

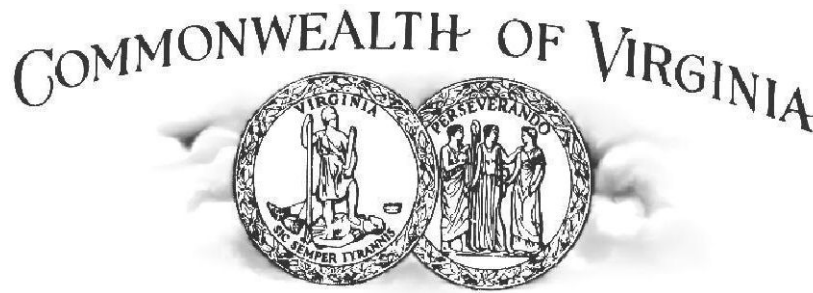
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**STATE CORPORATION COMMISSION
DIVISION OF UTILITY ACCOUNTING AND FINANCE**

ACTION BRIEF

Application Filed: 06/02/2026 **Report Date:** 08/14/2026 **Order Due Date:** 08/31/2026

Case No.: PUR-2026-00083

Application: Joint Application of Kentucky Utilities Company (“KU”) d/b/a Old Dominion Power Company (“KU/ODP”) and Louisville Gas and Electric Company (“LG&E”) (collectively “Applicants” or “Companies”) for Authority Regarding the Assumption and Issuance of Indebtedness and Affiliate Transaction Related to Merger.

Purpose: The Applicants petition the State Corporation Commission (“Commission”) for certain approvals related to the legal merger of the Companies, specifically, (1) approval of the assumption and issuance of evidences of indebtedness pursuant to Chapter 3 of Title 56 of the Code of Virginia (“Code”);¹ and (2) approval of the *Plan of Merger* of the Companies pursuant to Chapter 4 of Title 56 of the Code.²

Issues/Concerns: None.

Recommendation: Based on the Applicants’ representations, the requested authority for the assumption and issuance of evidences of indebtedness appears to not be detrimental to the public interest, and the draft Plan of Merger is consistent with the public interest. Staff recommends approval subject to certain requirements listed in Appendix A of this action brief, and contingent upon the consummation of the proposed merger (“Merger”) contemplated in Case No. PUR-2026-00052.³

Staff shared a draft of its action brief with the Applicants, and their comments are attached to the filed action brief.

¹ Code of Virginia (“Code”) § 56-55 *et seq.* (“Chapter 3”).

² Code § 56-76 *et seq.* (“Affiliates Act”).

³ See *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*, Case No. PUR-2026-00052, Doc. Con. Cen. No. 260440093, Application (filed Apr. 17, 2026).

A handwritten signature in black ink, appearing to read "Tyler Holt", is written over a horizontal line.

Senior Utility Specialist

APPENDIX A

- 1) The Commission's approval herein should be contingent upon the consummation of the proposed Merger.
- 2) The authority granted herein should be limited to the terms and conditions and purposes stated in the Application, through December 31, 2027.
- 3) The Applicants should seek Commission approval at least ninety (90) days prior to any proposed modification or amendment to any authority granted in this proceeding becoming effective.
- 4) Upon consummation of the proposed Merger, LG&E should file a copy of any amended or new Credit Support Facility agreements within thirty (30) days of execution.
- 5) Upon consummation of the proposed Merger, LG&E should file a Report of Action within thirty (30) days of the issuance of long-term debt, subject to administrative extension by the Commission's Director of the Division of Utility Accounting and Finance ("UAF Director"). In the report, the Company should include the following:
 - a. date(s) of the issuance;
 - b. the proceeds of such issuances and how they were used;
 - c. the associated interest rate(s);
 - d. any related Hedging Facility; and
 - e. all associated fees and expenses.
- 6) Upon consummation of the proposed Merger, LG&E should file a Report of Action within thirty (30) days of entering into any Credit Support Facility, subject to administrative extension by the Commission's UAF Director. In the report, the Company should include the following:
 - a. the nature of the Credit Support Facility (letter of credit, guarantee, etc.);
 - b. date entered and term length;
 - c. aggregate principal amount of the obligations for the Credit Support Facilities;
 - d. associated interest rate(s);
 - e. the cost advantage and resulting impact on the cost of the underlying debt series; and
 - f. all associated fees and expenses.
- 7) LG&E should file a Report of Action by March 31 of each calendar year from 2026 through 2028, which identifies the aggregate revolving lines of credit outstanding pursuant to the authority in Item 2, above. Such report should be subject to administrative extension by the Commission's UAF Director.

