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**

REBUTTAL TESTIMONY OF
TIMOTHY S. LYONS
PARTNER AT SCOTTMADDEN, INC
ON BEHALF OF
KENTUCKY UTILITIES COMPANY AND
LOUISVILLE GAS AND ELECTRIC COMPANY

Filed: September 30, 2025

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Timothy S. Lyons. My business address is 1 Speen Street, Suite 150, Framingham, Massachusetts 01701.

Q. Are you the same Timothy S. Lyons who filed direct testimony on behalf of Kentucky Utilities Company ("KU") and Louisville Gas and Electric Company ("LG&E") (collectively, the "Companies") in these proceedings?

A. Yes, I am.

Q. What is the purpose of your Rebuttal Testimony?

A. The purpose of my rebuttal testimony is to provide the Companies' response to the testimony of Stephen J. Baron of Kennedy and Associates on behalf of the Attorney General of the Commonwealth of Kentucky ("AG") and the Kentucky Industrial Utility Customers, Inc. ("KIUC"), Jessica A. York of Brubaker & Associates, Inc. on behalf of the United States Department of Defense and all other Federal Executive Agencies ("DoD/FEA"), and Lisa V. Perry on behalf of Walmart.

II. RESPONSE TO AG-KIUC WITNESS BARON

Q. What are AG-KIUC Witness Baron's recommendations?

A. AG-KIUC Witness Baron's recommendations are summarized below.

- To the extent the Commission approves a lower than proposed revenue increase to the residential rate class, a portion of any such revenue reduction should be applied first to reduce the Companies' proposed increase in the residential basic service charge.[1]

- To the extent the Commission approves a lower than proposed revenue increase for KU and LG&E, a portion of any such revenue reduction should be applied first to reduce the subsidies paid by rate schedules TODP, RTS, and FLS for KU and rate schedules TODP and RTS for LG&E. The remaining revenue reduction should be allocated to reduce the revenue increases for all rate classes on a uniform percentage basis.[2]
- Revise rate schedules TODP and RTS to set the energy charges at an adjusted unit variable energy cost.[3]

Q. Do the Companies agree with AG-KIUC's recommendation that a portion of any such Commission authorized reduction in the residential class revenue increase should be applied first to reduce the Companies' proposed residential basic service charge increase?

A. In part. The Companies generally agree with AG-KIUC's recommendation that a lower than proposed increase in residential class revenues would lead to a lower than proposed increase in residential basic service charges. The recommendation is generally consistent with the Companies' approach to setting the residential basic service charges. The Companies proposed that residential basic service charges be set based on movement toward customer-related cost of service balanced with bill continuity considerations.[4]

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[1] Testimony of Stephen J. Baron, p. 5.
[2] Id., p. 5-6.
[3] Id., p. 6.
[4] Testimony of Timothy S. Lyons, p. 24.

Specifically, the proposed movement toward customer-related cost of service was informed by gradualism considerations such that the basic service charge increases were limited to approximately 150 percent of the overall residential class increase.[5] Thus, to the extent the overall residential class increase was reduced, the basic service charge increases would be reduced as well.

The Companies however do not necessarily agree with the example on page 33 of AG-KIUC Witness Baron's testimony. If the Commission were to authorize an increase in residential class revenues of 10.00 percent, then the Companies would propose to limit the increase in the residential basic service charge to 15.00 percent rather than the 10.00 percent stated in AG-KIUC's testimony.

Q. Do the Companies agree with AG-KIUC's recommendation that a lower than proposed revenue increase should be applied first to reduce the subsidies related to rate schedules TODP, RTS, and FLS?

A. No. While the Companies understand AG-KIUC's reasoning regarding electricity rates for industrial class customers,[6] the Companies continue to support their proposed revenue allocation, which reflects a 10.00 percent movement to cost-based rates that strikes an appropriate balance between movement to cost-based rates and gradualism. AG-KIUC's recommendation would create disparities in the movement to cost-based rates since some rate classes would move at a faster pace to cost-based rates than other rate classes, as shown in Figures 1 and 2 (below).

