COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILINGS OF	)	
LOUISVILLE GAS AND ELECTRIC COMPANY	)	
AND KENTUCKY UTILITIES COMPANY TO	)	
REVISE PURCHASE RATES FOR SMALL	)	**CASE NO. 2023-00404**
CAPACITY AND LARGE CAPACITY	)	
COGENERATION AND POWER PRODUCTION	)	
QUALIFYING FACILITIES AND NET	)	
METERING SERVICE-2 CREDIT RATES	)	

RESPONSE BRIEF OF LOUISVILLE GAS AND ELECTRIC COMPANY AND KENTUCKY UTILITIES COMPANY

Dated: June 14, 2024

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INTRODUCTION

All three of the intervenors' briefs provide support—one explicitly, two inadvertently—for approving the Small Qualifying Facility ("SQF"), Large Qualifying Facility ("LQF"), and Net Metering Service-2 ("NMS-2") rates the Companies calculated in response to Commission Staff's First Request for Information No. 1 ("PSC 1-1") in this proceeding.

The only intervenor charged with representing the interests of all customers and with no advocacy obligation to the solar industry, namely the Attorney General, filed a brief that explicitly advocates for approving the NMS-2 rates the Companies proposed in their October 31, 2023 tariff filings.[1] (Presumably the Attorney General would also support the Companies' proposed QF rates given that the proposed NMS-2 avoided energy and generation capacity components derive from the proposed QF rates.)

The briefs for the other two intervenors, both of which have undeniable solar advocacy obligations in this case—the Kentucky Solar Industries Association, Inc. ("KYSEIA") and the Joint Intervenors,[2] which include the Kentucky Solar Energy Society—also provide support, albeit inadvertently, for the QF and NMS-2 rates the Companies calculated in response to PSC 1-1. Their briefs are rife with errors, misrepresentations about the Companies' actions and intentions, and improper use of evidence outside the record of this proceeding, all of which undermine their own arguments and lend credibility to the Companies' proposed rates. Indeed, after cutting through the fog created by KYSEIA and the Joint Intervenors, it is clear that the QF and NMS-2 rates the Companies calculated in response to PSC 1-1 are appropriate because they are fully supported by the evidence in the record of this case, consistent with the Commission's own approach and

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[1] *See* AG Brief at 6.
[2] The Joint Intervenors in this proceeding are the Kentucky Solar Energy Society and Mountain Association.

requirements set out in its September 24, 2021 Final Order in the Companies' 2020 base rate cases, and in *all* customers' best interests.

ARGUMENT

I. KYSEIA's recommendation to include off-system sales in avoided energy cost calculations would result in artificially high avoided energy costs, and therefore artificially high QF and NMS-2 rates, which would harm customers.

Contrary to KYSEIA's assertions,[3] it would be unreasonable to include off-system sales ("OSS") in modeling to determine avoided energy costs for setting QF and NMS-2 rates because it would result in artificially high avoided energy costs that would harm all customers. The Companies similarly do not include OSS in their modeling to make resource decisions,[4] including in the Companies' modeling to determine an economically optimized portfolio in Case No. 2022-00402,[5] precisely because that exclusion is in customers' best interest: "The Companies exclude OSS from resource decisions to focus their analyses on minimizing the cost to serve native load customers and because forecasted market energy prices and transmission availability are highly uncertain and outside the Companies' control."[6]

Contrary to this approach that focuses on minimizing costs to customers, KYSEIA would have the Companies project OSS on an hourly basis to maximize the hourly avoided cost of energy,[7] notwithstanding that there is no evidence in the record to suggest that hourly projections of OSS would be reliable for this purpose; indeed, as noted above, the only evidence in the record is that the relevant factors for making such projections are "highly uncertain and outside the

[3] KYSEIA Brief at 3-5.
[4] JI 2-4(a).
[5] JI 2-4(b).
[6] PSC 1-2(b).
[7] *See, e.g.,* KYSEIA Brief at 5 ("[A]dditional QF energy that displaces the highest-cost energy on the system reduces the marginal energy cost in that hour and increases the likelihood that the economic threshold for off-system sales will be met in that hour ….").

Companies' control."[8] Moreover, KYSEIA's proposed approach would result in higher payments to distributed solar providers for all energy they produce *regardless of when they produce it or whether the projected hourly OSS ever occur*. That may be an attractive financial proposition to the Kentucky Solar Industries Association, but it would be harmful to the customers who would have to pay for it.

To be clear, all customers benefit from actual OSS margins; the Companies do not dispute that.[9] The margins from such sales are distributed directly to customers through the calculation of the monthly fuel adjustment clause factors.[10] Using otherwise economical resources to make OSS when the market opportunity arises provides additional benefits to customers; it is both right and prudent to do so. But it is a logical error to infer from the general benefit of economical OSS that it would be prudent to assume certain amounts of OSS on an hourly basis to justify paying more for distributed solar energy. Yet that is exactly the illogical leap KYSEIA invites the Commission to take—to customers' detriment. For the good of all customers, the Commission should refuse the invitation.

Finally, it would be profoundly results-oriented and inconsistent with the Companies' longstanding resource modeling approach, as well as the approach taken in formulating the avoided energy costs the Commission approved in the Companies' 2020 rate cases, to approve KYSEIA's recommendation on this issue.[11] In short, there is no reason consistent with customers' best interests and lowest reasonable cost ratemaking to follow KYSEIA's proposed OSS approach.

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[8] PSC 1-2(b).

[9] KYSEIA Brief at 4; Companies' Response to KYSEIA 2-2.

[10] Kentucky Utilities Company, P.S.C. No. 20, Original Sheet No. 88; Louisville Gas and Electric Company, P.S.C. Electric No. 13, Original Sheet No. 88.

[11] *See* PSC 1-2(b); *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, and *Electronic Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates, a*

II. KYSEIA's proposal to calculate avoided energy cost by comparing cost differences between model runs with and without 80 MW of QF capacity is unrealistic and overstates the costs QFs would avoid.

KYSEIA's recommendation that the Commission "adopt a methodology for calculating the avoided energy cost based on the difference in cost with and without QF generation" has the dubious distinction of being both factually and methodologically erroneous.[12] The Commission should therefore disregard it.

