

FRANCHISE AGREEMENT

THIS AGREEMENT made and entered into this 18th day of August, 2011, by and between the **LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**, an urban county government of the Commonwealth of Kentucky pursuant to Chapter 67A of the Kentucky Revised Statutes (hereinafter "Lexington"), and **KENTUCKY UTILITIES COMPANY, INC.**, a corporation created and existing under and by virtue of the laws of the Commonwealth of Kentucky, with its principal office at One Quality Street, Lexington, Kentucky 40507 (hereinafter "Kentucky Utilities").

WITNESSETH:

WHEREAS, by Ordinance No. 72-2011 (the "Ordinance"), enacted June 23, 2011, Lexington created a short-term non-exclusive franchise for the privilege of constructing, erecting, operating and maintaining an electric generation, transmission and distribution system in Fayette County, Kentucky; and

WHEREAS, pursuant to the Ordinance Lexington authorized the advertising for bids on said franchise and Kentucky Utilities submitted a timely bid to acquire said franchise; and

WHEREAS, by Resolution No. 353-2011, enacted August 18th, 2011, Lexington accepted the bid of Kentucky Utilities as substantially responsive to the Ordinance and in the best interest of the citizens of Lexington-Fayette Urban County; and

WHEREAS, Lexington and Kentucky Utilities have agreed to accept the following as the terms of this Agreement and as those of the franchise.



NOW THEREFORE, for and in consideration of the mutual covenants and agreements contained herein the receipt and sufficiency of all of which are hereby acknowledged, the Government and Kentucky Utilities agree as follows:

1. Ordinance No. 72-2011, which is attached hereto as Exhibit "A" (the "Ordinance"), is incorporated herein by reference in its entirety and shall apply as if fully set forth herein.

2. The bid of Kentucky Utilities for this franchise, which is attached hereto as Exhibit "B", is incorporated herein by reference in its entirety and shall apply as if fully set forth herein.

3. Lexington hereby grants unto Kentucky Utilities a non-exclusive franchise for the privilege of constructing, erecting, operating and maintaining an electrical energy distribution system upon, through, along, under and over the public streets, alleys, avenues, public roads, highways, sidewalks, and other public ways of the Lexington-Fayette Urban County Government in accordance with the terms of the Ordinance.

4. This Agreement shall commence on August 18, 2011, and shall expire on February 17, 2012 unless otherwise extended by the parties pursuant to the provisions of the Ordinance or the parties enter into another franchise agreement.

5. In consideration of the granting of this franchise, Kentucky Utilities agrees to pay to the Government a sum equal to three percent (3%) of the gross annual revenues received by Kentucky Utilities from electric service within Fayette County as provided in the Ordinance.



6. Kentucky Utilities, its successors and assigns, in consideration of the grant, sale and conveyance of the above franchise, does hereby bind itself, its successors and assigns, to faithfully and fully perform each and every condition of said franchise as contained in this Agreement, and further to faithfully perform all acts required of it as the purchaser of said franchise.

7. This Agreement contains and embodies the entire agreement between the parties and shall be binding upon and inure to the benefit of the respective successors in interest to the parties hereto. No changes, modifications or other deletions in this Agreement shall be effective unless and until the same are reduced to writing and approved, adopted, and executed in the same fashion as this Agreement.

IN TESTIMONY WHEREOF, the Lexington-Fayette Urban County Government has caused its name to be affixed hereto by the Mayor and Kentucky Utilities Company, Inc., has caused its name to be affixed hereto by John P. Malloy, its properly authorized officer.


LEXINGTON-FAYETTE URBAN COUNTY
GOVERNMENT

BY:



JIM GRAY, MAYOR

ATTEST:



SUSAN LAMB, COUNCIL CLERK

KENTUCKY UTILITIES COMPANY, INC.

BY:



11/16/2011
JOHN P. MALLOY, VICE PRESIDENT
ENERGY DELIVERY – RETAIL BUSINESS

TARIFF BRANCH
RECEIVED
8/25/2011
PUBLIC SERVICE
COMMISSION
OF KENTUCKY

STATE OF KENTUCKY)
)
COUNTY OF Fayette)

The foregoing Agreement was subscribed, sworn to and acknowledged before me by John P. Malloy, as Vice President of Energy Delivery - Retail Business, Kentucky Utilities Company, Inc., on this the 11th day of August, 2011.

My commission expires: March 17, 2015

Kimberly A. Lundy 438599
NOTARY PUBLIC
KENTUCKY, STATE-AT-LARGE

X:\Cases\MAYOR\11CC-00__\CONT\00306195.DOC