[5] Id.
[6] Testimony of Stephen J. Baron, pp. 20-28.

Figure 1: Movement to Cost-Based Rates (KU)

KU Rate Schedule	AG-KIUC % Movement	Filed % Movement
RS	11.2%	10.0%
GS	6.1%	10.0%
AES	-1.0%	10.1%
PS-Sec	6.1%	10.0%
PS-Pri	6.1%	10.0%
TOD-Sec	0.1%	10.1%
TOD-Pri	37.9%	10.1%
RTS - Trans.	35.7%	10.1%
FLS	33.1%	10.2%
LS & RLS	-30.6%	10.5%
LE	-4.6%	10.0%
TE	3.6%	10.0%
OSL	18.0%	22.6%
EV	0.0%	-0.2%
SSP	84.9%	100.0%
BS	47.9%	100.0%

Figure 1 shows AG-KIUC's proposal for setting KU class revenue targets based on first applying a lower than proposed revenue increase of $50.0 million to rate schedules TODP, RTS and FLS and then applying the remaining reduction to all rate classes would move rate schedules TODP, RTS, and FLS toward cost-based rates by 37.90 percent, 35.70 percent, and 33.10 percent, respectively, while other rate schedules, such as TODS, would move only 0.10 percent toward cost-based rates. By comparison, the Company's filed approach would move uniformly all rate classes toward cost-based rates.

Figure 2 (below) shows similar results for LG&E.

Figure 2: Movement to Cost-Based Rates (LG&E)

LG&E Rate Schedule	AG-KIUC Recommendation	Companies Proposal
RS	12.1%	10.0%
GS	5.9%	10.0%
PS-Sec	5.6%	10.0%
PS-Pri	6.3%	10.0%
TOD-Sec	3.9%	10.1%
TOD-Pri	41.5%	10.1%
RTS - Trans.	41.9%	10.1%
SCC	18.8%	9.9%
LS & RLS	15.9%	9.9%
LE	6.0%	10.0%
TE	3.5%	10.0%
OSL	17.3%	21.0%
EV	1.2%	1.2%
SSP	90.0%	100.0%
BS	91.2%	100.0%

Figure 2 shows AG-KIUC's proposal for setting LG&E class revenue targets based on first applying the lower than proposed revenue increase of $20.0 million to rate schedules TODP and RTS and then applying the remaining reduction to all rate classes would move rate schedules TODP and RTS toward cost-based rates by 41.50 percent and 41.90 percent, respectively, while other rate schedules, such as TODS, would move only 3.90 percent toward cost-based rates. By comparison, the Company's filed approach would move uniformly all rate classes toward cost-based rates.

Based on these results, the Companies continue to support their proposed revenue allocation, which reflects a 10.00 percent movement to cost-based rates applied equally to all rate classes. The Companies' proposed approach strikes an appropriate balance between movement to cost-based rates and gradualism.

Q. Do the Companies agree with AG-KIUC's recommendation to revise rate schedules TODP and RTS to set the energy charges at the adjusted unit variable energy cost?

A. No. AG-KIUC's recommendation would shift additional cost recovery to the demand charges in excess of the demand-related costs.

The proposed TODP rates for KU, for example, recover $184.3 million in class revenues through the demand charges, as shown in Schedule M-2.3, page 11, which exceeds the amount of TODP's costs classified as demand of $175.5 million, as shown in Exhibit TSL-4, page 5. The difference between the demand charge revenues and the demand costs is due to the shift in cost recovery from the residential class to the TODP class of $8.8 million. The shift in cost recovery from the residential class is recovered in the demand charge.

The Companies believe it would not be appropriate to shift additional cost recovery to the demand charges.

III. RESPONSE TO DOD/FEA WITNESS YORK

Q. What are DoD/FEA Witness York recommendations?

A. DoD/FEA Witness York's recommendations are summarized below.

- Classify Federal Energy Regulatory Commission ("FERC") Accounts 512 through 514 as demand.[7]
- Move KU class revenues 30.00 percent toward cost-based rates and LG&E class revenues 25.00 percent toward cost-based rates.[8]

[7] Testimony of Jessica A. York, p. 3.
[8] Id.

