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

PATRICIA D. KRAVTIN

Submitted On Behalf Of
The Kentucky Broadband and Cable Association

August 29, 2025

EXHIBIT LIST

Exhibit 1	Kravtin CV
Exhibit 2	Administrative Case No. 251
Exhibit 3	KU Pole Attachment Rate Calculation
Exhibit 4	LG&E Pole Attachment Rate Calculation
Exhibit 5	Combined Rate Calculation

Q: PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.

A: My name is Patricia D. Kravtin. My business address is 1240 Lowell Avenue, #2968, Park City, Utah 84060. I am principal and owner of Patricia D. Kravtin Economic Consulting, a private practice specializing in the analysis of communications and energy regulation and markets.

Q: ON WHOSE BEHALF IS THIS TESTIMONY BEING PRESENTED?

A: My testimony is offered on behalf of The Kentucky Broadband and Cable Association ("KBCA").

Q: PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A: I received a B.A. with Distinction in Economics from the George Washington University. I studied in the Ph.D. program in Economics under a National Science Foundation Fellowship at the Massachusetts Institute of Technology ("M.I.T."), completing all course requirements for the Ph.D. degree and passing oral and written examinations in my chosen fields of study: government regulation of industry, industrial organization, and urban and regional economics. My professional background includes a wide range of consulting experiences in regulated industries. Between 1982 and 2000, I was a consultant at the national economic research and consulting firm of Economics and Technology, Inc. ("ETI"), in that firm's regulatory consulting group, where I held positions of increasing responsibility, including Senior Vice President/Senior Economist. Upon leaving ETI in September 2000, I began my own consulting practice specializing in telecommunications, cable, and energy regulation and markets.

Q: WHAT IS YOUR EXPERIENCE SERVING AS AN EXPERT IN PROCEEDINGS RELATED TO TELECOMMUNICATIONS MATTERS?

A: I have testified or served as an expert on telecommunications matters in proceedings before over thirty state regulatory commissions. I have also provided expert testimony and reports in proceedings before the Federal Communications Commission ("FCC") and before international agencies, including the Canadian Radio-television and Telecommunications Commission, the Ontario Energy Board, and the Guam Public Utilities Commission. In addition, I have testified as an expert witness in antitrust litigation in federal district court, and also before a number of state legislative committees. A detailed resume summarizing my educational background and previous experience is provided in **Exhibit 1** to my testimony.

Over the course of my career, I have been actively involved in a number of state and federal regulatory commission proceedings involving cost methodologies and the allocation of costs of incumbent local exchange carriers ("ILECs") and electric utilities. One local network component, essential for the provision of competitive communications services, with which I am also very familiar is access to poles, ducts, conduits, and rights-of-way. I have testified extensively on matters pertaining to these essential facilities before state and federal regulatory agencies and district courts. I have also been actively involved in related issues pertaining to broadband deployment.

I have authored and co-authored a number of reports dealing with this subject, including most recently one entitled "Advancing Pole Attachment Policies to Accelerate National Broadband Buildout," which includes a chapter on Kentucky. Earlier, I participated as a grant reviewer for the Broadband Technology Opportunities Program

("BTOP") administered by National Telecommunications and Information Administration ("NTIA").

Q: CAN YOU DESCRIBE YOUR PARTICIPATION IN POLE ATTACHMENTS PROCEEDINGS?

A: Yes. I have submitted expert reports and related analyses on pole attachment rates, terms, and conditions in proceedings before federal and state regulatory bodies. I have submitted reports on pole access issues in proceedings before the FCC, including the 2020 and 2022 proceedings, *In the Matter of Accelerating Wireline Broadband Deployment By Removing Barriers To Infrastructure Investment,* WC Dkt. No. 17-84 (Reports submitted Sept. 2, 2020 and June 27, 2022), and the Commission's seminal 2010 pole rulemaking proceedings, *In the Matter of Implementation of Section 224 of the Act; Amendment of the Commission's Rules and Policies Governing Pole Attachments,* WC Docket No. 07-245, GN Docket No. 09-51 (Report submitted August 16, 2010), as well as in the earlier phase, WC Docket No. 07-245, RM 11293, RM 11303 (FCC 2008 NPRM Proceeding).

