

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF LOUISVILLE GAS AND)	
ELECTRIC COMPANY AND KENTUCKY)	
UTILITIES COMPANY TO EXEMPT SHORT-)	CASE NO.
TERM RESIDENTIAL AND AGRICULTURAL)	2015-00350
LEASES FROM REQUIREMENT OF KENTUCKY)	
PUBLIC SERVICE COMMISSION IN CASE NO.)	
2002-00029 OF PRIOR APPROVAL OF ALL)	
SALES AND LEASES OF ANY LAND LOCATED)	
ON EXISTING GENERATION SITES)	

ORDER

Louisville Gas and Electric Company and Kentucky Utilities Company (collectively, the “Companies”) have petitioned the Commission, pursuant to 807 KAR 5:001, Section 14, for an Order exempting short-term residential and agricultural leases from the requirement that the Companies seek Commission approval prior to entering into a sale or lease of any land located on an existing generation site. In 2002, the Commission issued an Order requiring the Companies to seek Commission approval prior to entering into the sale or lease of any land located on an existing generation site (“June 11, 2002 Order”).¹ In so ordering, the Commission recognized the finite nature and value of land available for new generation at the Companies’ existing generating sites, due to the existing infrastructure that includes both natural gas pipelines and

¹ Case No. 2002-00029, *Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for the Acquisition of Two Combustion Turbines* (Ky. PSC June 11, 2002).

electric transmission lines.² Accordingly, the Commission ordered the Companies to seek prior approval before leasing or selling any of their land located on an existing generation site.³

In their present application, the Companies seek to exempt short-term residential and agricultural leases from the prior approval requirement set forth in Case No. 2002-00029. In support of their request, the Companies state that they own land on generation sites that is not currently needed for construction of generation facilities.⁴ Rather, the land is located outside of the security fence and is typically used as buffer, fill or borrow, or is designated for future use.⁵ In cases where the land is designated for future use, the Companies would prefer to allow others to farm the land until the land is needed for construction, or to have existing homes occupied until demolition begins.⁶ Prior to the June 11, 2002 Order requiring Commission approval of any sale or lease of land located on a generation site, the Companies sometimes entered into short-term (usually one year or less) residential or agricultural leases for these areas.⁷ The rent paid under the leases was nominal, but the leases provided significant value to the Companies and the surrounding communities in other ways.⁸ For instance, lessees were required to maintain the property, which reduced the Companies' operational costs

² *Id.* at 6.

³ *Id.*

⁴ Application at 4.

⁵ *Id.*

⁶ *Id.*

⁷ *Id.*

⁸ *Id.*

while also benefitting the neighbors in terms of aesthetics/upkeep of the property.⁹ Ensuring that the land was occupied or farmed also discouraged vandalism, dumping, and loitering.¹⁰ The Companies state that these residential and agricultural leases did not interfere with plant operation at the generation sites in any way.¹¹

The Companies state that given the low monetary value of the leases, their short length, and the frequency with which the Companies may need to enter into these types of leases, it is administratively burdensome and uneconomical for the Companies to file petitions for Commission approval of these leases, and for the Commission to review those petitions and issue orders granting such approval.¹² Thus, the Companies stopped entering into these types of leases after the June 11, 2002 Order requiring prior Commission approval. The Companies recently revisited this issue and because they believe these types of leases are of such benefit to the community, the Companies now seek the requested exemption.

Upon review of the Companies' application, the Commission finds that the Companies have established good cause to deviate from the prior approval requirement set forth in the June 11, 2002 Order for those residential or agricultural leases that have terms of one year or less. The Commission further finds that the short-term nature of the leases (one year or less) will provide the Companies flexibility in case they need to reacquire their interest in the land and that such leases could potentially provide value

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

for the Companies and their ratepayers. The Commission finds, however, that residential and agricultural leases with a duration exceeding one year would not provide the Companies with sufficient flexibility to address any potential need to reacquire their interest in the land. Accordingly, the Commission will require the Companies to file those leases with the Commission 30 days prior to entering into such leases.

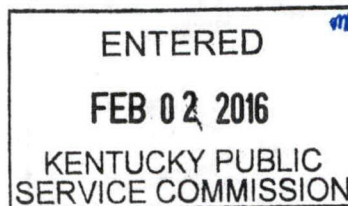
IT IS THEREFORE ORDERED that:

1. The Companies' request that short-term residential and agricultural leases be exempt from the requirement in the June 11, 2002 Order in Case No. 2002-00029 to obtain prior Commission approval for the sale or lease of any land located on any existing generation sites is granted in part and denied in part.

2. Any residential or agricultural lease with duration of one year or less is exempt from the requirement to obtain prior Commission approval.

3. All other leases of any land located on any existing generation sites, and all sales of such land, shall remain subject to the requirement to obtain prior Commission approval.

By the Commission



ATTEST:


Executive Director

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