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

DIRECT TESTIMONY OF
CHRISTOPHER M. GARRETT
VICE PRESIDENT, FINANCIAL STRATEGY AND CHIEF RISK OFFICER
ON BEHALF OF
KENTUCKY UTILITIES COMPANY AND
LOUISVILLE GAS AND ELECTRIC COMPANY

Filed: May 30, 2025

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INTRODUCTION

Q. Please state your name, position, and business address.

A. My name is Christopher M. Garrett. I am Vice President - Financial Strategy and Chief Risk Officer for PPL Services Corporation, which provides services to Kentucky Utilities Company ("KU") and Louisville Gas and Electric Company ("LG&E") (collectively, the "Companies"). My business address is 2701 Eastpoint Parkway, Louisville, Kentucky 40223. A complete statement of my education and work experience is attached to this testimony as Appendix A.

Q. Have you previously testified before this Commission?

A. Yes, I have testified before this Commission numerous times, including in the Companies' last base rate cases, Case Nos. 2020-00349 and 2020-00350.

Q. What is the purpose of your direct testimony?

A. I will (1) describe the service company allocations; (2) provide an update on the costs and benefits of advanced metering infrastructure; (3) provide an update on the possible merger of KU and LG&E; (4) explain the planned consolidation of the LG&E and KU Foundation Inc. ("LG&E and KU Foundation") with and into the PPL Foundation (5) detail the requested authorization and amortization of regulatory assets and liabilities; and (6) provide an overview of why the Companies are filing depreciation studies.

SERVICE COMPANY ALLOCATIONS

Q. Have shared services functions been centralized at PPL?

A. Yes. On May 25, 2022, the Companies' parent company, PPL Corporation ("PPL"), completed the acquisition of The Narragansett Electric Company d/b/a Rhode Island Energy ("NECO") from National Grid USA. The consummation of this transaction created additional scale and scope to PPL's operations. During the integration of

NECO into PPL's operations, PPL took the opportunity to look across the PPL family of companies to share best practices, consider a more consolidated shared services approach, and improve operational efficiency to reduce costs for the retail customers of its utility operations.

Q. Will you provide an example of some of the services that will be provided to LG&E and KU by PPL Services Corporation ("PPL Services")?

A. Yes. Certain services previously provided only to LG&E and KU by LG&E and KU Services Company ("LK Services") will now be provided by PPL Services. Those services include Corporate Audit Services, Corporate and Enterprise Security, Engineering and Construction, Financial, Human Resources, Information Technology, Office of General Counsel, Public Affairs, Supply Chain, and PPL Services Corporate. There will be no duplication of services between LK Services and PPL Services.

Q. Does this mean that all of these services are now being performed in Pennsylvania?

A. No. Many Kentucky-based employees are now employed by PPL Services. Work performed in Kentucky is also assigned to other PPL affiliates.

Q. As part of the consolidation, did PPL and its affiliates update their Cost Allocation Manual ("CAM")?

A. Yes. The updated CAM allows for full transparency of the transactions, facilitates the review of the transactions, and promotes the consistent direct assignment of costs when possible. The Companies provided the updated CAM to the Commission on March 31, 2025.

Q. Please describe the CAM's treatment of direct assignment and allocation of costs.

A. When possible, the cost of goods and services provided by PPL affiliates will be directly charged to the affiliate. When expenses are incurred for activities and services exclusively for the benefit of one affiliate, the costs are directly assigned to the single affiliate. Similarly, costs are directly attributed when expenses benefit more than one affiliate and can be apportioned using direct measures of cost causations. When direct charges are not possible, PPL affiliates allocate the costs among the affiliate company using one of several methods that most accurately distributes the costs. The method of cost allocation varies depending on the department rendering the goods or service. For example, an employee-related cost may be split among the affiliates using the number of employees ratio whereas a cost associated with a jointly-owned generating unit may be split among affiliates using the ownership percentages ratio.

Q. Has an audit confirmed the PPL affiliates split costs according to the CAM?

A. Yes. PPL Corporate Audit Department, in accordance with the International Standards for the Professional Practice of Internal Auditing and the COSO 2013 Internal Control Integrated Framework, completed an audit in 2023 and determined that PPL and LG&E and KU Energy LLC ("LKE") direct and indirect costs were allocated in accordance with the CAM, were calculated properly and adequately supported, and the cost assignment methods used were reasonable.

Q. Please describe the Companies' process to review charges from PPL.

A. PPL sends several billing files to its affiliates each month, including to the Companies' immediate parent company, LKE. LKE receives four billing files through the Affiliate Billing Tool ("ABT"), which is an internally developed software that maps PPL charge numbers to LKE charge numbers. These include (1) O&M (except for IT), (2) IT

O&M, (3) IT Capital, and (4) Other Capital. The ABT contains the FERC account charged by PPL so that the appropriate FERC account is charged to LG&E and KU, including below-the-line charges. The ABT also supplies the budget item which describes the type of expense. The charges are sent through the ABT and the accompanying bills are generally summarized at the level of activity code/project/budget item/FERC account. Each journal entry is uploaded into Oracle along with its supporting billing file. These are reviewed by a manager or designee before posting to the General Ledger. Before a new PPL project may be billed to the Companies in ABT, an accounting analyst in the LG&E and KU Services ("LKS") Corporate Accounting Dept asks an LKS Budget Analyst for charge numbers. This process usually entails gaining an understanding from PPLS Budgeting or other PPL departments regarding the nature of the charges and their appropriateness for being charged to LG&E or KU.

Certain billing files are received outside of ABT and are recorded by manual journal entries by Corporate Accounting. These are uploaded into Oracle with their supporting documents and are reviewed by a manager or delegate before posting to the General Ledger. Before booking a new or unusual charge or an indirect allocation, the manager or delegate may question the charge to understand its appropriateness for charging to LG&E and KU.

The Companies may also receive charges from PPL Electric Utilities Corporation ("PPLEU") and NECO. The transactions charged by PPLEU are typically mutual assistance storm costs, which are provided with detailed support. To date, LKE entities have only billed to NECO and have received no charges from it. Any costs received from PPLEU and NECO are reviewed for appropriateness before being manually recorded by Corporate Accounting.

Q. Are charges reviewed to ensure they are appropriate?

A. Yes. Charges, including supporting documentation, are reviewed monthly for reasonableness. Any new or unusual charges are questioned before recording to the general ledger.