I have also served as an expert on pole attachment matters in proceedings before state regulatory authorities involving investor-owned electric utilities ("IOUs"), non-profit consumer-owned utilities (cooperatives or "Coops"), municipally owned utilities, and ILECs. I have testified before various state (and provincial) regulatory commissions including this Commission, the Connecticut Department of Public Utility Control, the New Hampshire Public Utilities Commission, the Arkansas Public Service Commission, the Public Utilities Commission of Texas, the New Jersey Board of Public Utilities, the Virginia Corporation Commission, the Ohio Public Utilities Commission, the Massachusetts Department of Telecommunications and Cable, the Wisconsin Public

Service Commission, the Georgia Public Service Commission, the North Carolina Public Service Commission, the South Carolina Public Service Commission, the Public Service Commission of the District of Columbia, the New York Public Service Commission, the Public Utilities Commission of the State of California, the Louisiana Public Service Commission, the Colorado Public Utilities Commission, and the Ontario Energy Board. I have also testified on these and related matters before state and federal courts in Maryland, Florida, New York, California, Tennessee, Washington, and North Carolina, and before state legislative committees.

Q: HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A: Yes. On March 10, 2023, I submitted written testimony and subsequently testified in *The Electronic Application of Duke Energy Kentucky, Inc., For An Adjustment Of Electric Rates, Approval Of New Tariffs, And Approval of Accounting Practices To Establish Regulatory Assets And Liabilities*, Case No. 2022-00372. I also submitted written testimony in June 2022 in the four cases related to Kentucky's pole attachment regulations, Case Nos. 2022-00105, 2022-00106, 2022-00107, and 2022-00108. I submitted written testimony in October 2017 before the Commission on pole attachment matters in the 2017 Kentucky Power rate case, Case No. 2017-00179. I submitted testimony in March 2015 before the Commission in the 2014 Kentucky Utilities and Louisville Gas & Electric rate cases, Case No. 2014-00371 and Case No. 2014-00372, respectively. Additionally, I submitted written testimony in April 2010 before the Commission in the 2009 Kentucky Utilities and Louisville Gas & Electric rate cases, Case Nos. 2009-00548 and 2009-00549, respectively. I also submitted written testimony and testified at a hearing in connection with two South Central Bell Telephone Company rate cases, Case No. 8847 (1984) and

Case No. 8467 (1982), on behalf of the KPSC staff and the Commonwealth of Kentucky, respectively.

I also submitted a white paper to this Commission in July 2021 addressing pole cost issues related to the Regulations Regarding Access and Attachments to Utility Poles and Facilities (807 KAR 5:015), and participated in a workshop with parties and Commission staff on December 14, 2020.

Q: WHY DID THE KENTUCKY BROADBAND AND CABLE ASSOCIATION ASK YOU TO PRESENT TESTIMONY IN THIS PROCEEDING?

A: I was asked by the Kentucky Broadband and Cable Association ("KBCA") to evaluate Kentucky Utilities ("KU") and Louisville Gas & Electric Company's ("LG&E's") proposed increase to their pole attachment rental rates and assess whether those rates are just, reasonable, and cost-based.

Q: HOW HAVE KU AND LG&E PROPOSED TO INCREASE THEIR POLE ATTACHMENT RENTAL RATES?

A: KU and LG&E have proposed to increase their pole attachment rental rates from $7.25 per attachment to $10.13 per attachment for a two-user pole and $10.46 per attachment for a three-user pole – roughly a 40% increase.

Q: DID YOU IDENTIFY ANY PROBLEMS WITH KU AND LG&E'S PROPOSED INCREASE TO THEIR POLE ATTACHMENT RATES?