- 8) The Commission's approval should have no accounting or ratemaking implications. Specifically, the approval in this case should not guarantee the recovery of any costs directly or indirectly related to the proposed debt financing.
- 9) The Commission's approval should not preclude the Commission from exercising its authority under Code § 56-76 *et seq.* hereafter.
- 10) The Commission should reserve the right to examine the books and records of the Applicants and any affiliate in connection with the approval granted in this case, whether or not such affiliate is regulated by this Commission.
- 11) Upon consummation of the proposed Merger, LG&E should include all transactions associated with using an affiliate as a "pass-through" entity for any hedging facilities associated with the long-term debt in Item 1 above in its Annual Report of Affiliate Transactions ("ARAT") submitted to the UAF Director on May 1 of each year, subject to administrative extension by the UAF Director. LG&E should report the transactions by month, FERC account, and amount in its ARAT as the transactions are recorded in LG&E's books.

APPENDIX B

STAFF ANALYSIS

APPLICATION:

On June 2, 2026, Kentucky Utilities Company, operating in Virginia under the name Old Dominion Power Company, and Louisville Gas and Electric Company completed the filing of an application (“Application”) with the Commission pursuant to Chapter 3 and the Affiliates Act requesting (1) approval of the assumption and issuance of evidences of indebtedness and (2) approval of the Agreement and Plan of Merger for the Merger of Kentucky Utilities Company With and Into Louisville Gas and Electric Company (“Plan of Merger”) of the Companies.⁴

Specifically, with regard to the request for Chapter 3 approval, the Companies request for (1) LG&E to assume KU/ODDP’s existing debt pursuant to the proposed Merger, (2) LG&E to assume KU/ODP’s authority to issue new debt, and (3) LG&E, after the consummation of the proposed Merger, to issue new debt the Kentucky Public Service Commission (“KPSC”) authorized in LG&E’s last financing case.⁵

As discussed more below, upon consummation of the Merger, LG&E requests authority to enter into one or more interest rate hedging agreements through an affiliate company, or directly with one or more financial institutions to limit LG&E’s exposure to interest rate fluctuations.⁶ In connection with such requested authority, LG&E also requests authority to establish regulatory assets or liabilities for accounting purposes for any resulting mark-to-market losses and to amortize the gains and losses over the remaining life of the new debt.⁷

Additionally, the Companies seek Commission approval allowing the Companies the flexibility to select the financing structure based on standards and criteria that, in the Companies’ judgment, will result in a financing structure that minimizes asset capacity implications and provides for continued access to capital markets.⁸

BACKGROUND:

The Companies are both operating subsidiaries under the same ultimate parent company, PPL Corporation (“PPL”). On April 17, 2026, the Companies filed a joint application with the

⁴ Application at 1.

⁵ See Financing Summary attached to the Application as Exhibit 1, page 1 of 5.

⁶ Application at 14.

⁷ *Id.*

⁸ *Id.* at 10.

Commission seeking approval to merge KU into LG&E pursuant to Chapter 5 of Title 56 of the Code, assigned Case No. PUR-2026-00052.⁹ Such application contains in depth description of the reasons for and mechanics of the proposed Merger. The Applicants assert that the requests in their Application are made to ensure that the post-Merger entity, LG&E, has the authority and framework to make the transition operationally seamless.