KYSEIA incorrectly asserts, "The tables provided by the Companies in response to PSC DR 3-5 show avoided energy costs of *several cents per kWh higher* than the avoided energy costs originally proposed by the Companies."[13] In fact, the Companies' tables in response to PSC 3-5 show a difference ranging from less than two tenths of a cent per kWh to just over six tenths of a cent per kWh. Thus, KYSEIA's assertions are off by an order of magnitude.

KYSEIA's methodological assertions are equally erroneous, as well as disingenuous. KYSEIA argues:

> A single 80 MW QF as used to calculate avoided energy costs has a nameplate capacity equal to or larger than the minimum net summer capacity of well over a dozen of the Companies' existing generating units, and it is therefore not only inconceivable that a QF of the modeled capacity would have no impact on unit commitment but also unreasonable for the value of avoided energy costs to be reduced as if an 80 MW QF would have no impact on unit commitment. [14]

First, notwithstanding KYSEIA's unsupported assertions about what is "inconceivable" and "unreasonable," the only evidence of record on this topic is entirely to the contrary: "[A]llow[ing] QFs to impact unit commitment … is not a reasonable assumption given the small size of QFs *and*

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, Order at 30 (Ky. PSC Sept. 24, 2021).

[12] KYSEIA Brief at 5.

[13] KYSEIA Brief at 5 (emphasis added).

[14] KYSEIA Brief at 6.

the uncertainty in forecasting their output."[15] Nowhere does KYSEIA address the uncertainty in forecasting QFs' output or how it could be prudent in actual utility operations (i.e., without perfect foreknowledge) to commit an 80 MW QF, particularly an 80 MW solar QF like the one PSC 3-5 asked the Companies to model, in place of a combustion turbine. KYSEIA simply assumes away the uncertainty.

Second, KYSEIA makes an overly simplistic and apples-to-oranges comparison between *nameplate* capacity for a hypothetical 80 MW QF and the *minimum net* summer capacity of the Companies' units. KYSEIA fails to note that sixteen of the "well over a dozen" (actually 19) units KYSEIA cites have a maximum net summer capacity over 80 MW (indeed, over 100 MW); only the Companies' three small secondary CTs have minimum and maximum net summer capacity ratings under 80 MW, ranging from 2 MW to 23 MW.[16] KYSEIA also cites no evidence in the record to support the legitimacy of treating a megawatt of solar capacity as equivalent to a megawatt of combustion turbine capacity in making its comparison. Indeed, KYSEIA does not address any number of other factors that could affect how prudent utilities actually commit units versus how models do so.

If KYSEIA desired to be taken seriously on this topic, it should have offered its own testimony, conducted further discovery on it, or requested a hearing to address it. It chose not to do so, opting to advance a rhetorical argument to increase rates paid by all customers. The Commission should disregard KYSEIA's unsupported assertions on this topic.

[15] PSC 3-5 (emphasis added).

[16] Companies' Response to JI 1-3, Attachment 4: 18_-_JI_DR1_LGE_KU_Attach_to_Q03_-_Att_4_PUBLIC_Other_Model_Inputs_Workpapers.zip; File Folder "OtherModelInputs"; File Folder "HeatRates"; (Excel file) 20230622_ASM_2024BP_HeatRate_IO_MasterTemplate; (Tab) Master Input, Column L, lines 15 – 33.

III. Contrary to KYSEIA's assertions, the Companies' use of the Federal Reserve's long-term inflation target was reasonable for converting 2021 real dollars to nominal dollars.

Contrary to KYSEIA's assertions,[17] it was reasonable to use the Federal Reserve Bank's long-term inflation target of 2% as the inflation rate to convert the 2021-dollar-denominated cost of a combustion turbine to nominal dollars rather than the 2.5% inflation rate included in the National Renewable Energy Laboratory's ("NREL's") 2023 Annual Technology Baseline ("ATB").[18] KYSEIA makes several incorrect claims in this regard:

> The Companies' use of an inflation projection based on consumer spending on goods and services, misrepresenting the actual reported error range of that measure, and ignoring the inflation estimate provided by the source of their CT cost estimate underestimates the future cost of a CT and is not consistent with the actual future cost projections from NREL's ATB.[19]

First, the assertion that there is something untoward about using "an inflation projection based on consumer spending on goods and services" to convert real dollars to nominal is at odds with the Commission's use of the CPI-U as an inflation metric in past cases.[20] Moreover, KYSEIA provides no reason to believe that the National Renewable Energy Laboratory's projection of inflation should be more reliable than the Federal Reserve Bank's target inflation rate for the particular purpose of converting real dollars to nominal dollars, which is the very purpose for

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[17] KYSEIA Brief at 7-9.

[18] *See* Companies' Generation Planning & Analysis Report at 8 (Oct. 31, 2023); Companies' Response to KYSEIA 1-11.

[19] KYSEIA Brief at 9.

[20] *See, e.g., The Application of Kentucky-American Water Company for a Certificate of Public Convenience and Necessity Authorizing the Construction of Kentucky River Station II, Associated Facilities, and Transmission Main*, Case No. 2007-00134, Order at 52 (Ky. PSC Apr. 25, 2008) ("The Commission has assumed an annual inflation rate of 3 percent, which is consistent with the CPI-U."); *An Adjustment of the Electric Rates, Terms, and Conditions of Kentucky Utilities Company*, Case No. 2003-00434, Order at 34 (Ky. PSC June 30, 2004) ("The inflation factor previously used by the Commission is based upon the Consumer Price Index – All Urban Consumers ('CPI-U')."); *Application of Clark Rural Electric Cooperative Corporation to Adjust Electric Rates*, Case No. 1992-00219, Order at 15 (Ky. PSC Apr. 23, 1993) ("Moreover, the Commission historically uses the Consumer Price Index - Urban ('CPI-U') when computing the effects of inflation."); *Adjustment of Gas and Electric Rates of Louisville Gas and Electric Company*, Case No. 1990-00158, Order at 11-12 and Appx. B (Ky. PSC Jan. 29, 1991).

which the Companies used it. To be clear, the Companies are not saying the approach they used is the *only* reasonable approach to converting real dollars to nominal dollars, but it certainly is *a* reasonable approach.

