

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

In the Matter of:

ELECTRONIC APPLICATION OF)	
LOUISVILLE GAS AND ELECTRIC)	
COMPANY FOR AN ADJUSTMENT OF ITS)	CASE NO. 2025-00114
ELECTRIC AND GAS RATES, AND)	
APPROVAL OF CERTAIN REGULATORY)	
AND ACCOUNTING TREATMENTS)	

**KENTUCKY UTILITIES COMPANY AND
LOUISVILLE GAS AND ELECTRIC COMPANY’S
JOINT RESPONSE TO JOINT INTERVENORS’
MOTION FOR REHEARING**

Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company (“LG&E”) (collectively, the “Companies”) hereby respond to the Joint Intervenors’ Motion for Rehearing (“JI Motion”) filed in these cases on March 9, 2026,¹ and ask the Kentucky Public Service Commission (“Commission”) to deny the JI Motion for two reasons: (1) applying the Joint Intervenors’ own reasoning, the avoided generation capacity component of Rider NMS-2 compensation rates should be zero; and (2) the Rider NMS-2 compensation rates the Commission approved are reasonable.²

¹ The Joint Intervenors are Kentuckians for the Commonwealth, Kentucky Solar Energy Society, Metropolitan Housing Coalition, and Mountain Association.

² Case No. 2025-00113, Order at 209-235, 302-303 (Ky. PSC Feb. 16, 2026) (“KU Order”); Case No. 2025-00114, Order at 217-244, 310 (Ky. PSC Feb. 16, 2026) (“LG&E Order”).

A. Applying the Joint Intervenors’ own reasoning, avoided generation capacity component of Rider NMS-2 compensation rates should be zero, with the result that Rider NMS-2 compensation rates should be lower than, not greater than, those the Commission approved.

The JI Motion argues that the Commission must set the avoided energy and generation capacity cost components of Rider NMS-2 compensation rates using the avoided energy and generation capacity cost rates the Commission prescribed for fixed-solar qualifying facilities (“QFs”).³ But the Joint Intervenors ignore a crucial point: all net metering generation is *by definition* behind-the-meter generation, *none* of which is dedicated to the serving utility.⁴ The Commission’s Final Orders provide that such energy is as-available energy for QF purposes and thus not eligible for rates based on legally enforceable obligations (“LEOs”); only when “BTM [behind-the-meter] customers are able to commit part of their capacity” to the serving utility would they qualify for rates based on a LEO.⁵ Under the Commission’s QF regulations, as-available energy qualifies *only* for avoided energy cost-based rates; only QFs providing energy and capacity under a LEO may receive capacity payments.⁶ It would thus be inconsistent at best to assert that QF rates should apply to Rider NMS-2 rates but not the QF framework that undergirds those rates. Therefore, if the Joint Intervenors want to apply the QF avoided energy cost to Rider NMS-2 ratemaking, they must accept the consequence that the avoided generation capacity cost the QF ratemaking paradigm would prescribe for Rider NMS-2 is zero. The argument of the JI Motion is therefore self-defeating, and the Commission should thus deny the motion.

B. The Commission-approved Rider NMS-2 rates are reasonable per se and as part of a reasonable Stipulation.

³ JI Motion at 2-10.

⁴ See KRS 278.465(1) and (4); KRS 278.466(2) and (3).

⁵ KU Order at 206-207; LG&E Order at 215.

⁶ 807 KAR 5:054 Sec. 7(2)(a) and (b); 807 KAR 5:054 Sec. 7(4)(a) and (b).

The entire argument of the JI Motion rests on a fallacy that the Commission must set the avoided energy and generation capacity cost components of Rider NMS-2 compensation rates using the avoided energy and capacity cost rates the Commission prescribed for fixed-solar QFs.⁷ It is a fallacy because the Commission has long acknowledged there is no one exact rate or set of rates that is objectively correct; rather, there is a range or zone of reasonableness,⁸ and it has approved rates, particularly those resulting from settlements or stipulations that fall within the bounds of reasonableness,⁹ even when a rate might differ from what the Commission or Commission Staff might otherwise recommend.¹⁰ Here, the Commission acknowledged there was evidence in the record to support different NMS-2 component values and elected to keep all components at their currently approved levels,¹¹ consistent with the Stipulation entered into in

⁷ JI Motion at 2-10.

