

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

In the Matter of:

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

JOINT PETITION OF
KENTUCKY UTILITIES COMPANY AND
LOUISVILLE GAS AND ELECTRIC COMPANY FOR
RECONSIDERATION OF THE FEBRUARY 16, 2026 ORDERS

Pursuant to KRS 278.400, Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company (“LG&E”) (collectively, the “Companies”) hereby submit their Joint Petition for Reconsideration (“Petition”) of the Commission’s Orders filed in these proceedings on February 16, 2026 (“Final Orders”).¹ As set forth below, the Companies seek rehearing of the Final Orders to correct material errors and omissions and to correct findings that are unreasonable and unlawful.

¹ The Commission issued an order in KU’s proceeding, Case No. 2025-00113, and two separate orders for LG&E’s electric and gas operations in Case No. 2025-00114.

BACKGROUND

The Companies request reconsideration of the Final Orders that reject or modify integral components of the Stipulation that the Companies and eight intervenors negotiated in good faith. The revisions to the Stipulation reflected in the Final Orders materially alter the agreement reached by the Stipulating Parties. As a result, the Companies have notified the Stipulating Parties that they must withdraw from the Stipulation. The Companies cannot be bound to a stay-out period that was expressly premised on a framework the Commission has now rejected.

The Final Orders reject or modify nearly all key terms in the Stipulation. These include:

Issue	Rejection or Modification
ROE	<p>Reduces the 9.90% ROE on base rates to 9.775%, a 12.5 basis-point reduction.</p> <p>Reduces the 9.90% on capital riders to 9.675%, a 22.5 basis-point reduction.</p>
Adjustment Clauses	<p>Rejects Sharing Mechanism outright.</p> <p>Major revisions to Generation Cost Recovery Adjustment Clause that limits its scope, reduces the ROE, and caps costs irrespective of the prudence of incurring those costs.</p> <p>Limits recovery of Mill Creek 2 stay open costs.</p> <p>Rejects Renewable Power Purchase Agreement Adjustment Clause outright.</p> <p>Rejects shifting leak detection and repair costs to Gas Line Tracker Adjustment Clause.</p>
Capitalization and Rate Base	<p>Rejects use of capitalization methodology and disallows inclusion of regulatory assets and liabilities in rate base.</p> <p>Rejects the cash working capital calculation included in rate base.</p>
Deferral Accounting and Regulatory Assets	<p>Rejects the vegetation management expense deferral.</p> <p>Rejects changes to the de-pancaking deferral.</p> <p>Rejects inline inspection and well-logging expense deferral.</p>

	<p>Significantly narrows the storm damage restoration regulatory asset and liability.</p> <p>Significantly narrows the software implementation costs deferral.</p>
Operating Expense Adjustments	Rejects the inclusion of restricted stock units in the revenue requirement.
Qualifying Facilities and Net Metering	Rejects zero capacity costs for solar and wind Qualifying Facilities (“QFs”) notwithstanding uncontradicted evidence that QFs will neither avoid nor delay <i>any</i> least-cost resources for the Companies.
Rate Design and Tariff Provisions	Significantly narrows scope of default paperless billing without acknowledging the associated cost.

As set forth below, the Companies request reconsideration regarding many of these rejections or modifications and further request the Commission to approve the Stipulation in its totality.

ARGUMENT

I. The Stipulation Is Reasonable in its Totality Without Modification.

The Companies request the Commission reconsider its Final Orders that fundamentally restructure the Stipulation that the Commission itself held is “compelling” when viewed “holistically” based upon the extensive record developed in these proceedings.² Approving a reasonable Stipulation without modification is consistent with the Commission’s acknowledgement there is no one exact rate or set of rates that is objectively correct; rather, there

² KU Order at 18.

is a range of reasonableness,³ and it has approved settlements and stipulations that, holistically, fall within the bounds of reasonableness.⁴

The overall reasonableness of the Stipulation is apparent. First, the Commission has expressly acknowledged that it is compelling from an overall perspective. Second, the striking comparability between the revenue requirements negotiated by the Stipulating Parties and those calculated by the Commission illustrate that the Stipulation produces fair, just, and reasonable rates:

Utility	Stipulated Revenue Requirement (millions per year)	Commission’s Revenue Requirement (millions per year) ⁵	Percentage Difference
KU – Electric	\$132.0	\$128.48	-2.66%
LG&E – Electric	\$57.8	\$58.53	1.26%
LG&E – Gas	\$44.8	\$45.75	2.12%
Total	\$234.6	\$232.76	-0.78%

Remarkably, the difference in the revenue requirements calculated by the Commission varies *less than 1%* across the Companies from those in the Stipulation, so there is very little impact to

³ See, e.g., *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates*, Case No. 2021-00214, Order at 53 (Ky. PSC May 19, 2022) (“The Commission further finds that the proposed customer charges for the remaining rate classes are within the range of reasonableness and are approved.”); *Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates*, Case No. 2012-00221, Order at 6 (Ky. PSC Dec. 20, 2012) (“Likewise, the parties’ agreed-upon \$51,000,000 increase in KU’s electric revenues is within the range of reasonableness produced by the Commission’s ratemaking analysis”); *Adjustment of Rates of Kentucky-American Water Company*, Case No. 2008-00427, Order at 4-5 (Ky. PSC June 1, 2009) (“The signatories recommend rates that will produce additional annual operating revenues of \$10,300,000 and that are within the zone of reasonableness. We further find that the recommended tap fees are reasonable. . . . Kentucky-American’s Motion to Approve Settlement Agreement is granted.”); *Proposed Adjustment of the Wholesale Water Service Rates of the Frankfort Electric and Water Plant Board*, Case No. 96-595, Order at 2 (Ky. PSC Aug. 11, 1997) (“Having considered the Settlement Agreement and being otherwise sufficiently advised, the Commission finds that the agreed rate falls within the zone of reasonableness and should be approved.”).

