

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY	)	
UTILITIES COMPANY FOR AN ADJUSTMENT	)	
OF ITS ELECTRIC RATES AND APPROVAL OF	)	CASE NO. 2025-00113
CERTAIN REGULATORY AND ACCOUNTING	)	
TREATMENTS	)	

**SUPPLEMENTAL RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO
THE JOINT SUPPLEMENTAL DATA REQUESTS OF THE ATTORNEY
GENERAL AND KENTUCKY INDUSTRIAL UTILITY CUSTOMERS'**

DATED JULY 31, 2025

FILED: SEPTEMBER 30, 2025

KENTUCKY UTILITIES COMPANY

**Supplemental Response to the Joint Supplemental Data Requests of the Attorney
General and Kentucky Industrial Utility Customers'**

Dated July 31, 2025

Case No. 2025-00113

Question No. 14

**Responding Witness: Christopher M. Garrett / Drew T. McCombs / Heather D.
Metts**

- Q-14. Refer to the comparison of KU's jurisdictional O&M expenses by FERC account provided in the response to AG-KIUC 1-52.
- a. The amount for Miscellaneous Steam Power Expenses in account 506 increases from \$27.045 million in the base year to \$31.220 million in the test year. Explain all reasons why an increase of 15.4% is projected for this account in the test year. Provide a copy of all support relied on for the amount in the test year and the increase over the base year.
 - b. The amount for Transmission Overhead Lines Expense in account 563 increases from \$0.842 million in the base year to \$0.961 million in the test year. Explain all reasons why an increase of 14.1% is projected for this account in the test year. Provide a copy of all support relied on for the amount in the test year and the increase over the base year.
 - c. The amount for Transmission of Electricity by Others in account 565 increases from \$4.132 million in the base year to \$4.967 million in the test year. Explain all reasons why an increase of 20.2% is projected for this account in the test year. Provide a copy of all support relied on for the amount in the test year and the increase over the base year.
 - d. The amount for Miscellaneous Transmission Expense in account 566 increases from \$32.524 million in the base year to \$36.151 million in the test year. Explain all reasons why an increase of 11.2% is projected for this account in the test year. Provide a copy of all support relied on for the amount in the test year and the increase over the base year.
 - e. The amount for Transmission Maintenance of Overhead Lines in account 571 increases from \$6.525 million in the base year to \$8.294 million in the test year. Explain all reasons why an increase of 27.1% is projected for this account in the test year. Provide a copy of all support relied on for the amount in the test year and the increase over the base year.

- f. The amount for Property Insurance in account 924 increases from \$10.571 million in the base year to \$12.606 million in the test year. Explain all reasons why an increase of 19.2% is projected for this account in the test year. Provide a copy of all support relied on for the amount in the test year and the increase over the base year.
- g. The amount for Injuries and Damages in account 925 increases from \$4.023 million in the base year to \$5.871 million in the test year. Explain all reasons why an increase of 45.9% is projected for this account in the test year. Provide a copy of all support relied on for the amount in the test year and the increase over the base year.

A-14. **Original Response:**

- a. The \$4.175 million projected increase in FERC 506 in the test year is due primarily to the following:
 - \$2.967 million is due to higher environmental reagent spend due to pricing increases (NOX Reduction Reagent and Mercury Emissions Control Reagents).
 - \$0.843 million due to higher fees and permits in the test period driven by higher estimated Environmental Title V fees.
 - \$0.361 million due to higher supplemental contractor spend in the test period driven by projected wage increase escalation.
- b. The 14.1% (\$0.119 million) projected increase in FERC 563 in the test year is due primarily to the following:
 - \$0.087 million is due to an increase in the number of mandatory Pole Inspections occurring in the test year than in the base year.
 - \$0.052 million fewer aerial patrol trouble flights were needed in September through December of the base year.
- c. The 20.2% (\$0.835 million) projected increase in FERC 565 in the test year is due primarily to the following:
 - \$0.684 million increase in intercompany transmission expense (offset in revenues)
 - \$0.213 million transmission cost to serve KU customers on the EKPC electric system.
- d. The 11.2% (\$3.627 million) projected increase in FERC 566 in the test year is due primarily to the following:

