

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)**

AND

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

**RESPONSE OF
KENTUCKY UTILITIES COMPANY
AND
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
REHEARING REQUESTS FOR INFORMATION OF JOINT INTERVENORS
KENTUCKIANS FOR THE COMMONWEALTH, KENTUCKY SOLAR
ENERGY SOCIETY, MOUNTAIN ASSOCIATION, AND
METROPOLITAN HOUSING COALITION
DATED APRIL 10, 2026**

FILED: April 24, 2026

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says that he is Executive Vice President of Engineering, Construction and Generation for PPL Services Corporation and he provides services to Louisville Gas and Electric Company and Kentucky Utilities Company, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



Lonnie E. Bellar

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 22nd day of April 2026.



Notary Public

Notary Public ID No. KYNP4577

My Commission Expires:

April 1, 2028



VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is Vice President, State Regulation and Rates, for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge, and belief.



Robert M. Conroy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 22nd day of April 2026.

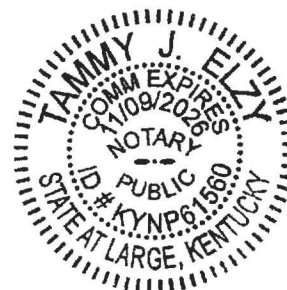


Notary Public

Notary Public ID No. KYNP61560

My Commission Expires:

November 9, 2026



VERIFICATION

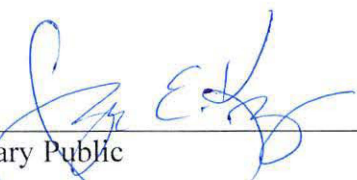
STATE OF NEW JERSEY)
)
COUNTY OF CAMDEN)

The undersigned, **Dylan W. D'Ascendis**, being duly sworn, deposes and says that he is a Partner with ScottMadden, Inc., that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.




Dylan W. D'Ascendis

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 21st day of April 2026.



Notary Public
Notary Public ID No. 2416714

My Commission Expires:


2/1/2027
Joyce E Kelly
NOTARY PUBLIC
State of New Jersey
ID # 2416714
My Commission Expires 2/1/2027

**KENTUCKY UTILITIES COMPANY
AND
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to Rehearing Requests for Information of Joint Intervenors Kentuckians
for the Commonwealth, Kentucky Solar Energy Society, Mountain Association and
Metropolitan Housing Coalition
Dated April 10, 2026**

Case Nos. 2025-00113 / 2025-00114

Question No. 5.1

Responding Witness: Christopher M. Garrett

- Q-5.1. Please reconcile the Companies' statement on page 6 of their Joint Reply in Support of their Petition for Reconsideration ("Even if the costs are later included in rate base, the carrying costs—which are substantial for generation projects—will never be recovered") with the Commissions' approval of Allowance for Funds Used During Construction and regulatory asset treatment in Case No. 2022-00402.
- A-5.1. To clarify, the Companies' statement quoted in this question relates to the recovery through the PGR being capped at the amount approved in the CPCN proceedings. The Joint Intervenors' statement in their response to the Companies' Joint Petition for Reconsideration that "the Companies would still be able to seek full recovery of costs when the project costs are added to rate base" is inaccurate. Once assets are placed in service, the accrual of AFUDC must cease. Accordingly, for incremental project costs (project costs above the authorized CPCN amount), AFUDC will not accrue post-in-service nor will carrying costs be recovered from customers through the PGR given that the costs above the CPCN amount are excluded from recovery. Thus, there is a permanent loss of monthly carrying costs for the period between the in-service date and the date the incremental project costs are included in rate base.

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Question No. 5.2

Responding Witness: Robert M. Conroy

Q-5.2. If the Companies are aware of the Commission previously approving a guaranteed level of Return on Equity for any utilities, please identify the docket and date on which such approval was made.

