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STATE CORPORATION COMMISSION

STAFF REPORT

**JOINT APPLICATION OF
KENTUCKY UTILITIES COMPANY D/B/A OLD DOMINION POWER COMPANY**

And

LOUISVILLE GAS AND ELECTRIC COMPANY

**For transfer of certificate, approval of merger, and declaratory order pursuant to Chapter
5, 10 and 23 of Title 56 of the Code of Virginia**

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Case No. PUR-2026-00052

September 14, 2026

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STAFF REPORT

PART A

INTRODUCTION AND ACCOUNTING ANALYSIS

EXECUTIVE SUMMARY

Kentucky Utilities Company (“KU”), operating in Virginia under the name Old Dominion Power Company (“KU/ODP”), and Louisville Gas and Electric Company (“LG&E”) (collectively “Applicants” or “Companies”) filed a joint application (“Application”) with the State Corporation Commission (“Commission”) for approval of the legal merger of KU and LG&E (“Merger”).¹ Specifically, the Applicants request: (1) approval of the transfer of KU/ODP’s certificate to furnish electric service pursuant to Chapter 10.1 of Title 56 of the Code of Virginia (“Code”);² (2) approval of the merger of the Companies pursuant to the Utility Transfers Act,³ or a determination that such approval is not required; and (3) a declaration pursuant to 20 VAC 5-20-100 C of the Commission’s Rules of Practice and Procedure⁴ that KU/ODP’s exemption from regulation under Chapter 23 of Title 56⁵ in Code § 56-580 G will continue to apply to the merged Companies.⁶

The Applicants state that they are proposing to merge KU with and into LG&E, with LG&E being the surviving company.⁷ The Applicants state that they have jointly planned and operated

¹ Application at 1.

² Code § 56-265.1 *et seq.* (“Utility Facilities Act”).

³ Chapter 5 of Title 56 of the Code § 56-88 *at seq.* (“Utility Transfers Act”).

⁴ 20 VAC 5-20-10 *et seq.* (“Rules of Practice”).

⁵ Code § 56-576 *et seq.* (“Virginia Electric Utility Regulation Act”).

⁶ Application at 1, 8, 13.

⁷ *Id.* at 3.

the utilities under one holding company, LG&E and KU Energy LLC (“LKE”), for almost thirty years.⁸ The Applicants represent that the merged Companies will adopt KU/ODP’s existing tariff and will serve KU/ODP customers under the current tariff and operate in Virginia under the fictitious “doing business as” name of Old Dominion Power Company, just as KU/ODP does today. As a result, the Applicants assert that the merger should be largely, if not entirely, invisible to customers from a material commercial, operational, and communications standpoint.⁹

The Applicants first seek Commission authorization for the transfer of KU/ODP’s certificates of public convenience and necessity (“CPCNs”) to LG&E.¹⁰ The Applicants seek approval of the CPCNs transfer pursuant to the Utility Facilities Act.¹¹

The Applicants secondly seek Commission approval of the Merger pursuant to the Utility Transfers Act, which provides that “[i]f and when the Commission...shall be satisfied that adequate service to the public at just and reasonable rates will not be impaired or jeopardized by granting [the Application], the Commission shall make such order in the premises as it may deem proper and the circumstances require....”¹²

Lastly, the Applicants seek a declaratory order from the Commission confirming that the statutory exemption in Code § 56-580 G will continue to apply to the surviving utility following the proposed merger.¹³ On July 17, 2026, Staff filed a legal brief stating Staff’s support of a declaration by the Commission, as requested by the Applicants, that KU/ODP’s exemption from

⁸ *Id.* The Applicants have a significant joint history. A summary is included in Appendix B.

⁹ Application at 3.

¹⁰ *Id.* at 6.

¹¹ Code § 56-265.1 *et seq.*

¹² Code § 56-90.

¹³ Application at 8.

regulation under Chapter 23 of Title 56, found in Code § 56-580 G, would continue to apply to the merged Companies after KU/ODP is merged with and into LG&E with LG&E as the surviving entity.

Based on the Applicants' representations and Staff's investigation of the Application, Staff concludes the Merger would not impair or jeopardize the surviving company's ability to provide adequate service to the public at just and reasonable rates. Subject to the requirements listed in Appendix A to this Staff Report, Staff recommends approval of the Merger.

Staff does not oppose the transfer of KU/ODP's CPCNs to LG&E, provided that the transfer becomes effective upon completion of the Merger and is conditioned upon LG&E becoming dually incorporated in both Kentucky and Virginia. If the Merger is approved, Staff recommends that the cancellation of KU/ODP's CPCNs, and the effective date for CPCNs to be issued to LG&E, be effective as of the completion date of the proposed Merger. Staff further recommends that LG&E be required to file updated service territory maps with the Commission in accordance with Code § 56-265.3 A and within thirty (30) days after becoming dually incorporated in Kentucky and Virginia.

BACKGROUND

APPLICATION

On April 29, 2026, the Applicants completed the filing of an Application¹⁴ with the Commission requesting (1) approval of the transfer of the certificate to furnish electric service pursuant to Chapter 10.1 of Title 56 of the Code; (2) approval of the merger of the Companies

¹⁴ The Companies' initial filing was made on April 17, 2026. A supplemental filing was made on April 29, 2026, which rendered the Application complete for purposes of review under Chapter 5 of the Code, § 56-88 *et seq.*

pursuant to the Utility Transfers Act, or a determination that such approval is not required; and (3) a declaration pursuant to 20 VAC 5-20-100 C of the Commission's Rules of Practice and Procedure that KU/ODP's exemption from regulation under Chapter 23 of Title 56 in Code § 56-580 G will continue to apply to the merged Companies.¹⁵

On June 1, 2026, the Commission issued an Order for Notice and Comment ("Procedural Order"), which, among other things, docketed the matter, required the Applicants to provide notice of the Application, provided an opportunity for interested parties to file comments or request a hearing on the Application, and directed Staff to file a report ("Staff Report") containing its findings and recommendations.¹⁶ On July 8, 2026, the Applicants filed Proof of Notice and Service. No other notices of participation were filed, and no requests for hearing were filed.

APPLICANTS

KU is a Virginia public service company dually incorporated in Kentucky and Virginia. KU/ODP provides retail electric service to approximately 28,000 customers in Dickenson, Lee, Russell, Scott, and Wise counties in Virginia.¹⁷ KU provides retail electric service to approximately 553,000 customers in 77 counties in Kentucky.¹⁸ KU is a subsidiary of LKE with its ultimate parent company being PPL Corporation ("PPL").¹⁹

¹⁵ Application at 1, 8, 13.

¹⁶ One public comment was filed in this docket on August 7, 2026.

¹⁷ *Id.* at 2. "KU/ODP was incorporated under Kentucky law on August 17, 1912, and in Virginia on November 26, 1991 (and effective as of December 1, 1991), and is in good standing in Kentucky and Virginia." *Id.*

¹⁸ *Id.*

¹⁹ *Id.* at 4.

LG&E is a combination gas and electric utility company incorporated in Kentucky and providing retail electric service to approximately 443,000 customers in nine Kentucky counties and retail gas service to approximately 336,000 customers in 17 Kentucky counties.²⁰ Similar to KU, LG&E is a subsidiary of LKE with its ultimate parent company being PPL.²¹

MERGER TRANSACTION

The Applicants propose merging LG&E and KU into a single legal entity, with LG&E being the surviving entity.²² The Applicants state that following the Merger, PPL will remain the ultimate parent company and that, like KU is now, LG&E will dually incorporate in Kentucky and Virginia.²³

The Applicants represent that for the past thirty years, the Companies have jointly planned and operated their utilities and achieved significant operational efficiencies so much so that the two Companies essentially operate as one electric utility.²⁴ The Applicants further represent that the merged Companies will adopt KU/ODP's existing tariff, will serve KU/ODP customers under the current tariff, and will continue operating under the fictitious name "Old Dominion Power," as will be seen by customers on bills and service vehicles.²⁵ The Applicants assert that the Merger

²⁰ *Id.* at 2. Staff notes that LG&E does not currently provide any utility services in Virginia.

²¹ *Id.* at 4.

²² *Id.* at 3.

²³ *Id.* at 4. A discussion of dual incorporation and its implications for the CPCN appears later in the Staff Report.

²⁴ *Id.* at 3. See also *Petition of Kentucky Utilities Company d/b/a Old Dominion Power Company, KU Energy Corporation and LG&E Energy Corp., For approval of the acquisition of control of Kentucky Utilities Company by LG&E Energy Corp.*, Case No. PUA-1997-00041, 1998 S.C.C. Ann. Rept. 162, Consent Order (Jan. 20, 1998).

²⁵ Application at 3-4. The Applicants state that "the combined utility may effectuate a change of name or of doing business name at some point in the future, but any such new name or timing have not yet been determined." *Id.*

should be mostly, if not completely, invisible to customers and that the merged Companies will continue to have the same ability to provide reasonable service.²⁶

MERGER BENEFITS

The Applicants state that at the direction of the Kentucky Public Service Commission (“KPSC”), the Companies have continually studied the economies of a potential merger and, until recently, the expected savings did not justify the cost to implement the merger.²⁷ The Applicants represent that the largest expense preventing the Merger, the cost of merging the Companies’ various information technology (“IT”) systems, is not an obstacle for a limited window of time due to significant IT upgrades the Companies and PPL are planning to implement.²⁸ The Applicants assert that the cost to implement the new systems for the merged Companies is essentially the same as implementing the IT systems for two separate utility entities.²⁹

The Applicants assert that “the [Merger] is projected to result in financing savings through lower future borrowing costs, but that is not readily quantifiable.”³⁰ The Applicants expect the Merger to be well received among the investor community and rating agencies.³¹ The Applicants

²⁶ *Id.* at 4.

²⁷ *Id.* The Applicants state that the estimated costs to unify the utilities was \$22.67 million, in chief part due to the one-time cost of the revision of existing IT systems, which was estimated to cost \$17.1 million. *Id.* at 4. However, the expected savings of merging the Companies would only be around \$2 million annually (consisting primarily of accounting and regulatory savings) but will outweigh merger costs in five years. *See* Application at Item 9 of the Transaction Summary, Attachment 2 and Applicants’ response to Staff Data Request 1-5. All Applicants’ responses to Staff Data Requests referenced herein are included in Part D of this Staff Report.

²⁸ Application at 4.

²⁹ *Id.* at 4-5.

³⁰ *See* Applicants’ response to Staff Data Request 1-5.

³¹ Application at 5.

assert that a more efficient cost of financing for the merged Companies should result due to the overall size of the merged Companies, as well as the streamlining of credit and risk assessments done by investors and the rating agencies, ultimately reducing costs for customers.³²

OTHER REGULATORY APPROVALS

The Applicants state that, in addition to approval from the Commission, the Companies are also seeking necessary regulatory approvals in other jurisdictions before the Merger can be consummated. The Applicants state that the Companies will move forward with the Merger only if the regulatory approvals of the Merger “do not attach conditions that render the merger impracticable, uneconomical, or otherwise unpalatable.”³³

Federal Approvals

The Applicants state the Companies anticipate seeking approval of the Merger from the Federal Energy Regulatory Commission (“FERC”) in Docket No. EC26-127-000.³⁴

State Approvals

The Applicants state that on March 31, 2026, the Companies filed a joint application with the KPSC in Case No. 2026-00077.³⁵

³² *Id.* The Applicants state that “the Companies do not anticipate that the management of capital structure for post-merger LG&E will differ materially from the manner in which KU/ODP currently manages its capital structure and financing needs.” See Applicants’ response to Staff Data Request 1-12.

³³ Application at 5.

³⁴ Application at 5; See also the Applicants’ biweekly update 6 on July 24, 2026.

³⁵ Application at 5; See also the Applicants’ biweekly update on May 15, 2026. The Applicants provided Commission Staff with those discovery responses as served in the KPSC proceeding. See the Applicants’ biweekly update 2 on May 29, 2026.

Staff Recommendations – Other Regulatory Approvals

Staff makes the following recommendations regarding the other regulatory approvals that the Applicants are required to obtain:

- Staff recommends that any Commission approval granted in this case should be conditioned upon the Applicants obtaining all necessary regulatory approvals.
- Staff recommends that the Applicants be required to file a list of all specific commitments made to other regulatory authorities as conditions for obtaining approval of the Merger.
- The Applicants should not be allowed to recover any costs of commitments to non-Virginia jurisdictions from Virginia customers.