⁴ See, e.g., Case No. 2012-00221, Order at 7 (Ky. PSC Dec. 20, 2012) (“Based on its review of the provisions of the Settlement and the exhibits attached thereto; the voluminous record, including intervenor testimony and data responses; and the public comments, the Commission finds that the provisions of the Settlement are in the public interest and should be approved. The Settlement is the product of arms’- length negotiations involving many hours over several days among knowledgeable, capable parties. Approval of the Settlement is based solely on its reasonableness in total and does not constitute precedent on any issue except as specifically provided for therein.”).

⁵ See “Rate Increase” at the bottom of Appendix C in each of the Final Orders. Note, however, that the “Rate Increase” at the bottom of Appendix C differs from the “Revenue Increase” calculation at the top of Appendix C.

customers. However, the impact to the Companies is significant. The minor variance between the revenue requirements demonstrates that the Stipulation is *per se* reasonable.

Additionally, the Stipulation represents the diverse interests and perspectives of all customers: particularly residential customers, by the AG; commercial customers by Kroger and Walmart; industrial customers by KIUC; municipal customers by LFUCG and Louisville Metro; and federal interests by DOD-FEA. The Stipulation also has Sierra Club's support. The Stipulation provides a balanced, detailed, and comprehensive recommendation for the resolution of the issues from parties with wide-ranging and often diverging interests. As part of these negotiations, the Companies agreed to material customer benefits that could not be ordered by the Commission—most prominently, a two-and-a-half-year base rate stay out.

The Commission has considered the reasonableness of settlements by performing its own ratemaking analysis and then analyzing whether its results are consistent with—as opposed to identical to—those agreed to by the parties. For example, in the Companies' 2012 rate cases, the Commission held that its “analysis indicates that a reasonable range for KU's ROE is 9.6 percent to 10.6 percent, with a midpoint of 10.1 percent. The 10.25 percent ROE agreed upon by the parties to the Settlement falls within this ROE range.”⁶ The Commission ultimately concluded that “the provisions in the Settlement will produce a revenue requirement and increases in base rates *consistent with* those justified by our traditional ratemaking analysis,” and noted that the settlement “is the product of arms'-length negotiations involving many hours over several days among knowledgeable, capable parties.”⁷ The same analysis compels the same conclusion here.

⁶ *In the Matter of: Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates* (Case No. 2012-00221) (Ky. PSC Dec. 20, 2012) at 4-5.

⁷ *Id.* (emphasis added).

The revenue requirements reflected in the Stipulation closely align with those derived from the Commission's own calculations. The extensive, arms'-length negotiations among experienced and well-informed parties further confirms that the Stipulation is reasonable. The Commission, however, evaluated each term in the Stipulation against the intervenors' pre-compromise positions and determined whether the Stipulation or the initial position was preferable. Critically, not once did the Commission find the Companies' pre-compromise position more reasonable than its compromise reflected in the Stipulation. And, in several instances, the Commission relied upon the pre-compromise position of intervenors who signed the Stipulation to reject aspects of the Stipulation that those intervenors supported. Given these outcomes, there is no room for difference of opinion regarding the unreasonableness of the Commission's decisions.⁸

The Companies acknowledge that the Commission must exercise its own judgment to determine whether a stipulation is reasonable. When, as here, parties submit a stipulation that (1) produces fair, just, and reasonable rates; (2) was the product of good faith arms'-length negotiation among ten parties; and (3) provides benefits to customers that could not be obtained absent such an agreement, the Companies respectfully urge the Commission to approve it as-filed.

When the Commission rewrites or rejects nearly every material term of a negotiated stipulation, it eliminates any meaningful incentive for utilities and intervenors to pursue collaborative resolutions in future proceedings. From the Companies' perspective, discouraging collaboration does not serve customers. On the contrary, it jeopardizes the substantial, customer-focused benefits that are achievable only through compromise and negotiation—benefits that will be lost if parties conclude that stipulated agreements will be rejected.

⁸ *Energy Regulatory Comm'n v. Kentucky Power Co.*, 605 S.W.2d 46 (Ky. App. 1980).

The Companies also recognize that the Commission is not obligated to accept a stipulation. However, they believe it is important to be candid about the practical consequences of materially restructuring negotiated agreements. If agreements can be fundamentally rewritten despite being supported by the record and the majority of the parties, the predictable result will be fewer negotiated outcomes and more protracted, adversarial proceedings—an outcome that ultimately disserves all stakeholders.