A-5.2. The Companies are unaware of the Commission “previously approving a guaranteed level of Return on Equity for any utilities.” To be clear, the Companies—and all the stipulating parties—did not ask the Commission to “approv[e] a guaranteed level of Return on Equity,” i.e., a single guaranteed return on equity (“ROE”). The Sharing Mechanism included in the Stipulation provides for an asymmetrical ROE deadband of 9.40% – 10.15%, i.e., from 50 basis points *below* the Stipulation-recommended 9.90% ROE to only 25 basis points above the recommended ROE. Thus, it would not provide any particular “guaranteed level of Return on Equity,” but it does help provide the Companies with the ability to commit to an important part of the Stipulation – the rate case stayout.

The Companies would further observe that the bottom of the stipulated ROE deadband is well below the 9.775% base rate ROE the Commission awarded in these cases, other recently awarded ROEs by this Commission,¹ and average awarded ROEs nationally in 2025.²

¹ See, e.g., *In the Matter of the Electronic Application of Duke Energy Kentucky, Inc. for: 1) An Adjustment of the Natural Gas Rates; 2) Approval of New Tariffs; and 3) All Other Required Approvals, Waivers, and Relief*, Case No. 2025-00125, Order at 18-19 (Ky. PSC Dec. 23, 2025) (finding a 9.80% ROE to be reasonable).

² S&P Global, RRA Regulatory Focus, “Major energy rate case decisions in the US January-December 2025: Quarterly update on decided rate cases,” (April 2026) (reporting 2025 average authorized ROEs in vertically integrated electric rate cases of 9.87%).

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Question No. 5.3

Responding Witness: Lonnie E. Bellar

- Q-5.3. Please refer to the Companies' Petition for Reconsideration page 18 n. 48 ("Actual stay-open costs incurred through February 5, 2026 are approximately \$7.5 million) and provide verifiable accounting of LG&E's actual stay-open costs for Mill Creek 2 prior to February 5, 2026, or identify where in the record supports such a figure. Please also reconcile this figure with LG&E's Response to Staff PH-5, in which LG&E estimated \$3,807,068 in O&M and a roughly \$2.7 million increase in plant in service, translating into a roughly \$3.75 million revenue requirement for Mill Creek 2 over the July 2025 to February 2026 timeframe.³
- A-5.3. The actual stay-open costs incurred over the amount in base rates incurred through February 15, 2026 of approximately \$7.5 million are reflected in the detail provided for the response to PSC RH 1-6.

To reconcile the O&M amounts included in LG&E's response to PSC PH-5 (\$3,807,068) to the actual amount (\$7.5 million), see the Excel attachment and note the following:

1. The number used for base rates is slightly different. The previous test year was July 1, 2021 to June 30, 2022. In the initial estimate, the Company used the 8th month from the prior test year as the amount in base rates, which is February 2022, to compare to August 2025. In the final calculation, the Company used August 2021 to compare to August 2025 to make a more appropriate comparison given the cyclical nature of generating unit maintenance. This change was made to each month during the timeframe in question.

³ LG&E Response to PSC PH-5, Attachment 1 ("MC2 LGE (Monthly)" tab, line 16); see also LG&E Supp. Test., Ex. 5 (Oct. 31, 2025) (estimated MC2 cost recovery; tab "MC2 LGE", line 16).

2. Additional O&M highlights when comparing the previous forecast in response to PSC PH-5 to the actual results:
- August 2025 – Variance largely driven by higher labor for increased operations and maintenance
 - September 2025 – Variance largely driven by higher labor for increased operations and maintenance
 - October 2025 – Variance largely driven by higher labor for operations and maintenance, increased outage work, mills/feeder maintenance and circulating water system maintenance
 - November 2025 – Variance largely driven by higher labor for operations and maintenance and increased outage work
 - December 2025 - Variance largely driven by higher labor for operations and maintenance, boiler maintenance, higher supplemental contractors for fuel unloading and generator maintenance
 - January 2026 – Variance driven by outage work and maintenance for the electrostatic precipitator
 - February 2026 – Variance driven by outage work, boiler maintenance and service water maintenance

To reconcile the capital amount included in LG&E's response to PSC PH-5 (\$2,840,318) to the actual amount (\$3,442,154), see the Excel attachment and note that the original estimate did not include FERC 108 Cost of Removal capital. Given that the Company would not have removed capital for replacement had it not been asked to keep the unit in operation, the Company felt it was appropriate to include FERC 108 capital for recovery, which was the majority of the variance.