A: Yes, I identified three fundamental problems reflecting discrepancies with the cost-based principles applicable to pole attachment rates as articulated in the Commission's ruling on

these matters in Administrative Case No. 251[1], and widely practiced in Kentucky and nationwide over the past four decades since the initial adoption of a cost-based formula approach to pole rate regulation.[2] These flaws operate to drive the proposed pole rates up significantly and inappropriately, generating rates that are not cost-based, improperly inflated, and otherwise unjust and unreasonable.

Q: WHAT ARE THOSE PROBLEMS?

A: *First*, LG&E and KU have issued combined pole attachment rates for the two companies instead of issuing separate two and three user rates for each company. That is improper where the companies are separate entities, with separate costs structures, and file FERC and other regulatory filings separately. Doing so not only violates the basic principle of transparency, but generates rates that are not cost based, and that in effect will also unfairly burden or reward attachers who predominantly attach to poles belonging to only one of the entities depending on whether they attach predominantly to the lower or higher cost utility, respectively.

Second, the rates calculated by LG&E and KU depend on "forecasted" data for most of its cost inputs, rather than publicly reported, actual historical embedded cost data as directed in Admin 251. In many instances, that "forecasted" data is unsupported, inconsistent with past years, and appears to be grossly inflated relative to their actual cost counterparts. LG&E's and KU's use of projected data also violates the core principle underlying pole attachment rate regulation that rates are to be transparently based on the

[1] *In the Matter of the Adoption Of A Standard Methodology For Establishing Rates For CATV Pole Attachments*, Administrative Case No. 251 (K.P.S.C. Sept. 17, 1982) (attached as **Exhibit 2**).

[2] 47 U.S.C. 224(d) (noting pole attachment rates are "just and reasonable" when calculated using "actual capital costs").

utility's actual costs. Critically, the use of projected data enables the utility to charge rates in excess of just and reasonable levels by artificially inflating costs above those fairly allocated to the pole attacher and in a manner that greatly limits the ability of attachers or regulatory authorities to cross check the reasonableness of those costs. Unlike actual data traditionally required to calculate cost-based pole attachment rates, which can be readily and objectively verified, mere forecasts are subjective, subject to manipulation, and difficult to assess for reasonableness or otherwise verify.

Third, further compounding the first two problems, the formula used by LG&E and KU strays from the formula methodology contemplated in Admin. 251 and other widely accepted applications of the pole rate methodology in the following key respects: reliance on a novel "revenue requirement" (vs. cost-causation) approach including unsanctioned allocations of common plant and cash working capital as add-ons to net pole investment, and the use of a blended maintenance and administrative factor that lacks transparency and adds a layer of complexity inconsistent with the formula methodology.

Q: LET'S TAKE EACH PROBLEM YOU RAISED ONE BY ONE. YOU TESTIFIED THAT LG&E AND KU IMPROPERLY FILED A COMBINED RATE. WHAT IS THE BASIS FOR YOUR OPINION?

A: In the spreadsheet provided by LG&E and KU setting forth the support and inputs used in their pole attachment rate calculations, LG&E and KU provided separate pole attachment rate calculations for each company. KU calculated rates of $8.65 per attachment for a two-user pole and $8.80 per attachment for a three-user pole.[3] LG&E calculated rates of $13.75

[3] 2025 PSC DR1 KU LGE Attach to Q54 – Exhibit MEH-1 – PSA Rate Support, Tab "KU OH."

per attachment for a two-user pole and $14.70 per attachment for a three user pole.[4] However, LG&E and KU have combined these rates and asked the Commission to approve a joint rate of $10.13 per attachment for a two-user pole and $10.46 per attachment for a three-user pole for both companies.[5]

Q: WHAT ISSUES DID YOU IDENTIFY WITH THE COMBINED LG&E/KU RATE?

