COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR RENEWAL AND PROPOSED MODIFICATIONS OF ITS PERFORMANCE-BASED RATEMAKING MECHANISM	)))))	**CASE NO. 2023-00411**

APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR RENEWAL AND PROPOSED MODIFICATIONS OF ITS PERFORMANCE-BASED RATEMAKING MECHANISM

Applicant, Louisville Gas and Electric Company ("LG&E" or "Company"), pursuant to the Final Order of the Kentucky Public Service Commission ("Commission") in Case No. 2021-00028[1] and the terms of LG&E's Experimental Performance Based Rate ("PBR") Mechanism Tariff (Original Sheet No. 87 *et seq,* P.S.C. Gas No. 13), hereby applies to the Commission for authority to renew its PBR Mechanism and to approve the proposed modifications to the tariff as attached to this Application as Exhibit 1 and discussed in the Testimony of Pamela L. Jaynes.

In support of its Application, LG&E states as follows:

1. The full name and mailing address of LG&E is: Louisville Gas and Electric Company, Post Office Box 32010, 220 West Main Street, Louisville, Kentucky 40202. LG&E may be reached by electronic mail at the electronic mail addresses of its counsel and company representatives set forth below. LG&E was incorporated in Kentucky on July 2, 1913, and attests that it is in good corporate standing.

[1] *In the Matter of: Electronic Application of Louisville Gas and Electric Company for Modification of its Performance-Based Ratemaking Mechanism*, Order of November 29, 2021, Case No. 2021-00028.

2. LG&E is a utility 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.

3. Copies of all orders, pleadings, and other communications related to this proceeding should be directed to:

Robert M. Conroy
Vice President – State Regulation and Rates
LG&E and KU Services Company
220 West Main Street
Louisville, Kentucky 40202
robert.conroy@lge-ku.com

Andrea M. Fackler
Manager – Revenue Requirement/Cost of Service
LG&E and KU Services Company
220 West Main Street
Louisville, Kentucky 40202
andrea.fackler@lge-ku.com

Allyson K. Sturgeon
Vice President and Deputy General Counsel-Regulatory
Sara V. Judd
Senior Counsel
PPL Services Corporation
220 West Main Street
Louisville, Kentucky 40202
asturgeon@pplweb.com
svjudd@pplweb.com

4. LG&E supports its request with the verified testimony and exhibits of Pamela L. Jaynes, Director – Gas Management, Planning, and Supply. As detailed in Ms. Jaynes'

testimony, LG&E's gas supply cost performance-based ratemaking mechanism provides LG&E with an incentive to outperform benchmarks and achieve lower gas costs for customers.

5. LG&E proposes to file a report on and assessment of the PBR mechanism that becomes effective November 1, 2024, if approved, according to a timeline that is the same as that included in its current PBR mechanism (i.e., within sixty (60) days of October 31, 2027).

6. LG&E also requests that the Commission authorize the extension of its PBR mechanism no later than June 1, 2024. Authorization by the date will allow LG&E adequate time to adjust its gas supply portfolio and supply strategies prior to the mechanism becoming effective November 1, 2024.

WHEREFORE, Louisville Gas and Electric Company respectfully requests that the Commission issue an Order authorizing the Company to renew its PBR mechanism and to approve the proposed modifications to the tariff as attached to this Application as Exhibit 1 and discussed in the Testimony of Pamela L. Jaynes.

Dated: December 29, 2023

Respectfully submitted,

Allyson K. Sturgeon
Vice President and Deputy General Counsel-Regulatory
PPL Services Corporation
Sara V. Judd
Senior Counsel
PPL Services Corporation
220 West Main Street
Louisville, Kentucky 40202
Telephone: (502) 627-2088
Fax: (502) 217-4995
asturgeon@pplweb.com
svjudd@pplweb.com

Counsel for Louisville Gas and Electric Company

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 December 29, 2023 and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.

