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May 2, 2018

**VIA ELECTRONIC FILING AND FEDERAL EXPRESS**

Chairman David Jones  
c/o Sharla Dillon, Dockets and Records Manager  
Tennessee Public Utility Commission  
502 Deaderick Street, 4<sup>th</sup> Floor  
Nashville, TN 37243

**RE: Petition of Kentucky Utilities Company for (1) an Order Authorizing the Issuance of Securities and the Assumption of Obligations and (2) an Order Amending and Extending Existing Authority with Respect to Revolving Line of Credit**  
**Docket No.: 18-00056**

Dear Chairman Jones:

Please find enclosed and accept for filing the original and four copies of the above-referenced Petition of Kentucky Utilities Company for (1) an Order Authorizing the Issuance of Securities and the Assumption of Obligations and (2) an Order Amending and Extending Existing Authority with Respect to Revolving Line of Credit. This Petition is also being filed electronically. A check for the \$25 filing fee is also enclosed.

Please contact me if you have any questions.

Very truly yours,

A handwritten signature in black ink, appearing to read "Timothy J. Eifler", is written over a printed name label.

Timothy J. Eifler

Enclosures

cc: Kelly Cashman-Grams, General Counsel, TN Public Utility Commission  
David Foster, Director, Utilities Division, TN Public Utility Commission  
Jerry Kettles, Director, Economic Analysis, TN Public Utility Commission

Chairman David Jones  
May 2, 2018  
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**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION**

**NASHVILLE, TENNESSEE**

<b>PETITION OF KENTUCKY UTILITIES</b>	)	
<b>COMPANY FOR (1) AN ORDER</b>	)	
<b>AUTHORIZING THE ISSUANCE OF</b>	)	
<b>SECURITIES AND THE ASSUMPTION</b>	)	<b>Docket No. _____</b>
<b>OF OBLIGATIONS AND (2) AN ORDER</b>	)	
<b>AMENDING AND EXTENDING</b>	)	
<b>EXISTING AUTHORITY WITH RESPECT</b>	)	
<b>TO REVOLVING LINE OF CREDIT</b>	)	

**PETITION**

Kentucky Utilities Company (“KU” or the “Company”) hereby requests pursuant to T.C.A. §65-4-109, that the Tennessee Public Utility Commission (“Commission”) authorize KU to refund and refinance the Carroll County, Kentucky Environmental Facilities Revenue Bonds, 2007 Series A (“Carroll County 2007 Series A Bonds”) and Trimble County, Kentucky Environmental Facilities Revenue Bonds, 2007 Series A (“Trimble County 2007 Series A Bonds”) (collectively, the “Outstanding Bonds”). KU further requests authority to incur debt in the form of First Mortgage Bonds in a principal amount not to exceed \$400,000,000. Finally, KU requests that the Commission amend and extend KU’s existing authority to allow KU to exercise extensions of its multi-year revolving credit line in 2019 and 2020 to extend the credit facility maturity date to up to five years from the effective date of the amendment.

In support of this Application, 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 provides retail electric service to approximately 525,000 customers in 77 counties in Kentucky,

approximately 29,000 customers in 5 counties in Virginia, and fewer than 5 residential customers in Fork Ridge, Tennessee. KU can be reached at the email addresses of the counsel listed below.

### **REFUNDING AND REFINANCING ENVIRONMENTAL FACILITIES BONDS**

2. The two series of environmental facilities debt that KU seeks authority to refinance are (1) Carroll County, Kentucky Environmental Facilities Revenue Bonds, 2007 Series A (“Carroll County 2007 Series A Bonds,” as set forth above) and (2) Trimble County, Kentucky Environmental Facilities Revenue Bonds, 2007 Series A (“Trimble County 2007 Series A Bonds,” as set forth above) (collectively, the “Outstanding Bonds,” as set forth above).

3. KU’s obligations in connection with the Carroll County 2007 Series A Bonds and Trimble County 2007 Series A Bonds were authorized by the Commission by Order dated May 9, 2007, in Docket No. 2007-00083.<sup>1</sup> Proceeds from the sale of the Outstanding Bonds were used to finance the acquisition, construction, and installation of solid waste disposal facilities at the Ghent Generating Station in Carroll County, Kentucky and Trimble County Unit 2 in Trimble County, Kentucky.

4. 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 Outstanding Bonds:

	Public Offering Price	Proceeds	Expenses
<b>Carroll County 2007 Series A Bonds</b>	\$17,875,000	\$17,875,000	\$416,203
<b>Trimble County 2007 Series A Bonds</b>	\$8,927,000	\$8,927,000	\$319,990

5. 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 paragraph 4 preceding, which may be refunded, in connection with the proposed issuance of two or more new series of Carroll County, Kentucky Environmental

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<sup>1</sup> *In the Matter of: Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*, Docket No. 07-00083, Order (Tenn. Pub. Util. Comm’n May 9, 2007).

Facilities Refunding Revenue Bonds (“Carroll County Refunding Bonds”) and Trimble County, Kentucky Environmental Facilities Refunding Revenue Bonds (“Trimble County Refunding Bonds”) (collectively, the “Refunding Bonds”), to be appropriately designated. Carroll County, Kentucky and Trimble County, Kentucky have authority under Kentucky law to issue the 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 Carroll County 2007 Series A Bonds, within ninety (90) days of issuance of the corresponding Carroll County Refunding Bonds. Likewise, the proceeds of the Trimble County Refunding Bonds would be loaned to KU by Trimble County in one or more transactions to provide funds to repurchase, redeem and discharge a corresponding amount of the Trimble County 2007 Series A Bonds, within ninety (90) days of issuance of the corresponding Trimble County Refunding Bonds.

6. KU anticipates that the refinancing will involve KU’s First Mortgage Bonds, (as hereinafter defined and limited to this section of the Application) issued to collateralize and secure the 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 solid waste disposal financings of KU approved by this Commission involving KU’s First Mortgage Bonds, including the Outstanding Bonds. KU’s First Mortgage Bonds will be used to secure its payment obligations with respect to the Loan Agreements, as defined below.

7. The First Mortgage Bonds would be delivered to trustee or trustees under one or more indentures of trust between Carroll County and such trustee (each a “Trustee”) in

connection with the reissuance and sale by Carroll County of the Carroll County Refunding Bonds, and under one or more indentures of trust between Trimble County and a Trustee in connection with the reissuance and sale by Trimble County of the Trimble County Refunding Bonds. The First Mortgage Bonds would be held by the Trustee in securing the payment of the 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 not to exceed 30 years from date of issuance.

8. 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. Likewise, in connection with the Trimble County Refunding Bonds, KU would assume certain obligations under one or more loan agreements with Trimble 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 Trimble County Refunding Bonds for the benefit of the holders of such bonds.

9. The Carroll County Refunding Bonds would be issued pursuant to one or more indentures (each a "Carroll County Indenture"), between Carroll County and the Trustee under such Carroll 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 "Carroll Loan Agreements"). The payments to be made by KU under

the Carroll 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 Carroll 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.

10. The Trimble County Refunding Bonds would be issued pursuant to one or more indentures (each a “Trimble County Indenture”), between Trimble County and the Trustee under such Trimble County Indentures, as applicable. The proceeds from the sale of the Trimble County Refunding Bonds would be loaned to KU pursuant to one or more loan agreements between KU and Trimble County (the “Trimble Loan Agreements”). The payments to be made by KU under the Trimble Loan Agreements for one or more series of Trimble 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 Trimble County Refunding Bonds. The Trimble 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 Trimble County Refunding Bonds. Upon issuance of a series of Trimble County Refunding Bonds, KU may issue Guarantees in favor of the Trustee(s) guaranteeing repayment of all or any part of the obligations under such Trimble County Refunding Bonds for the benefit of the holders of such Trimble County Refunding Bonds.