A: The combined rate is problematic for several reasons. As a threshold matter, the combining of the rates for the two separate operating entities violates key underlying principles of the cost-based pole formula methodology articulated in Admin. 251 and widely applied nationwide, including using a formula that is simple, easily applied, calculated using data disclosed in the *utility's* annual reports, and "based on the fully allocated cost *of the utility* in furnishing pole attachment services."[6] It is improper from an economic and regulatory standpoint – and inconsistent with every pole attachment formula of which I am aware – to combine rates for two different operating entities, with two different and independent sets of costs, especially where, as here, LG&E and KU file separate state and federal regulatory cost reporting documents and demonstrate markedly different cost profiles as evidenced by the utility's own rate calculations. Because the two utilities exhibit markedly different cost profiles, charging a combined rate will unfairly burden attachers who

[4] 2025 PSC DR1 KU LGE Attach to Q54 – Exhibit MEH-1 – PSA Rate Support, Tab "LG&E OH."

[5] LG&E and KU provided revised rate calculations in response to KBCA DR 2 Attach to Q02 to allegedly correct for the inclusion of Virginia pole data, but to my knowledge, have not updated their proposed rates to reflect the revisions. Nor did the companies provide revised supporting continuing property record data to support the alleged removal of "Virginia pole costs and number of poles." *See* Response to KBCA Request For Information 2-2.

[6] *See* Admin. 251 at 8 (*emphasis added*).

predominantly attach to poles belonging to the lower cost utility, and reward attachers who predominantly attach to poles belonging to the higher cost utility.

As shown in Table 1 below, the utility-calculated rates for LG&E are 1.6 to 1.7 times[7] those of KU such that the combined rate does not accurately represent the "fully allocated cost of the utility in furnishing pole attachment services" for *either utility* nor allocate a fair share of those costs to attachers who predominantly attach to one of the utilities.[8] While the pole rate formula methodology is designed to be applied uniformly across the spectrum of pole owning utilities, it expressly allows for the rate to be based on the individual cost profiles and characteristics of the pole owner in order to ensure compensatory cost recovery for each pole owner and a fair and efficient allocation of the pole owner's costs to each attacher.

Table 1

Utility Forecasted - as Filed

Comparison of Individual LG&E vs KU Pole Attachment Rates			
Pole Rate	**LG&E**	**KU**	**Ratio LG&E/KU**
Two User	$13.75	$8.65	1.6
Three User	$14.70	$8.80	1.7

Table 2 below further illustrates the problem inherent in charging a combined rate for LG&E and KU. As shown in Table 2, under the combined rate, attachers to LG&E

[7] KU Response To KBCA Supplemental Requests For Information, Nos. 2-4 & 2-5; LG&E Response To KBCA Supplemental Requests For Information, Nos. 2-4 & 2-5.

[8] LG&E's markedly higher cost profile vis-a-vis KU is evidenced in the embedded just and reasonable calculations presented later in this testimony as well.

poles would pay rates 36% to 41% artificially less than rates calculated based on LG&E's own costs, and attachers to KU poles would pay rates 15% to 16% artificially greater than rates calculated based on KU's own costs, without a sound cost-basis for doing so. There indeed appears no reasonable basis, consistent with the core purpose of the pole attachment rate methodology, for these separate utilities to charge rates resulting in attachers bearing a disproportionately high (or low) share of utility pole costs relative to their true economically appropriate cost-based share.

Table 2

Utility Forecasted - Individual vs Combined Pole Attachment Rates					
Pole Rate	**Combined**	**LG&E**	**% Over Combined**	**KU**	**% Under Combined**
Two User	$10.13	$13.75	36%	$8.65	-15%
Three User	$10.46	$14.70	41%	$8.80	-16%

Q: DO YOU HAVE ANY OTHER OBSERVATIONS ON THE ISSUE OF THE COMBINED RATE?