ADVANCED METERING INFRASTRUCTURE UPDATE

Q. Have the Companies reviewed the financial impacts of the AMI program as it nears completion?

A. Yes. The Companies have reviewed the associated costs and benefits of the program in relation to the information provided in the previous rate cases. The Companies have determined that the total cost of the project is in line with the estimate provided in the previous rate cases. Additionally, the Company has reviewed the associated regulatory assets and liabilities and provided the recommended amortization periods discussed below.

MERGER STUDY

Q. Are the Companies now open to pursuing the legal entity merger of LG&E and KU?

A. Yes. As discussed in the legal entity merger study, which is attached to my testimony as Exhibit CMG-1, the Companies have determined the associated financial benefits of a merger are not significant from a quantitative financial standpoint but are significant in terms of easing the administrative and regulatory burden. Because of this, along with the potential cost avoidance associated with the IT reconfiguration costs, the

Companies desire to actively explore a potential merger in the future as described in Exhibit CMG-1.

<u>CONSOLIDATION OF LG&E AND KU FOUNDATION WITH PPL FOUNDATION</u>

Q. Are the Companies planning to consolidate or merge LG&E and KU Foundation with and into the PPL Foundation?

A. As part of the centralization efforts described earlier, we have looked at ways to streamline the administration and expenses associated with two separate corporate-funded private foundations. Consolidating the two foundations, by merger or other structure, will reduce trustee fees and allow for more expedient accounting, tax, legal, and other back-office functions.

The sole member of LG&E and KU Foundation is currently LKE (formerly known as E.ON U.S. LLC). Upon consummation of a merger or other consolidation, PPL Foundation will be the surviving legal entity, with PPL Corporation (currently, the ultimate parent of LG&E, KU, and the LG&E and KU Foundation), as its sole member. This single private foundation would support the four service territories of PPL's family of utilities in Rhode Island, Pennsylvania, Kentucky and Virginia.

Q. Are the Companies requesting relief from a merger commitment to complete this merger of the foundations?

A. Yes. Commitment No. 55 of Appendix C to the September 30, 2010 Order entered in Case No. 2010-00204[1] commits that E.ON US Foundation (now the LG&E and KU Foundation) will remain an asset of E.ON U.S. LLC (now LKE) and the current

[1] *Joint Application of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC, Louisville Gas and Electric Company, and Kentucky Utilities Company for Approval of an Acquisition of Ownership and Control of Utilities*, Case No. 2010-00204, Order at Appendix C at 13 (Ky. PSC Sept. 30, 2010).

charitable purpose shall remain unchanged. The Companies are requesting relief from this merger commitment as the merged foundation will not be an asset of LKE.

Q. Does this mean contributions and grants to the Kentucky area and communities will decrease?

A. No. LG&E and KU expect to continue supporting grant making programs and other programs initiated by LG&E and KU in the past, with support from the PPL Foundation.

Q. Please describe some of the current ways the LG&E and KU Foundation serves local communities.

A. In 2024, the LG&E and KU Foundation made $5.4 million in grants to charitable organizations serving communities in LG&E's and KU's Kentucky and Virginia service territories. The testimonies of Mr. Crockett and Ms. Montgomery provide more detail on these activities.

Q. Has PPL been supportive in the past to the local communities served by LG&E and KU?

A. Yes. PPL, directly or through its wholly-owned subsidiaries, has provided over $30 million of funding to the LG&E and KU Foundation since December 2018.

Q. Will this consolidation cause confusion for the non-profits and community organizations that have built a relationship with the LG&E and KU Foundation?

A. No, the combined foundation will work to avoid any confusion for grant recipients and community partners through active communications to local communities and charities describing the consolidation and related transition matters. The combined foundation will use the expertise of current personnel and the community relationships of LG&E

and KU Foundation staff and resources. In addition, the combined foundation's operations in the Kentucky and Virginia service territories could use a "doing business as" or assumed name that is identifiable as an LG&E and KU affiliate.

REGULATORY ASSETS AND LIABILITIES

Q. Are the Companies proposing modifications or updates to regulatory assets or regulatory liabilities in these cases?

A. Yes. First, for their storm-related regulatory assets approved since their last base rate cases, the Companies are requesting amortization over a five-year period beginning when new rates take effect from these proceedings. Second, the Companies are requesting approval to establish regulatory assets for certain IT software implementation costs with amortization of the regulatory assets over the depreciable lives of the software. Third, the Companies are requesting approval to amortize AMI related regulatory assets over 15 years and amortize AMI regulatory liabilities over 5 years. Fourth, KU is requesting amortization of the Glendale Megasite regulatory asset over five years. Lastly, the Companies are requesting authority to harmonize the deferral accounting treatment for depancaking expenses.

Storm Regulatory Assets

Q. Have the Companies received approval for deferral accounting related to storm expenses since their last rate cases?

A. Yes. The Commission approved the following regulatory assets for KU and LG&E for extraordinary operating and maintenance expenses related to storm damage restoration activities caused by severe weather:

- 2023 Wind Storm (approved in Case No. 2023-00093)
- 2024 May Storm (approved in Case No. 2024-00181)

- 2024 Hurricane Helene (approved in Case No. 2024-00329)
- 2025 Winter Storm Blair (approved in Case No. 2025-00025)

In each case, the Commission approved the request and ordered that the amount of the regulatory asset to be amortized and included in rates should be determined in the Companies' next base rate cases.

Q. What are the Companies requesting with regard to the storm regulatory assets in these cases?

A. The balances of the regulatory assets included in the forecasted test year are as follows:

- 2023 Wind Storm: $19.4 million[2]
- 2024 May Storm: $9.4 million[3]
- 2024 Hurricane Helene: $9.9 million[4]
- 2025 Winter Storm Blair: $9.7 million[5]

The Companies are requesting these costs be amortized over a five-year period beginning when new rates take effect from these proceedings.

Q. Relatedly, are the Companies proposing deferral accounting treatment for storm damage restoration and vegetation management costs in these cases?

A. Yes. As discussed further in Mr. Conroy's testimony, the Companies are proposing to net actual storm damage restoration and vegetation management costs against the respective amounts in base rates in the forecasted test period and recording a regulatory asset or liability for the difference.

[2] LG&E: $8,360,948; KU: $11,016,643.
[3] LG&E: $4,364,268; KU: $4,998,332.
[4] LG&E: $1,547,692; KU: $8,400,230.
[5] LG&E: $2,146,750; KU: $7,592,273.

IT Regulatory Asset

Q. Describe the accounting for IT software implementation costs.

A. Under both US GAAP and FERC accounting guidance, certain software implementation costs must be expensed to O&M regardless of whether the IT system is located on-premise or off-premise via a cloud computing arrangement.[6] These costs include training, data conversion and migration, direct business or functional process reengineering incurred associated with strategic implementations, change management, preliminary project stage, hyper care, and cloud computing such as hosting and other fees during implementation.[7]

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[6] See Accounting Standards Update (ASU) No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement* and FERC Docket No. AI 20-1-000, *Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*.

