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March 3, 2016

Docket No. 16-00024

Herbert H. Hillard, Chairman Tennessee Regulatory Authority
c/o Ms. Sharla Dillon, Dockets and Records Manager
Tennessee Regulatory Authority
502 Deaderick Street, 4th Floor
Nashville, TN 37243

RE: The Petition of Kentucky Utilities Company for an Order Authorizing the
Issuance of Securities and the Assumption of Liabilities

Dear Chairman Hillard,

Enclosed are the original and 4 copies of the above referenced Petition of Kentucky Utilities Company ("KU") seeking an order authorizing the issuance of securities and the assumption of liabilities. This Petition is also being filed electronically. A check for the \$25 filing fee is enclosed.

Please contact me if you have any questions.

Sincerely,

D. Billye Sanders

D. Billye Sanders
Attorney for Kentucky Utilities Company

Enclosures

c: Kendrick R. Riggs, Esq., Stoll Keenon Ogden PLLC
John Wade Hendricks, Esq., Stoll Keenon Ogden PLLC
Monica Braun, Esq., Stoll Keenon Ogden PLLC
Allyson K. Sturgeon, Senior Corporate Attorney, LG&E and KU Energy LLC
Office of the Tennessee Attorney General Consumer Advocate and Protection Division

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

In The Matter Of:

THE PETITION OF KENTUCKY)	
UTILITIES COMPANY FOR AN ORDER)	
AUTHORIZING THE ISSUANCE OF)	DOCKET NO.16-_____
SECURITIES AND THE ASSUMPTION)	
OF OBLIGATIONS)	

PETITION

Kentucky Utilities Company ("KU" or the "Company") hereby requests, pursuant to T.C.A. §65-4-109, that the Tennessee Regulatory Authority ("TRA" or "Authority") authorize KU to incur debt in the form of First Mortgage Bonds in order to refinance the series of outstanding pollution control debt as described herein. In support of this Petition, KU states as follows:

1. The Company's full name is Kentucky Utilities Company. The post office address of the Company is One Quality Street, Lexington, Kentucky 40507. KU is a Kentucky and Virginia corporation. KU is a public utility as defined by T.C.A. §65-4-101(6) and as of December 31, 2015, provides retail electric service to approximately 518,000 customers in seventy-seven counties in Kentucky, approximately 28,000 customers in 5 counties in Virginia, and fewer than 10 residential customers in Fork Ridge, Tennessee. A description of KU's properties is set out in Exhibit 1 to this Petition.

2. In Docket No. 08-00070 (*The Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), KU sought and

received approval to take certain actions to mitigate the impact of credit downgrades of bond insurance companies that had issued bond insurance in connection with a total of eight (8) series of the Company's variable rate pollution control debt. Docket No. 08-00070, Order dated July 15, 2008. Those credit downgrades were the result of the bond insurers' diversification into insuring riskier types of debt, such as securities backed by subprime home mortgages.

3. Subsequently, KU has undertaken various actions pursuant to the authority granted in Docket No. 08-00070, and currently has only one (1) series of pollution control debt impacted by bond insurance which it seeks to refinance.¹ The structure of the series is such that the interest rates have been set based on a formula (200% of commercial paper rates) in the indenture that has allowed the Company and its customers to benefit from extremely low interest rates that averaged .25% in 2015. However, the Federal Reserve has begun to raise short-term interest rates and has signaled that it intends to continue to do so. As the Federal Reserve increases rates, the interest rates on the current bonds will increase at twice the rate of the Federal Reserve changes. KU believes that other interest rate modes or structures can reduce this interest rate volatility and lower costs in the long-term. KU has also determined that the series of the impacted debt may be eligible for extension of maturities, thus extending the opportunity for low cost tax-exempt financing. Therefore, KU seeks authority to refinance the series of outstanding pollution control debt, both to reduce the magnitude of the interest rate risk (while also terminating small ongoing insurance premiums and administrative costs associated with the bond insurance) and to extend the availability of this tax exempt financing.

The series of pollution control debt that KU seeks authority to refinance is:

¹ In addition to the series addressed in this Petition, KU's Trimble County, Kentucky Environmental Facilities Revenue Refunding Bonds, 2007 Series A and Carroll County, Kentucky Environmental Facilities Revenue Refunding Bonds, 2007 Series A are also covered by bond insurance. However, because those bonds are currently in long-term interest rate mode, the impact of the failed bond insurance is less, and KU is not seeking to refinance those series at this time.

Carroll County, Kentucky Pollution Control Revenue Bonds, 2002 Series C

4. KU's obligations in connection with the Carroll County, Kentucky Pollution Control Revenue Bonds, 2002 Series C ("Carroll County 2002 Series C Bonds" or "Outstanding Bonds") were authorized by the TRA by Order dated August 5, 2002, in Docket No. 02-00718 (*In the Matter of: The Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*). Proceeds were used to provide funds to refinance the Carroll County, Kentucky Pollution Control Revenue Bonds, 1992 Series A.

5. The following table shows (i) the initial public offering price, (ii) proceeds to KU from the sale, and (iii) KU's expenses associated with the sale of the Carroll County 2002 Series C Bonds:

<u>Public Offering Price</u>	<u>Proceeds</u>	<u>Expenses</u>
\$96,000,000	\$96,000,000	\$2,181,000

The Carroll County 2002 Series C Bonds are subject to redemption upon the direction of KU at a redemption price of 100% of the principal amount thereof, together with accrued interest to the redemption date. The Carroll County 2002 Series C Bonds are potentially eligible for extension of maturity.

6. The Company requests authority to assume certain obligations under various agreements in principal amounts not to exceed the Public Offering Price of the Outstanding Bonds discussed in paragraphs 4 through 5 preceding, which may be refunded, in connection with the proposed issuance of one or more new series of Carroll County, Kentucky Environmental Facilities Refunding Revenue Bonds (the "Carroll County Refunding Bonds"), to be appropriately designated. Carroll County has authority to issue the Carroll County Refunding Bonds and to carry out the transactions contemplated herein pursuant to the provisions of the Industrial Building Revenue Code Act, Sections 103.200 to 103.285, inclusive of the Kentucky

Revised Statutes. The proceeds of the Carroll County Refunding Bonds would be loaned to KU by Carroll County in one or more transactions to provide funds to repurchase, redeem and discharge a corresponding amount of the Outstanding Bonds, within ninety (90) days of issuance of the corresponding Carroll County Refunding Bonds.

7. KU anticipates that the refinancing will involve KU's First Mortgage Bonds, (as hereinafter defined) issued to collateralize and secure the Carroll County Refunding Bonds. The structure and documentation for the issuance of KU's First Mortgage Bonds and related agreements would be similar to the structure and documentation of other pollution control financings of KU approved by this Authority involving KU's First Mortgage Bonds, including the Outstanding Bonds. KU's First Mortgage Bonds would be issued in like amount to the Carroll County Refunding Bonds and will be used to secure its payment obligations with respect to the Loan Agreements, as defined below. KU therefore requests authority to issue one or more series of its First Mortgage Bonds, Pollution Control Series (collectively, the "First Mortgage Bonds") in an aggregate principal amount not to exceed the full amount of the Carroll County Refunding Bonds.

8. The First Mortgage Bonds would be delivered to a corporate trustee under one or more indentures of trust between Carroll County and such trustee ("Trustee") in connection with the reissuance and sale by Carroll County of the Carroll County Refunding Bonds. The First Mortgage Bonds would be held by the Trustee in securing the payment of the Carroll County Refunding Bonds and payment by KU of all sums payable by KU as discussed below. The First Mortgage Bonds would be issued pursuant to one or more supplemental indentures, each of which would be a supplement to the Indenture, dated as of October 1, 2010 between KU and The Bank of New York Mellon as Trustee, as heretofore amended and supplemented. The First

Mortgage Bonds would have a maturity date corresponding to the Carroll County Refunding Bonds, not to exceed 30 years from date of issuance.