A. Yes, I have two. *First*, I would observe that the utilities' own witness, Mr. Hornung, in advocating for bifurcated 2 and 3 user rates recognizes the better alignment with Admin. 251 that results from a non-blended rate based on current cost experience. The same reasoning applies to having non-blended rates for the two individual operating companies as evidenced by their different cost profiles shown in Table 1 above. If anything, the intercompany differences in costs as evidenced by the utility's own rate calculations are more pronounced than the intra-company differences between the 2 and 3 attacher rates.

Second, I understand that the companies are considering a merger. But until such time the two utilities fully combine their operations and cease to separately report and

submit their individual cost data in the FERC Form 1 and in Annual Reports to this Commission, pole attachment rates should be based on the individual transparently and publicly reported costs of each separate reporting entity. This is especially the case here where the cost profiles of the two utilities are demonstratively different, which results in far different pole attachment rates for each utility, and there is no expectation that attachments for any given attacher will be spread proportionately between the two utilities.

Q: LET'S TURN TO THE SECOND PROBLEM YOU REFERENCED: THAT LG&E AND KU ARE USING PROJECTED, RATHER THAN ACTUAL REPORTED DATA TO CALCULATE THEIR POLE ATTACHMENT RATES. WHAT IS THE BASIS FOR YOUR OPINION?

A: In the spreadsheet provided by LG&E and KU setting forth the support and inputs used in their pole attachment rate calculation, LG&E and KU stated many of their numbers were "forecasted" – in other words, not based on actual publicly reported data but projections of cost levels the companies may experience in the future. The companies' response to KBCA Request for Information 2-12 acknowledges for every input listed that it is either "not reported in the FERC" or "not consistent with the FERC," which is remarkable in the context of a pole rate formula calculation.[9] As articulated in Admin. 251, the use of transparent, publicly reported data is a foundational pillar of the pole formula methodology,[10] and best promotes the goals of the formula approach, including providing a simple, straightforward, easy to administer, and non-contentious process that limits the

[9] *See* Response to KBCA Request For Information 2-12.

[10] *See* Admin. 251 at 8.

ability of the pole owner to charge communications providers excessive rates for access to "essential facilities."[11]

Table 3 below provides excerpted numbers from KU of examples of the costs that both companies "forecasted" that could drive up a pole attachment rate above a just and reasonable level[12]:

Table 3

Forecasted Acct 364 (Incl CWIP & RWIP)	$ 436,405,675		
Forecasted Accumulated Depreciation	$ (169,510,747)	-39%	
Forecasted Accumulated Deferred Income Taxes	$ (43,034,241)	-13%	
Forecasted Net Cost Rate Base	$ 223,860,687		
Forecasted Maintenance (593)	$ 37,313,251		COSS
Forecasted Maintenance (593001)	$ 3,870,284		COSS
Forecasted Labor (593001)	$ 1,360,324		COSS
Forecasted Tree Trimming (593004)	$ 10,285,557		COSS
Forecasted Tree Trimming Labor (593004)	$ 492,028		COSS
Forecasted Depreciation Expense (364)	$ 9,598,035	2.20%	COSS
Forecasted Property Taxes (364)	$ 4,270,319		COSS
Forecasted Total Labor	$ 111,541,645		Test Year 2026
Forecasted Total A&G Expense	$ 105,242,356		Test Year 2026

"Forecasted" numbers like these, by definition, are subjective in nature compared to actual, objectively-verifiable historic costs, and are not well supported in the documentation provided by the LG&E and KU in either their initial filing or in their responses to data

[11] *Nat'l Cable & Telecomms. Ass'n, Inc. v. Gulf Power Co.*, 534 U.S. 327, 330 (2002) ("Since the inception of cable television, cable companies have sought the means to run a wire into the home of each subscriber. They have found it convenient, and often essential, to lease space for their cables on telephone and electric utility poles. Utilities, in turn, have found it convenient to charge monopoly rents.").

