

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

**In the Matter of:**

<b>ELECTRONIC APPLICATION OF LOUISVILLE GAS</b>	)	
<b>AND ELECTRIC COMPANY FOR APPROVAL OF</b>	)	
<b>RETIRED ASSET RECOVERY RIDER COST</b>	)	
<b>RECOVERY FOR THE RETIREMENT OF MILL</b>	)	<b>CASE NO.</b>
<b>CREEK UNIT 1 AND OF RETIRED ASSET</b>	)	<b>2024-00317</b>
<b>RECOVERY RIDER TARIFF REVISIONS AND</b>	)	
<b>MONTHLY REPORTING FORMS</b>	)	

**APPLICATION OF**  
**LOUISVILLE GAS AND ELECTRIC COMPANY**

Louisville Gas and Electric Company (“LG&E”) applies to the Kentucky Public Service Commission (“Commission”), pursuant the Commission’s plenary authority under KRS 278.030 and 278.040 and the Commission’s June 30, 2021 Order in Case No. 2020-00350 approving LG&E’s Retired Asset Recovery Rider (“Rider RAR”),<sup>1</sup> for an order by January 1, 2025, that (1) approves LG&E’s cost recovery for Mill Creek Unit 1 (“MC1”) under Rider RAR beginning with the expense month of January 2025 to be billed with the March 2025 billing cycle and (2) approves LG&E’s proposed Rider RAR tariff revisions and monthly reporting forms.

Because the relevant monthly MC1-related items currently recovered through base rates are greater than LG&E’s proposed levelized monthly cost recovery for MC1 under Rider RAR, approving LG&E’s requested relief will result in a credit to customers’ bills until relevant MC1-related items are removed from base rates when new base rates are established in LG&E’s next base rate case.

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<sup>1</sup> *Electronic Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas 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. 2020-00350, Order at 21 (Ky. PSC June 30, 2021).

In support of this Application, LG&E respectfully states:

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.

2. LG&E is a public utility as defined in KRS 278.010(3)(a) and is engaged in the electric and gas business. LG&E generates, purchases electricity, 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. LG&E is incorporated in the Commonwealth of Kentucky, and attests it is in good corporate standing. LG&E was incorporated in Kentucky on July 2, 1913.

4. This Application is filed pursuant to KRS 278.030 and 278.040, which provide the Commission exclusive jurisdiction over the regulation of rates and service of utilities and provide that every utility may demand, collect, and receive fair, just, and reasonable rates. Among the rate mechanisms the Commission has approved for LG&E is Rider RAR, under which LG&E seeks approval in this proceeding to initiate cost recovery for the first time.<sup>2</sup>

5. Communications regarding this Application should be addressed to:

Andrea M. Fackler  
Manager, Revenue Requirement/Cost of Service  
LG&E and KU Services Company  
220 West Main Street  
Louisville, KY 40202

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<sup>2</sup> *Id.*

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### **History of Rider RAR**

6. In LG&E's most recent base rate case, Case No. 2020-00350, all parties to the proceeding entered into a Stipulation that proposed, among other items, Rider RAR.<sup>3</sup> The Stipulation recognized that continuing to use then-current depreciation rates for Mill Creek Units 1 and 2 could result in significant remaining net book value and uncollected costs of removal (i.e., decommissioning and demolition costs net of salvage credits) when LG&E retired the units.<sup>4</sup> To

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<sup>3</sup> Case No. 2020-00350, Stipulation Testimony of Kent W. Blake, Exhibit KWB-1 (Apr. 19, 2021).

<sup>4</sup> *Id.* at 13.

address that concern, the stipulating parties proposed Rider RAR to allow LG&E to recover each retired unit's "Retirement Costs," i.e., its net book value, materials and supplies that cannot be used economically at other plants owned by LG&E or its sister utility (Kentucky Utilities Company), and costs of removal.<sup>5</sup>

7. Under the Rider RAR approach set out in the Stipulation, LG&E would recover a unit's Retirement Costs on a levelized basis over ten years from the retirement date of the unit, including a weighted average cost of capital carrying cost using the most recently-approved base rate return on equity applied to the Retirement Costs net of related accumulated deferred income tax ("ADIT"), including the tax benefits from tax losses.<sup>6</sup> The proposed Rider RAR also included a credit for the depreciation expense and rate of return component embedded in current base rates for each retired unit to prevent double-recovery of such costs.<sup>7</sup> LG&E also committed to use best efforts to minimize the cost of dismantling each retired unit and to maximize salvage credits, all for the customers' benefit.<sup>8</sup>

8. The Stipulation also proposed that Rider RAR would use the same Group 1 and Group 2 methodology for revenue allocation used in LG&E's Environmental Cost Recovery Surcharge.<sup>9</sup>

9. In its June 30, 2021 Order in Case No. 2020-00350, the Commission approved Rider RAR with the "clarifying modification that LG&E has the burden of proof to establish the proper level of the remaining net book value and decommissioning costs associated with the

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<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> *Id.* at 14.