CONSIDERATIONS

AFFILIATE AGREEMENTS

The Applicants state that KU/ODP currently participates in five affiliate agreements, as listed below in Table 1.³⁶ The Applicants also represent that all these agreements are necessary and will continue post-Merger in the same manner as LG&E is also a party to the same agreements.³⁷

³⁶ See Applicants' response to Staff Data Request 1-2.

³⁷ *Id.* The Applicants state that “at the time of any expiration of the five-year approval of these agreements (or sooner if there are any changes to the terms and conditions of these agreements), the Companies will request Commission approval of minor changes to remove KU/ODP as a party.” *Id.*

Table 1
Affiliate Agreements

Agreement	Parties	Commission Case No.	Expiration
Comprehensive Utility Goods and Services Agreement	LKE, LG&E, KU, LK Services, PPL, and PPL Services ³⁸	PUR-2023-00228 Order of 3/18/2024	3/18/2029
Cost Allocation Manual	KU, LKE, LG&E, LK Services, PPL, and PPL Services	PUR-2023-00228 Order of 3/18/2024	3/18/2029
Money Pool Agreement	LKE, LG&E, KU, and LK Services	PUR-2022-00038 Order of 5/24/2022	12/31/2028
Tax Allocation Agreement	All consenting PPL companies	PUR-2023-00055 Order of 6/13/2023	6/15/2028
Trimble County 2 Agreement ³⁹	KU, LG&E, Illinois Municipal Electric Agency, and Indiana Municipal Power Agency	PUR-2005-00074 Order of 12/12/05	Indefinite

The Applicants state that “the Companies anticipate requesting approval of the assumption of evidences of indebtedness pursuant to Chapter 3 of Title 56 of the Code of Virginia and approval of affiliate agreements pursuant to Chapter 4 of Title 56 of the Code of Virginia in a separate application to [the] Commission.”⁴⁰ Since the filing of the Application, the Applicants have filed another application for authority regarding the assumption and issuance of indebtedness and affiliate transaction related to the Merger in Case No. PUR-2026-00083.⁴¹ Further discussion of that filing is provided in Part B of this Staff Report.

³⁸ LK Services is also known as LG&E and KU Services Company (“LKS”). PPL Services is also known as PPL Services Corporation. A summarized history and description of these agreements and service companies is in Appendix B.

³⁹ The Applicants “note that the Commission Order approving the Trimble County 2 Agreement does not include the five-year expiration and does not require separate Commission approval for any changes in the terms and conditions of the Agreement.” See Applicants’ response to Staff Data Request 1-2.

⁴⁰ Application at 6.

⁴¹ See *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company and Louisville Gas and Electric Company, For authority regarding the assumption and issuance of indebtedness and an affiliate transaction related to merger*, Case No. PUR-2026-00083, Doc. Con. Cen. No. 260860018, Order Granting Approval (Aug. 31, 2026) (“2026 Financing and Affiliate Transaction Order”).

Staff Recommendations – Affiliate and Financing Arrangements

Staff makes the following recommendations regarding affiliate and financing arrangements:

- The merged Companies should file and obtain the requisite Chapters 3 and/or 4 (Code § 56-55 *et seq.* and Code § 56-76 *et seq.*, respectively) approval(s) prior to entering into any new financing or affiliate arrangements resulting from the Merger.

CAPITAL EXPENDITURES AND WORKFORCE

The Applicants represent that, after the Merger, KU/ODP intends to continue its investments and investment projections of approximately \$2.26 billion from August 1, 2025 through July 31, 2027.⁴² The Applicants assert that both past and future investments will continue to be “prudent and necessary to serve customers, and [that the investments] support the Company’s continuing commitment to provide quality service to its Virginia customers.”⁴³ The Applicants represent that the Merger is expected to be mostly unimpactful to Virginia customers and that anticipated capital investments will not necessarily change due to the Merger.⁴⁴

In addition, the Applicants represent that:

Capital costs that have historically been direct assigned to [Virginia] customers (e.g., distribution assets) will continue to be since they are directly identifiable as being in service in Virginia. Capital costs that have historically been allocated to [Virginia] customers (e.g., production assets) will continue to be, but the allocators used will be adjusted to reflect [KU/ODP’s Virginia] applicable portion of the merged entity’s costs.⁴⁵

⁴² See Applicants’ response to Staff Data Request 2-2. The Applicants provided a breakdown of the capital investments and projections and, for further discussion, referred to testimonies filed in the pending base rate proceeding (PUR-2026-00051).

⁴³ *Id.*

⁴⁴ *Id.*

⁴⁵ *Id.*

The Applicants assert that following the Merger, the merged Companies will have the financial, technical and managerial ability to continue to provide reasonable utility service.⁴⁶ The Applicants state that “the officers and employees of KU/ODP and service companies that support KU/ODP, which represent KU/ODP’s present managerial and technical ability to provide service, will not change.”⁴⁷ The Applicants affirm that KU/ODP employees’ compensation will not change following the Merger.⁴⁸ The Applicants further affirm that “the [Merger] will not negatively affect KU/ODP’s financial resources, structures, or policies,... [nor] will [it] impair or jeopardize the provision of adequate service to the public at just and reasonable rates...”⁴⁹

Staff Recommendations – Capital Expenditures and Workforce

Post-Merger, Staff believes it is important that Applicants manage capital spending to balance rate affordability while also ensuring that service quality does not deteriorate. Accordingly, Staff recommends that, should the Merger be approved, the Commission require that:

- The quality of service in the merged Companies’ Virginia service territory does not deteriorate due to a lack of maintenance or capital investment.
- The quality of service in the merged Companies’ Virginia service territory does not deteriorate due to a reduction in the number of employees providing service.

ACCOUNTING FINDINGS AND CONCLUSIONS

Staff investigated the Application with a primary focus on the impact the Merger would have on the merged Companies’ service and rates to Virginia jurisdictional customers. Staff developed requirements based on Staff’s recommendations throughout this Staff Report, and such

⁴⁶ Application at 7.

⁴⁷ *Id.*

⁴⁸ See Applicants’ response to Staff Data Request 1-6.

⁴⁹ Application at 7.

requirements are set forth in Appendix A to this Staff Report. Based upon the Applicants' representations and the Commission's continuing jurisdiction over the rates and service in the merged Companies' Virginia territory, Staff believes that, subject to the requirements listed in Appendix A, adequate service to the public at just and reasonable rates will not be impaired or jeopardized by granting approval of the Merger. Therefore, subject to these requirements, Staff recommends approval of the Merger.

CPCNS TRANSFER – ANALYSIS AND CONCLUSIONS

The Applicants seek Commission authorization to transfer KU/ODP's CPCNs to LG&E.⁵⁰ The Applicants request approval of the CPCNs transfer pursuant to the Utility Facilities Act, specifically Code § 56-265.3 A, which provides that:⁵¹

No public utility shall begin to furnish public utility service within the Commonwealth without first having obtained from the Commission a certificate of public convenience and necessity authorizing it to furnish such service. Any company engaged in furnishing a public utility service in this Commonwealth as of July 1, 1950, shall, upon filing maps with the Commission within ninety days from such date, showing the territory now being served by it, be entitled to receive a certificate of convenience and necessity authorizing it to begin to furnish such public utility service in such territory.

LG&E is currently incorporated in Kentucky, and states that it plans to dually incorporate in Virginia, assuming all necessary approvals for the proposed Merger are obtained. The Applicants currently anticipate filing the documents necessary for LG&E to become a Virginia corporation approximately three to five business days before the Merger closing date.⁵² Article

⁵⁰ Application at 6.

⁵¹ *Id.* See Code § 56-265.1 *et seq.*

⁵² See Applicants' response to Staff Data Request 4-1.

IX, Section 5 of the Constitution of Virginia prohibits foreign corporations from being authorized to perform the functions of a public service enterprise. The Applicants state that the Companies' proposed timing for the dual incorporation of LG&E is similar to the November 1991 merger of ODP into KU wherein KU became dually incorporated in Virginia.⁵³

Staff does not oppose the transfer of KU/ODP's CPCNs to LG&E, provided that LG&E becomes dually incorporated in both Kentucky and Virginia prior to the issuance of, and effective date for, any CPCN to LG&E. Accordingly, Staff recommends that the transfer of KU/ODP's CPCNs be conditioned upon LG&E becoming dually incorporated in both Kentucky and Virginia. To effect the transfer of the CPCNs for the current KU/ODP service territory, Staff recommends that the cancellation of KU/ODP's CPCNs, and the effective date for CPCNs to be issued to LG&E, be effective as of the completion of the proposed Merger. In addition, if the Commission approves the Merger, Staff recommends that LG&E be required to file updated service territory maps with the Commission in accordance with Code § 56-265.3 A and within thirty (30) days after becoming dually incorporated in Kentucky and Virginia.

⁵³ *Id.*

STAFF REPORT
PART B
FINANCIAL ANALYSIS

FINANCIAL ANALYSIS OVERVIEW

Part B of this Staff Report addresses the financial aspects of the proposed Merger. As noted in the Accounting Analysis, the standard that must be met pursuant to Code § 56-90 of the Utility Transfers Act is that adequate service to the public at just and reasonable rates will not be impaired or jeopardized by granting the Petition. To that end, Staff examined potential financial impacts of the Merger that could impair or jeopardize adequate service at just and reasonable rates for jurisdictional customers of the Virginia operating company. Specifically, Staff examined: (1) potential impacts to LG&E's access to capital post-merger; and (2) implications to LG&E's post-merger capital structure and associated costs of capital.

ACCESS TO CAPITAL

PRE-MERGER CREDIT PROFILE

Credit rating agencies assign ratings that reflect an entity's creditworthiness based on a holistic analysis that considers factors such as financial coverage ratios, cash flow and leverage profiles, and macro-economic/regulatory factors, among other things. These credit ratings directly influence an entity's cost to raise debt capital in the market. The current S&P Global and Moody's Investor Service ("Moody's") long-term issuer credit ratings for KU, LG&E, and PPL are shown in Table 2 below.

Table 2
Credit Ratings

	<u>Rating</u>	<u>Outlook</u>	<u>Review Date</u>
Kentucky Utilities			
Moody's	A3	Stable	January 21, 2026
S&P Global	A-	Stable	February 5, 2026
Louisville Gas & Electric			
Moody's	A3	Stable	January 21, 2026
S&P Global	A-	Stable	February 5, 2026
PPL Corporation			
Moody's	Baa1	Negative	May 11, 2026
S&P Global	A-	Stable	August 28, 2025

The ratings for KU and LG&E reflect their low-risk business profiles as fully regulated utilities under supportive regulatory frameworks.⁵⁴ The investment grade credit profiles for KU and LG&E support their ability to access capital at reasonable rates.

POST-MERGER CREDIT PROFILE

The Applicants represent that the sources of debt and equity will remain the same after the proposed transaction.⁵⁵ The Applicants are considering three long-term financing structures in conjunction with the proposed Merger: (1) amend the existing LG&E and KU indentures; (2) retain the legacy mortgage of the surviving entity; and (3) a collateral trust mortgage.⁵⁶ Under any of these scenarios, the Companies do not anticipate a material adverse impact to their cost of debt.⁵⁷

⁵⁴ Moody's Ratings, "Announcement of Periodic Review: Moody's Ratings announces completion of a periodic review of ratings of Louisville Gas & Electric Company and Kentucky Utilities Co." (January 21, 2026).

⁵⁵ See Application Exhibit 4, at 8. "The Company (LG&E) will continue to issue its own debt in the capital markets and will receive equity contributions as needed from its parent, LG&E and KU Energy, LLC."

⁵⁶ See Applicants' response to Staff Data Request 1-18. All Data Request responses and supporting documents are attached as Part D to this Staff Report.

⁵⁷ *Id.*

S&P Global highlights three key strengths that support KU's credit ratings: 1) fully regulated, vertically integrated electric utility; 2) credit-supportive regulatory framework; and (3) financial measures that benefit from timely cost-recovery mechanisms.⁵⁸ The Applicants assert that the overall size of the combined entity, as well as the streamlining of credit and risk assessments done by investors and rating agencies, should result in a more efficient cost of financing, ultimately reducing costs for customers.⁵⁹ Further, the Applicants represent that the proposed Merger will not negatively affect KU/ODP's financial resources, structures, or policies.⁶⁰

RISK-MITIGATING FACTORS

The Applicants represent that since coming together under one holding company almost 30 years ago, they have jointly planned and operated their utilities.⁶¹ They additionally assert,

[t]he merger should be largely, if not entirely, invisible to customers from a material commercial, operational, and communications standpoint, and the combined utility will have the same ability to provide reasonable service that KU/ODP has today.⁶²

Further, the Applicants confirmed that the combined utility will adopt KU/ODP's existing tariff and will serve Virginia jurisdictional customers under KU/ODP's current tariff as is done today.⁶³

⁵⁸ S&P Global Ratings, RatingsDirect, Kentucky Utilities Co. (February 5, 2026).