11. The Carroll County Refunding Bonds and Trimble 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 and Trimble County Refunding Bonds (including, in the event all or a portion of the 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, KU and Trimble County, and the purchasers of such bonds, although KU presently expects the bonds will initially bear a fixed rate. 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 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 \$850,000.

12. Although KU currently expects the Refunding Bonds to bear a fixed rate to maturity, based upon market conditions, all or a portion of the 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 Refunding Bonds at a later date to other interest rate modes, including a fixed rate of interest. Refunding Bonds that bear interest at a variable rate (the "Variable Rate Environmental Facilities 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 Environmental Facilities 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 Environmental Facilities Refunding Bonds to other purchasers at a price equal to the purchase price of such Variable Rate Environmental Facilities Refunding Bonds, which will be 100% of the par amount of such Variable Rate Environmental Facilities Refunding Bonds. Thus, to the extent Variable Rate Environmental Facilities 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, the auction mode bonds would not 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 could be used.

13. Also, in the event that Variable Rate Environmental Facilities Refunding Bonds are issued, KU may enter into one or more liquidity facilities (the “Initial Facility”) with a bank or banks to be selected by KU (the “Bank”). The Initial 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 Environmental Facilities Refunding Bonds that have been tendered for purchase and are not remarketed. KU would be obligated to repay any amounts borrowed under the Initial Facility. The Initial Facility may be pledged for the payment of the Variable Rate Environmental Facilities Refunding Bonds or to constitute security thereof. The Initial Facility may consist in whole or in part of such liquidity facilities. Pursuant to the Initial Facility, KU may be required to execute and deliver to the Bank a note (the “Initial Facility Note”) evidencing KU’s obligation to repay any borrowings owed to the Bank under the Initial Facility.

14. In order to obtain terms and conditions more favorable to KU than those provided in the Initial Facility or to provide for additional liquidity or credit support to enhance the

marketability of the Variable Rate Environmental Facilities Refunding Bonds, KU desires to be able to replace the Initial Facility with one or more substitute liquidity support or credit support facilities or both (the instruments providing the liquidity support or credit support or both and any subsequent replacement support facility thereof, 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 or credit support or both for the Variable Rate Environmental Facilities Refunding Bonds. If the Variable Rate Environmental Facilities Refunding Bonds are converted to bear interest at a fixed rate to maturity, the Initial 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 Environmental Facilities Refunding Bonds. The estimated cost of the financing shown in paragraph 13 does not include expenses incurred for entering into any Facility; however, the impact on the overall cost of the financing would be approximately 85 basis points (0.85%).

15. 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 Carroll County Indenture or Trimble County Indenture for the Variable Rate Environmental Facilities 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 Environmental Facilities 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 or for the purpose of paying accrued interest on the Variable Rate Environmental Facilities Refunding Bonds or both when due and paying principal, whether at maturity, on redemption, acceleration or otherwise.

16. In connection with the issuance of the 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 Refunding Bonds. KU requests authority to establish regulatory assets or liabilities for accounting purposes for the losses and gains arising from a Hedging Facility and amortize the losses and gains over the remaining life of the Refunding Bonds.

17. The Hedging Facility will set forth the specific terms for which KU will agree to pay the Counterparty payments or fees or both 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 to fix the interest rate of a variable rate bond for three years would be approximately 31 basis points (0.31%).

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 subject to market conditions. 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 1 to this Application is a copy of the pertinent sections of the official statements describing the redemption provisions for the Carroll County 2007 Series A Bonds and Trimble County 2007 Series A Bonds.

21. KU shall, as soon as reasonably practicable after the issuance of any Refunding Bonds referred to herein, file with the Commission 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 2 to this Application consists of net present value analyses of the proposed refinancing assuming the bonds are issued in a fixed rate mode, based on current market conditions.

## **FIRST MORTGAGE BOND DEBT**

23. KU requests, pursuant to T.C.A. §65-4-109, that the Commission authorize it to incur additional long-term debt in the form of First Mortgage Bonds in a principal amount not to exceed \$400,000,000 (the “First Mortgage Bonds,” as hereinafter defined and limited to this section of the Application).

24. The First Mortgage Bonds will be used to pay down KU’s short-term debt balance, and also to fund construction projects KU anticipates incurring. This includes the approximately \$111 million in commercial paper that is presently outstanding. The short-term debt balance includes costs for environmental compliance authorized by the Kentucky Public Service Commission in Case No. 2016-00026, such as the construction of process water systems and impoundment closures<sup>2</sup> KU is anticipated to incur \$135 million in 2018, and \$35 million in 2019 related to these projects. The First Mortgage Bonds proceeds will also be used to pay down short-term debt that will accumulate from other capital expenditures. KU anticipates incurring over \$600 million in capital expenditures in calendar year 2018, which includes the environmental compliance projects described in the preceding paragraph. The costs of these projects are reflected in KU’s capital budget that is attached as Exhibit 3.

25. The Company’s Mortgage Indenture (the “Indenture”) authorizes it to issue, from time to time, first mortgage bonds of one or more series, with each series having such date, maturity date(s), interest rate(s), and other terms as may be established by a supplemental indenture executed by the Company in connection with such series. All bonds issued under the Indenture would be equally and ratably secured by a first mortgage lien, subject to permitted

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<sup>2</sup> *In the Matter of: The Application of Kentucky Utilities Company for Certificates of Public Convenience and Necessity and Approval of its 2016 Compliance Plan for Recovery by Environmental Surcharge*, Case No. 2016-00026, Order (Ky. PSC Aug. 8, 2016).

encumbrances and exclusions, on substantially all of the Company's permanently fixed properties in Kentucky. A copy of the form of the Indenture has been previously filed with the Commission in Docket No. 10-00119.<sup>3</sup>

26. The First Mortgage Bonds may be sold at various times through the remainder of 2018 and in 2019 in one or more underwritten public offerings, negotiated sales, or private placement transactions utilizing the proper documentation.

27. The First Mortgage Bonds of each series would be issued and secured by the Indenture as to be further supplemented and amended by a supplemental indenture creating the bonds of such series. Such supplemental indenture would set forth the terms and provisions of such series, including without limitation, the maturity date(s), interest rate(s), redemption provisions and other applicable terms. The price, maturity date(s), interest rate(s), and the redemption provisions, and other terms and provisions of each series of First Mortgage Bonds (including, if all or a portion of the First Mortgage Bonds bear a variable rate of interest, the method for determining the interest rates), would be determined on the basis of negotiations among KU and the underwriters, agents, or other purchasers of such First Mortgage Bonds. The amount of compensation to be paid to underwriters or agents for their services would not exceed one percent (1 %) of the principal amount of the First Mortgage Bonds of the series to be sold. Based upon past experience with similar financings, KU estimates that issuance costs, excluding underwriting fees, would be approximately \$400,000.

28. Because of the historical spread between long-term fixed interest rates and short-term rates, all or a portion of the bonds could be issued with an interest rate that fluctuates on a quarterly or semi-annual basis.

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<sup>3</sup> *In re: Petition of Kentucky Utilities Company for an Order Authorizing the Restructure and Refinancing of Unsecured Debt and the Assumption of Obligations and for Amendment of Existing Authority*, filed Aug. 2, 2010.

29. In connection with the issuance of First Mortgage 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”) through an affiliate company, or directly with a bank or financial institution (the “Counterparty”). If KU elects to issue variable rate bonds, the Hedging Facility would be an interest rate agreement designed to allow KU to actively manage and limit its exposure to changes in interest rates. If a fixed rate bond is issued, the Hedging Facility would be designed to lower KU’s exposure to changes in long term rates between the date of the Hedging Facility and the bond issuance date or to lower the volatility in the value of the bond if the Hedging Facility is entered into after the bond is issued. KU requests authority to establish regulatory assets or liabilities for accounting purposes for the losses and gains arising from a Hedging Facility and amortize the gains and losses over the remaining life of the First Mortgage Bonds.