Allyson K. Sturgeon

Counsel for Louisville Gas and Electric Company

LOUISVILLE GAS AND ELECTRIC COMPANY

Exhibit 1

Performance-Based Rate Mechanism

Tariff

LOUISVILLE GAS AND ELECTRIC COMPANY

Redline

Louisville Gas and Electric Company

P.S.C. Gas No. 13, First Revision of Original Sheet No. 87.7
Canceling P.S.C. Gas No. 13, Original Sheet No. 87.7

Adjustment Clause **PBR**
Experimental Performance Based Rate Mechanism

The benchmark associated with each pipeline shall be calculated as follows:

BM(TGT) = (TPDR x DQ) + (TPCR x AV) + S&DB

BM(TGPL) = (TPDR x DQ) + (TPCR x AV) + S&DB

BM(PPL) = (TPDR x DQ) + (TPCR x AV) + S&DB

Where:
TPDR is the applicable Tariffed Pipeline Demand Rate.

DQ is the Demand Quantities contracted for by Company from the applicable transportation provider.

TPCR is the applicable Tariffed Pipeline Commodity Rate.

AV is the Actual Volumes delivered at Company's city-gate by the applicable transportation provider for the month.

S&DB represents Surcharges, Direct Bills and other applicable amounts approved by the Federal Energy Regulatory Commission (FERC). Such amounts are limited to FERC-approved charges such as surcharges, direct bills, cashouts, take-or-pay amounts, Gas Supply Realignment and other Order 636 transition costs.

The Total Annual Actual Gas Transportation Costs (**TAAGTC)** paid by Company for the PBR period shall include both demand and volumetric costs associated with natural gas pipeline transportation services as well as all applicable FERC-approved surcharges, direct bills and cash-outs included in S&DB. Such costs shall exclude labor-related or other expenses typically classified as operating and maintenance expenses. D

Deleted: plus the gains and/or losses from the use of financial hedging instruments and the financial transaction costs associated with such instruments

To the extent that TAAGTC exceeds TABMGTC for the PBR period, then the TIF Shared Expenses shall be computed as follows:

Shared Expenses = TAAGTC – TABMGTC

To the extent that TAAGTC is less than TABMGTC for the PBR period, then the TIF Shared Savings shall be computed as follows:

DATE OF ISSUE: December 29, 2023

DATE EFFECTIVE: Effective with Service Rendered
On and After November 1, 2024

ISSUED BY: /s/ Robert M. Conroy, Vice President
State Regulation and Rates
Louisville, Kentucky

Issued by Authority of an Order of the
Public Service Commission in Case No.
2023-00411 dated XXXX

Deleted: July 20, 2021
Deleted: 2020
Deleted: 2019-00437
Deleted: October 26, 2020

Louisville Gas and Electric Company

P.S.C. Gas No. 13, First Revision of Original Sheet No. 87.8
Canceling P.S.C. Gas No. 13, Original Sheet No. 87.8

Adjustment Clause **PBR**

Experimental Performance Based Rate Mechanism

Shared Savings = TABMGTC - TAAGTC

Should one of Company's pipeline transporters file a rate change effective during any PBR period and bill such proposed rates subject to refund, the period over which the benchmark comparison is made for the relevant transportation costs will be extended for one or more 12-month periods, until the FERC has approved final settled rates, which will be used as the appropriate benchmark. Company will not share in any of the savings or expenses related to the affected pipeline until final settled rates are approved.

OSSIF

OSSIF = Off-System Sales Index Factor. The Off-System Sales Index Factor shall be equal to the Net Revenue from Off-System Sales **(NR)**.

Net Revenue is calculated as follows:

NR = OSREV - OOPC

Where:
OSREV is the total revenue associated with off-system sales. D

OOPC is the out-of-pocket costs associated with off-system sales and shall be determined as follows: D

OOPC = OOPC(GC) + OOPC(TC) + Other Costs D

Where:
OOPC(GC) is the Out-of-Pocket Gas Costs associated with off-system sales transactions. The OOPC(GC) shall be the incremental cost to purchase the gas available under Company's firm supply contracts. D D

OOPC(TC) is the Out-of-Pocket Transportation Costs associated with off-system sales transactions. The OOPC(TC) shall be the incremental cost to use the transportation available under Company's firm transportation contracts. D D D

Deleted: and storage service transactions

Deleted: and storage service transactions,

Deleted: OOPC(SC) + OOPC(UGSC) +

Deleted: For off-system sales utilizing Company's firm supply contracts, t

Deleted: For off-system sales not using Company's firm supply contracts, the OOPC(GC) shall be the incremental costs to purchase the gas from other entities.

