

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF)	
KENTUCKY UTILITIES COMPANY AND)	
LOUISVILLE GAS AND ELECTRIC)	
COMPANY FOR DECLARATORY ORDER)	
THAT THE PROPOSED CONSTRUCTION OF)	
LISLE AVENUE OPERATIONS CENTER AND)	CASE NO. 2023-00415
THE PROPOSED PURCHASE OF AN OFFICE)	
BUILDING IN EASTERN JEFFERSON)	
COUNTY ARE ORDINARY EXTENSION IN)	
THE USUAL COURSE OF BUSINESS AND DO)	
NOT REQUIRE A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY)	

VERIFIED JOINT APPLICATION FOR DECLARATORY ORDER

Pursuant to 807 KAR 5:001, Section 19, Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company (“LG&E”) (collectively, the “Applicants”) apply to the Public Service Commission (“Commission”) for an Order declaring the construction of the proposed Lisle Avenue Operations Center in Lexington, Kentucky to replace inadequate existing facilities and Applicants’ proposed purchase of an interest in an office building in eastern Louisville, Kentucky to house a portion of their administrative personnel upon the expiration of LG&E and KU Energy LLC’s current lease of office space in the LG&E Center are ordinary extensions in the usual course of business and do not require a Certificate of Public Convenience and Necessity (“Certificate”). Applicants request that a decision on their application be issued no later than **March 15, 2024**.

In support of their Application, the Applicants state as follows:

I. Background

1. 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. 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.

The Applicants may be reached by electronic mail at the electronic mail addresses of their counsel set forth below.

2. 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. 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.

3. KU is incorporated in the Commonwealth of Kentucky and the Commonwealth of Virginia, and attests it is in good corporate standing in both states. KU was incorporated in Kentucky on August 17, 1912, and in Virginia on November 26, 1991. 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	Hopkins	Nicholas	Woodford
Daviess			

4. LG&E and KU are utility operating subsidiaries of LG&E and KU Energy LLC (“LKE”). LG&E and KU Services Company (“LK Services”) is also a wholly owned subsidiary of LKE which provides services to primarily LG&E and KU (collectively the “Companies”).

5. Pursuant to 807 KAR 5:001 Section 8, on December 11, 2023, Applicants filed with the Commission notice of their intent to use electronic filing procedures in this proceeding. Copies of all orders, pleadings and other communications related to this proceeding should be directed to:

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II. Proposed Lisle Avenue Operations Center

6. KU proposes to construct Lisle Avenue Operations Center - a new operations facility, warehouse, and outside storage yard – to relocate the staff and operations from their current locations at KU’s Limestone and Loudon sites. The proposed facility would be built on a recently purchased 10-acre property located on Lisle Industrial Avenue in Lexington, Kentucky. It would include 25,630 square feet of office space, 38,321 square feet attached warehouse and a detached 7,000 square feet garage. It would allow for the consolidation of the departments currently assigned to the Limestone and Loudon sites and serve as the primary work location for 121 full-time employees, contractors and interns. Those sites, which include some structures built more than 100 years ago, no longer meet the operational needs of those departments and limit those departments’ ability to efficiently and safely perform their assigned functions. The proposed facility would consolidate material storage; facilitate all activities related to asset management, and inventory tracking for day-to-day operations; and support material storage for outage events. Estimated total cost of the proposed facility is \$32,148,000.

A. Existing Facilities

7. **Limestone Site.** The Limestone Site is located at 745 North Limestone in Lexington, Kentucky, near the intersection of North Limestone and West Loudon Avenue. It currently serves as the primary operations center for Electric Distribution Operations (“EDO”) Unit’s substation engineering, design, construction, maintenance, and asset management functions within KU. It also supports key materials storage and processing, distribution transformer repairs, and vehicles and equipment staging. In addition, the site houses four transmission substation technicians. Approximately 50 employees use the site as their primary work location. The site houses the EDO and Transmission protection and control functions and a facility for long-term storage of PCB-contaminated materials. An active transmission substation is also located on the property. The Limestone Site sits on approximately 3.7 acres of land and has a total under-roof space of approximately 21,000 square feet.

The dominant structure on the site is the “Powerhouse,” which was constructed in 1895 and served as a DC-generating powerhouse for Lexington’s trolley system. That building now houses the KU transformer shop, a small amount of office space and material storage. Another building, built in 1991, contains engineering offices and truck bays. Several smaller buildings serve as storage space. The site is located in an older urban area where the streets are narrow and is bordered by an active rail spur on 1.5 sides of the property.