30. 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 to fix the interest rate of a variable rate bond for three years would be approximately 79 basis points (0.79%). The Hedging Facility could also be used to lock in interest rates in advance of a debt issuance. Thus, KU anticipates that it could enter into one or more of the preceding Hedging Facilities prior to issuance of some or all of the First Mortgage Bonds for which approval is being sought. Based on current market conditions, the Company could lock in 10 year rates for six months for a cost of approximately 7 basis points (0.07%).

31. The terms of each Hedging Facility will be negotiated by KU with the respective Counterparty and would be subject to market conditions.

## EXTENDING TERM OF REVOLVING CREDIT LINE

32. KU was first granted authority to enter into multi-year revolving credit facilities in Docket No. 07-00156 by Order dated September 13, 2007.<sup>4</sup> In its Petition in Docket No. 07-00156, KU sought approval to enter into multi-year revolving credit facilities under which could incur short-term debt from time to time that would reduce the time and cost of negotiating and renewing short-term debt arrangements. The Commission found that granting KU the requested authority was in the public interest.<sup>5</sup>

33. In Docket No. 15-00056, the Commission authorized KU to extend the term of its existing revolving line of credit for a term through December 31, 2020.<sup>6</sup> In that proceeding, KU stated that based upon its discussions with providers of credit facilities, KU believed that it was likely that in the future changing market conditions and interest rates would mean that revolving credit facilities would no longer be available on terms as favorable as found in KU's current facility. Subsequently, KU entered into an Amended and Restated Revolving Credit Agreement, with a term ending December 31, 2020.

34. In Docket No. 16-00119, the Commission authorized KU to extend the term of its existing revolving line of credit for a term through January 31, 2022.<sup>7</sup> In the alternative, the

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<sup>4</sup> *Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and Assumption of Obligations.*

<sup>5</sup> *Id.*

<sup>6</sup> *Petition of Kentucky Utilities Company for an Order Amending and Extending Existing Authority with Respect to Revolving Line of Credit*, Docket No. 15-00056, Order (Tenn. Pub. Util. Comm'n Aug. 3, 2015).

<sup>7</sup> *Petition of Kentucky Utilities Company for an Order Amending and Extending Existing Authority with Respect to Revolving Line of Credit*, Docket No. 16-00119, Order (Tenn. Pub. Util. Comm'n Dec. 29, 2016). Prior to Docket No. 15-00056, KU's authority was previously extended by Order dated June 24, 2014, *In re: Petition of Kentucky Utilities Company for an Order Amending and Extending Existing Authority with Respect to Revolving line of Credit* (Docket No. 14-00033), which extended authority granted by Order dated September 18, 2013, *In re: Petition of Kentucky Utilities Company for an Order Amending and Extending Existing Authority with Respect to Revolving line of Credit* (Docket No. 13-00096), which extended authority granted by Order dated October 29, 2012, *In re: Petition of Kentucky Utilities Company for an Order Amending and Extending Existing Authority with Respect to Revolving line of Credit* (Docket No. 12-00108), which extended authority granted by Order dated October 12, 2011, *In re: Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and*



Commission authorized KU to replace any credit facilities not extended with similar multi-year revolving credit facilities for the same term. The Commission also granted KU authority to extend the revolving credit facility five years from the date of the amendment in 2017 and 2018. In Docket No. 16-00119, KU explained that the same conditions and market expectations described in Docket No. 15-00056 remained in effect with respect to revolving lines of credit. On January 4, 2017, KU extended the termination date of its Amended and Restated Revolving Credit Agreement (“Credit Agreement”) from December 31, 2020 to January 27, 2021. Subsequently on January 27, 2017, KU further extended the termination date by one year to January 27, 2022.<sup>8</sup> On January 26, 2018, KU extended the Credit Agreement from January 27, 2022 to January 26, 2023.<sup>9</sup>

35. The favorable market conditions under which KU-ODP has been able to obtain the revolving credit facilities has not changed materially since Docket Nos. 15-00056 and 16-00119. In order to optimize the cost of short-term debt, KU-ODP seeks authority to exercise extensions of its multi-year revolving credit line in 2019 and 2020 to extend the credit facility maturity date to up to five years from the effective date of the amendment. Extending the current revolving credit facilities will allow KU to continue to obtain favorable short-term debt costs while avoiding higher commitment fees and related transaction costs expected in the future. This would provide KU with flexibility to further optimize its short-term debt costs for its customers.

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*Assumption of Obligations* (Docket No.11-00156), which extended authority granted by Order dated October 21, 2010, *In re: Petition of Kentucky Utilities Company for an Order Authorizing the Restructure and Refinancing of Unsecured Debt and the Assumption of Obligations and for Amendment of Existing Authority* (Docket No. 10-00119). Also, by Order dated September 20, 2012, which was amended and superseded by Amended Order, dated September 27, 2012, *In re: Petition of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations* (Docket No. 12-00067), KU was authorized to increase the total aggregate amount of its revolving credit facilities to \$500 million.

<sup>8</sup> See the February 2, 2017 filing in Docket No. 16-00119.

<sup>9</sup> See the February 14, 2018 filing in Docket No. 16-00119.

If the Commission grants the authority, KU will provide notice of each extension to the Commission within thirty days of execution.

36. Under the current agreements, KU must notify the revolving credit service providers of its intent to extend the current lines. As such, KU requests authority to amend its existing Credit Agreement to effectuate the extension, and also requests authority to amend and restate the Credit Agreement, if necessary.<sup>10</sup>

37. Although KU expects that all of the credit service providers will agree to extend the credit facility at the current individual or aggregate participation levels, KU also requests alternative authority to enter 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 further herein.

38. The extended credit facilities would be on the same terms as KU's existing revolving credit and would be available for the same purposes for which revolving credit is currently available. Loan proceeds could be used to provide short-term financing for KU's general financing needs, for example, general costs of operation or costs of KU's various construction programs or other obligations, until permanent or long-term financing can be arranged. In addition, the extended credit facilities could be used to provide liquidity or credit support for KU's other debt, for example, ensuring that KU has readily available funds with which to make payments with respect to variable rate bonds that could be tendered for purchase and not remarketed. However, KU does not assign specific financing to any particular capital

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<sup>10</sup> KU has entered into revolving credit facilities totaling \$400 million, but wishes to retain the previously authorized total aggregate authority for \$500 million.

project or operating or fiscal use and does not project finance projects. Thus, these are general reasons that KU might need short-term financing, rather than uses to which such financing would be assigned.

**INFORMATION PERTINENT TO (1) REFUNDING AND REFINANCING  
ENVIRONMENTAL FACILITIES BONDS; (2) FIRST MORTGAGE BOND DEBT; AND  
(3) EXTENDING TERM OF REVOLVING CREDIT LINE**

39. Attached as Exhibits 4 and 5, respectively, are a Description of KU's Property and a Financial Exhibit.

40. 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.

41. A certified copy of KU's Board of Directors resolution authorizing the assumption of obligations related to the refunding and refinancing of environmental facilities bonds and first mortgage debt, and all transactions related thereto, as discussed in this Application, will be filed as a supplement to this Application.

**WHEREFORE**, Kentucky Utilities Company respectfully requests that the Commission enter its Order authorizing it to issue securities and to refund and refinance the Carroll County, 2007 Series A Bonds and Trimble County 2007 Series A Bonds. KU further requests authority to incur debt in the form of First Mortgage Bonds in a principal amount not to exceed \$400,000,000. Finally, KU requests that the Commission amend and extend KU's existing authority to allow KU to exercise extensions of its multi-year revolving credit line in 2019 and 2020 to extend the credit facility maturity date to up to five years from the effective date of the amendment. Kentucky Utilities Company further requests that the Order of the Commission specifically include provisions stating:

1. KU is also 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 Trimble County, Kentucky and under any notes, guarantees, remarketing agreements, hedging agreements, credit agreements and such other agreements and documents as set forth in its application, 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, Hedging Facilities, and the establishment of regulatory assets or liabilities for accounting purposes for the losses and gains arising from a Hedging Facility and amortize the losses and gains over the remaining life of the First Mortgage Bonds, all as described in this Application.