II. The Commission Relies on Out-of-Record Evidence to Support Its Rejections and Modifications to the Stipulation.

The Commission’s restructuring of the Stipulation is inconsistent with its own conclusions, particularly where it deemed the agreement “holistically” “compelling” and independently calculated revenue requirements that mirror the Stipulating Parties’ agreed-upon figures. The Commission’s explanation is that it “cannot artificially blind itself to the realities on the ground” with regard to “uncertainty” in economic development projects when assessing the reasonableness of the Stipulation.⁹ The Commission cites three sources regarding the “realities on the ground:”¹⁰

- A WLKY news article from July 3, 2025 regarding discontinuance of a plan for a data center in Oldham County. This article was released during the pendency of the proceedings but was not introduced as evidence.¹¹
- A broken link to what appears to be a WYMT news article regarding Blue Oval. Attempting to access the cited source yields “Page Not Found.” It was not introduced in evidence.¹²
- A news release prepared by the Kentucky Education and Labor Cabinet on January 8, 2026 regarding the November 2025 Unemployment Report. The article was released two months after the evidentiary hearing in these cases and was not introduced as evidence thereafter.¹³

⁹ KU Order at p. 18-19, fn 81.

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

After citing these sources, the Commission states that it considered this information “when it comes to considering this, and other cases. Ratepayers require nothing less.”¹⁴

The Commission’s decision to reject or modify nearly all the key terms in the Stipulation based upon uncertainty with regard to economic development and energy demand is perplexing for several reasons. First, the nearly 400-page orders make no mention of evidence provided by John Bevington, Senior Director, Business and Economic Development on behalf of the Companies, who sponsored data responses and testified at the evidentiary hearing regarding the economic development projects that are relevant to these proceedings. Second, the Final Orders do not hold that KU’s or LG&E’s projected operating revenues, load growth, or customer counts, are unreliable, overstated, or understated—in fact, the Commission expressly finds this information reasonable:

The Commission finds that KU’s forecasted test year operating revenues are based on reasonable methodology that is consistent with how KU has forecasted its test-year revenues in its past rate cases. The Commission further finds that KU’s projected customer growth in the forecasted test year is reasonable and consistent with historical growth trends. KU’s projected load forecast is based on known and measurable changes that are coming to KU’s service territory.¹⁵

The Commission made comparable findings in the LG&E electric¹⁶ and gas¹⁷ orders. Third, the Commission approved the Extremely High Load Factor tariff that ensures customers with large demands and high load factors have terms and conditions of service that are appropriate for its usage characteristics.

¹⁴ *Id.*

¹⁵ KU Order at 23-24.

¹⁶ LG&E Electric Order at 24.

¹⁷ LG&E Gas Order at 21.

Despite this, the Commission considered out-of-record evidence to materially restructure the Stipulation. Doing so deprived the Companies of the ability to consider and respond to this evidence, some of which did not exist until two months after the evidentiary hearing in this case concluded. The Kentucky Supreme Court has held that in an evidentiary hearing before an administrative agency, “[T]he parties must have the opportunity to subject all evidence to close scrutiny so as to determine its trustworthiness.”¹⁸ Procedural due process requires the administrative agency to take and weigh evidence offered into the record, make a finding of fact based upon consideration of the evidence, and issue an order supported by substantial evidence.¹⁹ Here, the Companies had no opportunity to subject the unemployment data or articles (one of which is inaccessible) to close scrutiny and explain the impact of that information on the Stipulation the parties submitted.

The Final Orders contain no relevant findings and cite no record evidence supporting the Commission’s conclusions regarding economic development or demand “uncertainty.” In the absence of any such record support, the Stipulating Parties are left to conclude that extra-record material—together with unspecified information the Commission declined to “artificially blind itself” to—formed the basis for the fundamental restructuring of the Stipulation. Reliance on evidence outside the record to alter the parties’ agreement has deprived the Companies of the due process to which they are entitled.

III. The Sharing Mechanism Is Essential to the Stay-Out Agreement.

The Stipulation includes significant items of consideration that support its reasonableness, including the Companies’ more than two-and-a-half-year base rate stay-out commitment. The Companies will continue making significant capital expenditures during the stay-out period,

¹⁸ *Kaelin v. City of Louisville*, 643 S.W.2d 590, 591 (Ky. 1982).

¹⁹ *Morris v. City of Catlettsburg*, 437 S.W.2d 753, 755 (Ky. 1969).

including investments in generation, transmission, distribution, and information technology to enable the Companies to continue providing safe and reliable service. In light of these substantial expenditures, the Stipulating Parties recognized that two new tariff mechanisms are necessary to prevent erosion of the Companies' financial position during the stay-out period or, in the event the Companies over-earn during the stay-out period, to provide sharing with customers: (1) a Generation Cost Recovery Adjustment Clause and (2) a Sharing Mechanism Adjustment Clause ("Adjustment Clause SM"). As the Companies explained in the evidentiary hearing and their Post-Hearing Brief, these mechanisms are wholly integral to the Stipulation, as without them the Companies cannot maintain their financial health without filing another base rate case during the stay-out period, particularly with Mill Creek 5 estimated to commence service in mid-2027.²⁰

The Stipulating Parties proposed Adjustment Clause SM to be in effect from and including July 1, 2027, for thirteen months (i.e., through and including July 31, 2028) to account for any base rate revenue deficiency or surplus during that portion of the base rate stay-out relative to an ROE deadband of 9.40% to 10.15%. Critically, the ROE deadband is asymmetrical relative to the stipulated 9.90% ROE; the top end of the deadband is just 25 basis points above the stipulated ROE, but the bottom end of the deadband is 50 basis points below the stipulated ROE. Notably, the deadband is perfectly symmetrical relative to the 9.775% ROE the Commission found reasonable, further supporting the reasonableness of Adjustment Clause SM (though the 9.775% ROE is too low).

