

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

In the Matter of:

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

DIRECT TESTIMONY OF
HEATHER D. METTS
DIRECTOR, FINANCIAL PLANNING AND BUDGETING
ON BEHALF OF
KENTUCKY UTILITIES COMPANY AND
LOUISVILLE GAS AND ELECTRIC COMPANY

Filed: May 30, 2025

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1 **INTRODUCTION**

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

3 A. My name is Heather D. Metts. I am Director of Financial Planning and Budgeting for
4 Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company
5 (“LG&E”) (collectively, “Companies”) and an employee of LG&E and KU Services
6 Company, which provides services to KU and LG&E. My business address is 2701
7 Eastpoint Parkway, Louisville, Kentucky 40223. A complete statement of my
8 education and work experience is attached to this testimony as Appendix A.

9 **Q. Have you previously testified before this Commission?**

10 A. No, but I have sponsored and helped prepare data responses filed with this Commission
11 in numerous cases.

12 **Q. What is the purpose of your direct testimony?**

13 A. The purpose of my testimony is to describe the business planning process used in
14 preparing the base and forecasted test periods and support and sponsor a number of
15 schedules required by the Commission’s regulations, which support the Companies’
16 applications.

17 **BUSINESS PLANNING PROCESS RESULTING**
18 **IN THE FORECASTED TEST PERIOD**

19 **Q. What is the forecasted test period the Companies used for supporting the**
20 **requested increases in revenue for their operations in these cases?**

21 A. The forecasted test period begins January 1, 2026 and ends December 31, 2026. The
22 information and projections in the forecasted test period are the result of the
23 Companies’ annual business planning process.

1 **Q. Please describe the business planning processes the Companies utilized in**
2 **preparing the forecasted test period in these cases.**

3 A. Consistent with our well-established business practices, the Companies prepare a five-
4 year business plan each year that contains projected income statements, cash flow
5 statements, and balance sheets.¹ Preparing the five-year plan involves significant
6 effort, which includes the use of econometric models, variables, assumptions, and
7 changes in activity levels. All segments of the Companies participate, with many
8 personnel contributing to the effort. In addition to my testimony, a detailed description
9 of the forecasting tools and how they are used are set forth in Filing Requirement
10 Schedule 807 KAR 5:001 Section 16(7)(c) at Tab 16 of the Companies' Applications.

11 **Q. Have KU and LG&E prepared a list of all commercially available or in-house**
12 **developed computer software, programs, and models used in the development of**
13 **the schedules and work papers associated with the filing of their Applications as**
14 **required by 807 KAR 5:001 Section 16(7)(t)?**

15 A. Yes. This information is located at Tab 50 of the Companies' Applications, and lists
16 the software, programs, and models the Companies used in the financial planning
17 process and to develop the fully forecasted test period in these cases.

18 **Q. What are the two computer programs the Companies primarily utilize in their**
19 **business planning process?**

¹ The Companies' business planning process is consistent with the process used in their last several rate cases. *See, e.g.*, Case Nos. 2020-00349 and 2020-00350, Direct Testimony of Daniel K. Arbough at 2-7 (Ky. PSC filed Nov. 25, 2020); Case Nos. 2018-00294 and 2018-00295, Direct Testimony of Daniel K. Arbough at 2-7 (Ky. PSC filed Sept. 28, 2018); Case Nos. 2016-00370 and 2016-00371, Direct Testimony of Daniel K. Arbough at 2-7 (Ky. PSC filed Nov. 23, 2016); Case Nos. 2014-00371 and 2014-00372, Direct Testimony of Kent W. Blake at 11-17 (Ky. PSC filed Nov. 23, 2014).

1 A. The two programs are UIPlanner Financial Model (“UIPlanner”), and PowerPlan
2 Budgeting Module (“PowerPlan”). The Companies are able to extract and import data
3 from the two programs, which aids in the efficiency and continuity of business planning
4 and forecasting. The Companies utilize UIPlanner, which is used by 22 of the largest
5 25 investor-owned utilities in the United States, to consolidate data from several
6 systems and generate projected financial statements for planning purposes. The
7 Companies utilized UIPlanner in their 2014, 2016, 2018, and 2020 rate cases, as well.