8. The following conditions at Limestone Site raise several safety and operational concerns:

a. Underground voids have recently been discovered around the Powerhouse. KU believes these voids were used for bulk underground coal storage when the facility was an active plant. The voids were discovered when they began caving in, causing a serious near miss

incident for one of the KU employees who works at the site. The known voids surround the eastern side of the Powerhouse.

b. The Powerhouse's basement has a longstanding water infiltration problem. While corrective actions have been taken, they have not completely stopped the infiltration. This water infiltration has begun to degrade the structural steel in the basement, which is a critical structural component of the facility. The water infiltration requires ongoing reassessment to ensure the structural steel is not a safety risk.

c. The site's features and surroundings significantly limit exterior storage and parking. An active substation is located on the site's east side. A public sewer main runs across the west side of the site. Building on or around the sewer main would require the relocation of the main at the Company's expense. An active rail line prohibits growth to the east. Expansion on the west side of the site would require the purchase of the adjacent property while north/south expansion is prohibited by public streets. The surrounding streets are narrow and present access challenges for deliveries.

d. Ingress to and egress from the site is difficult and presents safety concerns. Material deliveries by tractor trailer require traffic management on Limestone when the vehicles are entering the site. After delivery vehicles enter the site, they require spotters at all times due to the tight conditions.

9. **Loudon Site.** The Loudon Site is located at 104 West Loudon Avenue in Lexington, Kentucky, near the intersection of North Limestone and West Loudon Avenue. The Lexington-area Meter Asset, Meter Reading, and Field Services teams are located at the site. Approximately 27 employees and 40 contractors report to this location. The site is located on the opposite side of the rail line that runs on the eastern side of the Limestone Site. The office space

at this site is located in a building that was constructed in 1920 and had its last major renovation in 1970. The office building has an attached two-story warehouse space.

The “Ice House” is a major feature of the Loudon Site. Built in 1920, it is a four-story structure with an insulated concrete shell and interior structural steel and wood construction. All four floors were occupied for storage until late 2019, at which time the upper floors of the building were deemed too hazardous to occupy. The building lacks windows, stairs, any ventilation system, fire suppression system, or emergency exits. The ground floor is now the only storage space used in this structure.

The Loudon Site sits on approximately 2.08 acres of land and has total under-roof space of approximately 24,000 feet. (The total square footage does not include top three floors of the Ice House since those floors lack any fire escape and have been deemed unusable.)

10. The following conditions at Loudon Site raise several safety and operational concerns:

a. The site lacks adequate office space. It has no conference rooms, no break rooms, no space for staff meetings, no training rooms, no office space for visiting managers or business partners, no appropriate space for printers or common office tools like whiteboards.

b. The Meter Shop at the Loudon Site has not been updated in over forty years and requires modernization to accommodate new tools, technology and work methods.

c. The site lacks adequate, safe warehouse space as only the first floor of the Ice House is available.

d. The site lacks adequate parking spaces for employee meetings and has insufficient space to accept semi-truck deliveries.

e. The restrooms do not comply with the requirements of the Americans with Disabilities Act and lack sufficient space to be remodeled to obtain compliance.

11. Aerial photos of the Limestone and Loudon Sites are attached to this Application as Exhibit 1.

B. Alternatives to Resolving the Existing Facilities' Operational and Safety Concerns

12. Recognizing that the conditions at the Limestone and Loudon Sites adversely affect employee morale, retention, and safety, as well as impedes KU's ability to operate efficiently and to provide adequate and reasonable service to its customers, two possible alternatives were considered: the reconfiguration of the existing Limestone and Loudon Sites and the construction of the Lisle Avenue Operations Center to consolidate and replace the facilities at the Limestone and Loudon Sites. The construction of a new facility was determined to be the less expensive alternative and to allow for significantly greater efficiencies.

In addition to the Lisle Avenue Site, KU reviewed other locations within the Lexington-Fayette County area, but none met the search criteria. These criteria included the site (1) be zoned for industrial use; (2) meet the space requirements; and (3) allow for easy and quick access to New Circle Road (a major thoroughfare that allows for quick access to Interstate Highway 64 and Interstate Highway 75, Bluegrass Parkway, and other major highways).

13. **Reconfiguration of Existing Sites.** This alternative requires the demolition of all existing structures, except for the active electric substation, at the Limestone and Loudon Sites, the construction of new facilities, and the reconfiguration of the sites to provide as much functionality as possible on those parcels. It includes the relocation of an existing transmission control house, the demolition of the Powerhouse, and remediation of the underground voids at Limestone, and the demolishment of the Ice House at Loudon. It would require the personnel and

operations at Limestone to relocate temporarily to a leased facility during demolition and construction of the new structures. To optimally redevelop the sites and provide an area to expand for future growth, the purchase of the adjoining parcel of property respective to each site is required. This alternative would require a capital expenditure of \$39,760,000 and has a net present value revenue requirement (“NPVRR”) of \$47,759,000.

