

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) **CASE NO. 2023-00122**
FOR APPROVAL OF SEVEN FOSSIL FUEL-)
FIRED GENERATING UNIT RETIREMENTS)

JOINT APPLICATION OF
KENTUCKY UTILITIES COMPANY AND
LOUISVILLE GAS AND ELECTRIC COMPANY
FOR FOSSIL FUEL-FIRED ELECTRIC GENERATING UNIT RETIREMENTS

Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company (“LG&E”) (collectively, the “Companies”) respectfully petition the Kentucky Public Service Commission (“Commission”) pursuant to Senate Bill 4 enacted by the Kentucky General Assembly during its 2023 Regular Session (“Senate Bill 4”) for an order authorizing the retirement of seven fossil fuel-fired electric generating units, namely E.W. Brown Unit 3, Ghent Unit 2, Haeffling Units 1 and 2, Mill Creek Units 1 and 2, and Paddy’s Run Unit 12 (collectively “Affected Units”).¹

In support of this Joint Application, the Companies respectfully state:

1. Addresses: 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.

2. 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.

¹ Senate Bill 4 is now 2023 Ky. Acts 118.

3. 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.

4. 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.

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 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.

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
Daviss

Hopkins

Nicholas

Woodford

7. Pursuant to 807 KAR 5:001 Section 8, on April 10, 2023, the Companies filed with the Commission notice of their intent to use electronic filing procedures in this proceeding. On that same day, the Companies also provided their notice of intent to file this matter in accordance with the 30-day notice requirement in Section 2(1) of Senate Bill 4. The Companies may be reached by electronic mail at the electronic mail addresses of their counsel set forth below. Copies of all orders, pleadings and other communications related to this proceeding should be directed to:

Robert M. Conroy
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8. Prior to the enactment of Senate Bill 4, the Companies filed a joint application in Case No. 2022-00402 (the “CPCN-DSM case”) in which the Companies proposed a variety of supply- and demand-side resources to provide safe, reliable, and low-cost service to their

customers based on an updated load forecast and the retirements of the Affected Units.² (The Companies did not request Commission approval to retire the Affected Units in the CPCN-DSM case because there was no requirement to do so prior to Senate Bill 4’s enactment.) The proposed resources included two natural gas combined cycle (“NGCC”) units (621 MW each), two Companies-owned and -dispatched solar facilities (120 MWac each), a 125 MW four-hour (500 MWh total) battery energy storage system at KU’s E.W. Brown Generation station (“Brown BESS”), and four solar Purchase Power Agreements (“PPAs”) totaling 637 MW.³

9. As demonstrated in the records of Case No. 2020-00061, the CPCN-DSM case, and this proceeding, i.e., the testimony and exhibits of Lonnie E. Bellar and Stuart A. Wilson being filed in support of this Joint Application (which the Companies are moving the Commission to incorporate by reference into the CPCN-DSM case by a motion being filed herewith), by retiring the Affected Units and adding the resources proposed in the CPCN-DSM proceeding, the Companies fully satisfy the requirements of Senate Bill 4.

10. To approve the Companies’ proposed and assumed retirements of the Affected Units, the Commission must find that the Companies have provided sufficient evidence to overcome a rebuttable presumption against such retirements.⁴ Specifically, as the following paragraphs address, the Companies must show:

- That replacement generating capacity for the retiring unit is dispatchable, will maintain or improve system reliability and resilience, and will maintain sufficient reserve capacity;⁵
- That the unit retirement will not harm utility ratepayers;⁶

² *Electronic Joint Application of Kentucky Utilities Company and Louisville Gas and Electric Company for Certificates of Public Convenience and Necessity and Site Compatibility Certificates and Approval of a Demand Side Management Plan*, Case No. 2022-00402, Application (Dec. 15, 2022).

³ *Id.*

⁴ 2023 Ky. Acts 118 § 2(2).

