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Executive Director
Kentucky Public Service Commission
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July 20, 2021

RE: Electronic Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates, a Certificate of Public Convenience and Necessity to Deploy Advanced Metering Infrastructure, Approval of Certain Regulatory and Accounting Treatments, and Establishment of a One-Year Surcredit
Case No. 2020-00349

Electronic Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates, a Certificate of Public Convenience and Necessity to Deploy Advanced Meter Infrastructure, Approval of Certain Regulatory and Accounting Treatments, and Establishment of a One-Year Surcredit
Case No. 2020-00350

Dear Ms. Bridwell:

In response to Ordering Paragraph No. 5 of the Commission's Orders of June 30, 2021, in the above-captioned proceedings, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (jointly the "Companies") hereby provide notification to the Kentucky Public Service Commission ("Commission") of the Companies' position regarding the need for Federal Energy Regulatory Commission ("FERC") approval for the planned accounting treatment for the accrual of Allowance for Funds Used During Construction ("AFUDC") during the Advanced Metering Infrastructure ("AMI") implementation period.

The Companies believe that the AFUDC accounting treatment is consistent with Accounting Release No. 5 to capitalize AFUDC for the duration of the project, but have sought FERC confirmation and express approval of such treatment via an accounting request filing made with the FERC on July 16, 2021. Authority to act on this request is delegated to the Director of the Office of Enforcement pursuant to Section 375.311 of FERC's regulations.[1] Additionally, the Companies will seek FERC permission to record the remaining net book value of the Companies' legacy meters in Account 182.2 – Unrecovered plant and regulatory study costs, upon the full deployment of AMI. Per the FERC Uniform System of Accounts, unrecovered plant costs require FERC authorization to be recorded in Account 182.2.

Should FERC deny the Companies' request with regard to the AFUDC treatment, the Companies believe the proposed accounting and regulatory treatment could still be largely preserved with only slight modifications. In such case, the Companies would request Commission authorization to establish regulatory assets to defer the associated depreciation expense from those component assets placed in service prior to the completion of the entire project along with the applicable carrying costs to preserve the accounting and regulatory treatment agreed to in the Stipulation. The journal entries are shown below for illustrative purposes.

Regulatory Asset (182.3)	DR
Depreciation Expense (403)	CR

To defer AMI depreciation expense for component assets placed in-service prior to completion of the entire AMI project.

Regulatory Asset (182.3)	DR
Regulatory Credit (407)	CR

To record the carrying costs associated with the AMI depreciation deferral.

The Companies have requested a response from FERC by September 15, 2021. The Companies will notify the Commission when FERC makes its determination.

In accordance with 807 KAR 5:001, Section 8, I certify that the electronically filed documents are a true and accurate copy of the same documents being filed in paper medium; that the electronic filing has been transmitted to the Commission on July 20, 2021; that there are currently no parties in this proceeding that the Commission has excused from participation by electronic

[1] *See* eLibrary | File List (ferc.gov).

PPL companies

means; and that the original, will be filed with the Commission within 30 days of the lifting of the state of emergency.

Should you have any questions regarding the enclosed, please contact me at your convenience.

Sincerely,

Robert M. Conroy