⁵⁹ *Id.* at 8-9. "The merger will create a combined entity that can access the debt capital markets with larger tranche sizes, providing for additional liquidity in their bonds, which is a consideration in determining the pricing of debt securities."

⁶⁰ *See* Application at 7.

⁶¹ *See* Application at 3. *See also* Application Attachment 3 to Item 9 of Transaction Summary at 4. "Since its merger in 1998 between LG&E and KU, the Company largely operates on an integrated basis across corporate, power production, customer and transmission and distribution operations having captured the synergies we typically find in utility combinations."

⁶² *See* Application at 4.

⁶³ *See id.* at Exhibit 4, at 6.

Considering that the corporate structure above KU and LG&E is the same, the proposed Merger is less complicated than a merger of unaffiliated entities. As proposed in the draft Plan of Merger attached to the Application, each KU share outstanding will be cancelled immediately prior to the effective time of Merger, while each LG&E share outstanding will remain unaffected by the Merger.⁶⁴ Typically, in a merger of unaffiliated entities, there is some sort of cash or equity consideration to compensate shareholders. Because LKE owns all common shares of KU and LG&E, cancellation of KU shares upon consummation of the proposed Merger results in the combined entity's book equity value being the sum of the parts (sum of KU plus LG&E).⁶⁵

In response to Staff discovery, the Applicants confirmed there are no changes in capital expenditure plans for KU as a result of the Merger.⁶⁶ Staff also confirmed that LG&E segregates the cost of gas operations separate from its electric operations, and there would be no impact on the post-merger Virginia jurisdictional rates due to LG&E's gas operations.⁶⁷

OVERALL MERGER IMPACT ON ACCESS TO CAPITAL

Based upon the Applicants' representations, credit rating agencies assessments, and merger studies provided as attachments to the Application, it does not appear that the proposed Merger would result in an impairment to the combined entity's access to capital in a manner that would impair the ability to provide adequate service to the public at just and reasonable rates. As more

⁶⁴ See *id.* at Attachment 1 to Item 1 of Transaction Summary at 2.

⁶⁵ See PPL Corp. 10-K at 92 & 97, attached to Part D of this report. See also Application at Attachment to Item 8 of the Transaction Summary, page 3 of 4.

⁶⁶ See Applicants' response to Staff Data Request 1-13.

⁶⁷ See Applicants' response to Staff Data Request 1-11.

fully discussed above, it appears that the proposed Merger is anticipated to have the positive effect of increased tranche sizes and liquidity without material changes to the source of capital.

CAPITAL STRUCTURE

IMPACT ON RATEMAKING CAPITAL STRUCTURES & COSTS OF CAPITAL

Capital structures reflect an entity's portfolio of debt and/or equity capital employed to fund its operations and finance its assets. Generally speaking, maintaining a balanced capital structure is important for a company to help ensure it can attract capital at reasonable terms, maintain its financial integrity, and continue to have the ability to provide safe, efficient, and sufficient utility service. KU and LG&E individually go to the debt capital markets to solicit for debt capital. Beyond internally generated equity, the Companies periodically receive equity contributions as needed from their parent, LKE.⁶⁸

Credit rating agencies and investors assess, among other factors, the leverage profile of both the operating subsidiaries (KU and LG&E) and their parent company, which has some influence on the cost for prospective debt issuances. For this reason, the degree of leverage within a company's capital structure has an impact on the cost of debt, the ability to issue new debt, and customer rates. It is similarly important for utilities to maintain capital structures that do not result in an unreasonably high equity ratio, given equity is the highest cost source of capital, which would burden ratepayers with unduly high rates.

As explained previously, it does not appear the Merger will have an adverse impact on LG&E's post-merger access to capital at reasonable rates. The Applicants stated, "The combined

⁶⁸ See Application at Exhibit 4, page 8.

company will continue to maintain a capital structure consistent with KU/ODP's existing structure and anticipates the capital markets will view the transaction favorably.”⁶⁹

While capital structures are specifically analyzed for reasonableness in the context of rate proceedings, Staff generally investigated whether the Merger is expected to result in significant or adverse changes to LG&E's post-merger capital structure for the Commission's consideration in evaluating the proposed Merger under the Utility Transfers Act. The Applicants represent the pro forma capitalization ratios for the combined entity as of year-end 2025 is 52.9% equity and 47.1% long-term debt.⁷⁰ The Applicants also represent that they do not anticipate the management of post-merger LG&E's capital structure will differ materially from how KU currently manages its capital structure and financing needs.⁷¹ Staff has not identified any concerns with the reasonableness of LG&E's post-merger capital structure and will continue to review the reasonableness of specific ratemaking capital structures in future rate proceedings going-forward. The remainder of this section discusses specific capital structure component implications.

SHORT-TERM DEBT

In order to confirm the combined company would have adequate access to short-term debt capital to fund day-to-day operations, Staff assessed the Companies' current short-term debt profile as well as the potential post-merger profile.

The Companies access short-term debt capital via their revolving credit facilities and their commercial paper programs. Currently, KU/ODP has \$650 million in Commission-authorized

⁶⁹ *Id.*

⁷⁰ *Id.* at Exhibit 4, page 4.

⁷¹ See Applicants' response to Staff Data Request 1-12.

borrowing capacity from revolving credit facilities through year-end 2027, which allows KU/ODP to maintain appropriate levels of liquidity capacity to fund its ongoing working capital needs and support its commercial paper program.⁷² Pursuant to the 2024 KU Financing Order, KU currently has \$600 million in revolving line(s) of credit, leaving \$50 million in unutilized capacity.⁷³ Similarly, in Kentucky, LG&E has \$750 million in authorized borrowing capacity from revolving credit facilities through year-end 2027, for the same purposes.⁷⁴ Similarly, pursuant to the 2024 LG&E Financing Order, LG&E has \$600 million through its revolving line(s) of credit, leaving \$150 million in unutilized capacity.⁷⁵ In Case No. PUR-2026-00083, the Commission granted the Companies authority to, among other things, combine their already approved revolving credit facility capacity up to the total aggregate amount of \$1.4 billion, contingent upon consummation of the proposed Merger.⁷⁶

Given the LG&E and KU credit facilities have the same credit providers, the Companies anticipate their credit agreements would be combined through amendments to the existing LG&E agreement and the termination of the KU agreement.⁷⁷ The Companies represent they are currently

⁷² See *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company, For an order authorizing the issuance of indebtedness*, Case No. PUR-2023-00255, S.C.C. Ann. Rept. 262, Order Granting Authority (Feb. 5, 2024) (“2024 KU Financing Order”).

⁷³ See *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company, For an order authorizing the issuance of indebtedness*, Case No. PUR-2023-00225, Report of Action (filed Mar. 20, 2026).

⁷⁴ See *Electronic Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Indebtedness*, Case No. 2023-00398, Order (Ky. PSC Feb. 8, 2024) (“2024 LG&E Financing Order”).

⁷⁵ Application at Attachment 4 to Item 9 of the Transaction Summary, Page 7 of 12.

⁷⁶ See 2026 Financing and Affiliate Transaction Order at 3, 6.

⁷⁷ See Applicants’ response to Staff Data Request 1-18.

working with the administrative agent under the existing Revolving Credit Agreements to evaluate the most efficient approach for combining the revolving credit facilities.⁷⁸

The Companies are evaluating short-term financing strategies to minimize any liquidity issues during the transition period.⁷⁹ The Companies expect any outstanding commercial paper obligation of KU would be assumed by LG&E post-merger; however, the Companies are considering use of bank term loans in order to avoid having commercial paper outstanding immediately prior to the legal Merger of the entities (if approved).⁸⁰

The Applicants' representations and responses to Staff discovery provide reasonable assurances that the post-Merger entity will have necessary access to short-term debt.

LONG-TERM DEBT

Staff assessed KU and LG&E's current long-term debt profile as well as potential post-Merger long-term debt profile implications.

Since 2010, the Companies have primarily raised long-term debt capital by issuing First Mortgage Bonds ("FMB") supported by their respective First Mortgage Indentures, which provide a first lien to the lenders on the utility assets of each company.⁸¹ The Applicants represent LG&E has \$2.9 billion of FMBs outstanding and KU has \$3.5 billion of FMBs outstanding.⁸² In addition to FMBs, the Companies' long-term debt portfolios include tax-exempt bonds, known as Pollution

⁷⁸ *Id.*

⁷⁹ *Id.*

⁸⁰ *Id.*

⁸¹ See Application at Attachment 4 to Item 9 of Transaction Summary, page 6 of 12.

⁸² See Application at Exhibit 4, page 6.

Control Bonds, which reduce financing costs for customers.⁸³ Staff confirmed the proposed Merger will not impact the ability of the post-Merger entity to consider and utilize tax-exempt bond financing sources.⁸⁴

As described above in the “Post-Merger Credit Profile” section of this report, the Applicants are considering three long-term financing structures in conjunction with the proposed Merger: (1) amend the existing LG&E and KU indentures; (2) retain the legacy mortgage of the surviving entity; and (3) a collateral trust mortgage.⁸⁵ In Case No. PUR-2026-00083, the Commission approved the Applicants’ request for flexibility to select the financing structure that will minimize asset capacity implications and provide for continued access to capital markets to obtain necessary financing.⁸⁶ The Applicants also secured remaining long-term debt authority from the 2024 KU Financing Order and the 2024 LG&E Financing Order, up to \$1.1 billion through year end 2027.⁸⁷ This will allow post-Merger LG&E the capacity to make capital investments and support operations to provide safe and adequate service.

Upon consummation of the proposed Merger, LG&E will assume all of KU’s outstanding debt, inclusive of pollution control bonds, and will become the obligor of such debt.⁸⁸

⁸³ See Application at Attachment 1 to Item 9 of Transaction Summary, page 9. The tax-exempt bonds are issued by county government with the proceeds loaned to the utility. The loan from the county to the utility is also secured by FMBs.

⁸⁴ See Applicants’ response to Staff Data Request 1-19.

⁸⁵ See Applicants’ response to Staff Data Request 1-18.

⁸⁶ See 2026 Financing and Affiliate Transaction Order at 4.

⁸⁷ *Id.* at 3, 6.

⁸⁸ *Id.* See Application Exhibit 4 at 6.

DIVIDEND PAYOUT POLICY

It is important to look at the Applicants & PPL's dividend policy to better understand liquidity and cash flow implications and to ensure that adequate service to the public at just and reasonable rates will not be impaired or jeopardized by the proposed Merger. Excessive dividend payout ratios can deplete a utility's free cash flow, which over the long term, can affect its ability to maintain effective utility service. Thus, it is important that the dividend policy or payout ratios are managed such that equity investors are compensated while not stunting cash flow or impairing future service to the ratepayers. The Applicants' response to Staff Data Request 1-17 states as follows:

The Companies do not have a formal dividend policy but target a payout ratio of 65%. No changes are expected post-merger. Dividends paid by LG&E and KU in the past 6 years were based on 65% of prior quarter earnings.⁸⁹

Information filed in PPL's most recent 10-K filing shows KU had dividend payout ratios of about 62.6% in fiscal year 2025 and 65.2% in fiscal year 2024, and LG&E had dividend payout ratios of 64.7% in fiscal year 2025, and 63% in fiscal year 2024.⁹⁰ The Companies currently manage dividend payouts similarly, which should help effectuate their assertion that "no changes are expected post-merger."

At the consolidated parent level, PPL shows dividend payout ratios of 96% in fiscal year 2023, 84% in fiscal year 2024, and 67% in fiscal year 2025, reflecting a downward trend toward a

⁸⁹ See Applicants' response to Staff Data Request 1-17.

⁹⁰ See PPL's most recent 10-k attached to Part D of this report. KU data at pages 93-94, Dividends Paid divided by Net Income: \$249 / \$398 = 62.6% fiscal 2025, and \$232 / \$356 = 65.2% fiscal 2024. LG&E data at pages 87-88, Dividends Paid divided by Net Income: \$200 / \$309 = 64.7% fiscal 2025, and \$187 / \$297 = 63% fiscal 2024.

more sustainable level.⁹¹ Recently, PPL reduced its targeted dividend growth rate, and represents their target dividend payout ratio to be approximately 50-60%.⁹² According to PPL's 2025 Annual Report, it expects to "continue to pay dividends in amounts intended to maintain a capitalization structure that supports investment grade credit ratings," and that future dividends "will depend upon future earnings, cash flows, financial and legal requirements," among other factors.⁹³

Based on Staff's analysis and both parties' responses to Staff discovery, it does not appear that the proposed Merger would have a detrimental impact on dividend policy at the parent or operating subsidiary level.