2. KU is authorized to issue long-term debt in the form of First Mortgage Bonds in one or more series at one or more times during the remainder of 2018, and in 2019, in an aggregate principal amount not to exceed \$400,000,000 in the manner set forth in its Application, including the establishment of regulatory assets or liabilities for accounting purposes for the losses and gains arising from a Hedging Facility and amortize the losses and gains over the remaining life of the First Mortgage Bonds, all as described in this Application.

3. KU is authorized to enter into such agreements and amendments as are necessary for KU to exercise extensions in 2019 and 2020, respectively, to extend the facility maturity dates to five years from the date of the amendment in the previously authorized total aggregate amount not to exceed \$500 million, or alternatively replace any credit facilities not extended with similar multi-year revolving credit facilities for the same term.

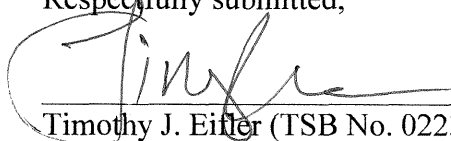
4. KU is authorized to execute, deliver and perform the obligations of KU under all such agreements and documents as set out in its Application, and to perform the transactions contemplated by such agreements

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

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

7. KU shall, within 30 days from the date of issuance, file with the Commission 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,



Timothy J. Eifler (TSB No. 022399)

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*Counsel for Kentucky Utilities Company*

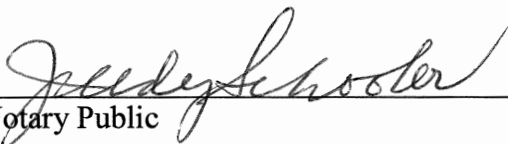
**VERIFICATION**

**COMMONWEALTH OF KENTUCKY    )**  
**) SS:**  
**COUNTY OF JEFFERSON            )**

The undersigned, **Daniel K. Arbough**, being duly sworn, deposes and says that he is the Treasurer for Kentucky Utilities Company and an employee of LG&E and KU Services Company, that he has personal knowledge of the matters set forth in the foregoing Petition and that the material contained therein is true and correct to the best of his information, knowledge, and belief.

  
\_\_\_\_\_  
**DANIEL K. ARBOUGH**

Subscribed and sworn to before me, a Notary Public in and before said County and State,  
this 2<sup>nd</sup> day of May, 2018.

  
\_\_\_\_\_  
Notary Public

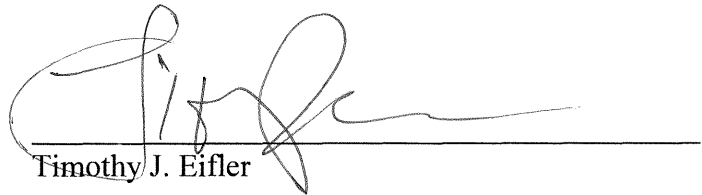


My Commission Expires: **JUDY SCHOOLER**  
**Notary Public, State at Large, KY**  
**My commission expires July 11, 2018**  
**Notary ID # 512743**

## CERTIFICATE OF SERVICE

I hereby certify that on this 2<sup>nd</sup> day of May 2018, 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:

Wayne M. Irvin, Esq.  
Office of the Attorney General and Reporter  
Consumer Advocate and Protection Division  
P.O. Box 20207  
Nashville, TN 37202



Timothy J. Eifler



## Redemptions

### Optional Redemption.

(i) Whenever the Interest Rate Mode for the Bonds is the Auction Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, on the Business Day immediately succeeding any Auction Date (as defined in Appendix B attached hereto), at a redemption price of 100% of the principal amount thereof, together with accrued interest to the redemption date.

(ii) Whenever the Interest Rate Mode for the Bonds is the Daily Rate or the Weekly Rate, the Bonds will 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 any Business Day.

(iii) Whenever the Interest Rate Mode for a Bond is the Flexible Rate, such Bond will 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 that Bond.

(iv) Whenever the Interest Rate Mode for the Bonds is the Semi-Annual Rate, the Bonds will 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 Bonds is the Annual Rate, the Bonds will 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 the final Interest Payment Date for each Annual Rate Period.

(vi) Whenever the Interest Rate Mode for the Bonds is the Long Term Rate, the Bonds will be subject to redemption at the option of the Issuer, upon the written direction of the Company, in whole or in part, (A) on the final Interest Payment Date for the then current Long Term 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 in each case interest accrued, if any, to the redemption date:

<b>Original Length of Current Long Term Rate Period (Years)</b>	<b><u>Commencement of Redemption Period</u></b>	<b><u>Redemption Price as Percentage of Principal</u></b>
More than or equal to 10 years	First Interest Payment Date on or after the tenth anniversary of commencement of Long Term Rate Period	100%
Less than 10 years	Non-callable	Non-callable

Subject to certain conditions, including provision of an opinion of Bond Counsel that a change in the redemption provisions of the Bonds will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes, the redemption periods and redemption prices may be revised, effective as of the Conversion Date, the date of a change in the Long Term Rate Period or a Purchase Date on the final Interest Payment Date during a Long Term Rate Period, to reflect Prevailing Market Conditions on such date as determined by the Remarketing Agent in its judgment. Any such revision of the redemption periods and redemption prices will not be considered an amendment or a supplement to the Indenture and will not require the consent of any Bondholder or any other person or entity.

*Extraordinary Optional Redemption in Whole.* The Bonds may be redeemed by the Issuer in whole at any time at 100% of the principal amount thereof plus accrued interest to the redemption date upon the exercise by the Company of an option under the Loan Agreement to prepay the loan if any of the following events shall have occurred within 180 days preceding the giving of written notice by the Company to the Trustee of such election:

- (i) if in the judgment of the Company, unreasonable burdens or excessive liabilities have been imposed upon the Company after the issuance of the Bonds with respect to the Project or the operation thereof, including without limitation federal, state or other ad valorem property, income or other taxes not imposed on the date of the Loan Agreement, other than ad valorem taxes levied upon privately owned property used for the same general purpose as the Project;
- (ii) if the Project or a portion thereof or other property of the Company in connection with which the Project is used has been damaged or destroyed to such an extent so as, in the judgment of the Company, to render the Project or such other property of the Company in connection with which the Project is used unsatisfactory to the Company for its intended use, and such condition continues for a period of six months;
- (iii) there has occurred condemnation of all or substantially all of the Project or the taking by eminent domain of such use or control of the Project or other property of the Company in connection with which the Project is used so as, in the judgment of the Company, to render the Project or such other property of the Company unsatisfactory to the Company for its intended use;
- (iv) in the event changes, which the Company cannot reasonably control, in the economic availability of materials, supplies, labor, equipment or other properties or things necessary for the efficient operation of the Generating Station have occurred, which, in the judgment of the Company, render the continued operation of such Generating Station or any generating unit at such station uneconomical; or changes in circumstances after the issuance of the Bonds, including but not limited to changes in solid waste abatement, control and disposal requirements, have occurred such that the Company determines that use of the Project is no longer required or desirable;
- (v) the Loan Agreement has become void or unenforceable or impossible of performance by reason of any changes in the Constitution of the Commonwealth of Kentucky or the Constitution of the United States of America or by reason of legislative or administrative action (whether state or federal) or any final decree, judgment or order of any court or administrative body, whether state or federal; or

(vi) a final order or decree of any court or administrative body after the issuance of the Bonds requires the Company to cease a substantial part of its operation at the Generating Station to such extent that the Company will be prevented from carrying on its normal operations at such Generating Station for a period of six months.