9. In connection with the Carroll County Refunding Bonds, KU would assume certain obligations under one or more loan agreements with Carroll County and may enter into one or more guaranty agreements, or similar undertakings guaranteeing repayment of all or any part of the obligations under one or more series of the Carroll County Refunding Bonds for the benefit of the holders of such bonds.

10. The Carroll County Refunding Bonds would be issued pursuant to one or more indentures (each a "County Indenture"), between Carroll County and the Trustee under such County Indentures, as applicable. The proceeds from the sale of the Carroll County Refunding Bonds would be loaned to KU pursuant to one or more loan agreements between KU and Carroll County (the "Loan Agreements").

11. The payments to be made by KU under the Loan Agreements for one or more series of Carroll County Refunding Bonds, together with other funds available for the purpose, would be required to be sufficient to pay the principal and interest on such Carroll County Refunding Bonds. The Loan Agreement(s) and the payments to be made by KU pursuant thereto will be assigned to the Trustee(s) to secure the payment of the principal and interest on the related Carroll County Refunding Bonds. Upon issuance of a series of Carroll County Refunding Bonds, KU may issue one or more guarantees (collectively, the "Guarantees"), in favor of the Trustee(s) guaranteeing repayment of all or any part of the obligations under such Carroll County Refunding Bonds for the benefit of the holders of such Carroll County Refunding Bonds.

12. The Carroll County Refunding Bonds would be sold in one or more underwritten public offerings, negotiated sales, or private placement transactions utilizing the proper documentation. The price, maturity date(s), interest rate(s), and the redemption provisions and other terms and provisions of each series of Carroll County Refunding Bonds (including, in the event all or a portion of the Carroll County Refunding Bonds initially bear a variable rate of interest, the method for determining the interest rate) would be determined on the basis of negotiations between KU and Carroll County, and the purchasers of such bonds. However, the amount of compensation to be paid to underwriters for their services would not exceed three-quarters of one percent (.75%) of the principal amount of the Carroll County Refunding Bonds of each series to be sold. Based upon past experience with similar financings, KU estimates that issuance costs, excluding underwriting fees, would be approximately \$400,000.

13. Because of the historical spread between long-term fixed interest rates and short-term rates, all or a portion of the Carroll County Refunding Bonds may be issued initially with an interest rate that fluctuates on a weekly, monthly or other basis, as determined from time to time by KU. KU would reserve the option to convert from time to time any variable rate Carroll County Refunding Bonds at a later date to other interest rate modes, including a fixed rate of interest. Carroll County Refunding Bonds that bear interest at a variable rate (the "Variable Rate Pollution Control Refunding Bonds") also may be issued subject to tender by the holders thereof for redemption or purchase. In order to provide funds to pay the purchase price of such tendered Variable Rate Pollution Control Refunding Bonds, KU would enter into one or more Remarketing Agreements with one or more remarketing agents whereby the remarketing agent would use its best efforts to remarket such tendered Variable Rate Pollution Control Refunding Bonds to other purchasers at a price equal to the purchase price of such Variable Rate Pollution

Control Refunding Bonds, which will be 100% of the par amount of such Variable Rate Pollution Control Refunding Bonds. Thus, to the extent Variable Rate Pollution Control Refunding Bonds are issued, the documentation will be similar to previous bonds that were issued with a variable interest rate, except that based on market developments, KU does not currently anticipate that auction mode bonds would be issued. However, subject to market conditions KU may utilize new variable interest rate modes not previously used for its bonds, but which are not uncommon in industry practice, such as those based on Securities Industry and Financial Markets Association ("SIFMA") rates plus a credit spread.

14. Also, in the event that Variable Rate Pollution Control Refunding Bonds are issued, KU may enter into one or more liquidity facilities (the "Current Facility") with a bank or banks to be selected by KU (the "Bank"). The Current Facility would be a credit agreement designed to provide KU the ability to borrow funds with which to make payments with respect to any Variable Rate Pollution Control Refunding Bonds that have been tendered for purchase and are not remarketed. KU would be obligated to repay any amounts borrowed under the Current Facility. The Current Facility may be pledged for the payment of the Variable Rate Pollution Control Refunding Bonds or to constitute security thereof. The Current Facility may consist in whole or in part of such liquidity facilities. Pursuant to the Current Facility, KU may be required to execute and deliver to the Bank a note (the "Current Facility Note") evidencing KU's obligation to repay any borrowings owed to the Bank under the Current Facility.

15. In order to obtain terms and conditions more favorable to KU than those provided in the Current Facility or to provide for additional liquidity or credit support to enhance the marketability of the Variable Rate Pollution Control Refunding Bonds, KU may desire to be able to replace the Current Facility with (or to initially use) one or more substitute liquidity support

and/or credit support facilities (the instruments providing the liquidity support and/or credit support and any subsequent replacement support facility thereof, including any replacement facility which would replace a replacement facility, are hereinafter referred to as a "Facility") with one or more banks, or other financial institutions to be selected by KU from time to time (each such financial institution hereinafter referred to as a "Facility Provider"). A Facility may be in the nature of a letter of credit, revolving credit agreement, standby credit agreement, bond purchase agreement, or other similar arrangement designed to provide liquidity and/or credit support for the Variable Rate Pollution Control Refunding Bonds. In the event the Variable Rate Pollution Control Refunding Bonds are converted to bear interest at a fixed rate to maturity, the Current Facility (if not already replaced or terminated) or, if applicable, the Facility (unless earlier terminated) may be terminated in whole or in part following the date of conversion of such series of Variable Rate Pollution Control Refunding Bonds. The estimated cost of the financing shown in paragraph 12 does not include expenses incurred for entering into any Facility; however, the impact on the overall cost of the financing would be approximately 75 basis points.

16. In connection with any Facility, KU may enter into one or more credit or similar agreements ("Credit Agreements") with the Facility Provider or providers of such Facility, which would document the obligation of KU to reimburse or repay the subject Facility Providers for amounts advanced by the Facility Providers under the particular Facility. Depending on the exact nature of a Facility, KU may be required to execute and deliver to the subject Facility Provider a promissory note (each such note hereinafter referred to as a "Facility Note") evidencing KU's repayment obligations to the Facility Provider under the related Credit Agreement; and the Trustee under the County Indenture for the Variable Rate Pollution Control

Refunding Bonds may be authorized, upon the terms set forth in such County Indenture and any Credit Agreement, to draw upon the Facility for the purpose of paying the purchase price of Variable Rate Pollution Control Refunding Bonds tendered or required to be tendered for purchase in accordance with the terms of the County Indenture which are not remarketed by the remarketing agent as provided in the remarketing agreement and/or for the purpose of paying accrued interest on the Variable Rate Pollution Control Refunding Bonds when due and paying principal, whether at maturity, on redemption, acceleration or otherwise.

17. In connection with the issuance of the Carroll County Refunding Bonds, KU may enter into one or more interest rate hedging agreements (including an interest rate cap, swap, collar or similar agreement, collectively the "Hedging Facility") with a bank or financial institution (the "Counterparty"). The Hedging Facility would be an interest rate agreement designed to allow KU to actively manage and limit its exposure to variable interest rates or to lower its overall borrowing costs on any fixed rate Carroll County Refunding Bonds. The Hedging Facility will set forth the specific terms for which KU will agree to pay the Counterparty payments and/or fees for limiting its exposure to interest rates or lowering its fixed rate borrowing costs, and the other terms and conditions of any rights or obligations thereunder. The estimated cost of the financing does not include the costs of any Hedging Facility which would be determined at the time of the hedge. However, based on current market conditions, the cost of a 3-year hedge would be approximately 26 basis points.

