

**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: 2023-00093**  
**COMPANY FOR AN ORDER APPROVING )**  
**THE ESTABLISHMENT OF )**  
**REGULATORY ASSETS )**

**VERIFIED JOINT APPLICATION OF**  
**KENTUCKY UTILITIES COMPANY AND**  
**LOUISVILLE GAS AND ELECTRIC COMPANY**

Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company (“LG&E”), (collectively, the “Companies”) apply to the Kentucky Public Service Commission (“Commission”), pursuant to KRS 278.220, for an order by **April 6, 2023**, authorizing the Companies to establish regulatory assets to account for each utility’s expenses incurred to repair damage and restore service to their customers caused by the Windstorm on March 3, 2023 (the “March 2023 Windstorm”). In support of this Joint Application, the Companies respectfully state:

1. Applicant KU’s full name and business address is: 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. KU is a utility engaged in the electric business. KU generates and purchases electricity, 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			

3. KU is incorporated in the Commonwealth of Kentucky and the Commonwealth of Virginia, and attests 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.

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

5. LG&E is a public utility, as defined in KRS 278.010(3)(a), engaged in the electric and gas business. LG&E generates, purchases electricity, 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.

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

7. This Joint Application is filed pursuant to KRS 278.220, which authorizes the Commission to prescribe the accounting to be used by any public utility subject to its jurisdiction. The Commission requires the Companies to use and follow the Uniform System of Accounts (“USoA”) as promulgated by the Federal Energy Regulatory Commission.

8. Communications regarding this Joint Application should be addressed to:

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### **March 2023 Windstorm**

9. The historic March 2023 Windstorm impacted Kentucky on March 3, 2023, bringing an intense low pressure system producing severe weather and historic gradient winds to the Lower Ohio Valley area. The strongest winds lasted several hours with peak wind gusts of 60 to 80 mile per hour occurring during the afternoon and evening hours, producing widespread wind damage and power outages.<sup>1</sup> The Governor declared a state of emergency.<sup>2</sup> The following day,

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<sup>1</sup> <https://www.weather.gov/lmk/2023-03-04-KentuckyandSouthernIndiana-HighWinds>

<sup>2</sup> [https://governor.ky.gov/attachments/20230303\\_Executive-Order\\_2023-128\\_State-of-Emergency\\_Severe-Weather.pdf](https://governor.ky.gov/attachments/20230303_Executive-Order_2023-128_State-of-Emergency_Severe-Weather.pdf)

Saturday, March 4, 2023, the Governor advised that five Kentuckians had died due to the storms and nearly 400,000 customers were without power.<sup>3</sup> The storm was historic in scope and scale.

10. Electric service across the Commonwealth was particularly hard-hit by wind and falling trees and limbs. Over the course of the storm, over 400,000 KU and LG&E customers were affected. The Companies had over 3,500 wires down, over 800 poles broken, and approximately 1,200 distribution circuits or 68% of total circuits experienced at least one event. In terms of number of customers affected and total system impact, this storm was the third most significant weather event in 20 years ranking behind the 2009 ice storm and 2008 windstorm.

11. As they do continuously, the Companies were monitoring weather reports on Friday, March 3, 2023, when local weather forecasters began to call for heavy and damaging winds throughout Kentucky beginning on Friday afternoon, March 3, 2023, and continuing into the evening. The Companies closely monitored the weather throughout the day.

12. The Companies immediately launched a massive restoration effort. The Companies' restoration crews, including employees and on-system contract crews, were utilized in Kentucky beginning on the evening of Friday, March 3, 2023, and throughout the rest of the Commonwealth during the next several days, to mitigate the effects of the damaging winds and to restore power to locations where lines could be safely energized.

13. On the evening of March 3, 2023, the Companies' Public Safety Response Team was activated to cover the growing number of wires down calls. Throughout the night, the Companies initiated and participated in numerous conference calls with Regional Mutual Assistance Groups to determine the extent of damage in the region and to allocate resources for restoration across Kentucky.