²⁰ November 3, 2025 Hearing, 2:15:46 p.m. – 2:16:08 p.m. (Conroy) ("With the stay-out, both of these mechanisms are critical for the Companies to be able to stay-out. Absent these mechanisms, given the significant investment in generation and the in-service dates of particularly Mill Creek 5, which is middle of 2027, the Companies would have to be filing rate cases within the next year.").

The Commission denied Adjustment Clause SM in its entirety, due to “large bill increases”²¹ that may occur during the 2027-2028 time period and the Commission’s determination there is no value in Adjustment Clause SM “as opposed to a full rate case.”²² The Companies urge the Commission to reconsider its rejection of Adjustment Clause SM. The Companies respectfully disagree that an Adjustment Clause SM review is akin to a full rate case; the latter requires considerably more time and cost by all interested parties. Indeed, the Commission should consider that (1) the alternative to Adjustment Clause SM is at least one full-blown base rate case and (2) the Commission has not authorized an ROE as low as 9.40% in many years; certainly, the Companies would not seek such a low ROE in a base rate case in what would otherwise be the stay-out period. At the evidentiary hearing, Staff Counsel asked Mr. Garrett whether the Companies expected to underearn at a rate lower than 9.40%. Mr. Garrett said such underearning was “likely,” given the Companies’ extensive capital investments that are outside the generation projects eligible for inclusion in the generation tracker.²³

As such, Adjustment Clause SM would not increase customer bills unless the Companies’ earned ROE falls below 9.40% during the stay-out period. Accordingly, any potential bill impact would occur only if the Companies’ financial performance deteriorated to a level materially below the returns the Commission has consistently found reasonable in these and all other recent proceedings. Such an adjustment would not provide a windfall; it would merely prevent the Companies from operating at returns the Commission itself has long recognized as inadequate. Lastly, Adjustment Clause SM afforded the Companies the opportunity to delay any potential bill impact until after the stay-out period as any potential under-earning would be recorded but not

²¹ KU Order at 153.

²² KU Order at 153.

²³ November 4, 2025 Hearing, 3:38:13 pm – 3:40:00 pm (Garrett).

billed immediately. This benefit will no longer be afforded to customers should the Companies instead file a rate case.

IV. Narrowing the Generation Cost Recovery Adjustment Clause Is Unnecessary and Deprives the Companies Prudent Cost Recovery.

The proposed generation cost recovery clause is a new tariff mechanism that will recover all non-fuel costs of such assets and any incremental capital additions. The Stipulation requests the Commission to approve the mechanism itself and approve including in the mechanism all new generation and energy storage assets approved by the Commission but not yet in service as of the date of the final order in these proceedings.²⁴

The Commission approved the mechanism with multiple modifications. First, the Commission changed the name to Pilot Generation Recovery Adjustment Clause (“PGR Clause”) to reflect the Commission’s conversion of the mechanism to a pilot program.²⁵ Second, the Commission lowered the ROE from 9.90% to 9.675% for costs recovered through the PGR Clause. Finally, the Commission limited the costs that can be included in the PGR Clause to the estimations provided in Case No. 2022-00402 and 2025-00045.²⁶ Given that the Commission will review costs that are proposed to be recovered through the PGR Clause, in addition to the monitoring requirements imposed in those CPCN cases, limiting the costs to estimations from prior cases (including estimates that are four years old) is unreasonable, unnecessary, and deprives the Companies of the opportunity to recover their costs to serve customers.

V. Moving from Capitalization to Rate Base without Adequate Notice Deprives the Companies Cost Recovery and the Opportunity to Earn the Authorized ROE.

²⁴ Stipulation ¶ 6.1

²⁵ KU Order at 148.

²⁶ KU Order at 149-150.

The Companies’ return component of the revenue requirements has been calculated on the capitalization methodology for at least 40 years. In these cases, the AG-KIUC filed testimony stating that some utilities utilize the rate base methodology, instead of capitalization, reflecting the same position they have presented in prior proceedings.²⁷ In rebuttal testimony, the Companies stated that the capitalization methodology is more straightforward, eliminates the need for theoretical adjustments, is the most complete valuation, and if rate base is adjusted appropriately, there should be no material difference between the rate base and capitalization calculations.²⁸ One of the good faith compromises the Stipulating Parties reached is the Companies’ capitalizations will be used as the return component for the calculation of the revenue requirements in *these* cases and the Companies will present rate base calculations with regulatory assets and liabilities included in their *next* base rate cases.²⁹

The Commission rejected this agreement and found that the Companies’ revenue requirements in these proceedings should be calculated based on rate base instead of capitalization. As implemented by the Commission, this change, coupled with the cash working capital adjustments, results in the disallowance of \$244³⁰ million of invested capital. There is no evidence in the record that supports the conclusion that the Companies are financing \$244 million of imprudent or non-utility investments; indeed, the Commission did not state any portion of the \$244 million was imprudent, and it would be very odd for the Companies to have \$244 million of

²⁷ Kollen Corrected Direct Testimony at 11-17; *See, e.g., In the Matter of: Electronic Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates, a Certificate of Public Convenience and Necessity to Deploy Advanced Metering Infrastructure, Approval of Certain Regulatory and Accounting Treatments, and Establishment of a One-Year Surcredit (Case No. 2020-00349) Direct Testimony of Lane Kollen (March 5, 2021) at p. 34-40.*

²⁸ Garrett Rebuttal Testimony at 2.

