

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC EXAMINATION BY THE PUBLIC)	
SERVICE COMMISSION OF THE)	
ENVIRONMENTAL SURCHARGE MECHANISM)	CASE NO.
OF LOUISVILLE GAS AND ELECTRIC COMPANY)	2026-00004
FOR THE SIX-MONTH BILLING PERIOD ENDING)	
OCTOBER 31, 2025.)	

ORDER

On February 9, 2026, the Commission initiated the review of Louisville Gas and Electric Company's (LG&E) environmental surcharge for the six-month billing period ending October 31, 2025.¹

LEGAL STANDARD

KRS 278.183(3) requires, in pertinent part, that:

At six (6) month intervals, the commission shall review past operations of the environmental surcharge of each utility, and after hearing, as ordered, shall, by temporary adjustment in the surcharge, disallow any surcharge amounts found not just and reasonable and reconcile past surcharges with actual costs recoverable pursuant to subsection (1) of this section.

Additionally, KRS 278.183(5) states

The commission shall retain all jurisdiction granted by this section and KRS 278.020 to review the environmental surcharge authorized by this section and any complaints as to the amount of any environmental surcharge or the

¹ Opening Order (Ky. PSC February 9, 2026). LG&E's environmental surcharge is billed on a two-month lag. Thus, for example, surcharge billings for May 2025 through October 2025 are based on costs incurred from March 2025 through August 2025.

incorporation of any environmental surcharge into the existing base rate of any utility.

BACKGROUND

On April 6, 1995, the Commission approved LG&E's environmental surcharge application and established a surcharge mechanism.² The Commission's last review was completed on November 10, 2025.³

In this matter, the Commission issued a procedural schedule as Appendix A to the opening Order.⁴ LG&E provided direct testimony and responded to two requests for information from Commission Staff.⁵ There were no intervenors. LG&E filed a statement requesting that this matter be submitted for decision based on the written record.⁶ The matter stands submitted for a decision.

SIX MONTH BILLING PERIOD ENDING OCTOBER 31, 2025

Surcharge Amount

For the six-month billing period ended October 31, 2025, LG&E determined that it had a net under-recovery of \$412,673.⁷ LG&E stated that the primary components that

² Case No. 1994-00332, *The Application of Louisville Gas and Electric Company for Approval of Compliance Plan and to Assess a Surcharge Under KRS 278.183 to Recover Costs of Compliance with Environmental Requirements for Coal Combustion Wastes and By-Products* (Ky. PSC Apr. 6, 1995).

³ Case No. 2025-00173, *Electronic Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Louisville Gas and Electric Company for the Six-Month Billing Period Ending April 30, 2024 and October 31, 2024, and for the Two-Year Billing Periods Ending April 30, 2025* (Ky. PSC November 10, 2025).

⁴ Opening Order (Ky. PSC February 9, 2026).

⁵ LG&E's Response to Commission Staff's First Request for Information (Staff's First Request) (filed March 6, 2026). LG&E's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed April 13, 2026).

⁶ LG&E's Request to Submit on the Record (filed June 9, 2026).

⁷ LG&E's Response to Staff's First Request, Item 2, Attachment 4_-_LGE_ECR_DR1_Attach_to_Q1_and_Q2_-_ (CN2026-00004).xlsx, Tab Q2 p.2 – Detailed Over-Under.

make up the under-recovery during the review period are: (1) changes in overall rates of return; and (2) the use of 12-month average revenues to determine the billing factor.⁸ LG&E proposed that the under-recovery be recovered over one month following the Commission's Order in this proceeding. Specifically, LG&E recommends that the Commission approve an increase to the ECR Surcharge Revenue Requirement of \$412,673 for one month beginning in the second full billing month following the Commission's Order in this proceeding.⁹

The Commission has reviewed and finds reasonable LG&E's calculation of a net under-recovery of \$412,673. The Commission also finds reasonable LG&E's proposal to collect this under-recovery by collecting the amount over one month following the Commission's Order in this proceeding. The inclusion of the collection reflecting the under-recovery position in the determination of the Environmental Surcharge Billing Factor will increase the billing factor by approximately 0.39 percent for one month.¹⁰ For a residential customer using an average of 923 kWh per month (based on 12-month ended October 2025 data), the impact of the adjusted Environmental Surcharge Billing Factor would be an increase of approximately \$0.52 for one month.¹¹

Rate of Return

LG&E provided the outstanding balances for its long-term debt, short-term debt, and common equity and the blended interest rates for its long-term and short-term debt

⁸ Fackler Direct Testimony at 7.