INVESTMENT TAX CREDITS

Investment Tax Credits ("ITC") are tax credits granted by the federal government to promote specific investment behavior. ITCs are generally seen as more favorable than tax deductions because ITCs reduce the tax liability dollar for dollar, as opposed to tax deductions, which reduce total taxable income. The Companies have generated ITCs through capital investments in qualifying clean energy projects, such as the Companies' Brown Energy Storage System currently under construction.⁹⁴ While legislation may change the framework for and

⁹¹ See *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company, For an adjustment of electric base rates*, Case No. PUR-2026-00051, Doc. Con. Cen. No. 260460011, Application at Schedule 1 (Apr. 30, 2026). See also Applicants' response to Staff Data Request 3-01.

⁹² See Applicants' response to Staff Data Request 3-01.

⁹³ See Part D for PPL's 2025 Annual Report at 42.

⁹⁴ See Applicants' response to Staff Data Request 3-02 (stating that "Virginia and Kentucky do not provide broad-based state ITCs comparable to the federal clean energy tax credits.").

availability of ITCs, the Companies represent the proposed Merger is not expected to affect the eligibility of future qualifying investments for available federal ITCs.⁹⁵

KU and LG&E made different irrevocable elections for their ratemaking treatment of ITCs under former Internal Revenue Code (“IRC”) Section 46(f).⁹⁶ The Applicants represent that it is expected that all future ITCs of the merged entity will be amortized in accordance with Option 2, which is how LG&E currently treats them.⁹⁷ Further, the Applicants represent historic ITCs attributable to KU are expected to continue to be amortized in accordance with Option 1 post-merger; however, a Private Letter Ruling from the IRS may be required to clarify the treatment of KU’s existing ITC post-merger.⁹⁸ The Applicants anticipate they may seek a Private Letter Ruling from the IRS, if necessary, in advance of filing an application for new rates post-merger to provide certainty regarding treatment and continued compliance.⁹⁹ Staff recommends the Applicants or post-merger LG&E seek a Private Letter Ruling from the IRS on the post-merger treatment of KU’s existing ITCs, prior to LG&E’s first application for an adjustment of base rates before the Commission, to provide clarity and assured compliance.

⁹⁵ *Id.*

⁹⁶ See Attachment 3 to Item 9 of the Transaction Summary, at 39. KU ITCs are accounted for under IRC section 46(f)(1) (“Option 1”), and LG&E ITCs are accounted for under IRC section 46(f)(2) (“Option 2”). For ratemaking purposes, Option 1 utilities have rate base offset for the unamortized balance of ITC, but the reduction to financial income tax expense due to amortizing ITC is not included in the cost of service and is amortized below the line. Option 2 utilities do not reduce rate base by the unamortized balance of the ITC; rather, the ratable financial amortization of ITC over the service lives of the related property is treated as a reduction to the cost of service amortized above the line.

⁹⁷ See Applicants’ response to Staff Data Request 1-16.

⁹⁸ *Id.* “If KU were required to change its historical ratemaking treatment of ITCs, the expected impact on Virginia jurisdictional operations would be slightly unfavorable. This is because the resulting increase in rate base - and the associated increase in the return component of the cost of service – is expected to exceed the offsetting reduction in the income tax component.”

⁹⁹ See Applicants’ response to Staff Data Request 3-03.

FINANCIAL ANALYSIS FINDINGS AND CONCLUSIONS

With respect to financial considerations, Staff recommends that the Merger should be approved with the following requirements:

- Petitioners should notify the Director of the Commission's Division of Utility Accounting and Finance ("UAF Director") of any credit rating action for PPL, KU, and LG&E, respectively, within thirty (30) days of such rating action, as well as provide an explanation for the reason for such rating action, along with copies of any associated credit rating report.

STAFF REPORT
PART C
STAFF FINDINGS AND CONCLUSIONS

APPENDIX A

- 1) The Commission's approval should be contingent upon closing the Merger pursuant to the terms and conditions of the Agreement and Plan of Merger. No changes to such should be made before or at closing, without prior Commission approval.
- 2) The Commission's approval should have no ratemaking implications. In particular, approval should not guarantee the recovery of any costs directly or indirectly related to the Merger.
- 3) The Commission's approval granted in this case should be conditioned upon the Applicants obtaining all necessary regulatory approvals.
- 4) The Applicants should not be allowed to recover any costs of commitments to non-Virginia jurisdictions from Virginia customers.
- 5) The Commission should direct that the Applicants maintain sufficient workforce, operational facilities and offices to continue to provide clean, safe, reliable, and affordable electric utility services to KU/ODP customers. Specifically, the Commission should direct the Applicants to ensure that:
 - a. The quality of service in the merged Companies' Virginia service territory does not deteriorate due to a lack of maintenance or capital investment.
 - b. The quality of service in the merged Companies' Virginia service territory does not deteriorate due to a reduction in the number of employees providing service.
 - c. The Applicants will maintain a high degree of cooperation with the Commission Staff and should take all necessary action to ensure KU/ODP's timely response to Staff inquiries with regard to the provision of electric services in Virginia.
- 6) The merged Companies should file and obtain Chapters 3 and/or 4 (Code § 56-55 *et seq.* and Code § 56-76 *et seq.*, respectively) approval(s) prior to entering into any new financing or affiliate arrangements resulting from the Merger.
- 7) The Applicants should be required to maintain records to track separately all subsequent revisions to the initial Merger-related booked amounts as they are expensed, depreciated, amortized, written down, etc. The Applicants also should maintain records to track

separately all ongoing Merger-related costs. LG&E should be required to track all identifiable and quantifiable realized savings, net of the cost to achieve such savings.

- 8) Applicants should be required to file a Report of Action within thirty (30) days after closing of the Transfer, which shall note the date the Transfer occurred. The Report of Action should also include the following:
 - a. The actual accounting entries recorded in the Applicants' books to reflect the Merger. The initial Merger-related accounting entries should include, but not be limited to:
 - i. all Merger cost accounting entries for the Applicants;
 - ii. all Merger-related tax accounting entries for the Applicants; and
 - iii. all Merger-related debt/equity financing accounting entries for the Applicants, by Applicant, date, account number, account title, and amount.
 - b. A list of all specific commitments made to other regulatory authorities as conditions for obtaining approval of the Merger and a certification from Applicants that the costs of all such commitments made to non-Virginia jurisdictions have not been, and shall not be, charged, allocated, or otherwise assigned in any way that shifts any such costs to Virginia customers, directly or indirectly.
 - c. A detailed analysis identifying costs, savings, and any efficiencies achieved as a result of the Merger.
- 9) Should the Merger not be consummated, the Applicants shall forthwith file a Termination Notice with a brief explanation of the reasons for the termination of the Merger Agreement.
- 10) Applicants should notify the UAF Director of any credit rating action for PPL, LG&E, and KU within thirty (30) days of such rating action, as well as provide an explanation for the reason for such rating action, along with copies of any associated credit rating report.
- 11) The Commission should approve the transfer of KU/ODP's CPCNs to LG&E, effective upon consummation of the Merger and conditioned upon LG&E becoming dually incorporated in both Kentucky and Virginia. Following completion of the Merger, Staff recommends that the cancellation of KU/ODP's CPCNs, and the effective date for CPCNs to be issued to LG&E, be effective as of the completion of the proposed Merger. Additionally, LG&E should be required to file updated service territory maps with the Commission in accordance with Code § 56-265.3 A and within thirty (30) days after becoming dually incorporated in Kentucky and Virginia.

APPENDIX B

APPLICANTS' HISTORY

1998

- Case No. PUA970041 under Chapter 4 Title 56-88.1 of the Code.¹⁰⁰
 - The Commission granted approval for a transaction that resulted in KU/ODP's parent company, KU Energy Corporation ("KU Energy"), and LG&E's parent company, LG&E Energy Corp. ("LG&E Energy") merging and the acquiring of control of KU by LG&E Energy.
 - The Companies also request approval of a service agreement governing all affiliate transactions between KU and LG&E.
 - Joint integration of systems, functions and operations begin here.
- PUA970048 Chapter 4 of Title § 56-77 of the Code of Virginia.¹⁰¹
 - The Commission granted approval of a service agreement between KU and LG&E for the entities to receive and provide management, supervisory, construction, engineering, accounting, legal, or similar services, or the purchase, sale, lease, or exchange of any property or right in transactions with each other.
 - The service agreement was previously approved in Case No. PUA910006.¹⁰²

2000

- Case No. PUA000020 under Chapter 4 Title 56-88.1 of the Code.¹⁰³
 - The Commission approved the transfer of ownership and control of LG&E and KU from LG&E Energy to PowerGen plc ("PowerGen").
 - PowerGen became a registered holding company under the Public Utility Holding Company Act of 1935 ("1935 Act")¹⁰⁴ and LG&E Energy, LG&E, and KU became part of PowerGen's registered holding company system. LG&E Energy and KU remained exempt holding companies under the 1935 Act.

¹⁰⁰ *Petition of Kentucky Utilities Company d/b/a Old Dominion Power Company, KU Energy Corporation and LG&E Energy Corp.*, For approval of the acquisition of control of Kentucky Utilities Company by LG&E Energy Corp., Case No. PUA970041, 1998 S.C.C. Ann. Rep 162. Consent Order (Jan. 20, 1998).

¹⁰¹ *Joint Application of Kentucky Utilities Company d/b/a Old Dominion Power Company, Louisville Gas and Electric Company, and LG&E Energy Corp.*, For approval to enter into a service agreement, Case No. PUA970048, 1998 S.C.C. Ann. Rep 167, Order Granting Approval (May 20, 1998).

¹⁰² *Application of Old Dominion Power Company, For authority to effect the creation of a holding company and merger and to enter into agreement with affiliate*, Case No. PUA910006, 1991 S.C.C. Ann. Rep 215, Order Granting Authority (May 31, 1991).

¹⁰³ *Joint Petition of PowerGen plc, LG&E Energy Corp. and Kentucky Utilities Company, d/b/a Old Dominion Power Company*, For approval of a merger, Case No. PUA000020, 2000 S.C.C. Ann. Rep 175, Final Order (July 21, 2000).

¹⁰⁴ Securities and Exchange Commission Public Utility Holding Company Act of 1935, Section 33(a)(2)

- To comply with the 1935 Act, PowerGen and LG&E Energy, formed LG&E Energy Services, Inc. (“LG&E Services”) to provide centralized administrative and corporate services to LG&E and KU.
- Case No. PUA000050 under Chapter 4 of Title 56 of the Code.¹⁰⁵
 - The Commission approved a services agreement between KU, LG&E, and LG&E Services in which LG&E Services may provide a variety of administrative, management, and support services to KU pursuant to a service contract. LG&E Services may also provide special services as may be requested by KU. This is effective upon the closing of the PowerGen and LG&E Energy merger.

2001

- Case No. PUA010028 under Chapter 5 of Title 56 of the Code.¹⁰⁶
 - The Commission granted approval of a transfer of ownership of LG&E Energy, LG&E, and KU from PowerGen to E.ON AG (“E.ON”).
 - The order in this case also states that E.ON abides by the services agreement established in Case No. PUA000050.

2010

- Case No. PUE-2010-00060 under Chapter 5 of Title 56 of the Code.¹⁰⁷
 - The Commission granted approval of the transfer of ownership and control of E.ON U.S. LLC (“E.ON US”), the indirect subsidiary of E. ON, and, by extension, LG&E and KU to PPL.
 - E. ON US’ name was later changed to LKE.
- Related Affiliate Cases:
 - Case No. PUE-2009-00104¹⁰⁸
 - The Commission granted authority for KU/ODP and E.ON U.S. Services Inc. to engage in an affiliate transaction under Chapter 4 of Title 56 of the Code of Virginia and to continue its participation in a system money pool

¹⁰⁵ *Joint Petition of Kentucky Utilities Company, Louisville Gas and Electric Company and LG&E Energy Services, Inc.* For approval of a services agreement, Case No. PUA000050, 2000 S.C.C. Ann. Rep 210, Order Granting Approval (Aug. 10, 2000).