Second and relatedly, KYSEIA is flatly incorrect in asserting that the Companies "ignored" the NREL inflation rate or did something "not consistent with the actual future cost projections from NREL's ATB."[21] To the contrary, the Companies had no reason to need or use the ATB's inflation projection because the ATB's overnight capital cost for a combustion turbine is an *input* to the ATB, not a value calculated using the inflation rate in the ATB spreadsheet.[22] In other words, the ATB's inflation rate does *not* affect or reflect the year-to-year overnight capital cost changes shown in the ATB.[23] Thus, the Companies neither "ignored" the NREL inflation rate nor did something "not consistent with the actual future cost projections from NREL's ATB"; rather, the Companies reasonably used the Federal Reserve's target inflation rate to convert the ATB's projected overnight capital cost from 2021 dollars to nominal dollars.

Third and finally, KYSEIA unjustifiably accuses the Companies of "misrepresenting the actual reported error range of that measure [presumably meaning the Federal Reserve's near-term inflation projections] …."[24] It is an odd accusation because the Companies have made no representations at all in this proceeding regarding "the actual reported error range" of any Federal Reserve "measure"; indeed, nothing KYSEIA cites suggests the Companies made such a representation. Rather, KYSEIA spends a paragraph on the Federal Reserve's inflation projections and error ranges for 2023-2025 from a source the Companies cited but that is not in the record per

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[21] KYSEIA Brief at 9.

[22] *See* 2023-ATB-Data_Master_v9.0.xlsx, worksheet "Natural Gas_FE," rows 155-175, available at https://data.openei.org/files/5865/2023-ATBData_Master_v9.0.xlsx.

[23] *See* 2023-ATB-Data_Master_v9.0.xlsx, worksheet "Natural Gas_FE," rows 56 and 155-175, available at https://data.openei.org/files/5865/2023-ATBData_Master_v9.0.xlsx.

[24] KYSEIA Brief at 9.

se.[25] The Companies would note that in addition to baselessly accusing the Companies of "misrepresenting the actual reported error range of that measure," KYSEIA itself misreports the Federal Reserve's "error range" for inflation projections in 2025.[26] Thus, the Commission should disregard KYSEIA's brief on this matter.

IV. The Companies' recommendation concerning limiting aggregate QF capacity to 1,000 MW has no bearing on the rates at issue in this proceeding.

KYSEIA argues that the recommendation in the Companies' avoided cost analysis document to limit QF capacity to 1,000 MW is contrary to the Commission's QF regulation and should not be approved.[27] Importantly, the Companies are not asking the Commission to approve the recommendation in this proceeding, which began as a simple rate update filing, not an application to change tariff terms or conditions. Notably, KYSEIA does not argue or demonstrate that the policy proposal affected in any way the Companies' avoided cost analyses, which the evidence of record shows it did not. Moreover, the Companies are committed to following the Commission's QF regulation, and they have not denied any QF application on the ground of aggregate QF capacity. Therefore, this is a non-issue in this proceeding.

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[25] *Id.* at 8-9.

[26] KYSEIA's Brief states at 8-9, "Actual inflation projections from the Federal Reserve report cited by the Companies for 2023-2025 range from 2% to about 4% *with 2% at the bottom of the error range in 2025*." (Emphasis added.) What the cited report actually says is that the median of the "[e]conomic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy" for personal consumption expenditures ("PCE") inflation in 2025 is 2.1% and the median core PCE inflation (excludes food and energy expenditures) projection is 2.2%, and the corresponding 70% confidence interval for that year is 0.6% to 3.4%. What the KYSEIA Brief reports as the "error range" is actually the range of projections from the Federal Reserve participants, which ranged from 2.0% to 3.0% for PCE inflation in 2025, which again had a median of 2.1%. *See* Board of Governors of the Federal Reserve System, "Monetary Policy Report, June 16, 2023" at pages 47, 48, 57, and 62, available at https://www.federalreserve.gov/monetarypolicy/files/20230616_mprfullreport.pdf.

[27] KYSEIA Brief at 9.

V. The Companies' recent renewable energy request for proposals ("RFP") is neither in the record of this proceeding nor does it indicate the Companies have a capacity need beginning in 2026.

The single most egregious example of KYSEIA attempting to introduce evidence into the record of this proceeding through its brief is its discussion concerning the Companies' May 1, 2024 RFP.[28] The Companies could have moved to strike this portion of KYSEIA's brief (and the other outside-the-record evidence in KYSEIA's brief) for violating the Companies' due process rights. But precisely because the Companies have nothing to hide, the Companies will instead respond here.

The Companies' recent RFP in no way states or suggests that they have a capacity need in 2026 or any other time prior to 2030 (not 2032, as the KYSEIA erroneously states).[29] This should be obvious in view of the capacity additions the Commission approved for the Companies less than six months ago.[30] Moreover, no reasonable reading of the Companies' RFP could cause an impartial reader to infer that the Companies have a 2026 capacity need:

> Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (together the "Companies") are evaluating alternatives to provide least-cost long-term supply of *renewable energy* to serve our customers. The Companies are exploring additions no earlier than 2026 to enable the Companies to address potential EPA regulations, load growth, and diversification of the Companies' generation portfolio. The *renewable energy* may also be considered as a supply source for the Companies' Green Tariff participants. The additions sought in the RFP are projects producing *nonfirm* renewable energy from solar, wind, or hydro sources. The Companies will consider purchase power agreements, asset purchases (new or existing), and build-transfer transactions.

[28] KYSEIA Brief at 10-11.

[29] *See* https://lge-ku.com/sites/default/files/media/files/downloads/LGEKU-RFP-2024-Renewables.pdf.

[30] *See 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 Generation Unit Retirements*, Case No. 2022-00402, Order at 178-81 (Ky. PSC Nov. 6, 2023).

> *The RFP does not seek the addition of capacity resources* (e.g., energy storage).[31]

In short, the Companies issued an RFP at the beginning of May for *non-firm renewable energy* proposals to gather data on possible options to keep costs as low as reasonably possible for all customers and to gather options for Green Tariff customers. In no way does the RFP state, mean, or imply that the Companies have a looming need for capacity in 2026; indeed, if the Companies were facing such a need, they would be in serious jeopardy of not being able to fulfill that need given that 2026 is just a year and a half away. Moreover, the RFP does not invite fossil or other non-renewable resources to bid, and it explicitly requests *non-firm energy* proposals, not firm energy or capacity proposals. Though the RFP allows asset sale proposals, it does not affirmatively request them precisely because the Companies do not have a capacity need prior to 2030.[32]

In addition, given the nature of the resources the Companies have requested to respond to this RFP, there is no way any of the responses could result in increased QF or NMS-2 rates. First, the Companies' proposed QF and NMS-2 avoided generation capacity costs are based on the avoided cost of a simple-cycle combustion turbine in accordance with the Commission's 2020 rate case Order methodology,[33] and the RFP seeks no offers for such capacity—or indeed for *any* capacity. Second, the avoided capacity cost data utilities are required to provide to the Commission is for planned *firm* energy and capacity purchases.[34] Third, the Companies will perform the same kind of avoided cost analysis regarding the RFP responses that they have performed in this proceeding; if the proposals will not help reduce anticipated costs relative to the Companies' currently anticipated capacity need in 2030, the Companies will not pursue them.

