

# Kentucky Municipal Energy Agency (KY)

## All-Requirements Project Obligations

### Full Rating Report

#### Ratings

##### Outstanding Obligations

All-Requirements Project Obligations A

#### Rating Outlook

Stable

#### Key Utility Statistics

(As of Fiscal Year Ended Dec. 31, 2016)

System Type	Wholesale Electric
NERC Region	SERC
Number of Participating Members	8
Annual Revenue (\$Mil.)	N.A.
Top Wholesale Member (% of Revenue)	54
Primary Fuel Source	Purchased Coal/ Natural Gas
Peak Demand (MW)	269
Energy Growth (%)	1
Debt Service Coverage (x)	N.A.
Days Operating Cash	N.A.
Equity/Capitalization (%)	N.A.

N.A. – Not available. MW – Megawatts.

#### Related Research

[2017 Outlook: U.S. Public Power and Electric Cooperative Sector \(December 2016\)](#)

[U.S. Public Power \(Peer Study\) \(June 2016\)](#)

[2016 Fitch Analytical Comparative Tool \(FACT\) – Public Power \(June 2016\)](#)

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#### Key Rating Drivers

**Rating Driven by Largest Member:** The Kentucky Municipal Energy Agency (KY) (KyMEA) is a newly created joint action agency. The rating on KyMEA's all-requirements project (ARP) obligations primarily reflects the credit quality of the largest member, the Electric and Water Plant Board of Frankfort, KY (FPB) and its ability to support the ARP obligations. Rate-setting requirements pursuant to power sales contracts (PSCs) provide a de-facto unlimited step-up broadening support from FPB and the other seven project members (ARP members).

**Stable Member Risk Profile:** FPB's credit quality is supported by strong and stable performance of its electric and water systems, serving approximately 40,000 customers throughout Frankfort and surrounding counties. FPB's meaningful telecommunications division introduces heightened revenue variability and risk to the multi-utility system but consolidated leverage of 5.7x adjusted debt/funds available for debt service (FADS) and liquidity of 139 days cash are sufficient to offset the additional risk at the current rating.

**Stable Member Service Area:** As the capital of Kentucky and the seat of Franklin County, the Frankfort-area economy is dominated by commonwealth and local government, providing a base for stable, albeit modest growth. Although employment metrics throughout Franklin County improved in recent years, median household income remains well below the national average which could limit demand growth and rate flexibility.

**Limited, Flexible Obligations:** KyMEA's ARP obligations are initially limited to payments required under three multiyear purchase power agreements (PPA) and other amounts necessary to secure member power requirements. Each of KyMEA's contracts provides meaningful flexibility to adjust capacity obligations and extend tenor. No debt is currently planned.

**Power Supply Counterparty Risk:** Initial PPAs will include two counterparties, Big Rivers Electric Cooperative (BREC; BB/Stable) and Illinois Power Marketing Company (IPMC), both exhibiting below investment grade characteristics, exposing KyMEA and members to meaningful counterparty risk. The risk is partially mitigated by a letter of credit support and the three-year tenor of the IPMC contract.

#### Rating Sensitivities

**Change in Member Credit Quality:** The rating of the KyMEA ARP obligations is driven by the credit quality of the largest member, FPB. Changes in the credit quality of FPB will have a corresponding effect on the rating of KyMEA.

**Credit Profile**

**Issuer Rating History**

Rating	Action	Outlook/ Watch	Date
A	Assigned	Stable	4/14/17

**Issuer Background**

KyMEA was formed in 2015 for the purpose of assisting its 11 member municipal electric systems in serving current and future power and energy requirements. The scope of the agency’s planned services is expected to include power supply and transmission, scheduling, dispatching and market services.

Eight of the 11 KyMEA members elected to create a separate project, known as the AR project. Pursuant to the AR project terms KyMEA will supply, and the eight members will purchase, all power and energy needed to meet the respective retail requirements beginning May 1, 2019.

