

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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)	

REBUTTAL TESTIMONY OF
TOM C. RIETH
VICE PRESIDENT, GAS OPERATIONS
ON BEHALF OF
LOUISVILLE GAS AND ELECTRIC COMPANY

Filed: September 30, 2025

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1 **INTRODUCTION**

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

3 A. My name is Tom C. Rieth. I am Vice President of Gas Operations for Louisville Gas
4 and Electric Company (“LG&E” or “Company”) and an employee of LG&E and KU
5 Services Company. My business address is 6900 Enterprise Drive, Louisville,
6 Kentucky 40214.

7 **Q. What is the purpose of your rebuttal testimony?**

8 A. My rebuttal testimony responds to the recommendation in Mr. Randy Futral’s August
9 29, 2025 Direct Testimony on behalf of the Office of the Attorney General of the
10 Commonwealth of Kentucky and Kentucky Industrial Utility Customers (“Futral
11 Testimony”) to reduce the expenses in Account 863 for main maintenance by \$2.607
12 million.

13 As I explain below, the primary reason for LG&E’s forecast expenses for main
14 maintenance related to inline inspection are based upon known regulatory intervals, the
15 Company’s experience, and are thus projected with a high degree of confidence. The
16 historical variances Mr. Futral relies on in support of his adjustment resulted from the
17 enactment of the Mega Rule Part 1, which lengthened the inspection interval for
18 pipelines outside of High Consequence Areas (“HCAs”), and LG&E’s ability to
19 capitalize many of the inline inspection costs over the last four years.

20 **MAINTENANCE OF MAINS EXPENSE**

21 **Q. Please describe the expenses that are booked to Account 863 for Maintenance of**
22 **Mains.**

23 A. Accounting for repair and maintenance costs involves the expenses LG&E incurs to
24 keep its mains in sufficient operating condition. Included in these expenses are the

1 costs to perform inline inspections and validation digs. An inline inspection refers to
2 an approved method to perform required assessments for transmission pipelines, which
3 identify potential issues, such as corrosion, cracks and other anomalies so they can be
4 assessed and appropriately addressed according to regulations. Inline inspections are
5 a critical component of LG&E's safety and compliance efforts.

6 **Q. Is LG&E required to perform inline inspections to comply with its regulatory**
7 **requirements?**

8 A. Yes. LG&E is regulated by the Pipeline and Hazardous Materials Safety
9 Administration ("PHMSA"), a Department of Transportation agency responsible for
10 developing and enforcing regulations regarding pipeline safety. In 2020, PHMSA
11 finalized Part I of the Safety of Gas Transmission Pipelines: MAOP Reconfirmation,
12 Expansion of Assessment Requirements, and Other Related Amendments, known as
13 the "Mega Rule." Under Part I of the Mega Rule, clarifications for integrity assessment
14 requirements changed LG&E's schedule to perform inline inspections of its gas
15 transmission pipelines to assess integrity.

16 **Q. Was LG&E performing inline inspections before Part I of the Mega Rule was**
17 **finalized?**

18 A. Yes, LG&E had already implemented inline inspection technologies before Part I of
19 the Mega Rule clarified its obligations to do so. Prior to the finalization of the Mega
20 Rule Part I, the only frequency for conducting integrity assessments established in
21 regulation was to conduct integrity assessments once every seven years in HCAs, which
22 are areas that could have significant consequences in the event of a failure or incident
23 due to high population areas or other characteristics. Due to the absence of a federal

1 standard at that time, LG&E followed the same integrity assessment frequency for
2 transmission pipelines both inside and outside of HCAs, which was not to exceed seven
3 years.