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[31] https://lge-ku.com/sites/default/files/media/files/downloads/LGEKU-RFP-2024-Renewables.pdf at page 1 (emphases added).
[32] *See* Companies' Response to PSC 1-1.
[33] Case Nos. 2020-00349 and 2020-00350, Order at 32, 34, 50-51 (Ky. PSC Sept. 24, 2021).
[34] 807 KAR 5:054 Section 5(2)(b) and (c).

Thus, there is no way the RFP responses could justify increasing QF and NMS-2 avoided energy and generation capacity components the Companies calculated in response to PSC 1-1.

Finally, KYSEIA's attempt to attack the Companies' credibility by asserting that "[t]he inconsistency between the Companies' claim in the instant proceeding regarding their next capacity need and the Companies' actual procurement actions at present is remarkably and disturbingly reflective of a similar discrepancy that was addressed in the Commission's September 24, 2021 Order [in the Companies' 2020 rate cases]" *entirely ignores the history of actual events that occurred after September 24, 2021.*[35] Indeed, the Companies invite the Commission to "place[] greater weight on LG&E/KU's actions … than their words."[36] When it does, it will find the Companies' actions and words were and are fully aligned. The Order KYSEIA cites did state that, all of the Companies' testimony to the contrary notwithstanding, the Companies had a capacity need in 2025 rather than 2028 based on the Companies' issuance of an RFP that sought proposals for capacity and energy that permitted a "capacity install year of 2025 or earlier."[37] *But the Companies did not have a capacity need prior to 2028*, which was fully addressed and validated in the recent CPCN case.[38] Indeed, if KYSEIA had taken any notice of the actual events that transpired since September 2021, it would have known that the Companies said what they meant and did what they said. Thus, KYSEIA's attempt to undermine the Companies' credibility actually serves to undermine KYSEIA's credibility, and the Commission should give KYSEIA's unsupported attack on the Companies no weight at all.

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[35] KYSEIA Brief at 10-11.
[36] Case Nos. 2020-00349 and 2020-00350, Order at 37 (Ky. PSC Sept. 24, 2021).
[37] *Id.* at 36-37.
[38] *See, e.g.,* Case No. 2022-00402, Order at 72, 74, 77 (Ky. PSC Nov. 6, 2023).

VI. Contrary to KYSEIA's assertions, there are no legitimate concerns regarding the Companies' compliance with the Commission's prior directives.

KYSEIA raises three issues to attempt to show that the Companies are not complying with the Commission's prior directives. All three attempts undermine rather than bolster KYSEIA's position.

First, KYSEIA argues the Companies did not follow the Commission's direction concerning implementing ELCC to value resources' capacity contribution.[39] But the Companies did discuss PJM's ELCC in the Generation Planning and Analysis document filed with the QF and NMS-2 tariff filings, noting that PJM's then-current ELCC values showed the ELCC for single-axis tracking solar decreasing from 56% in 2024 to 16% in 2032.[40] Importantly, the Companies' avoided capacity approach resulted in a resource availability during peak hours as a percentage of nameplate capacity of 37.2% for single-axis tracking solar and 28.8% for fixed-tilt solar.[41] In other words, the Companies' approach credits single-axis tracking solar with 37.2% of the avoided capacity cost of a new simple-cycle CT, and it credits fixed-tilt solar with 28.8% of the avoided capacity cost of a new simple-cycle CT—and it does so in *all* years.[42] These results are more favorable to QF and NMS-2 than PJM's 2032 ELCC for single-axis tracking solar discussed in the Companies' Generation Planning and Analysis document. The Companies' approach is also more favorable to QF and NMS-2 than the other PJM ELCC data the Companies introduced into the record, which would result in single-axis tracking solar being credited with only 33.8% of the value of a simple-cycle CT and fixed-tilt solar being credited with only 20.3% of the value of a

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[39] KYSEIA Brief at 11-12.
[40] Companies' Generation Planning & Analysis Report at 8 fn. 12, citing PJM's ELCC Report dated December 2022, available at https://www.pjm.com/-/media/planning/res-adeq/elcc/elcc-report-december-2022.ashx.
[41] Companies' Generation Planning & Analysis Report at 10, Table 7.
[42] *See* Companies' Generation Planning & Analysis Report at 10-11.

simple-cycle CT in the 2025-2026 capacity year.[43] Thus, the Companies have addressed ELCC to some extent in this proceeding, and they have showed there is little reason to believe ELCC results would be favorable to KYSEIA's advocacy for higher QF avoided generation capacity costs.

Second, KYSEIA raises again the recent RFP issue,[44] which is in no way contrary to previous Commission directions to the Companies and is fully addressed in the preceding section.

Third, KYSEIA puzzlingly asserts that "the Companies' use of levelized costs calculated over a 20-year term to set avoided cost rates for a 7-year contract term" somehow "raises questions regarding the Companies' willingness to conduct their business in accordance with the Commission's directives …."[45] This is both false and self-defeating to KYSEIA's purposes. The Companies' proposed seven-year QF capacity rates do indeed give QFs a full 20 years of credit for only a seven-year commitment, which is exactly how the Commission calculated such rates in its September 24, 2021 Order.[46] Moreover, the Companies' adherence to the Commission's approach resulted in *higher*, not lower, avoided generation capacity costs for QFs.[47] It is therefore incorrect to claim that this is an example of the Companies' failure to comply with Commission directives, and it is a puzzling, self-defeating claim for KYSEIA to make precisely because the Companies' approach (which is the Commission's approach) results in higher avoided capacity costs for QFs.