²⁹ KU/LG&E Stipulation Testimony at 24.

³⁰

		KU	LGEE	LGEG	Total
Rate Base vs Capitalization Difference	Garrett Rebuttal: Exhibit CMG-1	90,070,548	(5,403,469)	46,043,151	130,710,230
CWC Adjustments	Final Order at 95, 99, and 73, respectively	63,242,014	41,315,986	8,653,228	113,211,228
Total Rate Base vs Capitalization Difference		153,312,562	35,912,517	54,696,379	243,921,458

jurisdictional but non-utility capital when they have no non-regulated business. This shows the deep flaws in the rate base approach the Commission has ordered here. By excluding fuel inventory costs and other “non-cash” items from cash working capital, as well as regulatory assets, from rate base, the resulting difference between rate base and capitalization is unreasonable and leaves no room for difference of opinion among reasonable minds.” In short, the Commission’s approach to implementing rate base is a material adverse change that denies prudent cost recovery and is expected to prevent the Companies from achieving either the stipulated ROE or the lower ROE prescribed in the Final Orders.

In addition to abruptly changing the method of calculating the Companies’ return component of the revenue requirement from capitalization to rate base, the Commission also excluded the Companies’ regulatory assets and liabilities from its rate base, stating “excluding regulatory assets and liabilities from rate base shares the benefit of these deferrals between shareholders and ratepayers.”³¹

The Commission’s decision is unreasonable. The Companies agreed to present a rate base methodology in their next rate cases based on the Stipulating Parties’ shared recognition that a change in methodology requires careful review and calculation to ensure that the resulting rate base is fair and accurate. The Commission has approved the capitalization method for more than forty years and no party presented a novel argument in these cases that capitalization is inappropriate. Providing the Companies with a reasonable period to prepare for and implement a fundamental shift away from that longstanding framework is not only practical—it is necessary. By rejecting the Stipulation, the Commission has denied the Companies a transition period and

³¹ KU Order at 94.

imposed an abrupt methodological change without affording the time required to ensure its proper implementation.

This problem is compounded by excluding Commission-approved regulatory assets and liabilities from rate base, while at the same time, including the associated accumulated deferred income taxes (“ADIT”). This creates an unreasonable inconsistency: the Companies are being *denied* a return while customers are *receiving* a return (on the associated ADIT).³² This is neither fair nor reasonable, and this mismatch must be remedied. Furthermore, the Companies would never have agreed to, nor proposed lengthy³³ and asymmetrical³⁴ amortization periods, for regulatory assets and liabilities had it anticipated the Commission would abruptly reverse course causing financial harm. If the Commission does not reconsider this position and include regulatory assets and liabilities in rate base, it risks increasing costs for customers in the future as the Companies will no longer be able to offer extended recovery periods to serve to benefit customers for these types of costs.³⁵

³² Unless the Commission reconsiders its orders, the Companies will be denied an annual return of \$11.0 million while customers will receive a return of \$2.7 million. If regulatory assets and liabilities are permitted inclusion in rate base, an increase of \$11.0 million is needed to the revenue requirement. If regulatory assets and liabilities are not permitted inclusion in rate base, an increase of \$2.7 million is needed to the revenue requirement.

		KU	LGEE	LGEG	Total
Regulatory Assets/Liabilities included in Rate Base	Garrett Rebuttal: Exhibit CMG-2 (Tab CMG-2 Detail)	83,142,266	34,841,833	17,670,349	135,654,448
Less: Other Reg Assets CPCN Generation	Garrett Rebuttal: Exhibit CMG-2 (Tab CMG-2 Detail)	5,354,702	4,937,862	-	10,292,564
Adjusted Regulatory Assets/Liabilities		77,787,564	29,903,971	17,670,349	125,361,884
Jurisdictional Factor		93%	100%	100%	
Jurisdictional Regulatory Assets/Liabilities included in Rate Base		72,544,682	29,903,972	17,670,350	120,119,004
Weighted Average Cost of Capital - per Final Order		9.15%	9.16%	9.16%	
Regulatory Assets/Liabilities Revenue Requirement Impact		6,640,104	2,739,687	1,618,890	10,998,680
Regulatory Assets/Liabilities Revenue Requirement Impact		6,640,104	2,739,687	1,618,890	10,998,680
Tax Rate		24.95%	24.95%	24.95%	24.95%
ADIT Revenue Requirement Impact		1,656,706	683,552	403,913	2,744,171

³³ The amortization period is 5 years or greater for the vast majority of regulatory assets and liabilities (15 years for AMI regulatory assets and certain IT software implementation costs).

³⁴ For example, 15 years for AMI regulatory assets and 5 years for AMI regulatory liabilities.

³⁵ See Final Orders at 104, 108, and 75 for KU, LG&E Electric, and LG&E Gas, respectively. “To be clear, the Commission recognizes this accounting treatment benefits rate payers...”

Finally, the exclusion is inconsistent with the Commission’s prior treatment of this issue. For example, in Case No. 2021-00190 involving Duke Energy, Kentucky, Inc., the Commission approved a stipulation that amortized software implementation and a “regulatory asset [was] created and ***included in rate base*** to defer and amortize the developmental Customer Connect and retired CMS O&M expense.”³⁶ In Case No. 2024-00354, a recent Duke rate proceeding, it appears that the only regulatory asset or liability the Commission removed from rate base is rate case expense.³⁷ The Companies request rehearing of the erroneous calculation of rate base.