Deleted: For off-system sales utilizing Company's firm transportation agreements, t

Deleted: For off-system sales not using Company's firm transportation agreements, the OOPC(TC) shall be the incremental costs to purchase the transportation from other entities.

Deleted: July 20, 2021

Deleted: 2020

Deleted: 2019-00437

Deleted: October 26, 2020

DATE OF ISSUE: December 29, 2023

DATE EFFECTIVE: Effective with Service Rendered
On and After November 1, 2024

ISSUED BY: /s/ Robert M. Conroy, Vice President
State Regulation and Rates
Louisville, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2023-00411 dated XXXX

Louisville Gas and Electric Company

P.S.C. Gas No. 13, First Revision of Original Sheet No. 87.9
Canceling P.S.C. Gas No. 13, Original Sheet No. 87.9

Adjustment Clause **PBR**
Experimental Performance Based Rate Mechanism

D

Other Costs represent all other incremental costs and include, but are not limited to, costs such as applicable sales taxes and excise fees plus the gains and/or losses from the use of financial hedging instruments and the transaction costs associated with such instruments. Such costs shall exclude labor-related or other expenses typically classified as operating and maintenance expenses.

Off-system sales made for operational or administrative reasons are not subject to benchmarking under the OSSIF component of the PBR mechanism. D

ACSP

ACSP = Applicable Company Sharing Percentage. The ACSP shall be determined based on the PTAGSC.

Where:
PTAGSC = Percentage of Total Actual Gas Supply Costs. The PTAGSC shall be the TPBRR stated as a Percentage of Total Actual Gas Supply Costs and shall be calculated as follows:

$$PTAGSC = \frac{TPBRR}{TAGSC}$$

Where:
TAGSC = Total Actual Gas Supply Costs. The TAGSC shall be calculated as follows:

$$TAGSC = AGC + TAAGTC$$

If the absolute value of the PTAGSC is less than or equal to 4.6%, then the ACSP of 30% shall be applied to TPBRR to determine CSPBR. If the absolute value of the PTAGSC is greater than 4.6%, then the ACSP of 30% shall be applied to the amount of TPBRR that is equal to 4.6% of TAGSC to determine a portion of CSPBR, and the ACSP of 50% shall be applied to the amount of TPBRR that is in excess of 4.6% of TAGSC to determine a portion of CSPBR. These two portions are added together to produce the total CSPBR.

DATE OF ISSUE: December 29, 2023

DATE EFFECTIVE: Effective with Service Rendered
On and After November 1, 2024

ISSUED BY: /s/ Robert M. Conroy, Vice President
State Regulation and Rates
Louisville, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2023-00411 dated XXXX

Deleted: OOPC(SC) is the Out-of-Pocket Storage Costs associated with off-system sales of storage. If this is gas in Company's own storage it shall be priced at the average price of the gas in Company's storage during the month of the sale. If this is gas from the storage component of Texas Gas's No-Notice Service, this gas shall be priced at the replacement cost.¶
¶
OOPC(UGSC) is the Out-of-Pocket Underground Storage Costs associated with off-system sales of storage services. For the off-systems sales of storage services utilizing Company's on-system storage, the OOPC(UGSC) shall include incremental storage losses, odorization, and other fuel-related costs such as purification, dehydration, and compression. Such costs shall exclude labor-related expenses.¶

Deleted: and storage service transactions

Deleted: July 20, 2021

Deleted: 2020

Deleted: 2019-00437

Deleted: October 26, 2020

Louisville Gas and Electric Company

P.S.C. Gas No. 13, Second Revision of Original Sheet No. 87.10
Canceling P.S.C. Gas No. 13, First Revision of Original Sheet No. 87.10

Adjustment Clause **PBR**
Experimental Performance Based Rate Mechanism

BA

BA = Balance Adjustment. The BA is used to reconcile the difference between the amount of revenues billed or credited through the CSPBR and previous application of the BA and revenues which should have been billed or credited, as follows:

1. For the CSPBR, the balance adjustment amount will be the difference between the amount billed in a 12-month period from the application of the CSPBR and the actual amount used to establish the CSPBR for the period.
2. For the BA, the balance adjustment amount will be the difference between the amount billed in a 12-month period from the application of the BA and the actual amount used to establish the BA for the period.