¹⁰⁶ *Joint Petition of E.ON AG, PowerGen plc, LG&E Energy Corp. and Kentucky Utilities Company, d/b/a Old Dominion Power Company*, For approval of an acquisition, Case No. PUA010028, 2001 S.C.C. Ann. Rep 196, Final Order (Oct. 5, 2001).

¹⁰⁷ *Joint Petition of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC, and Kentucky Utilities Company d/b/a Old Dominion Power Company*, For approval of transfer of ownership and control, Case No. PUE-2010-00060, 2010 S.C.C. Ann. Rep 534, Final Order (Oct. 19, 2010).

¹⁰⁸ *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company*, For authority to engage in an affiliate transaction under Chapter 4 of Title 56 of the Code of Virginia, Case No. PUE-2009-00104, 2010 S.C.C. Ann. Rep 399, Order Amending Authority Granted (Dec. 6, 2010).

with affiliates initially established in Case No. PUE-2007-00082¹⁰⁹ for short-term borrowing and investment of excess funds.

- E.ON U.S. Services Inc.'s name was later changed to LG&E and KU Services Company ("LKS").
- Case No. PUE-2009-00130¹¹⁰
 - The Commission granted authority for KU to issue up to \$225 million in unsecured long-term debt securities to an affiliate, Fidelia Corporation, and permitted KU to enter into hedging transactions related to the debt securities.
- Case No. PUE-2010-00061¹¹¹
 - The Commission granted authority for KU/ODP to restructure and refinance unsecured debt, to assume prior obligations, and for amendment of existing authority.
- Case No. PUE-2010-00094¹¹²
 - The Commission granted authority to KU to purchase insurance coverage from an affiliate in the PPL group of companies, PPL Insurance.
- All affiliate transaction requests were submitted because of the stipulation in PUE-2010-00060 to carry over previous affiliate agreements when the companies were acquired by PPL Corporation.

KU/ODP's Affiliate Agreements

- PUR-2005-00074 Chapter 4 of Title 56 of the Code of Virginia¹¹³
 - The Commission granted approval of an affiliate agreement (Trimble County 2 Agreement) between KU, LG&E, Illinois Municipal Electric Agency, and Indiana

¹⁰⁹ *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company, For authority to issue securities under Chapter 3 of Title 56 of the Code of Virginia and to engage in affiliate transactions under Chapter 4 of Title 56 of the Code of Virginia*, Case No. PUE-2007-00082, 2007 S.C.C. Ann. Rep 488, Order Granting Authority (Sep. 21, 2007).

¹¹⁰ *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company, For authority to issue securities under Chapter 3 of Title 56 of the Code of Virginia and to engage in an affiliate transaction under Chapter 4 of Title 56 of the Code of Virginia*, Case No. PUE-2009-00130, 2010 S.C.C. Ann. Rep 414, Order Amending Authority Granted (Oct. 19, 2010).

¹¹¹ *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company, For authority under Chapter 3 of Title 56 of the Code of Virginia to restructure and refinance unsecured debt, to assume obligations, and for amendment of existing authority*, Case No. PUE-2010-00061, 2010 S.C.C. Ann. Rep 537, Order Granting Authority (Oct. 19, 2010).

¹¹² *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company, For approval of affiliate transactions in connection with transfer of ownership and control and restructuring and refinancing of debt pursuant to Chapter 4 of Title 56 of the Code of Virginia*, Case No. PUE-2010-00094, 2010 S.C.C. Ann. Rep 596, Order Granting Approval (Oct. 19, 2010).

¹¹³ *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company, For authority to engage in affiliate transactions under Chapter 4 of Title 56 of the Code of Virginia*, Case No. PUE-2005-00074, Doc. Con. Cen. No. 364214, Order Granting Authority (Dec. 12, 2005).

Municipal Power Agency to allow KU to undertake the transactions contemplated in the Participation Agreement, including the construction, ownership, and operation of Trimble County Unit 2 at the Trimble County, Kentucky Generating Station.

- The reason for this is to give KU a stake in the Trimble County Power Station and allow them to provide services if needed to assist in the operations of the facility
- PUR-2022-00038 Chapter 4 of Title 56 of the Code of Virginia¹¹⁴
 - The Commission granted approval of a Money Pool Agreement between LKE, LG&E, KU/ODP, and LKS for the ability for KU/ODP to use more of the allotted Money Pool.
 - The reason for this is to expand KU/ODP's ability to borrow beyond the allotted amount for specifically commercial paper to utilize all of the 650 million.
- PUR-2023-00055 Chapter 4 of Title 56 of the Code of Virginia¹¹⁵
 - The Commission granted approval of a Tax Allocation Agreement between all consenting PPL companies for all to receive/provide the services such as the Consolidated Group Agreement for Filing Consolidated Income Tax Returns and for Allocation of Consolidated Income Tax, Liabilities and Benefits, and updated affiliates transactions.
 - This application represents an effort to synchronize the approval of KU/ODP's existing affiliate agreements to improve administrative efficiency and reduce costs.
- PUR-2023-00228 Chapter 4 of Title 56 of the Code of Virginia¹¹⁶
 - The Commission approved a Comprehensive Utility Goods and Services Agreement & Cost Allocation Manual agreement between LKE, LG&E, KU, LKS, PPL, and PPL Services for incorporate the affiliate services under those agreements into the Comprehensive Agreement, and expand the scope of the Comprehensive Agreement to include all PPL affiliates.
 - This was put in place to combine the previous separate service agreements into one for ease of understanding and so all affiliates could mutually benefit from each other's services.¹¹⁷

¹¹⁴ *Application of Kentucky Utilities Company, For an order authorizing an amendment to a money pool agreement with an affiliate*, Case No. PUR-2022-00038, 2022 S.C.C. Ann. Rep 512, Order Granting Approval (May 24, 2022).

¹¹⁵ *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company, For authority to engage in affiliate transactions under Chapter 4 of Title 56 of the Code of Virginia*, Case No. PUR-2023-00055, 2023 S.C.C. Ann. Rep 424, Order Granting Approval (June 13, 2023).

¹¹⁶ *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company, For authority to engage in affiliate transactions under Chapter 4 of Title 56 of the Code of Virginia*, Case No. PUR-2023-00228, 2024 S.C.C. Ann. Rep 265, Order Granting Approval (March 18, 2024).

¹¹⁷ See Applicants' response to Staff Data Request 1-2. The Applicants also state "All agreements will be necessary post-merger but will continue to function in the same manner upon the merger because LG&E is also a party to the same agreements. At the time of any expiration of the five-year approval of these agreements (or sooner if there are any changes to the terms and conditions of these agreements), the Companies will request Commission approval of minor changes to remove KU/ODP as a party."

APPENDIX C
GLOSSARY OF TERMS

Term	Definition
1935 Act	Public Utility Holding Company Act of 1935
2024 KU Financing Order	<i>Application of Kentucky Utilities Company d/b/a Old Dominion Power Company, For an order authorizing the issuance of indebtedness, Case No. PUR-2023-00255, 2024 S.C.C. Ann. Rept. at 262, Order Granting Authority (Feb. 5, 2024)</i>
2024 LG&E Financing Order	<i>Electronic Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Indebtedness, Case No. 2023-00398, Order (Ky. PSC Feb. 8, 2024)</i>
2026 Financing and Affiliate Transaction Order	<i>Joint Application of Kentucky Utilities Company d/b/a Old Dominion Power Company and Louisville Gas and Electric Company for Authority Regarding the Assumption and Issuance of Indebtedness and Affiliate Transaction Related to Merger, Case No. PUR-2026-00083, D.C.C. #260860018, Order Granting Authority (Aug. 31, 2026)</i>
Applicants or Companies	KU, KU/ODP, LG&E
Application	Application filed in PUR-2026-00052
Commission	State Corporation Commission of Virginia
CPCN	Certificate of public convenience and necessity
E.ON	E.ON AG
FERC	Federal Energy Regulatory Commission
FMB	First Mortgage Bonds
IRC	Internal Revenue Code Section 46(f)
IT	Companies' various information technology systems
ITC	Investment Tax Credits
KPSC	Kentucky Public Service Commission
KU	Kentucky Utilities Company
KU/ODP	KU operating in Virginia under the name Old Dominion Power Company
KU Energy	KU Energy Corporation

LG&E	Louisville Gas and Electric Company
LG&E Energy	LG&E Energy Corp.
LG&E Services	LG&E Energy Services, Inc.
LKE	LG&E and KU Energy LLC
LKS	LG&E and KU Services Company
Merger	Legal merger of KU and LG&E
Moody's	S&P Global and Moody's Investor Service
Option 1	IRC section 46(f)(1)
Option 2	IRC section 46(f)(2)
PowerGen	PowerGen plc
PPL	PPL Corporation
PPL Services	PPL Services Corporation
Procedural Order	Order for Notice and Comment
Rules of Practice	20 VAC 5-20-10 <i>et seq.</i>
Staff	Commission Staff
Staff Report	Findings and Recommendations from Staff
UAF Director	Director of the Commission's Division of Utility Accounting and Finance
Utility Facilities Act	Code § 56-265.1 <i>et seq.</i>
Utility Transfers Act	Code § 56-88 <i>at seq.</i>
Virginia Electric Utility Regulation Act	Code § 56-576 <i>et seq.</i>

STAFF REPORT

PART D

STAFF DISCOVERY AND SUPPORTING DOCUMENTS

KENTUCKY UTILITIES COMPANY D/B/A OLD DOMINION POWER COMPANY**Response to the SCC Staff Discovery Requests – Set One****Dated May 11, 2026****Case No. PUR-2026-00052****Question No. 2****Witness: Robert M. Conroy**

- Q-2. Please provide a list of all of KU's affiliate agreements/arrangements approved by the Virginia State Corporation Commission by case number and state whether the agreement/arrangement: (a) will be necessary post-Merger; and (b) will need to be updated post-Merger.
- A-2. The table below provides KU/ODP's active affiliate agreement, parties to that agreement, case number and order date approving the agreement, and the expiration date of Commission approval.

Agreement	Parties	Case No.	Expiration
Comprehensive Utility Goods and Services Agreement	LKE, LG&E, KU, LK Services, PPL, and PPL Services	PUR-2023-00228 Order of 3/18/2024	3/18/2029
Cost Allocation Manual	KU, LKE, LG&E, LK Services, PPL, and PPL Services	PUR-2023-00228 Order of 3/18/2024	3/18/2029
Money Pool Agreement	LKE, LG&E, KU, and LK Services	PUR-2022-00038 Order of 5/24/2022	12/31/2028
Tax Allocation Agreement	All consenting PPL companies	PUR-2023-00055 Order of 6/13/2023	6/15/2028
Trimble County 2 Agreement ¹	KU, LG&E, Illinois Municipal Electric Agency, and Indiana Municipal Power Agency	PUR-2005-00074 Order of 12/12/05	Indefinite

All agreements will be necessary post-merger but will continue to function in the same manner upon the merger because LG&E is also a party to the same agreements. At the time of any expiration of the five-year approval of these agreements (or sooner if there are any changes to the terms and conditions of these agreements), the Companies will request Commission approval of minor changes to remove KU/ODP as a party.

¹ Please note that the Commission Order approving the Trimble County 2 Agreement does not include the five-year expiration and does not require separate Commission approval for any changes in the terms and conditions of the Agreement.

KENTUCKY UTILITIES COMPANY D/B/A OLD DOMINION POWER COMPANY**Response to the SCC Staff Discovery Requests – Set One****Dated May 11, 2026****Case No. PUR-2026-00052****Question No. 5****Witness: Robert M. Conroy**

- Q-5. From both longer- and shorter-term perspectives, please list and describe the specific benefits to KU's Virginia customers that will result from the proposed Merger. Specifically describe any benefits relating to rates, charges, services, billing options, reliability, safety, customer service, storm damage restoration, etc.
- A-5. The merger is projected to result in financing savings through lower future borrowing costs, but that is not readily quantifiable.

The Companies do not anticipate incremental operational savings as the Companies have largely operated on an integrated basis since the merger of the holding companies in 1998. The legal merger of the Companies will primarily create regulatory efficiencies for the Companies before the Kentucky Public Service Commission. For instance, reducing the analysis and support for two electric revenue requirements to one electric revenue requirement in base rate case proceedings is a primary example of the potential regulatory efficiency that can be created by a legal merger of LG&E and KU. While not the primary benefit, the Companies' expected total projected annual savings across all jurisdictions of \$2.3 million (consisting primarily of accounting and regulatory savings) will outweigh merger costs in five years.