Extraordinary Optional Redemption in Whole or in Part. The Bonds are also subject to redemption in whole or in part at 100% of the principal amount thereof plus accrued interest to the redemption date at the option of the Company in an amount not to exceed the net proceeds received from insurance or any condemnation award received by the Issuer or the Company in the event of damage, destruction or condemnation of all or a portion of the Project, subject to receipt of an opinion of Bond Counsel that such redemption will not adversely affect the exclusion of interest on any of the Bonds from gross income for federal income tax purposes. See "Summary of the Loan Agreement - Maintenance; Damage, Destruction and Condemnation." Such redemption may occur at any time, provided that if such event occurs while the Interest Rate Mode for the Bonds is the Flexible Rate or Semi-Annual Rate, such redemption must occur on a date on which the Bonds are otherwise subject to optional redemption as described above.

Mandatory Redemption; Determination of Taxability. The Bonds are required to be redeemed by the Issuer, in whole, or in such part as described below, at a redemption price equal to 100% of the principal amount thereof, without redemption premium, plus accrued interest, if any, to the redemption date, within 180 days following a "Determination of Taxability." As used herein, a "Determination of Taxability" means the receipt by the Trustee of written notice from a current or former registered owner of a Bond or from the Company or the Issuer of (i) the issuance of a published or private ruling or a technical advice memorandum by the Internal Revenue Service in which the Company participated or has been given the opportunity to participate, and which ruling or memorandum the Company, in its discretion, does not contest or from which no further right of administrative or judicial review or appeal exists, or (ii) a final determination from which no further right of appeal exists of any court of competent jurisdiction in the United States in a proceeding in which the Company has participated or has been a party, or has been given the opportunity to participate or be a party, in each case, to the effect that as a result of a failure by the Company to perform or observe any covenant or agreement or the inaccuracy of any representation contained in the Loan Agreement or any other agreement or certificate delivered in connection with the Bonds, the interest on the Bonds is included in the gross income of the owners thereof for federal income tax purposes, other than with respect to a person who is a "substantial user" or a "related person" of a substantial user within the meaning of the Section 147 of Internal Revenue Code of 1986, as amended (the "Code"); provided, however, that no such Determination of Taxability shall be considered to exist as a result of the Trustee receiving notice from a current or former registered owner of a Bond or from the Issuer unless (i) the Issuer or the registered owner or former registered owner of the Bond involved in such proceeding or action (A) gives the Company and the Trustee prompt notice of the commencement thereof, and (B) (if the Company agrees to pay all expenses in connection therewith) offers the Company the opportunity to control unconditionally the defense thereof, and (ii) either (A) the Company does not agree within 30 days of receipt of such offer to pay such expenses and liabilities and to control such defense, or (B) the Company shall exhaust or choose not to exhaust all available proceedings for the contest, review, appeal or rehearing of such decree, judgment or action which the Company determines to be appropriate. No Determination of Taxability described above will result from the inclusion of interest on any Bond in the computation of minimum or indirect taxes. All of the Bonds are required to be redeemed upon a Determination of Taxability as described above unless, in the opinion of Bond Counsel, redemption of a portion of

such Bonds would have the result that interest payable on the remaining Bonds outstanding after the redemption would not be so included in any such gross income.

In the event any of the Issuer, the Company or the Trustee has been put on notice or becomes aware of the existence or pendency of any inquiry, audit or other proceedings relating to the Bonds being conducted by the Internal Revenue Service, the party so put on notice is required to give immediate written notice to the other parties of such matters. Promptly upon learning of the occurrence of a Determination of Taxability (whether or not the same is being contested), or any of the events described above, the Company is required to give notice thereof to the Trustee and the Issuer.

If the Internal Revenue Service or a court of competent jurisdiction determines that the interest paid or to be paid on any Bond ( except to a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code) is or was includable in the gross income of the recipient for federal income tax purposes for reasons other than as a result of a failure by the Company to perform or observe any of its covenants, agreements or representations in the Loan Agreement or any other agreement or certificate delivered in connection therewith, the Bonds are not subject to redemption. In such circumstances, Bondholders would continue to hold their Bonds, receiving principal and interest at the applicable rate as and when due, but would be required to include such interest payments in gross income for federal income tax purposes. Also, if the lien of the Indenture is discharged or defeased prior to the occurrence of a final Determination of Taxability, Bonds will not be redeemed as described herein.

General Redemption Terms. Notice of redemption will be given by mailing a redemption notice conforming to the provisions and requirements of the Indenture by first class mail to the registered owners of the Bonds to be redeemed not less than 30 days (15 days if the Interest Rate Mode for the Bonds is the Auction Rate, Flexible Rate, Daily Rate or Weekly Rate) but not more than 45 days prior to the redemption date.

Any notice mailed as provided in the Indenture will be conclusively presumed to have been given, irrespective of whether the owner receives the notice. Failure to give any such notice by mailing or any defect therein in respect of any Bond will not affect the validity of any proceedings for the redemption of any other Bond. No further interest will accrue on the principal of any Bond called for redemption after the redemption date if funds sufficient for such redemption have been deposited with the Paying Agent as of the redemption date. If the provisions for discharging the Indenture set forth below under the caption, "Summary of the Indenture - Discharge of Indenture" have not been complied with, any redemption notice will state that it is conditional on there being sufficient moneys to pay the full redemption price for the Bonds to be redeemed. So long as the Bonds are held in book-entry-only form, all redemption notices will be sent only to Cede & Co.

# EXHIBIT 2

## Page 1 of 2

### KU Debt Analysis

#### KU - 2018 Callable Bonds

Comparison: Bonds Remain Outstanding vs. Refinancing With Tax-Exempt

#### Impact on Cash Flow

KU Carroll County 2007 Series A 17875000

#### BONDS REMAIN OUTSTANDING

Date	Principal Outstanding	Interest @ 5.750%	Amortization	Issue Expenses	Taxes	Total Cash Outlay	Present Value
01-Jun-18	17,875,000			0		0	0
01-Sep-18	17,875,000	256,953	8,490		(68,325)	188,628	187,422
01-Jun-19	17,875,000	770,859	25,469		(204,975)	565,884	551,549
01-Dec-19	17,875,000	513,906	16,980		(136,650)	377,256	363,012
01-Jun-20	17,875,000	513,906	16,980		(136,650)	377,256	358,385
01-Dec-20	17,875,000	513,906	16,980		(136,650)	377,256	353,816
01-Jun-21	17,875,000	513,906	16,980		(136,650)	377,256	349,306
01-Dec-21	17,875,000	513,906	16,980		(136,650)	377,256	344,853
01-Jun-22	17,875,000	513,906	16,980		(136,650)	377,256	340,457
01-Dec-22	17,875,000	513,906	16,980		(136,650)	377,256	336,117
01-Jun-23	17,875,000	513,906	16,980		(136,650)	377,256	331,832
01-Dec-23	17,875,000	513,906	16,980		(136,650)	377,256	327,602
01-Jun-24	17,875,000	513,906	16,980		(136,650)	377,256	323,426
01-Dec-24	17,875,000	513,906	16,980		(136,650)	377,256	319,303
01-Jun-25	17,875,000	513,906	16,980		(136,650)	377,256	315,233
01-Dec-25	17,875,000	513,906	16,980		(136,650)	377,256	311,214
01-Feb-26	0	171,302	5,660		(45,550)	125,752	102,416
TOTAL		<u>7,879,896</u>	<u>260,353</u>	<u>0</u>	<u>(2,095,300)</u>	<u>5,784,596</u>	<u>5,215,944</u>
NPV							

