

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY)	
UTILITIES COMPANY AND LOUISVILLE GAS)	CASE NO.
AND ELECTRIC COMPANY FOR APPROVAL OF)	2022-00294
THE TRANSFER OF A SPARE TRANSFORMER)	

ORDER

On August 30, 2022, Kentucky Utilities Company (KU) and Louisville Gas and Electric Company (LG&E) (jointly, KU/LG&E) filed an application for approval of the transfer of an asset, a spare transformer, pursuant to KRS 278.218 and 807 KAR 5:001 Section 8, from LG&E to KU. There have been no requests for intervention. The application contained sufficient information for the Commission to render a decision. Therefore, Commission Staff did not issue data requests to KU or LG&E. KU/LG&E did not request a hearing, and this case stands submitted for a decision.

LEGAL STANDARD

KRS 278.218 states, in relevant part, the following

- (1) No person shall acquire or transfer ownership of or control, or the right to control, any assets that are owned by a utility as defined under KRS 278.010(3)(a) without prior approval of the commission, if the assets have an original book value of one million dollars (\$1,000,000) or more and:
 - (a) The assets are to be transferred by the utility for reasons other than obsolescence; or
 - (b) The assets will continue to be used to provide the same or similar service to the utility or its customers.
- (2) The commission shall grant its approval if the transaction is for a proper purpose and is consistent with the public interest.

DISCUSSION AND FINDINGS

Earlier this year, KU filed an application and was granted a Certificate of Public Convenience and Necessity (CPCN) for projects related to providing service to Ford and SK Innovations at the Glendale Megasite in Hardin County, Kentucky.¹ The project requires a new 345 kilovolt/138 kilovolt (345kV/138kV) substation. In Case No 2022-00066, KU asserted that Ford and SK Innovations desired an in-service date of August 2023.² After evaluating the length of time it would take to receive a new 345kV/138kV transformer, KU/LG&E decided that transfer of the spare transformer stored in Ghent, Kentucky from LG&E to KU would be the best course of action to ensure KU meets the timeline established by Ford and SK Innovations.³ KU/LG&E will order a replacement for the spare transformer belonging to LG&E.⁴

The Commission approved the merger of LG&E and KU in 1998⁵; since then, LG&E and KU have planned and operated their respective electric systems as an integrated utility system.⁶ KU/LG&E adopted *Corporate Policies and Guidelines for Intercompany Transactions (The Policies and Guidelines)*. *The Policies and Guidelines* require that transfers or sales of assets between KU/LG&E be priced at net book value

¹ Case No. 2022-00066 *Electronic Application of Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for the Construction of Transmission Facilities in Hardin County, Kentucky* (Ky. PSC July 28, 2022).

² Case No. 2022-00066, Order (Ky. PSC July 28, 2022) at 16.

³ Application at 4.

⁴ Application at 4.

⁵ Case No. 1997-00300 *In the Matter of Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of a Merger*, (Ky. PSC Sept. 12, 1997), Order at 25-26.

⁶ Case No. 2010-00204 *Electronic Joint Application of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC, Louisville Gas and Electric Company, and Kentucky Utilities Company for Approval of an Acquisition of Ownership and Control of Utilities* (Ky. PSC Sept. 30, 2010), Order.

“to ensure that neither utility’s customers are disadvantaged by transfers between the utilities.”⁷ The Commission requires KU and LG&E to comply with *The Policies and Guidelines* following the merger.⁸ *The Policies and Guidelines* have been incorporated in all subsequent merger and acquisition proceedings involving the KU and LG&E.⁹ The transfer at net book value is in accordance with KU/LG&E’s Cost Allocation Manual.¹⁰

The original book value of the 345kV/138kV transformer to be used at the Glendale South Substation is \$2,308,492.63.¹¹ The current net book value of the transformer is \$2,160,260.81.¹²

Based on the preceding facts, the Commission finds that the transfer of the spare transformer from LG&E to KU should be approved. The value and transfer shall be done in compliance with *The Policies and Guidelines*. The Commission finds that the transfer is for a public purpose and consistent with public interest. As noted in the final Order of case No. 2022-00066, the investment of Ford and SK innovations would create approximately 5,000 new jobs in the area.¹³ The transfer of the spare transformer will

⁷ Case No. 1997-00300, *In the Matter of Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of a Merger* (Ky. PSC Sept. 12, 1997), Order at 21, 25-26.

⁸ . *In the Matter of Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of a Merger* (Ky. PSC Sept. 12, 1997), Order at 39.

⁹ Case No. 2000-00095, Order at Appendix B (Ky. PSC May 15, 2000); Case No. 2001-104, Order at Appendix A (Ky. PSC Aug. 6, 2001); Case No. 2010-00204, Order at Appendix C (Ky. PSC Sept. 30, 2010).

¹⁰ Case No. 2020-00349 *In the Matter of: Electronic Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates*, (Ky. PSC November 25, 2020), Application Tab 51 at 30 and Case No. 2020-00350 *In the Matter of: Electronic Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates*, (Ky. PSC November 25, 2020), Application Tab 51 at 30. (“[Transfers] of assets between regulated affiliates shall be priced at no more than cost less depreciation.”)

¹¹ Application at 4.

¹² Application at 4.

¹³ Case No. 2022-00066 at 15, *citing* to 6 McFarland Direct Testimony at 2.

directly assist KU in fulfilling its obligation to Ford and SK Innovations for in-service August 2023. The transformer will be used to provide utility service and in conjunction with the CPCN granted in Case No. 2022-00066,¹⁴ the transfer is in the public interest.

IT IS THEREFORE ORDERED that:

1. The request to transfer a spare transformer from LG&E to KU for the sole purpose of providing a transformer to the Glendale South Substation is granted.

2. KU/LG&E shall comply with *The Policies and Guidelines* in determining the value of the asset and the transfer process.

3. Within 60 days of the date of the transfer of the transformer, LG&E and KU shall file the following information: confirmation of the value of the transformer on the date of transfer, initial life and remaining life of the transformer.

4. Within 60 days of the date of the transfer of the transformer, all accounting entries made to the books of LG&E and KU to record the transfer and allocation of the transformer shall be filed.

5. Within 60 days of the date of the transfer of the transformer, KU and LG&E shall file confirmation of the purchase of the replacement transformer and all accounting entries made to the books of LG&E and KU to record the purchase.

6. This case is closed and removed from the Commission's docket.

¹⁴ Case No. 2022-00066, Order (Ky. PSC July 28, 2022).

PUBLIC SERVICE COMMISSION


Chairman

Vice Chairman


Commissioner



ATTEST:


Executive Director

*Honorable Allyson K Sturgeon
Managing Senior Counsel - Regulatory &
LG&E and KU Energy LLC
220 West Main Street
Louisville, KENTUCKY 40202

*Rick E Lovekamp
Manager - Regulatory Affairs
LG&E and KU Energy LLC
220 West Main Street
Louisville, KENTUCKY 40202

*Kentucky Utilities Company
220 W. Main Street
P. O. Box 32010
Louisville, KY 40232-2010

*Louisville Gas and Electric Company
220 W. Main Street
P. O. Box 32010
Louisville, KY 40232-2010

*Sara Judd
Senior Corporate Attorney
LG&E and KU Energy LLC
220 West Main Street
Louisville, KENTUCKY 40202