

**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 Certain Regulatory and Accounting Treatments.	:	Case No. 2025-00113
IN THE MATTER OF: Electronic Application of Louisville Gas & Electric Company for an Adjustment of Its Electric and Gas Rates and Approval of Certain Regulatory and Accounting Treatments.	:	Case No. 2025-00114

**RESPONSE OF
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC. TO
JOINT PETITION FOR RECONSIDERATION**

On March 11, 2026 Kentucky Utilities Company (“KU”) and Louisville Gas & Electric Company (“LG&E”) (collectively “Companies”) filed a Joint Petition for Reconsideration of the Commission’s February 16, 2026 Orders.

Kentucky Industrial Utility Customers, Inc. (“KIUC”) supports the Companies’ primary request that the Stipulation be approved as filed. However, in the alternative, the Commission should approve the Sharing Mechanism contained in the Stipulation contingent on the Companies once again agreeing to a 2.5-year base rate case stay-out (new base rates cannot be effective until August 1, 2028). The Sharing Mechanism was the fundamental quid pro quo for the stay-out. This outcome would benefit ratepayers.

1. The Rate Increases Under The Stipulation And Commission Orders Are Nearly Identical

The Stipulated rate increases for KU electric, LG&E electric and LG&E gas totaled \$234.6 million. The rate increases per the Commission’s February 16, 2026 Orders totaled \$232.76, or only \$1.84 million less than the Stipulation.¹ In its Petition for Reconsideration, the Companies

¹ Joint Petition for Reconsideration at 4.

seek at least \$20.76 million in additional revenue to correct “errors” or address decisions that allegedly lack substantial evidence (\$11 million to reflect inclusion of regulatory assets and liabilities in rate base, \$761,526 costs associated with paperless billing, \$3.7 million to include restricted stock units in the revenue requirement, \$7.5 million in Mill Creek 2 stay-open costs, and a revenue requirement reduction of \$2.2 million to remove Brown 3 terminal net salvage from depreciation expense). If the Companies are successful on Reconsideration, then the rate increases authorized in the Orders may exceed those in the Stipulation.