#### Comparison: Bonds Remain Outstanding vs. Refinancing With Tax-Exempt

Interest @ 3.625%	45 Days Til Redemption 5.750%	Debt Expense Amortization (1)	Issue Expenses	Taxes (2)	Total Cash Outlay	Present Value	Periodic (Cost) or SAVINGS from Refunding	Present Value Factor	Present Value SAVINGS
256,953	128,477	8,490	440,029	0	724,064	719,434	(535,435)	0.99361	(532,012)
485,977		68,989		(142,848)	343,129	334,436	222,756	0.97467	217,113
323,984		45,992		(95,232)	228,752	220,115	148,504	0.96224	142,897
323,984		45,992		(95,232)	228,752	217,309	148,504	0.94998	141,075
323,984		45,992		(95,232)	228,752	214,539	148,504	0.93787	139,277
323,984		45,992		(95,232)	228,752	211,804	148,504	0.92591	137,501
323,984		45,992		(95,232)	228,752	209,104	148,504	0.91411	135,749
323,984		45,992		(95,232)	228,752	206,439	148,504	0.90246	134,018
323,984		45,992		(95,232)	228,752	203,807	148,504	0.89095	132,310
323,984		45,992		(95,232)	228,752	201,209	148,504	0.87959	130,623
323,984		45,992		(95,232)	228,752	198,644	148,504	0.86838	128,958
323,984		45,992		(95,232)	228,752	196,112	148,504	0.85731	127,314
323,984		45,992		(95,232)	228,752	193,612	148,504	0.84638	125,691
323,984		45,992		(95,232)	228,752	191,144	148,504	0.83559	124,089
323,984		45,992		(95,232)	228,752	188,707	148,504	0.82494	122,507
107,995		10,495		(30,499)	77,495	63,114	48,257	0.81443	39,301
<u>5,062,721</u>	<u>128,477</u>	<u>685,875</u>	<u>440,029</u>	<u>(1,512,759)</u>	<u>4,118,468</u>	<u>3,769,532</u>	<u>1,666,128</u>		<u>1,446,412</u>

(1) Debt Amortization Expense includes issuing costs of new series .

(2) Tax calculation based on interest expense and the amortization of new issue debt expense.

#### Assumptions

#### KU - 2018 Callable Bonds

Comparison: Bonds Remain Outstanding vs. Refinancing With Tax-Exempt

JP Morgan Indicative Rate 3.400%  
90% of 25bps June Increase 0.225%  
Tax-Exempt Rate 3.625%

Principal	Maturity Date	# of Months	Amort./Month	Amort/6 Months	Issuance Cost	Monthly Amort.	6 Months
\$ 17,875,000	2/1/2026	91	4,835	29,013	440,029	4,835	29,013

Bond Issue Costs	0.50%	\$89,375	LG&E \$60MM Is \$ 657,373.66
Underwriting	0.500%		Less Underwriti \$ (306,719.89)
			\$ 350,653.77
			Underwriter \$ 89,375.00
			\$ 440,028.77

#### MISCELLANEOUS

Tax rate	25.740%
Pre Tax Cost of Debt	3.50%
Discount rate	2.60%

#### Income Statement Impact

	Bonds Remain Outstanding		Refinancing With Tax-Exempt		Variance	
	2018	2019	2018	2019	2018	2019
Write-Off	0	0	0	0	0	0
Interest	(256,953)	(1,284,766)	(256,953)	(809,961)	0	474,805
Amortization	(16,980)	(33,959)	(25,469)	(148,940)	(8,490)	(114,981)
Taxes @25.74%	<u>70,510</u>	<u>339,440</u>	<u>72,696</u>	<u>246,821</u>	<u>2,185</u>	<u>(92,619)</u>
Net Income	(203,422)	(979,285)	(209,727)	(712,080)	(6,304)	267,205
	Monthly		Unamortized Balance			
Unamortized Debt						
17.9MM	928	85,732				
8.9MM	447	99,713				
Loss on Required Debt						
17.9MM	1,902	175,563				
8.9MM	971	204,349				

KU  
Debt Analysis

**KU - 2018 Callable Bonds**

Comparison: Bonds Remain Outstanding vs. Refinancing

**Impact on Cash Flow**

KU Trimble County 2007 St 8927000

PROPOSED FINANCING													PRESENT VALUE ANALYSIS					
BONDS REMAIN OUTSTANDING						Comparison: Bonds Remain Outstanding vs. Refinancing												
Date	Principal Outstanding	Interest @ 6.000%	Amortization	Issue Expenses	Taxes	Total Cash Outlay	Present Value	Interest @ 4.225%	45 Days Till Redemption 6.000%	Debt Expense Amortization (1)	Issue Expenses	Taxes (2)	Total Cash Outlay	Present Value	Periodic (Cost) or SAVINGS from Refunding	Present Value Factor	Present Value SAVINGS	
01-Jun-18	8,927,000			0		0	0					0	0	0	0	1.00000	0	
01-Sep-18	8,927,000	133,905	4,255		(35,562)	98,343	97,586	133,905	66,953	4,255	395,289	(52,796)	543,350	539,170	(445,008)	0.99231	(441,584)	
01-Jun-19	8,927,000	401,715	12,766		(106,687)	295,028	286,053	282,874		51,860		(86,161)	196,714	190,729	98,314	0.96958	95,323	
01-Dec-19	8,927,000	267,810	8,511		(71,125)	196,685	187,779	188,583		34,574		(57,440)	131,142	125,204	65,543	0.95472	62,575	
01-Jun-20	8,927,000	267,810	8,511		(71,125)	196,685	184,901	188,583		34,574		(57,440)	131,142	123,285	65,543	0.94008	61,616	
01-Dec-20	8,927,000	267,810	8,511		(71,125)	196,685	182,067	188,583		34,574		(57,440)	131,142	121,395	65,543	0.92568	60,671	
01-Jun-21	8,927,000	267,810	8,511		(71,125)	196,685	179,276	188,583		34,574		(57,440)	131,142	119,535	65,543	0.91149	59,741	
01-Dec-21	8,927,000	267,810	8,511		(71,125)	196,685	176,528	188,583		34,574		(57,440)	131,142	117,702	65,543	0.89752	58,826	
01-Jun-22	8,927,000	267,810	8,511		(71,125)	196,685	173,822	188,583		34,574		(57,440)	131,142	115,898	65,543	0.88376	57,924	
01-Dec-22	8,927,000	267,810	8,511		(71,125)	196,685	171,158	188,583		34,574		(57,440)	131,142	114,122	65,543	0.87021	57,036	
01-Jun-23	8,927,000	267,810	8,511		(71,125)	196,685	168,534	188,583		34,574		(57,440)	131,142	112,373	65,543	0.85687	56,162	
01-Dec-23	8,927,000	267,810	8,511		(71,125)	196,685	165,951	188,583		34,574		(57,440)	131,142	110,650	65,543	0.84374	55,301	
01-Jun-24	8,927,000	267,810	8,511		(71,125)	196,685	163,408	188,583		34,574		(57,440)	131,142	108,954	65,543	0.83081	54,453	
01-Dec-24	8,927,000	267,810	8,511		(71,125)	196,685	160,903	188,583		34,574		(57,440)	131,142	107,284	65,543	0.81807	53,619	
01-Jun-25	8,927,000	267,810	8,511		(71,125)	196,685	158,437	188,583		34,574		(57,440)	131,142	105,640	65,543	0.80553	52,797	
01-Dec-25	8,927,000	267,810	8,511		(71,125)	196,685	156,008	188,583		34,574		(57,440)	131,142	104,021	65,543	0.79319	51,988	
01-Jun-26	8,927,000	267,810	8,511		(71,125)	196,685	153,617	188,583		34,574		(57,440)	131,142	102,426	65,543	0.78103	51,191	
01-Dec-26	8,927,000	267,810	8,511		(71,125)	196,685	151,262	188,583		34,574		(57,440)	131,142	100,856	65,543	0.76906	50,406	
01-Jun-27	8,927,000	267,810	8,511		(71,125)	196,685	148,944	188,583		34,574		(57,440)	131,142	99,310	65,543	0.75727	49,634	
01-Dec-27	8,927,000	267,810	8,511		(71,125)	196,685	146,661	188,583		34,574		(57,440)	131,142	97,788	65,543	0.74566	48,873	
01-Jun-28	8,927,000	267,810	8,511		(71,125)	196,685	144,413	188,583		34,574		(57,440)	131,142	96,289	65,543	0.73423	48,124	
01-Dec-28	8,927,000	267,810	8,511		(71,125)	196,685	142,199	188,583		34,574		(57,440)	131,142	94,813	65,543	0.72298	47,386	
01-Jun-29	8,927,000	267,810	8,511		(71,125)	196,685	140,020	188,583		34,574		(57,440)	131,142	93,360	65,543	0.71190	46,660	
01-Dec-29	8,927,000	267,810	8,511		(71,125)	196,685	137,874	188,583		34,574		(57,440)	131,142	91,929	65,543	0.70099	45,945	
01-Jun-30	8,927,000	267,810	8,511		(71,125)	196,685	135,760	188,583		34,574		(57,440)	131,142	90,520	65,543	0.69024	45,240	
01-Dec-30	8,927,000	267,810	8,511		(71,125)	196,685	133,679	188,583		34,574		(57,440)	131,142	89,133	65,543	0.67966	44,547	
01-Jun-31	8,927,000	267,810	8,511		(71,125)	196,685	131,630	188,583		34,574		(57,440)	131,142	87,766	65,543	0.66924	43,864	
01-Dec-31	8,927,000	267,810	8,511		(71,125)	196,685	129,613	188,583		34,574		(57,440)	131,142	86,421	65,543	0.65899	43,192	
01-Jun-32	8,927,000	267,810	8,511		(71,125)	196,685	127,626	188,583		34,574		(57,440)	131,142	85,096	65,543	0.64889	42,530	
01-Dec-32	8,927,000	267,810	8,511		(71,125)	196,685	125,670	188,583		34,574		(57,440)	131,142	83,792	65,543	0.63894	41,878	
01-Jun-33	8,927,000	267,810	8,511		(71,125)	196,685	123,744	188,583		34,574		(57,440)	131,142	82,508	65,543	0.62915	41,236	
01-Dec-33	8,927,000	267,810	8,511		(71,125)	196,685	121,847	188,583		34,574		(57,440)	131,142	81,243	65,543	0.61950	40,604	
01-Jun-34	8,927,000	267,810	8,511		(71,125)	196,685	119,979	188,583		34,574		(57,440)	131,142	79,998	65,543	0.61001	39,982	
01-Dec-34	8,927,000	267,810	8,511		(71,125)	196,685	118,140	188,583		34,574		(57,440)	131,142	78,772	65,543	0.60066	39,369	
01-Jun-35	8,927,000	267,810	8,511		(71,125)	196,685	116,330	188,583		34,574		(57,440)	131,142	77,564	65,543	0.59145	38,765	
01-Dec-35	8,927,000	267,810	8,511		(71,125)	196,685	114,547	188,583		34,574		(57,440)	131,142	76,375	65,543	0.58239	38,171	
01-Jun-36	8,927,000	267,810	8,511		(71,125)	196,685	112,791	188,583		34,574		(57,440)	131,142	75,205	65,543	0.57346	37,586	
01-Dec-36	8,927,000	267,810	8,511		(71,125)	196,685	111,062	188,583		34,574		(57,440)	131,142	74,052	65,543	0.56467	37,010	
01-Mar-37	0	133,905	4,255		(35,562)	98,343	55,104	94,291		10,771		(27,043)	67,248	37,681	31,094	0.56032	17,423	
TOTAL						10,042,875	319,147	0	(2,667,184)	7,375,691			5,397,296		1,978,394		1,376,061	
NPV										5,554,922				4,178,862				