- Revise rate schedules TODP for both KU and LG&E to modify the intermediate and peak demand charges relative to base demand charges to better align with the Companies' cost of service study and maintain appropriate price signals.[9]

Q. Do the Companies agree with DoD/FEA's recommendation to classify FERC Accounts 512 through 514 as demand?

A. In part. The Companies agree with DoD/FEA that FERC Accounts 512 through 514 costs do not vary directly with energy produced by the Companies' generating units. The costs generally vary by the maintenance needs of the generating units, such as routine maintenance, scheduled overhauls, and tube failures.

In some cases, the maintenance needs of the generating units are not related to utilization, such as routine maintenance and scheduled overhauls. In other cases, however, the maintenance needs of the generating units are related to utilization, such as emergent maintenance and replacement of tube failures.

The Companies have not prepared an analysis that identifies specifically the FERC Account 512 through 514 costs not related to utilization as compared to expenses related to utilization; consequently, the Companies are unable at this point to support a different allocation method.

[9] Id.

Q. Does classification of FERC Accounts 512 through 514 as demand have a substantial impact on class revenue targets utilizing the Companies' approach to setting class revenue targets?

A. No. Putting aside the question of how much cost should be classified as demand, classification of FERC Accounts 512 through 514 as demand does not have a substantial impact on class revenue targets under the Companies' proposed approach to setting class revenue targets, as shown in Figure 3 (below).

Figure 3: Classification of FERC Accounts 512-514 (KU)

KU Rate Schedule	512-514 (Energy) Target Rev Increase	512-514 (Demand) Target Rev Increase	Current Revenues	512-514 (Energy) Class Increase	512-514 (Demand) Class Increase
RS	104,186,935	104,894,969	741,466,479	14.1%	14.1%
GS	26,744,962	26,758,075	272,241,062	9.8%	9.8%
AES	1,519,896	1,521,928	13,171,291	11.5%	11.6%
PS-Sec	17,648,181	17,624,314	179,971,469	9.8%	9.8%
PS-Pri	995,692	994,949	10,183,697	9.8%	9.8%
TOD-Sec	18,780,068	18,671,380	163,839,995	11.5%	11.4%
TOD-Pri	35,383,292	35,028,594	308,400,771	11.5%	11.4%
RTS - Trans.	14,267,780	14,081,198	122,988,078	11.6%	11.4%
FLS	2,715,057	2,680,102	23,206,906	11.7%	11.5%
LS & RLS	3,808,994	3,796,725	31,822,538	12.0%	11.9%
LE	44,729	44,197	382,365	11.7%	11.6%
TE	27,692	27,463	252,098	11.0%	10.9%
OSL	484	484	94,429	0.5%	0.5%
EV	5,093	5,093	45,249	11.3%	11.3%
SSP	181,347	180,732	189,766	95.6%	95.2%
BS	5,716	5,716	53,798	10.6%	10.6%
Total	226,315,920	226,315,920	1,868,309,993	12.1%	12.1%

Figure 3 shows class revenue targets for KU based on classification of FERC Account 512 through 514 as demand yields minor differences as compared to class revenue targets based on classification as energy. The revenue increase for rate schedule TODP, for example, is reduced from 11.50 percent based on classification as energy to 11.40 percent based on classification as demand.

The results are similar for LG&E, as shown in Figure 4 (below).

Figure 4: Classification of FERC Accounts 512-514 (LG&E)