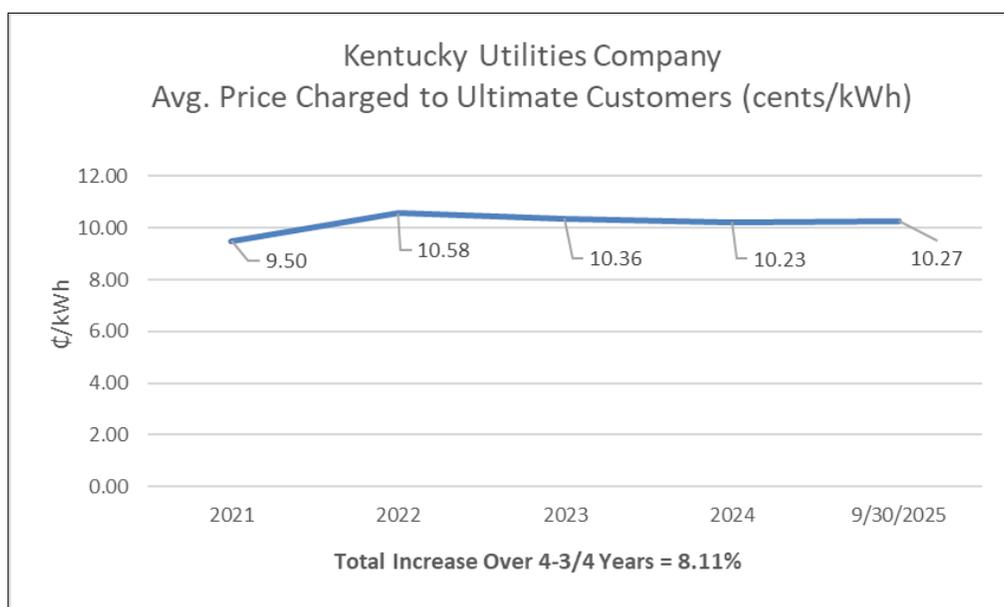
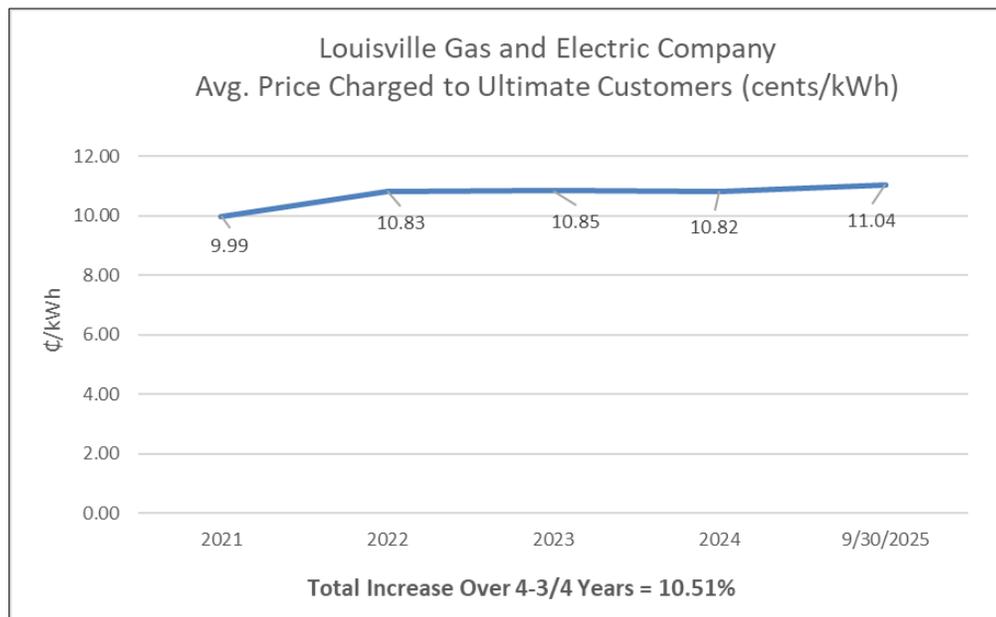
It is not clear that ratepayers are better off under the Orders compared to the Stipulation. At best, the rate increases are almost the same. But the harm to the regulatory process is real. The Companies will have significantly reduced incentive in the future to settle if their agreements can be completely rewritten. In their Joint Petition, the Companies characterize the Commission’s analysis as evaluating each term of the Stipulation against the AG/KIUC pre-compromise litigation position and always choosing the result that is worse for them.² Another way to characterize the process is that the Companies got the lower of Stipulation or litigation. The Commission never compared the Stipulation to the Companies’ pre-compromise litigation position. This one-sided process discourages settlement yet results in rate increases that are almost identical to the Stipulation (and potentially \$20.76 million higher depending on Reconsideration).

2. A 2.5 Year Rate Case Stay-Out Incentivizes The Companies To Control Costs And Results In Stable Rates

A critical element of the Stipulation was the agreement of the Companies to not file new base rate cases sooner than January 1, 2028 so that new base rates would not be in effect before August 1, 2028. A base rate case stay-out benefits consumers. A stay-out is a form of incentive ratemaking that incentivizes the Companies to control costs. The proof is in the rates. In Case

² Joint Petition at 6.

Nos. 2020-00349 and 2020-00350, the Companies agreed to a four-year stay-out. For the most recent 4.75 years (2021 to the third quarter of 2025), KU’s electric rates increased by only 8.11%, and LG&E’s electric rates increased by only 10.51% (attached). These rate increases were well below the rate of inflation and well below the electric rate increases experienced by most of the Country. While many factors undoubtedly contributed to this rate stability, the incentive to control costs during the stay-out certainly helped.



3. Without The Sharing Mechanism, New Base Rate Cases Are Likely Because Of The Companies Significant 2026-2028 Capital Spending

When judging whether the Stipulation or the Orders are better for consumers, a critical question is: without the stay-out and associated Sharing Mechanism, when will the Companies file new rate cases? The sooner that new rate cases are likely to be filed, the more valuable the stay-out is.

The Companies are in a major building cycle. The projected capital expenditures for 2026-2028 for KU, LG&E electric, and LG&E gas are shown below.

