

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

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 a spare transformer between the Companies which is necessary to provide safe and reliable service. Such transfer 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 are: Kentucky Utilities Company, One Quality Street, Lexington, Kentucky 40507. KU’s mailing address is Kentucky Utilities Company, 220 West Main Street, Post Office Box 32010, Louisville, Kentucky 40202.
2. Applicant LG&E’s full name and post office address are: Louisville Gas and Electric Company, 220 West Main Street, Post Office Box 32010, Louisville, Kentucky 40202.
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,

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

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 subsidiary of PPL Corporation. 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
Vice President & Deputy General Counsel-Regulatory
Sara V. Judd
Senior Counsel
PPL Services Corporation
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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 proper purpose and consistent with the public interest.

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

11. KU's Glendale South Substation project is required to serve Ford Motor Company's and its partner, SK Innovation's, (collectively, "Ford") new battery production facilities at the Glendale Megasite, as well as to serve expected load from future development in the area including other customers supporting Ford. Specifically, the project requires a new 345kV/138kV substation, and KU intends to utilize a spare transformer that is currently located in Ghent, Kentucky and owned by LG&E. As stated in KU's application for a Certificate of Public Convenience and Necessity in Case No. 2022-00066, Ford has requested an in-service date of August 2023 for its first production facility. Given the current unusually long purchase lead times for power transformers and KU's need to meet this timeline to provide service at the Glendale Megasite, KU has determined the transfer to be the best course of action. The Companies will order a similar transformer to replace the current spare transformer that KU now intends to use at the Glendale Megasite.

12. The original book value of the 345kV/138kV transformer (currently owned by LG&E) to be used at the Glendale South Substation is \$2,308,492.63.

13. The Companies propose to make this transfer at the net book value of \$2,160,260.81 during the first quarter of 2023 in accordance with 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 transfer 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

14. Therefore, the Companies respectfully ask the Commission to issue an order approving this asset transfer at net book value from LG&E to KU in order to provide safe and reliable service and finding that such transfer is for a proper purpose and consistent with the public interest, and should therefore be approved pursuant to KRS 278.218.

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.

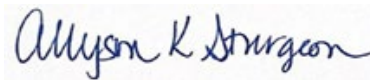
⁶ Case No. 2000-095, Order at Appendix B (Ky. Pub. Serv. Comm’n May 15, 2000); Case No. 2001-104, Order at Appendix A (Ky. Pub. Serv. Comm’n Aug. 6, 2001); Case No. 2010-00204, Order at Appendix C (Ky. Pub. Serv. Comm’n Sept. 30, 2010).

⁷ See, *In the Matter of: Electronic Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates*, Case No. 2020-00349, Application Tab 51 at 30 (Ky. PSC November 25, 2020) and *In the Matter of: Electronic Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates*, Case No. 2020-00350, Application Tab 51 at 30 (Ky. PSC November 25, 2020) (“[Transfers] of assets between regulated affiliates shall be priced at no more than cost less depreciation.”)

WHEREFORE, Kentucky Utilities Company and Louisville Gas and Electric Company respectfully ask the Commission to issue an Order by December 31, 2022, approving the asset transfer at net book value between the Companies for the Glendale South Substation project.

Dated: August 30, 2022

Respectfully submitted,



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Regulatory
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