FERC Docket No. AI-20-1-000 "Question: How should jurisdictional entities capitalize implementation costs related to cloud computing arrangements? Response: Implementation costs related to cloud computing arrangements are similar to the costs incurred to develop internal-use software and should be accounted for on the same basis. Jurisdictional entities have historically determined capitalizable internal-use software costs in a manner consistent with the requirements of ASC 350-40, which is an acceptable approach for accounting and financial reporting to the Commission. Accordingly, it is also appropriate for jurisdictional entities to determine capitalized implementation costs related to cloud computing consistent with ASC 350- 40."

[7] ASC 350-40-25-4 Training costs are not internal-use software development costs and, if incurred during this stage, shall be expensed as incurred.

ASC 350-40-25-1 Internal and external costs incurred during the preliminary project stage shall be expensed as they are incurred.

ASC 350-40-25-5 Data conversion costs, except as noted in paragraph 350-40-25-3, shall be expensed as incurred. The process of data conversion from old to new systems may include purging or cleansing of existing data, reconciliation or balancing of the old data and the data in the new system, creation of new or additional data, and conversion of old data to the new system.

ASC 720-45-25-2, *Other Expenses—Business and Technology Reengineering,* "The following third-party or internally generated costs typically associated with business process reengineering shall be expensed as incurred: c) Process reengineering—the effort to reengineer the entity's business process to increase efficiency and effectiveness. This activity is sometimes called analysis, determining best-in-class, profit and performance improvement development, and developing should-be processes."

ASC 350-40-25-6 Internal and external training costs and maintenance costs during the postimplementation-operation stage shall be expensed as incurred.

Q. Are the Companies requesting regulatory accounting treatment for the IT software implementation costs that must be expensed to O&M for the IT projects discussed in the testimony of Mr. Johnson?

A. Yes, the Companies request approval to defer the IT O&M software implementation costs to a regulatory asset to be amortized over the depreciable lives of the underlying software. Amortization will commence with the associated in-service dates, but not before January 1, 2026, the start of the test year in these proceedings. The total estimated costs that the Companies plan to defer through 2029 are approximately $15.2 million for KU (KY jurisdictional) and $18.2[8] million for LG&E.

Amounts deferred through December 31, 2026 and included in these proceedings as a regulatory asset are approximately $9.3 million for KU and $10.6 million[9] for LG&E. Amortization expense included in the forecasted test year is approximately $47,000 for KU (KY jurisdictional) and $54,000[10] for LG&E.

Q. Why do the Companies believe regulatory asset treatment is warranted?

A. The costs are an extraordinary and nonrecurring expense that over time will result in savings as discussed in the testimony of Mr. Johnson. These costs include O&M expenditures to transition from on-premise applications to cloud based solutions including the Companies' Enterprise Resource Planning ("ERP") system and Customer Information System ("CIS"). Additionally, similar *implementation* costs for non-IT related property, plant and equipment expenditures are eligible for capitalization under

[8] $13.2 million for electric and $5.0 million for gas.
[9] $8.0 million for electric and $2.6 million for gas.
[10] $46 thousand for electric and $8 thousand for gas.

FERC accounting guidance.[11] In fact, Kentucky[12] and other state utility commissions[13] have approved capitalization treatment and regulatory asset accounting treatment. Accordingly, the Companies believe regulatory asset treatment is appropriate to provide a better matching of the expenses with the benefits obtained over the useful lives of the IT assets.

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[11] Per the FERC Uniform System of Accounts, *Account 183, Preliminary Survey and investigation charges*: "This account shall be charged with all expenditures for preliminary surveys, plans, investigations, etc., made for the purpose of determining the feasibility of utility projects under contemplation. If construction results, this account shall be credited and the appropriate utility plant account charged."

Electric Plant Instruction 3.A.19 *Training:*
"When it is necessary that employees be trained to operate or maintain plant facilities that are being constructed and such facilities are not conventional in nature, or are new to the company's operations, these costs may be capitalized as a component of construction cost. Once plant is placed in service, the capitalization of training costs shall cease and subsequent training costs shall be expensed."

AI11-1-00 – *Capitalization of Allowance for Funds Used During Construction* defines the construction phase as including "activities that are necessary to get the construction project ready for its intended use are in progress."

[12] *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. 2021-00190, Order at 11 (Ky. PSC Dec. 28, 2021) ("[T]he Commission finds that Duke Kentucky [*sic*] should be authorized to establish a regulatory asset, for accounting purposes only, for the jurisdictional incremental costs for developmental Customer Connect and retirement CMS O&M expense because the costs are extraordinary expenses that over time will result in a saving that offsets the cost.").

[13] *See Alabama Power Company Petition For approval of Accounting Authorization Related to Software Expenditures*, Docket U-5285, Order (Al. PSC Feb. 5, 2019, *available at* https://www.pscpublicaccess.alabama.gov/pscpublicaccess/ViewFile.aspx?Id=d95be406-0cce-4cb1-8c8a-fdba9ca0e07a ("As discussed below, the nature of software expenditures and the corresponding benefits realized from such investments do not align with applicable generally accepted accounting principles ("GAAP"), creating uneven expense recognition patterns that do not serve as a benefit to customers. The Company therefore seeks the authority to establish a regulatory asset in which it would capitalize operations and maintenance ("O&M") costs associated with software projects, including cloud-based software solutions, and then amortize such costs for a period that is consistent with the lives of comparable plant-in-service capital assets. For the reasons set forth, the Commission finds that Alabama Power's request is reasonable and well-supported, and thus grants the accounting authorization."); *Pennsylvania Public Utility Commission, et al. v. UGI Utilities, Inc. – Gas Division*, Joint Petition for Approval of Settlement of All Issues, Docket No. R-2021-3030218, et al., (Pa. PUC filed June 24, 2022), *available at* https://www.puc.pa.gov/pcdocs/1749940.pdf
("For purposes of this Settlement, UGI Gas's as-filed capital treatment of certain information technology ("IT") costs is accepted. (See UGI Gas St. No. 3 at 22-23.) UGI Gas will capitalize IT costs that include internal labor, external consulting expenses, and other expenses related to the preparation of the vendor and system integrator requests for proposal. Other capitalizable costs include current state assessments, reengineering business processes to adapt to new systems, data conversion, data cleansing, and migration (including field verification and digitization of asset attributes required for accurate data and facility capture), pre-implementation training costs, cloud computing software implementation, and Hypercare.").