(1) Debt Amortization Expense includes issuing costs of new series.

(2) Tax calculation based on interest expense and the amortization of new issue debt expense.

**Assumptions**

**KU - 2018 Callable Bonds**

Comparison: Bonds Remain Outstanding vs. Refinancing

JP Morgan Indicative Rate 4.000%  
90% of 25bps June Increas 0.225%  
Tax-Exempt Rate 4.225%

Principal	Maturity Date	# of Months	Issuance Cost	Monthly Amort.	6 Months
\$ 8,927,000	2/1/2026	91	395,289	4,344	26,063

Bond Issue Costs	0.500%	\$44,635	LG&E \$60MM Issuan	\$ 657,373.66
Underwriting			Less Underwriting	\$ (306,719.89)
				\$ 350,653.77
			Underwriter	\$ 44,635.00
				\$ 395,288.77

**MISCELLANEOUS**

Tax rate	25.740%
Pre Tax Cost of Debt	4.233%
Discount rate	3.14%

**Income Statement Impact**

	Bonds Remain Outstanding		Refinancing With Tax-Exempt		Variance	
	2018	2019	2018	2019	2018	2019
Write-Off	0	0	0	0	0	0
Interest	(133,905)	(669,525)	(133,905)	(471,457)	0	198,068
Amortization	(8,511)	(17,021)	(12,766)	(103,455)	(4,255)	(86,434)
Taxes @25.74%	36,658	176,717	37,753	147,982	1,095	(28,735)
Net Income	(105,758)	(509,829)	(108,918)	(426,930)	(3,160)	82,899

**Monthly Unamortized Balance**

Unamortized Debt		
17.9MM	928	85,732
8.9MM	447	99,713
Loss on Required Debt		
17.9MM	1,902	175,563
8.9MM	971	204,349

*Capital Expenditures*

The table below shows the Registrants' current capital expenditure projections for the years 2018 through 2022. Expenditures for the domestic regulated utilities are expected to be recovered through rates, pending regulatory approval.

	Total	Projected					
		2018 (b)	2019	2020	2021	2022	
KU							
Generating facilities	\$ 484	\$ 111	\$ 145	\$ 89	\$ 110	\$ 29	
Distribution facilities	615	124	123	127	128	113	
Transmission facilities	709	117	133	154	185	120	
Environmental	493	253	108	53	40	39	
Other	332	61	99	95	56	21	
Total Capital Expenditures	\$ 2,633	\$ 666	\$ 608	\$ 518	\$ 519	\$ 322	

**KENTUCKY UTILITIES COMPANY****A DESCRIPTION OF APPLICANT'S PROPERTY, INCLUDING A  
STATEMENT OF THE NET ORIGINAL COST OF THE PROPERTY  
AND THE COST THEREOF TO APPLICANT**

February 28, 2018

The applicant's generating, transmission and distribution systems described herein are calculated annually. As of December 31, 2017, the applicant had ownership in 10 and operated 7 coal fired steam electric generating units having a total capacity of 3,098 Mw; owned and operated a hydroelectric generating station having a total capacity of 32 Mw; had ownership in and operated a solar powered generating station having a total capacity of 5 Mw; and had ownership in 17 and operated 9 gas/oil peaking units having a total capacity of 1,962 Mw.

The applicant's owned electric transmission system included 142 substations (60 of which are shared with the distribution system) with a total capacity of 14 million kVA and 4,066 pole miles of lines. The electric distribution system included 469 substations (60 of which are shared with the transmission system) with a total capacity of 7 million kVA, 14,016 circuit miles of overhead lines, and 2,484 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 applicant at February 28, 2018, was:



	<u>Utility Plant</u>
Original Cost	
Production Plant	\$ 6,230,467,125
Distribution Plant	1,823,610,450
Transmission Plant	925,465,833
General Plant	197,299,912
Intangible Plant	117,716,296
Construction Work in Progress	<u>350,034,707</u>
Total Plant at Original Cost	\$ 9,644,594,324
Less Reserve for Depreciation	<u>2,867,887,633</u> *
Net Original Cost	<u><u>\$ 6,776,706,691</u></u>

\* Excludes \$396,421,289 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.