Current Debt Profile

KU was granted Chapter 3 authority most recently in Case No. PUR-2023-00225 to: (1) incur new long-term debt not to exceed the aggregate principal amount of \$1.35 billion, (2) enter into hedging arrangements in connection with the issuance of such long-term debt, (3) enter into one or more assigned or dedicated credit support, liquidity, remarketing, or similar arrangements (collectively “Credit Support Facilities”), and (4) renew authority granted in Case No. PUR-2022-00037¹⁰ for the Company to maintain a revolving line of credit not to exceed an aggregate total of \$650 million, with the flexibility to amend, extend, or enter into one or more new revolving lines of credit up to the aggregate total dollar limit for terms up to five years from the date of amendment.¹¹ Such authority was granted through December 31, 2027.

In accordance with the 2024 KU Financing Order, KU issued \$700 million in first mortgage bonds (“FMB(s)”) on August 13, 2025.¹² In total, KU’s long-term debt profile consists of \$3.5 billion of FMBs outstanding with maturities ranging from 2032 through 2055.¹³ Pursuant to the same authority, KU currently has a revolving line of credit in the amount of \$600 million, which was amended most recently on January 29, 2026, to extend the termination date from December 6, 2029, to December 6, 2030.¹⁴

In LG&E’s last financing case in Kentucky, Case No. 2023-00398, the KPSC granted LG&E authority to: (1) incur indebtedness (long-term debt) up to an aggregate principal amount

⁹ *Id.* at 3.

¹⁰ See *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company, For an order authorizing the issuance of indebtedness*, Case No. PUR-2022-00037, 2022 S.C.C. Ann. Rept. 510, Order Granting Authority (Mar. 29, 2022).

¹¹ 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, 2024 S.C.C. Ann. Rept. at 262, Order Granting Authority (Feb. 5, 2024) (“2024 KU Financing Order”).

¹² 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 (Sept. 11, 2025).

¹³ Application at 4.

¹⁴ See *Id.* at 5. “Since that decision, KU/ODP has three times extended its existing multi-year Revolving Credit Agreement (“RCA”).” *Id.* See also *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).

of \$1.15 billion, and (2) maintain, amend or extend its existing, or enter into new, revolving line(s) of credit up to an aggregate amount of \$750 million through December 31, 2027.¹⁵

In accordance with the 2024 LG&E Financing Order, LG&E issued \$700 million in long-term debt on August 13, 2025.¹⁶ In total, LG&E's long-term debt profile consists of \$2.9 billion of FMBs outstanding with maturities ranging from 2026 through 2055.¹⁷ Pursuant to the same authority, LG&E currently has a revolving line of credit in the amount of \$600 million, which was amended most recently on January 25, 2026, to extend the termination date from December 6, 2029, to December 6, 2030.¹⁸

The Applicants have not entered into any Credit Support Facilities or hedging positions in connection with debt issuances pursuant to the 2024 KU Financing Order or the 2024 LG&E Financing Order.¹⁹

DISCUSSION AND ANALYSIS

Chapter 3

The Companies request authority for (1) LG&E to assume KU/ODP's existing debt pursuant to the proposed Merger, (2) LG&E to assume KU/ODP's authority to issue new debt, and (3) authority for LG&E, after the consummation of the proposed Merger, to issue new debt up to the KPSC authorized limit in the 2024 LG&E Financing Order.²⁰

As described above, KU/ODP's debt portfolio that LG&E would assume pursuant to the proposed Merger consists of \$3.5 billion of FMBs and a revolving credit facility currently in the amount of \$600 million. KU/ODP's unused authority under the 2024 KU Financing Order comprises \$650 million in long-term debt and \$50 million of remaining revolving credit facility capacity. LG&E's unused authority from the 2024 LG&E Financing Order comprises \$450 million in long-term debt and \$150 million of remaining revolving credit capacity. The requested total post-Merger debt authority sums to \$1.10 billion in new long-term debt, and authority to increase LG&E's revolving credit facility by up to \$200 million, up to the total aggregate amount

¹⁵ 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"). See also Application at 6.

¹⁶ Application at 7.

¹⁷ *Id.* at 10.

¹⁸ See *id.* at 6. "Since that decision, LG&E has three times extended its existing multi-year RCA." *Id.*

¹⁹ See Applicants' response to Staff Informal Data Request ("DR") Nos. 2-03 and 2-04. All referenced data request responses are attached hereto in Appendix C.

