

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC JOINT APPLICATION OF BIG	)	
RIVERS ELECTRIC CORPORATION AND	)	CASE NO.
KENTUCKY UTILITIES COMPANY FOR	)	2025-00323
AUTHORITY TO TRANSFER THE DAVIESS	)	
COUNTY ASSETS PURSUANT TO KRS 278.218	)	

ORDER

On October 1, 2025, Big Rivers Electric Corporation (BREC) and Kentucky Utilities Company (KU) (collectively, Joint Applicants) filed a joint application pursuant to KRS 278.218 and 807 KAR 5:001, Section 8, requesting approval for KU to transfer to BREC certain transmission assets located in Daviess County, Kentucky (Daviess County Assets).<sup>1</sup> KU responded to two requests for information on November 14, 2025,<sup>2</sup> and January 30, 2026, respectively.<sup>3</sup> BREC responded to one request for information on January 30, 2026.<sup>4</sup> There are no intervenors in this matter, and the case now stands submitted to the Commission for a decision.

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<sup>1</sup> BREC and KU's Joint Application (Application) (filed Oct. 1, 2025).

<sup>2</sup> KU's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Nov. 14, 2025).

<sup>3</sup> KU's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Jan. 30, 2026).

<sup>4</sup> BREC's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Jan. 30, 2026).

## LEGAL STANDARD

Pursuant to KRS 278.218, Commission approval is required before a utility may transfer ownership of assets having an original book value of \$1,000,000 or more when the assets are being transferred for reasons other than obsolescence or when the assets will continue to be used to provide the same or similar service. The statute further provides that the Commission shall grant its approval if the transaction is for a proper purpose and is consistent with public interest.<sup>5</sup>

## BACKGROUND

KU is a public utility, as defined in KRS 278.010(3)(a), engaged in the electric business.<sup>6</sup> KU generates and purchases electricity, and it distributes and sells electricity at retail in Adair, Anderson, Ballard, Barren, Bath, Bell, Bourbon, Boyle, Bracken, Bullitt, Caldwell, Campbell, Carlisle, Carroll, Casey, Christian, Clark, Clay, Crittenden, Daviess, Edmonson, Estill, Fayette, Fleming, Franklin, Fulton, Gallatin, Garrard, Grant, Grayson, Green, Hardin, Harlan, Harrison, Hart, Henderson, Henry, Hickman, Hopkins, Jessamine, Knox, Larue, Laurel, Lee, Lincoln, Livingston, Lyon, Madison, Marion, Mason, McCracken, McCreary, McLean, Mercer, Montgomery, Muhlenberg, Nelson, Nicholas, Ohio, Oldham, Owen, Pendleton, Pulaski, Robertson, Rockcastle, Rowan, Russell, Scott, Shelby, Spencer, Taylor, Trimble, Union, Washington, Webster, Whitley, Woodford counties, Kentucky.<sup>7</sup> KU owns and, with its sister utility, Louisville Gas and Electric Company (LG&E), operates a substation and associated facilities and equipment located

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<sup>5</sup> KRS 278.218(2).

<sup>6</sup> Application at 2.

<sup>7</sup> Application at 2-3.

at 5201 Roby Road, Philpot, KY 42366 in Daviess County, Kentucky (Substation Property).<sup>8</sup> BREC owns the real property on which the Substation Property resides.<sup>9</sup>

BREC is a rural electric cooperative corporation organized pursuant to KRS Chapter 279.<sup>10</sup> BREC owns generating assets and purchases, transmits and sells electricity at wholesale.<sup>11</sup> Its principal purpose is to provide the wholesale electricity requirement of its three distribution cooperative members: Jackson Purchase Energy Corporation (Jackson Purchase Energy), Kenergy Corp. (Kenergy), and Meade County Rural Electric Cooperative Corporation (Meade County RECC) (collectively, the Members).<sup>12</sup> The Members, in turn, provide retail electric service to approximately 121,000 consumer/retail members located in 22 western Kentucky counties: Ballard, Breckenridge, Caldwell, Carlisle, Crittenden, Daviess, Graves, Grayson, Hancock, Hardin, Henderson, Hopkins, Livingston, Lyon, Marshall, McCracken, Mclean, Meade, Muhlenberg, Ohio, Union and Webster.<sup>13</sup>

