

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>ELECTRONIC APPLICATION OF</b>	)	
<b>KENTUCKY UTILITIES COMPANY FOR AN</b>	)	<b>CASE NO. 2023-00397</b>
<b>ORDER AUTHORIZING THE ISSUANCE OF</b>	)	
<b>INDEBTEDNESS</b>	)	

**RESPONSE OF**  
**KENTUCKY UTILITIES COMPANY**  
**TO**  
**THE COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION**  
**DATED JANUARY 16, 2024**

**FILED: JANUARY 23, 2024**

VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 )  
COUNTY OF JEFFERSON )

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says that he is Chief Operating Officer for Kentucky Utilities Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge, and belief.

*Lonnie E. Bellar*  
\_\_\_\_\_  
**Lonnie E. Bellar**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 22<sup>nd</sup> day of January 2024.

*Caroline J. Davison*  
\_\_\_\_\_  
Notary Public

Notary Public ID No. KYNP63286

My Commission Expires:

January 22, 2027



**VERIFICATION**

**COMMONWEALTH OF PENNSYLVANIA )**

)

**COUNTY OF LEHIGH )**

)

The undersigned, **Tadd J. Henninger**, being duly sworn, deposes and says that he is the Senior Vice President-Finance and Treasurer for PPL Corporation and currently provides Treasury related services to Kentucky Utilities Company, as provided by the company’s Board of Directors and pursuant to a certain Power of Attorney, and that he has personal knowledge of the matters set forth in the foregoing response and that the material contained therein is true and correct to the best of his information, knowledge, and belief.

  
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**Tadd J. Henninger**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 23<sup>rd</sup> day of January, 2024.

  
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Notary Public

Notary Public, ID No. 1333990 (SEAL)

My Commission Expires: July 10, 2026

Commonwealth of Pennsylvania - Notary Seal  
Michelle L. Bartolomei, Notary Public  
Lehigh County  
My commission expires July 10, 2026  
Commission number 1333990  
Member, Pennsylvania Association of Notaries

**KENTUCKY UTILITIES COMPANY**

**Response to Commission Staff's First Request for Information  
Dated January 16, 2024**

**Case No. 2023-00397**

**Question No. 1**

**Responding Witness: Tadd J. Henninger**

- Q-1. Refer to the Application for financing approval filed in this matter, paragraph 1. Explain what factors KU considers when going to either the private or public placement market. Include in the response how either market could be considered the least cost option for its customers and which market KU goes to more often.
- A-1. KU continuously monitors the capital markets and evaluates different financing strategies to ensure KU is obtaining the most efficient cost of capital for rate payers. KU may consider private placements as an alternative to public market transactions in instances where public markets are not available, not efficiently priced or to target a different set of investors that may not be as sensitive to coal.

**KENTUCKY UTILITIES COMPANY**

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**Question No. 2**

**Responding Witness: Lonnie E. Bellar / Tadd J. Henninger**

- Q-2. Refer to the Application, paragraph 5. Refer also to the Application in Case No. 2022-00402<sup>2</sup> at page 14, in which Louisville Gas and Electric Company (LG&E) and KU (collectively, LG&E/KU) estimated a total project cost of \$2.095 billion if the Commission approved LG&E/KU's Application as filed. Refer also to the November 6, 2023 Order in Case No. 2022-00402, in which the Commission granted LG&E/KU's request in part and denied it in part.<sup>3</sup>
- a. Provide an updated projection of the total capital cost for the projects approved in the November 6, 2023 Order and a corresponding itemized breakdown of each project. Include the amount and percentage of KU's financial obligation in regard to the Commission's Order and a breakdown of the total cost by ownership.
  - b. Explain the basis for and the percentage ownership of KU and LG&E for each of the capital projects authorized in the November 6, 2023 Order. Include in the response how LG&E and KU ultimately decided on how much each company will finance and whether this is consistent with LG&E/KU's past practice.
  - c. Explain how each company is financially responsible for any maintenance expenses associated with each of the capital projects authorized in the November 6, 2023 Order.
- A-2.
- a. All of the projects associated with LG&E and KU Case No. 202-00402 are in varying states of contract negotiations with vendors. As none of those negotiations have concluded, there is no impetus for change to estimates

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<sup>2</sup> Case No. 2022-00402, *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 and Approval of Fossil Fuel-Fired Generating Unit Retirements* (filed Jan. 6, 2023), Joint Application at 14.