Kentucky Utilities Company			
Case No. 2025-00113			
Capital Expenditures			
Years 2026-2028			
Projected Capital Expenditures			
Category of Spend	2026	2027	2028
Generation	\$ 607,216,881	\$ 558,658,524	\$ 267,769,619
Transmission	347,049,478	352,552,656	380,528,139
Distribution	275,506,213	250,546,759	252,917,352
Customer Services	1,110,608	2,254,814	2,391,929
IT & Other	92,080,569	59,179,078	42,783,413
Total	\$ 1,322,963,748	\$ 1,223,191,831	\$ 948,390,453

Case No. 2025-00113, Attachment to Response to AG-KIUC-2 Question No. 9, 1 of 1, McCombs/Metts

Louisville Gas & Electric Company			
Case No. 2025-00114			
Capital Expenditures - Electric			
Years 2026-2028			
Projected Capital Expenditures			
Category of Spend	2026	2027	2028
Generation	\$ 724,586,169	\$ 1,264,179,246	\$ 948,308,204
Transmission	65,091,415	118,832,388	104,505,293
Distribution	196,554,193	221,806,146	213,069,832
Customer Services	716,062	1,736,820	1,712,893
IT & Other	67,186,479	46,309,727	34,708,126
Total	\$ 1,054,134,319	\$ 1,652,864,326	\$ 1,302,304,348

Louisville Gas & Electric Company			
Case No. 2025-00114			
Capital Expenditures - Gas			
Years 2026-2028			
Projected Capital Expenditures			
Category of Spend	2026	2027	2028
Distribution	112,701,395	123,892,407	126,259,369
Customer Services	81,056	134,776	108,696
IT & Other	33,888,302	22,165,880	17,058,129
Total	\$ 146,670,753	\$ 146,193,063	\$ 143,426,194

Case No. 2025-00114, Attachment to Response to AG-KIUC-2 Question No. 9, 1 of 1, McCombs/Metts

Part of the 2026-2028 generation capital expenditures will be recovered in the Pilot Generation Recovery Adjustment Clause. But even excluding all of the generation expenditures, from 2026-2028 the Companies are forecasted to spend over \$3.5 Billion. Will this necessitate rate cases? Yes, unless there is immediate and unprecedented load growth. KIUC membership prefers the stability of a stay-out coupled with the Earnings Mechanism, as opposed to more rate cases.

4. The Streamlined Sharing Mechanism Has Advantages Compared To Three Full-Blown Rate Cases

The Sharing Mechanism has certain inherent advantages compared to three rate cases. Commission time, effort, and cost will be a fraction with the Sharing Mechanism. The Sharing Mechanism would be based on adjusted jurisdictional per-books historic revenues and expenses (not forecasted revenues and expenses) for the 13-month period July 1, 2027 through July 31, 2028.³ Reviewing historical revenues and expenses and the resulting ROEs will make the Commission’s job more manageable.

³ The adjustments made to per books earnings are to exclude expenses not recoverable in rates: EEI and related dues, AGA and related dues, and 401(k) matching expense

While the Sharing Mechanism will effectively result in a guaranteed ROE of 9.4% during the 13-month period, the Companies will certainly seek a higher ROE in rate cases. The difference between the Commission authorized ROE on base rates of 9.775% and 9.4% is 0.375%. AG/KIUC witness Mr. Kollen quantified the revenue requirement effect of a 0.1% change in ROE.⁴ Using Mr. Kollen's quantifications, the annual benefit to consumers of the lower ROE in the Sharing Mechanism is: KU \$15.1 million; LG&E electric \$9.3 million; and LG&E gas \$3.4 million (total \$27.8 million).

The Sharing Mechanism also has a timing benefit. If any of the Companies' adjusted ROEs during the July 2027 through July 2028 period are below 9.4%, then the shortfall will be recovered over the period November 2028 through November 2029.⁵ This delayed recovery benefits consumers (even with a return on the regulatory asset).

The end of the Sharing Mechanism recovery period (November 2029) is more than 3.5 years from now. By 2029, significant new data center load is projected to be in-service. That new data center load will pay part of any Sharing Mechanism cost. Financial contributions from new data centers will lessen the impact on traditional consumers.

5. Settlements Should Be Encouraged

There are longer term reasons why the Stipulation should be salvaged.⁶ Settlements make the regulatory process more efficient for the Commission, the Companies, and ratepayers. Settlements also promote stability and predictability, which is reflected in credit ratings and the cost of debt.

⁴ Kollen Direct Testimony at 90-91.

⁵ Stipulation at 17.

⁶ The settlement process was more predictable in the past. In the past, Richard Raff was able to advise the parties when they were headed down a path that the Commission might not approve. While Mr. Raff did not speak for the Commissioners, his guidance was respected. The Commission may want to consider implementing a similar approach now.