### DISCUSSION AND FINDINGS

The Daviess County Assets consist of a transmission substation and associated facilities and equipment located at 5201 Roby Road, Philpot, Kentucky; a 345 kV transmission line connecting the substation to Owensboro Municipal Utilities' (OMU) Elmer Smith Substation; certain 138 kV transmission facilities; and associated

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<sup>8</sup> Application at 4.

<sup>9</sup> Application at 4.

<sup>10</sup> Application at 1.

<sup>11</sup> Application at 1-2.

<sup>12</sup> Application at 1-2.

<sup>13</sup> Application at 1-2.

easements.<sup>14</sup> KU owns and operates these assets, while BREC owns the underlying real property on which the substation is located.<sup>15</sup>

Joint Applicants have established that the Daviess County Assets have an original book value of \$3,584,819.86.<sup>16</sup> KU expects to transfer the assets for reasons other than obsolescence, and Joint Applicants asserted the assets will continue to be used for electric transmission purposes following the transfer.<sup>17</sup> Accordingly, the proposed transaction falls squarely within the scope of KRS 278.218 and requires Commission approval.

Under the Daviess County Assets Agreement dated June 16, 2025, KU will sell the substation and transmission lines and assign the associated easements to BREC for a purchase price of \$2,655,569.<sup>18</sup> The purchase price reflects the net book value of the assets calculated in 2024.<sup>19</sup> The difference between the original book value and the purchase price reflects accumulated depreciation.<sup>20</sup> KU will retain certain optical ground wire (OPGW) fiber capacity pursuant to a separate OPGW Agreement.<sup>21</sup>

The Daviess County Assets Agreement expressly conditions closing upon the Federal Energy Regulatory Commission (FERC) approval of revisions to Louisville Gas

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<sup>14</sup> Application at 4.

<sup>15</sup> Application at 4.

<sup>16</sup> KU's Response to Staff's First Request, Item 4, Attachment.

<sup>17</sup> Application at 4.

<sup>18</sup> Application, Exhibit 1.

<sup>19</sup> KU's Response to Staff's Second Request, Item 1.

<sup>20</sup> KU's Response to Staff's Second Request, Item 1.

<sup>21</sup> Application, Exhibit 1 at 22-28.

& Electric (LG&E)/KU Joint Rate Schedule No. 525 implementing a Settlement Agreement between LG&E/KU and OMU, including termination of merger mitigation depancaking (MMD) benefits contemporaneously with closing.<sup>22</sup> Thus, the transfer will not occur unless the related federal regulatory framework supporting the transaction is approved.

Proper Purpose. The evidence in this record demonstrates that the transaction is designed to facilitate OMU's integration into the Midcontinent Independent System Operator (MISO) as a participating Transmission Owner and Transmission Operator.<sup>23</sup> OMU has requested that KU transfer the Daviess County Assets to BREC, an existing MISO Transmission Owner, in order to establish a physical interconnection with MISO and align operational control with OMU's planned participation in that regional transmission organization.<sup>24</sup>

Further, KU explained that termination of MMD benefits is expected to eliminate approximately \$9 million annually in net depancaking-related expenses currently borne by KU and LG&E customers, net of OMU transmission revenues.<sup>25</sup> Although the expected termination is projected to occur in 2027 and does not affect KU's 2026 test year revenue requirement, KU represented that the anticipated impact has been reflected in its pending rate case through stipulated rate adjustments and deferral accounting treatment.<sup>26</sup>

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<sup>22</sup> Application, Exhibit 1 at 5-6.

<sup>23</sup> Application at 4-5.