The alternative also has several disadvantages. Purchasing the additional parcels of land, negotiating temporary leases, moving to leased space, and demolition of the existing structures would delay construction of the new facilities by two years. While reconfiguring the existing sites would reduce space and logistical constraints at the Limestone Site, it would not completely resolve them. For example, the reconfiguration would not address the sites’ location in an older urban area where the streets are narrow and traffic congestion impedes access to major roads. The reconfigured site would still lack sufficient space for the collocation of several functions that would result in greater operating efficiencies.

14. **Construction of Lisle Avenue Operations Center.** This alternative involves the construction of a new facility on a 10-acre property located on Lisle Industrial Avenue in Lexington, Kentucky. The facility would include 25,630 square feet of office space, 38,321 square feet attached warehouse, and a detached 7,000 square feet garage.¹ It would bring all employees currently operating in different buildings at the Limestone and Loudon Sites under one roof. The proposed facility is closer to a major access road (New Circle Road), thus allowing for quicker response times to outage issues. Its proposed location also provides an easier ingress/egress route for tractor trailer deliveries as it resides in an industrial area. The alternative would allow for critical equipment, such as portable substations and switchgear, to be located at the operations

¹ The proposed Lisle Avenue Operations Center would have a total under-roof facility space of 70,951 square feet. The combined total under-roof facility space of the Limestone and Loudon Sites is approximately 45,000 square feet.

center where it will be readily available and protected from the elements when not in use. The proposed warehouse facilities would allow for equipment currently stored in multiple buildings at different sites to be located at a central site, thus allowing for quicker access and better security. Construction of the proposed facility is estimated to require a capital expenditure of \$32,148,000 and has a NPVRR of \$42,076,000. Upon completion of construction and relocation of operations from the Limestone and Loudon Sites, the Loudon Site would be sold. KU would retain the Limestone Site due to the presence of active transmission facilities onsite.

C. Current Status of Lisle Avenue Operations Center

15. On March 29, 2021, KU acquired a 10-acre property tract on Lisle Industrial Avenue in Lexington, Kentucky for the potential construction of a new operations facility.

16. On April 14, 2022, the Lexington-Fayette Urban County Planning Commission approved KU's proposed development plan for the Lisle Avenue Operations Center. This development plan included a mixed-use warehouse, office space and medical facility with a total space of 72,967 square feet and a vehicle and equipment storage building having a total space of 7,000 square feet. While KU's current plans do not include the installation of the medical facility at the Lisle Avenue Operations Center, the permit allows for such usage in the future.

17. KU has completed the construction documents and solicited bids for general construction of the Lisle Avenue Operations Center. Upon review of the received bids, KU delayed further work on the project and elected to reduce the overall size of the office-warehouse facility from 72,967 to 63,951 square feet. Construction of the Lisle Avenue Operations Center has not commenced. KU has not made contractual commitments for the construction of the Lisle Avenue Operations Center, but desires to issue a request for proposals by April 1, 2024 and have contracts in place by July 1, 2024.

III. Proposed Purchase of Eastpoint Administrative Office

18. On December 31, 2025, LKE's current lease for office space in the LG&E Center located at 220 West Main Street in Louisville, Kentucky will expire. After extensive negotiations with the building owner, the Companies have chosen not to renew the lease for office space. LG&E plans to relocate its headquarters to its Broadway Office Complex ("BOC"), located at 820 West Broadway in Louisville, Kentucky, and to assign approximately 300 of the employees currently assigned to the LG&E Center to the BOC. LG&E and KU plan to purchase from PPL Services Corporation an interest in an office building in eastern Louisville ("Eastpoint Administrative Office") to house the remaining personnel. The proposed acquisition and relocation will reduce projected annual operation and maintenance costs from \$5.1 million in 2025 to \$618,000 in 2026, a savings of approximately \$4.5 million.

19. The Eastpoint Administrative Office does not represent a move away from or a lessening of support for the Louisville Central Business District ("CBD"). LG&E has a long history of investing in this area of Louisville, which dates back to its purchase of BOC in the early 1980s. The BOC will be LG&E's public headquarters. LG&E will invest \$10 million in the renovation of the BOC and will have approximately 830 employees assigned to that location. Its President and other officers will maintain offices at the BOC. This investment and assignment of employees should stimulate business activity along the Broadway Avenue Corridor and encourage further economic development.