**KENTUCKY UTILITIES COMPANY**

**FINANCIAL EXHIBIT**

February 28, 2018

- (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, September 1, 2015 and August 1, 2016.)

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 the amount of interest paid thereon during the last fiscal year.

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, 2017	Interest Expense Year Ended December 31, 2017
Pollution Control Bonds					
05/19/00	05/01/23	Variable	\$ 12,900,000	\$ 12,900,000	\$ 115,603
05/23/02	02/01/32	Variable	20,930,000	20,930,000	197,308
05/23/02	02/01/32	Variable	2,400,000	2,400,000	22,641
05/23/02	02/01/32	Variable	7,400,000	7,400,000	68,404
05/23/02	02/01/32	Variable	7,200,000	2,400,000	22,509
08/25/16	09/01/42	1.05%	96,000,000	96,000,000	1,008,000
10/20/04	10/01/34	Variable	50,000,000	50,000,000	448,821
02/23/07	10/01/34	Variable	54,000,000	54,000,000	483,516
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	701,597
			<u>\$ 355,579,405</u>	<u>\$ 350,779,405</u>	<u>\$ 4,631,832</u>
First Mortgage Bonds					
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	9,655,380
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>11,923,556</u>
			<u>\$ 2,000,000,000</u>	<u>\$ 2,000,000,000</u>	<u>\$ 86,457,732</u>

Commercial Paper outstanding as of February 28, 2018 consists of the following:

<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>	<u>Average Interest Rate</u>
Various	Various	\$ 52,041,000	1.86%

There are no additional notes outstanding as of February 28, 2018.<sup>1</sup>

- (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)

2013	\$124,000,000
2014	\$148,000,000
2015	\$153,000,000
2016	\$248,000,000
2017	\$226,000,000

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

2013	\$2,437,295,661
2014	\$2,599,430,441
2015	\$2,679,352,744
2016	\$2,716,574,965
2017	\$2,749,496,925

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

Monthly Financial and Operating Reports are filed each month with the Kentucky Public Service Commission. Attached are detailed Statements of Income, Balance Sheets and Retained Earnings for the Company for the period ending February 28, 2018.

<sup>1</sup> 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.

**Kentucky Utilities Company**  
**Statement of Income**  
**February 28, 2018**

	Year Ended 2/28/2018
Electric Operating Revenues.....	\$ 1,777,924,385.09
Rate Refunds.....	-
Total Operating Revenues.....	<u>1,777,924,385.09</u>
Fuel for Electric Generation.....	495,554,365.80
Power Purchased.....	41,755,450.25
Other Operation Expenses.....	289,677,092.81
Maintenance.....	122,992,131.60
Depreciation.....	242,667,921.62
Amortization Expense.....	16,510,042.89
Regulatory Debits.....	1,257,586.33
Regulatory Credits.....	-
Taxes	
Federal Income.....	(13,928,670.14)
State Income.....	7,438,411.36
Deferred Federal Income - Net.....	144,326,205.16
Deferred State Income - Net.....	16,400,564.20
Property and Other.....	42,188,162.64
Investment Tax Credit.....	10,450.00
Loss (Gain) from Disposition of Allowances.....	<u>(62,981.72)</u>
Total Operating Expenses.....	<u>1,406,786,732.80</u>
Net Operating Income.....	371,137,652.29
Other Income Less Deductions	
Amortization of Investment Tax Credit.....	1,991,238.00
Other Income Less Deductions.....	(1,399,016.38)
AFUDC - Equity.....	<u>344,949.06</u>
Total Other Income Less Deductions.....	<u>937,170.68</u>
Income Before Interest Charges.....	<u>372,074,822.97</u>
Interest on Long-Term Debt.....	91,287,066.89
Amortization of Debt Expense - Net.....	3,246,211.70
Other Interest Expenses.....	2,596,727.80
AFUDC - Borrowed Funds.....	<u>(154,659.39)</u>
Total Interest Charges.....	<u>96,975,347.00</u>
Net Income.....	<u><u>\$ 275,099,475.97</u></u>

**Kentucky Utilities Company**  
**Balance Sheet as of February 28, 2018**

Assets		Liabilities and Proprietary Capital	
Utility Plant		Proprietary Capital	
Utility Plant at Original Cost.....	\$ 9,644,594,324.11	Common Stock.....	\$ 308,139,977.56
Less: Reserves for Depreciation and Amortization.....	<u>3,263,497,377.16</u>	Less: Common Stock Expense.....	321,288.87
		Paid-In Capital.....	583,858,083.00
Total.....	<u>6,381,096,946.95</u>	Other Comprehensive Income.....	0.01
		Retained Earnings.....	<u>1,922,625,546.60</u>
Investments		Total Proprietary Capital.....	<u>2,814,302,318.30</u>
Electric Energy, Inc.....	-	Other Long-Term Debt.....	<u>2,342,299,731.01</u>
Ohio Valley Electric Company.....	250,000.00	Total Long-Term Debt.....	<u>2,342,299,731.01</u>
Nonutility Property-Less Reserve.....	178,713.89	Total Capitalization.....	<u>5,156,602,049.31</u>
Special Fund.....	<u>9,758,663.12</u>		
Total.....	<u>10,187,377.01</u>		
Current and Accrued Assets		Current and Accrued Liabilities	
Cash.....	11,702,222.38	Notes Payable.....	52,033,278.82
Special Deposits.....	-	Accounts Payable.....	118,648,869.17
Temporary Cash Investments.....	182,538.56	Accounts Payable to Associated Companies.....	37,825,110.22
Accounts Receivable-Less Reserve.....	279,597,901.80	Customer Deposits.....	30,856,914.06
Accounts Receivable from Associated Companies.....	33,595.87	Taxes Accrued.....	29,330,548.37
Materials and Supplies-At Average Cost		Interest Accrued.....	30,859,620.86
Fuel.....	48,241,274.72	Dividends Declared.....	-
Plant Materials and Operating Supplies.....	49,443,959.06	Miscellaneous Current and Accrued Liabilities.....	<u>23,175,118.84</u>
Stores Expense.....	11,728,554.88		
Emission Allowances.....	130,773.06	Total.....	<u>322,729,460.34</u>
Prepayments.....	18,918,286.97		
Miscellaneous Current and Accrued Assets.....	<u>-</u>		
Total.....	<u>419,979,107.30</u>	Deferred Credits and Other	
		Accumulated Deferred Income Taxes.....	1,053,661,822.46
Deferred Debits and Other		Investment Tax Credit.....	93,485,551.57
Unamortized Debt Expense.....	18,004,137.94	Regulatory Liabilities.....	762,389,798.57
Unamortized Loss on Bonds.....	8,740,282.11	Customer Advances for Construction.....	1,006,731.64
Accumulated Deferred Income Taxes.....	362,371,175.48	Asset Retirement Obligations.....	234,279,594.20
Deferred Regulatory Assets.....	417,509,660.31	Other Deferred Credits.....	4,798,890.21
Other Deferred Debits.....	<u>52,059,042.74</u>	Miscellaneous Long-Term Liabilities.....	3,421,396.66
		Accum Provision for Pension & Postretirement Benefits...	<u>37,572,434.88</u>
Total.....	<u>858,684,298.58</u>	Total.....	<u>2,190,616,220.19</u>
Total Assets.....	<u>\$ 7,669,947,729.84</u>	Total Liabilities and Stockholders Equity.....	<u>\$ 7,669,947,729.84</u>

**Kentucky Utilities Company**  
**Analysis of Retained Earnings**  
**February 28, 2018**

	<u>Year Ended 2/28/18</u>
Balance at Beginning of Period.....	\$ 1,803,526,070.63
Add:	
Net Income for Period.....	275,099,475.97
Deduct:	
Common Dividends	
Common Stock Without Par Value.....	156,000,000.00
Balance at End of Period.....	<u><u>\$ 1,922,625,546.60</u></u>