COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matters 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

-and-

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

JOINT RESPONSES OF ATTORNEY GENERAL AND KIUC TO SECOND DATA REQUESTS OF THE KENTUCKY PUBLIC SERVICE COMMISSION STAFF

The intervenors, the Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention ["OAG"], and the Kentucky Industrial Utility Customers, Inc. ["KIUC"] hereby submit their Joint Responses to the Second Data Requests of the Kentucky Public Service Commission Staff in the above-styled matter.

Respectfully submitted,

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Certificate of Service and Filing

Pursuant to the Commission's Orders 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. Counsel further certifies that the responses set forth herein are true and accurate to the best of their knowledge, information, and belief formed after a reasonable inquiry.

This 10th day of October, 2025

Assistant Attorney General

WITNESS / RESPONDENT RESPONSIBLE:
LANE KOLLEN

QUESTION No. 1
Page 1 of 2

Refer to the Direct Testimony of Lane Kollen (Kollen Direct Testimony), page 69, lines 8-10. Given that KRS 278.264 does not apply to solar generating units, provide the justification for removing the decommissioning expense from Kentucky Utilities Company (KU) and Louisville Gas &Electric (LG&E) (jointly, KU/LG&E) KU/LG&E's solar generating facilities.

RESPONSE:

There are several reasons to remove the decommissioning expense from operating generating facilities and instead to recover the cost only after the facilities are retired and the decommissioning costs are incurred. This is not a disallowance. It is the timing of the recovery. The utility is entitled to recovery of this cost, but the timing of the recovery should reflect the least cost approach, the cost should be known and measurable, and the cost should be tied to the retirement and replacement of the facility with new and more economic resources.

As Mr. Kollen notes in his testimony, recovery of decommissioning expense during the service life of the generating facilities results in an unnecessary permanent nominal and present value harm to customers due to the tax treatment of decommissioning costs. If recovered over the service life, there is a mismatch between the decommissioning expense recorded to expense and the decommissioning expense deductible for tax return purposes. This mismatch creates an asset ADIT, which is added to rate base. The asset ADIT grows throughout the service life of the facilities, increasing rate base, and increasing the revenue requirement, rate case after rate case.

In addition, as Mr. Kollen notes in his testimony, the cost is not known and measurable at this time. It is inherently an estimate based on numerous assumptions. In addition, it has been the practice of KU/LG&E's depreciation witness to escalate the cost to future dollars, thus compounding the harm to customers based on estimated costs decades into the future. Also as noted by Mr. Kollen, the practice of including a decommissioning cost estimate in the depreciation rates rather than as a standalone expense and then using those depreciation rates applied to higher forecast plant balances in a future test year further overstates the decommissioning expense.

Finally, as Mr. Kollen notes in his testimony, the recovery of the decommissioning expense after the generating facility is retired and after the cost is incurred and known and measurable promotes intergenerational equity because it is a cost incurred to transition to replacement

generation that, by definition, has been determined in a CPCN proceeding, to be needed and more economic than continued operation of the existing facility.

WITNESS / RESPONDENT RESPONSIBLE:
LANE KOLLEN

QUESTION No. 2
Page 1 of 1

Refer to the Kollen Direct Testimony, page 62. Explain why forecasting a negative expense for OPEB and post-employment benefits expense is fair, just and reasonable.

RESPONSE:

The calculations of pension expense and OPEB expense include several components, including the service cost, which is always positive, the interest on the pension and OPEB obligations, which is always positive, and the return on the trust fund assets, which is always negative. In the calculations of the pension expense and OPEB expense, these components are summed and the result is either positive or negative. The trust fund assets are affected by realized and unrealized gains (return on trust fund assets) and contributions from the utility, to the extent any contributions are necessary. The trust fund assets are invested and earn dividends, interest income, realized gains from the sale of assets, and unrealized gains in the market value of assets that have not been sold. In recent years, there have been very significant earnings and gains in pension and OPEB trust fund assets, which drive up the return on the trust fund assets component included in the calculations of pension and OPEB expenses. Also, as Mr. Kollen notes, the Companies calculated and actually recorded negative OPEB and post-employment benefits expense in calendar year 2024 and in the base period, consisting of actual historic and forecasted amounts. Also, as Mr. Kollen noted, the Companies' calculations of the expenses for the test year are flawed and overstate the expenses.

WITNESS / RESPONDENT RESPONSIBLE:

QUESTION No. 3
Page 1 of 1

Refer to the Kollen Direct Testimony, page 71. Explain why the life spans of KU/LG&E's gas fired combined cycle, combustion turbine generating units, and solar arrays are "unnecessarily short."

RESPONSE:

The life spans for generating facilities are not known and measurable. They are a matter of informed judgment based on a multitude of factors, including history of other generating units, maintenance practices, economics, and costs to replace. There typically is a range of reasonable life spans from the very short end to the very long end. For example, the Companies propose a life span of 53 to 60 years for the Ghent coal-fired units, 54 to 57 years for the Mill Creek coal-fired units, and 55 years for the Trimble County coal-fired units. These life spans have been repeatedly extended from the shorter life spans initially adopted for depreciation purposes. The same pattern holds true throughout the utility industry, including hydro, gas-fired, and solar generating units. In the next six years, the Companies will add approximately $4 billion in new combined cycle base load gas-fired generating units, Mill Creek 5, Brown 12, and Mill Creek 6, assuming the Commission grants CPCNs for the latter two units. The Companies will operate these combined cycle base load gas-fired units at least 40 years, but more likely, 50 or more years, based on their experience with other base load coal-fired generating units, their excellent maintenance practices, the need for the capacity, and the future costs to replace these units if they are retired. As Mr. Kollen noted in his testimony, it makes no sense to start at 40 years, the short end of the reasonable range. Rather, it makes sense to use life spans closer to the mid-range for the base load gas-fired generating units. As to the combustion turbine gas-fired generating units, the actual life spans of these units typically are 50 or more years. Again, it makes no sense to start or continue at 40 years, the short end of the reasonable range. Rather, it makes sense to use life spans closer to the mid-range for these generating units as well.