LG&E Rate Schedule	512-514 (Energy) Target Rev Increase	512-514 (Demand) Target Rev Increase	Current Revenues	512-514 (Energy) Class Increase	512-514 (Demand) Class Increase
RS	52,779,084	53,114,591	510,989,021	10.3%	10.4%
GS	11,651,506	11,677,511	172,472,836	6.8%	6.8%
PS-Sec	10,291,992	10,289,725	148,430,855	6.9%	6.9%
PS-Pri	416,855	415,072	6,429,829	6.5%	6.5%
TOD-Sec	9,736,327	9,688,048	129,996,561	7.5%	7.5%
TOD-Pri	11,963,995	11,784,462	152,375,560	7.9%	7.7%
RTS - Trans.	5,331,532	5,231,221	68,267,256	7.8%	7.7%
SCC	415,817	409,578	4,534,484	9.2%	9.0%
LS & RLS	2,251,233	2,230,488	23,947,842	9.4%	9.3%
LE	24,684	23,569	369,589	6.7%	6.4%
TE	27,729	27,364	366,305	7.6%	7.5%
OSL	6	6	14,321	0.0%	0.0%
EV	7,375	7,375	55,251	13.3%	13.3%
SSP	134,719	133,845	265,394	50.8%	50.4%
BS	2,717	2,717	8,765	31.0%	31.0%
Total	105,035,574	105,035,574	1,218,523,867	8.6%	8.6%

Figure 4 shows class revenue targets for LG&E based on classification of FERC Account 512 through 514 as demand yields minor differences as compared to class revenue targets based on classification as energy. The revenue increase for rate schedule TODP, for example, is reduced from 7.90 percent based on classification as energy to 7.70 percent based on classification as demand.

Q. Do the Companies agree with DoD/FEA's recommendation that movement to cost-based rates should be 30.00 percent for KU and 25.00 percent for LG&E?

A. No. First, the Companies overall approach to establish the proposed class revenue targets was guided by several principles commonly used throughout industry, including: (a) rates should recover the overall cost of providing service; (b) rates should be equitable, minimizing inter-class and intra-class subsidies to the extent possible; and (c) rate changes should be tempered by rate continuity (gradualism) and bill impact considerations. The Companies believe a 10.00 percent movement toward cost-based rates strikes an appropriate balance between full movement to cost-based rates and rate continuity and bill impact considerations.

The Companies believe a 30.00 percent movement to cost-based rates for KU does not strike an appropriate balance due to rate continuity and bill impact considerations, as shown in Figure 5 (below).

Figure 5: Movement to Cost-Based Rates (KU)

KU Rate Schedule	10% Movement Target Rev Increase	30% Movement Target Rev Increase	Current Revenues	10% Movement Class Increase	30% Movement Class Increase
RS	104,186,935	133,044,506	741,466,479	14.1%	17.9%
GS	26,744,962	14,321,680	272,241,062	9.8%	5.3%
AES	1,519,896	1,370,760	13,171,291	11.5%	10.4%
PS-Sec	17,648,181	9,371,039	179,971,469	9.8%	5.2%
PS-Pri	995,692	521,466	10,183,697	9.8%	5.1%
TOD-Sec	18,780,068	16,672,574	163,839,995	11.5%	10.2%
TOD-Pri	35,383,292	31,482,351	308,400,771	11.5%	10.2%
RTS - Trans.	14,267,780	13,026,466	122,988,078	11.6%	10.6%
FLS	2,715,057	2,526,506	23,206,906	11.7%	10.9%
LS & RLS	3,808,994	3,722,377	31,822,538	12.0%	11.7%
LE	44,729	41,552	382,365	11.7%	10.9%
TE	27,692	22,002	252,098	11.0%	8.7%
OSL	484	484	94,429	0.5%	0.5%
EV	5,093	5,093	45,249	11.3%	11.3%
SSP	181,347	181,347	189,766	95.6%	95.6%
BS	5,716	5,716	53,798	10.6%	10.6%
Total	226,315,920	226,315,920	1,868,309,993	12.1%	12.1%

Figure 5 shows KU's class revenue targets based on a 30.00 percent movement to cost-based rates increase the residential class revenue increase from 14.10 percent to 17.90 percent.

The results are similar for LG&E, as shown in Figure 6 (below).