8 Similarly, PowerPlan is a leading utility software used by 99 percent of United
9 States investor-owned utilities that allows the Companies to robustly manage their
10 expenses and assets. KU and LG&E use the software to budget and track actuals for
11 operations and maintenance expenses, cost of goods sold expenses, capital
12 expenditures, taxes, and lease costs.

13 **Q. Please explain the steps involved in KU’s and LG&E’s business planning process**
14 **that led to the forecast in these cases.**

15 A. In May of 2024, KU and LG&E finalized their workforce plans and Human Resources
16 (“HR”) loaded all required positions into Peoplesoft. The Companies then uploaded
17 the information from Peoplesoft into PowerPlan, which included all years of the
18 business planning period. Once complete, the Shared Services & Consolidated
19 Budgeting team calculated the corporate burdens (i.e., pension, payroll taxes, and
20 worker’s compensation) for employee benefits and entered the burden rates into
21 PowerPlan. Next, the Energy Sales & Analysis (“ES&A”) team completed the electric,
22 gas, and off-system sales volume forecasts and presented those to the Companies’
23 officers for approval. Once approved, ES&A sent the volumes via Excel to Financial

1 Planning & Analysis and uploaded the volumes into UIPlanner. The applicable tariff
2 rates were then applied to calculate forecasted electric, gas, and off-system sales
3 revenues. At the same time, the line of business budget teams worked with the
4 operational teams to prepare and enter the capital plan into PowerPlan, and obtain line
5 of business leader (Director or VP level) approval. I then review and approve the
6 capital plan as the Administrator of the Resource Allocation Committee (“RAC”).

7 Next, the Generation Planning team completed the Generation forecast,
8 including commodity pricing for all fuel types, and presented it to the Companies’
9 officers for approval. The Generation forecast information is then loaded into
10 UIPlanner. Next, the line of business budget teams worked with the operational teams
11 to prepare and enter the Operations and Maintenance, Cost of Sales and Other expenses
12 into PowerPlan, and obtain line of business leader (Director or VP level) approval.
13 Additionally, Shared Services & Consolidated Budgeting received the PPL Services
14 allocation information and prepared the data so that it could be reviewed by the
15 applicable line of business for reasonableness and entered into PowerPlan. Once
16 consolidated information was available, I reviewed to verify that total expenses agreed
17 with budget targets. All PowerPlan data was then loaded into UIPlanner.

18 At this point, Financial Planning & Analysis estimated other revenues,
19 calculated forecasted depreciation, updated financing based on information provided
20 by PPL Treasury, and forecasted other balance sheet accounts (regulatory assets,
21 regulatory liabilities, prepaids, inventory, etc.) based on available information and
22 worked with the PPL Tax department to update all of the tax calculations in UIPlanner.
23 Once the business plan was consolidated, the Financial Planning & Analysis team

1 reviewed, made changes, and approved the plan and then I reviewed and approved it as
2 well.

3 Next, the KU and LG&E senior officers reviewed the Business Plan and
4 approved it. Once approved, my team uploaded the Business Plan information to PPL
5 to consolidate financial projections. Once consolidated, the PPL senior officers
6 reviewed the Business Plan and approved it. Next, the PPL Board approved the PPL
7 consolidated Business Plan in December 2024 and in the final step, the KU and LG&E
8 Boards approved the final Utility Business Plans in May 2025.

9 **Q. Please explain how the labor forecasts that you mentioned are developed.**

10 A. PPL Services' HR Department works closely with each business segment to determine
11 future personnel needs, and determine planning assumptions for existing employees'
12 development, retention, and anticipated staffing changes, including retirements.
13 During this process, the team analyzes open positions and anticipated needs. As
14 discussed in Vincent Poplaski's testimony, the Companies utilize annual benchmarking
15 studies to determine salaries for new hires.

16 Information and data regarding KU's and LG&E's current workforce is housed
17 in PeopleSoft, which is a computer software program the Companies use for many of
18 their human resources functions. KU and LG&E adjust the data based on expected
19 changes in the workforce, union contracts, retirements, and pay adjustments based on
20 the benchmarking surveys discussed above. HR downloads information regarding
21 positions, wages, and date of hire from Peoplesoft into PowerPlan. PowerPlan
22 calculates vacation hours based on date of hire, as well as calculating personal days,
23 sick time, and other off-duty such as jury duty, parental leave, and medical leave. The

1 line of business budget teams work with operations to calculate estimates for the
2 amount of time each business segment will spend working each month on capital
3 projects. This information is used to split labor costs between capital, local
4 engineering, cost of sales and operating and maintenance expenses based on these
5 estimates.