A. LG&E Center Lease

20. LKE currently leases 16 floors, or approximately 200,000 square feet, of the LG&E Center. This space is configured for 700 workspaces to support 515 assigned employees, project workspace needs, and contractor workspaces. The first LG&E Center lease was established in

1990. In 2012, the lease was “restated” to negotiate a tenant improvement allowance in exchange for the addition of the Third Floor, and an extension of the lease term to December 31, 2025. Since 2012, the restated lease was amended multiple times for a variety of reasons. In 2021 the rental footprint was reduced by two floors to reduce the Companies’ operations and maintenance costs. For 2023, the Companies forecasted they would incur approximately \$5.05 million in annual operation and maintenance costs, including parking, related to the LG&E Center.

B. Changing Workspace Conditions and Needs

21. In early 2022, the Companies retained Jones Lang LaSalle IP Occupancy Planning and Management (“JLL”) to perform a space utilization analysis of LG&E Center and the BOC and develop an occupation planning strategy for those offices. JLL was to evaluate the use of the Companies’ existing workspace and the cost of such space and identify opportunities for more efficient use of that space.

22. On May 19, 2022, JLL issued its findings to the Companies. A copy of its study is attached to this Application as Exhibit 2. JLL reported a significant change in the Companies’ employees’ work habits and concluded that these changes led to different office space needs. It found, in the post-pandemic period, a significant decrease in average daily number of entries into the LG&E Center and the BOC. Fewer employees were coming to their offices. At its highest point, only 26.6 percent of the office capacity at the LG&E Center was being used. Interviews with the Companies’ employees also suggested that fewer office spaces were required.

23. The JLL study also found that the LG&E Center’s current office design failed to reflect changing trends and best practices in office design. The existing office design devoted greater space to each workspace than benchmark studies suggested and did not consider different work styles that allowed for fewer workstations. By eliminating unused support and amenity space

or converting that space into collaborative space and using a desk sharing ratio of 2:1 for hybrid employees and 10:1 for remote employees, JLL found that the Companies could compress the rentable square footage and reduce the size of the corporate headquarters footprint. More specifically, it found such actions would allow for the reassignment of approximately 220 persons from the LG&E Center to the BOC. The reassignment of these persons and implementation of a hybrid work environment would permit the Companies to either reduce the rental space at the LG&E Center from 200,000 square feet to 107,000 square feet or relocate their remaining employees to a smaller building.

C. Negotiations For Renewal of LG&E Center Lease and the Search for Alternatives

24. Between 2020 and 2023, the Companies engaged in negotiations with Bradford Allen, LG&E Center owners, regarding the lease. In March 2020, the Companies' representative approached Bradford Allen regarding an extension of the existing lease in exchange for various cost savings measures related to the Lease. During these discussions that took place over 15 months, an amendment to the Lease was executed that removed two floors from the Lease Agreement while maintaining the end date of the Lease's Term on December 31, 2025. In December 2021, the Companies advised Bradford Allen of the planned occupancy study by JLL and that the study would guide their long term space needs. In June 2022, the month following the release of the JLL occupancy study, the Companies advised the Center's owners that it was evaluating options in the 75,000 to 100,000 square foot range and would consider all options. Although Bradford Allen advised one month later that an offer would be forthcoming, no proposal was submitted until March 31, 2023.

25. In April 2023, Bradford Allen submitted its final proposals to the Companies. It offered a 10-year lease extension for 114,000 square feet (8 floors) at a rental rate of \$20 per square

foot, or \$2,280,000 annually with a three percent annual escalation. In the alternative, it proposed the purchase of condominium interest of 142,000 square feet of office space in the LG&E Center (10 floors) requiring a total investment of \$42.3 million.

26. While negotiating with Bradford Allen, the Companies reviewed ten properties for purchase and 14 properties for lease located in suburban areas and in the CBD. They reviewed these properties for their location, size, suitability, and condition and conducted on-site visits when possible. Through this process, the Companies narrowed the number of properties that were candidates suitable to serve as an office for administrative personnel. These properties included two buildings in downtown Louisville for possible purchase, the leasing of office space in another downtown office building, the leasing of office space in suburban Jefferson County, and two buildings in suburban Jefferson County for possible purchase.