VI. Denying LG&E Recovery of Its Mill Creek 2 Stay Open Costs Is Unreasonable.

Prior to these rate proceedings, the Companies sought CPCNs from the Commission to construct two natural gas combined cycle combustion turbine facilities, a battery energy storage system, and a selective catalytic reduction facility (“CPCN Case”).³⁸ The Stipulating Parties in the CPCN Case agreed to a life extension for Mill Creek 2.³⁹ To facilitate the life extension, the stipulation in the CPCN case included Adjustment Clause MC2, which is a tariff provision that enables LG&E to recover the incremental costs associated with extending the operational life of Mill Creek 2 beyond its previously planned retirement date.⁴⁰ Neither LG&E’s current rates nor the rates proposed in these rate proceedings includes the stay-open costs associated with extending

³⁶ *In the Matter of: Electronic Application 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) (Ky. PSC Dec. 28, 2021) at 4 (emphasis added).

³⁷ *In the Matter of: Electronic Application of Duke Energy Kentucky, Inc. for: 1) an Adjustment of the Electric Rates; 2) Approval of New Tariffs; 3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 4) All Other Required Approvals and Relief* (Case No. 2024-00354) (Ky. PSC Oct. 2, 2025) at Appendix A.

³⁸ *In the Matter of: Electronic Application of Kentucky Utilities Company and Louisville Gas and Electric Company for Certificates of Public Convenience and Necessity and Site Compatibility Certificates* (Case No. 2025-00045).

³⁹ Joint Supplemental Testimony at 12.

⁴⁰ *Id.*

Mill Creek 2's life.⁴¹ Adjustment Clause MC2 would recover only those incremental non-fuel costs that are not otherwise recovered through base rates or other cost recovery mechanisms.⁴²

In the CPCN Case, the Commission agreed, finding that “extending Mill Creek 2 for a short period has the potential for real upside for ratepayers and will allow LG&E/KU greater flexibility in meeting the growing needs of new customers.”⁴³ The Commission did not approve Adjustment Clause MC2 in the CPCN Case but encouraged the Companies to provide more evidence regarding the adjustment clause, which the Companies did in these cases through supplemental testimony. Also, the Companies expressly requested regulatory asset approval for these costs in the CPCN Case, but the Commission's order did not address the request for deferral accounting, which required the Companies to make the request a second time in the rate cases.

In its Final Order here, the Commission reiterated that “the short-term continued operation of Mill Creek 2 could be beneficial to customers, and LG&E will need to invest in Mill Creek 2 to maintain operation of the plant.”⁴⁴ The Commission further acknowledged that “Because the test-year did not anticipate the continued use of Mill Creek 2, there are no incremental costs to extend the life of Mill Creek 2 in base rates.”⁴⁵ The Commission denied Adjustment Clause MC2, and incorporated the costs into the PGR Clause.⁴⁶ However, the Commission limited rider recovery for “expenses incurred after the date of this order,” and further held that recovery of “stay open costs already incurred should be denied as the rider was not established and this request would result in retroactive ratemaking.”⁴⁷

⁴¹ *Id.*

⁴² *Id.*

⁴³ *Electronic Application of Kentucky Utilities Company and Louisville Gas and Electric Company for Certificates of Public Convenience and Necessity and Site Compatibility Certificates*, Case No. 2025-00045, Order at 159 (Ky. PSC Oct. 28, 2025)

⁴⁴ LG&E Electric Order at 151.

⁴⁵ *Id.* at 151-52.

⁴⁶ *Id.*

⁴⁷ *Id.*

The Commission’s disallowance of Mill Creek 2 stay-open costs incurred prior to its February 16, 2026 Order is unreasonable and arbitrary.⁴⁸ The Commission has *twice*⁴⁹ determined that continued operation of Mill Creek 2 benefits customers. It necessarily follows that the prudently incurred costs required to keep the unit operating during that period are reasonable and should be recoverable through the PGR Clause. Conditioning recovery solely on the date of the Commission’s order lacks any rational basis and unnecessarily penalizes the Company for making timely investments required to preserve the reliability of Mill Creek 2. Had the Commission issued the Final Order two weeks earlier or two weeks later, the amount of recoverable costs would fluctuate based on timing alone; not on prudence, not on customer benefit, and not on any change in underlying facts.

Moreover, the Commission expressly held in October 2025—four months *before* the Final Order—that continued operation of Mill Creek 2 benefits customers. The Final Order did not create a new circumstance; it merely reiterated an existing determination. There is no principled basis to deny recovery of prudently incurred costs during a period when the Commission had already concluded the unit’s operation served the public interest.

The Commission’s disallowance of the stay-open costs is similar to its disallowance of Kentucky Power’s transmission expense, which was held unlawful and unreasonable by the Franklin Circuit Court.⁵⁰ The Court held, “Kentucky Power is entitled by law to recover from customers its cost of providing service, plus the opportunity to earn a reasonable return...the requested adjustment would have had the effect of ensuring that Kentucky Power was recovering

⁴⁸ Actual stay-open costs incurred through February 15, 2026 are approximately \$7.5 million.

⁴⁹ Case No. 2025-00045, Oct. 28, 2025, Order at 129; LG&E Order at 151-152.

