

FRANCHISE AGREEMENT

This Franchise Agreement ("Agreement") is hereby made and entered into this 18th day of April, 2011 by and between the City of Elizabethtown in the Commonwealth of Kentucky ("City") and Kentucky Utilities Company ("Company")

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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 the right to construct, operate, maintain, install, use and lay 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 throughout the City's corporate limits. Existing Equipment as of the date of the execution of this agreement shall be deemed approved. New Equipment shall be installed at new City approved locations within the rights-of-way of roads, streets, alleys, and public utility easements. City approval shall not be required for installations upon Company properties and Company obtained easements.

Additionally, the Company shall have the right to use the roads, streets, alleys, and public utility easements with its service and maintenance vehicles in furtherance of the Franchise. Prior to beginning the construction or installation of any new Equipment under the Franchise, the Company shall provide notice to the City of the location of the proposed construction or installation within the public right-of-way and obtain any necessary governmental permits for such construction or installation, including approval of the location by the City Engineer. Work performed by the Company under the Franchise shall be performed in a workmanlike manner and in such a way as not to unnecessarily interfere with the public's use of City roads, streets, alleys and public utility easements. Whenever the surface of any City street is opened, it shall be restored at the expense of the Company within a reasonable time in accordance

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with the City's improvement and repair requirements. All disturbed areas shall be returned to pre-construction condition within sixty (60) days of completion of the work, unless weather conditions or other extenuating circumstances prevent such repairs within that time period.

2. The location of any Equipment constructed or installed under this Franchise Agreement shall not materially interfere with the use and maintenance of any other pre-existing public or private utility or any public facilities including roads, streets, alleys, sidewalks, drainage structures, buildings, parks or other public areas.

3. All equipment shall be designed, constructed and installed to comply with minimum safety standards and all installations shall comply with City development standards.

4. The Company shall upon request by the City, modify, relocate, reconstruct, improve or adjust any of its Equipment which has been installed or exists within the rights-of-way of roads, streets or alleys or exists upon public grounds and public utility easements if the City in its sole discretion and as part of any public improvement project, constructs, reconstructs, widens, alters, excavates, paves, repaves, repairs, changes or improves any roads, streets, alleys, public grounds or public utility easements. So long as such request is part of a public improvement project and made by the City, the cost of such request within the public right-of-way will be performed at Company's expense and shall be accomplished within a reasonable period of time.

5. If the City requires the Company to adapt or conform its Equipment, or to in any way construct, reconstruct, alter, relocate, adjust, or change the system Equipment to enable any other person, firm, corporation or entity, whether public or private, other than the City, to utilize the roads, streets, alleys or public utility easements, the Company shall be reimbursed for all costs by the person, firm, corporation or entity requesting the work. The Company may bill for said costs for such change, construction, removal, repair, maintenance, alteration or relocation, according to the standard company policy.

6. Term of Franchise; Termination. The Franchise shall be exclusive for the territory of the franchise boundaries established by the Kentucky Public Service Commission and shall continue for a period of



twenty years from and after the effective date of this Agreement, as set forth in Section 8. The Company may, at its option, terminate the Franchise and this Agreement upon five (5) days' 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 notice to the City of such breach; (b) the company is not permitted to pass through to affected customers all fees payable by it under Section 11 and 12 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 6, 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 negotiate in good faith regarding the same.

7. Compliance with City Regulations. 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.

8. 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 has a certificate of public convenience and necessity under state law.



9. Effective Date. This Agreement shall become effective 90 days after the execution hereof.

10. 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 roads, streets, alleys, bridges, public utility easements and the space about and beneath them.

11. Liability and Indemnification. The Company shall indemnify, defend and hold harmless the City from and against claims by third parties asserted against the City that the Company's use of the roads, streets, alleys, public grounds and public utility easements or the presence or operation of the Company's Equipment on or along said places has caused damage to tangible property or bodily injury, if and to the extent such damage or injury is not caused by the City's negligence or misconduct.

12. Franchise Fees. As compensation for the Franchise granted to the Company, the City shall receive payment as follows:

A total annual fee of three (3) percent of gross receipts per year from the Company's sale of electricity to electricity-consuming entities 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. Gross receipts shall only include revenue received from customers within the City of Elizabethtown supplied under residential and commercial rate schedule.

13. 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

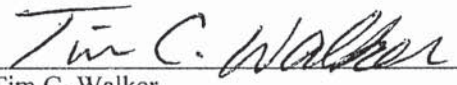


Public Service Commission (or its successor) to pass through such fees to the entities served by it inside the City's corporate limits.

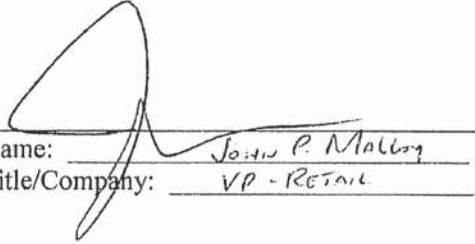
14. Insurance. The Company shall maintain in force through the term of the Franchise both general liability insurance and motor vehicles insurance, in accordance with all applicable laws and regulations.

15. 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 18th day of April, 2011.



Tim C. Walker
Mayor, City of Elizabethtown



Name: Joseph P. Malloy
Title/Company: VP - RETAIL

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