All of the ARP members executed PSCs collectively obligating the systems to provide revenue sufficient to allow KyMEA to meet ARP obligations, including those related to power procurement, administration and prospective debt issuance. Rate-setting provisions included in the PSCs obligate the ARP members to set and maintain retail electric rates at levels sufficient to meet obligations to KyMEA. The agency is required to continuously set and maintain rates sufficient to meet revenue requirements, providing a de-facto unlimited step-up in the event of member default.

PSC evergreen provisions allow for terms of unlimited duration, subject to a provision providing a member the right to terminate a PSC upon giving a five-year notice. The PSCs provide no termination may occur prior to May 31, 2024. Notwithstanding the termination provision, members would remain responsible for a share of contracted or acquired resource obligations after termination.

**Governance and Management**

The agency is governed by an 11-member board of directors. Each member appoints a director and alternate director from a governing body or the senior management team of a member utility system. Although each director casts one vote, the agency’s Inter-local Agreement includes provisions for weighted votes under certain circumstances to promote cooperative decision making. There are no term limits for directors but the elected chairman and vice chairman are limited to three consecutive two-year terms.

The Inter-local Agreement further provides for project committees to be created to oversee the operations of specific projects created by the agency, including the AR project. The AR project committee will include one representative from each ARP member and make most of the decisions pertaining to the AR project in the future. Voting provisions are similarly designed to promote cooperative decision making yet preclude FPB from directing weighted votes as the largest member. Any decisions related to financing at the AR project, or any future project, are subject to approval by the KyMEA board of directors.

The KyMEA board anticipates hiring a general manager and two other managers to oversee finance, resource portfolio operations and risk control but responsibilities for the agency’s scheduling, dispatching and market trading will be outsourced to qualified and nationally recognized third parties.

**Business and Financial Strategy**

The formation of KyMEA is rooted in the desire of the member utilities to exercise significantly greater control over power supply programs, including cost management. All eight of the

**Related Criteria**

- [U.S. Public Power Rating Criteria \(March 2015\)](#)
- [Revenue-Supported Rating Criteria \(June 2014\)](#)

**Criteria Deviations**

None

ARP members have been wholesale customers of the Kentucky Utilities Company (KU), a subsidiary of PPL Corporation, for more than four decades. In the spring of 2014, the members provided notice of an intent to terminate service effective on May 1, 2019 pursuant to the terms of existing contracts. Although KU was historically a low-cost provider and a cooperative partner, increasing power costs at KU, and a series of ownership changes, drove the relationship to be less compelling for the members over time.

Working together through KyMEA, the members expect to realize the benefits of economies of scale related to planning, contracting and power supply resources while benefitting from customer-focused decision making. The efforts of KyMEA in recent years are largely focused on identifying a preferred course for power supply, undertaking a series of requests for proposal and executing the necessary contracts to enable strategy. As KyMEA enters the next phase of development, the agency expects to refine the power supply resource portfolio, complete staffing along with the selection of third-party vendors and draft and adopt initial AR budgets and rates ahead of the May 1, 2019 power supply transition.

KyMEA's financial profile is expected to be modest through the foreseeable future given an initial strategy of purchasing power supplies to meet ARP member needs. For more details review the section *Assets and Operations* below. All of KyMEA's power procurement expenses will be recovered from the ARP members on a monthly basis, with liquidity provided by staggered payment dates, a prospective line of credit and cash reserves as they accumulate. No long-term debt is anticipated at this time.

### Total Customers by Municipal System

Municipal System	Retail Electric Customers
Barbourville	4,081
Bardwell	517
Benham	300
Berea	5,178
Corbin	4,106
Frankfort	20,932
Falmouth	988
Madisonville	8,265
Paris	3,220
Providence	1,399
<b>Total Customers</b>	<b>48,986</b>

Source: Kentucky Municipal Energy Agency.