18. The terms of each Facility, each Credit Agreement, each Facility Note and each Hedging Facility would be negotiated by KU with the respective Bank, Facility Provider or Counterparty, and would be the most favorable terms that can be negotiated by KU. The aggregate outstanding principal amount of the obligations of KU at any time under the Loan

Agreements, and the Credit Facilities and related notes set forth in the immediately preceding sentence will not exceed the original aggregate principal amount of the Outstanding Bonds that are refunded plus accrued but unpaid interest, and in the case of a letter of credit facility, interest for an additional 45 days, and premium, if any, on such bonds.

19. No contracts have been made for the disposition of any of the securities which KU proposes to issue, or for the proceeds of such sale.

20. Attached as Exhibit 2 to this Petition is a description of the redemption provisions for the Outstanding Bonds.

21. KU shall, as soon as reasonably practicable after the issuance of any Carroll County Refunding Bonds referred to herein, file with the Authority a statement setting forth the date or dates of issuance of the securities, the price paid therefore, the interest rate(s) (and, if applicable, their method of determination), and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution.

22. Exhibit 3 to this Petition contains financial information.

23. Exhibit 4 to this Petition consists of net present value analyses of the proposed refinancing, based on current market conditions.

24. Notices and communications regarding this Petition should be sent to the counsel for KU listed at the end of this Petition.

WHEREFORE, Kentucky Utilities Company respectfully requests that the TRA enter its Order authorizing it to issue securities and to execute, deliver and perform the obligations of KU under the Loan Agreements, and any Remarketing Agreements, and Credit Agreements and the various Current Facility, Facility and Hedging Facility arrangements and other documents

and related guarantees or notes set forth in this Petition. Kentucky Utilities Company further requests that the Order of the TRA specifically include provisions stating:

1. KU is authorized to issue its First Mortgage Bonds in one or more series and at one or more times and to execute, deliver and perform its obligations under the Loan Agreements with Carroll County, Kentucky and under any notes, guarantees, remarketing agreements, hedging agreements, credit agreements and such other agreements and documents as set forth in its Petition, and to perform the transactions contemplated by all such agreements, including, but not limited to, borrowings or advances, and the related repayment or reimbursement obligations, under the Loan Agreements, Current Facilities and Facilities and Credit Facilities, all as described in this Petition.

2. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the Petition.

3. KU shall agree only to such terms and prices that are consistent with the parameters set out in its Petition.

4. KU shall, within 30 days from the date of issuance, file with the Authority a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate or rates, and all fees and expenses, including underwriting discounts or commissions, or other compensation, involved in the issuance and distribution thereof.

Respectfully submitted,

Kentucky Utilities Company

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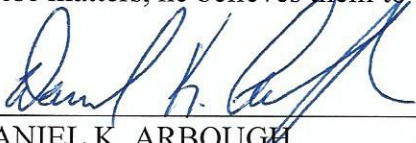
Counsel for Kentucky Utilities Company

VERIFICATION

COMMONWEALTH OF KENTUCKY

COUNTY OF JEFFERSON

Daniel K. Arbough being first duly sworn, deposes and says that he is Treasurer for Kentucky Utilities Company, that he has read the foregoing Petition and knows the contents thereof, and that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and that as to these matters, he believes them to be true.



DANIEL K. ARBOUGH

Subscribed and sworn before me this 2 day of March, 2016
My Commission Expires:



NOTARY PUBLIC, STATE AT LARGE



CERTIFICATE OF SERVICE

I hereby certify that on this 7th day of March 2016, a true and correct copy of the foregoing Petition was served on the entity below by placing the same in the U.S. mail, postage pre-paid addressed to:

Office of Attorney General & Reporter
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, Tennessee 37202

D. Billye Sanders
D. Billye Sanders

Exhibit 1

KENTUCKY UTILITIES COMPANY

A DESCRIPTION OF PETITIONER'S PROPERTY, INCLUDING A
STATEMENT OF THE NET ORIGINAL COST OF THE PROPERTY
AND THE COST THEREOF TO PETITIONER

December 31, 2015

The Petitioner's generating, transmission and distribution systems described herein are calculated annually. As of December 31, 2015, the Petitioner had ownership in 10 and operated 7 coal fired steam electric generating units having a total capacity of 3,099 Mw; owned and operated a hydroelectric generating station having a total capacity of 32 Mw; and had ownership in 17 and operated 9 gas/oil peaking units having a total capacity of 1,947 Mw.

The Petitioner's owned electric transmission system included 138 substations (58 of which are shared with the distribution system) with a total capacity of 14 million kVA and 4,078 pole miles of lines. The electric distribution system included 479 substations (58 of which are shared with the transmission system) with a total capacity of 7 million kVA, 14,049 circuit miles of overhead lines, and 2,408 underground cable miles.

KU's service area includes an additional 11 miles of gas transmission pipeline providing gas supply to natural gas combustion turbine electricity generating units.

Other properties include office buildings, service centers, warehouses, garages and other structures and equipment.

The net original cost of the property and cost thereof to the Petitioner at December 31, 2015, was:

	<u>Utility Plant</u>	
Original Cost		
Production Plant	\$ 6,075,014,865	
Distribution Plant	1,662,510,919	
Transmission Plant	807,382,026	
General Plant	177,718,823	
Intangible Plant	92,355,301	
Construction Work in Progress	267,026,968	
Total Plant at Original Cost	<u>\$ 9,082,008,901</u>	
Less Reserve for Depreciation	<u>2,462,044,644</u>	*
Net Original Cost	<u>\$ 6,619,964,257</u>	

* Excludes \$389,721,424 related to cost of removal reserves that is not included in the reserve in the Financial Statements and Additional Information, but instead is included as a regulatory liability.

Exhibit 2

(2002 Series C-Carroll Co.)

COUNTY OF CARROLL, KENTUCKY
AS TRUSTOR

TO

DEUTSCHE BANK TRUST COMPANY AMERICAS
AS TRUSTEE,
PAYING AGENT AND BOND REGISTRAR

* * * *

INDENTURE OF TRUST
SECURING COUNTY OF CARROLL, KENTUCKY,
POLLUTION CONTROL REVENUE BONDS
2002 SERIES C (KENTUCKY UTILITIES COMPANY PROJECT)

* * * *

Dated as of July 1, 2002

Section 3.07. Limitations on Purchase and Remarketing. Anything in this Indenture to the contrary notwithstanding, there shall be no purchase of 2002 Series C Bonds pursuant to Section 3.01(a) if there shall have occurred and be continuing an event of default under Section 9.01(a), (b) or (e) and notice of such event of default has been provided as required by Article IX hereof, and there shall be no remarketing of 2002 Series C Bonds pursuant to Section 3.02 if there shall have occurred and be continuing an event of default under Section 9.01(a) or (b) hereof.

Section 3.08. Noteline Direct Facilities. The Issuer, at the written request of the Company, may enter into and utilize the optional Noteline Direct system for transmitting instructions and/or filing or obtaining reports with respect to the 2002 Series C Bonds in the Flexible Rate Mode. Use of the Noteline Direct system is optional at the sole discretion of the Company.

ARTICLE IV

REDEMPTION OF 2002 SERIES C BONDS BEFORE MATURITY

Section 4.01. Redemption Dates and Prices.

(1) General. The 2002 Series C Bonds shall be non-callable for redemption except as provided in this Section 4.01 and except in the event and to the extent that (a) Company is required to prepay the Loan in whole or in part pursuant to Section 10.3 of the Agreement or (b) Company shall exercise any of its options to prepay the Loan in whole as provided in Section 10.1 of the Agreement, or (c) Company shall elect to redeem 2002 Series C Bonds in whole or in part pursuant to Section 6.1 of the Agreement. If called for redemption pursuant to clause (a), (b) or (c) above, the 2002 Series C Bonds shall be subject to redemption by Issuer in whole or in part as appropriate, on any redemption date established pursuant to Section 10.4 of the Agreement by lot in such manner as Trustee may determine, at 100% of the principal amount thereof plus accrued interest to the redemption date. Upon the applicable dates of redemption the Bondholders shall be paid in such funds as are stipulated in Section 2.07 of this Indenture.