We fully understand that the Commission has an independent legal obligation to ensure that rates are fair, just and reasonable. This obligation cannot be outsourced.

However, most ratemaking issues are not black and white. Most ratemaking issues are judged by whether they fall into a zone of reasonableness. As stated by the Kentucky Court of Appeals, “[u]nder the statutory standard of ‘just and reasonable’ it is the result reached not the method employed which is controlling. It is not the theory but the impact of the rate order which counts.” National-Southwire Aluminum Co. v. Big Rivers Electric. Corp., 785 S.W. 2d 503, 512 (Ky. App. 1990).

If a Settlement contains mistakes, then the Commission must fix them. But on issues that are matters of degree, the Commission should give Settlements the benefit of the doubt. That is certainly FERC’s position. “[T]he Commission strongly favors settlements, which provide the opportunity to eliminate the need for more lengthy proceedings if the parties reach an agreement on the issues that is compatible with the public interest.” Montana Power Co., 77 FERC ¶61,110 (1996). “[T]he Commission strongly favors settlements, particularly in cases that are highly contested and complex.” San Diego Gas & Elec. Co. v. Sellers of Energy & Ancillary Servs., 112 FERC ¶ 86,009 (2008).

CONCLUSION

KIUC agrees with the Companies that the Stipulation should be approved. In the alternative, the Commission should approve the Sharing Mechanism contingent on the Companies once again agreeing to a 2.5-year base rate case stay-out.

Respectfully submitted,

/s/ Michael L. Kurtz

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March 18, 2026

ATTACHMENTS

Kentucky Utilities Company | Electric Sales Detail

(MI KEY: 4042397; SPCIQ KEY: 3163034)

Periods: Custom

Date Ended	2021 Y 12/31/2021	2022 Y 12/31/2022	2023 Y 12/31/2023	2024 Y 12/31/2024	YTD 9/30/2025
Revenues (\$000)					
Residential Electric Revenue, Total	704,814	799,566	708,998	749,373	606,165
Commercial Electric Revenue, Total	456,630	515,903	485,295	505,153	397,733
Industrial Electric Revenue, Total	407,159	463,612	449,564	444,434	331,602
Public St & Hghwy, Oth Auth, Rails Rev	155,045	173,693	160,165	165,908	129,045
Total Retail Electric Revenue	1,723,648	1,952,774	1,804,022	1,864,868	1,464,546
Electric Sales for Resale	61,089	77,224	40,108	51,677	65,386
Total Sales of Electricity Revenue	1,784,737	2,029,997	1,844,130	1,916,544	1,529,932
Less Prov for Rate Refund Revenue	0	0	0	0	0
Net Sales of Electricity Revenue	1,784,737	2,029,997	1,844,130	1,916,544	1,529,932
Total Other Operating Revenue	41,791	44,016	42,808	53,726	44,337
Total Electric Operating Revenue	1,826,528	2,074,013	1,886,938	1,970,270	1,574,270
Electricity (MWh)					
Residential Electric Volume, Total	6,323,749	6,517,813	5,858,490	6,258,346	5,050,011
Commercial Electric Volume, Total	3,973,078	4,083,054	3,922,244	4,153,959	3,265,949
Industrial Electric Volume, Total	6,245,694	6,229,893	6,084,477	6,196,783	4,690,313
Public St & Hghwy, Oth Auth, Rails Vol, Total	1,596,654	1,626,116	1,553,999	1,613,747	1,252,165
InterDept Sales Vol, Total	0	0	0	0	0
Total Retail Electric Volume, Total	18,139,175	18,456,876	17,419,210	18,222,835	14,258,438
Sales for Resale Volume	1,674,655	1,429,158	936,584	1,312,423	1,381,052
Total Sales of Electricity Volume (MWh)	19,813,830	19,886,034	18,355,794	19,535,258	15,639,490
Customers					
Residential Electric Customers, Total	465,040	466,440	469,424	473,342	NA
Commercial Electric Customers, Total	87,382	87,397	87,147	87,625	NA
Industrial Electric Customers, Total	1,766	1,737	1,710	1,688	NA
Public St & Hghwy, Oth Auth, Rails Customers, Total	10,965	11,162	11,331	11,439	NA
Interdepartmental Sales Customers	0	0	0	0	NA
Total Retail Electric Customers, Total	565,153	566,736	569,612	574,094	NA
Sales for Resale Customers	15	15	16	16	NA
Total Sales of Electricity Customers	565,168	566,751	569,628	574,110	NA
Prices (cents/kWh)					
Residential Electric Price	11.15	12.27	12.10	11.97	12.00
Commercial Electric Price	11.49	12.64	12.37	12.16	12.18
Industrial Electric Price	6.52	7.44	7.39	7.17	7.07
Avg Price Charged to Ultimate Customers	9.50	10.58	10.36	10.23	10.27
Avg Price for Resale Customers	3.65	5.40	4.28	3.94	4.73
Avg Price Total Sales of Elec	9.01	10.21	9.91	9.81	9.78