AMI Regulatory Asset and Liability

Q. Describe the AMI regulatory asset.

A. Per Section 5.2(C) of the Stipulation agreement filed in Case Nos. 2020-00349 and 2020-00359, the Companies will record a regulatory asset during the AMI implementation period comprising of three components: (1) operating expenses associated with the project implementation; (2) the remaining net book value of electric meters replaced and retired as part of this project less any excess depreciation recovered in base revenues after the electric meters are replaced and retired; and (3) the difference between AFUDC accrued at the Companies' weighted average cost of capital and that calculated using the methodology approved by the Federal Energy Regulatory Commission.

Q. Describe the AMI regulatory liability.

A. Per Section 5.2(B) of the Stipulation agreement filed in Case Nos. 2020-00349 and 2020-00350, the Companies will record a regulatory liability until their first base rate proceedings following AMI implementation or other proceedings to the extent their actual meter reading and field service expenses are less than the forecast test period level embedded into base rates. The Companies also will include in this regulatory liability, the cost of capital effect during the implementation period for the reduction in net book value and increase in accumulated deferred income taxes for meters replaced and retired during the AMI implementation.

Q. Did the Commission authorize the establishment of the AMI deferral accounting included in the Stipulation?

A. Yes.

Q. What are the amounts of the AMI regulatory assets and liabilities?

A. The KU and LG&E AMI regulatory assets are $40.1 million and $29.6[14] million, respectively. The KU and LG&E AMI regulatory liabilities are $17.1 million and $9.8[15] million, respectively.

Q. What are the Companies requesting in this case with respect to the AMI regulatory assets and liabilities?

A. The Companies are requesting the regulatory assets associated with the AMI project be amortized over a period of fifteen years consistent with the depreciable lives of the underlying AMI assets. The Companies are requesting the regulatory liabilities be amortized over a period of five years to mitigate the financial impact of the AMI implementation to customers. The five-year amortization period results in the regulatory liability amortization largely offsetting the regulatory asset amortization.

Glendale Megasite Regulatory Asset

Q. Describe the Glendale Megasite regulatory asset.

A. In Case No. 2021-00462, KU, Nolin Rural Electric Cooperative Corporation ("Nolin RECC"), and East Kentucky Power Cooperative, Inc. ("EKPC") jointly applied to the Commission for approval of an agreement modifying KU's and Nolin RECC's existing territorial boundary maps and designating KU as the exclusive supplier serving an area in Hardin County that is the site of BlueOval SK, LLC. As part of that Application, KU requested Commission approval to establish a regulatory asset consisting of the consideration paid to Nolin RECC in exchange for the territorial modification and the amount paid to Nolin RECC and EKPC to remove existing facilities, which the Commission approved.

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[14] $23.1 million for electric and $6.5 million for gas

[15] $4.9 million electric and $4.9 million gas

Q. What is KU requesting with regard to the Glendale Megasite regulatory asset in the KU case?

A. The current balance of the Glendale Megasite regulatory asset is $8.6 million. KU is requesting these costs be amortized over a five-year period beginning when new rates take effect from these proceedings. The five-year amortization period is consistent with the recovery period requested for the storm regulatory assets.

Depancaking Regulatory Asset and Liability

Q. Has the Commission previously authorized deferral accounting for merger mitigation depancaking ("MMD") costs?

A. Yes. In the Companies' 2018 rate cases, the Commission approved a stipulation, which allowed the Companies to establish a regulatory liability for the reduction in costs associated with the Companies' MMD obligations.[16]

Q. Are the Companies proposing to continue deferral accounting treatment for depancaking costs in these cases?

A. Yes, but with one modification for harmonization purposes. As authorized in Case Nos. 2018-00294 and 2018-00295, the Companies will continue to accumulate and defer for future return any incremental collections above the amounts currently embedded in base rates for costs incurred for depancaking expenses. This will result in any overcollection of costs being returned to customers should reductions occur in the future. Furthermore, the Companies request permission to accumulate and defer for future recovery any incremental expenses above the amounts currently embedded

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[16] *Electronic Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates*, Case No. 2018-00294, Order at 11 (Ky. PSC Apr. 30, 2019); *Electronic Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates*, Case No. 2018-00295, Order at 13 (Ky. PSC Apr. 30, 2019).

in base rates for costs incurred for depancaking expenses. The regulatory asset and liability will be recorded net of any related OATT transmission revenue offsets.

DEPRECIATION RATES

Q. Have the Companies completed new depreciation studies?

A. Yes, they have. KU and LG&E engaged Mr. John Spanos of Gannett Fleming, Inc. to perform depreciation studies on all rates.

Q. Why did the Companies decide to file new depreciation studies?

A. The Companies filed new depreciation studies to ensure depreciation rates remain appropriate.[17] Outdated rates can create intergenerational inequities among customers and create stranded assets. To keep depreciation rates current, the Commission recommends new depreciation studies be performed approximately every five years.[18]

Q. Why did KU and LG&E choose Mr. Spanos of Gannett Fleming, Inc. to update its depreciation rates?

A. Mr. Spanos has extensive experience in the regulated utility accounting field, and particularly in the area of depreciation rates. Mr. Spanos is a member of the Society of Depreciation Professionals and has submitted testimony to over twenty-five regulatory commissions on the subject of utility plant depreciation. He has previously prepared

[17] The last depreciation study analyzing all rates was in June 2020. It was used in the Companies' last rate case proceedings. See Case Nos. 2020-00349 and 2020-00350, Direct Testimony of John J. Spanos (Ky. PSC Nov. 25, 2020).

[18] *See, e.g.*, *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates and Tariff Modifications*, Case No. 2017-00349, Order (Ky. PSC May 3, 2018); *Application of Nolin Rural Electric Cooperative Corporation for a General Rate Increase*, Case No. 2016-00367, Order (Ky. PSC June 21, 2017); *Application of Kenergy Corp. for a General Adjustment in Rates*, Case No. 2015-00312, Order (Ky. PSC Sept. 15, 2016); *Adjustment of Rates of Fleming-Mason Energy Cooperative Corporation*, Case No. 2001-00244 (Ky. PSC Aug. 7, 2002).

depreciation studies for KU and LG&E that were presented to the Commission in numerous cases for nearly 20 years.[19]

Q. What did KU and LG&E ask Mr. Spanos to do?

A. The Companies asked Mr. Spanos to perform an independent depreciation study, using data from historical records of KU and LG&E's plant, his generation asset life assessment analysis of the Companies' assets, and his extensive experience in depreciation studies. The purpose of the depreciation studies was to evaluate the Companies' depreciation rates and, if necessary, recommend updated depreciation rates for the Companies' assets.