(2) Additional Optional Redemption.

(i) Whenever the Interest Rate Mode for the 2002 Series C Bonds is the Daily Rate or the Weekly Rate, the 2002 Series C Bonds shall be subject to redemption at the option of the Issuer, upon the written direction of Company, in whole or in part, at a redemption price of 100% of the principal amount thereof, plus accrued interest, if any, to the redemption date, on any Business Day.

(ii) Whenever the Interest Rate Mode for 2002 Series C Bonds is the Dutch Auction Rate, such 2002 Series C Bond shall be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof, plus interest accrued, if any, to the redemption date, on the Business Day immediately succeeding any Auction Date.

(iii) Whenever the Interest Rate Mode for a 2002 Series C Bond is the Flexible Rate, each 2002 Series C Bond shall be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof, plus accrued interest, if any, to the redemption date, on each Interest Payment Date for that 2002 Series C Bond.

(iv) Whenever the Interest Rate Mode for the 2002 Series C Bonds is the Semi-Annual Rate, the 2002 Series C Bonds shall be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date for each Semi-Annual Rate Period.

(v) Whenever the Interest Rate Mode for the 2002 Series C Bonds is the Annual Rate, the 2002 Series C Bonds shall be subject to redemption at the option of the Issuer, upon the written direction of Company, in whole or in part, at a redemption price of 100% of the principal amount thereof to the redemption date, on the final Interest Payment Date for each Annual Rate Period.

(vi) Whenever the Interest Rate Mode for the 2002 Series C Bonds is the Long Term Rate Period, the 2002 Series C Bonds will be subject to redemption, in whole or in part, at the option of the Issuer, upon the written direction of the Company, (A) on the final Interest Payment Date for the applicable Interest Rate Period at a redemption price of 100% of the principal amount thereof and (B) prior to the end of the then current Long Term Rate Period at any time during the redemption periods and at the redemption prices set forth below, plus accrued interest, if any, to the redemption date:

<u>Original Length of Current Long Term Rate Period (Years)</u>	<u>Commencement of Redemption Period</u>	<u>Redemption Price as Percentage of Principal</u>
More than or equal to 11 years	First Interest Payment Date on or after the tenth anniversary of commencement of Long Term Rate Period	101% declining by 1% on the next succeeding anniversary of the first day of the redemption period and thereafter 100%
Less than 11 years	Non-callable	Non-callable

If, at the time of Company's notice of a change in the Long Term Rate Period pursuant to Section 2.02(d), or its notice of Conversion of the Interest Rate Mode for the 2002 Series C Bonds to the Long Term Rate pursuant to Section 2.02(e), or, when the Interest Rate Mode for the 2002 Series C Bonds is the Long Term Rate, at least forty days prior to the Purchase Date for the 2002 Series C Bonds pursuant to Section 3.01(a)(v), Company provides a certification of the Remarketing Agents to Trustee, the Bond Registrar, the Paying Agent, the Tender Agent and Issuer that the

foregoing schedule is not consistent with Prevailing Market Conditions and an opinion of Bond Counsel that a change in the redemption provisions of the 2002 Series C Bonds will not adversely affect the exclusion from gross income of interest on the 2002 Series C Bonds for federal income tax purposes, the foregoing redemption periods and redemption prices may be revised, effective as of the date of such change in the Long Term Rate Period, the Conversion Date, or that Purchase Date, as determined by the Remarketing Agents in their judgment, taking into account the then Prevailing Market Conditions, as stipulated in such certification, which shall be appended by Trustee to its counterpart of this Indenture. Any such revision of the redemption periods and redemption prices shall not be considered an amendment of or a supplement to this Indenture and shall not require the consent of any Bondholder or any other person or entity.

(3) Redemption Procedures. The 2002 Series C Bonds shall be called for redemption by Trustee as herein provided in accordance with Section 10.4 of the Agreement.

Section 4.02. Notice of Redemption.

(1) Trustee shall, upon being satisfactorily indemnified as to expenses, cause notice of the call for any redemption, identifying the 2002 Series C Bonds or portions thereof, in Authorized Denominations to be redeemed to be sent by first class mail (postage prepaid) (i) at least thirty (30) days and not in excess of forty-five (45) days in the case of 2002 Series C Bonds bearing interest at the Semi-Annual Rate, the Annual Rate or the Long Term Rate and (ii) at least fifteen (15) days and not in excess of forty-five (45) days in the case of 2002 Series C Bonds bearing interest at the Dutch Auction Rate, Daily Rate, Weekly Rate or Flexible Rate, in each case prior to the redemption date to the Registered Owner of each 2002 Series C Bond to be redeemed.

(2) Any notice mailed as provided in this Section 4.02 shall be conclusively presumed to have been duly given, irrespective of whether the Registered Owner receives the notice. Failure to give such notice by mailing or any defect therein in respect of any 2002 Series C Bond shall not affect the validity of any proceedings for the redemption of any other 2002 Series C Bond. All 2002 Series C Bonds so called for redemption will cease to bear interest after the date fixed for redemption provided funds for their redemption are on deposit at the place of payment at that time.

Section 4.03. Cancellation. All 2002 Series C Bonds which have been redeemed shall not be reissued but shall be cancelled by Trustee.

Section 4.04. Redemption Payments. On or prior to the date fixed for redemption of 2002 Series C Bonds, funds shall be deposited by or on behalf of Issuer with Trustee in the Bond Fund to pay, and Trustee is hereby authorized and directed to apply any such funds to the payment of, the 2002 Series C Bonds or portions thereof called for redemption, together with accrued interest thereon to the redemption date and any required premium. Upon the giving of notice if, on such redemption date, funds sufficient for the payment of principal, premium, if any, and accrued interest to date of redemption are on deposit with the Trustee for such purposes, interest on the 2002 Series C Bonds or portions thereof so called for redemption shall cease to accrue after the date fixed for redemption.

No payment of principal, premium or interest shall be made by Trustee upon any 2002 Series C Bond or portion thereof called for redemption until such 2002 Series C Bond or portion thereof shall have been delivered to Trustee for payment or cancellation or Trustee shall have received the items required by Section 2.09 hereof with respect to any mutilated, lost, stolen or destroyed 2002 Series C Bond.

Section 4.05. Partial Redemption of 2002 Series C Bonds. Pursuant to Section 4.01 hereof, a portion of any 2002 Series C Bond may be redeemed, but 2002 Series C Bonds shall be redeemed only in an Authorized Denomination. Upon surrender of any 2002 Series C Bond for redemption in part only, Issuer shall execute and Trustee shall authenticate and deliver to the holder thereof, at the expense of Company, a new 2002 Series C Bond or 2002 Series C Bonds of Authorized Denomination in aggregate principal amount equal to the unredeemed portion of the 2002 Series C Bond surrendered.

Section 4.06 No Partial Redemption After Default. Anything in this Indenture or the Agreement to the contrary notwithstanding, if there shall have occurred and be continuing an event of default described in Section 9.01 hereof, there shall be no redemption of less than all of the 2002 Series C Bonds at the time outstanding.

Section 4.07 Company Direction of Optional Redemption. Issuer shall direct Trustee in writing and Bond Registrar in writing to call 2002 Series C Bonds for optional redemption only when it shall have been notified by Company to do so. Notice of any optional redemption to the Bond Registrar shall specify the principal amount of 2002 Series C Bonds to be redeemed and the redemption date. Company will give the notice to the Bond Registrar and Trustee at least 15 days but not more than 90 days prior to the day on which the Bond Registrar is required to give notice of such optional redemption to the Bondholders.

