

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 CERTIFICATES)	CASE NO.
OF PUBLIC CONVENIENCE AND NECESSITY)	2025-00045
AND SITE COMPATIBILITY CERTIFICATES)	

DIRECT TESTIMONY OF
ROBERT M. CONROY
VICE PRESIDENT, STATE REGULATION AND RATES
ON BEHALF OF
KENTUCKY UTILITIES COMPANY AND
LOUISVILLE GAS AND ELECTRIC COMPANY

Filed: February 28, 2025

TABLE OF CONTENTS

Introduction..... 1

The Companies Have an Obligation to Serve All Customers, Including Large
Data Center Customers 2

The Companies’ Proposals Are Consistent with the Commission’s Recent
Directives and the Kentucky General Assembly’s Stated Policy Interests in
KRS 164.2807(1)..... 7

Regulatory Approvals and Permits Needed
for the Proposed Resources..... 11

Ownership and Cost Allocation of the Proposed Resources 13

Financing and Regulatory Accounting
for the Proposed Resources..... 14

Cost Recovery for the Proposed Resources 16

Conclusion 17

1 **INTRODUCTION**

2 **Q. Please state your name, position, and business address.**

3 A. My name is Robert M. Conroy. I am the Vice President of State Regulation and Rates
4 for Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company
5 (“LG&E”) (collectively, “Companies”) and an employee of LG&E and KU Services
6 Company, which provides services to KU and LG&E. My business address is 2701
7 Eastpoint Parkway, Louisville, Kentucky 40223. A complete statement of my
8 education and work experience is attached to this testimony as Appendix A.

9 **Q. Have you previously testified before this Commission?**

10 A. Yes, I have testified before this Commission numerous times, including in the
11 Companies’ most recent certificates of public convenience and necessity (“CPCN”)
12 application proceeding (“2022 CPCN-DSM Case”).¹

13 **Q. What is the purpose of your direct testimony?**

14 A. First, I discuss two important regulatory and policy considerations affecting the
15 Companies’ requests in this proceeding: (1) the Companies’ obligation to serve all
16 customers, existing and new, irrespective of size or rate class, and how that applies to
17 the Companies’ projected data center load at issue in this case and is consistent with
18 the Kentucky General Assembly’s stated policy interests in KRS 154.20-222; and (2)
19 how the Companies’ proposals are consistent with the Kentucky General Assembly’s
20 stated policy interests in KRS 164.2807(1).

¹ *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, Direct Testimony of Robert M. Conroy (Dec. 15, 2022); Case No. 2022-00402, Rebuttal Testimony of Robert M. Conroy (Aug. 9, 2023).

1 Second, I discuss the CPCNs, site compatibility certificates, and other
2 regulatory approvals relating to the Companies’ plans to construct the generation
3 facilities, battery storage facilities, and selective catalytic reduction (“SCR”) facility
4 proposed in this case. The proposed facilities for which the Companies are seeking
5 CPCNs consist of: (1) two 645 megawatt (“MW”) natural gas combined cycle
6 combustion turbine (“NGCC”) facilities, one at KU’s E.W. Brown Generating Station
7 in Mercer County, Kentucky (“Brown 12”) and the other at LG&E’s Mill Creek
8 Generating Station in Jefferson County, Kentucky (“Mill Creek 6”), including
9 associated natural gas and electric transmission work; a 400 MW four-hour (1600
10 MWh total) battery energy storage system (“BESS”) at the Cane Run Generating
11 Station in Jefferson County, Kentucky (“Cane Run BESS”); and an SCR to be added
12 to Ghent 2 (“Ghent 2 SCR”), one of KU’s existing coal-fired generation units.

13 Third, I discuss issues of ownership, financing, and the proposed regulatory
14 accounting treatment of the facilities the Companies will be constructing.

15 Fourth, I discuss issues of cost recovery for the proposed facilities, including
16 KU’s intention to file an application for approval of cost recovery by environmental
17 surcharge for costs related to KU’s Ghent 2 SCR.