²⁰ See Financing Summary attached to the Application as Exhibit 1, page 1 of 5.

of \$1.40 billion, through December 31, 2027.²¹ The Companies specified that possible refinancing or remarketing of such new long-term debt would not count against the \$1.10 billion limit.²²

The Applicants represent the use for the proceeds of the indebtedness has not changed since the time of KU 2024 Financing Order and the LG&E 2024 Financing Order.²³ Such proceeds would be used for general corporate purposes, including financing the Company's ongoing capital needs, repaying existing short-term debt, refinancings, or advanced refinancings of one or more existing FMBs or other debt securities.²⁴

The Applicants' request considers the capital requirements through December 31, 2027, which the Applicants state will require flexibility in order to realize reasonable long-term interest rates.²⁵ The Applicants represent that the requested authority would help the Companies realize their four-year business plan, which includes approximately \$11.6 billion of capital expenditures related to investments in facilities to provide safe, reliable customer service.²⁶

Credit Support Facilities

The Applicants represent LG&E may, in connection with new long-term debt, enter into one or more Credit Support Facilities to enhance the marketability or achieve favorable rates, terms, or costs of such underlying debt.²⁷ The Applicants state that the aggregate principal amount of the obligations of the Credit Support Facilities would not exceed the aggregate principal amount of the underlying supported debt, plus accrued and unpaid interest, or remaining additional interest and premium.²⁸ The obligations of the Credit Support Facilities may be collateralized with additional debt support structures (e.g. letters of credit, dedicated revolvers, or similar instruments), which the Applicants state are not counted as additional indebtedness issued as part of the \$1.10 billion limit.²⁹

²¹ Application at 7 and 14.

²² *Id.* at 9. "In contrast, if existing debt that is currently outstanding pursuant to separate prior authority is refinanced through December 31, 2027, pursuant to this authority, the amount of that refinancing would count towards the \$1.10 billion limit." *Id.*

²³ *Id.*, Exhibit 1 page 1 of 5.

²⁴ *Id.* at 1-2 of 5.

²⁵ *Id.*, at 4 of 5.

²⁶ Application at 9. *See also* Applicants' response to Staff DR No. 1-01.

²⁷ Application at 13. "The Credit Support Facilities may be in the nature of one or more letters of credit, revolving credit agreements, standby credit agreements, guarantees, reimbursement agreements, bond insurance policies, bond purchase or remarketing agreements, or similar arrangements." *Id.*

²⁸ *Id.*

²⁹ *Id.* at 13-14.

Hedging

LG&E requests authority, upon consummation of the Merger, to enter into one or more interest rate hedging arrangements through an affiliate company, or directly with one or more financial institutions to limit LG&E's exposure to interest rate fluctuations.³⁰ LG&E additionally requests authority to establish regulatory assets or liabilities for accounting purposes for any resulting mark-to-market losses and to amortize the gains and losses over the remaining life of the new debt.³¹

The Companies' most recent financing applications were approved inclusive of their request for authority to establish regulatory assets or liabilities for accounting purposes for any resulting mark-to-market losses and to amortize the gains and losses over the remaining life of the new debt.³² The Applicants represent that their requested regulatory deferral accounting treatment is appropriate and balanced, given resulting mark-to-market gains or losses could go either way depending on market conditions.³³ The Applicants further clarify their request in this proceeding, stating the ultimate accounting treatment is "subject to review in a future rate case proceeding."³⁴

The authority granted in the 2024 KU Financing Order required that KU-ODP "only pay fees charged by the third-party counterparty for any Hedging Facility that uses an affiliate as a 'pass through' entity."³⁵ Given the hedging authority requested in this case is functionally the same as what was requested in PUR-2023-00225, Staff recommends that the above requirement apply to LG&E upon consummation of the proposed merger in any authority granted in this proceeding.