Q. What did Mr. Spanos find and recommend?

A. As in the case of many depreciation studies, Mr. Spanos found KU's and LG&E's current depreciation rates need to be updated to fully reflect the current or actual depreciation of the Companies' assets. Mr. Spanos recommended the Companies continue to use the Average Service Life ("ASL") and remaining life basis methodology of depreciation, consistent with the method and resulting rates the Commission accepted in the settlement of Case Nos. 2007-00565, 2008-00251, 2012-

[19]Case No. 2020-00349 (Ky. PSC Nov. 25, 2020); Case No. 2020-00350 (Ky. PSC Nov. 25, 2020); Case No. 2018-00294 (Ky. PSC Sept. 28, 2018); Case No. 2018-00295 (Ky. PSC Sept. 28, 2018); Case No. 2016-00370 (Ky. PSC Nov. 23, 2016); Case No. 2016-00371 (Ky. PSC Nov. 23, 2016); *Joint Application of Kentucky Utilities Company and Louisville Gas and Electric Company for Approval of Depreciation Rates For Brown Solar*, Case No. 2016-00063 (Ky. PSC Jan. 29, 2016); *Application of Kentucky Utilities Company for an Adjustment of its Electric Rates*, Case No. 2014-00371 (Ky. PSC Nov. 26, 2014); *Application of Louisville Gas and Electric Company for an Adjustment of its Electric and Gas Rates*, Case No. 2014-00372 (Ky. PSC Nov. 26, 2014); *Application of Kentucky Utilities Company for an Adjustment of its Electric Rates*, Case No. 2012-00221 (Ky. PSC June 29, 2012); *Application of Louisville Gas and Electric Company for an Adjustment of its Electric and Gas Rates, a Certificate of Public Convenience and Necessity, Approval of Ownership of Gas Service Lines and Risers, and a Gas Line Surcharge*, Case No. 2012-00222 (Ky. PSC June 29, 2012); *Application of Kentucky Utilities Company to File Depreciation Study*, Case No. 2007-00565 (Ky. PSC Dec. 28, 2007); *Application of Louisville Gas and Electric Company to File Depreciation Study*, Case No. 2007-00564 (Ky. PSC Dec. 28, 2007).

00221, 2012-00222, 2016-00370, 2016-00371, 2020-00349, and 2020-00350.[20] The study resulted in revised life and salvage parameters based on updated historical information and industry benchmarks.

Q. Have the Companies accepted the depreciation rates proposed by Mr. Spanos?

A. Yes, with two exceptions. The Companies have kept the depreciation rates unchanged for Brown 3 and Mill Creek 2 consistent with the stipulation agreement reached in Case Nos. 2020-00349 and 2020-00350.

CONCLUSION

Q. What is your recommendation for the Commission?

A. I recommend the Commission (1) approve the Companies' requested rates; (2) grant relief from Merger Commitment No. 55 to allow the consolidation of LG&E and KU Foundation with and into PPL Foundation; (3) authorize the Companies to amortize the regulatory assets and liabilities as requested; (4) authorize the Companies to establish and amortize the deferral accounting as requested; and (5) approve the updated depreciation rates.

Q. Does this conclude your testimony?

A. Yes, it does.

[20] In Case Nos. 2020-00349 and 2020-00350, the Companies agreed in the Stipulation to continue using its currently approved depreciation rates for Mill Creek 1 and 2 and Brown 3 generation units. The Stipulation agreed to use the other proposed depreciation rates for ratemaking purposes. The Commission approved these depreciation rates.

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Christopher M. Garrett**, being duly sworn, deposes and says that he is Vice President – Financial Strategy & Chief Risk Officer for PPL Services Corporation and Vice President of Finance and Accounting for Kentucky Utilities Company and Louisville Gas and Electric Company, that he has personal knowledge of the matters set forth in the foregoing testimony, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.

Christopher M. Garrett
Christopher M. Garrett

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 23rd day of May 2025.

Tammy J. Elzy
Notary Public

Notary Public ID No. KYNP61560

My Commission Expires:

November 9, 2026

TAMMY J. ELZY
COMM EXPIRES 11/09/2026
NOTARY PUBLIC
ID # KYNP61560
STATE AT LARGE, KENTUCKY

APPENDIX A

Christopher M. Garrett
Vice President – Financial Strategy and Chief Risk Officer
PPL Services Corporation
Vice President – Finance and Accounting
LG&E and KU Energy LLC
2701 Eastpoint Parkway
Louisville, Kentucky 40223
Telephone: (502) 627-3328

Previous Positions:

Vice President, Financial Strategy and Chief Risk Officer	Mar 2024 – present
Vice President, Finance and Accounting	Apr 2022 – present
Controller	Jan 2018 – Apr 2022
Director, Rates	Feb 2016 – Dec 2017
Director, Accounting and Regulatory Reporting	Dec 2012 – Jan 2016
Director, Financial Planning & Controlling	Feb 2010 – Nov 2012
Manager, Financial Planning	Nov 2007 – Feb 2010
Manager, Corporate Accounting	Jan 2006 – Oct 2007
Manager, Utility Tax	May 2002 – Jan 2006
Tax Analyst, various positions	Aug 1995 – May 2002

Education:

Eastern Kentucky University, Bachelor of Business Administration - Accounting, 1995
Graduated Magna Cum Laude
Certified Public Accountant, Kentucky, 1999

Professional Memberships:

American Institute of Certified Public Accountants (AICPA)
Kentucky Society of Certified Public Accountants (KYCPA)
Edison Electric Institute

Civic Activities:

The Louisville Free Public Library Foundation, Immediate Past Board Chair
Saint Joseph School, Past Board Chair
Leadership Louisville, Bingham Fellows 2021

LG&E and KU Energy LLC

Legal Merger Assessment

Possible Legal Merger of LG&E and KU - Update

Louisville Gas and Electric Company – Kentucky Utilities Company
5-15-2025

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<u>Executive Summary:</u>

Since 2018, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively, the "Companies") at the direction of the Kentucky Public Service Commission ("Commission" or "KPSC") have studied the costs and benefits of a potential legal entity merger between the two utilities. The Companies conducted the first two studies[1] and a third party performed the most recent study.[2] None of the three studies recommended the merger because the potential net savings from the transaction were limited and the one-time costs to achieve the legal merger exceeded the benefits over an extended period of time.

In its most recent order addressing the Companies' last evaluation, the Commission directed the Companies to file an "unbiased review of the benefits and costs of a legal merger and address those qualitative risks that [are] continually identified by LG&E/KU as a hurdle to a legal merger."[3] This study is presented in response to this Commission directive.