Figure 6: Movement to Cost-Based Rates (LG&E)

LG&E Rate Schedule	10% Movement Target Rev Increase	25% Movement Target Rev Increase	Current Revenues	10% Movement Class Increase	25% Movement Class Increase
RS	52,779,084	65,950,928	510,989,021	10.3%	12.9%
GS	11,651,506	6,852,454	172,472,836	6.8%	4.0%
PS-Sec	10,291,992	6,558,916	148,430,855	6.9%	4.4%
PS-Pri	416,855	211,669	6,429,829	6.5%	3.3%
TOD-Sec	9,736,327	7,550,763	129,996,561	7.5%	5.8%
TOD-Pri	11,963,995	10,229,566	152,375,560	7.9%	6.7%
RTS - Trans.	5,331,532	4,511,611	68,267,256	7.8%	6.6%
SCC	415,817	453,886	4,534,484	9.2%	10.0%
LS & RLS	2,251,233	2,535,079	23,947,842	9.4%	10.6%
LE	24,684	13,923	369,589	6.7%	3.8%
TE	27,729	21,960	366,305	7.6%	6.0%
OSL	6	6	14,321	0.0%	0.0%
EV	7,375	7,375	55,251	13.3%	13.3%
SSP	134,719	134,719	265,394	50.8%	50.8%
BS	2,717	2,717	8,765	31.0%	31.0%
Total	105,035,574	105,035,574	1,218,523,867	8.6%	8.6%

Figure 6 shows LG&E's class revenue targets based on a 25.00 percent movement to cost-based rates increase the residential class revenue increase from 10.30 percent to 12.90 percent.

Q. Do the Companies agree with DoD/FEA's proposed changes to rate schedules TODP for both KU and LG&E that revise the relative difference between the intermediate and peak demand charges relative to base demand charges to better align with the Companies' cost of service study and maintain appropriate price signals?

A. No. DoD/FEA's proposed rate design consists of two modifications.

1. Remove O&M expenses in FERC Accounts 512 through 514 from the energy charge.

2. Recover in the base demand charge the distribution and substation costs and recover in the intermediate and peak demand charges the transmission and generation costs.[10]

Q. What is the Companies' response regarding removal of O&M expenses in FERC Accounts 512 through 514 from the energy charge?

A. As stated earlier, while the Companies agree the referenced O&M expenses do not vary directly with energy produced by the Companies' generating units, the expenses do vary by the maintenance needs of the generating units, which are in part related to utilization.

The Companies have not prepared an analysis that identifies specifically the FERC Account 512 through 514 costs not related to utilization as compared to expenses related to utilization; consequently, the Companies are unable at this point to support a different classification method.

Q. What is the Companies' response regarding recovering distribution and substation costs through base demand charges and recovering transmission and generation costs through intermediate and peak demand charges the transmission and generation costs?

A. The Companies' position regarding assignment of costs to the demand periods was described in the Companies' 2016 rate cases:

> LG&E and KU must also install sufficient transmission and distribution facilities to deliver the power to the individual customers, no matter when they need power, whether it is during the peak or intermediate period or otherwise. Over the years, the Companies have structured the Peak Demand Charge and the Intermediate Demand Charge so that these charges would essentially provide recovery of generation fixed costs. The Base Demand

[10] Id., p. 22.

Charge was structured so that the charge would basically provide recovery of transmission and distribution demand-related costs.[11]

Q. Has the Companies' position changed in this rate case?

A. No. While the Companies position remains the same, the Companies rate design for continuity purposes maintains the same general relationship among the base, intermediate, and peak demand charges.

Q. Does DoD/FEA's proposal for KU result in a significant increase in the relative difference among TODP base, intermediate, and peak demand charges?

A. Yes. DoD/FEA's proposal for KU results in a 68.00 percent increase in the relative difference among TODP base, intermediate, and peak demand charges, as shown in Figure 7 (below).

