

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC JOINT APPLICATION OF)	
KENTUCKY UTILITIES COMPANY AND)	
LOUISVILLE GAS AND ELECTRIC)	CASE NO. 2020-00097
COMPANY FOR APPROVAL OF THE)	
TRANSFER OF SPARE TRANSFORMERS)	

VERIFIED APPLICATION

Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company (“LG&E”) (collectively, the “Companies”) respectfully petition the Kentucky Public Service Commission (“Commission”) by verified application pursuant to KRS 278.218, 807 KAR 5:001 § 8, and any and all other applicable statutes and regulations, to issue an order approving the transfer of two spare transformers between the Companies which are necessary to maintain safe and reliable service. Such transfers will be made at net book value in accordance with the Companies’ *Corporate Policies and Guidelines for Intercompany Transactions*, which were first approved in connection with the LG&E and KU merger.¹

In support of this Application, the Companies state as follows:

1. Applicant KU’s full name and business address: Kentucky Utilities Company, One Quality Street, Lexington, Kentucky 40507. KU’s mailing address is Kentucky Utilities Company c/o Louisville Gas and Electric Company, 220 West Main Street, Post Office Box 32010, Louisville, Kentucky 40202.

2. Applicant LG&E’s full name and post office address: Louisville Gas and Electric Company, 220 West Main Street, Post Office Box 32010, Louisville, Kentucky 40202.

¹ See Case No. 97-300, Order at 25-26 (Ky. Pub. Serv. Comm’n Sept. 12, 1997).

3. The Companies may be reached by electronic mail at the electronic mail addresses of their counsel set forth below.

4. KU is incorporated in the Commonwealth of Kentucky and the Commonwealth of Virginia. KU attests that it is in good corporate standing in both states. KU was incorporated in Kentucky on August 17, 1912, and in Virginia on November 26, 1991.

5. LG&E is incorporated in the Commonwealth of Kentucky and LG&E attests that it is in good corporate standing. LG&E was incorporated in Kentucky on July 2, 1913.

6. KU is a public utility, as defined in KRS 278.010(3)(a), engaged in the electric business. KU generates and purchases electricity, and distributes and sells electricity at retail in the following counties in Central, Northern, Southeastern, and Western Kentucky:

Adair	Edmonson	Jessamine	Ohio
Anderson	Estill	Knox	Oldham
Ballard	Fayette	Larue	Owen
Barren	Fleming	Laurel	Pendleton
Bath	Franklin	Lee	Pulaski
Bell	Fulton	Lincoln	Robertson
Bourbon	Gallatin	Livingston	Rockcastle
Boyle	Garrard	Lyon	Rowan
Bracken	Grant	Madison	Russell
Bullitt	Grayson	Marion	Scott
Caldwell	Green	Mason	Shelby
Campbell	Hardin	McCracken	Spencer
Carlisle	Harlan	McCreary	Taylor
Carroll	Harrison	McLean	Trimble
Casey	Hart	Mercer	Union
Christian	Henderson	Montgomery	Washington
Clark	Henry	Muhlenberg	Webster
Clay	Hickman	Nelson	Whitley
Crittenden	Hopkins	Nicholas	Woodford
Daviess			

7. LG&E is a public utility, as defined in KRS 278.010(3)(a), engaged in the electric and gas business. LG&E generates and purchases electricity, and distributes and sells electricity at retail in Jefferson County and portions of Bullitt, Hardin, Henry, Meade, Oldham, Shelby, Spencer, and Trimble Counties. LG&E also purchases, stores and transports natural gas and

distributes and sells natural gas at retail in Jefferson County and portions of Barren, Bullitt, Green, Hardin, Hart, Henry, Larue, Marion, Meade, Metcalfe, Nelson, Oldham, Shelby, Spencer, Trimble, and Washington Counties.

8. LG&E and KU are wholly owned by LG&E and KU Energy LLC, a first tier wholly-owned subsidiary of PPL. Since their merger in 1998, LG&E and KU have planned and operated their respective electric systems as an integrated utility system.²

9. Pursuant to KRS 278.380, the Companies waive any right to service of Commission orders by mail for purposes of this proceeding only. Copies of all orders, pleadings and other communications related to this proceeding should be directed to:

Robert M. Conroy
Vice President, State Regulation and Rates
LG&E and KU Services Company
220 West Main Street
Louisville, Kentucky 40202
robert.conroy@lge-ku.com

Allyson K. Sturgeon
Managing Senior Counsel – Regulatory & Transactions
Sara Judd
Senior Corporate Attorney
LG&E and KU Services Company
220 West Main Street
Louisville, Kentucky 40202
allyson.sturgeon@lge-ku.com
sara.judd@lge-ku.com

10. KRS 278.218 requires prior approval for transfers of electric utility assets if the assets have an original book value of \$1,000,000 or more and are being transferred for reasons other than obsolescence or will continue to be used to provide the same or similar service to the utility or its customers. The Commission is required to grant approval if the transfer is for a

² Case No. 2010-00204, Order (Ky. Pub. Serv. Comm'n Sept. 30, 2010).

proper purpose and consistent with the public interest. In Case No. 2017-00038, the Commission pre-approved asset transfers at net book value between the Companies when such transfers are necessary to restore or maintain safe and reliable service and there is not adequate time to seek Commission approval.