The net savings from a potential LG&E/KU legal merger continue to appear to be limited relative to the potential synergy type of savings identified in the 1997 LGE/KU change of control,[4] and, alone, do not create a clear case supporting the legal merger of LG&E/KU. This is so because the Companies for nearly 25 years already jointly operate their systems and all their management and administrative functions on a highly integrated and combined basis.

In addition to the limited net savings, the legal merger of the two utilities nevertheless will create additional albeit modest efficiencies, i.e., improvements or savings difficult to quantify, but reasonably expected to occur in the accounting and regulatory functions of the Companies.

But the primary benefit of a LG&E/KU legal merger is the significant regulatory efficiencies.[5] For that reason, along with the potential avoidance of the IT reconfiguration costs discussed below, the Companies are recommending we continue to pursue the legal merger under the plan described in this report subject to ongoing due diligence reviews.

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[1] Case No. 2017-00415, LG&E/KU Merger Study (filed Aug. 8, 2018); Case No. 2018-00294, LG&E/KU 2020 Merger Study Update (filed Mar. 31, 2020); Case No. 2018-00295, LG&E/KU 2020 Merger Study Update (filed Mar. 31, 2020).

[2] Case No. 2018-00294, LG&E/KU 2021 Merger Study Update (filed Mar. 31, 2022); Case No. 2018-00295, LG&E/KU 2021 Merger Study Update (filed Mar. 31, 2022).

[3] *Electronic Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates*, Case No. 2018-00294 and *Electronic Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates*, Order at 6 (Ky. PSC Aug. 22, 2023).

[4] *Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of Merger*, Case No. 97-300, Order (Ky. PSC Sept. 12, 1997).

[5] Achievement of the regulatory efficiencies depends on the length to time taken to harmonize the rates between the Companies.

Assumptions:

As part of this proceeding, the Companies have reviewed the key assumptions utilized in the previous studies prepared in response to the Commission's Orders in the 2018 and 2020 rate case proceedings.

The key assumptions include the qualitative risks, the proposed transaction structure, the associated IT costs of reconfiguration, financing, regulatory efficiencies, and the anticipated benefits, cost savings, and other efficiencies.

Proposed Transaction Structure:

The previous studies assumed that a legal merger of the Companies would merge LG&E, KU, and LG&E and KU Services Company ("LKS") into a new legal entity under LG&E and KU Energy LLC. This assessment makes two fundamentally different assumptions regarding the structure of the possible transaction.

First, for purposes of this assessment, the Companies assumed that following the requisite regulatory approvals KU will be merged with and into LG&E with LG&E becoming the surviving single utility company after the merger.[6]

Second, this assessment further assumes that, following the completion of the Information Technology ("IT") reconfiguration discussed below, LKS will be merged into PPL Services. The LKS workforce will be transferred to PPL Services, eliminating the services function of LKS, and establishing PPL Services as the only service company in the PPL holding company system.[7] The move to a single service company is expected to lead to further efficiencies that will accrue to our Kentucky customers.

Regulatory Efficiencies:

The legal merger of KU and LG&E can create potentially significant, but difficult to quantify, regulatory efficiencies for the Commission, consumer groups, and the Companies. Reducing the analysis and support for two electric revenue requirements to one electric revenue requirement in base rate case proceedings is a primary example of the potential regulatory efficiency that can be created by a legal merger of LG&E and KU. Further, establishing one electric revenue requirement would eliminate the need for two cost of service studies, two proposed revenue allocations, and two sets of retail base rates in base rate cases.

The legal merger of the Companies will reduce the two Environmental Cost Recovery surcharges and their two associated six-month and two-year reviews to one Environmental

[6] In connection with the merger, it is assumed that LG&E will remain a Kentucky corporation, but will also co-incorporate/domicile in Virginia.

[7] Certain LKS employees who provide services only to KU and LG&E may be transferred into LG&E following the legal merger of LG&E and KU. These employees will be transferred prior to the merger of LKS into PPL Services.

Cost Recovery surcharge and single associated six-month and two-year reviews. The same is true for the two Fuel Adjustment Clause tariff changes and reviews. The two Demand Side Management riders and other riders, such as the Retired Asset Retirement Rider and their associated regulatory cost and burden will be reduced from two to one.

Further, one set of Kentucky retail base rates would eliminate the need for two retail Kentucky tariffs and establish one set of terms and conditions for service.

Achieving these regulatory efficiencies is dependent upon the length of time to harmonize the rates between the Companies for each rate class until complete harmonization is achieved. It is reasonable to expect customers who experience an increase in their rates through the harmonization of the two rate schedules to claim that a longer period to achieve complete harmonization is required. It is reasonably possible that the customer rate harmonization will occur over a longer period than one year, thus delaying the achievement of the regulatory efficiencies.

Applications under KRS 278.300 for financing authority and the associated regulatory cost and burden will be reduced from two to one.

Eliminating one SEC registrant will create efficiencies by reducing the workload presently required for preparing and including individual information for both companies in current joint SEC filings. While most LG&E and KU FERC reports, filings, and tariffs are already jointly prepared, further, albeit limited efficiencies should be achieved for the smaller set of FERC reports that are currently submitted on an individual company basis.

In sum, the potential regulatory efficiencies for the Commission, consumer groups, and the Companies created by the merger of the two utilities into one utility appear to be signficant.

<u>IT Implementation Costs:</u>

A reconfiguration and upgrade of the existing LG&E and KU IT systems is necessary to implement the rate harmonization required to achieve these regulatory efficiencies. Based on the current LG&E and KU IT systems, there will be a one-time cost to configure these systems for the surviving utility as part of the legal merger.

The March 2022 PWC Assesment estimated the one-time cost to reconfigure the IT systems for the legal merger to be between $15.9 to $17.5 million and assumed $15.9 million for purposes of the final assessment of the costs. This assumption included both capital and overhead costs associated with the design, testing, development, and production release. PWC assumed the reconfiguration effort would include the Oracle eBusiness System (eBS), PowerPlan, the SAP Customer Information System, and associated legacy interfacing systems.