Revolving Line(s) of Credit

As described above, LG&E is requesting to maintain a revolving line of credit up to the aggregate amount of \$1.40 billion. In order to effectuate the post-Merger revolving credit facility, the Companies request authority to amend their existing Credit Agreement and to amend and restate the Credit Agreement, if necessary.³⁶ The Companies also request alternatively to enter

³⁰ *Id.* at 14. "Such instruments may include interest rate swaps, caps, collars, or similar arrangements. The terms of each arrangement will be negotiated by LG&E with the respective counterparty and would be subject to market conditions." *Id.*

³¹ *Id.*

³² See 2024 KU Financing Order, 2024 S.C.C. Ann. Rept. at 264 and 2024 LG&E Financing Order at 9-10.

³³ See Applicants' response to Staff DR No. 02-01.

³⁴ See Applicants' response to Staff DR No. 1-06.

³⁵ See 2024 KU Financing Order, 2024 S.C.C. Ann. Rept. at 264.

³⁶ Application at 14-15. The Applicants state that "If the Commission grants this authority, LG&E will provide notice of each extension to the Commission within thirty days of execution" and that "[u]nder the current agreements, LG&E must notify the revolving credit service providers of their intent to extend the current lines." *Id.*

into separate or individual revolving credit lines to replace any non-extended portion of the credit facility, up to the maximum total aggregate sizes, dates, and terms described in the Application.³⁷

The Applicants represent that such extended credit facilities are expected to be executed at market rates, on similar terms, and would be available for the same purposes for which revolving credit is currently available.³⁸ They further state the credit facility would provide additional flexibility that would help to protect against capital market disruptions that could impair the Companies' ability to access the capital markets.³⁹ The Companies represent this would allow the Companies to maintain appropriate levels of liquidity capacity to fund ongoing working capital needs and support the Companies' commercial paper program.⁴⁰

The Companies expect any outstanding obligation of KU, including commercial paper, would be assumed by LG&E post-Merger; however, the Companies state they are evaluating a short-term financing strategy that would minimize liquidity issues during transition.⁴¹ The Companies are currently evaluating the most efficient approach for combining the revolving credit facilities.⁴²

Long-Term Financing Structure

In conjunction with the Merger, the Companies are evaluating three long-term financing structures: (1) amending the existing LG&E and KU indentures; (2) retaining the legacy mortgage of the surviving entity, LG&E; and (3) a collateral trust mortgage.⁴³ The Companies are evaluating each financing structure based on factors including but not limited to; bondable capacity retained, complexity of transition, cost, and flexibility.⁴⁴ The Companies request the flexibility to select the

³⁷ *Id.* The Companies expect that all or most credit service providers will agree to extend the credit facility at the current individual or aggregate participation levels, although this assumption is not certain. *Id.*

³⁸ *Id.* at 15.

³⁹ *Id.*, Exhibit 1, page 4 of 5.

⁴⁰ *Id.* at 14. Commercial paper is an unsecured, short-term debt instrument issued by corporations to raise capital for short-term needs.

⁴¹ See Applicants' response to Staff DR No. 2-09: "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."

⁴² Application at 14-15. See also Applicants' response to Staff DR No. 02-09: "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."

⁴³ Application at 10-11. See also Applicants' response to Staff DR No. 02-07.

⁴⁴ *Id.* at 11.

financing structure that, to their discretion, will minimize asset capacity implications and provides for continued access to the capital markets.⁴⁵

The Companies confirm they do not anticipate any material adverse impact to their cost of debt resulting from any of their evaluated financing structures.⁴⁶ They expect the combined entity to be able to access the capital markets more efficiently through larger issuance sizes, which the Applicants state should enhance liquidity and support more favorable bond pricing.⁴⁷

Affiliates Act

The Commission has reviewed and approved KU/ODP's current Affiliate Agreements pursuant to the Affiliates Act.⁴⁸ The Applicants confirmed that there are currently no affiliate agreements between LG&E and its affiliates to which KU is not also a party.⁴⁹ According to the Applicants, the current Affiliate Agreements will continue to function in the same manner upon consummation of the Merger due to both Companies being a party to the same agreements.⁵⁰ The Applicants represent LG&E will seek Commission approval under the Affiliates Act for any affiliate transaction between LG&E and its affiliates that is not covered by existing authority granted by the Commission.⁵¹

⁴⁵ *Id.* The Companies state that they “will notify the Commission once they have determined the long-term financing structure they intend to pursue, and following such, provide a copy or form of indenture for the financing structure, to the extent possible.” *Id.*

⁴⁶ See Applicants' response to Staff DR No. 2-08.