18 Finally, I conclude by recommending that the Commission grant all of the relief
19 requested in the Companies’ Joint Application, including granting all requested
20 CPCNs, site compatibility certificates, and proposed financing and regulatory
21 accounting.

22 **THE COMPANIES HAVE AN OBLIGATION TO SERVE ALL CUSTOMERS,**
23 **INCLUDING LARGE DATA CENTER CUSTOMERS**

24 **Q. Why are the Companies applying for CPCNs for these resources at this time?**

1 A. As Tim A. Jones explains in his testimony, the Companies currently anticipate
2 unprecedented amounts of new load by 2032: about 2,000 MW of new load, including
3 1,750 MW of new data center load, the full Blue Oval SK (“BOSK”) Battery Park load
4 (more than 250 MW), and a variety of other new and expanded customer loads. As
5 Stuart A. Wilson explains in his testimony, serving these loads, including very high
6 load factor customers like data centers and BOSK, will require adding significant
7 supply-side resources to ensure all customers can continue to enjoy safe and reliable
8 service at the lowest reasonable cost.

9 The Companies have a duty and obligation to plan to serve and then actually to
10 serve these loads; they do not have the option of simply choosing to turn potential
11 customers away. The statutes creating and governing certified service territories for
12 retail electric suppliers, which support the vertical integration of power supply that has
13 long served Kentucky well, require those suppliers to provide “adequate service”,²
14 KRS 278.030(2) states unequivocally, “Every utility *shall* furnish adequate, efficient
15 and reasonable service”³ “Adequate service” is defined as:

16 [H]aving sufficient capacity to meet the maximum estimated
17 requirements of the customer to be served during the year following the
18 commencement of permanent service and to meet the maximum
19 estimated requirements of other actual customers to be supplied from
20 the same lines or facilities during such year and to assure such customers
21 of reasonable continuity of service[.]⁴

22 For decades the Commission has consistently acknowledged and supported this
23 obligation:

² See KRS 278.018(3).
³ Emphasis added.
⁴ KRS 278.010(14).

- 1 • “[A] public utility ... has an obligation to serve all *applicants for service* located
2 within its service territory.”⁵
- 3 • “[T]he Commission notes that a utility has a statutory obligation to serve the
4 public.”⁶
- 5 • “[T]he Commission concludes that Kentucky should preserve its current
6 statutory and regulatory framework, which focuses primarily on the utilities’
7 obligation to serve the electrical needs of customers within a defined service
8 territory.”⁷

9 The Commission has likewise stated for decades that this obligation to serve existing
10 and new customer loads—even very large ones—applies unambiguously to the
11 Companies in particular, not just to utilities in general. For example, in approving
12 Powergen Plc’s acquisition of LG&E Energy Corp. and thereby the Companies, the
13 Commission stated in response to a concern raised by a large industrial customer:

14 NAS [North American Stainless] asserted that serving existing and *new*
15 Kentucky loads must be LG&E Energy's top priority. ... The
16 Commission concurs that serving existing *and new* Kentucky load must
17 be a high priority for LG&E Energy. ... In response to these concerns,
18 PowerGen has committed to allowing LG&E and KU to acquire the
19 necessary resources, whether through new generating capacity or firm
20 contracts, in an effort to give priority to new and existing native load.
21 ... The Commission will monitor the fulfillment of this commitment by
22 the Applicants, including, if appropriate, the consideration of new base-
23 load or intermediate-load generation.⁸

⁵ *Walter Callihan and Goldie Callihan v. Grayson RECC*, Case No. 10233, Order at 2-3 (Ky. PSC May 1, 1989) (emphasis added).

⁶ *The Consideration and Determination of the Appropriateness of Implementing a Ratemaking Standard Pertaining to the Purchase of Long-Term Wholesale Power by Electric Utilities as Required in Section 172 of the Energy Policy Act of 1992*, Admin. Case No. 350, Order at 7 (Ky. PSC Oct. 25, 1993).