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<sup>3</sup> <https://www.kentucky.gov/Pages/Activity-stream.aspx?n=GovernorBeshear&prId=1690>

That same evening, the Companies' management declared the highest level of storm response, assigning personnel from throughout the Companies to administrative, logistical, and field responsibilities to assist with communicating with customers, managing resources, and protecting the public. Additional mutual assistance request calls were conducted, and further calls were made to contract partners and other industry contacts to request additional off-system resources that could be allocated to the Companies' restoration efforts. Through these efforts the Companies were able to secure 1,800 resources to augment employees and on-system contractors through the restoration efforts.

The number of resources working the restoration ramped up quickly and peaked with hundreds of KU and LGE employees and area contractors from more than forty crew centers across the state restoring power to affected customers as quickly and safely as possible. Crews worked in 16-hour shifts to restore power. By the end of Tuesday, March 7, 2023, 90 percent of the customers without service were restored. The restoration efforts took six days.

#### **March 2023 Windstorm Costs**

14. It has been and will continue to be costly to repair the extraordinary, significant, and widespread damage the March 2023 Windstorm caused, which costs far exceeded average annual storm-related costs. The Companies presently estimate that their combined distribution and transmission March 2023 Windstorm-related operations and maintenance and capital costs will be approximately \$83 million.

15. KU currently estimates that its combined distribution and transmission March 2023 Windstorm-related operations and maintenance and capital costs will be approximately \$44 million. These costs are estimates based on actual and estimated costs incurred-to-date and reasonable estimates of contingencies.

16. LG&E currently estimates that its combined distribution and transmission March 2023 Windstorm-related operations and maintenance and capital costs will be approximately \$39 million. These costs are estimates based on actual and estimated costs incurred-to-date and reasonable estimates of contingencies.

17. Because property and casualty insurance for distribution and transmission storm damage is generally not available in commercial insurance markets, the Companies do not carry such insurance. As a result, the Companies have not received, and will not receive, any insurance proceeds to offset its March 2023 Windstorm damage costs.

### **Need For Expedited Relief**

18. The Commission requires a jurisdictional utility to obtain Commission approval before recording a regulatory asset on the utility's books for accounting purposes for an expenditure that qualifies for establishment as a regulatory asset.<sup>4</sup> The Commission has traditionally approved storm related expenses to be deferred as regulatory assets where such costs are extraordinary nonrecurring expenses which could not have reasonably been anticipated or included in the utility's planning.<sup>5</sup> The costs associated with the March 2023 Windstorm are extraordinary nonrecurring expenses which could not have reasonably been anticipated or included in either utility's planning. The collective magnitude of each company's March 2023 Windstorm expenses, in relation to the amount of storm-related costs built into KU's and LG&E's base rates, and the effect a refusal to authorize a deferral would have on each utility's current year financial results fully supports the establishment of the regulatory assets.

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<sup>4</sup> See e.g., Order, *Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities Related to the Extraordinary Expenses Incurred by Kentucky Power Company in Connection With the Two 2015 Major Storm Events*, Case No. 2016-00180, at 1 (Ky. P.S.C. Dec. 12, 2016) ("2016 Storm Order").

<sup>5</sup> *Id.*; See *In the Matter of: Application of Kentucky Utilities Company for an Order Approving the Establishment of a Regulatory Asset*, Case No. 2008-00457, Order at 5 (Ky. P.S.C. Dec. 22, 2008)

19. The magnitude of the storm costs, the timing of the storms, and the significant effect of the storm costs on the Companies' first quarter 2023 financial statements prepared in accordance with generally accepted accounting principles (GAAP), drives the Companies' requests for a ruling on this Application on or before April 6, 2023.<sup>6</sup>

20. In addition to issuance of its annual, audited financial statements, each of the companies, as a Securities and Exchange Commission (SEC) registrant, has an obligation to issue interim financial statements on SEC Form 10-Q that are complete, accurate, and in compliance with SEC reporting requirements and the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 270 – Interim Reporting. ASC 270 – Interim Reporting states that (1) interim financial information is essential to provide investors and others with timely information as to the progress of the entity, (2) each interim period should be viewed primarily as an integral part of an annual period, and (3) arbitrary assignment of costs to an interim period shall not be made.