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[43] *See* Companies' Response to AG 1-6. The single-axis tracking solar value (33.8%) results from dividing the 25% tracking solar ELCC class rating by the 74% gas combustion turbine ELCC class rating shown in the attachment to the Companies' Response to AG 1-6. Similarly, the fixed-tilt solar value (20.3%) results from dividing the 15% fixed-tilt solar ELCC class rating by the 74% gas combustion turbine ELCC class rating shown in the attachment to the Companies' Response to AG 1-6.

[44] KYSEIA Brief at 12.

[45] KYSEIA Brief at 12.

[46] Companies' Response to KYSEIA 1-4(a) and (b). *See* Case Nos. 2020-00349 and 2020-00350, Order at 27-30 (Ky. PSC Sept. 24, 2021).

[47] Companies' Response to KYSEIA 1-4(b).

VII. The Companies have been fully transparent in this proceeding, contrary to KYSEIA's reiteration of the same issues already addressed in its brief.

Contrary to KYSEIA's misleading assertions,[48] the Companies have been fully transparent in this proceeding concerning their modeling. KYSEIA cites no instance in which the Companies did not comply with their transparency enhancement plan filed in response to the Commission's September 24, 2021 Order.[49] Indeed, KYSEIA's ability to cite three criticisms of the Companies' modeling inputs and approaches (all already addressed in this brief: unit commitment, OSS, and inflation rate) shows how transparent the Companies have been, not a lack of transparency. KYSEIA's disagreement with the Companies' inputs and approaches does not mean the Companies have not been forthcoming. Rather, appropriate transparency means providing the data and answering questions about it, which is what the Companies have done in this proceeding.

VIII. KYSEIA uses Fuel Adjustment Clause ("FAC") evidence outside the record of this proceeding to attack the Companies' proposed avoided energy costs, but the FAC evidence KYSEIA cites would decrease, not increase, QF and NMS-2 avoided energy costs.

KYSEIA's brief cites evidence outside the record of this proceeding to attack the Companies' proposed avoided energy costs, this time by turning to the record of the Companies' recent FAC proceedings.[50] But yet again a correct understanding of this evidence—which is not properly before the Commission in this proceeding—would undermine rather than advance KYSEIA's position.

Before turning to KYSEIA's misunderstanding of the substance of this issue, the Companies note again that the outside-the-record evidence KYSEIA explicitly cites and mentions by name in the text of its brief, namely, "[U]tility projections of average fuel prices for 2024 and

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[48] KYSEIA Brief at 13-15.

[49] *See* Case Nos. 2020-00349 and 2020-00350, Companies' 2020 Rate Case Response to September 24, 2021 Ordering Paragraphs 9 & 10 (Dec. 22, 2021).

[50] KYSEIA Brief at 15-19.

2025 as discussed by the Companies' Witness Fackler in Direct Testimony filed into the records for each docket on September 22, 2023," is evidence concerning which KYSEIA could easily have filed testimony, propounded DRs to the Companies, or requested a hearing.[51] Instead, KYSEIA chose to improperly attempt to introduce this evidence into the record through its brief.

But again the Companies have nothing to hide, and showing how KYSEIA is entirely mistaken on this issue is straightforward. First, avoided energy cost consists of more than fuel, including offsetting CCR revenues,[52] which makes any direct comparison of avoided energy costs in this proceeding and FAC charges incorrect. Second and more importantly, KYSEIA erroneously compares avoided energy costs *without line losses* to FAC base charges,[53] which necessarily *do* include line losses because they are the charges billed to end-use, retail customers.[54] Comparing the recently approved FAC base fuel charges of $0.02860/kWh for LG&E and $0.02905/kWh for KU to the avoided energy costs *with line losses* the Companies calculated in response to PSC 1-1 shows that *all* of KU's avoided energy costs exceed KU's recently approved base fuel charge and that *all* of LG&E's avoided energy costs exceed LG&E's recently approved base fuel charge.[55] Thus, applying KYSEIA's flawed analysis to the correct data, it would appear that the avoided energy costs the Companies have recommended the Commission approve should decrease, not increase. That is not what the Companies are proposing; rather, the Commission should ignore KYSEIA's use of outside-the-record evidence and flawed reasoning on this topic.

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[51] KYSEIA Brief at 17.
[52] Companies' Generation Planning & Analysis Report at 3 ("Avoided energy costs include the cost of fuel, emission control reagents (e.g., limestone, ammonia), emission allowance costs, and an opportunity cost for lost CCR revenues.").
[53] *See* KYSEIA Brief at 17 fn. 54, citing the Companies' Generation Planning & Analysis Report, page 15, Table 14, "Qualifying Facility Avoided Energy Rates for Transmission Connected Projects, without Line Losses."
[54] *See* Case No. 2023-00010, Order at 2-3 (Ky. PSC May 6, 2024); Case No. 2023-00011, Order at 2-3 (Ky. PSC May 6, 2024).
[55] *Id.*

IX. Because KYSEIA's brief is thoroughly substantively flawed, the Commission should implement none of KYSEIA's recommendations.

As shown above, every position in KYSEIA's brief is factually or analytically flawed, and a number of its positions depend on evidence outside the record of this proceeding. Its recommendations are simply restatements of all the issues the Companies have already shown to be meritless in this brief.[56] Therefore, Commission can and should disregard them all.

X. The Joint Intervenors' citation of KYSEIA's brief is devoid of substance and should be ignored.

The Joint Intervenors begin their brief by essentially raising their hand in support of everything KYSEIA said in its brief.[57] It is a section entirely devoid of substance, and for all the reasons given at length above concerning KYSEIA's brief, the Commission should give this no weight. Moreover, it is contrary to the concept of *simultaneous* briefing to review another party's brief and respond to it in the same round of briefing, even if the purpose is to agree.

XI. The Companies neither were required to update nor said they were updating the entirety of their NMS-2 rates; rather, they sought only to update the two avoided cost components related to the QF rates they were required to update.