KENTUCKY UTILITIES COMPANY D/B/A OLD DOMINION POWER COMPANY

**Response to the SCC Staff Discovery Requests – Set One
Dated May 11, 2026**

Case No. PUR-2026-00052

Question No. 6

Witness: Vincent Poplaski

Q-6. Will retained KU employees' compensation be changed as a result of the Merger? If so, please describe the changes that will be made to the compensation.

A-6. No, KU employees' compensation will not change as a result of the Merger.

KENTUCKY UTILITIES COMPANY D/B/A OLD DOMINION POWER COMPANY**Response to the SCC Staff Discovery Requests – Set One****Dated May 11, 2026****Case No. PUR-2026-00052****Question No. 11****Witness: Andrea M. Fackler / Drew T. McCombs**

Q-11. The following have to do with LG&E's gas operations:

- a. Please explain how LG&E segregates the costs of its gas operations from its electric operations, and indicate any additional changes, inclusive of cost allocation methodologies, that would need to be made following the proposed merger.
- b. Will LG&E's gas operations have any impact on cash working capital for the post-merger entity that would impact KU's Virginia jurisdictional base rate proceedings post-merger?

A-11.

- a. LG&E segregates the cost of gas operations separate from its electric operations in accordance with the FERC Uniform System of Accounts in which certain Plant, Revenue, and Operation and Maintenance Accounts are used to track costs. Gas Costs are charged directly, when possible, and, when necessary, costs are allocated between electric and gas operations in accordance with the approved Cost Allocation Manual. No significant changes related to splits between electric and gas operations, including cost allocation methodologies, would be required following the proposed merger.
- b. No. Cash working capital for the post-merger entity would be based on electric only accounts or in the case of accounts that are not specific to electric or gas, such as those for administrative and general expenses, the account balances would be allocated between electric and gas so that only the electric portion is included in the determination of cash working capital.

KENTUCKY UTILITIES COMPANY D/B/A OLD DOMINION POWER COMPANY

**Response to the SCC Staff Discovery Requests – Set One
Dated May 11, 2026**

Case No. PUR-2026-00052

Question No. 12

Witness: Julissa Burgos

- Q-12. Please discuss in detail if plans for managing the capital structure of post-merger LG&E will be different than the way KU/ODP currently manages its capital structure/capital needs.
- A-12. The Companies do not anticipate that the management of capital structure for post-merger LG&E will differ materially from the manner in which KU/ODP currently manages its capital structure and financing needs.

KENTUCKY UTILITIES COMPANY D/B/A OLD DOMINION POWER COMPANY

**Response to the SCC Staff Discovery Requests – Set One
Dated May 11, 2026**

Case No. PUR-2026-00052

Question No. 13

Witness: Christopher M. Garrett

- Q-13. Please discuss in detail whether any capital expenditures for KU are expected to be altered, deferred, accelerated, or canceled due to the proposed Merger.
- A-13. There are no changes in capital expenditure plans for KU as a result of the proposed merger.

KENTUCKY UTILITIES COMPANY D/B/A OLD DOMINION POWER COMPANY**Response to the SCC Staff Discovery Requests – Set One****Dated May 11, 2026****Case No. PUR-2026-00052****Question No. 16****Witness: Chad E. Clements**

Q-16. Please refer to Attachment 4 to Item 9 of the Transaction Summary. This legal merger assessment update document discusses on page 6 certain tax considerations associated with different elections made for the treatment of investment tax credits (“ITC”) by KU and LG&E, respectively. Please provide a description of the expected impact on Virginia jurisdictional operations if KU were required to change the ratemaking treatment of ITC from being a deduction from rate base to reflecting its inclusion in the ratemaking capital structure.

A-16. KU and LG&E made different irrevocable elections in 1972 for their ratemaking treatments of ITCs under former Internal Revenue Code (“IRC”) §46(f). KU elected to treat its ITCs as a reduction to rate base under IRC §46(f)(1) while LG&E elected to amortize its ITCs ratably as a reduction to the income tax component of cost of service under IRC §46(f)(2).

If KU were required to change its historical ratemaking treatment of ITCs, the expected impact on Virginia jurisdictional operations would be slightly unfavorable. This is because the resulting increase in rate base—and the associated increase in the return component of the cost of service—is expected to exceed the offsetting reduction in the income tax component of the cost of service.

It is expected that all future ITCs (subject to normalization requirements) of the merged entity will be amortized in accordance with §46(f)(2), as elected by LG&E as the surviving legal entity. Historic ITCs attributable to KU are expected to continue to be amortized in accordance with IRC §46(f)(1). However, in the absence of clear IRS guidance, a Private Letter Ruling may be required to clarify the treatment of historical ITCs generated by KU prior to the merger.

KENTUCKY UTILITIES COMPANY D/B/A OLD DOMINION POWER COMPANY**Response to the SCC Staff Discovery Requests – Set One
Dated May 11, 2026****Case No. PUR-2026-00052****Question No. 17****Witness: Julissa Burgos**

- Q-17. Please refer to the pro forma financial statements included as the Attachment to Item 8 of the Financing Summary. The balance sheet on page 3 of 4 of that attachment indicates that as of December 31, 2025, LG&E had no balance for dividends declared while KU had a balance of approximately \$37.8 million. Please explain the respective current dividend policy for LG&E and KU, and what the intended dividend policy is to be post-merger.
- A-17. The Companies identified an error in the pro forma financial statement included as Attachment to Item 8. The referenced \$37.8 million of dividends declared should have been reflected on the “Interest Accrued” line item. The Companies are attaching an updated pro forma financial statement.

The Companies do not have a formal dividend policy but target a payout ratio of 65%. No changes are expected post-merger. Dividends paid by LG&E and KU in the past 6 years were based on 65% of prior quarter earnings.

KENTUCKY UTILITIES COMPANY D/B/A OLD DOMINION POWER COMPANY**Response to the SCC Staff Discovery Requests – Set One****Dated May 11, 2026****Case No. PUR-2026-00052****Question No. 18****Witness: Julissa Burgos**

Q-18. Please refer to question 17 of the Transaction Summary.

- a. Under the three long-term financing structures being evaluated, please discuss the costs under each scenario (specific costs, fees, legal, how it's booked, amortized).
- b. Please describe any cost of debt impacts that would occur under the three long-term financing structures being evaluated.
- c. Under the expectation that the current revolving credit facility of each Company will eventually be combined into one credit facility, please describe how KU/ODP would manage short-term debt outstanding leading up to the execution of a combined credit facility. Would outstanding commercial paper of KU become due and payable just prior to the merger, or is it assignable to become an obligation of post-merger LG&E?
- d. Please provide an estimate of the type and amount of costs associated with changing short-term debt structure/agreements and how they are booked and treated.

A-18.

- a. The costs will largely depend on the financing structure utilized. Under each of the three financing structures being evaluated, the Companies would expect to incur customary transaction and financing-related costs, which may differ depending on the structure selected:

- i. Amend Existing Indentures:**

This structure consists of amending the existing indentures to conform covenants and combine collateral pools, while retaining bondable capacity under both legacy indentures. This alternative would provide a clean post-merger financing option with maximum flexibility and minimize asset capacity implications and ongoing administration. See attachment being provided in a separate file. The attachment is confidential and is being provided to Commission Staff under seal through KU/ODP counsel's file sharing site. Commission Staff has access to this file

sharing site. The Companies will provide any other parties access to this information if the Hearing Examiner enters a Protective Ruling.

ii. Retain Legacy LG&E Mortgage:

This structure is to retain the legacy mortgage of the surviving entity (LG&E) and issue all future debt of the combined entity from that indenture. This structure may limit access to the remaining bondable capacity and retired bond credits under the non-surviving entity legacy mortgage (KU), providing for the potential of stranded asset capacity. Costs would include legal and advisory fees to effectuate assumption of KU/ODP debt into the LG&E structure, trustee-related fees, and internal administrative expenses.

iii. Collateral Trust Mortgage:

This structure also retains the full bondable capacity of both legacy LG&E and KU mortgages but establishes a new umbrella trust indenture, which increases administrative complexity on a prospective basis until the last outstanding bonds mature in 2055. Costs would include legal fees for drafting new indenture and collateral agreements, trustee and collateral agent fees, and internal administrative expenses and the cost of the ongoing maintenance of the additional collateral structure.

- b. The Companies do not anticipate that any of the evaluated structures will result in a material adverse impact to their cost of debt. In fact, the Companies expect the proposed merger to be viewed favorably by investors. The combined entity is expected to access the capital markets more efficiently through larger issuance sizes, which should enhance liquidity and, in turn, support more favorable bond pricing, all things equal.
- c. The Companies are currently working with the administrative agent under the existing Revolving Credit Agreements to evaluate the most efficient approach for combining the revolving credit facilities. Given that LG&E and KU facilities have the same credit providers, the Companies anticipate that the credit agreements would be combined through amendments to the existing LG&E agreement and the termination of the KU agreement, which requires lender notification and approval. While the Companies have begun preliminary discussions with credit providers regarding the potential merger, formal notice would not be provided until the agreements are amended.

With respect to the commercial paper programs, the Companies expect that any outstanding obligation of KU would be assumed by LG&E post-merger. However, the Companies are evaluating a short-term financing strategy to minimize any liquidity issues during this transition period. The Companies are considering the use of bank term loans in order to avoid having commercial paper outstanding immediately prior to the legal merger of the entities, should the merger be approved.

- d. The costs associated with the short-term debt structures, including amendments to the commercial paper programs and credit facilities, have not yet been finalized. However, the Companies do not expect these costs to differ materially from those typically incurred in connection with periodic updates and extensions of such arrangements.

The Companies are evaluating the potential to combine the KU and LG&E credit facilities in conjunction with the annual extension process, which would streamline execution, reduce administrative burden, and avoid the need to seek lender approvals on multiple occasions.

Consistent with standard practice, costs associated with amending credit facility agreements are capitalized and amortized over the term of the facility while costs related to amendments to the commercial paper programs are generally expensed as incurred.

KENTUCKY UTILITIES COMPANY D/B/A OLD DOMINION POWER COMPANY**Response to the SCC Staff Discovery Requests – Set One****Dated May 11, 2026****Case No. PUR-2026-00052****Question No. 19****Witness: Julissa Burgos**

- Q-19. In addition to First Mortgage Bonds, KU has outstanding Pollution Control Bonds, as indicated in Schedule 4, page 1 of 1, of KU's Application for a base rate increase in pending Case No. PUR-2026-00051. Please provide a detailed explanation of how such outstanding debt would be impacted by the proposed merger, and if the proposed merger would reduce or limit the ability to use this low-cost source of financing for the post-merger entity relative to what is presently available for KU and LG&E.
- A-19. As the surviving entity in the merger, LG&E will assume KU's existing long-term debt, including existing pollution tax exempt pollution control bonds (and the associated supporting collateral first mortgage bonds), pursuant to corporate law statutes and principles. (See Va. Code 13.1-721.) LG&E will assume and perform KU's obligations under KU's pollution control bond loan agreements and related documents, as well as under KU's first mortgage indenture, subject to applicable agreement and tax requirements.

The proposed merger will not impact the ability of the post-merger entity to consider and utilize tax-exempt bond financing sources relative to the existing KU and LG&E entities.

As noted in Paragraph 11 of the Application, the Companies will file a separate application for approval of the assumption of indebtedness under Chapter 3 of Title 56 of the Code of Virginia.

KENTUCKY UTILITIES COMPANY D/B/A OLD DOMINION POWER COMPANY**Response to the SCC Staff Discovery Requests – Set Two****Dated June 11, 2026****Case No. PUR-2026-00052****Question No. 2****Witness: Robert M. Conroy**

- Q-2. Please describe any anticipated capital investments within the KU system. Will there be any impact on customers' rates after the Merger?
- A-2. As summarized in the following table, KU will have invested, and projects to invest approximately \$2.26 billion of capital into its operations from August 1, 2025, through July 31, 2027 (the midpoints of the rate years in KU-ODP's 2024 rate case and its currently pending rate case) to continue providing safe and reliable service.

<i>(\$ in Millions)</i>	<u>Total KU</u>
Generation	885.0
Transmission	642.6
Distribution	612.2
Information Technology	<u>116.1</u>
Total	\$2,255.9

The major projects included in these projections are discussed in the testimonies of Lonnie E. Bellar, Elizabeth J. (Beth) McFarland, Adam R. Smith, and Dan Johnson filed in KU-ODP's pending base rate proceeding (Case No. PUR-2026-00051).

