

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matters of:

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

-and-

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

**ATTORNEY GENERAL’S BRIEF IN RESPONSE TO LG&E-KU’S
MOTION FOR REHEARING**

The intervenor, the Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention (“AG”), states as follows for his response to Louisville Gas & Electric Company (“LG&E”) and Kentucky Utilities Company’s (“KU”)(hereinafter jointly referred to as “LG&E-KU” or “the Companies”) Joint Motion for Rehearing (“Motion”), filed on March 11, 2026.

The Commission should grant rehearing and approve the Stipulation, because (1) the Stipulation achieves reasonable rates, (2) during an unprecedented time, and (3) provisions rejected by the Commission were material to the bargain reached by the parties.

1. The Stipulation achieves reasonable rates.

LG&E-KU have historically had some of the lowest and most stable residential and industrial rates in the Commonwealth. During a time when other ratepayers across the country are experiencing double digit electric rate increases almost biannually, LG&E-KU

have provided extraordinary stability. This rate case is their first one since 2021, and the Stipulation tenders a single-digit base rate increase and agreement to stay out another two-and-a-half-years. One would be hard-pressed to find an electric utility anywhere in the nation with one rate case over a seven-year period and a single digit increase in base rates. This is what the Stipulation offers. Without it, a new rate case within the year is a certainty and a second one to follow within three years is likely.

Reasonable and stable utility rates are economic drivers. The Companies serve most of the manufacturing sector of Kentucky's economy. Manufacturers face intense international competition, and thus require a stable and predictable rate environment. For Kentucky's manufacturers to compete in a global market, costs must be contained, and one of the most significant costs is energy. The Stipulation brings a measure of certainty to all ratepayers, but it is particularly important for industrial customers. Low and stable energy prices drive the economy, and the AG respectfully submits that the Stipulation supports this effort.

2. This is an unprecedented time in the utility sector, requiring extraordinary capital spending by utilities.

It is now well-established, through these two rate dockets and other recent relevant cases,¹ that the Companies are facing some of the most significant and extraordinary load growth in their history. As a result, the Companies, with the Commission's approval, will be engaging in what will likely be the greatest capital spending in their history to date in order to build new generation capacity, transmission and distribution facilities to reliably serve that

¹ See, e.g., *In Re: Joint Application of Kentucky Utilities Co. and Louisville Gas & Electric Co. for CPCNs and Site Compatibility Certificates and Approval of a Demand Side Management Plan and Fossil Fuel-Fired Generating Unit Retirements*, Case No., 2022-00402; *In Re: 2024 Joint Integrated Resource Plan of Louisville Gas & Electric Co. and Kentucky Utilities Co.*, Case No. 2024-00326; and *In Re: Application of Kentucky Utilities Co. and Louisville Gas & Electric Co. for CPCNs and Site Compatibility Certificates*, Case No. 2025-00045.

load. The Companies' foresight in these investments has put them, and thus Kentucky, ahead of the game in the race to meet the new generation necessary to empower Kentucky's and the United States' economy and move it forward. The AG understands, as he knows the Commission does, that utilities having "steel in the ground" is vital to meeting Kentucky's energy needs. Nonetheless, this need for new infrastructure must be balanced with rate stability.

Based on the thoroughly litigated rate dockets, the parties engaged in extensive, and comprehensive settlement negotiations that required mutual concessions and give-and-take by all participants. Going into the negotiations, the parties acknowledged that the implication of the massive capital costs the Companies are facing meant they had to go to extraordinary lengths to mitigate the impact on ratepayers. Therefore, the overarching issue during the negotiations was to present the Commission with recommendations that would maximize ratepayer savings while at the same time maintaining rate stability.

3. The Commission rejected material terms of the Stipulation, placing the bargained-for ratepayer benefits in jeopardy.

The Stipulation struck a balance between rate savings and stability and utility financial health. The settling parties, comprising a diverse coalition of ratepayers representing all of the Companies' rate classes, agreed upon a three-fold strategy to address affordability concerns: (a) an agreement by the Companies to a two-and-a-half year rate case stay-out; (b) the Generation Cost Recovery Clause mechanism which would allow recovery of all non-fuel costs and any incremental capital additions;² and (c) the recommendation that the

² The Commission approved this clause with modifications, and renamed it the "Pilot Generation Recovery Adjustment Clause (PGR)." *See* Case No. 2025-00113, Final Order dated Feb. 16, 2026, at pp. 145-151; and Case No. 2025-00114, Final Order dated Feb. 16, 2026 at 153-160.

Commission approve the Sharing Mechanism Adjustment Clause (Adjustment Clause SM). All parties understood that in light of the major capital spending in which the Companies will soon engage, a stay-out could only be achieved if the Adjustment Clause SM were approved. Moreover, as the Companies confirmed both at the evidentiary hearing, and in their post-hearing brief, the only way the stay-out could be achieved would be to protect against any potential base rate revenue deficiency during the 13-month period of July 1, 2027 through July 31, 2028, which would yield returns which the Commission has previously recognized as inadequate.³ Equally, to protect ratepayers, the Companies agreed that any sizable surpluses would benefit the ratepayers. Significantly, each of these three components were designed to operate in tandem to produce the maximum rate stability and savings. However, the Commission denied Adjustment Clause SM, and as a result, a new base rate case will be filed sometime this year, and likely another one within the next three years. This is an entirely logical reaction given the importance of this material term to the Stipulation. If the Commission does not grant rehearing on this issue, the result will be reduced base rate stability.

The AG acknowledges and strongly agrees that the Commission should not blindly accept a settlement agreement simply because most of the parties agreed to it. The Commission should scrutinize and modify settlement agreement terms when necessary. However, the Commission should not substantially alter a settlement by cherry-picking the terms it likes and expect the utility to honor its bargain. This is the current situation; the Companies are justified in walking away from the Stipulation if the Commission lets its current order stand. The Commission must decide if ratepayers are better served with the

³ See LG&E-KU Motion for Reconsideration, pp. 10-11.

Stipulation or without it. The Attorney General believes that granting rehearing on the issues identified in the Companies' Motion for Reconsideration will yield the best result for ratepayers during an era of unprecedented growth, and thus will provide the best means of addressing affordability.

4. Conclusion

The Stipulation results in fair and reasonable rates. The Stipulation achieves commitments that the Commission cannot impose unilaterally – most notably the stay-out provision. Rejection of the Stipulation will cause uncertainty and force multiple new rate cases. Therefore, the AG respectfully requests that the Commission modify its February 16, 2026 Final Order to preserve the Stipulation.

Respectfully submitted,

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ATTORNEY GENERAL



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Certificate of Service

Pursuant to the Commission's Order dated July 22, 2021 in Case No. 2020-00085, and in accord with all other applicable law, Counsel certifies that an electronic copy of the forgoing was served and filed by e-mail to the parties of record.

This 18th day of March, 2026



Assistant Attorney General