⁷ *An Assessment of Kentucky’s Electric Generation, Transmission, and Distribution Needs*, Admin. Case No. 2005-0090, Order Appx. A at 60 (Ky. PSC Sept. 15, 2005).

⁸ *Joint Application of Powergen PLC, LG&E Energy Corp., Louisville Gas and Electric Company, and Kentucky Utilities Company for Approval of a Merger*, Case No. 2000-00095, Order at 22-24 (Ky. PSC May 15, 2000) (emphases added).

1 More recently and perhaps most aptly, the Commission stated in approving a CPCN
2 for transmission facilities to serve Ford’s BOSK Battery Park:

3 KU has a statutory obligation to serve Ford, and meet Ford’s needs for
4 retail electric service, even though Ford will require more power than
5 any other customer on KU’s system when Ford becomes fully
6 operational. KU’s obligation to serve is not altered or diminished in any
7 way simply because Ford is uniquely situated and meeting Ford’s needs
8 for power will require KU to construct transmission facilities.⁹

9 In short, the Companies’ obligation to serve *all* customers, new and existing, large and
10 small, irrespective of whether they are residential, commercial, industrial, or data
11 centers, is longstanding and clear. To be able to serve all customers safely, reliably,
12 and at the lowest reasonable cost requires planning well in advance to do so. That is
13 why the Companies are seeking approval for their proposed supply-side resources in
14 this proceeding.

15 Finally and related to the Companies’ obligation to serve, planning for data
16 centers to locate in the Companies’ service territories is both reasonable and prudent.
17 As John Bevington discusses in his testimony, more than 6,000 MW of potential data
18 center load have expressed interest in locating in the Companies’ service territories
19 already. Recently, as Messrs. Bevington and Jones testify, PowerHouse Data Centers
20 and the Poe Companies announced their plans for a 402 MW hyperscale data center
21 campus in Louisville, the first 130 MW of which will be available in October 2026,¹⁰
22 for which Governor Beshear’s administration, Kentucky Senate President Stivers, and

⁹ *Electronic Application of Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for the Construction of Transmission Facilities in Hardin County, Kentucky*, Case No. 2022-00066, Order at 18 (Ky. PSC July 28, 2022).

¹⁰ “PowerHouse Data Centers and Poe Companies Partner to Develop Kentucky’s First Hyperscale Data Center Campus” (Jan. 16, 2025), available at <https://www.powerhousedata.com/news/powerhouse-data-centers-and-poe-companies-partner-to-develop-kentuckys-first-hyperscale-data-center-campus> (accessed Jan. 16, 2025).

1 Louisville-Metro Mayor Greenberg have all expressed support.¹¹ That this has
2 occurred is hardly surprising. Last year the Kentucky General Assembly enacted tax
3 incentives for data centers to locate in Jefferson County,¹² as well as a statute stating
4 that “the inducement of the location of data center projects within the Commonwealth
5 is of paramount importance to the economic well-being of the Commonwealth”.¹³

6 (1) The purposes of KRS 154.20-220 to 154.20-229 are to:

7 (a) Provide incentives for an approved company with a qualified
8 data center project;

9 (b) Encourage the location of data centers within the
10 Commonwealth; and

11 (c) Advance the public purposes of the:

12 1. Creation of new jobs that would not exist within the
13 Commonwealth;

14 2. Creation of new sources of tax revenues for the support of
15 public services provided by the Commonwealth;

16 3. Improvement in the quality of life for Kentucky citizens
17 through the creation of sustainable jobs with higher salaries;
18 and

19 4. Provision of an economic stimulus to the Commonwealth.

20 ...