<sup>9</sup> Group 1 customers are those taking service under Rates RS, RTOD-Energy, RTOD-Demand, VFD, LS, RLS, LE, and TE. Group 2 customers are those taking service under Rates GS, GTOD-Energy, GTOD-Demand, PS, TODS, TODP, RTS, FLS, EVSE, EVC-L2, EVC-FAST, and OSL.

retirement of Mill Creek Units 1 or 2, and the appropriateness of recovering those costs.”<sup>10</sup> In accordance with the Commission’s Order, LG&E added Rider RAR to its electric tariff.<sup>11</sup>

**LG&E Will Retire Mill Creek Unit 1 by December 31, 2024**

10. The Commission’s November 6, 2023 Final Order in Case No. 2022-00402 approved LG&E’s request under KRS 278.264 to retire MC1 by the end of 2024.<sup>12</sup>

11. In accordance with the authority granted by the Commission, LG&E will retire MC1 by December 31, 2024.

12. Because MC1 will retire by December 31, 2024, it is necessary to begin implementing Rider RAR for MC1 in January 2025.

**Proposed Rider RAR Tariff Sheet Revisions and Monthly Reporting Forms**

13. In preparing this filing to initiate cost recovery under Rider RAR for MC1, LG&E recognized that certain clarifying revisions to Rider RAR were necessary to more accurately reflect how LG&E plans to implement the rider. The Direct Testimony of Andrea M. Fackler explains and supports the proposed tariff sheet revisions; clean and redlined versions of the proposed tariff sheets are attached as exhibits to Ms. Fackler’s testimony.

14. Consistent with the long-established approach to implementing LG&E’s Environmental Cost Recovery Surcharge, on which Rider RAR’s tariff provisions are largely based, LG&E proposes to provide ongoing transparency to the Commission concerning Rider RAR billing factors using a series of monthly reporting forms that show Rider RAR calculations for each expense month that LG&E will bill in the second month following the expense month

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<sup>10</sup> Case No. 2020-00350, Order at 21 (Ky. PSC June 30, 2021).

<sup>11</sup> Louisville Gas and Electric Company P.S.C. Electric No. 13, Original Sheet Nos. 77 and 77.1.

<sup>12</sup> *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 171, 173-76, and 178 (Ky. PSC Nov. 6, 2023).

(e.g., the expense month of January 2025 will be billed with the March 2025 billing cycle). Ms. Fackler's testimony explains and supports LG&E's proposed Rider RAR reporting forms and how Rider RAR will be implemented on customers' bills. Her testimony provides as exhibits the reporting form templates to be used to implement Rider RAR and an illustrative example of the proposed Rider RAR reporting forms with estimates of MC1's Retirement Costs, ADIT, and relevant MC1 costs embedded in current base rates for the expense month of January 2025 to be billed with LG&E's March 2025 billing cycle.

15. Regarding the calculations and values shown in the illustrative Rider RAR monthly reporting forms attached to Ms. Fackler's testimony, the Direct Testimony of David L. Tummonds supports MC1's estimated obsolete materials and supplies value and costs of removal. His testimony further addresses how LG&E has sought to minimize investments in MC1 after LG&E determined in 2020 that retiring MC1 by the end of 2024 would be least cost, and it also addresses how LG&E has sought to maximize the amount of MC1's materials and supplies that can be used by other units. Ms. Fackler's testimony provides support for the compilation of the estimated MC1 net book value and ADIT at retirement as well as MC1 costs embedded in current base rates.