Term

The Company's PBR mechanism as modified herein shall be extended beginning November 1, 2024, through October 31, 2028, or as otherwise extended by the Commission. T T

The Company shall file annual reports of its activity under the extended PBR mechanism including the same information it provided during the PBR period ended October 31, 2023. T D/T

Review

Within 60 days after October 31, 2027, the Company shall file an evaluation report on the results of the PBR mechanism for the PBR years ending in 2025 through 2027. T T/D D

DATE OF ISSUE: December 29, 2023

DATE EFFECTIVE: Effective with Service Rendered
On and After November 1, 2024

ISSUED BY: /s/ Robert M. Conroy, Vice President
State Regulation and Rates
Louisville, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2023-00411 dated XXXX

Deleted: First

Deleted: 29

Deleted: 2021

Deleted: T¶

Deleted: 2024

Deleted: T¶

Deleted: that

Deleted: 2020

Deleted: 2023

Deleted: 2021

Deleted: 2023

Deleted: In that report, the Company will make any recommended modifications to the PBR mechanism.

Deleted: ¶
D/N¶
D/N¶
¶
¶
¶
D/N¶
D/N¶
D/N

Deleted: December 17, 2021

Deleted: 29, 2021

Deleted: 2021-00028

Deleted: November 29, 2021

LOUISVILLE GAS AND ELECTRIC COMPANY

Clean

Adjustment Clause **PBR**
Experimental Performance Based Rate Mechanism

The benchmark associated with each pipeline shall be calculated as follows:

BM(TGT) = (TPDR x DQ) + (TPCR x AV) + S&DB

BM(TGPL) = (TPDR x DQ) + (TPCR x AV) + S&DB

BM(PPL) = (TPDR x DQ) + (TPCR x AV) + S&DB

Where:
TPDR is the applicable Tariffed Pipeline Demand Rate.

DQ is the Demand Quantities contracted for by Company from the applicable transportation provider.

TPCR is the applicable Tariffed Pipeline Commodity Rate.

AV is the Actual Volumes delivered at Company's city-gate by the applicable transportation provider for the month.

S&DB represents Surcharges, Direct Bills and other applicable amounts approved by the Federal Energy Regulatory Commission (FERC). Such amounts are limited to FERC-approved charges such as surcharges, direct bills, cashouts, take-or-pay amounts, Gas Supply Realignment and other Order 636 transition costs.

The Total Annual Actual Gas Transportation Costs (**TAAGTC)** paid by Company for the PBR period shall include both demand and volumetric costs associated with natural gas pipeline transportation services as well as all applicable FERC-approved surcharges, direct bills and cash-outs included in S&DB,. Such costs shall exclude labor-related or other expenses typically classified as operating and maintenance expenses. D

To the extent that TAAGTC exceeds TABMGTC for the PBR period, then the TIF Shared Expenses shall be computed as follows:

Shared Expenses = TAAGTC – TABMGTC

To the extent that TAAGTC is less than TABMGTC for the PBR period, then the TIF Shared Savings shall be computed as follows:

DATE OF ISSUE: December 29, 2023

DATE EFFECTIVE: Effective with Service Rendered
On and After November 1, 2024

ISSUED BY: /s/ Robert M. Conroy, Vice President
State Regulation and Rates
Louisville, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2023-00411 dated XXXX

Shared Savings = TABMGTC - TAAGTC

Should one of Company's pipeline transporters file a rate change effective during any PBR period and bill such proposed rates subject to refund, the period over which the benchmark comparison is made for the relevant transportation costs will be extended for one or more 12-month periods, until the FERC has approved final settled rates, which will be used as the appropriate benchmark. Company will not share in any of the savings or expenses related to the affected pipeline until final settled rates are approved.