21. The Companies historically complete their accounting period close in four business days following the end of the month, with final consolidation completed on business day five. For the March 2023 accounting period, LG&E's and KU's financial records, including consolidation, are expected to close on April 7, 2023. The Companies then produce interim financial statements in accordance with SEC interim reporting requirements. These financial statements are made available to various parties, including bond holders, banks and financial institutions, commercial counterparties, leasing agencies, and credit rating agencies, who in turn have the ability to use those financial statements to assess the Companies' financial health and make determinations that

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<sup>6</sup> Had the storm occurred during the fourth quarter, KU and LG&E would have been able to record the regulatory asset subject to providing immediate notice to the Commission of the establishment of the regulatory asset and subject to filing an application with the Commission within 90 days of the storm event for such authority. 2016 Storm Order, pp 4-5.

have the potential to impact the Companies' cost of capital or credit terms under contracts. Providing financial statement users with timely and relevant information regarding the potential for future recovery of these significant and material incremental storm costs is critical to the Companies' ability to manage financing costs on behalf of its customers.

22. If incremental major storm O&M costs are expensed and not deferred as a regulatory asset for KU and LG&E in their respective first quarter 2023 financial statements, it indicates to financial statement users that future recovery of those costs is not probable (*i.e.*, the standard for recognition of a regulatory asset under GAAP, specifically ASC 980-340-25-1, has not been met). Failure to reflect the potential for future recovery of these costs in the quarterly financial statements could negatively impact the Companies' future financing costs or credit terms.

#### **The Amount to be Accumulated and Deferred**

23. KU and LG&E each seek authorization from the Commission to accumulate and defer for review and recovery in their next base rates the actual costs (total storm-related O&M expenses to repair damaged facilities and restore service excluding normal operations) associated with the extraordinary March 2023 Windstorm. Exhibit 1 shows the current estimate of the March 2023 Windstorm capital and operations and maintenance costs ("O&M") for the Companies, and accordingly for KU and LG&E.

24. KU's current estimate of the March 2023 Windstorm O&M costs of \$12.3 million are extraordinary and far exceed the amount of transmission and distribution storm damage cost currently embedded in base rates of \$3.2 million.

25. LG&E's current estimate of the March 2023 Windstorm O&M costs of \$10.9 million are extraordinary and far exceed the amount of storm damage cost currently embedded in base rates of \$4.6 million.



26. The total incremental O&M costs associated with the March 2023 Windstorm that would not have been incurred but for the storms for each utility is still being calculated at the time of this filing. This Application, therefore, includes the Companies' best current high-level estimates. The Companies will update the estimates contained in this Application to the actual amounts when actual costs are known and will file the actual amounts with the Commission in this docket.

27. If approved, the Companies will hold their deferred costs in Account No. 182.3, Other Regulatory Assets, until such time as the Commission considers them in rate proceedings.

28. Also, in accordance with the Commission's December 22, 2008 Orders in Case Nos. 2008-00457 and 2008-00456, the Companies recognize that the amounts each seeks to capitalize as a regulatory asset will be adjusted to reflect their actual March 2023 Windstorm-related operations and maintenance costs excluding normal operations.

29. The Commission has approved such treatment for extraordinary storm damages for each of the Companies in the past. Most recently, the Commission approved regulatory asset treatment for LG&E's actual, incremental costs incurred to repair and restore service resulting from the November 2018 Ice Storm in the amount of \$6.3 million.<sup>7</sup> In addition, the Commission approved regulatory asset treatment for the establishment of a regulatory asset in the amount of \$61.9 million, based on KU's costs for storm damages and service restoration due to the winter storm occurring January 26, 2009 through February 14, 2009.<sup>8</sup> The Commission also approved a regulatory asset for KU's actual operating and maintenance expenses in the amount of \$2.56 million associated with repairing the damage caused by the remnants of Hurricane Ike, which

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<sup>7</sup> *In the Matter of: Application of Louisville Gas and Electric Company for an Order Approving The Establishment of a Regulatory Asset*, Case No. 2019-00017 (Ky. P.S.C. Mar. 15, 2019) ("November 2018 Ice Storm").