21 (3) The General Assembly finds and declares that the authority granted
22 in KRS 154.20-220 to 154.20-229 and the purposes accomplished
23 are proper governmental and public purposes for which public
24 moneys may be expended, and that the inducement of the location

¹¹ See Green, Marcus, “Developers unveil plans for large tech data center in Louisville, the 1st of its kind in Kentucky,” WDRB (Jan. 16, 2025), available at https://www.wdrb.com/in-depth/developers-unveil-plans-for-large-tech-data-center-in-louisville-the-1st-of-its-kind/article_e7adef68-c92f-11ef-b262-bf1780db36c6.html (accessed Jan. 16, 2025); PowerHouse Data Centers, “PowerHouse Data Centers and Poe Companies Partner to Develop Kentucky's First Hyperscale Data Center Campus” (Jan. 16, 2025), available at <https://www.powerhousedata.com/news/powerhouse-data-centers-and-poe-companies-partner-to-develop-kentuckys-first-hyperscale-data-center-campus> (accessed Jan. 16, 2025).

¹² KRS 139.499; KRS 154.20-220(17)(c); KRS 154.20-226.

¹³ KRS 154.20-222(3).

1 of data center projects within the Commonwealth is of paramount
2 importance to the economic well-being of the Commonwealth.¹⁴

3 Therefore, in planning to serve and seeking approval for resources to serve anticipated
4 data center load, the Companies are satisfying their obligation to serve all customers,
5 including anticipated new customers the Kentucky General Assembly is explicitly and
6 intentionally seeking to induce to locate within the Commonwealth in general and in
7 the Companies' service territory in particular. Indeed, *not* to plan to serve such
8 customer loads would be imprudent.

9 **THE COMPANIES' PROPOSALS ARE CONSISTENT WITH THE COMMISSION'S**
10 **RECENT DIRECTIVES AND THE KENTUCKY GENERAL ASSEMBLY'S**
11 **STATED POLICY INTERESTS IN KRS 164.2807(1)**

12 **Q. Are the Companies' proposals consistent with the Commission's recent directives**
13 **concerning utilities having sufficient resources to meet their customer's needs?**

14 A. Yes. The Commission has recently and repeatedly stated its interest in having utilities
15 like the Companies depend only on their own or contracted resources to supply their
16 customers' needs. In November 2023, the Commission stated, quoting a prior Order,
17 "This Commission has no interest in allowing our regulated, vertically-integrated
18 utilities to effectively depend on the market for generation or capacity for any sustained
19 period of time."¹⁵ In that same Final Order in the Companies' 2022 CPCN Case, the
20 Commission further stated, "[T]his Commission expects LG&E/KU to own or contract
21 for the necessary resources, not depend on a capacity market where someone else is in

¹⁴ KRS 154.20-222.

¹⁵ *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 177 (Ky. PSC Nov. 6, 2023), quoting *Electronic Tariff Filing of East Kentucky Power Cooperative, Inc. and Its Member Distribution Cooperatives for Approval of Proposed Changes to Their Qualified Cogeneration and Small Power Production Facilities Tariffs*, Case No. 2021-00198, Order at 5 n. 10 (Ky. PSC Oct. 26, 2021).

1 charge of weatherization, maintenance and fuel assurance of those resources.”¹⁶ As
2 Mr. Wilson’s testimony demonstrates, proceeding with the Companies’ proposed
3 resources will help optimally position the Companies to be able to meet existing and
4 new customers’ projected needs safely, reliably, and at the lowest reasonable cost with
5 resources owned by or under contract with the Companies. Thus, the Companies’
6 proposed resources—including the proposed SCR for Ghent 2, which will help ensure
7 the unit’s year-round availability for years to come—are fully consistent with the
8 Commission’s stated policy on utilities having sufficient resources to meet their
9 customers’ projected needs.