11. KU's Hardin County project involves an expansion necessary to meet the requirements of NERC Reliability Standard TPL-001-4 and the Companies' Planning Guidelines. Specifically, the project requires, among other things, the installation of a 138/69 kV transformer at Hardin County due to significant low voltage risks that were identified in the Transmission Expansion Plan ("TEP") process and approved by the Companies' Independent Transmission Organization ("ITO"). The project will utilize a spare transformer that is currently located at Hardin County and owned by LG&E. In the LG&E Blue Lick Transformer Replacement project, the existing 240 MVA, 345/161kV transformer will be replaced by a new, higher-rated transformer to mitigate the risk of transformer overloads during planning studies under two separate contingencies. This project will utilize a spare transformer that is currently located at Edwards Moving and Rigging storage lot in Shelbyville, KY and owned by KU.

12. The net book value of the 138/69 kV transformer (currently owned by LG&E) to be used at Hardin County is \$994,567 (original book value of \$1,020,906). The net book value of the 450 MVA transformer (currently owned by KU) to be used at Blue Lick is \$2,893,494 (original book value of \$3,172,566).

13. The Companies propose to make both transfers at net book value in accordance the Companies' *Corporate Policies and Guidelines for Intercompany Transactions*. In the KU and LG&E merger proceeding, the Commission approved the merger of the holding companies for KU and LG&E, noting that "integrated system planning may be the single most important

benefit of the merger.”³ Indeed, one of the ongoing benefits of the merger is that each of the Companies maintains lower inventories of spare parts, including transformers, than each would have to maintain as a stand-alone utility, which results in savings over time for both Companies’ customers. In addition to acknowledging the mutual benefits of integrated system planning between LG&E and KU, in the LG&E-KU merger proceeding the Commission approved the *Guidelines*, which would govern KU and LG&E’s merged activities. The *Guidelines* require that transfers or sales of assets between KU and LG&E be priced at net book value “to ensure that neither utilities’ customers are disadvantaged by transfers between the utilities.”⁴ The Commission required the Companies to comply with the *Guidelines* following the merger.⁵ For over two decades following their merger, the Companies have transferred assets at net book value to support their operations. The *Guidelines* have been incorporated in all subsequent merger and acquisition proceedings involving the Companies.⁶ In addition, the proposal to make the transfers at net book value is in accordance with the Companies’ Cost Allocation Manual, most recently filed with the Commission in connection with the Companies’ base-rate proceedings.⁷ Therefore, the Companies’ request that the Commission pre-approve asset transfers at net book value between the Companies when necessary to restore or maintain safe and reliable service and when there is inadequate time to seek Commission approval prior to the transfer is entirely consistent with the Companies’ *Guidelines* and the Cost Allocation Manual.

³ Case No. 97-300, Order at 21 (Ky. Pub. Serv. Comm’n Sept. 12, 1997).

⁴ *Id.* at 25-26.

⁵ *Id.* at 39.

⁶ Case No. 2000-095, Order at Appendix B (Ky. Pub. Serv. Comm’n May 15, 2000); Case No. 2001-104, Order at Appendix A (Ky. Pub. Serv. Comm’n Aug. 6, 2001); Case No. 2010-00204, Order at Appendix C (Ky. Pub. Serv. Comm’n Sept. 30, 2010).

⁷ See, *In the Matter of: Electronic Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates*, Case No. 2018-00294, Application Tab 51 at 31 (Ky. PSC Sep. 28, 2018) and *In the Matter of: Electronic Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates*, Case No. 2018-00295, Application Tab 51 at 31 (Ky. Pub. Serv. Comm’n Sep. 28, 2018) (“[Transfers] of assets between regulated affiliates shall be priced at no more than cost less depreciation.”)

14. Therefore, the Companies respectfully ask the Commission to issue an order approving these asset transfers at net book value between the Companies in order to maintain safe and reliable service and finding that such transfers are for a proper purpose and consistent with the public interest, and should therefore be approved pursuant to KRS 278.218.

WHEREFORE, Kentucky Utilities Company and Louisville Gas and Electric Company respectfully ask the Commission to issue an Order by December 15, 2020, approving the asset transfers at net book value between the Companies for the Blue Lick Transformer Replacement and Hardin County projects.

Dated: March 26, 2020

Respectfully submitted,



Allyson K. Sturgeon
Managing Senior Counsel – Regulatory &
Transactions
Sara Judd
Senior Corporate Attorney
LG&E and KU Energy LLC
220 West Main Street
Louisville, Kentucky 40202
Telephone: (502) 627-2088
Facsimile: (502) 627-3367
allyson.sturgeon@lge-ku.com
Sara.judd@lge-ku.com

*Counsel for Kentucky Utilities Company and
Louisville Gas and Electric Company*

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is Vice President, State Regulation and Rates, for Kentucky Utilities Company and Louisville Gas and Electric Company and a employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the foregoing Verified Application, and that the content thereof is true and correct to the best of his information, knowledge and belief.



Robert M. Conroy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 26th day of March 2020.



Notary Public

Notary Public, ID No. 603967

My Commission Expires:

7/11/2022