Concerning generation investments, Mr. Bellar discusses the significant investment in the Mill Creek Unit 5 natural gas combined cycle unit. KU and its sister utility, Louisville Gas and Electric Company, received regulatory authority from the Kentucky Public Service Commission ("KPSC") to construct Mill Creek Unit 5 in late 2023. Following an extensive investigation, nearly a year in length, the KPSC determined that constructing Mill Creek Unit 5 was the least-cost method of serving load in the most likely scenarios. Mill Creek Unit 5, like the other units jointly or individually owned by KU or LG&E, will be jointly and economically dispatched to serve their loads, including the load served by KU-ODP. The Companies expect to have a total investment of approximately \$945 million in Mill Creek Unit 5 when it goes in service in June 2027. Also, as discussed in Mr. Bellar's testimony, KU received authority from the KPSC to construct a 120 MW solar facility in Mercer County, Kentucky ("Mercer County Solar"), and KU received KPSC authority to enter into a build-to-acquire agreement by which KU and LG&E will acquire a 120 MW solar facility in Marion County, Kentucky ("Marion County Solar"). The Companies expect their total investment in Mercer County Solar to be \$243 million when it goes in

service in the second quarter of 2027, and they expect their total investment in Marion County Solar to be \$282 million when it goes in service in the third quarter of 2027. These generation investments will help ensure KU-ODP can continue to serve all customers reliably and at the lowest reasonable cost while also supporting economic development efforts in KU-ODP's Virginia service territory. As noted, all three of these new generating units are expected to be put in service in 2027.

In the same vein, Ms. McFarland and Mr. Smith discuss in their testimonies that KU-ODP has made and is making significant investments in transmission and distribution infrastructure to support increasingly reliable service, as well as to support economic development. Regarding information technology ("IT") investments, Mr. Johnson describes the necessary investments KU and LG&E are making to secure critical infrastructure against increasing cybersecurity threats, stabilize IT infrastructure, streamline customer service and billing processes, ensure cost-efficiency across all systems, and better evaluate and leverage new technologies in the future. Finally, as discussed in the testimony of John Bevington, KU-ODP completed its deployment of Advance Metering Infrastructure ("AMI") meters in December 2025. As Mr. Bevington explains, these AMI investments and those KU and LG&E have made in Kentucky have eliminated the contractor workforce for meter reading and field services, providing ongoing savings to customers. AMI also provides customers enhanced, granular usage data, enables service offerings such as prepay service, and provides other customer and system benefits.

Past investments have been, and future investments will continue to be, prudent and necessary to serve customers, and they support the Company's continuing commitment to provide quality service to its Virginia customers. Anticipated capital investments will not necessarily change due to the merger of KU and LG&E, and the merger is expected to largely be unimpactful to ODP customers. Capital costs that have historically been direct assigned to ODP customers (e.g., distribution assets) will continue to be since they are directly identifiable as being in service in Virginia. Capital costs that have historically been allocated to ODP customers (e.g., production assets) will continue to be, but the allocators used will be adjusted to reflect ODP's applicable portion of the merged entity's costs.

**KENTUCKY UTILITIES COMPANY D/B/A OLD DOMINION POWER COMPANY
AND LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the SCC Staff Discovery Requests – Set Three
Dated July 22, 2026**

Case No. PUR-2026-00052

Question No. 1

Witness: Julissa Burgos

- Q-1. Please provide a narrative of the factors and changes that have lead to PPL's dividend payout ratio decreasing over the past five years from ~104% in 2022 to ~67% in 2025.
- A-1. The decline in PPL's dividend payout ratio (based on GAAP financials) from approximately 104% in 2022 to approximately 67% in 2025 was primarily driven by the sale of its U.K. utility business in 2021 and the continued higher payout to shareowners without the corresponding earnings. In early 2022, PPL reset its dividend to align with the earnings profile of its remaining regulated U.S. operations and a targeted payout ratio of approximately 50%-60%.

In addition, PPL recently reduced its targeted dividend growth rate, which is expected to help support funding of the company's capital investment program.

**KENTUCKY UTILITIES COMPANY D/B/A OLD DOMINION POWER COMPANY
AND LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the SCC Staff Discovery Requests – Set Three
Dated July 22, 2026**

Case No. PUR-2026-00052

Question No. 2

Witness: Chad E. Clements

- Q-2. Please provide a narrative of what capital investments would qualify for Federal ITCs as well as State ITCs in Virginia and Kentucky. Please also note if the requirements to qualify for ITCs have changed in those jurisdictions over the past five years.
- A-2. Capital investments that may qualify for federal Investment Tax Credits (“ITCs”) include qualifying clean energy projects, such as the Companies’ Marion and Mercer Solar Facilities and Brown Energy Storage System currently under construction. Depending on the technology and placed-in-service date, clean energy projects may qualify for either production-based credits under Internal Revenue Code (“IRC”) §§ 45 and 45Y or investment-based credits under IRC §§ 48 and 48E. Virginia and Kentucky do not provide broad-based state ITCs comparable to the federal clean energy tax credits. Over the past five years, the qualification requirements and potential value of federal ITCs have evolved significantly as a result of the Inflation Reduction Act of 2022 and subsequent regulatory guidance, including prevailing wage and apprenticeship requirements, domestic content incentives, energy community incentives, and the transition to technology-neutral clean energy credits. In addition, the One Big Beautiful Bill Act of 2025 (H.R. 1) accelerated the phase-out of certain federal clean energy credits for wind and solar projects, retained a longer phase-out period for certain non-wind and non-solar technologies, such as energy storage, and imposed additional limitations and restrictions that may affect credit eligibility. The proposed merger of KU into LG&E is not expected to affect the eligibility of future qualifying investments for available federal ITCs.

**KENTUCKY UTILITIES COMPANY D/B/A OLD DOMINION POWER COMPANY
AND LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the SCC Staff Discovery Requests – Set Three
Dated July 22, 2026**

Case No. PUR-2026-00052

Question No. 3

Witness: Chad E. Clements

- Q-3. At what point would the Applicants seek to have a Private Letter Ruling from the IRS with regards to the treatment of historical ITCs generated by KU prior to the merger?
- A-3. The Applicants may seek a Private Letter Ruling ("PLR") from the Internal Revenue Service, if necessary, in advance of filing an application for new rates post-merger to provide certainty regarding the treatment of those ITCs and continued compliance with applicable federal normalization requirements.

**KENTUCKY UTILITIES COMPANY D/B/A OLD DOMINION POWER COMPANY
AND LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the SCC Staff Discovery Requests – Set Four
Dated August 11, 2026**

Case No. PUR-2026-00052

Question No. 1

Witness: Robert M. Conroy

- Q-1. Please provide an update on the Companies' process for pursuing dual incorporation for LG&E in Virginia and Kentucky. Please provide a proposed timeline for this process.
- A-1. Assuming the Companies receive all necessary approvals for the proposed merger to proceed, the Companies currently anticipate filing with the Commission documents necessary for LG&E to become a Virginia corporation three to five business days before the merger closing date.

The Companies' proposed timing is similar to the November 1991 merger of ODP into KU. KU and ODP filed with the Commission on November 25, 1991, documents seeking the incorporation of KU as a Virginia corporation (requesting incorporation as of November 25, 1991, which actually became effective November 26, 1991) and the merger of ODP into KU effective December 1, 1991, which merger actually became effective December 1, 1991.

Section 1: 10-K (10-K)

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

- ☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended December 31, 2025
- OR
- ☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _____ to _____

<u>Commission File Number</u>	<u>Registrant; State of Incorporation; Address and Telephone Number</u>	<u>IRS Employer Identification No.</u>
1-11459	PPL Corporation (Exact name of Registrant as specified in its charter) Pennsylvania 645 Hamilton Street Allentown, PA 18101 (610) 774-5151	23-2758192
1-905	PPL Electric Utilities Corporation (Exact name of Registrant as specified in its charter) Pennsylvania 827 Hausman Road Allentown, PA 18104-9392 (610) 774-5151	23-0959590
1-2893	Louisville Gas and Electric Company (Exact name of Registrant as specified in its charter) Kentucky 820 West Broadway Louisville, KY 40202 (502) 627-2000	61-0264150
1-3464	Kentucky Utilities Company (Exact name of Registrant as specified in its charter) Kentucky and Virginia One Quality Street Lexington, KY 40507-1462 (502) 627-2000	61-0247570

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Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock of PPL Corporation	PPL	New York Stock Exchange
Junior Subordinated Notes of PPL Capital Funding, Inc. 2007 Series A due 2067	PPL/67	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Common Stock of PPL Electric Utilities Corporation

Indicate by check mark if the registrants are a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

PPL Corporation	Yes ☒	No ☐
PPL Electric Utilities Corporation	Yes ☒	No ☐
Louisville Gas and Electric Company	Yes ☒	No ☐
Kentucky Utilities Company	Yes ☒	No ☐

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

PPL Corporation	Yes ☐	No ☒
PPL Electric Utilities Corporation	Yes ☐	No ☒
Louisville Gas and Electric Company	Yes ☐	No ☒
Kentucky Utilities Company	Yes ☐	No ☒

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

PPL Corporation	Yes ☒	No ☐
PPL Electric Utilities Corporation	Yes ☒	No ☐
Louisville Gas and Electric Company	Yes ☒	No ☐
Kentucky Utilities Company	Yes ☒	No ☐

Indicate by check mark whether the registrants have submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit such files).

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[Table of Contents](#)**STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,
Louisville Gas and Electric Company**

(Millions of Dollars)

	2025	2024	2023
Operating Revenues			
Retail and wholesale	\$ 1,718	\$ 1,617	\$ 1,580
Electric revenue from affiliate	30	31	33
Total Operating Revenues	1,748	1,648	1,613
Operating Expenses			
Operation			
Fuel	338	308	286
Energy purchases	187	151	168
Energy purchases from affiliate	22	20	12
Other operation and maintenance	364	349	364
Depreciation	307	305	302
Taxes, other than income	51	49	48
Total Operating Expenses	1,269	1,182	1,180
Operating Income	479	466	433
Other Income (Expense) - net (Note 14)	24	12	3
Interest Income from Affiliate	—	1	1
Interest Expense	116	105	102
Income Before Income Taxes	387	374	335
Income Taxes	78	77	69
Net Income (a)	\$ 309	\$ 297	\$ 266

(a) Net income equals comprehensive income.

The accompanying Notes to Financial Statements are an integral part of the financial statements.

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[Table of Contents](#)**STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
Louisville Gas and Electric Company**

(Millions of Dollars)

	2025	2024	2023
Cash Flows from Operating Activities			
Net income	\$ 309	\$ 297	\$ 266
Adjustments to reconcile net income to net cash provided by (used in) operating activities			

Depreciation	307	305	302
Amortization	24	16	14
Equity component of AFUDC	(16)	(8)	(3)
Deferred income taxes and investment tax credits	(9)	6	(14)
Other	6	2	(4)
Change in current assets and current liabilities			
Accounts receivable	(10)	(25)	40
Accounts receivable from affiliates	(6)	(11)	7
Accounts payable	14	12	(40)
Accounts payable to affiliates	6	15	(8)
Unbilled revenues	(10)	1	24
Fuel, materials and supplies	(2)	(13)	24
Regulatory assets and liabilities, net	(12)	(3)	25
Taxes payable	20	(1)	—
Accrued interest	13	—	5
Other	(5)	—	1
Other operating activities			
Expenditures for asset retirement obligations	(9)	(11)	(11)
Other assets	(43)	(27)	(21)
Other liabilities	22	(1)	2
Net cash provided by operating activities	599	554	609
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	(767)	(444)	(378)
Notes receivable from affiliates	(36)	—	—
Net cash used in investing activities	(803)	(444)	(378)
Cash Flows from Financing Activities			
Net increase (decrease) in notes payable with affiliates	(43)	43	—
Issuance of long-term debt	700	—	464
Retirement of long-term debt	(300)	—	(300)
Payment of common stock dividends to parent	(200)	(187)	(166)
Contributions from parent	281	65	67
Return of capital to parent	(55)	(76)	(161)
Debt issuance costs	(9)	—	(5)
Net increase (decrease) in short-term debt	(25)	25	(179)
Net cash provided by (used in) financing activities	349	(130)	(280)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	145	(20)	(49)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	24	44	93
Cash, Cash Equivalents and Restricted Cash at End of Period	\$ 169	\$ 24	\$ 44
Supplemental Disclosures of Cash Flow Information			
Cash paid during the period for:			
Interest - net of amount capitalized	\$ 103	\$ 101	\$ 93
Income taxes - net	\$ 81	\$ 73	\$ 84
Significant non-cash transactions:			
Accrued expenditures for property, plant and equipment at December 31,	\$ 142	\$ 64	\$ 30

The accompanying Notes to Financial Statements are an integral part of the financial statements.