### Customer Profile and Service Area

The eight ARP members are geographically dispersed throughout the Commonwealth of Kentucky and vary in size. KyMEA's largest ARP member, FPB, serves the City of Frankfort and surrounding areas, and has experienced stable, albeit modest, economic growth in recent years. The remaining ARP members all serve relatively small cities. Aside from Frankfort and broader Franklin County, the areas are predominately rural with regional economies dependent upon light manufacturing, regional health facilities and agriculture. Collectively, the ARP members serve approximately 43,500 electric customers and a total population of 92,000.

The agency will rely heavily on FPB, which is expected to account for approximately 54% of the AR project's revenue. Madisonville a city of 19,500 residents with a financially strong electric system, will account for an additional 23% of AR project revenue and provide additional support. The remaining electric systems members all serve fewer than 5,000 customers and will account for less than 7% of expected KyMEA energy sales.

### The Electric and Water Plant Board of Frankfort, KY

FPB's role as the largest participant in KyMEA is highly supportive of the agency's credit quality. FPB is an enterprise fund of the City of Frankfort, which provides electric, water and telecommunications services throughout the city, and to portions of Franklin, Shelby and Woodford Counties. FPB is governed by a five-member board appointed by the mayor and approved by the city commissioners.

Frankfort is the capital of Kentucky, and is located north of the I-64 corridor between the larger cities of Louisville and Lexington. The city's population and regional economy expanded steadily, although modestly, in recent years providing reasonable underpinning for utility demand. The city's population grew 1.8% to 27,830 in 2015 from 27,321 in 2010, trailing growth throughout the commonwealth and Franklin County, which grew 4.5%. The system's service area encompasses approximately 48,000 people.

The city and regional economy are dominated by commonwealth and local government, accounting for nearly half of the jobs in Franklin County. A range of small manufacturers support economic activity, including three bottlers of distilled liquor, which are among the four largest private employers in the county. Unemployment throughout the county declined along with national and state trends to 4.4% in 2015 from 9.0% in 2009. However, household income throughout the county, and Kentucky in general, remains well below the national average, challenging revenue and demand growth. Median household income throughout Franklin County was \$47,964 in 2015, 13% more than the average in the Commonwealth of Kentucky, yet only 82% of the national average.

FPB provides electric, water and telecommunications services to a range of retail customers, many of which receive all three services. Each utility segment within FPB is budgeted and accounted for separately but no legal separations exist.

The electric system customer base is predominately residential but roughly 54.0% of energy sales are to industrial customers including commonwealth and local government. Sales to the Commonwealth of Kentucky, which account for 12.3% of electric revenue and 10.3% of energy sales, expose FPB to customer concentration risk. Concerns of concentration are mitigated by the stability of governmental operations. Other industrial exposures include a number of plastics and auto parts manufacturers although individual exposures are limited to less than 6.0% of revenue and energy sales.

Energy sales and customers at FPB remained relatively flat since 2011 after falling during the last recession. Total energy sales declined 2.3% over the five-year period with variations driven largely by weather and energy efficiency initiatives. Residential sales represent 32.0% of energy sales in 2015 providing further stability.

FPB's current power and energy requirements are met through an all-requirements contract with KU extending until May 1, 2019 and will be replaced by the arrangement with KyMEA. Costs for wholesale power and transmission service under the contract have historically been competitive by regional and national standards, but have increased to an estimated \$71/MWh in 2017 from \$60/MWh in 2012. Costs incurred under the KU contract are generally passed through to retail users, subject to board approval. Despite the trend of higher wholesale power costs, average retail rates at FPB of 8.00 cents/kWh remain below the Kentucky weighted average of 8.14 cents/kWh, offering reasonable rate flexibility.

