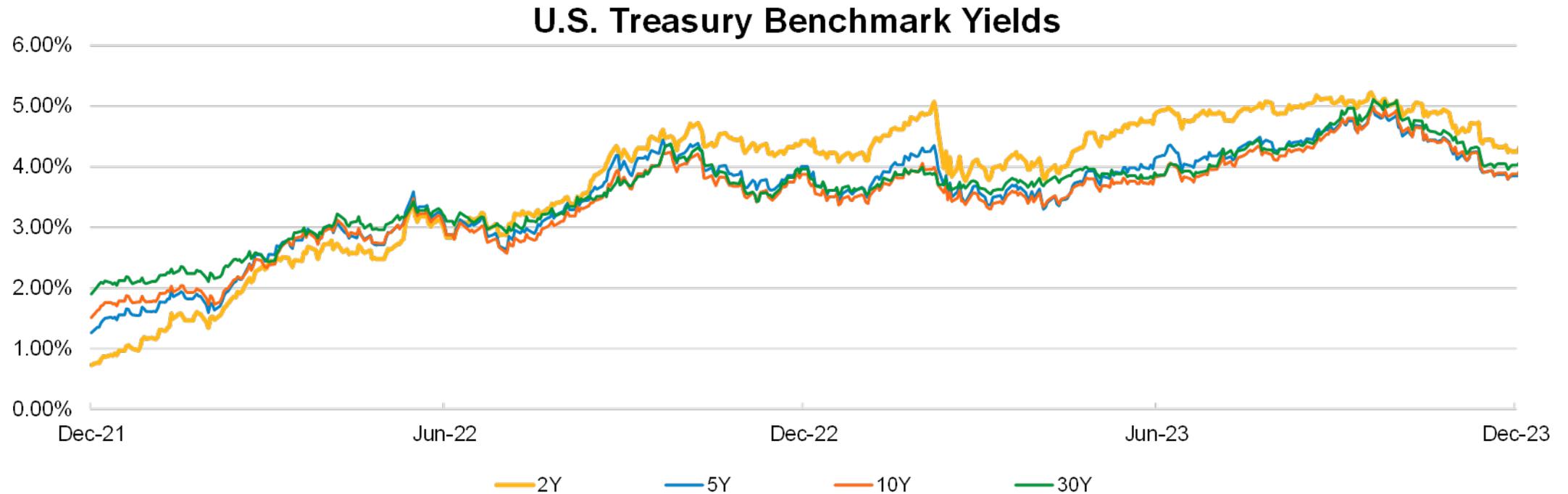
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Capital Markets Backdrop

- Persistent concerns over inflation led the Federal Reserve to aggressively increase rates during the first half of 2023
- Unexpected U.S. regional bank crisis in early 2023
- Potential economic slowdown and fears of a recession
- Geopolitical instability around the world
- Expected easing of monetary policy by the Federal Reserve beginning in 2024
- Upcoming U.S. Election