⁴⁷ *Id.*

⁴⁸ *Id.* at 17. The “Affiliate Agreements” are the *Comprehensive Utility Goods and Services Agreement* and the *PPL Corporate Cost Allocation Manual* approved in Case No. PUR-2023-00228; the *Utility Money Pool Agreement* approved in Case No. PUR-2022-00038; the *PPL and Consenting Members of its Consolidated Group Agreement for Filing Consolidated Income Tax Returns and for Allocation of Consolidated Income Tax Liabilities and Benefits* approved in Case No. PUR-2023-00055; and the *Trimble County 2 Agreement* approved in Case No. PUE-2005-00074. See *Application of Kentucky Utilities Company dba 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. Rept. 265, Order Granting Approval (Mar. 18, 2024); *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. Rept. 512, Order Granting Approval (May 24, 2022); *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company, For authority to engage in affiliate transactions under Chapter 4, Title 56 of the Code of Virginia*, Case No. PUR-2023-00055, 2023 S.C.C. Ann. Rept. 424, Order Granting Approval (June 13, 2023); *Application of Kentucky Utilities Corporation 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-2005-00074, 2005 S.C.C. Ann. Rept. 465, Order Granting Authority (Dec. 12, 2005).

⁴⁹ See Applicants' response to Staff Set 01-05.

⁵⁰ Application at 17-18. “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.*

⁵¹ *Id.* at 17.

The Companies request approval of the Plan of Merger, which is the agreement to effectuate the proposed Merger.⁵² The Applicants represent that KU/ODP and LG&E are the only parties to the Plan of Merger.⁵³ The Plan of Merger describes, in part, that upon the Merger, the separate existence of KU/ODP shall cease; title to all property owned by KU/ODP and LG&E shall be vested in the surviving corporation (LG&E); the rights, privileges, powers, franchises, and interests owned or held by KU/ODP shall be vested in LG&E; and LG&E shall have all debts, obligations, and liabilities of KU/ODP.⁵⁴ The Companies represent the Plan of Merger is in the public interest, consistent with the proposed Merger itself, contemplated in Case No. PUR-2026-00052.⁵⁵

RECOMMENDATIONS:

Based on the Applicants' representations, the requested authority for the assumption and issuance of evidences of indebtedness appears to not be detrimental to the public interest, and the draft Plan of Merger is consistent with the public interest. Staff recommends approval subject to certain requirements listed in Appendix A of this action brief, and contingent upon approval of the pending Merger contemplated in Case No. PUR-2026-00052.

Staff shared a draft of its action brief with the Applicants, and their comments are attached to the filed action brief.

⁵² See *id.*, Exhibit 3 for draft of the Plan of Merger.

⁵³ See *id.*, Exhibit 4, page 1 of 6.

⁵⁴ *Id.* See also *id.*, Exhibit 3, page 3 of 8.

⁵⁵ See Application at 17 and at Exhibit 4, page 1 of 6.

APPENDIX C
Selected Data Request Responses

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

**Response to the SCC Staff Discovery Requests – Set One
Dated June 18, 2026**

Case No. PUR-2026-00083

Question No. 1

Witness: Heather D. Metts

- Q-1. Please refer to Paragraph 20 on page 9 of the Application. Please provide the Companies' four year business plan that includes approximately \$11.6 billion in CAPEX.
- A-1. The table below reflects the forecasted capital expenditures for the period 2026 through 2029 by category of spend. The capital expenditures slides from the 2026 business plan presentation have also been attached. Please note that shared services areas with minor amounts of capital expenditures did not prepare a capital expenditures slide for their respective business plan presentation. As such, the totals reflected on these pages will not sum to the table presented below. Furthermore, the classifications shown in the table include capital expenditures for Project Engineering. Project Engineering has capital expenditures related to Generation as well as other projects. The expenditures related to Generation have been included in the Generation line while the amounts related to other projects are reflected in Other. The capital expenditures reflected in the presentation for Project Engineering do not include amounts related to AFUDC which is noted on that slide. The amounts shown on the Customer Services slide are included in the Other line below.