[12] 2025 PSC DR1 KU LGE Attach to Q54 – Exhibit MEH-1 – PSA Rate Support, Tab "KU OH" (yellow highlighting added).

requests. For example, while KU "forecasts" more than $37 million in total overhead line[13] maintenance costs (highlighted in yellow), the actual historical maintenance costs for the company are much lower and actually showed a decline from 2023 to 2024: $25 million in 2023, $22.2 million in 2024, and $11.4 million for the first half of 2025.[14] Neither company provided detailed, specific explanations and support for their projections or explained why their "forecasted" numbers here are 64% higher than the current historical year reported cost data. That said, by their very nature, forecasted or projected costs are at best educated guesses of what the actual cost experience will be, and will deviate from actual embedded costs. So even if there were more robust documentation for these increases in pole related maintenance costs, it would not justify the use of "forecasted" numbers in lieu of actual historic reported data given the foundational, well established and time-honored principles of cost-causation underlying pole rate regulation. The formula depends on actual costs, which can be readily objectively verified for a reason. Forecasts and projections are subject to manipulation, difficult to verify or assess the reasonableness of, and can generate counterproductive, time-consuming, and costly disputes that are entirely contrary to the purpose of a transparent, easily-administered, and efficient pole rate methodology.

[13] Total overhead line expenses reflect expenses relating to the three overhead line distribution accounts: Account 364 ("Poles, Towers, and Fixtures"), 365 ("Conductors and Devices"), and 369 ("Services")).

[14] 2025 KBCA DR1 KU Attach to Q13 (l-m) – FERC 593 Maint of OH Lines.

Q: CAN YOU EXPAND ON WHY IT MATTERS THAT LG&E AND KU ARE NOT USING ACTUAL REPORTED DATA IN THEIR POLE ATTACHMENT RATE CALCULATIONS?

A: It matters because it means the rental rates lack foundation in cost-causation (i.e., costs causally linked to pole attachers), and lend themselves to being artificially inflated by the pole owner without the transparency, objective data, and attendant checks and balances afforded to attachers and regulatory authorities by the use of reported cost data. The use of "forecasted" data makes it is difficult if not impossible to independently evaluate whether the cost inputs to the formula are cost-causative and will result in just and reasonable rates. LG&E and KU have turned what should be a simple and transparent pole attachment calculation and verification process into a black box that to meaningfully evaluate would take great time and resources not practical for either the pole attacher or the regulatory authority. For these reasons, among others, the use of projected data versus actual historic or embedded data to calculate a pole attachment rate formula is not something I am aware has been permitted or even proposed anywhere else. As noted above, such a subjective approach is fundamentally at odds with the pole attachment rate methodology.

It is also inconsistent with my reading of the Commission's Administrative Order 251, which states the "various cost factors needed to apply the formula should be *readily available public information*, such as that *disclosed in the utility's required annual reports* to the Commission or other public agencies."[15] That Order further directs that the "Commission has determined that the methodology" used to calculate a pole attachment

[15] Admin. 251 at 8 (emphasis added).

rate "shall be (1) the *embedded cost* of an average bare pole" multiplied by "an annual carrying charge" and the "percentage of usable space."[16] Embedded costs by definition are actual historic costs, *i.e.*, costs that have been incurred previously and that cannot be avoided.[17] It is an oxymoron to refer to forecasted or projected costs as "not inconsistent" with embedded costs, as LG&E and KU have suggested.[18]

As an example of the carrying charge, Admin. 251 was especially specific as to the historic nature of the rate of return or "cost of money factor" of the carrying charge to be set "equal to the return on investment (or margin) allowed in the utility's last rate case."[19] The rate of return is also illustrative of the impact on rental rates of the utility using forecasted data. Using the forecasted rate of return rather than the most recent allowed return as directed in Admin. 251, with no other changes to the utility forecasted calculation, raises the rate by 5% and 6%.[20]

Q. DO YOU HAVE ANY OTHER OBSERVATIONS ON THE ISSUE OF THE FORECASTED RATE?

A. Yes. LG&E and KU seek to justify their higher forecasted rate by citing to changes in the Handy Whitman Index ("HWI") over the period since their last pole rate adjustment. Their

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[16] *Id.*

[17] *See* Harvard Kennedy School, Harvard Electricity Policy Group, *Embedded Cost*, *available at* https://hepg.hks.harvard.edu/faq/embeded-cost.