⁵ 2023 Ky. Acts 118 § 2(2)(a).

⁶ 2023 Ky. Acts 118 § 2(2)(b).

- That the unit retirement does not result from federal financial incentives or benefits;⁷ and
- That the unit retirement will result in cost savings for customers after accounting for all known direct and indirect costs of the retirement.⁸

11. Section 2(2)(a)(1) of Senate Bill 4 states, “The utility will replace the retired electric generating unit with new electric generating capacity that ... [i]s dispatchable by ... the utility” The Companies will replace the Affected Units with new electric generating capacity that the Companies will be able to dispatch, namely the Companies’ proposed two fully dispatchable NGCC units,⁹ as well as the two Companies-owned solar facilities over which the Companies will have full dispatch control.¹⁰ In addition, the Brown BESS and the Companies’ proposed dispatchable DSM programs will also be dispatchable by the Companies (though they are not new electric generating capacity),¹¹ and the solar PPA facilities will provide energy when they are constructed, though the Companies will not have dispatch control over the facilities.¹²

12. Sec. 2(2)(a)(2) of Senate Bill 4 states, “The utility will replace the retired electric generating unit with new electric generating capacity that ... [m]aintains or improves the reliability and resilience of the electric transmission grid[.]” Senate Bill 4 defines reliability to be “having adequate electric generation capacity to safely deliver electric energy in the quantity, with the quality, and at a time that the utility customers demand.” The 2023 Fossil Fuel-Fired Electric Generating Unit Retirement Assessment (“Retirement Assessment”) attached to Mr. Wilson’s

⁷ 2023 Ky. Acts 118 § 2(2)(c).

⁸ 2023 Ky. Acts 118 § 2(3).

⁹ See, e.g., *Electronic Joint Application of Kentucky Utilities Company and Louisville Gas and Electric Company for Certificates of Public Convenience and Necessity and Site Compatibility Certificates and Approval of a Demand Side Management Plan*, Case No. 2022-00402, Wilson Testimony at 22-23 and 36 (“The Companies’ coal, NGCC, and SCCT resources are fully dispatchable.”); Attachment to Companies’ Response to JI 2-60(a), May 2023 Update to Exhibit SAW-1 at 30 and 49 (May 4, 2023) (referred to herein as “May 2023 Update to Exhibit SAW-1”).

¹⁰ See Wilson Testimony, Exhibit SB4-1 at 7-8.

¹¹ See *id.*

¹² See *id.*

testimony as Exhibit SB4-1, as well as previously provided analyses and evidence,¹³ show that replacing the Affected Units with the Companies' proposed dispatchable electric generating capacity maintains adequate reliability and is consistent with the Companies' summer and winter reserve margin targets and reasonable loss-of-load expectation ("LOLE") metrics.¹⁴ The Companies' full CPCN-DSM portfolio enhances reliability even further.¹⁵

13. Senate Bill 4 defines resilience as "having the ability to quickly and effectively respond to and recover from events that compromise grid reliability."¹⁶ Each of the Companies' two proposed NGCC units will have startup times, ramp rates, and a dispatchable capacity range better than each of the Affected Units.¹⁷ Brown BESS will also have the ability, when charged, to respond instantaneously to events that might compromise grid reliability, and the Companies-owned solar facilities will also add to system resilience. Taken together, these units will improve system resilience even after retiring the Affected Units.

14. Sec. 2(2)(a)(3) of Senate Bill 4 states, "The utility will replace the retired electric generating unit with new electric generating capacity that ... [m]aintains the minimum reserve capacity requirement established by the utility's reliability coordinator[.]" The Companies do not have a "minimum reserve capacity requirement established by the utility's reliability coordinator" because they are not RTO members; rather, they establish their own reserve margin criteria, which the Commission regularly reviews.¹⁸ The Companies will exceed their minimum summer and winter reserve margin targets after retiring the Affected Units and adding the Companies' proposed

¹³ See, e.g., Case No. 2022-00402, May 2023 Update to Exhibit SAW-1.