⁹ Fackler Direct Testimony at 8.

¹⁰ LG&E's Response to Staff's First Request, Item 6.

¹¹ LG&E's Response to Staff's First Request, Item 6.

as of August 31, 2025, the last expense month of the review period.¹² LG&E also provided the overall weighted average cost of capital (WACC) reflecting the tax gross-up approach.¹³ LG&E recommended an overall rate of return on capital of 8.63 percent.¹⁴ This is based on the adjusted capitalization as of August 31, 2025, the currently authorized 9.675 percent ROE for all ECR plans, and federal and Kentucky state corporate income tax rates to be used to calculate the environmental surcharge.¹⁵

The Commission finds that the WACC for all of LG&E's ECR Plans of 7.06 percent and the income tax gross-up factor of 0.7505, which produces an overall grossed-up return of 8.63 percent,¹⁶ should be used in all LG&E monthly environmental surcharge filings beginning in the second full billing month following the date of this Order.

IT IS THEREFORE ORDERED that:

1. The amounts billed to customers by LG&E through its environmental surcharge for the six-month billing period ending October 31, 2025 are approved.
2. Beginning in the second full billing month following the date of this Order, LG&E shall increase its jurisdictional environmental revenue requirement by \$412,673 for one month.

¹² LG&E's Response to Staff's First Request, Item 5, Attachment 7 - _LGE_ECR_DR1_Attach_to_Q5_and_Q2_-_ (CN2026-00004) Tab Q5 LGE ROR.

¹³ Fackler Direct Testimony at 5 and LG&E's Response to Staff's First Request, Attachment 4 - _LGE_ECR_DR1_Attach_to_Q1_and_Q2_-_ (CN2026-00004).xlsx, Tab Q1 p.4 – ECC(Aug25).

¹⁴ Fackler Direct Testimony at 9.

¹⁵ Fackler Direct Testimony at 9 and LG&E's Response to Staff's First Request, Attachment 7 - _LGE_ECR_DR1_Attach_to_Q5_-_ (CN2026-00004).xlsx, Tab Q5 - Tax Rate.

¹⁶ LG&E's Response to Staff's First Request, Item 5, Attachment 7 - _LGE_ECR_DR1_Attach_to_Q5_-_ (CN2026-00004).xlsx, Tab Q5 - LGE ROR.

3. Beginning in the second full billing month following the date of this Order, LG&E shall use a WACC of 7.06 percent, a tax gross-up factor of 0.7505, an ROE of 9.675 percent, and an overall grossed up return of 8.63 percent for all its ECR Plans in all future monthly environmental surcharge filings unless directed otherwise by the Commission.

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

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Entered on this 30th day of June, 2026.

PUBLIC SERVICE COMMISSION



Angie Hatton
Chair



Mary Pat Regan
Vice Chair



Andrew W. Wood
Commissioner



Barry L. Mayfield
Commissioner

ATTEST:



Linda C. Bridwell, PE
Executive Director

Service List for 2026-00004

- * Andrea M. Fackler
Manager, Revenue Requirement
LG&E and KU Energy LLC
220 West Main Street
Louisville, KY 40202

- * Honorable Allyson K Sturgeon
Vice President and Deputy General Counsel-Regulatory and PPL
LG&E and KU Energy LLC
220 West Main Street
Louisville, KY 40202

- * Robert Conroy
Vice President, State Regulation and Rates
LG&E and KU Energy LLC
220 West Main Street
Louisville, KY 40202

- * Louisville Gas and Electric Company
2701 Eastpoint Parkway
Louisville, KY 40223

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