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BALANCE SHEETS AT DECEMBER 31, Louisville Gas and Electric Company

(Millions of Dollars, shares in thousands)

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	\$ 162	\$ 8
Accounts receivable (less reserve: 2025, \$5; 2024, \$3)		
Customer	154	134
Other	26	23
Unbilled revenues (less reserve: 2025, \$0; 2024, \$0)	97	87
Accounts receivable from affiliates	46	40
Notes receivable from affiliates	36	—
Fuel, materials and supplies	160	157
Prepayments	11	9
Regulatory assets	19	8
Other current assets	2	2
Total Current Assets	713	468
Property, Plant and Equipment		
Regulated utility plant	8,270	7,748
Less: accumulated depreciation - regulated utility plant	1,842	1,643
Regulated utility plant, net	6,428	6,105
Construction work in progress	689	443
Property, Plant and Equipment, net	7,117	6,548
Other Noncurrent Assets		
Regulatory assets	482	491

Goodwill	389	389
Other intangibles	11	12
Other noncurrent assets	106	84
Total Other Noncurrent Assets	988	976
Total Assets	\$ 8,818	\$ 7,992

The accompanying Notes to Financial Statements are an integral part of the financial statements.

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BALANCE SHEETS AT DECEMBER 31,
Louisville Gas and Electric Company

(Millions of Dollars, shares in thousands)

	2025	2024
Liabilities and Equity		
Current Liabilities		
Short-term debt	\$ —	\$ 25
Notes payable with affiliates	—	43
Long-term debt due within one year	90	300
Accounts payable	262	158
Accounts payable to affiliates	73	64
Customer deposits	37	36
Taxes	60	40
Regulatory liabilities	13	14
Interest	34	21
Asset retirement obligations	2	11
Other current liabilities	54	50
Total Current Liabilities	625	762
Long-term Debt	2,775	2,171
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	819	803
Investment tax credits	29	30
Price risk management liabilities	4	3
Asset retirement obligations	73	73
Regulatory liabilities	809	815
Other deferred credits and noncurrent liabilities	78	64
Total Deferred Credits and Other Noncurrent Liabilities	1,812	1,788
Commitments and Contingent Liabilities (Notes 7 and 12)		
Equity		
Common stock - no par value (a)	424	424
Additional paid-in capital	2,208	1,982
Earnings reinvested	974	865
Total Equity	3,606	3,271
Total Liabilities and Equity	\$ 8,818	\$ 7,992

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at December 31, 2025 and December 31, 2024.

The accompanying Notes to Financial Statements are an integral part of the financial statements.

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STATEMENTS OF EQUITY
Louisville Gas and Electric Company

(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2022	21,294	\$ 424	\$ 2,087	\$ 655	\$ 3,166
Net income				266	266
Capital contributions from parent			67		67
Return of capital to parent			(161)		(161)
Cash dividends declared				(166)	(166)
December 31, 2023	21,294	\$ 424	\$ 1,993	\$ 755	\$ 3,172
Net income				297	297

Capital contributions from parent	65	65
Return of capital to parent	(76)	(76)
Cash dividends declared	(187)	(187)
December 31, 2024	21,294	\$ 424
Net income	309	309
Capital contributions from parent	281	281
Return of capital to parent	(55)	(55)
Cash dividends declared	(200)	(200)
December 31, 2025	21,294	\$ 424

(a) Shares in thousands. All common shares of LG&E stock are owned by LKE.

The accompanying Notes to Financial Statements are an integral part of the financial statements.

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STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,
Kentucky Utilities Company
(Millions of Dollars)

	2025	2024	2023
Operating Revenues			
Retail and wholesale	\$ 2,042	\$ 1,944	\$ 1,872
Electric revenue from affiliate	22	20	12
Total Operating Revenues	2,064	1,964	1,884
Operating Expenses			
Operation			
Fuel	517	476	447
Energy purchases	26	25	24
Energy purchases from affiliate	30	31	33
Other operation and maintenance	416	413	427
Depreciation	408	403	392
Taxes, other than income	51	49	45
Total Operating Expenses	1,448	1,397	1,368
Operating Income	616	567	516
Other Income (Expense) - net (Note 14)	29	15	8

Interest Expense	148	137	134
Interest Expense from Affiliate	—	—	1
Income Before Income Taxes	497	445	389
Income Taxes	99	89	77
Net Income (a)	\$ 398	\$ 356	\$ 312

(a) Net income equals comprehensive income.

The accompanying Notes to Financial Statements are an integral part of the financial statements.

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**STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
Kentucky Utilities Company**

(Millions of Dollars)

	2025	2024	2023
Cash Flows from Operating Activities			
Net income	\$ 398	\$ 356	\$ 312
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation	408	403	392
Amortization	21	21	20
Defined benefit plans - income	(3)	(5)	(5)
Equity component of AFUDC	(21)	(9)	(3)
Deferred income taxes and investment tax credits	—	(15)	(10)
Other	11	5	1
Change in current assets and current liabilities			
Accounts receivable	(2)	(21)	16
Accounts payable	1	(23)	(26)
Accounts payable to affiliates	7	29	(24)
Unbilled revenues	(4)	(5)	17
Fuel, materials and supplies	(8)	14	(17)
Regulatory assets and liabilities, net	(6)	23	25
Taxes payable	26	5	5
Accrued interest	14	—	5
Other	(4)	(5)	(4)
Other operating activities			
Expenditures for asset retirement obligations	(11)	(10)	(28)
Other assets	(21)	(41)	(25)
Other liabilities	(8)	1	(4)
Net cash provided by operating activities	798	723	647
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	(983)	(643)	(572)
Other investing activities	(3)	—	6
Net cash used in investing activities	(986)	(643)	(566)
Cash Flows from Financing Activities			
Net increase (decrease) in notes payable with affiliates	(37)	73	—
Issuance of long-term debt	700	—	459
Retirement of long-term debt	(250)	—	(313)
Payment of common stock dividends to parent	(249)	(232)	(190)
Contributions from parent	198	126	76
Return of capital to parent	(37)	(103)	(84)
Debt issuance costs	(9)	—	(4)
Net increase (decrease) in short-term debt	(140)	47	(8)
Net cash provided by (used in) financing activities	176	(89)	(64)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(12)	(9)	17
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	29	38	21
Cash, Cash Equivalents and Restricted Cash at End of Period	\$ 17	\$ 29	\$ 38
Supplemental Disclosures of Cash Flow Information			
Cash paid during the period for:			
Interest - net of amount capitalized	\$ 138	\$ 135	\$ 125
Income taxes - net	\$ 94	\$ 102	\$ 78
Significant non-cash transactions:			
Accrued expenditures for property, plant and equipment at December 31,	\$ 101	\$ 74	\$ 38

The accompanying Notes to Financial Statements are an integral part of the financial statements.

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BALANCE SHEETS AT DECEMBER 31,

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at December 31, 2025 and December 31, 2024.

The accompanying Notes to Financial Statements are an integral part of the financial statements.

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STATEMENTS OF EQUITY
Kentucky Utilities Company

(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2022	37,818	\$ 308	\$ 3,041	\$ 689	\$ 4,038
Net income				312	312
Capital contributions from parent			76		76
Return of capital to parent			(84)		(84)
Cash dividends declared				(190)	(190)
December 31, 2023	37,818	\$ 308	\$ 3,033	\$ 811	\$ 4,152
Net income				356	356
Capital contributions from parent			126		126
Return of capital to parent			(103)		(103)
Cash dividends declared				(232)	(232)
December 31, 2024	37,818	\$ 308	\$ 3,056	\$ 935	\$ 4,299
Net income				398	398
Capital contributions from parent			198		198
Return of capital to parent			(37)		(37)
Cash dividends declared				(249)	(249)
December 31, 2025	37,818	\$ 308	\$ 3,217	\$ 1,084	\$ 4,609

(a) Shares in thousands. All common shares of KU stock are owned by LKE.

The accompanying Notes to Financial Statements are an integral part of the financial statements.

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COMBINED NOTES TO FINANCIAL STATEMENTS

Index to Combined Notes to Consolidated Financial Statements

The notes to the consolidated financial statements that follow are a combined presentation. The following list indicates the Registrants to which the footnotes apply:

	Registrant			
	PPL	PPL Electric	LG&E	KU
1. Summary of Significant Accounting Policies	x	x	x	x
2. Segment and Related Information	x	x	x	x
3. Revenue from Contracts with Customers	x	x	x	x
4. Preferred Securities	x	x	x	x
5. Earnings Per Share	x			
6. Income and Other Taxes	x	x	x	x
7. Utility Rate Regulation	x	x	x	x
8. Financing Activities	x	x	x	x
9. Acquisitions, Development and Divestitures	x		x	x
10. Retirement and Postemployment Benefits	x	x	x	x
11. Jointly Owned Facilities	x		x	x
12. Commitments and Contingencies	x	x	x	x
13. Related Party Transactions		x	x	x
14. Other Income (Expense) - net	x	x	x	x
15. Fair Value Measurements	x	x	x	x
16. Derivative Instruments and Hedging Activities	x	x	x	x
17. Goodwill and Other Intangible Assets	x	x	x	x
18. Asset Retirement Obligations	x	x	x	x
19. Accumulated Other Comprehensive Income (Loss)	x			
20. New Accounting Guidance Pending Adoption	x	x	x	x

1. Summary of Significant Accounting Policies

(All Registrants)

General

Capitalized terms and abbreviations appearing in the combined notes to financial statements are defined in the glossary. Dollars are in millions, except per share data, unless otherwise noted. The specific Registrant to which disclosures are applicable is identified in parenthetical headings in italics above the applicable disclosure or within the applicable disclosure for each Registrants' related activities and

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ANNUAL REPORT
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Dividends/Distributions

(PPL)

PPL views dividends as an integral component of shareowner return and expects to continue to pay dividends in amounts intended to maintain a capitalization structure that supports investment grade credit ratings. In November 2025, PPL declared its quarterly common stock dividend, payable January 2, 2026, at 27.25 cents per share (equivalent to \$1.09 per annum). On February 20, 2026, PPL announced a quarterly common stock dividend of 28.50 cents per share, payable April 1, 2026, to shareowners of record as of March 10, 2026. Future dividends will be declared at the discretion of the Board of Directors and will depend upon future earnings, cash flows, financial and legal requirements and other factors.

Subject to certain exceptions, PPL may not declare or pay any cash dividend or distribution on its capital stock during any period in which PPL Capital Funding defers interest payments on its 2007 Series A Junior Subordinated Notes due 2067. At December 31, 2025, no interest payments were deferred.

(PPL Electric, LG&E and KU)

From time to time, as determined by their respective Board of Directors, the Registrants pay dividends, distributions or return capital, as applicable, to their respective shareholders or members. Certain of the credit facilities of PPL Electric, LG&E and KU include minimum debt covenant ratios that could effectively restrict the payment of dividends or distributions.

(All Registrants)

See Note 8 to the Financial Statements for these and other restrictions related to distributions on capital interests for the Registrants and their subsidiaries.

Purchase or Redemption of Debt Securities

The Registrants will continue to evaluate outstanding debt securities and may decide to purchase or redeem these securities in open market or privately negotiated transactions, in exchange transactions or otherwise, depending upon prevailing market conditions, available cash and other factors, and may be commenced or suspended at any time. The amounts involved may be material.

Rating Agency Actions

Moody's and S&P periodically review the credit ratings of the debt of the Registrants and their subsidiaries. Based on their respective independent reviews, the rating agencies may make certain ratings revisions or ratings affirmations.

A credit rating reflects an assessment by the rating agency of the creditworthiness associated with an issuer and particular securities that it issues. The credit ratings of the Registrants and their subsidiaries are based on information provided by the Registrants and other sources. The ratings of Moody's and S&P are not a recommendation to buy, sell or hold any securities of the Registrants or their subsidiaries. Such ratings may be subject to revisions or withdrawal by the agencies at any time and should be evaluated independently of each other and any other rating that may be assigned to the securities.

The credit ratings of the Registrants and their subsidiaries affect their liquidity, access to capital markets and cost of borrowing under their credit facilities. A downgrade in the Registrants' or their subsidiaries' credit ratings could result in higher borrowing costs and reduced access to capital markets. The Registrants and their subsidiaries have no credit rating triggers that would result in the reduction of access to capital markets or the acceleration of maturity dates of outstanding debt.

The following table sets forth the Registrants' and their subsidiaries' credit ratings for outstanding debt securities or commercial paper programs as of December 31, 2025.