Figure 7: Relative Change in TODP Demand Charges (KU)

TODP Rate Design Comparison (KU)	Amount	Billing Units	DoD/FEA Proposal	KU Proposal	Incr/Decr
Energy	$ 135,295,206	3,962,655,520	$ 0.034	$ 0.038	-9.5%
Base Demand	21,276,773	10,815,328	$ 1.967	$ 2.860	-31.2%
Intermediate Demand	79,939,738	8,715,966	$ 9.172	$ 7.940	15.5%
Peak Demand	97,228,338	8,580,195	$ 11.332	$ 9.810	15.5%
Customer	1,294,947	97,000	$ 13.350	$ 13.350	0.0%
Total	$ 335,035,002				
Ratio of Intermediate Demand to Base Demand			4.7	2.8	68%
Ratio of Peak Demand to Base Demand			5.8	3.4	68%

The Figure shows for KU the ratio of the Intermediate Demand Charge to the Base Demand Charge increases from 2.80 under the Companies' rate proposal to 4.70 under DoD/FEA's rate proposal. The Figure also shows the ratio of the Peak Demand Charge to the Base Demand Charge increases from 3.40 under the Companies' rate proposal to 5.80 under DoD/FEA's rate proposal.

[11] Testimony of William S. Seelye in Case Nos. 2016-00370 (KU) and 2016-00371 (LG&E), pp. 39-40.

Q. What is the impact for LG&E?

A. DoD/FEA's proposal for LG&E results in approximately a 23.00 percent decrease in the relative difference among TODP base, intermediate, and peak demand charges, as shown in Figure 8 (below).

Figure 8: Relative Change in TODP Demand Charges (LG&E)

TODP Rate Design Comparison (LG&E)	Amount	Billing Units	DoD/FEA Rates	LG&E Rates	Incr/Decr
Energy	$ 67,543,186	1,961,477,530	$ 0.034	$ 0.038	-9.3%
Base Demand	17,009,891	5,168,542	$ 3.291	$ 2.450	34.3%
Intermediate Demand	33,942,560	4,265,624	$ 7.957	$ 7.690	3.5%
Peak Demand	43,093,776	4,189,792	$ 10.285	$ 9.940	3.5%
Customer	654,740	49,489	$ 13.230	$ 13.230	0.0%
Total	$ 162,244,153				
Ratio of Intermediate Demand to Base Demand			2.4	3.1	-23%
Ratio of Peak Demand to Base Demand			3.1	4.1	-23%

The Figure shows for LG&E the ratio of the Intermediate Demand Charge to the Base Demand Charge decreases from 3.10 under the Companies' rate proposal to 2.40 under DoD/FEA's rate proposal. The Figure also shows the ratio of the Peak Demand Charge to the Base Demand Charge decreases from 4.10 under the Companies' rate proposal to 3.10 under DoD/FEA's rate proposal.

IV. <u>RESPONSE TO WALMART WITNESS PERRY</u>

Q. What are Walmart Witness Perry recommendations?

A. Walmart Witness Perry's recommendations are summarized below.

- To the extent the Commission approves a lower than proposed overall revenue increase for KU and LG&E, 50.00 percent of the reduction should be applied to those rate classes who are paying in excess of their cost-based levels, subject to the reduction not going below the class cost of service. The remaining revenue reduction should be evenly applied to all rate classes to mitigate the proposed increases for all customers on an equal percentage basis.[12]

Q. Do the Companies agree with Walmart's recommendation that a lower than proposed revenue increase should be first applied to those rate classes who are paying in excess of their cost-based rates?

A. No. As mentioned earlier, the Companies continue to support their proposed revenue allocation, which reflects a uniform movement to cost-based rates that strikes an appropriate balance between a movement to cost-based rates and rate continuity and bill impact gradualism.

V. CONCLUSION

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

[12] Testimony of Lisa V. Perry, p. 6.

VERIFICATION

COMMONWEALTH OF MASSACHUSETTS)
)
COUNTY OF MIDDLESEX)

The undersigned, **Timothy S. Lyons**, being duly sworn, deposes and says that he is a Partner with ScottMadden Inc., that he has personal knowledge of the matters set forth in the foregoing testimony, and that the answers contained therein are true and correct to the best of his information, knowledge, and belief.

Timothy S. Lyons
Timothy S. Lyons

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 18th day of September 2025.

MICHELLE JORDAN
MY COMMISSION EXPIRES
MAR 2 2029
COMMONWEALTH OF MASSACHUSETTS
NOTARY PUBLIC

Michelle Jordan
Notary Public

Notary Public ID No. __________

My Commission Expires:

March 2, 2029