**Rider RAR Recovery for Mill Creek Unit 1's Retirement Costs Will Result in Net Bill Reductions until LG&E's Next Base Rate Case**

16. As shown in Ms. Fackler's testimony, LG&E's proposed Rider RAR cost recovery for MC1 will result in net bill *decreases* for all affected LG&E customer classes because the amounts to be recovered under the Rider RAR methodology are less than the MC1-related costs embedded in LG&E's current base rates. LG&E estimates that Group 1 customers' initial Rider RAR billing factor will be -0.28% and Group 2 customers' initial Rider RAR billing factor will be -0.39% for the expense month of January 2025, which would reduce customers' bills beginning in March 2025.

17. Two Group 2 customer classes, Rates EVC-L2 and EVC-FAST, are exceptions to the Rider RAR effects described above. Because they were established as market-based electric vehicle charging rates,<sup>13</sup> not cost-based rates per se, billing under them is unaffected between base rate cases by generally applicable cost recovery mechanisms (i.e., Fuel Adjustment Clause, Off-System Sales Adjustment Clause, and Environmental Cost Recovery Surcharge).<sup>14</sup> LG&E proposes to similarly apply Rider RAR to Rates EVC-L2 and EVC-FAST, meaning Rider RAR will not affect billing under those rates now but will be part of evaluating the reasonableness of any revisions to those rates in LG&E’s next base rate case.

### **Compliance with Customer Notice Requirements**

18. 807 KAR 5:011, Section 8 states in relevant part, “A utility shall provide notice if a charge ... is changed, revised, or initiated and the change will affect the amount that a customer pays for service ....” Because LG&E’s proposal to begin implementing Rider RAR for MC1 will initiate charges (initially credits) under that tariff mechanism, which will affect amounts customers pay for service, LG&E is complying with the notice requirements of 807 KAR 5:011, Section 8.

19. Pursuant to 807 KAR 5:011, Section 8(1)(a), LG&E has posted a copy of the Customer Notice at its place of business at 220 West Main Street, Louisville, Kentucky.

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<sup>13</sup> See, e.g., *Electronic Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates, a 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, Direct Testimony of W. Steven Seelye at 64-75 (Nov. 25, 2020) (concerning Rate EVC-FAST); *Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates*, Case No. 2018-00295, Direct Testimony of W. Steven Seelye at 45-46 (Nov. 25, 2020) (concerning Rate EVC (now Rate EVC-L2)).

<sup>14</sup> Louisville Gas and Electric Company, P.S.C. Electric No. 13, First Revision of Original Sheet No. 42 (Rate EVC-L2); Louisville Gas and Electric Company, P.S.C. Electric No. 13, First Revision of Original Sheet No. 43 (Rate EVC-FAST).

20. Pursuant to 807 KAR 5:011, Section 8(1)(b), LG&E has posted on its website a copy of the Customer Notice and a hyperlink to the Commission's website where the Customer Notice, Application, and other filings are available.<sup>15</sup>

21. Pursuant to 807 KAR 5:011, Section 8(2)(b), LG&E is providing notice to its customers by newspaper publication of its proposal to begin implementing Rider RAR for MC1, the contents of which comply with the requirements of 807 KAR 5:011, Section 8(4). In addition, this Application and supporting testimony and exhibits are available for public inspection at the LG&E office located at 220 West Main Street, Louisville, Kentucky. LG&E is also posting this Application and supporting testimony and exhibits on its website.<sup>16</sup>

22. Pursuant to 807 KAR 5:011, Section 8(3), LG&E will file proof of completed notice within 45 days of the date of this Application.

**LG&E Respectfully Requests a Final Order by January 1, 2025**

23. LG&E requests an order on this Application by January 1, 2025, to allow LG&E to prepare the first Rider RAR reporting forms for filing in February 2025 and to prepare their billing systems to be able to implement Rider RAR beginning with the first billing cycle in March 2025.

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<sup>15</sup> See the "Current applications" heading of the Regulatory page (<https://lge-ku.com/our-company/regulatory>).

<sup>16</sup> *Id.*



**WHEREFORE**, Louisville Gas and Electric Company respectfully requests that the Commission issue an order by January 1, 2025, that:

1. Approves LG&E's Rider RAR cost recovery for Mill Creek Unit 1 beginning with the expense month of January 2025 to be billed with the March 2025 billing cycle;
2. Approves LG&E's proposed Rider RAR revised tariff sheets, monthly reporting forms, and cost recovery methodology; and
3. Grants LG&E all other relief to which it may be entitled.

Dated: October 4, 2024

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 October 4, 2024; and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.

A handwritten signature in blue ink, appearing to read "A. B. Smith", is written above a horizontal line.

*Counsel for Louisville Gas and Electric Company*