10 **Q. Do the Companies’ proposals advance the General Assembly’s stated interest in**
11 **having Kentucky be self-sufficient regarding electric generation?**

12 A. Yes. KRS 164.2807(1) states a number of the General Assembly’s energy-related
13 findings and declarations. The Companies’ proposals in this case are consistent with
14 all of the relevant subsections:

- 15 • KRS 164.2807(1)(a) states, “The long-term economic health and well-being of
16 the citizens of the Commonwealth and the United States depends upon the
17 availability of reliable sources of energy[.]” The Companies agree, and as Mr.
18 Wilson testifies, the Companies’ proposed new resources will help ensure the
19 Companies can safely and reliably serve their existing and new customers’
20 needs at the lowest reasonable cost. This includes the proposed Ghent 2 SCR,
21 which, as Mr. Imber explains, will help ensure the unit’s continuing year-round
22 availability.

¹⁶ Case No. 2022-00402, Order at 177 (Ky. PSC Nov. 6, 2023).

- 1 • KRS 164.2807(1)(c) states, “The energy needs of the Commonwealth are best
2 met by continuing to engage in an all-of-the-above approach to electric
3 generation resources, including but not limited to coal, oil, natural gas, wind,
4 solar, hydropower, nuclear, and any future or emerging technologies like
5 hydrogen power[.]” Similarly, KRS 164.2807(1)(m) states, “The
6 Commonwealth can support a multitude of potential electric generating
7 resources and energy fuel supply sources so as to be the national leader in the
8 production of energy in all forms[.]” Consistent with these policy statements,
9 the Companies’ proposed new resources will help diversify their resource
10 portfolio while also investing in the Ghent 2 SCR to improve its viability in the
11 years to come.
- 12 • KRS 164.2807(1)(d) states, “The current economy and future economic
13 development of the Commonwealth requires reliable, resilient, dependable, and
14 abundant supplies of electrical power[.]” Similarly, KRS 164.2807(1)(e) states,
15 “The demand for reliable, resilient, dispatchable electrical power is anticipated
16 to significantly increase in the coming decades as the Commonwealth becomes
17 home to additional manufacturing and other economic development projects
18 which increase demand for electrical power[.]” The Companies agree, and as
19 Messrs. Jones and Wilson testify, the Companies’ proposed new resources,
20 including the proposed Ghent 2 SCR, are needed to help serve both large
21 amounts of projected new economic development load and existing customers’
22 projected needs safely, reliably, and at the lowest reasonable cost.

- 1 • KRS 164.2807(1)(f) states, “It is in the interest of the Commonwealth that it be
2 able to generate sufficient electricity within its borders to serve its own
3 industrial, residential, and commercial demand and to power its own
4 economy[.]” Similarly, KRS 164.2807(1)(j) states, “It is the policy of the
5 Commonwealth to maintain adequate capacity of available, reliable,
6 dispatchable, and resilient electric generation to provide for the existing and
7 reasonably projected future energy consumption needs of all wholesale, retail,
8 and other consumers of electricity in the Commonwealth[.]” Although this
9 policy interest concerns Kentucky as a whole rather than individual utilities per
10 se, it advances the General Assembly’s stated interest for each utility to ensure
11 it can serve its own load, both current and projected, with Kentucky-located
12 resources. In this case, as Mr. Wilson testifies, the Companies are proposing
13 new resources, including the proposed Ghent 2 SCR, located exclusively in
14 Kentucky, all of which are needed to help ensure the Companies can safely and
15 reliably serve their existing and new customers’ needs at the lowest reasonable
16 cost.
- 17 • KRS 164.2807(1)(k) states, “Further retirement of fossil fuel-fired electric
18 generating resources is not necessary for the protection of the environment or
19 the health, safety, and welfare of the citizens of the Commonwealth[.]” Also,
20 KRS 164.2807(1)(l) states, “The health, happiness, safety, economic
21 opportunity, and general welfare of the citizens of the Commonwealth will be
22 promoted and protected by the operation of fossil fuel-fired electric generating
23 resources and, conversely, those interests would be harmed by the premature

1 retirement of those generating resources[.]” Notably, the Companies are not
2 proposing to retire any fossil fuel-fired resources in this proceeding; rather, they
3 are proposing to construct two new gas-fired generators and the Ghent 2 SCR
4 to help ensure that coal-fired unit’s future viability.