27. The Companies evaluated the six properties as well as the two proposals involving the LG&E Center. A summary of the results of this evaluation is attached to this Application as Exhibit 3. The most suitable alternative with the lowest NPVRR was the purchase of 2701 Eastpoint Parkway in suburban Jefferson County.² This property consisted of a 5.57-acre tract of land and a building with 103,000 square feet of space. This building previously served as offices for Baptist Healthcare System, Inc. The property's purchase price was \$16,525,000. After the purchase, renovations would be performed to make the building suitable for the relocation of the Companies administrative personnel and personnel from PPL Services Corporation - a subsidiary of PPL Corporation. Total estimated cost of the purchase and renovation is \$25,220,000. The NPVRR for the purchase and renovation of Eastpoint and renovations to better leverage workspace

² The purchase of a Class B suburban Jefferson County office building produced a lower NPVRR than the Eastpoint Parkway property. This building, however, had 27,000 lesser square feet of space than the Eastpoint Parkway property and a greater cost per square foot of space. The building was included in the analysis to serve as a sensitivity that demonstrates the limited NPVRR benefit associated with elimination of space flexibility.

at the BOC and Auburndale Operations Center was \$73,791,000.³ The NPVRR for the proposed LG&E Center Lease and related transaction costs was \$83,181,000 and for the proposed purchase of a condominium interest in the LG&E Center and related transaction cost was \$101,373,000.⁴

28. In addition to its lower NPVRR, the purchase and renovation of the Eastpoint Parkway property is deemed to be the most favorable alternative because of the greater flexibility that it provides for addressing changing workspace needs. Ownership of the property provides greater site control than leasing or condominium ownership arrangement. Moreover, the building's larger amount of square footage or "floor plates" allow for greater efficiency in the use of workspace.

29. On September 7, 2023, PPL Services Corporation acquired the 2701 Eastpoint Parkway property at a cost of \$16,525,000. The estimated cost to renovate the building to accommodate the Companies and PPL Services Corporation is \$8,695,000. The total cost of the property and building renovation, therefore, will be \$25,220,000.

30. PPL Services Corporation plans to transfer to LG&E and KU a 61 percent ownership interest in the property in exchange for 61 percent of the total building and renovation cost (\$15,394,200) in 2024. The percentage is based upon the ratio of building space assigned to the Companies' employees supporting LG&E and KU functions to the total used building space.

31. The transferred ownership interest will be divided between LG&E and KU in accordance with their cost allocation manuals, which provide for a 51 percent (LG&E) and 49 percent (KU) allocation for common administrative support services that LG&E and KU Services

³ The NPVRR of \$73,791,000 is driven by capital investment of \$25,220,000 for Eastpoint, \$10,000,000 for Broadway Office Complex renovations and \$1,275,000 for Auburndale Operations Center renovations.

⁴ The analysis assumes that KU and LG&E would purchase total ownership interest in each building considered. As a result, the NPVRR for each of the six purchase scenarios, including the purchase of the 2701 Eastpoint Parkway property, was greater than if a lesser ownership interest was acquired. Despite the overstatement of NPVRR, the purchase of the 2701 Parkway property still produced a lower NPVRR than the two LG&E Center options. As between the alternatives involving the purchase of a building, this assumption would not have affected the ranking of the results.

Company provides. Based upon this allocation method, LG&E and KU's shares of the purchase and renovation costs are \$7,845,942 and \$7,538,258 respectively.

IV. Construction of the Proposed Lisle Avenue Operations Center and proposed purchase of interest in Eastpoint Administrative Office are Ordinary Extensions in the Usual Course of Business and do not require Certificates of Public Convenience and Necessity

A. Statutory and Regulatory Standard

32. The legal standard for determining whether a proposed facility is “an ordinary extension in the usual course of business” is set forth in KRS 278.020(1)(a) and 807 KAR 5:001, Section 15(3).⁵

33. KRS 278.020(1)(a) states:

No person, partnership, public or private corporation, or combination thereof shall commence providing utility service to or for the public or begin the construction of any plant, equipment, property, or facility for furnishing to the public any of the services enumerated in KRS 278.010, **except:**

...

2. Ordinary extensions of existing systems in the usual course of business;

...

until that person has obtained from the Public Service Commission a certificate that public convenience and necessity require the service or construction [emphasis added].

34. 807 KAR 5:001, Section 15(3), provides:

Extensions in the ordinary course of business. No certificate of public convenience and necessity will be required for extensions that do not create wasteful duplication of plant, equipment, property

⁵ *The Application of Northern Kentucky Water District (A) For Authority to Issue Parity Revenue Bonds in the Approximate Amount of \$16,545,000; and (B) A Certificate of Convenience and Necessity for the Construction of Water Main Facilities*, Case No. 2000-481 (Ky. PSC Aug. 30, 2001) at 4 (“When viewed together, KRS 278.020(1) and Administrative Regulation 807 KAR 5:001, Section 9(3) clearly identify those facilities for which a Certificate of Public Convenience and Necessity is not required.”) (referring to §15(3) prior to revisions in 807 KAR 5:001 that resulted in renumbering).

or facilities, or conflict with the existing certificates or service of other utilities operating in the same area and under the jurisdiction of the commission that are in the general area in which the utility renders service or contiguous thereto, and that do not involve sufficient capital outlay to materially affect the existing financial condition of the utility involved, or will not result in increased charges to its customers.