6 **Q. How do the Companies determine the capital projects that are included in the**
7 **business plan and in the forecasted test period in these cases?**

8 A. Each line of business prepares a comprehensive list of capital projects that includes the
9 expected investment over time, when construction would begin, and the expected in-
10 service date of the completed project. The RAC is comprised of leaders from across
11 the Companies and ensures that the capital budgets are prepared based on the needs of
12 the business and our customers. Under the supervision of the RAC, changes in the five-
13 year capital plan must be based on new facts and circumstances that are supportable
14 based on the need for and cost effectiveness of the impacted projects.

15 **Q. Can you provide an overview of how the electric and off-system sales forecast and**
16 **the generation planning forecast are developed?**

17 A. Yes. The Companies develop their electric and off-system sales forecasts and the
18 generation planning forecast through the business processes described in the
19 Companies' integrated resource plans and certificate of public convenience and
20 necessity cases filed with the Commission. Additionally, Mr. Schram's testimony
21 provides a more thorough description of the assumptions, software, and methodology
22 utilized in developing these forecasts.

1 **Q. Please explain how operation and maintenance expenses are developed through**
2 **business planning and for inclusion in the forecasted test period in these cases.**

3 A. For many years, KU and LG&E have budgeted their operation and maintenance
4 expenses through a “bottom-up” approach that begins with each line of business. The
5 expenses are budgeted to the corresponding Federal Energy Regulatory Commission
6 (“FERC”) account. The Companies used the same “bottom-up” approach to prepare
7 the operation and maintenance budgets for these cases. Additionally, when the
8 Companies provided the business plan to PPL for consolidation, in an effort to be
9 mindful of affordability, PPL provided “top-down” lower operation and maintenance
10 targets, which KU and LG&E included in the business plan as a management challenge
11 for 2025 and 2026. The Companies will continue to identify efficiencies as
12 opportunities present themselves to achieve the management challenge. A copy of the
13 current year’s budget presentations is included at Tab 16 of KU’s and LG&E’s
14 Applications.

15 **Q. Was this business planning process used to develop the fully forecasted test period**
16 **ending December 31, 2026?**

17 A. Yes. The fully forecasted test period supporting these rate applications was developed
18 through the Companies’ business process described above under my supervision and
19 direction.

20 **Q. Did the Companies include certain assumptions concerning the cost of capital**
21 **when developing the forecasted test period for these cases?**

22 A. Yes, KU and LG&E included assumptions concerning their capital structures, cost of
23 equity, and cost of debt in developing the forecasted test period supporting the rate

1 applications in these cases. Assumptions that are based on the forecasted cost of equity
2 are set forth in Dylan D’Ascendis’ testimony.

3 **Q. Have the Companies implemented FERC Order No. 898?**

4 A. Yes. In 2023, the Federal Energy Regulatory Commission (“FERC”) issued Order No.
5 898, which revises FERC’s Uniform System of Accounts. The Companies have
6 implemented these revisions and accordingly, certain schedules appear differently than
7 in past rate cases.

8 **SCHEDULES REQUIRED BY 807 KAR 5:001 SECTION 16(7)**

9 **Q. Are you sponsoring certain schedules required by the Commission’s regulation**
10 **807 KAR 5:001 Section 16(7)?**

11 A. Yes, I am sponsoring or co-sponsoring the following information for the corresponding
12 filing requirements:

Section 16(7)(b)	Most recent capital construction budget containing at minimum a 3-year forecast of construction expenditures	Tab 15
Section 16(7)(c)	A complete description, which may be in written testimony form, of all factors used to prepare the forecast period. All econometric models, variable, assumptions, escalation factors, contingency provisions, and changes in activity levels shall be quantified, explained, and properly supported.	Tab 16
Section 16(7)(d)	Utility’s annual and monthly budget for twelve (12) months preceding filing date, base period, and forecasted period	Tab 17
Section 16(7)(f)	For each major construction project which constitutes five (5) percent or more of the annual construction budget within the three (3) year forecast the following information shall be filed: 1. The date the project was started or estimated starting date; 2. The estimated completion date; 3. The total estimated cost of construction by year exclusive and inclusive of allowance for funds used during	Tab 19