FPB's water operations are relatively stable, modest and account for only 10% of consolidated revenue. The system serves approximately 16,000 retail customers throughout Franklin and Woodford Counties and provides wholesale water to six water districts and one municipal system. Raw water supply is drawn from the Kentucky River and treated at FPB's water treatment plant. FPB's access to water supply is plentiful, even during periods of drought. Treatment capacity of 18.0 millions of gallons daily (MGD) is well in excess of average daily usage of 6.3 MGD. The system's water storage capabilities are also adequate at 16.1 millions of gallons still plans to replace the reservoir are underway. For details, review the section on *Financial Performance* below.

FPB's cable telecommunications division accounts for a meaningful 29% of consolidated revenue and exposes the consolidated utility to a higher degree of business risk and revenue volatility. Although the division is highly profitable and financially self-sustaining, the system product offerings of cable, broadband and telephone are subject to competitive pressures absent in the electric and water divisions, reducing revenue defensibility.

## Remaining ARP Members

The remaining ARP members are smaller than Frankfort and experience the same steady, modest economic growth. The commonwealth's population has grown steadily over the last five years at 1.3% along with real GDP of 3.8%, providing a reasonable basis for demand. The cities served by KyMEA are isolated from the decline of the coal industry but rely on manufacturing, particularly auto-related manufacturing that has been attracted by lower labor costs. Median household income, poverty levels and educational attainment levels, although improved over the last five years, still lag national averages.

The combined energy requirements of all eight ARP members remained largely unchanged since 2012, reflecting a range of factors including modest economic growth and energy efficiency initiatives. Expectations for future load growth are extremely limited.

Customer diversity is very strong across the ARP members as approximately 80% of the retail customers served are residential. Energy sales, among the three largest ARP members, including FPB, are more evenly distributed among the sectors of residential at 32.0%, commercial at 30.0% and industrial at 38.0%. State and local government users in Frankfort should account for roughly 5.4% of KyMEA's aggregate energy sales, with no other meaningful sales concentration on an aggregate basis.

## Member Sales Information — Kentucky Municipal Energy Agency

	2012	2013	2014	2015	2016
<b>Frankfort, KY (FPB)</b>					
Peak Demand (MW)	149	141	143	150	139
Growth Rate (%)	—	(5.4)	1.4	4.9	(7.3)
Total Energy Requirements (GWh)	711	711	716	712	720
Growth Rate (%)	—	0.0	0.7	(0.6)	1.1
Total Customers Served by Members	21,330	21,319	21,318	21,372	N.A.
Growth Rate (%)	—	(0.1)	0.0	0.3	N.A.
<b>ARP Members</b>					
Total Customers Served by Members	44,318	44,272	44,359	44,252	N.A.
Growth Rate (%)	—	(0.1)	0.2	-0.2	N.A.
Peak Demand	285	269	272	285	269
Growth Rate (%)	N.A.	(5.6)	1.1	4.8	(5.6)
Total Energy Sales	1,338	1,328	1,327	1,310	1,328
Growth Rate (%)	—	(0.7)	(0.1)	(1.3)	1.4

FPB – Electric and Water Plant Board of Frankfort, KY. MW – Megawatts. GWh – Gigawatt hours. N.A. – Not available.  
ARP – All-requirements project.

Source: Kentucky Municipal Energy Agency, U.S. Energy Information Administration.

## Assets and Operations

KyMEA expects to supply nearly all of its power requirements through a portfolio of purchased power agreements and member-owned hydroelectric and diesel-fired resources. The agency is reasonably well diversified in terms of fuel mix, asset concentration and counterparties, while extremely flexible in terms of capacity nominations. Counterparty risk is a concern; still, the agency's overall operating risk should support the rating.

The resource portfolio will be anchored by three PPAs designed to provide sufficient base load, intermediate and peaking capacity to serve member requirements. The first contract is a 10-year arrangement with BREC providing 100 megawatts (MW) of firm base load capacity from the cooperative's portfolio of owned resources. BREC's resources include roughly 1,800 MW of predominately coal-fired capacity, well in excess of requirements following the termination of service to two large aluminum smelters. BREC's below investment grade credit

quality is a concern; however, contract revenues should help support BREC's performance in the future.