Data is sourced from the FERC Form 1/1-F, FERC Form 3/3-A or EIA 861 filings.
Energy Company Regulatory Filings

Louisville Gas and Electric Company | Electric Sales Detail

(MI KEY: 4057090; SPCIQ KEY: 1975452)

Periods: Custom

Date Ended	2021 Y 12/31/2021	2022 Y 12/31/2022	2023 Y 12/31/2023	2024 Y 12/31/2024	YTD 9/30/2025
Revenues (\$000)					
Residential Electric Revenue, Total	479,088	522,265	486,428	516,693	422,507
Commercial Electric Revenue, Total	381,668	419,216	409,064	419,639	331,477
Industrial Electric Revenue, Total	170,349	183,287	179,234	178,818	135,779
Public St & Hghwy, Oth Auth, Rails Rev	96,478	105,263	103,926	104,525	83,474
Total Retail Electric Revenue	1,127,582	1,230,031	1,178,652	1,219,676	973,238
Electric Sales for Resale	37,858	63,663	37,345	38,032	34,737
Total Sales of Electricity Revenue	1,165,440	1,293,694	1,215,997	1,257,707	1,007,975
Less Prov for Rate Refund Revenue	0	0	0	0	0
Net Sales of Electricity Revenue	1,165,440	1,293,694	1,215,997	1,257,707	1,007,975
Total Other Operating Revenue	30,353	30,864	19,504	20,441	16,127
Total Electric Operating Revenue	1,195,793	1,324,558	1,235,501	1,278,149	1,024,102
Electricity (MWh)					
Residential Electric Volume, Total	4,193,142	4,230,691	3,923,113	4,206,876	3,427,079
Commercial Electric Volume, Total	3,607,268	3,634,181	3,496,343	3,619,432	2,804,073
Industrial Electric Volume, Total	2,449,628	2,440,382	2,384,339	2,379,447	1,763,551
Public St & Hghwy, Oth Auth, Rails Vol, Total	1,039,379	1,049,448	1,055,100	1,062,873	823,971
InterDept Sales Vol, Total	0	0	0	0	0
Total Retail Electric Volume, Total	11,289,417	11,354,702	10,858,895	11,268,628	8,818,674
Sales for Resale Volume	1,345,364	1,738,062	1,435,477	1,250,706	810,623
Total Sales of Electricity Volume (MWh)	12,634,781	13,092,764	12,294,372	12,519,334	9,629,297
Customers					
Residential Electric Customers, Total	375,455	378,001	381,561	384,902	NA
Commercial Electric Customers, Total	45,930	46,525	46,667	46,950	NA
Industrial Electric Customers, Total	547	548	548	549	NA
Public St & Hghwy, Oth Auth, Rails Customers, Total	5,231	5,320	5,344	5,336	NA
Interdepartmental Sales Customers	0	0	0	0	NA
Total Retail Electric Customers, Total	427,163	430,394	434,120	437,737	NA
Sales for Resale Customers	12	14	14	13	NA
Total Sales of Electricity Customers	427,175	430,408	434,134	437,750	NA
Prices (cents/kWh)					
Residential Electric Price	11.43	12.34	12.40	12.28	12.33
Commercial Electric Price	10.58	11.54	11.70	11.59	11.82
Industrial Electric Price	6.95	7.51	7.52	7.52	7.70
Avg Price Charged to Ultimate Customers	9.99	10.83	10.85	10.82	11.04
Avg Price for Resale Customers	2.81	3.66	2.60	3.04	4.29
Avg Price Total Sales of Elec	9.22	9.88	9.53	10.05	10.47

Data is sourced from the FERC Form 1/1-F, FERC Form 3/3-A or EIA 861 filings.
Energy Company Regulatory Filings