<sup>24</sup> Application, Exhibit 2 at 1.

<sup>25</sup> KU's Response to Staff's Second Request, Item 1.

<sup>26</sup> KU's Response to Staff's First Request, Item 3.

The Commission finds facilitating coordinated regional transmission participation, aligning physical transmission ownership with operational arrangements, and reducing expenses for KU/LG&E constitute legitimate business and operational purposes. The transaction arises from a negotiated settlement framework among the affected utilities and is not the result of a speculative disposition of assets.

Based on the record, the Commission finds that the proposed transfer serves a proper purpose within the meaning of KRS 278.218.

Public Interest Considerations. In evaluating whether the transaction is consistent with the public interest, the Commission considers whether the transfer will adversely affect service, impair the financial condition of the transferring utility, or otherwise harm ratepayers.

The record reflects that the Daviess County Assets will continue to be used to provide electric transmission service following the transfer.<sup>27</sup> There is no evidence that the transaction will result in service degradation or reliability concerns. Instead, the transaction aligns ownership with operational control under MISO, supports OMU's planned regional participation, and reduces expenses for KU/LG&E.<sup>28</sup> Additionally, the transfer is contingent on all regulatory approvals including FERC approval.

The purchase price is based on net book value.<sup>29</sup> KU stated that no independent appraisal was obtained because the transaction arose from a negotiated settlement

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<sup>27</sup> Application at 4.

<sup>28</sup> Application, Exhibit 1 at 3 and Application at 4-5.

<sup>29</sup> KU's Response to Staff's Second Request, Item 1.

framework rather than an open-market sale.<sup>30</sup> KU further indicated that the transaction will reduce plant in service and rate base in future base rate proceedings and that any gain or loss will be recorded pursuant to the FERC Uniform System of Accounts, subject to FERC approval.<sup>31</sup>

The Commission also notes that although the Daviess County Assets are currently subject to KU's 2010 Indenture lien, KU represented that a release of the lien as to these assets will be obtained prior to closing and that no indebtedness will be retired as part of the transaction.<sup>32</sup>

Based on the totality of the record, the Commission finds that the proposed transfer of the Daviess County Assets from KU to BREC is consistent with the public interest.

IT IS THEREFORE ORDERED that:

1. The Joint Application of BREC and KU for approval to transfer the Daviess County Assets pursuant to KRS 278.218 is hereby approved.
2. KU is authorized to transfer to BREC the substation, transmission lines, and associated easements located in Daviess County, Kentucky, as described in the Joint Application and the Daviess County Assets Agreement dated June 16, 2025.
3. The transfer authorized herein shall be consummated only upon receipt of all required federal regulatory approvals, including approval by the FERC of revisions to LG&E/KU Joint Rate Schedule No. 525 implementing the Settlement Agreement referenced in the Joint Application.

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<sup>30</sup> KU's Response to Staff's First Request, Item 1.

<sup>31</sup> KU's Response to Staff's Second Request, Item 1(b), and Application, Exhibit 2.

<sup>32</sup> KU's Response to Staff's Second Request, Item 3.

4. Within ten days of each required regulatory approval, Joint Applicants shall file notice into the record in post case correspondence, referencing this case number.

5. Within 30 days of closing, KU shall file in the post-case correspondence file of this proceeding:

a. The fully executed Release and Bill of Sale and Assignment of Easement Rights and Obligations;

b. The fully executed Optical Ground Wire (OPGW) Agreement reserving fiber capacity to Kentucky Utilities Company; and

c. Documentation reflecting the FERC–approved accounting treatment of the transaction, including the journal entry clearing Account 102 and recording any gain or loss on disposition of electric plant.

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

PUBLIC SERVICE COMMISSION

  
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Chairman

  
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Commissioner

  
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Commissioner

ATTEST:

  
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Executive Director

ENTERED  
MAR 11 2026  
AB  
KENTUCKY PUBLIC  
SERVICE COMMISSION

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