35. Distilling this statute and this regulation to their essentials, the Commission has declared that a Certificate is not necessary “for facilities that do not result in the wasteful duplication of utility plant, do not compete with the facilities of existing public utilities, and do not involve a sufficient capital outlay to materially affect the existing financial condition of the utility involved or to require an increase in utility rates.”⁶

36. “Wasteful duplication” is defined as an “excess of capacity over need” and “an excessive investment in relation to productivity or efficiency.”⁷ A proposed facility does not constitute wasteful duplication unless an “existing facility is reasonably available for the present and future needs of those who will be served by it.”⁸ To demonstrate that a proposed facility does not result in wasteful duplication, an applicant must demonstrate that a thorough review of all reasonable alternatives has been performed.⁹

37. The Commission has consistently held that a capital outlay does not materially affect a utility’s existing financial condition if it represents less than one percent of the utility’s net

⁶ *Id.*

⁷ *Kentucky Utilities Co. v. Pub. Serv. Comm'n*, 252 S.W.2d. 885, 890 (Ky. 1952).

⁸ *City of Covington v. Board of Commissioners*, 371 S.W.2d 20, 23 (Ky. 1963).

⁹ *See, e.g., The Application of East Kentucky Power Cooperative, Inc. for a Certificate of Public Convenience and Necessity to Construct a 161 KV Transmission Line in Barren, Warren, Butler, and Ohio Counties, Kentucky*, Case No. 2005-00207 (Ky. PSC Oct. 31, 2005), Order at 6 .

plant.¹⁰ For the Applicants, the Commission has established a “bright line test” that only expenditures exceeding \$100 million will be considered material.¹¹

B. Construction of the Lisle Avenue Operations Center

38. The proposed construction of the Lisle Avenue Operations Center will not result in the wasteful duplication of facilities. The Limestone and Loudon facilities suffer from numerous physical and operational problems. The Powerhouse on the Limestone Site and the Ice House on the Loudon Site suffer from structural problems that severely limit the use of the buildings. The office facilities at each site are old, lack adequate space, and hinder employees in the performance of their duties. Construction of the proposed Lisle Avenue Operations Center is expected to produce greater efficiencies in inventory control and asset management, will allow for faster responses by allowing distribution personnel easier and faster access to major roads. A thorough and extensive analysis has shown that the proposed construction is the least cost alternative.

39. Construction of the Lisle Avenue Operations Center will have no material effect on KU’s financial condition. The proposed project cost is less than 0.26 percent of KU’s net utility plant and its cost does not exceed the bright-line threshold of \$100 million that the Commission has established for KU.

40. The proposed Lisle Avenue Operations Center will not compete with the facilities of any other utility in the area.

¹⁰ See, e.g., *Application of Northern Kentucky Water District For Approval of Dixie Highway Water Main Improvements, Issuance of a Certificate of Convenience and Necessity and Approval of Financing*, Case No. 2014-00171 (Ky. PSC Aug. 6, 2014), Order at 4.

¹¹ *Electronic Application of Kentucky Utilities Company for Approval of Its 2020 Compliance Plan for Recovery by Environmental Surcharge*, Case No. 2020-00060 (Ky. PSC Sept. 29, 2020), Order at 13 (“[A]ny capital expenditure that exceeds \$100 million will be considered material to KU’s financial position and will require a CPCN.”); *Electronic Application of Louisville Gas and Electric Company for Approval of An Amended Environmental Compliance Plan and A Revised Environmental Surcharge*, Case No. 2020-00061 (Ky. PSC Sept. 29, 2020) Order at 13 (“[A]ny capital expenditure that exceeds \$100 million will be considered material to LG&E’s financial position and will require a CPCN.”).