⁸ See, e.g., *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates*, Case No. 2021-00214, Order at 53 (Ky. PSC May 19, 2022) (“The Commission further finds that the proposed customer charges for the remaining rate classes are within the range of reasonableness and are approved.”); *Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates*, Case No. 2012-00221, Order at 6 (Ky. PSC Dec. 20, 2012) (“Likewise, the parties’ agreed-upon \$51,000,000 increase in KU’s electric revenues is within the range of reasonableness produced by the Commission’s ratemaking analysis”); *Adjustment of Rates of Kentucky-American Water Company*, Case No. 2008-00427, Order at 4-5 (Ky. PSC June 1, 2009) (“The signatories recommend rates that will produce additional annual operating revenues of \$10,300,000 and that are within the zone of reasonableness. We further find that the recommended tap fees are reasonable. . . . Kentucky-American’s Motion to Approve Settlement Agreement is granted.”); *Proposed Adjustment of the Wholesale Water Service Rates of the Frankfort Electric and Water Plant Board*, Case No. 96-595, Order at 2 (Ky. PSC Aug. 11, 1997) (“Having considered the Settlement Agreement and being otherwise sufficiently advised, the Commission finds that the agreed rate falls within the zone of reasonableness and should be approved.”). See also *Ky. PSC v. Commonwealth ex rel. Conway*, 324 S.W.3d 373, 383 (Ky. 2010) (“[B]ecause [KRS Chapter 278] generally recognize[s] a duty to establish ‘fair, just, and reasonable’ rates . . . the *Hope* doctrine that ‘[it is] the result reached rather than the method employed which is controlling’ is applicable.”).

⁹ See, e.g., Case No. 2012-00221, Order at 7 (Ky. PSC Dec. 20, 2012) (“Based on its review of the provisions of the Settlement and the exhibits attached thereto; the voluminous record, including intervenor testimony and data responses; and the public comments, the Commission finds that the provisions of the Settlement are in the public interest and should be approved. The Settlement is the product of arms’- length negotiations involving many hours over several days among knowledgeable, capable parties. Approval of the Settlement is based solely on its reasonableness in total and does not constitute precedent on any issue except as specifically provided for therein.”).

¹⁰ See, e.g., *Application of Big Bear Wastewater, Inc. for an Adjustment of Rates*, Case No. 2009-00171, Order at 4 (Ky. PSC Feb. 26, 2010) (“Based upon our review of the evidence of record, we find that the stipulated rate should be accepted and authorized for service rendered on and after the date of this Order. The record contains sufficient evidence to demonstrate that the stipulated rate, while producing an annual level of revenue that exceeds that which Commission Staff recommended, is within the zone of reasonableness. Moreover, it was the product of extensive negotiations between the utility and its customers, each of whom was represented by legal counsel with significant experience before this agency”).

¹¹ KU Order at 214-234; LG&E Order at 222-242.

these proceedings by representatives of all customer classes and diverse interests, including the Attorney General and Sierra Club.¹² Indeed, it is a Stipulation the Commission called “compelling” when viewed “holistically” based upon the extensive record developed in these proceedings.¹³ Thus, contrary to the JI Motion, the Commission’s approved Rider NMS-2 compensation rates are both reasonable per se and reasonable as part of a compelling overall Stipulation. The Commission should therefore deny the JI Motion.

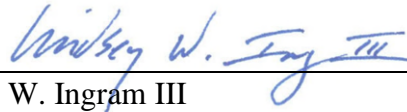
WHEREFORE, Kentucky Utilities Company and Louisville Gas and Electric Company respectfully ask the Commission to issue an order denying the Joint Intervenors’ Motion for Rehearing.

¹² Case Nos. 2025-00113 and 2025-00114, Joint Stipulation Testimony of Robert M. Conroy and Christopher M. Garrett, Exh. 1 (Oct. 20, 2025).

¹³ KU Order at 18; LG&E Order at 18.

Dated: March 16, 2026

Respectfully submitted,



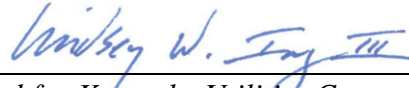
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CERTIFICATE OF SERVICE

In accordance 807 KAR 5:001, Section 8 as modified by 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 March 16, 2026; and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.



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