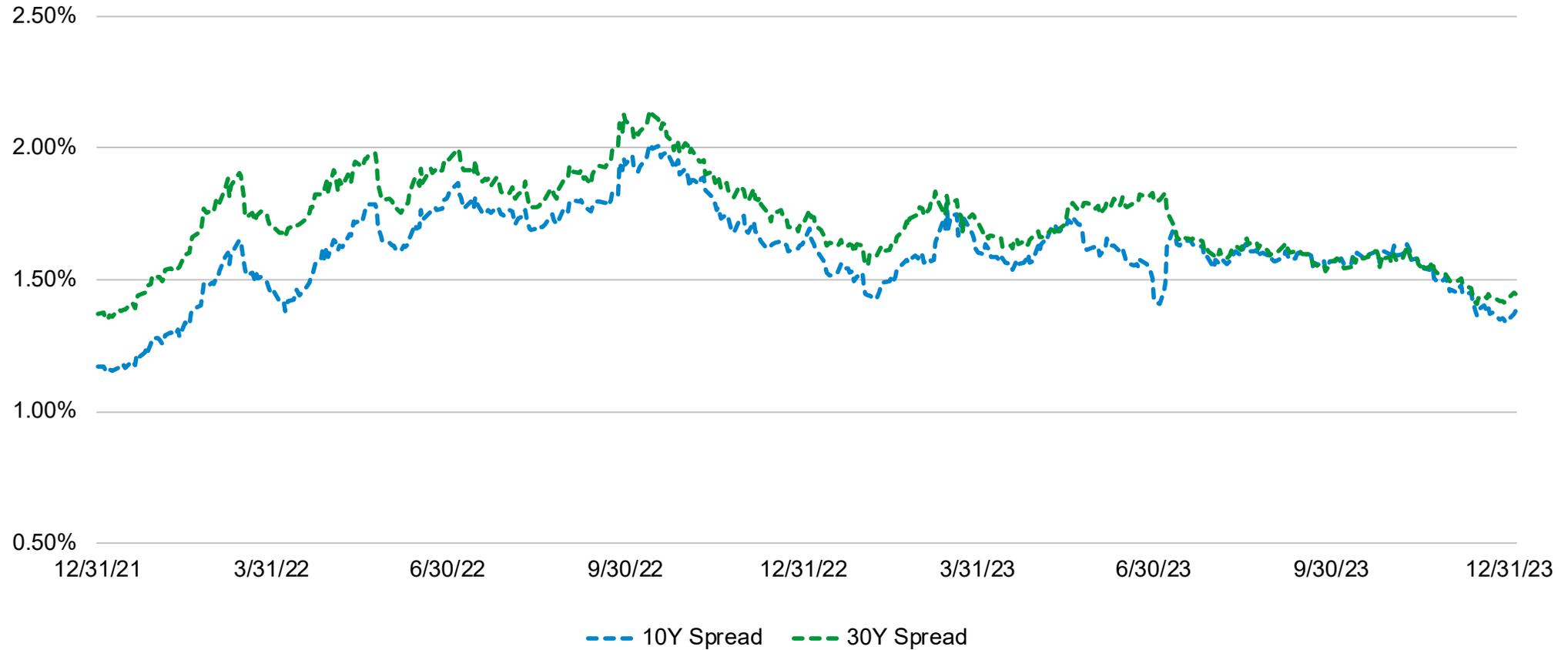
Historical Interest Rates

An “inverted” yield curve persists in the U.S. bond market



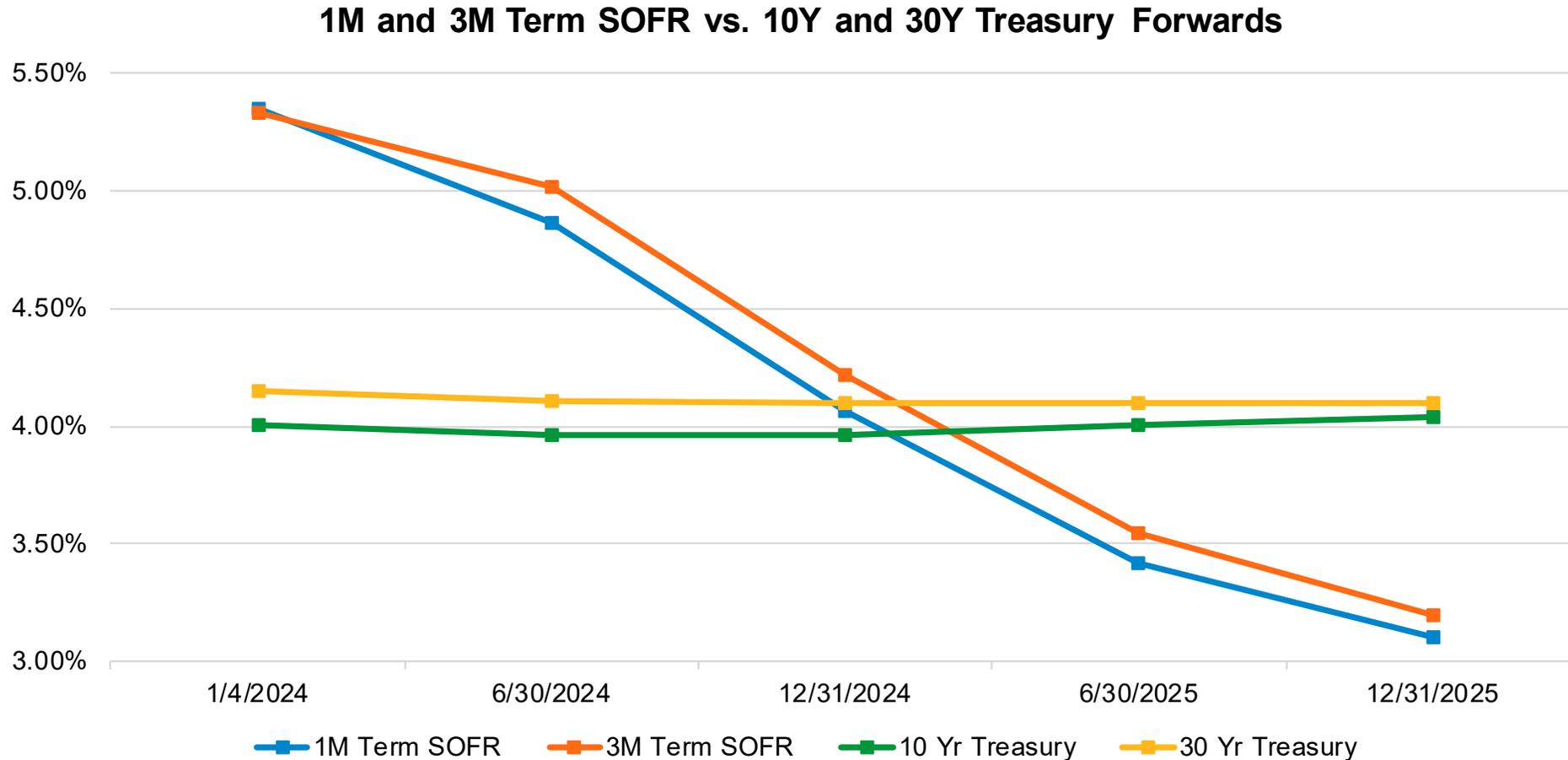
Source: Bloomberg

Utility Credit Spreads



Source: Bloomberg

Forward Looking Interest Rates



Source: Bloomberg as of January 4, 2024

Debt Issuance Considerations

- Prefunding
- Notional sizing
- Navigating blackout windows
- Sequencing of financing transactions
- Investor aversion to coal exposure
- Investor marketing

LG&E and KU Debt Issuance

OFFERING DETAILS

Issuer:	LG&E and Kentucky Utilities
Trade Date:	March 9, 2023
Securities offered:	First Mortgage Bonds
Tenor:	10-year
Amount:	\$400M / \$400M
Maturity:	4/15/2033
Coupon:	5.45%
Yield:	5.479%
Price:	\$99.772
Par Call:	3 month
Make-Whole Call:	25 bps
Settlement:	March 20, 2023
Rating:	A1/ A
Offering format:	SEC Registered

TRANSACTION HIGHLIGHTS

- Completed investor marketing ahead of debt offering
- Initial investor sentiment was overall positive, but coal exposure continues to be a detracting factor resulting in some investors inability to participate
- LG&E/KU launched an offering for 10-year first mortgage bonds with IPT of T+180-185
- Priced at 155 bps, 30 bps of tightening
- Orderbooks were 5X oversubscribed
- Use of proceeds were the repayment of floating rate debt:
 - \$300 million Term Loan with a maturity of March 2024 at LG&E
 - \$300 million Term Loan with a maturity of March 2024 at KU

JOINT BOOK-RUNNING MANAGERS