41. Construction of an office building does not necessarily require a Certificate nor is it prohibited from being considered an extension in the ordinary course of business. KRS 278.020(1) and 807 KAR 5:001, Section 15(3) contain no disqualification of office buildings as an extension in the ordinary course. Neither KRS 278.020(1)(a) nor 807 KAR 5:001, Section 15(3) refers to a specific type or form of construction that should be treated differently from other forms of construction. Neither state that office buildings are excluded or otherwise prohibited from being extensions in the ordinary course. In the absence of such language, the statute and regulation must be applied uniformly to all types of utility plant, facilities and property.¹² The Commission has previously found the construction of office buildings were extensions in the usual course.¹³

42. In instances in which the Commission has determined that construction or renovation of an office building was not an extension in the ordinary course of business, the proposed building involved a wasteful duplication of facilities or had a material effect on the utility's financial condition, or the utility had failed to demonstrate the absence of those factors.¹⁴ None of those factors are present with the proposed construction of the Lisle Avenue Operations Center.

¹² *Benet v. Commonwealth*, 253 S.W.3d 528 at 532 (Ky. 2008) (“When no exceptions exist in a statute, there is a presumption that the lack of exceptions reflects a conscious decision by the General Assembly; and a court lacks authority to graft an exception onto a statute by fiat. Rather a reviewing court must interpret a statute as written, without adding to or subtracting from the legislative enactment.”).

¹³ See, e.g., *Application of Kenergy Corporation for A Certificate of Convenience and Necessity to Construct New Branch Offices In Hartford and Hanson*, Case No. 2003-00403 (Ky. PSC. Apr. 15, 2004); *Application of Madison County Utility District for An Order Issuing A Certificate of Public Convenience and Necessity and for Authority to Borrow Funds and to Refinance Certain Indebtedness of the District*, Case No. 2007-00424 (Ky. PSC Mar. 20, 2008).

¹⁴ See, e.g., *Electronic Application of Columbia Gas of Kentucky, Inc. For A Declaratory Order That The Construction of Proposed Gas Safety Training Facilities Is in the Ordinary Course of Business and Does Not Require A Certificate of Public Convenience*, Case No. 2016-00181 (Ky. PSC Sept. 9, 2016) (utility had failed to demonstrate that the proposed facility would not result in wasteful duplication of facilities).

C. Acquisition of An Interest in the Eastpoint Administrative Office

43. The purchase of real estate does not require a Certificate.¹⁵

44. The purchase of an interest in the Eastpoint Administrative Office will not result in the wasteful duplication of facilities. Upon expiration of LG&E Center Lease, the Companies will lack adequate office space in the Louisville, Kentucky area to house a large portion of their staff. Additional space is required. The decision to purchase an interest in the Eastpoint Administrative Office was made after conducting an extensive study of workspace requirements and various alternatives to meet those requirements. The purchase of an interest in the Eastpoint Administrative Office represented the alternative that would impose the least cost on the Applicants' ratepayers and allow the Applicants the maximum amount of flexibility and control to meet the changing habits and preferences of their workforces.

45. The purchase of an interest in the Eastpoint Administrative Office will have no material effect on the Applicants' financial condition. The estimated cost of \$15,384,200 to acquire a 61 percent ownership interest in the renovated Eastpoint Parkway property, represents less than 0.12 percent of combined LG&E and KU net utility plant. The cost of KU's proposed purchase of 29.9 percent interest in the renovated Eastpoint Parkway property (\$7,538,258) represents approximately 0.1 percent of KU's net utility plant. The cost of LG&E's proposed purchase of 31.1 percent interest in the renovated Eastpoint Parkway property (\$7,845,942)

¹⁵ See, e.g., *Carroll County Water District No. 1's Application For A Certificate of Public Convenience and Necessity for the Construction of Facilities for the District and Approval of A Lease Agreement in the Principal Amount of \$1,250,000 to Finance Such Facilities and to Refund Certain Prior Indebtedness*, Case No. 95-062 (Ky. PSC Feb. 22, 1995), Order at 2-3 ("Carroll District has also requested a Certificate of Public Convenience and Necessity for the purchase of certain real estate. As KRS 278.020(1) does not require a utility to obtain a Certificate of Public Convenience and Necessity for purchase of real estate, that portion of Carroll District's application is moot."); *Application of Northern Kentucky Water District for (A) An Adjustment of Rates; (B) A Certificate of Public Convenience and Necessity For Improvements to Water Facilities If Necessary; and (C) Issuance of Bonds*, Case No. 2002-00105 (Ky. PSC Oct. 21, 2002), Order at 2; PSC Staff Opinion 2013-003 (Jan. 23, 2013) at 2; PSC Staff Opinion 2016-001 (Jan. 19, 2016) at 2.

represents 0.13 percent of LG&E's net utility plant. The Commission has previously found that a project whose cost represents less than one percent of a utility's net utility plant does not materially affect the utility's financial condition.¹⁶ The total cost to purchase and renovate the Eastpoint Parkway property is well below the bright-line test threshold that the Commission has established for each of the Applicants.¹⁷