¹⁴ *Id.*; Bellar Testimony at 12-15; Wilson Testimony, Exhibit SB4-1 at 13-15 and 17-19.

¹⁵ *Id.*

¹⁶ 2023 Ky. Acts § 1(3).

¹⁷ See, e.g., Bellar Testimony at 16; Wilson Testimony, Exhibit SB4-1 at 17.

¹⁸ See Bellar Testimony at 18; Wilson Testimony, Exhibit SB4-1 at 18.

dispatchable electric generating capacity, and they will further improve their reserve margins when accounting for the full CPCN-DSM portfolio.¹⁹

15. Sec. 2(2)(b) of Senate Bill 4 states, “The retirement will not harm the utility’s ratepayers by causing the utility to incur any net incremental costs to be recovered from ratepayers that could be avoided by continuing to operate the electric generating unit proposed for retirement in compliance with applicable law[.]” Retiring the Affected Units and adding the resources proposed in the CPCN-DSM case will result in hundreds of millions of dollars of present value of revenue requirements (“PVRR”) benefits, not harm, for customers compared to the cost of operating the Companies’ existing generating fleet with no retirements.²⁰

16. Sec. 2(2)(c) of Senate Bill 4 states, “The decision to retire the fossil fuel-fired electric generating unit is not the result of any financial incentives or benefits offered by any federal agency.” The Companies’ proposal to retire the Affected Units does not result from any financial incentives or benefits offered by any federal agency; rather, it is to ensure safe and reliable service at the lowest reasonable cost in compliance with applicable law and consistent with reserve margin requirements.²¹ There are, however, federal tax credits provided for certain renewable generation resources included in the CPCN-DSM proposals. As these inure completely to the benefit of customers, they must be included in any reasonable PVRR analysis to appropriately reflect the cost of such generation supply alternatives. It would be unreasonable and unfair to customers to have such benefits eliminated from consideration when evaluating generation units. Therefore, the Companies’ CPCN-DSM proposals fully satisfy this Senate Bill 4 requirement.

¹⁹ Wilson Testimony, Exhibit SB4-1 at 19.

²⁰ Bellar Testimony at 21; Wilson Testimony, Exhibit SB4-1 at 21.

²¹ Bellar Testimony at 21-22; Wilson Testimony, Exhibit SB4-1 at 22.

17. Sec. 2(3) of Senate Bill 4 states, “The utility shall at a minimum provide the commission with evidence of all known direct and indirect costs of retiring the electric generating unit and demonstrate that cost savings will result to customers as a result of the retirement of the electric generating unit.” The Companies’ PVRR calculations account for all known direct and indirect costs of retiring the Affected Units and show that retiring the Affected Units and adding the resources proposed in the CPCN-DSM case will result in hundreds of millions of dollars of PVRR cost savings compared to the cost of operating the Companies’ existing generating fleet with no retirements.²²

18. Because the Companies have met all the requirements to retire the affected generating units, the Commission should find the Companies’ application to be administratively complete as of the date of this filing and approve the Companies’ retirements of the Affected Units.

WHEREFORE, Kentucky Utilities Company and Louisville Gas and Electric Company respectfully request the Kentucky Public Service Commission to:

1. Enter an order finding the Companies’ application to be administratively complete as of the date of this filing; and
2. Enter an order within 180 days authorizing the retirement of E.W. Brown Unit 3, Ghent Unit 2, Haefling Units 1 and 2, Mill Creek Units 1 and 2, and Paddy’s Run Unit 12.

²² Bellar Testimony at 19-21; Wilson Testimony, Exhibit SB4-1 at 20-23.

Dated: May 10, 2023

Respectfully submitted,



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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 May 10, 2023; and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.

A handwritten signature in blue ink, reading "Harold R. Riggs". The signature is written in a cursive style and is positioned above a horizontal line.

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