⁵⁰ *Kentucky Power Company v. Public Service Commission, et al.*, Franklin Circuit Court Civil Action No. 24-CI-00160 (Jan. 22, 2025 Order).

from its customers the Transmission Expense that Kentucky Power itself was already paying.”⁵¹ The same result is merited here. The Mill Creek 2 stay open costs are being incurred by the Companies to provide service, and the Commission has twice held that the continued operation of the unit benefits customers. Disallowing these expenses is an unreasonable and unlawful penalty.

Finally, the concern regarding retroactive ratemaking is misplaced. For example, it is not unusual for the Commission to approve regulatory asset treatment for significant storm costs which have occurred in the past. Under the PGR Clause, there are frequent opportunities for the Commission to review, approve, or disallow the expenses included in the mechanism. The Commission therefore retains full oversight and authority with respect to all Mill Creek 2 stay-open costs, regardless of whether those costs were incurred before or after the date of the Final Order.

VII. The Reduction to the ROE Is Unreasonable.

The Stipulating Parties agreed to a ROE of 9.90% for the Companies’ base rates and capital riders. The Commission modified the ROE in the Final Orders, reducing the ROE on base rates to 9.775% and 9.675% for capital riders. The Commission states that the stipulated two-and-a-half year stay out “presents greater financial risk to LG&E/KU,” but that risk is “significantly diminished” by the scaled-down PGR Clause the Commission approved.⁵² The Commission concluded that “any increased risk LG&E/KU is assuming for the volatility in the remaining costs it expects to incur over the next two and a half years does not warrant *such an increase* in its allowed return.”⁵³

⁵¹ *Id.* at 6.

⁵² *Id.* at 137.

⁵³ *Id.* (emphasis added).

The Commission does not explain what “such an increase” means nor is it evident from the record. If the Commission is comparing the 9.90% stipulated ROE to the most recently approved ROE for the Companies, which is 9.425%, context is required. The 9.425% ROE was established in the Commission’s final orders in Case Nos. 2020-00349 and 2020-00350, which it issued nearly five years ago. The Companies provided substantial evidence in these proceedings regarding the significant changes in the financial markets, including inflation and higher interest rates, that require a higher ROE than was reasonable in 2020.

Moreover, the ordered 9.775% ROE is also lower than ROEs recently awarded or approved by the Commission. For example, in October 2025, the Commission awarded a ROE of 9.8% for Duke Energy’s Kentucky, Inc.’s electric operations.⁵⁴ Then in December 2025, the Commission approved a stipulated ROE of 9.80% for Duke Energy Kentucky, Inc.’s gas operations, with a stay-out agreement similar to the term the Stipulating Parties agreed to in these cases.⁵⁵ The Commission approved Duke’s stipulated ROE even though “Joint Stipulation ROEs fall above what would have been authorized in the absence of a Joint Stipulation agreement.”⁵⁶ It is further unclear why the Commission rejected the Companies’ stipulated ROE while accepting Duke’s stipulated ROE that was likewise “above” what the Commission would have otherwise ordered.

The Commission further reduced the ROE for the Companies’ mechanisms to 9.675%. The evidence in the record does not support the Commission’s finding that the mechanisms reduce the Companies’ risk. Mr. D’Ascendis provided uncontested data demonstrating that mechanisms are

⁵⁴ *In the Matter of: Electronic Application of Duke Energy Kentucky, Inc. for: 1) an Adjustment of the Electric Rates; 2) Approval of New Tariffs; 3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 4) All Other Required Approvals and Relief* (Case No. 2024-00354) (Ky. PSC Oct. 2, 2025) at 51.

⁵⁵ *In the Matter of: Electric Application of Duke Energy Kentucky, Inc. for 1) an Adjustment of the Natural Gas Rates; 2) Approval of the Natural Gas Rates; and 3) All Other Required Approvals, Waivers, and Relief* (Case No. 2025-00125) (Ky. PSC Dec. 23, 2025) at 16.

⁵⁶ *Id.* at 16.

overwhelmingly common for both his natural gas and electric utility proxy groups.⁵⁷ He further explained that “several studies show that rate stabilization mechanisms do not materially affect the investor-required return for those companies.”⁵⁸ Moreover, Mr. D’Ascendis testified at the evidentiary hearing that he is not aware of any other state commission that systematically reduces the ROE for mechanisms as compared to the ROE for base rates, rendering the Commission’s position an outlier that is inconsistent with the substantial empirical evidence supporting a consistent ROE for base rates and mechanisms.⁵⁹

VIII. Failing to Add Back the Savings Differential Associated with Paperless Billing Is Unreasonable.

No party objected to the Companies’ proposal to move all existing customers for whom they have an email address on file to paperless billing as well as making paperless billing the default option for all new customers requesting service.⁶⁰ Despite this, the Commission rejected the Companies’ proposal with regard to existing customers.⁶¹ By rejecting this portion of the proposal, the Companies’ billing costs will be approximately \$761,526 greater than projected in the test year.⁶² It does not appear that the Commission included this increase in the revenue requirements it calculated. Failing to do so is unreasonable because the Companies should be permitted to recover the mailing costs associated with customer bills.

IX. Rejecting the Inclusion of Restricted Stock Units in the Revenue Requirement Is Unreasonable.

⁵⁷ D’Ascendis Direct at 66-67 and Exhibit DWD-12.

⁵⁸ *Id.* at 68.

⁵⁹ November 4, 2025 Hearing, 1:41:30 p.m. (D’Ascendis).

⁶⁰ KU Order at 256.

⁶¹ *Id.* at 256-57.