Section 4.08 Selection of 2002 Series C Bonds to be Called for Redemption. Except as otherwise provided herein or in the 2002 Series C Bonds, if less than all the 2002 Series C Bonds are to be redeemed, the particular 2002 Series C Bonds to be called for redemption shall be selected by lot by the Bond Registrar; provided, however, that in connection with any redemption of 2002 Series C Bonds the Bond Registrar shall first select for redemption any 2002 Series C Bonds held pursuant to Section 3.04(a)(ii) and that if, as stated in a certificate of a Company Representative delivered to the Bond Registrar, Company shall have offered to purchase all 2002 Series C Bonds then Outstanding and less than all of such 2002 Series C Bonds shall have been tendered to Company for such purchase, the Bond Registrar, at the direction of a Company Representative, which direction shall specifically identify those 2002 Series C Bonds which have not been so tendered to Company, shall select for redemption all such 2002 Series C Bonds which have not been so tendered. The Bond Registrar shall treat any 2002 Series C Bond of a denomination greater than the minimum Authorized Denomination for the Interest Rate Mode then applicable to the 2002 Series C Bonds as representing that number of separate 2002 Series C Bonds each of that minimum Authorized Denomination (and, if any 2002 Series C Bond is not in a denomination that is an integral multiple of the minimum Authorized Denomination for such Interest Rate Mode, one

separate 2002 Series C Bond of the remaining principal amount of the 2002 Series C Bond) as can be obtained by dividing the actual principal amount of such 2002 Series C Bond by that minimum Authorized Denomination; provided that no 2002 Series C Bond shall be redeemed in part if it results in the unredeemed portion of the 2002 Series C Bond being in a principal amount other than an Authorized Denomination.

Section 4.09. Additional Matters Regarding Notices of Redemption.

(a) Notices for the call for redemption of 2002 Series C Bonds shall be prepared by the Trustee at the expense of Company and in the name of the Issuer and shall identify (i) the complete official name of the issue, (ii) the 2002 Series C Bonds or portions thereof to be redeemed by designation, letters, CUSIP numbers, numbers or other distinguishing marks, interest rate, maturity date and principal amount, (iii) the redemption price to be paid, (iv) the date fixed for redemption, (v) the place or places, by name and address, where the amounts due upon redemption are payable and (vi) the name and telephone number of the person to whom inquiries regarding the redemption may be directed; provided, however, that the failure to identify a CUSIP number for said 2002 Series C Bonds in the redemption notice, or the inclusion of an incorrect CUSIP number, shall not affect the validity of such redemption notice.

The notice also shall be attached by the Tender Agent to any 2002 Series C Bond which is tendered for purchase and remarketed in the period between the mailing of such notice and the date set for redemption. A second notice shall be sent in the same manner prescribed by Section 4.02 not more than 60 days after the redemption date to the Registered Owner of any redeemed 2002 Series C Bond which was not presented for payment on the redemption date. Failure to receive notice pursuant to this Section, or any defect in that notice, as to any 2002 Series C Bond shall not affect the validity of the proceedings for the redemption of any 2002 Series C Bond. Notices of redemption shall also be mailed to Trustee, the Remarketing Agents, the Tender Agent and the Paying Agents.

(b) The Bond Registrar shall take the following additional actions with respect to such redemption notice, but no defect in the following actions or any failure to take the same shall defeat the effectiveness of the foregoing redemption notice:

(i) At least 16 days (31 days if the Interest Rate Mode is the Semi-Annual Rate, the Annual Rate or the Long Term Rate) prior to the date fixed for redemption, such redemption notice shall be given by (i) registered or certified mail, postage prepaid, (ii) electronic notice or (iii) overnight delivery service, to the following securities depository:

The Depository Trust Company
55 Water Street
New York, New York 10041
Facsimile transmission: (212) 709-1706

(ii) At least 16 days (31 days if the Interest Rate Mode is the Semi-Annual Rate, the Annual Rate or the Long Term Rate before the date fixed for redemption, such redemption notice shall be given by (i) registered or certified mail, postage prepaid, or (ii) overnight delivery service, to two of the following services as may be selected by the Bond Registrar in its sole discretion (or, if such services are no longer in existence, to such other information service of national recognition that disseminates redemption information as is specified in writing by Company to the Bond Registrar):

- (1) Financial Information, Inc.'s
Daily Called Bond Service
30 Montgomery Street, 10th Floor
Jersey City, New Jersey 07302
Attention: Editor;
- (2) Kenny Information Service's "Called Bond Service"
55 Broad Street, 28th Floor
New York, New York 10004;
- (3) Interactive Data Corporation Bond Service
22 Cortland Street
New York, New York 10007
Attention: Customer Service;
- (4) Moody's Municipal and Government
99 Church Street, 8th Floor
New York, New York 10007
Attention: Municipal News Report; or
- (5) Standard & Poor's Called Bond Record
25 Broadway, 3rd Floor
New York, New York 10004.

(iii) In undertaking the requirements of this subsection (b), the Bond Registrar does so as a courtesy to the institutions listed herein and the Bond Registrar shall not incur any liability hereunder or to any person or entity as a result of the failure to provide such notice to any such institution or as a result of any defect therein.

(c) All 2002 Series C Bonds, or portions thereof, so called for redemption shall cease to bear interest on the specified redemption date, provided funds for their redemption are on deposit with the Paying Agent at that time, and shall no longer be considered Outstanding under the Indenture.

Section 4.10. 2002 Series C Bonds Redeemed in Part. Any 2002 Series C Bond which is to be redeemed only in part shall be surrendered at a place stated for the surrender of 2002 Series C Bonds called for redemption in the notice provided for in Section 4.09 (with due endorsement by, or a written instrument of transfer in form satisfactory to the Bond Registrar duly executed by, the Registered Owner thereof or his attorney duly authorized in writing) and Issuer shall execute and the Bond Registrar shall authenticate and deliver to the Registered Owner of such 2002 Series C Bond without service charge, a new 2002 Series C Bond or 2002 Series C Bonds, of any Authorized Denomination as requested by such Registered Owner in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the 2002 Series C Bond so surrendered.

ARTICLE V

GENERAL COVENANTS

Section 5.01. Payment of Principal, Premium, if any, and Interest. Issuer covenants that it will duly and punctually pay or cause to be paid the principal of, premium, if any, and interest on every 2002 Series C Bond issued under this Indenture at the place, on the dates and in the manner provided herein and in said 2002 Series C Bonds according to the true intent and meaning thereof, but solely and only from the payments, revenues and receipts specifically assigned herein for such purposes.

Section 5.02. Performance of Covenants; Issuer. Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions required to be performed by it and contained in this Indenture, in any and every 2002 Series C Bond executed, authenticated and delivered hereunder and in all of its proceedings pertaining hereto. Issuer represents, warrants and covenants that it is duly authorized under the Constitution and laws of the Commonwealth of Kentucky, including particularly and without limitation the Act, to issue the 2002 Series C Bonds authorized hereby and to execute this Indenture, to assign the Agreement and amounts payable under the Agreement, and to assign the payments and amounts hereby assigned in the manner and to the extent herein set forth; that all action on its part for the issuance of the 2002 Series C Bonds and the execution and delivery of this Indenture will be duly and effectively taken, and that the 2002 Series C Bonds in the hands of the Bondholders are and will be valid and enforceable obligations of Issuer according to the terms thereof and hereof.

Section 5.03. Instruments of Further Assurance. Issuer covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as Trustee may reasonably require for the better and more effectual assignment unto Trustee all and singular the payments, revenues and other amounts payable under the Agreement, and any other income and other moneys assigned hereby as security for the payment of the principal of and interest and premium, if any, on the 2002 Series C Bonds. Issuer further covenants that it will not sell, convey or otherwise dispose of any part of the Trust Estate or create or suffer to be created any lien, encumbrance or charge upon the Trust Estate, including without limitation its interest in the revenues

Exhibit 3

KENTUCKY UTILITIES COMPANY
FINANCIAL EXHIBIT
December 31, 2015

(1) Amount and kinds of stock authorized.

