

FRANCHISE AGREEMENT

This Franchise Agreement ("Agreement") is hereby made and entered into this 20th day of October, 2014 by and between the City of Midway in the Commonwealth of Kentucky ("City") and Kentucky Utilities Company ("Company").

WITNESSETH:

WHEREAS, the City adopted an Ordinance (# 2014-009) on September 15, 2014, pursuant to which the City has awarded the Company an exclusive electric franchise ("Franchise") over the public rights-of-way within the City's corporate limits, subject to and in accordance with the terms of this Agreement; and

WHEREAS, the above-referenced Ordinance requires that the City and the Company execute this Agreement;

NOW, THEREFORE, in consideration of the faithful performance and strict observance by the Company and the City of all terms, provisions, conditions, obligations and reservations set forth herein, it is hereby agreed between the parties as follows:

1. Grant and Acceptance. The City hereby grants to the Company an exclusive franchise to enter upon, acquire, construct, operate, maintain, install, use, and repair, in the public right-of-way of the City, an electric distribution system within the corporate boundaries of the City as it now exists or may hereafter be constructed or extended, subject to the provisions of this Agreement. Such system may include pipes, wire, manholes, ducts, structures, stations, towers, amplifiers, poles, overhead conductors and devices, underground conductors and devices, transformers, and any other apparatus, equipment and facilities (collectively, "Equipment") necessary, essential, and/or used or useful to the distribution and sale of electric service through the City and to any other town or any portion of the county or to any other county ("Services"). Additionally, the Company shall have the right to use the streets with its



service and maintenance vehicles in furtherance of the Franchise. Except in the case of emergencies, service restoration following storms or accidents or routine customer service hookups and similar situations, prior to beginning the construction or installation of any new equipment under the Franchise, the Company shall notify the City in writing of the proposed construction or installation and shall obtain any necessary governmental permits for such construction or installation, copies of which shall be provided to the City unless the governmental permits that are required were issued by the City. Work performed by the Company under the Franchise shall be performed in a workmanlike manner and using such means and methods as not to unnecessarily interfere with the public's use of City streets. Whenever the surface of any City street is opened, it must be restored at the expense of the Company within a reasonable time to a condition comparable to what it was prior to the opening thereof.

2. Definitions. Terms not defined but referred to herein shall be construed to reflect a common usage or the common usage as would apply in the electric service industry.

3. Term of Franchise; Termination. The Franchise shall be exclusive and shall continue for a period of ten (10) years from and after the effective date of this Agreement, as set forth in Section 5. The Company may, at its option, terminate the Franchise and this Agreement upon written notice if (a) the City breaches any of its obligations hereunder and such breach is not cured within thirty (30) days of the Company's written notice to the City of such breach, including notice as to the nature of the breach; (b) the Company is not permitted to pass through to affected customers all fees payable by it under Sections 9 and 10 herein; or (c) the City creates or amends any ordinance or regulation which, in the Company's sole discretion, would have the effect of (i) substantially altering, amending or adding to the terms of this Agreement, (ii) substantially impairing the Company's ability to perform its obligations under the Franchise in



an efficient, unencumbered and profitable way; or (iii) preventing the Company from complying with applicable statutes or regulations, rules or orders issued by the Kentucky Public Service Commission. Without diminishing the Company's rights under this Section 3, the City agrees that to the extent it desires to pass or amend an ordinance or regulation which could have the effect of substantially (i) altering, amending, or adding to the terms of this Agreement; (ii) impairing the Company's ability to perform its obligations under the Franchise in an efficient, unencumbered and profitable way; or (iii) preventing the Company from complying with applicable statutes or regulations, rules or orders issued by the Kentucky Public Service Commission, that it will first discuss such proposed ordinance or regulation with the Company and the parties shall be required to negotiate in good faith regarding the same.

4. Territorial Extent of the Franchise. The Company is authorized to operate throughout all the territory within the corporate limits of the City for which it is authorized under state or federal law.

5. Effective Date. This Agreement shall become effective ninety (90) days after the execution hereof.

6. Compliance With City Regulations. Subject to Section 3 hereof, the Company will comply with all applicable provisions of lawful City ordinances and regulations (including any amendments thereto), unless such provisions (i) conflict with or impair the Company's ability to comply with any rule, regulation or order issued by the Kentucky Public Service Commission related to the Company's rates or services, or otherwise (ii) are preempted by the action of any authority with jurisdiction over the Company.

7. Rights Reserved by City. Subject to the above provisions, the Franchise is expressly subject to the right of the City: (i) to repeal the same for misuse, nonuse, or the Company's failure to comply with applicable local, state or federal laws; (ii) to impose such



other regulations as may be determined by the City to be conducive to the safety, welfare and morals of the public; and/or (iii) to control and regulate the use of its streets, roads, alleys, bridges, public places and space about and beneath them.

8. Liability and Indemnification. The Company shall indemnify, defend, and hold harmless the City from and against all claims of whatever type and nature asserted by third parties against the City and its employees, agents, representatives and officials relating to the Company's use of the public streets or the Company's operation of equipment on or along said streets for any and all damages, judgments, decrees, costs and expenses, including a reasonable attorney's fee, which the City may legally suffer or incur or which may be legally obtained against the City, its employees, agents, representatives and officials for or by reason of the Company's use, work, occupation and installation of its system and equipment of any street, alley, right of way or public ground in the City pursuant to the terms of this Franchise, or legally resulting from the exercise by the Company of any privileges herein granted if and to the extent such damage or injury is not caused by the City's negligence or misconduct; and, if any claim shall be made or suit brought against the City for damages alleged to have been sustained by reason of any activity and occupation of any street, alley, right of way or public ground or the exercise of any privileges herein granted to the Company, the City shall promptly notify the Company in writing thereof, and the Company is given the right and privilege to defend or assist in defending such suit.

9. Franchise Fees. As compensation for the Franchise granted to the Company, the City shall receive payment of a total annual fee representing three (3) percent of the gross receipts per year from the Company's sale of electricity to electric-consuming customers and entities, including residential, commercial and industrial customers inside the City's corporate limits; *provided, however,* that such fee shall be payable by the Company only if and to the




extent the Company is authorized by the Kentucky Public Service Commission (or its successor) to pass through such fee to the entities served by it inside the City's corporate limits; *and provided further*, the City shall provide the Company a list, in electronic format, of all electric-consuming entities within the City limits that are to be served by the Company, which list shall be updated annually.

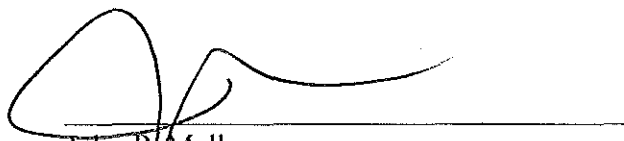
10. Other Fees. Any other fees assessed to the Company in connection with the Company's use of the City's public ways, including fees associated with permits and licenses of whatever nature, shall be payable by the Company only if and to the extent the Company is authorized by the Kentucky Public Service Commission (or its successor) to pass through such fees to the entities served by it inside the City's corporate limits

11. Insurance Bonds. The Company shall maintain in force through the term of the Franchise both general liability insurance and motor vehicle insurance, in accordance with all applicable laws and regulations and in the amount of \$2,000,000.00 per occurrence.

12. Rate Regulation. The Company agrees to charge such rate or rates as may from time to time be fixed by the Public Service Commission of Kentucky or any successor regulatory body.

Agreed to this 20 day of October, 2014.


Tom Bozarth
Mayor, City of Midway


John P. Malloy
Vice President, Customer Services