KyMEA's second significant contract is a three-year contract with IPMC, a subsidiary of Dynegy, for 100 MW of capacity from the 500 MW Joppa Power Station, which consists of three coal-fired generating units. Pricing under the contract will be based on the cost of producing energy from those units and may be fixed for a one-year period at KyMEA's option. The counterparty risk related to IPMC, which exhibits highly speculative credit quality characteristics, is a concern. However the relatively short-term arrangement is viewed more as bridging capacity until longer-term resources can be procured.

The final contract provides for an initial nomination of 90 MW of peaking capacity from Paducah Power System (PPS). Similar to BREC, PPS maintains resources well in excess of requirements, so capacity is readily available. The contract is designed to provide KyMEA with significant flexibility in terms of capacity nomination and the ability for the agency to supply its own fuel. Pricing includes a relatively low capacity fee and flexible energy pricing based on the various fuel supply options.

Some of the contracts include favorable extension and nomination provisions limiting operating risk and allowing KyMEA to adjust contracted capacity and extend contracts past the initial tenor at KyMEA's option if either proves economic over the long-term. Each of the contracts includes significant flexibility to schedule energy from other more economical sources and assurances as to the availability of energy.

### Power and Energy Resources — Kentucky Municipal Energy Agency

Counterparty	Counterparty Rating	Fuel Type	Dispatch	Contract Capacity (MW)	Contract Start	Contract End
<b>Purchased Resources</b>						
Big Rivers Electric Cooperative	BB/Stable	Coal	Base Load	100	2019	2029
Illinois Power Marketing Company	NR	Coal	Base Load	100	2019	2022
Paducah Power System	BBB/Stable	Natural Gas	Peaking	90	2019	2029
<b>Total</b>				<b>290</b>		
<b>Member-Owned Resources</b>						
Resource	Fuel Type	Dispatch	Capacity Share (MW)	Ownership Share (%)		
Southeastern Power Administration	Hydro	Base Load	32	100		
Diesel Generators	Diesel	Peaking	11	100		
<b>Total</b>			<b>43</b>			

MW – Megawatts. NR – Not rated.  
Source: Kentucky Municipal Energy Agency.

### Rates and Cost Structure

The agency's wholesale AR project rates will be established by the AR project committee and ARP members will be required under the terms of the power sales contracts to maintain retail rates sufficient to meet obligations to the agency. Neither KyMEA's rates nor the rates of the ARP members are subject to the jurisdiction of any regulatory authority, providing strong revenue defensibility.

The board expects to review the rate at least every year, doing so as part of the annual budgeting and planning process in the months preceding the start of the fiscal year. AR project rates will be subject to the approval of the larger KyMEA board, yet approval may not be unreasonably withheld.

Rates charged by the agency under the PSCs will include a base rate, an energy rate and a monthly fuel and purchased power adjustment clause providing for the timely pass-through of

unbudgeted expenses. Base rates will be designed to recover embedded capacity costs, whereas variable energy charges will be recovered based on usage and adjusted against budget using the adjustment clause. Payments to KyMEA by the ARP members will be made as operating expenses of the respective utility systems and prior to any system debt service requirements.

### Wholesale Rates

Power and energy procured through the KyMEA portfolio is expected to result in a relatively low operating cost burden. Rates for wholesale power and transmission service of \$51/MWh are projected in 2019, escalating gradually to \$64/MWh in 2029, reflecting the terms of the agreed to contracts and incremental resources. At the projected rates, KyMEA supplied energy should remain very competitive, and below the comparable cost of each ARP member's existing agreement. KyMEA's cost structure and rates will predominately include costs incurred pursuant to the PPAs as the agency's annual administrative budget will approximate only \$2.5 million.