80,000,000 shares of Common Stock, without par value
5,300,000 shares of Cumulative Preferred Stock, without par value -- authorized, but unissued
2,000,000 shares of Preferred Stock, without par value -- authorized, but unissued

(2) Amount and kinds of stock issued and outstanding.

Common Stock:

37,817,878 shares issued and outstanding, without par value, recorded at \$307,818,689.

(3) Terms of preference of preferred stock whether cumulative or participating, or on dividends or assets otherwise.

None

(4) Brief description of each mortgage on property of applicant, giving date of execution name of mortgagor, name of mortgagee, or trustee, amount of indebtedness authorized to be secured thereby, and the amount of the indebtedness actually secured, together with any sinking fund provisions.

Date of Execution: As of October 1, 2010 (Supplemental Indentures were executed on October 15, 2010, November 1, 2010, November 1, 2013 and September 1, 2015.)

Mortgagor: Kentucky Utilities Company

Trustee: The Bank of New York Mellon

Amount of Authorized Debt: One quintillion dollars

Amount of Debt Secured: \$2,350,779,405

Sinking Fund Provisions: None

Pledged Assets: Substantially all assets of Kentucky Utilities located in Kentucky

- (5) Amount of bonds authorized, and amount issued giving the name of the public utility which issued the same, describing each class separately, and giving date of issue, face value, rate of interest, date of maturity and how secured, together with an amount of interest paid thereon during the last 12-month period.

Secured by first mortgage lien on substantially all assets in Kentucky.

Kentucky Utilities Company

Date of Issue	Date of Maturity	Rate of Interest	Authorized	Outstanding at December 31, 2015	Interest Expense Year Ended December 31, 2015
Pollution Control Bonds					
05/19/00	05/01/23	Variable	\$ 12,900,000	\$ 12,900,000	\$ 5,006
05/23/02	02/01/32	Variable	20,930,000	20,930,000	61,528
05/23/02	02/01/32	Variable	2,400,000	2,400,000	7,055
05/23/02	02/01/32	Variable	7,400,000	7,400,000	21,918
05/23/02	02/01/32	Variable	7,400,000	2,400,000	7,109
10/03/02	10/01/32	Variable	96,000,000	96,000,000	235,248
10/20/04	10/01/34	Variable	50,000,000	50,000,000	16,682
02/23/07	10/01/34	Variable	54,000,000	54,000,000	19,063
05/24/07	02/01/26	5.75%	17,875,000	17,875,000	1,027,813
05/24/07	03/01/37	6.00%	8,927,000	8,927,000	535,620
10/17/08	02/01/32	Variable	77,947,405	77,947,405	26,649
Interest Rate Swaps					
			<u>\$ 355,779,405</u>	<u>\$ 350,779,405</u>	<u>\$ 1,963,692</u>
First Mortgage Bonds					
11/16/10	11/01/15	1.625%	\$ 250,000,000	\$ -	\$ 3,385,417
11/16/10	11/01/20	3.250%	500,000,000	500,000,000	16,250,000
09/28/15	10/01/25	3.300%	250,000,000	250,000,000	2,497,034
11/16/10	11/01/40	5.125%	750,000,000	750,000,000	38,437,500
11/14/13	11/15/43	4.650%	250,000,000	250,000,000	10,191,296
09/28/15	10/01/45	4.375%	<u>250,000,000</u>	<u>250,000,000</u>	<u>3,082,166</u>
			<u>\$ 2,250,000,000</u>	<u>\$ 2,000,000,000</u>	<u>\$ 73,843,412</u>

- (6) Each note outstanding, giving date of issue, amount, date of maturity, rate of interest in whose favor, together with amount of interest paid thereon during the last 12-month period.

There are no notes outstanding as of December 31, 2015.¹

- (7) Other indebtedness, giving same by classes and describing security, if any with a brief statement of the devolution or assumption of any portion of such indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid thereon during the last fiscal year.

None, other than current and accrued liabilities.

- (8) Rate and amount of dividends paid during the five previous fiscal years, and amount of capital stock on which dividends were paid.

Dividends on Common Stock, without par value (not based on rate per share)

2011	\$123,500,000
2012	\$99,500,000
2013	\$124,000,000
2014	\$148,000,000
2015	\$153,000,000

The amount of total proprietary capital on which dividends were paid as of Dec. 31st

2011	\$2,128,238,257
2012	\$2,176,783,084
2013	\$2,437,295,661
2014	\$2,599,430,441
2015	\$2,679,352,744

- (9) Detailed Income Statement, Balance Sheet and Statement of Retained Earnings

Attached are detailed Statements of Income, Balance Sheets and Retained Earnings for the Company for the period ending December 31, 2015.

¹ KU maintains a syndicated revolving credit facility of \$400 million. Although there isn't any outstanding balance on the revolver, KU has executed notes under the multiyear revolving credit program, and also has \$48 million of short term commercial paper outstanding as of December 31, 2015.

Kentucky Utilities Company
Balance Sheet as of December 31, 2015

Assets		Liabilities and Proprietary Capital	
Utility Plant		Proprietary Capital	
Utility Plant at Original Cost.....	\$ 9,082,008,901.23	Common Stock.....	\$ 308,139,977.56
Less: Reserves for Depreciation and Amortization.....	2,849,851,989.11	Less: Common Stock Expense.....	321,288.87
Total.....	6,232,156,912.12	Paid-In Capital.....	563,858,083.00
		Other Comprehensive Income.....	(1,627,215.32)
		Retained Earnings.....	1,809,303,187.19
		Unappropriated Undistributed Subsidiary Earnings.....	
Investments		Total Proprietary Capital.....	2,679,352,743.56
Electric Energy, Inc.....		Other Long-Term Debt.....	2,341,130,601.99
Ohio Valley Electric Company.....	250,000.00	Total Long-Term Debt.....	2,341,130,601.99
Nonutility Property-Less Reserve.....	971,313.10	Total Long-Term Debt.....	2,341,130,601.99
Special Fund.....			
Total.....	1,221,313.10	Total Long-Term Debt.....	2,341,130,601.99
Current and Accrued Assets		Total Capitalization.....	5,020,483,345.55
Cash.....	7,202,017.55	Current and Accrued Liabilities	
Special Deposits.....		ST Notes Payable to Associated Companies.....	
Temporary Cash Investments.....	4,253,005.98	Notes Payable.....	47,997,120.00
Accounts Receivable-Less Reserve.....	205,696,526.12	Accounts Payable.....	108,362,453.69
Accounts Receivable from Associated Companies.....	847,986.14	Accounts Payable to Associated Companies.....	39,179,663.47
Notes Receivable from Associated Companies.....		Customer Deposits.....	26,249,503.24
Materials and Supplies-At Average Cost.....		Taxes Accrued.....	20,427,557.49
Fuel.....	97,051,050.68	Interest Accrued.....	15,760,841.12
Plant Materials and Operating Supplies.....	41,183,222.05	Dividends Declared.....	
Stores Expense.....	9,371,629.69	Miscellaneous Current and Accrued Liabilities.....	23,097,128.83
Emission Allowances.....	140,355.60		
Prepayments.....	7,513,311.96	Total.....	281,074,267.84
Miscellaneous Current and Accrued Assets.....			
Total.....	373,259,105.77	Deferred Credits and Other	
		Accumulated Deferred Income Taxes.....	1,404,626,225.28
Deferred Debts and Other		Investment Tax Credit.....	93,018,937.57
Unamortized Debt Expense.....	20,924,669.19	Regulatory Liabilities.....	153,390,896.28
Unamortized Loss on Bonds.....	8,907,227.76	Customer Advances for Constructions.....	1,968,685.25
Accumulated Deferred Income Taxes.....	358,038,655.59	Asset Retirement Obligations.....	362,143,424.48
Deferred Regulatory Assets.....	379,151,145.16	Other Deferred Credits.....	8,679,929.34
Other Deferred Debts.....	47,772,011.43	Miscellaneous Long-Term Liabilities.....	2,343,039.61
Total.....	814,793,709.13	Acct. = Provision for Pension & Postretirement Benefits.....	93,702,288.92
		Total.....	2,119,873,426.73
Total Assets.....	\$ 7,421,431,040.12	Total Liabilities and Stockholders Equity.....	\$ 7,421,431,040.12