The Joint Intervenors assert that the Companies "failed to fully follow the requirements laid out by the Commission for the development of export rates under KRS 278.465 and 466" because Companies did not address all of the NMS-2 avoided cost components in their October 2023 tariff update filing.[58] But as the Companies noted in their initial brief, the only rates the Commission required the Companies to update in the fall of 2023 were their SQF and LQF rates.[59] Nowhere in the Commission's September 24, 2021 Final Order is there a requirement for the Companies to update *any* component of Rider NMS-2 prior to their next base rate cases, and there

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[56] KYSEIA Brief at 19-20.
[57] JI Brief at 2-3.
[58] JI Brief at 3-4.
[59] Case Nos. 2020-00349 and 2020-00350, Order at 38 (Sept. 24, 2021).

is no other such requirement in KRS Chapter 278, Commission regulations, or other Commission Orders. Thus, the Companies had no obligation to address Rider NMS-2 in their October 2023 tariff filings; rather, the Companies chose to do so for consistency because the avoided energy and generation capacity costs used for QF rates are also two components of the Rider NMS-2 compensation rates as prescribed by the Commission.[60]

With regard to the Joint Intervenors' recommendation to require the Companies to "file updated [NMS-2] compensation rates in the near future by a date certain,"[61] the Commission certainly could have created such a requirement in its September 24, 2021 Order, just as it created an obligation for the Companies to file updated QF rates in the fall of 2023.[62] But the Commission did *not* create such a requirement; indeed, the only NMS-2-related timing requirement the Commission created for future NMS-2 rates was for the Companies to address the jobs benefit component in "LG&E/KU's next rate case filing."[63] The Companies believe there is wisdom in the Commission's apparent NMS-2 timing approach in the September 24, 2021 Order because addressing the jobs benefit component and all the other NMS-2 components in the Companies' next base rates cases—not before—will be the most efficient means of addressing all the relevant issues with all of the needed data.[64]

XII. The Joint Intervenors' asserted range of per-kWh avoided carbon costs was not in Mr. McDonald's testimony and is therefore outside-the-record evidence the Commission should disregard.

The Joint Intervenors introduce in their brief—for the first time in the record of this proceeding and after the record is closed—a range of per-kWh avoided carbon costs they claim

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[60] Hornung Rebuttal at 1-2.
[61] JI Brief at 4.
[62] Case Nos. 2020-00349 and 2020-00350, Order at 38 (Sept. 24, 2021).
[63] Order at 58.
[64] Hornung Rebuttal at 3.

the Commission should use to revise the existing avoided carbon cost component of NMS-2.[65] The Commission should disregard this outside-the-record evidence. Though Joint Intervenors claim to be concerned about transparency,[66] they have provided the Companies no opportunity to have discovery concerning this new evidence or to request a hearing about it; rather, the Joint Intervenors' brief engages in sandbagging by simply asserting that these values are the result of applying Mr. McDonald's recommended range of costs per ton of carbon emissions to a set of calculations used in a spreadsheet in the Companies' 2020 rate cases,[67] which the Joint Intervenors could have introduced into the record in this proceeding through testimony or at a hearing. The Joint Intervenors chose not to do so, and they now seek to introduce the evidence after the record is closed. Thus, it is not evidence in the record of this proceeding. If the Joint Intervenors had intended to introduce such evidence in a way that did not deprive the Companies of their due process rights, they could have included it in Mr. McDonald's testimony, yet they failed to do so. The Commission must therefore disregard this outside-the-record evidence if the Companies' due process rights are to be observed.

XIII. The Companies did not "cherry-pick" data to refute Mr. McDonald, and the additional EPA evidence the Joint Intervenors cite, some of which did not exist at the time the Companies filed their testimony, further undermines Mr. McDonald's recommended carbon cost range.

Contrary to the Joint Intervenors' assertions, the Companies did not "cherry pick" data from the EPA to refute Mr. McDonald's erroneous recommended carbon costs;[68] rather, because the Companies' next fossil-fuel generating unit will be a natural gas combined cycle unit, it was reasonable to cite EPA's estimates of CCS costs for such a unit given that Mr. McDonald

[65] JI Brief at 6.
[66] *See, e.g.,* JI Brief at 3.
[67] JI Brief at 6.
[68] JI Brief at 6.

effectively assumed—with no analysis or evidentiary support—that CCS would be the sole means by which the Companies would comply with EPA's recent greenhouse gas rule.[69]

To ensure the record is clear, the Commission should note that Mr. McDonald testified that his recommended range of avoided carbon cost was "$58 - $188 per ton CO_2 starting in 2024 and then escalating annually" based on his claimed all-in cost of CCS.[70] As the Companies have previously noted, this range is primarily and fatally flawed because *it ignores entirely the $85/ton Section 45Q tax credit*—an omission the Joint Intervenors fail to address in their brief—and because it assumes without support that CCS is the lowest cost means for the Companies to comply with the EPA's greenhouse gas rule.[71] The Companies noted *in addition* that Mr. McDonald's range was higher than EPA's CCS estimates for baseload NGCC capacity, which was true.[72] Notably, the Companies' testimony on this issue cited the rulemaking text from the Federal Register that was available *at the time*, which concerned only the proposed rule.[73]

While accusing the Companies of "cherry picking," the Joint Intervenors engage in a bit of "cherry picking" of their own in the EPA rulemaking cited by the Companies, asserting that "minimum estimated costs for compliance at an existing coal unit start[] at $24/ton of CO_2."[74] What they omit from the EPA's proposed rulemaking is telling:

> [T]he EPA also assessed the costs for CCS retrofitted to existing coal-fired steam generating units assuming a 70 percent annual capacity factor. For a 70 percent annual capacity factor and a 12-year amortization period, the costs for the reference unit are negative at -$8/ton of CO_2 reduced and -$7/MWh. The negative costs indicate that the value of the 45Q tax credit more than offsets the costs to install and operate CCS. …

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[69] *See, e.g.,* McDonald Testimony at 17.
[70] *Id.*
[71] Companies' Brief at 10-12.
[72] *Id.* at 12.
[73] Wilson Rebuttal at 5.
[74] JI Brief at 7.

> For a 70 percent annual capacity factor and an 8-year amortization period, annualized costs of applying CCS for the reference unit are \$24/ton of CO_2 reduced and \$21/MWh …. For a 70 percent annual capacity factor and a 7-year amortization period, costs for the reference unit are \$39/ton of CO_2 reduced and \$34/MWh.[75]

In other words, contrary to the Joint Intervenors' assertion, EPA's "minimum estimated costs for compliance at an existing coal unit" did *not* start at \$24/ton;[76] rather, it ranged from *a benefit* of \$8/ton to a cost of \$39/ton. Thus, the EPA's proposed rulemaking shows no "cherry picking" on the Companies' part; rather, it shows both that the Joint Intervenors omitted some inconvenient EPA data and that the range of EPA-estimated CCS costs for existing coal units that is even *lower* than the one the Companies found for NGCC. Therefore, the Joint Intervenors' attempted attack on the Companies both fails and undermines their own witness's recommended range of carbon costs.