- 5 • KRS 164.2807(1)(n) states, “Local economic development is essential to the
6 health, happiness, safety, and general welfare of the citizens of the
7 Commonwealth[.]” Also, KRS 164.2807(1)(o) states, “Local economic
8 development requires an adequate supply of electricity to support new and
9 expanding industries and is enhanced by robust employment in coal mining and
10 coal transportation and at electric generating facilities, the local job multiplier
11 effect of employment in the coal, natural gas, and electric generating industries,
12 and state and local taxes and other forms of economic value creation for the
13 Commonwealth[.]” As I noted above and as Messrs. Jones and Wilson testify,
14 the Companies’ proposed new resources, including the proposed SCR for the
15 coal-fired Ghent 2, are needed to help serve both large amounts of projected
16 new economic development load and existing customers’ projected needs
17 safely, reliably, and at the lowest reasonable cost.

18 Thus, the Companies’ proposals in this proceeding are consistent with and will help
19 advance Kentucky’s stated policy interests as articulated by the General Assembly in
20 KRS 164.2807(1).

21 **REGULATORY APPROVALS AND PERMITS NEEDED**
22 **FOR THE PROPOSED RESOURCES**

23 **Q. Which CPCNs are the Companies requesting from the Commission?**

1 A. The Companies are requesting CPCNs to construct the Brown 12 and Mill Creek 6
2 NGCCs, including related electrical transmission and gas infrastructure work described
3 in the testimony of David L. Tummonds. The Companies are also requesting a CPCN
4 to construct the Cane Run BESS. As Mr. Tummonds discusses, the Companies do not
5 anticipate that significant electrical transmission modifications will be necessary for
6 the Cane Run BESS. Finally, KU is requesting a CPCN to construct the Ghent 2 SCR,
7 which, due to the nature of the facility, does not require transmission modifications.

8 **Q. Are there any other regulatory approvals or permits needed for the NGCCs,
9 BESS, or SCR?**

10 A. Yes. As discussed in the testimonies of Philip A. Imber and Mr. Tummonds, the
11 Companies will need certain environmental permits and construction permits. At this
12 time, the Companies do not believe that any CPCNs will be necessary for any additional
13 electric or gas transmission needs that will arise as a result of the construction of the
14 NGCCs, BESS, or SCR. To the extent Commission approval is required, the
15 Companies will make timely application.

16 Additionally, the Companies have completed site assessment reports for the
17 NGCCs and BESS, which are attached to the Joint Application. Based on those reports,
18 the Companies request the Commission to issue site compatibility certificates pursuant
19 to KRS 278.216 for the NGCCs and the Cane Run BESS. Because the SCR is not a
20 generation facility, the Companies will not seek a site compatibility certificate for it.

21 **Q. Why are the Companies not requesting a CPCN for any electric transmission
22 facilities as part of this proceeding?**

1 A. The Companies are studying the issue of electric transmission needs in connection with
2 the proposed facilities, but they do not currently believe that electric transmission-
3 specific CPCNs will be required because the Companies anticipate that any
4 construction will be an ordinary extension of an existing system in the usual course of
5 business. Additionally, there are significant differences associated with the timing of
6 a Commission decision on the Joint Application in this case and a Commission decision
7 on an electric transmission CPCN case. KRS 278.019 places an eight-month deadline
8 for a Commission decision in this case. Electric transmission line CPCN cases, on the
9 other hand, must be decided within no more than 120 days after an application is filed
10 pursuant to KRS 278.020(9). Thus, if the Companies determine that an electric
11 transmission line CPCN is necessary, it will be more administratively efficient to
12 request it in a separate proceeding.