<sup>8</sup> *In the Matter of Kentucky Utilities Company for an Order Approving the Establishment of a Regulatory Asset*, Case No. 2009-00174 (Ky. P.S.C. Sept. 30, 2009) ("2009 Winter Storm").

struck the Companies' service territories on September 14, 2008.<sup>9</sup> In recent years, the Commission also has approved regulatory asset treatment for the storm damages costs incurred by other electric utilities in at least six other proceedings.<sup>10</sup>

30. FASB ASC 980-340-25-1, addresses regulatory assets and states in relevant part:

Rate actions of a regulator can provide reasonable assurance of the existence of an asset. An enterprise shall capitalize all or part of an incurred cost that would otherwise be charged to expense if both of the following criteria are met:

- a. It is probable (as defined in Topic 450) that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for ratemaking purposes.
- b. Based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs. If the revenue will be provided through an automatic rate adjustment clause, this criterion requires that the regulator's intent clearly be to permit recovery of the previously incurred cost.

A cost that does not meet these asset recognition criteria at the date the cost is incurred shall be recognized as a regulatory asset when it does meet those criteria at a later date.

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<sup>9</sup> *In the Matter of: Application of Kentucky Utilities Company for an Order Approving the Establishment of a Regulatory Asset*, Case No. 2008-00457, Order at 5 (Ky. P.S.C. Dec. 22, 2008) ("2008 KU Storm").

<sup>10</sup> *See, In the Matter of: Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities Related to Extraordinary Expenses Incurred by Kentucky Power Company in Connection With Three Major Storm Events in 2009*, Case No. 2009-00352 (Ky. P.S.C. Dec. 22, 2009) ("2009 Storm Case"); *In the Matter of: Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities Related to the Extraordinary Expenses Incurred by Kentucky Power Company in Connection With Four 2012 Major Storm Events*, Case No. 2012-00445 Ky. P.S.C. Jan. 7, 2013) ("2012 Storm Case"); *In the Matter of: Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities Related to the Extraordinary Expenses Incurred by Kentucky Power Company in Connection With Two 2015 Major Storm Events*, Case No. 2016-00180 (Ky. P.S.C. Dec. 12, 2016) ("2015 Storm Case"); *In the Matter of: Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish a Regulatory Asset Related to Extraordinary Expenses Incurred by Kentucky Power Company in Connection With Three 2020 Major Storm Events*, Case No. 2020-00368 (Ky. P.S.C. Feb. 5, 2021) ("2020 Storm Case"); *In the Matter of: Application and Request for Decision by April 5, 2021 of Kentucky Power Company for an Order Approving Accounting Practices to Establish a Regulatory Asset Related to the Extraordinary Expenses Incurred by Kentucky Power Company in Connection With Three February 2021 Major Storm Events*, Case No. 2021-00129 (Ky. P.S.C. Apr. 5, 2021); *In the Matter of: Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish a Regulatory Asset Related to the Extraordinary Expenses Incurred in Connection With June 2022 and July 2022 Major Storm Events*, Case No. 2022-00293 (Ky. P.S.C. Sept. 28, 2022) ("June 2022 and July 2022 Major Event Day Storms").

To comply with ASC 980, the Companies respectfully request the Commission to state explicitly in its order that it is authorizing KU and LG&E to accumulate and defer for future recovery the actual amounts, and accruals for estimated amounts until actual costs can be determined, of extraordinary operations and maintenance expenses the Companies incurred to repair damage and restore service to customers following the March 2023 Windstorm in a regulatory asset recorded in Account No. 182.3, Other Regulatory Assets.

31. KU and LG&E plan to record the costs of restoration efforts in various expense accounts, including those listed in the “Credits” column of Table One below. If the Commission approves the Companies’ requested regulatory asset treatment of its March 2023 Windstorm-related operations and maintenance expenses, the Companies will perform the journal entries shown in Table One below.

<b>Table One: Journal Entries for Regulatory Asset Treatment</b>	
<b><u>Debits</u></b>	<b><u>Credits</u></b>
<ul style="list-style-type: none"> <li>• Acct. 182.3 - Other Regulatory Assets</li> </ul>	<ul style="list-style-type: none"> <li>• 57x - Maintenance of Overhead Lines</li> <li>• 58x - Electric Distribution Operations Expenses</li> <li>• 59x - Electric Distribution Maintenance Expenses</li> <li>• 907 - Customer Service &amp; Informational Operations Expenses</li> <li>• 909 - Informational &amp; Instructional Advertising Expense</li> <li>• 925 - Administrative &amp; General Operations Expenses - Injuries and Damages</li> <li>• Other expense accounts as applicable</li> </ul>

32. The Companies ask the Commission to permit each utility to accumulate as regulatory assets and defer for future recovery the actual amounts, and accruals for estimated amounts until actual costs can be determined, of their March 2023 Windstorm-related operations and maintenance costs in the appropriate accounts. The measures the Companies took to restore

service, and the costs related thereto, were reasonable and prudent, and should therefore be recoverable as a necessary cost of providing electric service to KU and LG&E customers.