The agency's competitive wholesale cost of power should enable ARP members to lower retail rates over the near term, improving rate flexibility and revenue defensibility. Although the larger ARP members maintain rates within 11% of the Kentucky average, several small ARP member rates are more than 20% higher than the average.

### Capex

The agency does not anticipate any capex or related borrowings through 2029.

### Financial Performance

KyMEA has no meaningful financial operations and does not anticipate incurring any substantial obligations until it begins supplying power to ARP members in 2019. KyMEA's assigned rating is therefore primarily based on the credit quality of the largest ARP member, FPB, and the absolute and unconditional obligation of ARP members to provide revenue sufficient for the agency to meet obligations. A summary of FPB's financial profile is provided below.

### The Electric and Water Plant Board of Frankfort, KY

FPB's consolidated financial profile broadly improved in recent years driven by steady profitability at its telecommunications division, and recent rate increases at the electric and water divisions. Coverage of full obligations steadily improved to 1.48x in 2016 from 1.12x in 2012, with the exception of fiscal 2015 when FPB's decision not to recover higher wholesale power costs resulted in weaker performance of 1.18x coverage. A subsequent rate increase in July 2015 of roughly 10% boosted electric operating income to \$3.4 million and consolidated FADS to \$13.7 million in fiscal 2016, contributing to improvement in fiscal 2016 coverage.

FPB's projected performance is expected to improve gradually, generating FADS of \$13 million–\$15 million through fiscal 2021. Although more than half of FADS is projected to derive from the more volatile telecommunications operations, stable performance by the electric system and meaningful rate increases at the water system will together produce FADS sufficient to cover total debt service. FPB does not pay a general transfer to the City of Frankfort but instead pays a modest fee for the use of city facilities improving cash flow.

## Outstanding Debt and Leverage

FPB's adjusted leverage remains relatively low at 5.7x FADS, even after factoring purchased power obligations. FPB's outstanding debt totaled \$48.8 million at fiscal year-end 2016 and included electric and water revenue bonds, lease arrangements related to the telecommunications system and borrowings through the Kentucky Infrastructure Authority (KIA). Debt increased in 2015, following the issuance of Series 2015A bonds, yet stronger FADS offset the effect of increased borrowings, moderating leverage. Recent borrowings were used to fund the cost of a new administration building and a new headend facility for the telecommunications system. All of outstanding debt is fixed rate and debt service requirements are relatively stable at \$5.0 million–\$5.6 million per annum through 2021 before declining thereafter.

Future borrowings should be limited to approximately \$9 million, including debt necessary to fund the replacement of FPB's water reservoir at \$4 million–\$5 million. FPB is expected to seek additional low-cost financing through KIA for the project. Despite additional borrowing, total outstanding debt should begin declining in fiscal 2020.

Liquidity, measured in terms of cash on hand, steadily improved since 2012 from 66 days to 129 days as of year-end 2016 at \$29 million. Although no formal policy exists, cash holdings would gradually improve under the projections.

Overall, FPB's financial metrics are broadly stronger than the medians for similarly rated retail systems, which is appropriate given the utility's reliance on telecommunications operations and the lower degree of revenue defensibility.

## Legal Provisions

### All-Requirements Project Obligations

KyMEA's ARP obligations encompass those required pursuant to the AR project, including those between the agency and third-party power suppliers pursuant to long-term power purchase agreements.

### Sources of Repayment

KyMEA's ARP obligations are supported by revenue derived from the joint Inter-local Agreement and individual PSCs with the eight ARP members. These agreements, together, require the ARP members to provide KyMEA with sufficient revenue to meet ARP obligations

### Rate Covenant

KyMEA has covenanted to establish and maintain rates under the PSCs providing revenue sufficient to meet the anticipated revenue requirements of the agency. Similarly, each of the ARP members has covenanted to set retail rates and charges sufficient to meet all obligations of the electric system, including obligations to KyMEA.