13 **OWNERSHIP AND COST ALLOCATION OF THE PROPOSED RESOURCES**

14 **Q. How will the ownership and costs of the projects be allocated between KU and**
15 **LG&E?**

16 A. The Companies currently anticipate that LG&E will own 100% of Brown 12 and Mill
17 Creek 6 and that KU and LG&E will own 68% and 32%, respectively, of the Cane Run
18 BESS. The costs for these projects will be allocated in accordance with their ultimate
19 ownership percentages, which could change prior to the facilities going into service. A
20 discussion of the utility ownership determination is included in the Resource
21 Assessment attached as Exhibit SAW-1 to Mr. Wilson's testimony.

22 Finally, KU will own 100% of the Ghent 2 SCR, which is consistent with its
23 100% ownership of the unit.

FINANCING AND REGULATORY ACCOUNTING
FOR THE PROPOSED RESOURCES

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

Q. How do the Companies plan to finance the NGCCs, battery facility, and SCR they are proposing?

A. The Companies expect to finance the costs of the proposed facilities with a combination of cash flow and new debt and equity. The debt is expected to be a combination of short-term and long-term debt, in the form of commercial paper notes, loans from affiliates via the money pool, bank loans, first mortgage bonds, or combinations thereof. The mix of debt and equity used to finance the projects will be determined such that the Companies will maintain their strong investment-grade credit ratings. The Companies will continue to evaluate financing alternatives as these projects progress and will seek the approval of the Commission pursuant to KRS 278.300 to the extent required.

It is important to note that the Companies will finance these projects with their balanced capital structure both during the construction period and beyond. The Companies do not project finance and use all forms of capital to finance their construction projects.

Q. Please describe the regulatory accounting treatment the Companies are requesting for Brown 12, Mill Creek 6, and the Cane Run BESS.

A. During the construction periods of Brown 12 and Mill Creek 6 (about five years for each NGCC) and the Cane Run BESS (about three years), the Companies propose to record their investment in these facilities as Construction Work in Progress (“CWIP”) and accrue an allowance for funds used during construction (“AFUDC”) using the methodology approved by the Federal Energy Regulatory Commission (“FERC”). The

1 Companies further propose to record a regulatory asset during the construction period
2 for the difference between AFUDC accrued at the Companies’ weighted average cost
3 of capital and AFUDC accrued using the methodology approved by the FERC so that
4 the Companies can recover their actual cost of capital, no more and no less. The
5 AFUDC and related pre-in-service regulatory asset accruals will cease as each asset is
6 placed in service. The Commission approved this approach for Mill Creek 5, the
7 Mercer County Solar Facility, and the Brown BESS in the Companies’ 2022 CPCN
8 Case.¹⁷

9 In addition, for Brown 12, Mill Creek 6, and the Cane Run BESS, the
10 Companies are requesting that the Commission approve regulatory asset treatment for
11 post-in-service carrying costs, operating and maintenance expense, property taxes,
12 investment tax credit amortization, and depreciation expense until such costs are fully
13 reflected in the Companies’ retail base rates or an applicable cost recovery mechanism.
14 The Companies request that post-in-service carrying costs be accrued using the
15 Companies’ weighted average cost of capital.

16 This regulatory asset treatment of post-in-service costs would improve
17 administrative efficiency for the Commission and reduce rate case costs for customers.
18 Due to the magnitude of these investments, having either timely cost recovery or the
19 proposed post-in-service regulatory accounting treatment would be necessary to avoid
20 significant adverse impacts to the Companies’ financial health. Timely cost recovery
21 would require multiple annual base rate cases with back-to-back forecasted test periods.
22 Such repeated base rate cases would be administratively burdensome for the

¹⁷ Case No. 2022-00402, Order at 141-42 (Ky. PSC Nov. 6, 2023).

1 Commission and costly to customers. The Companies' proposed regulatory accounting
2 approach, on the other hand, would allow the Companies to construct and operate these
3 facilities without repeatedly impacting customers' bills through annual, back-to-back,
4 rate cases. This would eliminate an unnecessary regulatory burden and unnecessary
5 rate case costs to customers.