Kentucky Utilities Company
Comparative Statement of Income
December 31, 2015

	<u>Year Ended Current Month</u>
Electric Operating Revenues	\$ 1,732,900,464.71
Rate Refunds	<u>(3,840,131.73)</u>
Total Operating Revenues	<u>1,729,060,332.98</u>
Fuel for Electric Generation	540,902,679.46
Power Purchased	52,003,008.69
Other Operation Expenses	290,543,682.88
Maintenance	133,441,019.40
Depreciation	209,271,259.89
Amortization Expense	10,864,312.45
Regulatory Credits	
Taxes	
Federal Income	(19,453,420.02)
State Income	1,153,593.30
Deferred Federal Income - Net	142,108,312.83
Deferred State Income - Net	19,219,323.20
Property and Other	38,301,169.54
Investment Tax Credit	
Loss (Gain) from Disposition of Allowances	(156.54)
Accretion Expense	
Total Operating Expenses	<u>1,418,354,785.08</u>
Net Operating Income	310,705,547.90
Other Income Less Deductions	
Amortization of Investment Tax Credit	1,846,202.00
Other Income Less Deductions	826,248.92
AFUDC - Equity	<u>1,975,810.78</u>
Total Other Income Less Deductions	<u>4,648,261.70</u>
Income Before Interest Charges	<u>315,353,809.60</u>
Interest on Long-Term Debt	75,807,104.44
Amortization of Debt Expense - Net	3,641,729.78
Other Interest Expenses	3,308,559.43
AFUDC - Borrowed Funds	<u>(720,592.39)</u>
Total Interest Charges	<u>82,036,801.26</u>
Net Income	<u><u>233,317,008.34</u></u>

Kentucky Utilities Company
Analysis of Retained Earnings
December 31, 2015

	<u>Year Ended Current Month</u>
	Total Retained Earnings
Retained Earnings and Undistributed Earnings	
Balance at Beginning of Period	1,728,986,178.85
Add:	
Net Income for Period	233,317,008.34
Deduct:	
Common Dividends	
Common Stock Without Par Value	153,000,000.00
Adjust for Equity in Subsidiary	
Earnings for Year	
EE Inc.....	<u> </u>
Balance at End of Period	<u><u>1,809,303,187.19</u></u>

Exhibit 4

KENTUCKY UTILITIES
Debt Analysis

AUCTION RATE BONDS (Current Situation)

Rate	Principal	Interest @	Amortization	Auction Agent Fee	Taxes
01-Jun-16	\$ 98,000,000	5.96	37,009	67,200	(282,686)
01-Dec-16	\$ 98,000,000	5.96	37,009	67,200	(282,686)
01-Jun-17	\$ 98,000,000	5.96	37,009	67,200	(282,686)
01-Dec-17	\$ 98,000,000	5.96	37,009	67,200	(282,686)
01-Jun-18	\$ 98,000,000	5.96	37,009	67,200	(282,686)
01-Dec-18	\$ 98,000,000	5.96	37,009	67,200	(282,686)
01-Jun-19	\$ 98,000,000	5.96	37,009	67,200	(282,686)
TOTAL		\$4,718,560	\$222,053	\$493,200	\$2,180,488
NPV					\$2,565,286

(1) Debt Amortization Expense includes heating costs of new series and unamortized debt expense through L/C Facility termination date.
(2) Tax calculation based on interest expense and the amortization of new issue debt expense.

Assumptions

Kentucky Utilities - Refinance Auction Rate Bond for 3-YR L/C Backed Bond
Comparison: Auction Rate vs. 3-YR L/C Backed Bond

Interest	0.742%
As of 2/1/2016	
Projected Fed Increase in June 2016	0.500% (25bps Fed increase results in 50bps increase in Auction Rate)
Projected Fed Increase in Dec 2016	0.250% (25bps Fed increase results in 50bps increase in Auction Rate)
Rate as of December 2016	1.742%
Unamortized Debt Expense at 12/31/2015	1,236,346
Unamortized Debt Expense at 6/1/2016	(6,168)
Unamortized Debt Expense at 6/1/2016	1,204,536

3-Year L/C Backed Bond

Principal	L/C Facility Termination	# of Months	Amort Month	Amort6 Months
\$ 98,000,000	6/1/2019	36	14,302	85,810
\$ 1,204,536	6/1/2019	36	33,458	200,751

SIFMA	
Projected Fed Increase in June 2016	0.500%
Rate as of June 2016	0.250%
Projected Fed Increase in Dec 2016	0.250%
Rate as of December 2016	0.500%

L/C Facility

Bond Issue Costs	
Underwriting	0.15%
Rating Agency	0.54%
Company Counsel	0.05%
Underwriters Coun	0.08%
Refiling	0.08%
Printing	0.00%
Trustee Counsel	0.00%
Accountants	0.01%
Trustee	0.01%
FNB Trustee	0.00%
AMT	0.00%
Insurance costs	0.35%