The Electric and Water Plant Board of The City of Frankfort, Kentucky

(\$000, Audited Years Ended )	2012	2013	2014	2015	2016
<b>DSC (x)</b>					
DSC	1.35	1.42	2.41	1.62	2.66
Adjusted DSC (Including Deferred Revenues and RSF Transfers)	1.35	1.42	2.41	1.62	2.66
Adjusted DSC (Including Purchased Power Adjustment as DS)	1.12	1.15	1.38	1.18	1.48
Adjusted DSC (Including Transfer/PILOT/Dividend as O&M Expense)	1.35	1.42	2.41	1.62	2.66
Coverage of Full Obligations (PP as DS and Transfer/PILOT/Dividend as O&M Expense)	1.12	1.15	1.38	1.18	1.48
<b>Liquidity Metrics</b>					
Days Cash on Hand	40	43	55	104	99
Days Cash and Investments on Hand	66	69	79	134	129
Days Liquidity on Hand	66	69	79	134	129
<b>Leverage Metrics</b>					
Debt/FADS (x)	4.7	3.6	2.7	5.4	3.6
Adjusted Debt (Including PP Adjusted)/Adjusted FADS (Including PP Adjusted) (x)	6.7	6.0	5.5	7.0	5.7
Debt/Total Retail Customers (\$)	507.9	474.6	438.9	630.6	659.7
Debt/Electric Customers (\$)	1,823.0	1,707.1	1,562.3	2,217.7	2,272.0
Net Debt/Net Capital Assets (%)	27.6	23.8	17.3	18.0	18.2
Equity/Capitalization (%)	62.6	65.3	63.8	56.7	60.0
Debt/Capitalization (%)	37.4	34.7	36.2	43.3	40.1
Adjusted Debt/Capitalization (%)	67.2	66.9	70.9	71.4	67.5
<b>Other Financial and Operating Metrics</b>					
Operating Margin (%)	1.4	3.7	5.4	2.2	7.3
Retail Electric Revenue/kWh (Cents/kWh)	7.2	7.5	7.9	7.6	8.5
Transfer and PILOT and Tax/Total Operating Revenue	0.0	0.0	0.0	0.2	0.2
Capex/Depreciation and Amortization (%)	96.1	86.7	75.6	156.5	265.6
DS/Cash Operating Expenses (%)	7.9	8.7	6.0	6.2	6.0
<b>Income Statement</b>					
Total Operating Revenue	79,014	84,822	90,732	89,045	94,109
Total Operating Expense	77,874	81,649	85,846	87,078	87,215
Operating Income	1,140	3,173	4,886	1,967	6,894
Adjustment to Operating Income for Deferred Revenue	7,050	6,948	7,243	6,706	6,840
Funds Available for DS	8,190	10,121	12,129	8,674	13,734
Total Annual DS	6,047	7,105	5,034	5,346	5,158
<b>Balance Sheet</b>					
Unrestricted Funds (Cash and Liquid Investments)	12,901	14,051	16,964	29,463	28,437
Restricted Funds	527	601	602	522	607
Total Net Assets/Member's Equity	64,991	68,428	58,748	61,906	72,975
Total Debt	38,899	36,313	33,280	47,256	48,759
<b>Cash Flow Statement</b>					
FCF (FADS/Transfer and PILOT/Total Annual DS)	2,143	3,016	7,095	3,328	8,576
Capex	6,712	5,983	5,442	10,428	18,024
FCF Less Capex	(4,568)	(2,967)	1,653	(7,100)	(9,448)

FADS – Funds available for debt service. RSF – Rate stabilization fund. DS – Debt service. PILOT – Payment in lieu of taxes. O&M – Operations and maintenance.

PP – Purchased power.

Source: The Electric and Water Plant Board of The City of Frankfort, Kentucky; Fitch.

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