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Case Nos. 2025-00113 / 2025-00114

Question No. 5.4

Responding Witness: Christopher M. Garrett

- Q-5.4. Please refer to the Companies' Joint Reply, page 6 ("Clearly, spending \$3.5 billion outside of generation expenditures will 'likely' result in underearning") and provide any forecast or analysis supporting such a claim, with and without the Pilot Generation Recovery rider, along with any forecast or analysis of the Return on Equity the Companies anticipate earning through August 1, 2028, with and without the Pilot Generation Recovery rider.
- A-5.4. Consistent with the approach utilized in the Companies' response to the Joint Intervenors Post Hearing Data Request No. 4.2⁴, the estimated earned ROE's including and excluding the PGR (updated for the Ordered ROE's of 9.775% for base rate capital and 9.675% for PGR capital) absent the filing of another base rate case are as follows:

⁴ The analysis focuses solely on the estimated regulatory lag associated with projected capital expenditures through the sharing mechanism reporting period less the impact of continued depreciation on capitalization. The analysis does not incorporate any potential offsetting changes in load, operating expenses or deferred income taxes.

\$millions

	<u>KU</u>	<u>LG&E</u>
Depreciation & Amortization Recovered in Base Rates (Operating Cash Flow)	\$ 625.2	\$ 513.4
Less: Forecasted Base Capex (Investing Cash Flow) ¹	1,288.5	931.4
Free Cash Flow	<u>\$ (663.3)</u>	<u>\$ (418.0)</u>
Average Capitalization Increase to Finance Negative Free Cash Flow	\$ 663.3	\$ 418.0
Grossed-up Weighted Average Cost of Capital	9.15%	9.16%
Annual Required Return on Capitalization	60.7	38.3
Annual Depreciation at Final Order Depreciation Rates	45.8	37.7
Annual Property Tax	3.7	2.8
Annual Revenue Requirement on Base Capital	<u>\$ 110.2</u>	<u>\$ 78.8</u>
13 Month Revenue Requirement on Base Capital	<u>\$ 119.4</u>	<u>\$ 85.4</u>
13 Month Revenue Requirement on PGR ²	<u>\$ 118.2</u>	<u>\$ 99.4</u>
Combined 13 Month Revenue Requirement on Base Capital and PGR	<u>\$ 237.6</u>	<u>\$ 184.8</u>
ROE without recovery of incremental base capital	<u>7.4%</u>	<u>7.7%</u>
ROE without recovery of incremental base capital or PGR	<u>5.7%</u>	<u>5.8%</u>

¹ Reflects budgeted activity for the 19 months July 2026 (midpoint of 2026 rate case) through January 2028 (midpoint of Sharing Mechanism)

² 2025 PSC DRPH Q4 and Q5 13 month average revenue requirement 7/2027 - 7/2028 updated with final order cost of capital.

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Question No. 5.5

Responding Witness: Dylan W. D'Ascendis

- Q-5.5. Please refer to the Direct Testimony of Dylan W. D'Ascendis, pages 67-68, and produce the referenced Brattle Group study and peer-reviewed article in Energy Policy.
- A-5.5. See attachment being provided in a separate file for the referenced Brattle Group document. The referenced peer-reviewed article in Energy Policy was provided in response to AG-KIUC 1-104 as workpaper "10 - Michelfelder, Ahern, D'Ascendis, Decoupling Impact and Public Utility Conservation Investment, Energy Policy".