	construction (“AFUDC”) or interest during construction credit; and 4. The most recent available total costs incurred exclusive and inclusive of AFUDC or interest during construction credit	
Section 16(7)(g)	For all construction projects which constitute less than five (5) percent of the annual construction budget within the three (3) year forecast, the utility shall file an aggregate of the information requested in paragraph (f)3 and 4 of this subsection	Tab 20
Section 16(7)(h)(1-3), (9), (10), (12)	A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information: 1. Operating income statement (exclusive of dividends per share or earnings per share); 2. Balance sheet; 3. Statement of cash flows; *** 9. Employee level; 10. Labor cost changes; *** 12. Rate base	Tabs 20-24, 30, 31, and 33
Section 16(7)(n)	The latest twelve (12) months of the monthly managerial reports providing financial results of operations in comparison to the forecast	Tab 44
Section 16(7)(o)	Complete monthly budget variance reports, with narrative explanations, for the twelve (12) months immediately prior to the base period, each month of the base period, and any subsequent months, as they become available	Tab 45

SCHEDULES REQUIRED BY 807 KAR 5:001 SECTION 16(8)

Q. Are you sponsoring certain schedules required by the Commission’s regulation 807 KAR 5:001 Section 16(8)?

A. Yes, I am co-sponsoring the following information with Drew T. McCombs for the corresponding filing requirements:

Section 16(8)(f)	Summary schedules for both base and forecasted periods (utility may also provide summary segregating items it proposes to recover in rates) of organization membership dues; initiation fees; expenditures for country club; charitable contributions; marketing, sales, and advertising; professional services; civic and political activities; employee parties and outings; employee gifts; and rate cases	Tab 59
Section 16(8)(g)	Analyses of payroll costs including schedules for wages and salaries, employees benefits, payroll taxes straight time and overtime hours, and executive compensation by title	Tab 60
Section 16(8)(i)	Comparative income statements (exclusive of dividends per share or earnings per share), revenue statistics and sales statistics for 5 calendar years prior to application filing date, base period, forecasted period, and 2 calendar years beyond forecast period	Tab 62
Section 16(8)(k)	Comparative financial data and earnings measures for the ten (10) most recent calendar years, the base period, and the forecast period	Tab 64

1

CONCLUSION

2 **Q. Does this conclude your testimony?**

3 **A. Yes, it does.**

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Heather D. Metts**, being duly sworn, deposes and says that she is Director – Financial Planning and Budgeting for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, that she 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 her information, knowledge and belief.

Heather D. Metts

Heather D. Metts

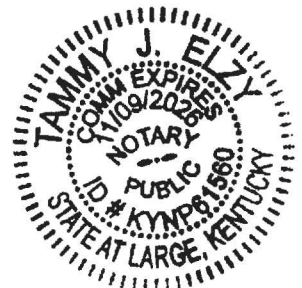
Subscribed and sworn to before me, a Notary Public in and before said County and State, this 29th day of May 2025.

Tammy J. Ely
Notary Public

Notary Public, ID No. KYNP61560

My Commission Expires:

November 9, 2026



APPENDIX A

Heather D. Metts, CPA CGMA

Director, Financial Planning and Budgeting
LG&E and KU Services Company
2701 Eastpoint Parkway
Louisville, Kentucky 40223

Previous Positions

LG&E and KU Services Company

Director, Financial Planning and Budgeting 2018 - Current
Director, Accounting and Regulatory Reporting 2016 – 2018
Manager of Corporate Finance 2013 - 2016
Manager of Financial Planning 2010 - 2013
Corporate Accounting Manager 2007 - 2010
Senior Accounting Analyst 2006 - 2007

Financial Controller 1999 - 2006, Scheu & Kniss

Cotton & Allen, PSC

Supervising Accountant 1997 - 1999
Senior Accountant 1996 - 1997
Staff Accountant 1994 - 1996

Education

University of Louisville, Bachelor of Science in Business Administration, 1994
Graduated with Honors in Accountancy
Certified Public Accountant, Kentucky, 1996

Professional Memberships

American Institute of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Civic Activities

Immediate Past Board Chair, CASA of the River Region; Board Member 2017 - Current
Advisory Board of the University of Louisville School of Business 2024 - Current
LG&E and KU Foundation Board 2024 - Current
Leadership Louisville, Class of 2020
Member, St. Gabriel Catholic Church