MISCELLANEOUS	
Tax rate	40.353%
Discount rate	0.83%

PROPOSED FINANCING
Comparison: Auction Rate vs. 3-YR L/C Backed Bond

Periodic (Cash)	SAVINGS from Refunding	Factor	Present Value	SAVINGS
\$514,857	175,728	1.0000	\$514,857	\$514,857
\$514,857	175,728	0.9959	\$514,857	\$514,857
\$514,857	175,728	0.9918	\$514,857	\$514,857
\$514,857	175,728	0.9877	\$514,857	\$514,857
\$514,857	175,728	0.9836	\$514,857	\$514,857
\$514,857	175,728	0.9795	\$514,857	\$514,857
\$514,857	175,728	0.9754	\$514,857	\$514,857
\$514,857	175,728	0.9713	\$514,857	\$514,857
\$514,857	175,728	0.9672	\$514,857	\$514,857
\$514,857	175,728	0.9631	\$514,857	\$514,857
\$514,857	175,728	0.9590	\$514,857	\$514,857
\$514,857	175,728	0.9549	\$514,857	\$514,857
\$514,857	175,728	0.9508	\$514,857	\$514,857
\$514,857	175,728	0.9467	\$514,857	\$514,857
\$514,857	175,728	0.9426	\$514,857	\$514,857
\$514,857	175,728	0.9385	\$514,857	\$514,857
\$514,857	175,728	0.9344	\$514,857	\$514,857
\$514,857	175,728	0.9303	\$514,857	\$514,857
\$514,857	175,728	0.9262	\$514,857	\$514,857
\$514,857	175,728	0.9221	\$514,857	\$514,857
\$514,857	175,728	0.9180	\$514,857	\$514,857
\$514,857	175,728	0.9139	\$514,857	\$514,857
\$514,857	175,728	0.9098	\$514,857	\$514,857
\$514,857	175,728	0.9057	\$514,857	\$514,857
\$514,857	175,728	0.9016	\$514,857	\$514,857
\$514,857	175,728	0.8975	\$514,857	\$514,857
\$514,857	175,728	0.8934	\$514,857	\$514,857
\$514,857	175,728	0.8893	\$514,857	\$514,857
\$514,857	175,728	0.8852	\$514,857	\$514,857
\$514,857	175,728	0.8811	\$514,857	\$514,857
\$514,857	175,728	0.8770	\$514,857	\$514,857
\$514,857	175,728	0.8729	\$514,857	\$514,857
\$514,857	175,728	0.8688	\$514,857	\$514,857
\$514,857	175,728	0.8647	\$514,857	\$514,857
\$514,857	175,728	0.8606	\$514,857	\$514,857
\$514,857	175,728	0.8565	\$514,857	\$514,857
\$514,857	175,728	0.8524	\$514,857	\$514,857
\$514,857	175,728	0.8483	\$514,857	\$514,857
\$514,857	175,728	0.8442	\$514,857	\$514,857
\$514,857	175,728	0.8401	\$514,857	\$514,857
\$514,857	175,728	0.8360	\$514,857	\$514,857
\$514,857	175,728	0.8319	\$514,857	\$514,857
\$514,857	175,728	0.8278	\$514,857	\$514,857
\$514,857	175,728	0.8237	\$514,857	\$514,857
\$514,857	175,728	0.8196	\$514,857	\$514,857
\$514,857	175,728	0.8155	\$514,857	\$514,857
\$514,857	175,728	0.8114	\$514,857	\$514,857
\$514,857	175,728	0.8073	\$514,857	\$514,857
\$514,857	175,728	0.8032	\$514,857	\$514,857
\$514,857	175,728	0.7991	\$514,857	\$514,857
\$514,857	175,728	0.7950	\$514,857	\$514,857
\$514,857	175,728	0.7909	\$514,857	\$514,857
\$514,857	175,728	0.7868	\$514,857	\$514,857
\$514,857	175,728	0.7827	\$514,857	\$514,857
\$514,857	175,728	0.7786	\$514,857	\$514,857
\$514,857	175,728	0.7745	\$514,857	\$514,857
\$514,857	175,728	0.7704	\$514,857	\$514,857
\$514,857	175,728	0.7663	\$514,857	\$514,857
\$514,857	175,728	0.7622	\$514,857	\$514,857
\$514,857	175,728	0.7581	\$514,857	\$514,857
\$514,857	175,728	0.7540	\$514,857	\$514,857
\$514,857	175,728	0.7499	\$514,857	\$514,857
\$514,857	175,728	0.7458	\$514,857	\$514,857
\$514,857	175,728	0.7417	\$514,857	\$514,857
\$514,857	175,728	0.7376	\$514,857	\$514,857
\$514,857	175,728	0.7335	\$514,857	\$514,857
\$514,857	175,728	0.7294	\$514,857	\$514,857
\$514,857	175,728	0.7253	\$514,857	\$514,857
\$514,857	175,728	0.7212	\$514,857	\$514,857
\$514,857	175,728	0.7171	\$514,857	\$514,857
\$514,857	175,728	0.7130	\$514,857	\$514,857
\$514,857	175,728	0.7089	\$514,857	\$514,857
\$514,857	175,728	0.7048	\$514,857	\$514,857
\$514,857	175,728	0.7007	\$514,857	\$514,857
\$514,857	175,728	0.6966	\$514,857	\$514,857
\$514,857	175,728	0.6925	\$514,857	\$514,857
\$514,857	175,728	0.6884	\$514,857	\$514,857
\$514,857	175,728	0.6843	\$514,857	\$514,857
\$514,857	175,728	0.6802	\$514,857	\$514,857
\$514,857	175,728	0.6761	\$514,857	\$514,857
\$514,857	175,728	0.6720	\$514,857	\$514,857
\$514,857	175,728	0.6679	\$514,857	\$514,857
\$514,857	175,728	0.6638	\$514,857	\$514,857
\$514,857	175,728	0.6597	\$514,857	\$514,857
\$514,857	175,728	0.6556	\$514,857	\$514,857
\$514,857	175,728	0.6515	\$514,857	\$514,857
\$514,857	175,728	0.6474	\$514,857	\$514,857
\$514,857	175,728	0.6433	\$514,857	\$514,857
\$514,857	175,728	0.6392	\$514,857	\$514,857
\$514,857	175,728	0.6351	\$514,857	\$514,857
\$514,857	175,728	0.6310	\$514,857	\$514,857
\$514,857	175,728	0.6269	\$514,857	\$514,857
\$514,857	175,728	0.6228	\$514,857	\$514,857
\$514,857	175,728	0.6187	\$514,857	\$514,857
\$514,857	175,728	0.6146	\$514,857	\$514,857
\$514,857	175,728	0.6105	\$514,857	\$514,857
\$514,857	175,728	0.6064	\$514,857	\$514,857
\$514,857	175,728	0.6023	\$514,857	\$514,857
\$514,857	175,728	0.5982	\$514,857	\$514,857
\$514,857	175,728	0.5941	\$514,857	\$514,857
\$514,857	175,728	0.5900	\$514,857	\$514,857
\$514,857	175,728	0.5859	\$514,857	\$514,857
\$514,857	175,728	0.5818	\$514,857	\$514,857
\$514,857	175,728	0.5777	\$514,857	\$514,857
\$514,857	175,728	0.5736	\$514,857	\$514,857
\$514,857	175,728	0.5695	\$514,857	\$514,857
\$514,857	175,728	0.5654	\$514,857	\$514,857
\$514,857	175,728	0.5613	\$514,857	\$514,857
\$514,857	175,728	0.5572	\$514,857	\$514,857
\$514,857	175,728	0.5531	\$514,857	\$514,857
\$514,857	175,728	0.5490	\$514,857	\$514,857
\$514,857	175,728	0.5449	\$514,857	\$514,857
\$514,857	175,728	0.5408	\$514,857	\$514,857
\$514,857	175,728	0.5367	\$514,857	\$514,857
\$514,857	175,728	0.5326	\$514,857	\$514,857
\$514,857	175,728	0.5285	\$514,857	\$514,857
\$514,857	175,728	0.5244	\$514,857	\$514,857
\$514,857	175,728	0.5203	\$514,857	\$514,857
\$514,857	175,728	0.5162	\$514,857	\$514,857
\$514,857	175,728	0.5121	\$514,857	\$514,857
\$514,857	175,728	0.5080	\$514,857	\$514,857
\$514,857	175,728	0.5039	\$514,857	\$514,857
\$514,857	175,728	0.4998	\$514,857	\$514,857
\$514,857	175,728	0.4957	\$514,857	\$514,857
\$514,857	175,728	0.4916	\$514,857	\$514,857
\$514,857	175,728	0.4875	\$514,857	\$514,857
\$514,857	175,728	0.4834	\$514,857	\$514,857
\$514,857	175,728	0.4793	\$514,857	\$514,857
\$514,857	175,728	0.4752	\$514,857	\$514,857
\$514,857	175,728	0.4711	\$514,857	\$514,857
\$514,857	175,728	0.4670	\$514,857	\$514,857
\$514,857	175,728	0.4629	\$514,857	\$514,857
\$514,857	175,728	0.4588	\$514,857	\$514,857
\$514,857	175,728	0.4547	\$514,857	\$514,857
\$514,857	175,728	0.4506	\$514,857	\$514,857
\$514,857	175,728	0.4465	\$514,857	\$514,857
\$514,857	175,728	0.4424	\$514,857	\$514,857
\$514,857	175,728	0.4383	\$514,857	\$514,857
\$514,857	175,728	0.4342	\$514,857	\$514,857
\$514,857	175,728	0.4301	\$514,857	\$514,857
\$514,857	175,728	0.4260	\$514,857	\$514,857
\$514,857	175,728	0.4219	\$514,857	\$514,857
\$514,857	175,728	0.4178	\$514,857	\$514,857
\$514,857	175,728	0.4137	\$514,857	\$514,857
\$514,857	175,728	0.4096	\$514,857	\$514,857
\$514,857	175,728	0.4055	\$514,857	\$514,857
\$514,857	175,728	0.4014	\$514,857	\$514,857
\$514,857	175,728	0.3973	\$514,857	\$514,857
\$514,857	175,728	0.3932	\$514,857	\$514,857
\$514,857	175,728	0.3891	\$514,857	\$514,857
\$514,857	175,728	0.3850	\$514,857	\$514,857
\$514,857	175,728	0.3809	\$514,857	\$514,857
\$514,857	175,728	0.3768	\$514,857	\$514,857</