	2026	2027	2028	2029
LKE (\$ in millions)	Plan	Plan	Plan	Plan
ECR	\$ 65	\$ 133	\$ 120	\$ 81
Generation	1,040	1,366	1,460	1,420
Electric Distribution	473	730	693	507
Gas Distribution	118	163	179	196
Transmission	436	647	726	514
Other	239	151	110	85
Total Capital Expenditures	\$ 2,371	\$ 3,190	\$ 3,288	\$ 2,802

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

**Response to the SCC Staff Discovery Requests – Set One
Dated June 18, 2026**

Case No. PUR-2026-00083

Question No. 5

Witness: Christopher M. Garrett / Drew T. McCombs

- Q-5. Please refer to Paragraph 42 on page 17 of the Application. Are there affiliate transactions between LG&E and its affiliates that are not covered by existing authority granted by the Commission, and if so, when does LG&E anticipate requesting such authority?
- A-5. No. There are no affiliate agreements between LG&E and its affiliates to which KU is not also a party. The Commission has reviewed and approved these agreements, which will continue to function in the same manner upon the merger because LG&E and KU are both parties to the agreements. If LG&E seeks to enter into new agreements in the future, the merged LG&E will request Commission approval pursuant to Chapter 4 of Title 56 of the Code of Virginia.

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

**Response to the SCC Staff Discovery Requests – Set One
Dated June 18, 2026**

Case No. PUR-2026-00083

Question No. 6

Witness: Julissa Burgos

- Q-6. Please refer to Paragraph 30 of the Application, that states “LG&E requests authority to establish regulatory assets or liabilities for accounting purposes for any mark-to-market losses and to amortize the gains and losses over the remaining life of the new debt.”
- a. Has LG&E ever received similar authority from the KPSC? If so, please provide the corresponding order(s) granting such authority.
 - b. Please provide scenarios that the Companies could envision that would result in mark-to-market losses.

A-6.

- a. LG&E has received similar authority from the KPSC in recent and prior financing or securities issuance applications, most recently in KPSC Case No. 2023-00398. Similar authority was also granted in KPSC Case No. 2022-00007, Case No. 2018-00335 and Case No. 2017-00081. See attachments being provided in separate files.
- b. Paragraph 30 of the Application refers to hedging activity, and no hedging activity is expected in connection with the merger. The Companies do not anticipate any scenarios that would result in mark to market losses in connection with the legal merger of the entities.

Mark-to-market losses may arise when the Company executes interest rate hedges for planned debt issuances.

For example, the Company may utilize interest rate locks, swaps, or similar derivatives to lock in a specific interest rate in advance of issuing debt. If interest rates decline after the derivative is executed the value of those derivative agreements may decrease, resulting in a loss upon settlement.

As noted above, the Company is requesting authority to establish regulatory assets or liabilities for such gains or losses, with the ultimate accounting treatment subject to review in a future rate case proceeding.

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

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

Case No. PUR-2026-00083

Question No. 1

Witness: Julissa Burgos / Robert M. Conroy

- Q-1. Please explain how any mark-to-market gains or losses resulting from hedging facilities on debt issuances would qualify as a regulatory asset or liability in Virginia, in the context of Virginia's three pronged test for authorizing regulatory asset treatment.
- A-1. KU-ODP and LG&E understand the referenced three-pronged test for authorizing regulatory asset treatment of prudently incurred costs to be: (i) the costs must be nonrecurring or unusual in nature; (ii) the costs must be beyond the control of the utility; and (iii) the costs must materially and negatively affect the utility's financial results.¹ Such a test may be reasonable when considering whether a utility's customers will bear the cost of what would be an expense (and thus borne by shareholders) if not capitalized.