### **Relief Requested**

33. Because of the importance of maintaining accurate financial statements, the Companies respectfully request the Commission to issue an Order by **April 6, 2023**. Granting the Companies' requested accounting treatment will minimize potential undue uncertainty or distortion to KU's and LG&E's financial statements by allowing each to record its March 2023 Windstorm expenditures as a regulatory asset beginning with the Companies' first-quarter 2023 financial statements.

**WHEREFORE**, Kentucky Utilities Company and Louisville Gas and Electric Company respectfully request that the Commission issue an order by **April 6, 2023**, granting each the authority to:

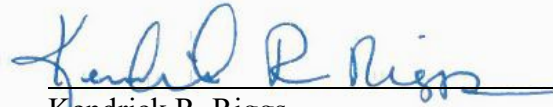
1. Accumulate and defer for future recovery the actual amounts, and accruals for estimated amounts until actual costs can be determined, of extraordinary operations and maintenance expenses incurred to repair damage and restore service to customers following the March 2023 Windstorm, as a regulatory asset recorded in Account No. 182.3, Other Regulatory Assets; and

2. Apply the proposed accounting treatment to make appropriate adjustments on its books of account for the quarter ending March 31, 2023.

3. Kentucky Utilities Company and Louisville Gas and Electric Company further respectfully request that the Commission issue an order by **April 6, 2023**, determining that the actual amounts of the regulatory assets herein that are to be amortized and included in rates shall be determined in the next base rate cases for Kentucky Utilities Company and Louisville Gas and Electric Company.

Dated: March 17, 2023

Respectfully submitted,



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*Counsel for Kentucky Utilities Company  
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**Kentucky Utilities Company  
Louisville Gas and Electric Company  
Exhibit 1**

	\$M		
	<u>Capital</u>	<u>O&amp;M</u>	<u>Total</u>
<u>Estimate of Total KY Storm Costs</u>			
<u>Total KU and LG&amp;E</u>			
Labor (Employees & Contractors)	\$ 44.8	\$ 17.1	\$ 61.9
Materials	\$ 9.3	\$ 0.7	\$ 10.0
Miscellaneous	\$ 0.5	\$ 3.5	\$ 4.0
Contingency	\$ 5.4	\$ 1.9	\$ 7.3
Total	<u>\$ 60.0</u>	<u>\$ 23.2</u>	<u>\$ 83.2</u>
<u>Total KU</u>			
Labor (Employees & Contractors)	\$ 24.0	\$ 9.3	\$ 33.3
Materials	\$ 5.0	\$ 0.4	\$ 5.4
Miscellaneous	\$ 0.2	\$ 1.6	\$ 1.8
Contingency	\$ 2.9	\$ 1.0	\$ 3.9
Total	<u>\$ 32.1</u>	<u>\$ 12.3</u>	<u>\$ 44.4</u>
<u>Total LG&amp;E</u>			
Labor (Employees & Contractors)	\$ 20.8	\$ 7.8	\$ 28.6
Materials	\$ 4.3	\$ 0.3	\$ 4.6
Miscellaneous	\$ 0.3	\$ 1.9	\$ 2.2
Contingency	\$ 2.5	\$ 0.9	\$ 3.4
Total	<u>\$ 27.9</u>	<u>\$ 10.9</u>	<u>\$ 38.8</u>

Note - the above figures are initial high level estimates for the total storm costs. The estimated normal operations costs have not yet been backed out, and will be calculated once actual costs are processed.









**CERTIFICATE OF COMPLIANCE**

In accordance with the Commission's Order of July 22, 2021 in Case No. 2020-00085 (Electronic Emergency Docket Related to the Novel Coronavirus COVID-19), this is to certify that the electronic filing has been transmitted to the Commission on March 17, 2023; and that there are currently no parties in this proceeding that the Commission has executed from participation by electronic means.

A handwritten signature in blue ink, appearing to read "Gerald R. Nigg", is written over a horizontal line.

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