[18] Response to KBCA Request for Information 2-3.

[19] Admin. 251 at 12.

[20] For KU, the most recent authorized rate of return is 6.89%, for LG&E 6.84%. *See* Decisions in Case No. 2020-00349 and Case No. 2020-00350, respectively. Substituting the authorized returns into the LG&E and KU rate calculations provided in response to 2025 PSC DR1 KU LGE Attach to Q54 – Exhibit MEH-1 results in rates of $13.12 and $14.02 for LG&E, and $8.18 and $8.32 for KU, for two and three users, respectively.

reference to the HWI is misguided as that index by design reports the cost inflation pertaining to the installation of *new* poles. The pole formula is designed to reflect the cost of a utility's entire embedded base of poles, including older vintage poles in addition to any new poles. Given the long life of poles, a relatively small percentage of the utility's pole plant would be reflective of the cost inflation measured by the HWI.[21] While KU and LG&E are permitted to update their pole rates, under the widely-accepted pole rate formula methodology, those rates are properly limited to levels reflected on the most current actual embedded costs publicly reported.

Q: YOU IDENTIFY A THIRD PROBLEM AREA CONCERNING ADDITIONAL PROBLEMS WITH THE MANNER IN WHICH KU AND LG&E APPLIED THE POLE RATE FORMULA. WHAT ISSUE DID YOU OBSERVE?

A: Compounding the first two problems discussed above with the LG&E/KU blended forecasted pole rate formula calculation, I found two additional errors in the mechanics of the formula itself. The first is LG&E and KU's unsanctioned add-ons of common plant and cash working capital to pole plant in service. The pole formula as widely implemented nationwide and, as expressly directed by the language in Admin. 251, is calculated by multiplying an annual carrying charge and usable space percentage by "the embedded cost of an average bare pole."[22] In the Kentucky formula, the bare pole costs are even more specifically defined as the costs of poles of the type and size that are or may be used for the provision of CATV attachment, which historically has limited pole costs and quantities included in the formula calculation to those associated with 35, 40, and 45 foot poles

[21] KU and LG&E show poles on the books with installation dates dating back to the 1940s. *See* 2025 PSC DR1 KU LGE Attach to Q54-Exhibit MEH-1, Tabs KU E364 and LGE E364.

[22] Admin. 251 at 8.

recorded on the books of the utility. There is simply no provision for add-on allocations of common plant or cash working capital in addition to the recorded embedded costs of pole plant in service for 35, 40, and 45 foot poles cost-causally linked to pole attachments. Here, for reasons unexplained and unsupported, LG&E and KU seek to rely on a novel approach which includes additional "revenue requirement" allocations of common plant and cash working capital without direct cost-causative links to pole attachments. These unsanctioned add-ons in the LG&E and KU rate calculations have the effect of increasing the pole rates beyond cost-causative levels, in this instance by about 2%.[23]

The second error is LG&E and KU's use of a non-transparent and unnecessarily complex blended maintenance and operations carrying charge factor. The pole formula methodology as widely adopted and practiced here in Kentucky and nationwide applies a maintenance expense factor based on expenses uniformly reported under the FERC uniform system of accounting to Account 593, Maintenance of Overhead lines, and an Administrative and General (A&G) factor based on expenses uniformly reported to Accounts 920-935. These recorded expenses are simply divided by the relevant net plant in service to calculate the respective carrying charge. Specifically, for the maintenance carrying charge, the Account 593 expenses are divided by the net investment in the three overhead distribution plant in service accounts (364, 365 and 369) to which those expenses relate. For the A&G carrying charge, the sum of the 920 to 935 Accounts is divided by the