<sup>3</sup> See Case No. 2022-00402, *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 and Approval of Fossil Fuel-Fired Generating Unit Retirements* (Ky. PSC Nov. 6, 2023), Order.

approved by the Commission. See the response to part (b) for LG&E and KU total percentage of ownership.

- b. The basis for the ownership percentage of KU and LG&E for each of the capital projects authorized in the November 6, 2023 Order was explained in the 2022 Resource Assessment that was filed by LG&E and KU in Case No. 2022-00402.<sup>4</sup> Below is a summary of that information.

The Mercer County Solar Facility and Marion County Solar Facility were assigned to each company using a method similar to the method used for the Companies' Brown Solar Facility. This assignment was calculated by allocating the solar resources' forecasted generation in each hour based on each company's forecasted share of native load energy requirements for the hour. Each company's proposed assignment equals its allocated share of the total solar energy generated during the study period.

Depending on natural gas price levels and future CO<sub>2</sub> regulations, Mill Creek 5 is expected to operate at a 60-85% capacity factor, generating significant amounts of energy. For this reason, the Companies calculated their ownership so that each company's ownership share matches its share of the anticipated energy benefits compared to an all-simple cycle combustion turbine portfolio. This method is similar to the method used for Trimble County Unit 2 and Cane Run Unit 7.

Battery storage is considered to be a capacity resource because it does not produce energy in all hours but rather stores energy for when it is needed most. Therefore, the Brown battery energy storage system ("BESS") ownership was assigned using a method similar to the method used for the jointly-owned combustion turbines by better balancing 2028 summer reserve margins based on dispatchable and battery capacity, after assigning the natural gas combined cycle combustion turbine units' ownership allocation.

The optimal ownership allocations are as follows. For Mill Creek 5, the optimal ownership allocation is 69% for KU and 31% for LG&E. For the Mercer County Solar Facility and the Marion County Solar Facility, the optimal allocation is 63% for KU and 37% for LG&E. Both of these ownership allocations are also close to the allocation of total energy between the Companies. KU's share of total energy is approximately 64%; LG&E's share is 36%. The Brown BESS is assigned 100% to LG&E to better balance the Companies' summer reserve margins.

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<sup>4</sup> Case No. 2022-00402, Direct Testimony of Stuart A. Wilson, Exhibit SAW-1 at 42 (December 15, 2022).

The above allocations ultimately decide how much debt financing is required for LG&E and KU based on their target capital structure of 53% equity and 47% debt, which is consistent with past practice.

- c. LG&E and KU are financially responsible for maintenance expenses based on the ownership splits discuss in response to part (b).

**KENTUCKY UTILITIES COMPANY**

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**Case No. 2023-00397**

**Question No. 3**

**Responding Witness: Tadd J. Henninger**

- Q-3. Refer to the Application, paragraph 6. Explain KU's intentions regarding the proposed debt issuance after 2027. Include in the response whether KU's issuance of indebtedness coincides with the natural gas combined cycle unit coming online and if KU expects or intends to refinance any debt incurred from 2024-2027.
- A-3. The Application filed by KU requests authority to incur indebtedness during the period of January 1, 2024 through December 31, 2027. Any indebtedness incurred after 2027 would require additional Commission approval.

The capital expenditures that are being financed with the requested debt authority of \$1.35 billion includes capital expenditures related to the natural gas combined cycle unit coming online in 2027.

KU has a debt maturity of \$270 million that KU would expect to refinance with debt incurred during the period set forth in the Application.





**KENTUCKY UTILITIES COMPANY**

**Response to Commission Staff's First Request for Information  
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**Case No. 2023-00397**

**Question No. 5**

**Responding Witness: Tadd J. Henninger**

- Q-5. Explain how often and the circumstances under which KU issues equity and/or receives equity infusions from its parent company.
- A-5. KU maintains a target capital structure of 53% equity and 47% debt, which is consistent with maintaining a strong investment grade bond rating. KU itself does not issue equity but receives equity infusions necessary to maintain the target capital structure from its parent company. The capital structure of KU is monitored on a regular basis.

**KENTUCKY UTILITIES COMPANY**

**Response to Commission Staff's First Request for Information  
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**Case No. 2023-00397**

**Question No. 6**

**Responding Witness: Tadd J. Henninger**

- Q-6. Confirm that KU will observe the cost of capital projects and the market and may not incur the entire \$1.350 billion in debt financing for which approval is requested herein.
- A-6. KU may not necessarily incur the entire amount of \$1.35 billion in debt in the period set forth in the Application, depending upon the actual amount of capital expenditures and market conditions.