Since the March 2022 PWC Assesment, PPL has conducted a strategic review of its aging IT platforms and systems with technical advice from Accenture, a well-established IT consulting company. Many systems are either aging, nearing the end of their service contracts, or reaching “end-of-life,” which is the point at which an IT product is no longer maintained or supported by its manufacturer. The obsolescence of certain fundamental IT systems is now reasonably foreseeable in the short term. Through this review PPL has determined that a significant IT investment in upgraded or new core IT systems is necessary to ensure the delivery of safe, affordable, and reliable power and reliable operation of PPL’s business systems. PPL’s investment plan is necessary to remedy the anticipated operational and business risks associated with the current IT systems, achieve operational efficiencies, and enable PPL’s operating companies to continue to provide a quality experience to its customers. The scope of the planned IT investments includes implementation of a consolidated Enterprise Resource Planning system (i.e., software used to manage day-to-day accounting, procurement, project management, risk management and compliance, and supply chain operations and helps plan, budget, and report on an organization’s financial results) and Customer Information System for all PPL companies.

In the course of the development of these projects, the Companies reviewed the 2022 estimate provided by PWC with Accenture. While Accenture did not perform another full cost estimate, Accenture determined the costs PWC previously estimated in 2022 are directionally correct, if adjusted for inflation by six percent. This analysis, together with the estimates of the IT cost in the other two studies, shows it is reasonable to assume the IT cost necessary for the rate harmonization is in the range of $17-20 million to fully implement the Companies’ legal merger and achieve the regulatory efficiencies.

With the planned IT investments project, PPL has an opportunity to avoid the majority of the one-time system reconfiguration costs associated with operating LG&E and KU as separate legal entities *by assuming approval of the merger while designing and implementing the Enterprise Resource System and Customer Information System IT systems*. This will allow the new IT systems to perform the nessary configuration of the new legal entity without incurring incremental effort or cost for designing the KU and LG&E systems on a stand-alone basis.

Avoiding the majority of the expense of the one-time system reconfiguration costs associated with operating LG&E and KU as separate legal entities is a good reason to continue to proceed with the legal merger of KU into LG&E as described in the plan below subject to further due diligence.

<u>Financing:</u>

Since 2010, LG&E and KU have primarily issued a form of secured, long-term debt known as “First Mortgage Bonds” (“FMBs”) supported by their respective First Mortgage Indentures which provide a first lien to the lenders on the utility assets of each company. Specifically, KU has $3.1 billion of FMBs outstanding with maturities ranging from 2025 – 2054 and LG&E has $2.5 billion of FMBs outstanding with maturities ranging from 2025 – 2054. The bonds issued and outstanding under each First Mortgage Indenture are shown on Exhibits A and B to this report.

Following a legal merger of KU into LG&E with LG&E as the surviving corporation, the Companies may consider multiple financing structures. These would include retaining the legacy mortgage of the surviving entity, which provides a clean post merger financing option subject to an assessment of the remaining bondable capacity and retired bond credits under the non-surviving legacy mortgage. Alternatively, a collateral trust mortgage structure (CTM) could be created, which retains the full bondable capacity of both legacy LG&E and KU mortgages, but establishes a new trust indenture to administer and monitor.

Regardless of the financing structure, as the surviving entity, ("RemainCo") would become the obligor of all previously outstanding LG&E and KU bonds, as well as newly issued debt by RemainCo. The legacy LG&E bonds and non-surviving entity KU bonds would rank in equal footing to any new bonds issued by RemainCo after the merger.

The new RemainCo bonds will be collateralized by the legacy LG&E assets and all new assets financed by RemainCo after the merger, unless such assets replace or improve existing KU legacy assets, whereby those assets will be retained by the legacy KU indenture.

Based on initial feedback from certain investors, the Companies expect a legal entity merger of KU with and into LG&E should be well received by the investor community and rating agencies. The overall size of the new combined entity as well as the streamlining of credit and risk assessments done by investors and the rating agencies should result in a more efficient cost of financing for the RemainCo, ultimately reducing costs for customers. The merger will create a surviving entity that can go to the debt capital markets with larger tranche sizes, providing for additional liquidity in their bonds, which is a consideration in determining the pricing of debt securities.

With respect to short-term debt, LG&E and KU each maintain individual revolving credit facilities (currently sized at $600 million each) and commercial paper programs. The combined entity would utilize one combined revolving credit facility, which may provide for some potential efficiencies through economies of scale, documentation, and administrative costs, fees or activities.

The Companies will continue to evaluate the merger and consolidation provisions in the mortgage indentures to ensure the Companies pursue the most effective and efficient financing structure for all key stakeholders on a prospective basis.

<u>Remaining Governance Document Efficiencies:</u>

Related to a utility merger, the Companies also plan on continuing and completing remaining minor streamlining and standardization steps regarding their corporate governance documents. While most governance activities have been standardized and centralized for some time, certain legacy documents, such as articles of incorporation and bylaws remain specialized at LG&E and KU, respectively. These documents contain certain historical or obsolete provisions related to the Companies' prior statuses as separate and unrelated, publicly-traded entities. The Companies anticipate amending and restating their governance documents to more current, efficient and simpler documents, with appropriate modifications for Kentucky and Virginia law and regulatory requirements.

Timing for these governance document amendments is flexible and can be scheduled or occur at various stages of a utility merger process, based on the Companies' other commercial, financing and operational activities underway. As mentioned, since most governance standardization has already occurred, only limited or de minimus remaining administrative efficiencies are anticipated.

Regulatory Approvals and Costs:

The nominal one-time costs to achive the legal merger of LG&E and KU in the 2022 PWC Assessment of $6.2 million, adjusted to remove the IT costs, continue to be directionally reasonable and reflect the likely minimum one-time costs to achieve.

The cumulative annual net savings and cost comparision in the 2022 PWC Assessment continues to be directionally reasonable. Estimated annual net savings of less than $3 million are possible and not finacially material in size.

Tax Considerations:

The Tax Assessment analysis in the 2022 PWC Assessment continues to be generally reasonable.

The issue created by the LG&E and KU accounting and ratemaking treatment for investment tax credits ("ITCs") continues to exist. In 1972 KU and LG&E each made different elections as the the treatment of the investment tax credits under Section 46(f)(1) and (2) respectively, of the Internal Revenue Code ("IRC"). The investment tax credit was repealed with the enactment of the 1986 Tax Reform Act and its enactment of the current IRC. KU has an unamortized historical investment tax credit balance of $81.4 million; LG&E has an unamortized historical investment tax credit balance of $29.7 million.[8]

As a condition to closing the legal merger, and to avoid a violation of the depreciation normalization rules under the IRC, LG&E and KU must obtain a favorable Private Letter Ruling from the Internal Revenue Service as to whether each elected method should be maintained until the historical ITCs are fully amortized or whether this election may be viewed as simply an "accounting method" which can be converted to LG&E's method following the consumation of the legal merger.

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[8] Unamortized ITC balances as of December 31, 2024.