Kentucky Marketing Feedback

"We likely can't get there due to coal."

"Likely a pass due to coal..."

"Constrained by our 30% net generation limit...they're not even close ...and they're not moving very quickly either..."

"Despite a plan to a net-zero goal in 2050, 50% coal generation mix by 2030...not a good fit for our portfolio...likely a pass due to coal."

"Unable to participate due to coal exposure."

Rating Agencies

- Both S&P and Moody's find the regulatory environment in Kentucky generally supportive
- They also state that LG&E and KU have a high coal concentration in its generation fuel mix and have elevated environmental risk relative to peers
- Moody's categorizes LG&E and KU with a *Standard* Business Risk Profile, compared to the other PPL entities that are classified with a *Low* Business Risk Profile
- Business Risk Profiles assist to determine the level of credit metrics that are targeted to maintain certain ratings
 - LG&E and KU = CFO/ Debt Ratio: 20-25%
 - PA, RI = CFO/Debt Ratio: 18-22%

Key Take Aways

- Authorization of multi-year debt issuances provide necessary flexibility to navigate uncertain market conditions
- Provides the ability to be nimble and optimize borrowing costs for ratepayers
- Coal exposure likely persists as an investor headwind, negatively impacting the cost of borrowing
- Multi-year approval reduces administrative costs for KPSC and the Companies
- Authorization request is consistent with other PPL jurisdictions (PA and RI)