OSSIF

OSSIF = Off-System Sales Index Factor. The Off-System Sales Index Factor shall be equal to the Net Revenue from Off-System Sales **(NR)**.

Net Revenue is calculated as follows:

NR = OSREV - OOPC

Where:
OSREV is the total revenue associated with off-system sales. D

OOPC is the out-of-pocket costs associated with off-system sales and shall be determined as follows: D

OOPC = OOPC(GC) + OOPC(TC) + Other Costs D

Where:
OOPC(GC) is the Out-of-Pocket Gas Costs associated with off-system sales transactions. The OOPC(GC) shall be the incremental cost to purchase the gas available under Company's firm supply contracts. D
D

OOPC(TC) is the Out-of-Pocket Transportation Costs associated with off-system sales transactions. The OOPC(TC) shall be the incremental cost to use the transportation available under Company's firm transportation contracts. D
D
D

DATE OF ISSUE: December 29, 2023

DATE EFFECTIVE: Effective with Service Rendered
On and After November 1, 2024

ISSUED BY: /s/ Robert M. Conroy, Vice President
State Regulation and Rates
Louisville, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2023-00411 dated XXXX

D

Other Costs represent all other incremental costs and include, but are not limited to, costs such as applicable sales taxes and excise fees plus the gains and/or losses from the use of financial hedging instruments and the transaction costs associated with such instruments. Such costs shall exclude labor-related or other expenses typically classified as operating and maintenance expenses.

Off-system sales made for operational or administrative reasons are not subject to benchmarking under the OSSIF component of the PBR mechanism. D

ACSP

ACSP = Applicable Company Sharing Percentage. The ACSP shall be determined based on the PTAGSC.

Where:
PTAGSC = Percentage of Total Actual Gas Supply Costs. The PTAGSC shall be the TPBRR stated as a Percentage of Total Actual Gas Supply Costs and shall be calculated as follows:

$$\textbf{PTAGSC} = \frac{\textbf{TPBRR}}{\textbf{TAGSC}}$$

Where:
TAGSC = Total Actual Gas Supply Costs. The TAGSC shall be calculated as follows:

$$\textbf{TAGSC} = \textbf{AGC} + \textbf{TAAGTC}$$

If the absolute value of the PTAGSC is less than or equal to 4.6%, then the ACSP of 30% shall be applied to TPBRR to determine CSPBR. If the absolute value of the PTAGSC is greater than 4.6%, then the ACSP of 30% shall be applied to the amount of TPBRR that is equal to 4.6% of TAGSC to determine a portion of CSPBR, and the ACSP of 50% shall be applied to the amount of TPBRR that is in excess of 4.6% of TAGSC to determine a portion of CSPBR. These two portions are added together to produce the total CSPBR.

BA

BA = Balance Adjustment. The BA is used to reconcile the difference between the amount of revenues billed or credited through the CSPBR and previous application of the BA and revenues which should have been billed or credited, as follows:

1. For the CSPBR, the balance adjustment amount will be the difference between the amount billed in a 12-month period from the application of the CSPBR and the actual amount used to establish the CSPBR for the period.

2. For the BA, the balance adjustment amount will be the difference between the amount billed in a 12-month period from the application of the BA and the actual amount used to establish the BA for the period.

Term

The Company's PBR mechanism as modified herein shall be extended beginning November 1, 2024, through October 31, 2028, or as otherwise extended by the Commission. T T

The Company shall file annual reports of its activity under the extended PBR mechanism including the same information it provided during the PBR period ended October 31, 2023. T D/T

Review

Within 60 days after October 31, 2027, the Company shall file an evaluation report on the results of the PBR mechanism for the PBR years ending in 2025 through 2027. T T/D D

DATE OF ISSUE: December 29, 2023

DATE EFFECTIVE: Effective with Service Rendered
On and After November 1, 2024

ISSUED BY: /s/ Robert M. Conroy, Vice President
State Regulation and Rates
Louisville, Kentucky

Issued by Authority of an Order of the Public Service Commission in Case No. 2023-00411 dated XXXX