[23] The unsanctioned add-ons in the LG&E and KU rate calculations identified in response to 2025 PSC DR1 KU LGE Attach to Q54 – Exhibit MEH-1, result in rates of $13.50 and $14.43 for LG&E, and $8.46 and $8.61 for KU, for two and three users, respectively. Layering this correction onto the correction for the rate of return, results in rates of $12.90 and $13.79 for LG&E, and $8.01 and $8.15 for KU, for two and three users respectively. Correcting for these two errors alone (leaving in place the problematic forecasted data) reduces pole rates by over 6 to 7%.

net investment in Electric Plant in Service to which those expenses relate. The carrying charge calculations are designed to be simple and transparent. The novel approach relied on by LG&E and KU, by contrast, involves a series of allocations and assumptions to pole costs (see Table 3 above).

Q: HAVE YOU CALCULATED POLE RATES FOR LG&E AND KU BASED ON A PROPER APPLICATION OF THE POLE RATE FORMULA METHODOLOGY THAT CORRECTS FOR ALL THE PROBLEMS AND ERRORS YOU IDENTIFIED IN LG&E'S AND KU'S POLE ATTACHMENT CALCULATION?

A: Yes, I did.

Q: HOW DID YOU PERFORM YOUR CALCULATIONS?

A: As presented in **Exhibits 3 & 4** to my testimony, I calculated a separate pole attachment rate for each company, rather than a combined rate, using actual data as of year-end 2024 as reported in publicly available annual reports supplemented by data recorded in LG&E's and KU's property records, rather than partial data from 2025 or unsupported, "forecasted" numbers, and applied the widely adopted and applied cost-based formula methodology. **Exhibits 3 & 4**. This tried-and-true methodology will produce rates that are much more accurate, just, and reasonable pole attachment rates than the subjective and inflated numbers put forth by LG&E and KU.

Q: WHAT WERE THE RESULTS OF YOUR CALCULATION?

A: As shown in Table 4 below, using actual – not "forecasted" – data and calculating a separate rate for each company, I calculated rates of $7.13 for two users and $7.15 for three users for KU, and $8.97 for two users and $9.58 for three users for LG&E. **Exhibits 3 & 4**.

Table 4

Just & Reasonable Pole Attachment Rates for LG&E and KU			
Pole Rate	**LG&E**	**KU**	**Ratio LG&E/KU**
Two User	$9.04	$7.10	1.3
Three User	$9.65	$7.13	1.3

Q: WOULD THESE RESULTS IMPACT ANY COMBINED RATE FOR LG&E AND KU?

A: Yes. As explained above, the Commission should require LG&E and KU to charge attachers individual rates for each company. But even if LG&E and KU were permitted to charge one blended rate, the combined rate they propose is inflated because the underlying rates for each company are inflated. As shown in Table 5, using the rates I calculated for LG&E and KU for two and three-user poles, a more accurate, supported, and just combined rate for the companies would be as follows:

Table 5

Just & Reasonable Pole Attachment Rates for LG&E and KU			
Pole Rate	**LG&E**	**KU**	**Combined**
Two User	$9.04	$7.10	$7.79
Three User	$9.65	$7.13	$7.98

Exhibit 5.

Q: DOES THIS CONCLUDE YOUR TESTIMONY?

A: Yes, it does.

[VERIFICATION ON SEPARATE PAGE]

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

VERIFICATION

The undersigned, Patricia Kravtin, being duly sworn, deposes and says that she has personal knowledge of the matters set forth in her Direct Testimony, and that the answers contained therein are true and correct to the best of her information, knowledge, and belief.

Patricia Kravtin

STATE OF UTAH)
SUMMIT COUNTY)

SUBSCRIBED AND SWORN TO before me, a Notary Public in and before said County and State, by Patricia Kravtin on this the 28th day of August, 2025.

Notary Public

Notary Public ID No. 742005

My Commission Expires:

03/14/2029

GREG FLINT
NOTARY PUBLIC-STATE OF UTAH
COMMISSION EXP. 03/14/2029
COMMISSION #742005