<u>Branding:</u>

The merger of KU into LG&E to create one surviving utility, and the resulting harmonization of the electric rates of KU and LG&E to create a single electric tariff for retail service in Kentucky, raises the issue of whether to rename the new entity or to continue to do business under the KU and LG&E names, or just the LG&E name. While no resolution of this issue is required at this time, resolution of the issue will require possible rebranding of the KU or both the KU and LG&E names. The Companies are experienced with rebranding campaigns given their numerous changes of ownership over the years, and view this question as only a matter of execution.

<u>Implementation Plan:</u>

Accomplishing the legal merger of KU with and into LG&E is expected to be executed according to the following actions:

The development, construction, and implementation of the single Enterprise Resource Planning system upgrade as part of the planned IT investment is expected to be completed by the end of 2027. This upgrade is designed to incorporate a single IT system for LG&E and KU, designed and built on the assumption that KU and LG&E will legally merge and then operate as a single surviving energy utility. The upgrade is fundamental to an orderly legal merger of the two companies and the opportunity to achieve efficiencies going forward. The upgrade also is least cost relative to proceeding to separately upgrading each of the LG&E and KU systems and then consolidating them after their merger.

Following completion of the IT upgrade, the LKS workforce will be transferred to PPL Services or LG&E, eliminating the services function of LKS, and establishing PPL Services as the only service company in the PPL holding company system. The move to a single service company within the entire PPL Corporation holding company system is expected to achieve further efficiencies through reduced regulatory filings.

Subject to final analysis and determination and further due diligence, KU and LG&E would anticipate commencing the requisite regulatory approval proceedings sometime following the final order in the Companies' 2025 base rate cases. Upon obtaining the requisite satisfactory regulatory approvals, and upon completion of the due diligence review, KU could be merged with and into LG&E with LG&E as the surviving corporation potentially by December 31, 2026.

Subject to obtaining timely and acceptable regulatory approvals and consummating the legal merger of KU into LG&E, the current rates for each operating company will be maintained for "rate districts" that will be identical to the current operating companies' existing certified territorial boundary maps on file with and approved by the Commission. These rate districts and their associated current rates will remain in effect until LG&E receives approval from the Commission to consolidate or otherwise change the individual rates and rate classes into a single tariff in future base rate filings. From an internal accounting perspective, the individual accounting records for each of the rate districts will remain separate until the planned IT investments are complete. While these separate rate districts will continue to exist, an internal accounting consolidation of the separate accounting will be necessary to prepare and submit regulatory financial reports and financial statements for the Commission.

From a financing perspective, it is anticipated that the combined entity could commence issuing securities under the surviving entity, LG&E, beginning on January 1, 2027.

<u>Conclusion:</u>

In summary, this review has confirmed the associated financial benefits of a merger are not significant from a quantitative financial standpoint. Such a merger does create significant potential regulatory efficiencies. This coupled with the potential cost avoidance associated with the IT reconfiguration work discussed above leads the Companies to recommend at this time to continue pursuing their potential merger in accordance with the plan presented in this assessment. To the extent further due diligence identifies additional hurdles or issues which would result in the Companies discontinuing their pursuit of the merger, the Companies will notify the Commission in writing of their change in plans.

The Companies expect to complete their diligence review and make a final recommendation to the Commission by the end of the year.

EXHIBIT A

KENTUCKY UTLITIES COMPANY

Bonds Issued and Outstanding under the Indenture

Supplemental Indenture No.	Dated as of	Series No.	Series Designation	Date of Securities	Principal Amount Issued	Principal Amount Outstanding [1]
1	October 15, 2010	1	Collateral Series 2010	October 28, 2010	$350,779,405	$215,077,405
2	November 1, 2010	2	1.625% Series due 2015	November 16, 2010	$250,000,000	$0
		3	3.250% Series due 2020	November 16, 2010	$500,000,000	$0
		4	5.125% Series due 2040	November 16, 2010	$750,000,000	$750,000,000
3	November 1, 2013	5	4.65% Series due 2043	November 14, 2013	$250,000,000	$250,000,000
4	September 1, 2015	6	3.30% Series due 2025	September 28, 2015	$250,000,000	$250,000,000
		7	4.375% Series due 2045	September 28, 2015	$250,000,000	See [2]
5	August 1, 2016	8	Collateral Series 2016CCA	August 25, 2016	$96,000,000	$96,000,000
6	August 1, 2018	9	Collateral Series 2018CCA	September 5, 2018	$17,875,000	$17,875,000
7	March 1, 2019	7 [2]	4.375% Series due 2045	September 28, 2015	$300,000,000	$550,000,000 [2]
8	May 15, 2020	10	3.300% Series due 2050	June 3, 2020	$500,000,000	$500,000,000
9	March 1, 2023	11	5.450% Series due 2033	March 20, 2023	$400,000,000	$400,000,000
10	November 1, 2023	12	Collateral Series 2023TCA	December 6, 2023	$60,000,000	$60,000,000

[1] As of May 1, 2025

[2] Supplemental Indenture No. 7 established additional securities of Series No. 7. Outstanding amount reflects securities of Series No. 7 issued pursuant to Supplemental Indenture No. 4 and Supplemental Indenture No. 7.

EXHIBIT B

LOUISVILLE GAS AND ELECTRIC COMPANY

Bonds Issued and Outstanding under the Indenture

Supplemental Indenture No.	Dated as of	Series No.	Series Designation	Date of Securities	Principal Amount Issued	Principal Amount Outstanding [1]
1	October 15, 2010	1	Collateral Series 2010	October 20, 2010	$574,304,000	$354,200,000
2	November 1, 2010	2	1.625% Series due 2015	November 16, 2010	$250,000,000	$0
		3	5.125% Series due 2040	November 16, 2010	$285,000,000	$285,000,000
3	November 1, 2013	4	4.65% Series due 2043	November 14, 2013	$250,000,000	$250,000,000
4	September 1, 2015	5	3.300% Series due 2025	September 28, 2015	$300,000,000	$300,000,000
		6	4.375% Series due 2045	September 28, 2015	$250,000,000	$250,000,000
5	September 1, 2016	7	Collateral Series 2016TCA	September 15, 2016	$125,000,000	$125,000,000
6	May 15, 2017	8	Collateral Series 2017TCA	June 1, 2017	$60,000,000	$60,000,000
7	March 1, 2019	9	4.25% Series due 2019	April 1, 2019	$400,000,000	$400,000,000
8	March 1, 2023	10	5.450% Series due 2033	March 20, 2023	$400,000,000	$400,000,000
9	November 1, 2023	11	Collateral Series 2023TCA	December 6, 2023	$65,000,000	$65,000,000

[1] As of May 1, 2025