The Joint Intervenors continue their "cherry picking" line of attack by quoting the EPA's final rulemaking published in the Federal Register on May 9, 2024.[77] Of course, it would have been difficult for the Companies to "cherry pick" from a document that was not published until more than a month *after* the Companies filed their rebuttal testimony.[78] That aside, the outside-the-record evidence the Joint Intervenors' quote and cite undermines rather than supports Mr. McDonald's \$58/ton to \$188/ton recommended avoided carbon cost range. The CCS cost ranges that EPA now considers to be "conservatively high" for combustion turbines, which the Joint intervenors cite, are (i) \$43/ton to \$46/ton (\$8/MWh to \$15/MWh) for an H-class turbine and (ii)

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[75] 88 Fed. Reg. at 33,348 (May 23, 2023), available at https://www.govinfo.gov/content/pkg/FR-2023-05-23/pdf/2023-10141.pdf.
[76] JI Brief at 7.
[77] JI Brief at 7-8.
[78] The Hornung and Wilson Rebuttal Testimonies were filed on April 4, 2024. *See also* Case No. 2023-00404, Order Appx. (Dec. 13, 2023) ("LG&E and KU shall file, in verified form, their rebuttal testimony no later than … 04/04/2024").

$57/ton to $60/ton ($12/MWh to $19/MWh) for an F-class turbine.[79] In the same document the Joint Intervenors cite, the EPA states that "likely improvements" related to CCS for such units would result in ranges of (i) $39/ton to $40/ton ($8/MWh to $13/MWh) for an H-class turbine and (ii) $54/ton to $56/ton ($11/MWh to $18/MWh) for an F-class turbine.[80] Again, the Companies can hardly be accused of "cherry picking" from a document that did not exist when their witnesses filed rebuttal testimony, but the Joint Intervenors have helpfully demonstrated both that they are certainly willing to cherry pick and that their witness's claimed avoided carbon cost range is at odds with EPA projections.

The Joint Intervenors next attack the Companies for "offer[ing] no indication of how they in fact *do* plan to comply with the [EPA's final greenhouse gas] rule."[81] The Companies would again observe that they have not proposed to alter the current NMS-2 avoided carbon cost component, so they have no burden to support the reasonableness of any such value, and they certainly have no obligation to explain in this proceeding how they plan to comply with a rule that became final less than two months ago. Rather, it is the Joint Intervenors who have proposed to change the current NMS-2 avoided carbon cost component; they therefore have the burden to support their proposed changes, yet they have thoroughly undermined their own witness's testimony on subject.

Finally, the Joint Intervenors make the perplexing argument that because the Companies will need to comply with the EPA's just-finalized greenhouse gas rule in the 2030s, and because the Companies "just received an air pollution construction permit authorizing construction of a

[79] 89 Fed. Reg. at 39,934 - 39,935 (May 9, 2024), available at https://www.govinfo.gov/content/pkg/FR-2024-05-09/pdf/2024-09233.pdf.
[80] 89 Fed. Reg. at 39,935 (May 9, 2024), available at https://www.govinfo.gov/content/pkg/FR-2024-05-09/pdf/2024-09233.pdf.
[81] JI Brief at 8.

new natural gas combined cycle unit that will have to be in compliance with parts of the rule at least upon startup," is it therefore the case that "costs are avoided immediately, and should be accounted for as such using less generic and more realistic assumptions."[82] To say this is a *non sequitur* would be charitable; to observe that it is wholly premised on evidence outside the record of this proceeding would be entirely accurate, and the Commission should therefore disregard it entirely. That aside, it is also entirely incorrect to say that compliance costs the Companies might incur years in the future "are avoided immediately." Even if the future costs to be avoided were known and otherwise certain to be incurred—neither of which this record shows—it would still not be the case that such costs would be "avoided immediately"; rather, a *discounted* value of such avoided costs would be reasonable to recognize for whatever would actually avoid the future costs. But again, the burden to show that—*with evidence in the record of this proceeding*—falls on the Joint Intervenors, not the Companies, regarding any proposal to change the NMS-2 avoided carbon cost component. The Joint Intervenors have fallen well short of making any such showing.

XIV. Contrary to the Joint Intervenors' assertions, the Companies did calculate the NMS-2 components they proposed to change in accordance with the Commission's 2020 rate case order, and lowest reasonable cost ratemaking requires that the five NMS-2 avoided cost components comparable to utility-scale solar be capped by the cost of utility-scale solar.

The Joint Intervenors' assertion that "the Companies argue in rebuttal that the compensation rates paid to net metering customers should be set based on comparison to the costs of utility-scale solar" is simply false.[83] Any objective reading of what the Companies did in this tariff filing update or what the Companies advocated in their rebuttal testimony refutes this assertion.[84] To be clear, the Companies have proposed *no changes at all* to the existing levels of

[82] JI Brief at 8-9.
[83] JI Brief at 9.
[84] *See* Wilson Rebuttal at 6-10.

six of the eight NMS-2 components, and they formulated the two components they have proposed to change, namely avoided energy and generation capacity costs, entirely consistently with the approaches used in the rates approved by the Commission in the 2020 rate cases.[85] What the Companies have also advocated as consistent with lowest reasonable cost ratemaking is that the sum of the five NMS-2 components that are comparable to utility-scale solar should be capped by the market cost of utility-scale solar, including netting any reasonably revenues from REC sales.[86] On that basis, the Companies have shown that, given the existing levels of the avoided ancillary services and environmental cost components and the Companies' recommended avoided energy and generation cost components, the current prices of utility-scale solar being acquired by the Companies simply cannot support an increase to the avoided carbon cost component.[87] Indeed, they suggest the value of that component should decrease, though the Companies are not advocating for that in this proceeding.[88]

XV. There is no need to set "a date certain" for revising all NMS-2 components, which are best addressed in a comprehensive base rate case.