What KU-ODP and LG&E seek is regulatory deferral accounting authority for quantities that, if allowed to be capitalized, could be *either* assets *or* liabilities.² The gains and losses associated with such hedges are driven by movements in financial markets and are not reflective of the Companies' utility operations. These transactions are executed prudently to manage interest-rate risk associated with anticipated debt issuances that finance utility capital investments and therefore represent a component of the overall cost of debt. The requested accounting treatment is balanced. Depending on market conditions, the hedge may generate either a loss, resulting in a regulatory asset, or a gain, resulting in a regulatory liability that would ultimately benefit customers. In either case, the resulting amount would arise solely from a specific hedging transaction executed in connection with an anticipated debt issuance by the Company. Therefore, KU-ODP and LG&E respectfully submit it would be inappropriate to apply regulatory-asset-only criteria to deferral accounting authority that could result in a net regulatory liability.

¹ See, e.g., *Joint Petition of Aqua Virginia, Inc., Aqua Virginia Water Utilities, Inc., Fox Run Water Co., Inc., and Moseley-Nash Enterprises, Inc., For Approval of a transfer of utility assets, transfer of a certificate of public convenience and necessity, an affiliate agreement, and proposed rates*, Case No. PUE-2011-00116, Final Order at 3 (Va. SCC June 6, 2014); Case No. PUE-2011-00116, Staff Report at 6 – 9 (Feb. 11, 2014). See also, e.g., *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company For an adjustment of electric base rates*, Case No. PUR-2021-00171, Final Order at 8 (Va. SCC May 25, 2022); *Application of Aqua Virginia, Inc., For an increase in rates*, Case No. PUE-2014-00045, Final Order at 15, 16 (Va. SCC Jan. 7, 2016).

² Notably, market forces, not LG&E, will determine whether the hedging facilities on debt issuances will ultimately result in mark-to-market gains or losses, thus satisfying the “beyond the control of the utility” criterion of the referenced three-part test for regulatory assets.

**KENTUCKY UTILITIES COMPANY D/B/A OLD DOMINION POWER COMPANY
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Question No. 3

Witness: Julissa Burgos

- Q-3. Please provide a summary of any Credit Support Facilities entered into in connection with any KU and/or LG&E debt issued in the past five years.
- A-3. There have been no credit support facilities entered into in connection with any debt issued by KU-ODP or LG&E in the past five years.

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Question No. 4

Witness: Julissa Burgos

- Q-4. Please provide a summary of hedging positions taken in connection with long-term debt issuances for both KU and LG&E in the past five years, as well as any gains or losses associated with such hedges.
- A-4. There have been no hedging positions in connection with long-term debt issuances in the past five years.

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Question No. 7

Witness: Julissa Burgos

Q-7. 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).

A-7. 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. We expect these costs to be amortized over the life of the debt:

a. **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.

b. **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.

c. **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.

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Question No. 8

Witness: Julissa Burgos

- Q-8. Please describe any cost of debt impacts that would occur under the three long-term financing structures being evaluated.
- A-8. 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.

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Question No. 9

Witness: Julissa Burgos

- Q-9. 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?
- A-9. 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.



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August 17, 2026

VIA EMAIL

Tyler Hunt
 Senior Utility Analyst
 Division of Utility Accounting and Finance
 Virginia State Corporation Commission
tyler.hunt@scc.virginia.gov

RE: *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

Dear Mr. Hunt:

Kentucky Utilities Company doing business as Old Dominion Power Company ("KU-ODP") and Louisville Gas and Electric Company (collectively, the "Companies") appreciate the opportunity to review the Action Brief draft you provided by email dated August 14, 2026. The Companies have reviewed the draft and have no comments.

If you have any questions, please contact me at your convenience.

Yours very truly,

A handwritten signature in blue ink that reads "Mary Ellen Wimberly".

Mary Ellen Wimberly

cc: Mary Beth Adams, Virginia State Corporation Commission (Electronic Mail)
 Andrea B. Macgill, Virginia State Corporation Commission (Electronic Mail)

Tadd J. Henninger, Senior Vice President-Finance and Treasurer, PPL Services Corporation
 Allyson K. Sturgeon, Vice President and Deputy General Counsel-Regulatory, PPL Services Corporation

Tyler Hunt
Senior Utility Analyst
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Virginia State Corporation Commission
August 17, 2026
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