6 **Q. Are the Companies requesting the same regulatory accounting treatment for the**
7 **Ghent 2 SCR?**

8 A. No. KU and LG&E will continue recording only CWIP for all other new construction
9 projects, including the Ghent 2 SCR, which tend to be smaller in scale and have a much
10 shorter construction timeline.

11 Also, as I discuss further below, the Companies will apply to the Commission
12 separately under KRS 278.183 to seek cost recovery for the Ghent SCR through KU's
13 environmental surcharge mechanism.

14 **COST RECOVERY FOR THE PROPOSED RESOURCES**

15 **Q. Are the Companies seeking to recover the costs associated with the proposed**
16 **facilities in this case?**

17 A. No. The Companies are not presently seeking cost recovery for these projects. The
18 Companies expect to seek cost recovery for the NGCC and BESS projects in future
19 general rate cases. For the SCR, KU expects to file an application by the end of April
20 2025 seeking approval for cost recovery through an environmental surcharge.

21 **Q. Why are the Companies waiting to apply for environmental surcharge cost**
22 **recovery for the SCR?**

23 A. KU is not seeking cost recovery for the SCR in this proceeding because of the
24 differences in timing associated with the Commission's final decisions in a CPCN

1 application and an application to impose an environmental surcharge. KRS 278.019
2 now requires the Commission to issue a final order on a CPCN application within eight
3 months of the acceptance of the filed application. Meanwhile, under KRS 278.183, the
4 Commission must issue a decision on an application for an environmental surcharge
5 within six months of submittal. Therefore, although KU is providing in this proceeding
6 all necessary information related to the cost effectiveness of the Ghent 2 SCR and the
7 need for a CPCN, KU is waiting to file its environmental surcharge application related
8 to the Ghent 2 SCR to align the Commission's final decision deadlines in both cases.

9 **CONCLUSION**

10 **Q. What is your recommendation to the Commission?**

11 A. I recommend that the Commission grant the all of the relief requested in the
12 Companies' Joint Application, including granting all requested CPCNs, site
13 compatibility certificates, and proposed financing and regulatory accounting.

14 **Q. Does this conclude your testimony?**

15 A. Yes, it does.

APPENDIX A

Robert M. Conroy

Vice President, State Regulation and Rates
LG&E and KU Services Company
2701 Eastpoint Parkway
Louisville, Kentucky 40223

Previous Positions

Director, Rates	Feb 2008 – Feb 2016
Manager, Rates	April 2004 – Feb 2008
Manager, Generation Systems Planning	Feb. 2001 – April 2004
Group Leader, Generation Systems Planning	Feb. 2000 – Feb. 2001
Lead Planning Engineer	Oct. 1999 – Feb. 2000
Consulting System Planning Analyst	April 1996 – Oct. 1999
System Planning Analyst III & IV	Oct. 1992 - April 1996
System Planning Analyst II	Jan. 1991 - Oct. 1992
Electrical Engineer II	Jun. 1990 - Jan. 1991
Electrical Engineer I	Jun. 1987 - Jun. 1990

Professional/Trade Memberships

Registered Professional Engineer in Kentucky, 1995
Edison Electric Institute - Rates and Regulatory Affairs Committee
Southeastern Energy Exchange - Rates and Regulation Committee

Education

Essentials of Leadership, London Business School, 2004
Masters of Business Administration
Indiana University (Southeast campus), December 1998
Center for Creative Leadership, Foundations in Leadership program, 1998
Bachelor of Science in Electrical Engineering
Rose Hulman Institute of Technology, May 1987

Civic Activities

Olmstead Parks Conservancy – Board of Directors – 2016 – 2024
Leadership Kentucky – Class of 2016
Financial Research Institute – Advisory Board Member – 2016 – 2024