46. The Eastpoint Administrative Office will not compete with the facilities of any other utility in the area.

47. The purchase and renovation of an office building does not necessarily require a Certificate nor is it prohibited from being considered an ordinary extension in the usual course. KRS 278.020(1) and 807 KAR 5:001, Section 15(3) contain no disqualification of office building renovations as an extension in the ordinary course. Neither KRS 278.020(1)(a) nor 807 KAR 5:001, Section 15(3) refers to a specific type or form of construction that should be treated differently from other forms of construction. Neither state that office buildings are excluded or otherwise prohibited from being extensions in the ordinary course. In the absence of such language, the statute and regulation must be applied uniformly to all types of utility plant, facilities, and property.¹⁸ The Commission has previously found the construction of office buildings were extensions in the usual course.¹⁹

48. The Applicants' proposed action regarding the Eastpoint Administrative Office is distinguishable from those cases in which the Commission found that the purchase and renovation of an office building required a Certificate or granted a Certificate for the purchase and renovation of an office building. In those cases, the total purchase and renovation cost generally represented

¹⁶ *Supra* Footnote 10.

¹⁷ *Supra* Footnote 11.

¹⁸ *Supra* Footnote 12.

¹⁹ *Supra* Footnote 13.

more than one percent of the acquiring utility's current net utility plant. Each Applicant's share of the Eastpoint Administrative Office's total purchase and renovation cost represents no more than 0.13 percent of its current net utility plant - a percentage that is less than one-seventh of the lowest percentage of those other cases.²⁰ .

²⁰ *Application of Northern Kentucky Water District for Approval of Remodeling Building For Offices and Certificate of Convenience and Necessity*, Case No. 2005-00063 (Ky. PSC Apr. 29, 2005) (4.67 percent); *Application of North Mercer Water District For A Certificate of Public Convenience and Necessity to Acquire A Building and Make Minimal Adaptations Thereto*, Case No. 2016-00392 (Ky. PSC Dec. 22, 2016) (0.94 percent); *Application of South Anderson Water District For A Certificate of Public Convenience and Necessity to Begin Construction of New Office Headquarters*, Case No. 2018-00244 (Ky. PSC Nov. 7, 2018) (2.8 percent); *Electronic Application of Jackson Purchase Energy Corporation for A Certificate of Public Convenience and Necessity to Construct A New Headquarters Facility*, Case No. 2019-00326 (20.3 percent); *Electronic Application of Kirksville Water Association, Inc. For Permission To Issue Indebtedness Pursuant To KRS 278.300*, Case No. 2022-00076 (Ky. PSC June 20, 2022) (7.9 percent); *Electronic Investigation of Union County Water District and Its Individual Commissioners, Raymond Arnold and Joyce Greenwell, and Manager Gary Sheffer Alleged Failure to Comply With KRS 278.300 and KRS 278.020*, Case No. 2023-00120 (Ky. PSC Oct. 26, 2023) (1.1 percent).

V. Requested Relief

WHEREFORE, the Applicants request that the Commission:

1. Place this Application at the head of the Public Service Commission's docket and enter a decision on this Application by **March 15, 2024**;

2. Enter an Order declaring that the construction of the proposed Lisle Avenue Operations Center to replace inadequate existing facilities and the Applicants' proposed purchase of an interest in an office building in eastern Louisville, Kentucky to house a portion of their administrative personnel upon the expiration of the current lease of office space in the LG&E Center are ordinary extensions in the usual course of business and do not require a Certificate of Public Convenience and Necessity; and

3. Grant any and all such other relief to which the Applicants may be entitled.

Dated: December 15, 2023

Respectfully submitted,



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

VERIFICATION

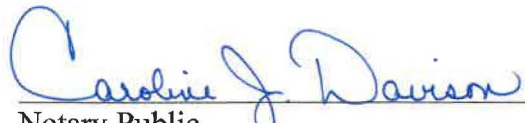
COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says that he is Chief Operating Officer for Louisville Gas and Electric Company and 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 foregoing Joint Application, and that the content thereof is true and correct to the best of his information, knowledge, and belief.



Lonnie E. Bellar

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 12th day of December 2023.



Notary Public

Notary Public ID No. KYNP63286

My Commission Expires:

January 22, 2027



CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8 and the Commission's Order of July 22, 2021 in Case No. 2020-00085, I certify that this document was electronically transmitted to the Public Service Commission on December 15, 2023; and that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding.

A handwritten signature in blue ink, reading "Gerald R. Riggs". The signature is written in a cursive style and is centered on a light gray rectangular background.

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