- \$2.749 million higher depencaking expense in the test year due to the projected increase in the Midwest Independent System Operator (MISO) rate.
 - \$0.310 million higher Reliability Coordinator and Independent Transmission Operator contractual cost increases in the test year.
 - \$0.325 million higher substation administrative contract labor and material expenses in the test year.
 - \$0.109 million higher NERC fees
 - \$0.070 million periodic ARC Flash expense occurring every 5 years, including the forward test year.
 - \$0.049 million higher FAC-008 BES Walkdown expense in the test year
- e. The \$1.769 million projected increase in FERC 571 in the test year is due primarily to the following:
- \$1.387 million increase for vegetation management. This increase is due to operational requirements and system needs that will enhance system reliability and customer satisfaction.
 - \$1.237 million increase is due to the regulatory asset accounting treatment for storms.
 - \$0.687 million decrease is due to lower storm costs in the test year.
 - The test year also includes a proforma adjustment for vegetation management of \$2.175 million not included in the \$1.769 million variance. The proforma is additional spend required for operational requirements and system needs that will enhance system reliability and customer satisfaction.
- f. Property insurance expense is projected to increase 19% driven by a 5% increase in property values, an 8% increase in premiums, and a 6% increase due to a premium credit reflected in the base period. The 5% increase in insurable values is driven by inflation as the policy provides for replacement coverage and replacement costs are trended up based on the Handy Whitman Index. Insurance premiums are forecasted to increase 8% per the attached report from Marsh. Lastly, KU recorded a premium credit of \$681k for the base period as a result of the mutual provider's financial performance.
- g. Damages and Injuries expense is projected to increase 45.9% between the base year and test year due primarily to increases in premium rates for Excess Liability Insurance. Excess liability insurance rates have increased more dramatically for utilities due to significant losses in the past several years from risks such as Wildfire, Auto Liability, Electric Contact Cases, and Gas Explosions. "Nuclear Verdicts" (liability claims greater than \$10M) have become more prevalent for insurance carriers, particularly auto claims, increasing the "frequency of severity." A significant decrease in supply of insurance market capacity for Power & Utility risk has occurred from 2019 to present. The "unfriend coal" movement exacerbated this situation for those who have a related operational exposure such as KU. With less insurance

carriers willing to offer coverages and limits, there is decreased competition for the carriers providing the insurance limits in our program. Based on this information and the state of the casualty market for Power and Utilities, the Company projected an increase of 30% in the primary layers and 20% in all other layers of coverage in 2025 and then an additional 15% increase for each policy in our Excess Liability program in the 2026 test year. D&O insurance premiums are relatively flat to single digit rate increases for 2026. The test year anticipates a modest 3% increase in both the Directors and Officers Liability and Cyber Liability insurance programs. The corporate insurance department does conduct discussions with our broker and review global insurance industry trends and data to assist in setting the future budget estimates.

September 30, 2025 Supplemental Response:

Following the submission of this supplemental request for information, the Company identified an error in the depancaking variance. In the response provided on August 12, 2025 the depancaking variance was overstated by \$56k. This was due to a task being excluded from the Base Year calculation which lowered the base and increased the variance. The corrected depancaking expense is provided below.

- d. The 11.2% (\$3.627 million) projected increase in FERC 566 in the test year is due primarily to the following:
- \$2.693 million higher depancaking expense in the test year due to the projected increase in the Midwest Independent System Operator (MISO) rate.
 - \$0.310 million higher Reliability Coordinator and Independent Transmission Operator contractual cost increases in the test year.
 - \$0.325 million higher substation administrative contract labor and material expenses in the test year.
 - \$0.109 million higher NERC fees.
 - \$0.070 million periodic ARC Flash expense occurring every 5 years, including the forward test year.
 - \$0.049 million higher FAC-008 BES Walkdown expense in the test year.