The Joint Intervenors persist in falsely accusing the Companies of acting "in contravention of the Commission's previous order" because the Companies did not address all eight NMS-2 components when they made their October 2023 tariff filing,[89] yet they cite no Commission directive the Companies have actually contravened; rather, they cite two Commission Order provisions the Companies clearly have *not* contravened.[90] First, they cite the September 24, 2021 Order's statement "direct[ing] LG&E/KU to evaluate job benefits and economic development as

[85] *See, e.g.,* Companies' Generation Planning & Analysis Report; Companies' Response to PSC 1-1.
[86] *See* Wilson Rebuttal at 6-10; Companies' Brief at 15-17.
[87] *Id.*
[88] *Id.*
[89] JI Brief at 11.
[90] *Id.*

an export rate component for LG&E/KU's *next rate case filing*,"[91] which plainly does not require the Companies to formulate a jobs benefit component at any time prior to their next rate case filing. Second, they cite the same Order's statement that "LG&E/KU's proposed export rates based upon avoided costs as modified [the eight NMS-2 components] below reflect best practices in developing successor net metering rates, and are fair, just and reasonable,"[92] which in no way obligates the Companies to propose revising *any* NMS-2 component at *any* particular time, much less all eight components every time the Companies update avoided energy and generation capacity costs in conjunction with a QF tariff filing. In short, the Joint Intervenors insist that the Companies are violating a Commission directive, but they have not been able to cite a directive the Companies have actually violated *because no such violations exist*.

The Joint Intervenors then incorrectly assert that Mr. McDonald "propose[d] a reasonable method for calculating the jobs benefits of distributed energy resources."[93] Mr. McDonald did no such thing; rather, he suggested using NREL's JEDI tool to "analyze the jobs and economic development impacts of solar deployment in their territories … [and] [t]hen use this analysis to determine a value for compensating NMS-2 customer-generators …."[94] He provided no suggestion for how to actually perform "this analysis" or "use this analysis" to create a jobs benefit component, just as he provided no per-kWh calculation of a proposed avoided carbon cost component. Thus, it is disingenuous at best for the Joint Intervenors to assert that the Companies "have not to date disputed" Mr. McDonald's purported "method for calculating the jobs benefits of distributed energy resources" precisely because he proposed no "method" at all.[95] Thus, there

[91] Case Nos. 2020-00349 and 2020-00350, Order at 58 (Ky. PSC Sept. 24, 2021) (emphasis added).
[92] Case Nos. 2020-00349 and 2020-00350, Order at 48 (Ky. PSC Sept. 24, 2021).
[93] JI Brief at 12.
[94] McDonald Testimony at 18.
[95] JI Brief at 12.

was no method for the Companies' witnesses to comment upon in their rebuttal testimony on this issue, and there was certainly no agreement by the Companies with Mr. McDonald's non-methodology for calculating a jobs benefit.

The Joint Intervenors further falsely assert that the Companies "argue that they are instead prevented from calculating a jobs benefit by the 'stay-out' provision of a Stipulation in the previous rate case."[96] Again, that is not what the Companies have said; rather, the Companies have consistently and correctly stated that the September 24, 2021 Order's requirement that the Companies propose a jobs benefit component in their next rate case filing means exactly what it says, i.e., the Companies are not violating that requirement by not proposing such a component prior to their next rate case.[97] The Companies have had to say it repeatedly in this proceeding because the Joint Intervenors have repeatedly asserted that the Companies are violating a requirement *that does not exist*.[98] But the Companies have not said that they are in any way precluded from proposing a jobs benefit component; rather, they have said repeatedly that the most efficient proceeding which to address that component and all of the other seven NMS-2 components together and comprehensively is in base rate case proceedings.[99] The Companies are fully committed to doing just that in their next base rate cases. Thus, there is no need to establish "a date certain" by which to require the Companies to file new NMS-2 rates.

CONCLUSION

In the dense fog of false accusations, reliance on outside-the-record evidence, and erroneous interpretations of Commission Orders KYSEIA's and the Joint Intervenors' briefs have created, it is easy to lose sight of how straightforward this case really is and should be.

[96] JI Brief at 12.
[97] Hornung Rebuttal at 2-3; Companies' Brief at 9-10.
[98] *See* McDonald at 17-18; JI Brief at 11.
[99] Hornung Rebuttal at 2-3; Companies' Brief at 9-10.

On October 31, 2023, the Companies file updated SQF and LQF rates in compliance with the Commission's September 24, 2021 Order requiring them to file updated QF rates in the fall of 2023. Because the avoided energy and generation capacity components of Rider NMS-2 were directly linked to QF avoided cost computations as directed by the same Order, the Companies elected—were not required, but elected—to file updates to those two NMS-2 components in the same simple, straightforward tariff filing. The Companies calculated their QF rates and NMS-2 components in exactly the same way the approved rates in the September 24, 2021 Order were calculated.

A few days later, on November 6, 2023, the Commission issued its Final Order in the Companies' then-pending CPCN proceeding. It was entirely reasonable for the Commission Staff to ask the Companies to recalculate their proposed QF rates and NMS-2 avoided energy and generation capacity components to account for the future portfolio changes resulting from the CPCN Order. The Companies provided those calculations—in full accordance with how the approved rates in the September 24, 2021 Order were calculated—in response to PSC 1-1. Those are the rates the Companies ask the Commission to approve.

It really should be as simple as that, and it truly is that simple. All of the issues KYSEIA and the Joint Intervenors have raised in this proceeding, and particularly in their briefs, are distractions at best or would result in customers—the vast majority of customers who are neither QF nor NMS-2 customers—paying more than is consistent with lowest reasonable cost ratemaking. It is hardly surprising that the Kentucky Solar Industries Association and the Joint Intervenors, which include the Kentucky Solar Energy Society, would advocate for compensation for distributed solar that is beyond what lowest reasonable cost ratemaking would bear. Indeed, as the Companies have noted, their QF and NMS-2 rates calculated in response to PSC 1-1 are

arguably already higher than what lowest reasonable cost ratemaking would support. Therefore, there is no justification for further increasing these rates at this time; the Attorney General, who represents all customers, appears to agree. Thus, the Commission may confidently approve the SQF, LQF, and NMS-2 rates calculated by the Companies in response to PSC 1-1 as consistent with the Commission's own Orders and as being in *all* customers' best interest.

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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 June 14, 2024; and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.

Counsel for Louisville Gas and Electric Company and Kentucky Utilities Company