4 **Q. Please explain how the Mega Rule altered the frequency of LG&E's inline**
5 **inspections.**

6 A. As mentioned, prior to the Mega Rule, LG&E conducted integrity assessments on its
7 transmission pipelines on a frequency not to exceed every seven years. The Company
8 maintained a schedule of which inspections would occur each year and budgeted its
9 expenditures in accordance with that schedule. In LG&E's last rate case proceeding,
10 which was Case No. 2020-00350, the Company forecasted its main maintenance
11 expense based upon all transmission lines having an interval frequency of not to exceed
12 seven years, as Part I of the Mega Rule was not codified until after the forecast was
13 developed.

14 **Q. Was LG&E able to capitalize more inline inspection costs than it anticipated?**

15 A. Yes. In Case No. 2020-00350, LG&E anticipated incurring \$8.4 million in capital costs
16 related to inline inspections from 2021 to 2025. FERC, however, later clarified that a
17 utility may capitalize the expenses associated with the first runs of inline inspection
18 tools. As a result of this clarification, LG&E capitalized \$44.6 million over this time
19 period. Conversely, LG&E's operating and maintenance expenses was approximately
20 \$4 million, as compared to the \$50.3 million projection in Case No. 2020-00350. The
21 shift from operation and maintenance expense to capital is the primary driver for the
22 decrease in Account 863 expenses over the last four years. Going forward, LG&E will
23 not be able to capitalize a comparable level of expense.

1 **Q. Mr. Futral claims that LG&E’s actual main maintenance expenses were less than**
2 **the Company’s projected main maintenance expense in Case No. 2020-00350.**
3 **Please respond.**

4 A. LG&E’s actual main maintenance expenses were less than forecasted largely because
5 of the opportunity to capitalize more costs than anticipated, and the revised inspection
6 intervals in the Mega Rule. Once the Mega Rule took effect, LG&E followed the new
7 frequency standard for pipelines located outside of HCAs, which meant that the
8 inspection interval was increased from not to exceed seven years to not to exceed ten
9 years. The three-year extension resulted in \$9.2M in inline inspection charges moving
10 out of the 2021-2025 period.

11 In addition, in 2022, LG&E decided to retire the Doe Run underground storage
12 field, which is discussed in depth in my Direct Testimony in this proceeding. Closure
13 of the storage field likewise resulted in the retirement of the associated Doe Valley gas
14 transmission pipeline, which eliminated the need to incur \$2.3M in inline inspections
15 during the 2021-2025 period. These three reasons comprise the difference between the
16 historic budgeted and actual expense.

17 **Q. Please explain how the expenses that are booked to Account 863 for Maintenance**
18 **of Mains were forecast in this case.**

19 A. The forecast for main maintenance expense in this case was developed based upon the
20 2025 Business Plan. The 2025 Business Plan was developed in compliance with the
21 Mega Rule, and there are no anticipated changes to the integrity assessment frequency
22 intervals over the next few years.

1 Q. Please explain why LG&E has a high degree of confidence in its forecast expense
2 for maintenance of mains?

A. The frequency interval for inline inspections is mandated by federal regulation through the Mega Rule. As such, LG&E has a defined plan regarding which pipelines will be inspected each year. In addition, LG&E has already completed an initial inline inspection for nearly all of its gas transmission pipelines. As such, the Company has valuable data regarding the expenses associated with each inspection. Given the regulatory schedule and the Company's experience, LG&E has a high degree of confidence in the reasonableness of its forecast expense.

10 CONCLUSION

11 Q. Do you have a recommendation for the Commission?

12 A. Yes. I recommend that the Commission reject Mr. Futral's adjustment to Account 863
13 for Maintenance of Mains because LG&E's forecast is reasonable and well supported.

14 Q. Does this conclude your testimony?

15 A. Yes, it does.

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Tom C. Rieth**, being duly sworn, deposes and says that he is Vice President – Gas Operations for Louisville Gas and Electric Company and Kentucky Utilities Company and an employee of LG&E and KU Services 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.



Tom C. Rieth

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 24th day of September 2025.



Notary Public

Notary Public ID No. KYNPH646

My Commission Expires:

10-16-2028