⁶² *Id.*

The Stipulating Parties agreed to include the expense associated with restricted stock units (“RSUs”) as part of compensation expense.⁶³ The Companies explained that RSUs are an employee retention tool; RSUs issued to an employee do not vest upon issuance and instead only fully vest if the employee remains with the company three years after they are issued.⁶⁴ Unlike incentive compensation that is dependent on or tied to financial measures, the only prerequisite to the award of RSUs is tenure with the company, making them solely a time-based measure rather than a financial measure.⁶⁵

Although the Stipulating Parties agreed to include this expense in the Companies’ revenue requirements, the Commission rejected it on the ground that it was “not moved” that the awards are solely a time-based measure.⁶⁶ The Commission speculated that “the mere fact of an employee receiving PPL stock incentivizes that employee entirely to perform more work at the benefit of PPL shareholders.”⁶⁷ The Commission’s conclusion is unsupported by any evidence in the record. It rests on conjecture about employee motivation as there is no testimony or documentation demonstrating that RSUs are tied to shareholder benefit. By contrast, the record establishes that the RSUs are time-based awards designed to promote employee retention. Their purpose is to encourage continuity and stability in the workforce, which directly benefits customers by supporting operational reliability and institutional knowledge. Rejecting this portion of the Stipulation based on speculation rather than evidence is unreasonable and contrary to the record.

X. Limiting Regulatory Asset Treatment for IT Costs to Calendar Year 2026 Costs Is Unreasonable.

⁶³ Approximately \$1.9 million, \$1.3 million and \$0.5M for KU, LG&E Electric, and LG&E Gas, respectively, included in compensation expense.

⁶⁴ Poplaski Rebuttal Testimony at 3.

⁶⁵ *Id.* at 4.

⁶⁶ KU Order at 44.

⁶⁷ *Id.*

The Companies are implementing software throughout their enterprise because many of the legacy systems are reaching or have reached obsolescence. In their applications, the Companies proposed to defer the software implementation expenses and amortize the resulting regulatory asset over the lives of the underlying software.⁶⁸ The Companies explained that the software implementation costs would continue through 2029.⁶⁹ No intervenor objected to this request, and it was included in the Stipulation as part of the catch-all provision.⁷⁰

The Commission concluded that “deferral accounting should be approved because otherwise the implementation costs would be expensed in a single year” and “the Commission recognizes this accounting treatment benefits rate payers.”⁷¹ Despite noting the clear benefits of utilizing deferral accounting for the software implementation costs, the Commission—without explanation—approved deferral accounting “only for the amounts through December 31, 2026.”⁷² The Companies explained that these costs will be incurred through 2029, and the customer benefits of amortizing these expenses applies equally to costs incurred in 2026 as those incurred in 2027 and beyond. The Companies request the Commission reconsider this finding and allow customers to benefit from deferral accounting for all the relevant costs set forth in the Companies’ applications.

XI. The Calculation of Qualifying Facilities Avoided Capacity Costs Erroneously Assumes Baseload Capacity Will be Avoided.

The Companies utilize a zero avoided value for avoided capacity for wind and solar qualifying facilities (“QF”). The Companies explained that if they do not actually avoid costs commensurate with the rates paid to QF, then all customers—who pay the costs associated with

⁶⁸ Garrett Direct Testimony at 10–12.

⁶⁹ *Id.* at 11.

⁷⁰ Amended Stipulation at 2.

⁷¹ KU Order at 104.

⁷² *Id.* at 104-105.

purchases under these rates in nearly real-time through the FAC as purchased power—will bear the burden of the overpayment.⁷³ The stipulated rates for large qualifying facilities (LQF) and small qualifying facilities (SQF) were based on a zero avoided value.⁷⁴

The Commission found the zero avoided capacity cost to be unreasonable because of the Companies' expected load growth and planned generation projects.⁷⁵ The Commission's conclusion is incorrect. The Companies explained they do not have seasonal or peak avoided capacity costs, do not participate in RTOs' seasonal capacity auctions, and costs associated with capacity are the same in all hours.⁷⁶

Moreover, the Commission justifies its rejection of the otherwise persuasive Stipulation by citing alleged uncertainty regarding load growth and economic development. Yet in the same Final Orders, the Commission accepts the Companies' projected load growth and planned generation projects when rejecting the Companies' calculation of avoided capacity costs. It is arbitrary and unreasonable to deem the Companies' load growth projections unreliable for purposes of rejecting the overall Stipulation, while simultaneously treating those same projections as credible when rejecting the Companies' avoided cost calculations. The Companies request the Commission reconsider its inconsistent reasoning.

XII. The Commission's Requirement for the Companies to Include a Jobs Benefit Component in NMS-2 Rates Is Contrary to Law.

Although the Commission's Final Orders accept the Stipulation's position concerning keeping existing Rider NMS-2 rates at their current levels,⁷⁷ which do not include any amount of

⁷³ Id. at 190.

⁷⁴ Id. at 190-191.

⁷⁵ Id. at 201-203.

⁷⁶ Schram Rebuttal Testimony at 6.

⁷⁷ See, e.g., KU Final Order at 302 ("The Commission also approved the Stipulation regarding the NMS-2 tariff, which keeps the avoided cost credit at its current level."); LG&E Electric Final Order at 310 ("The Commission also approved the Stipulation regarding the NMS-2 tariff, which keeps the avoided cost credit at its current level.").

jobs benefits, the Commission also asserts the Companies should “follow through with evaluating these benefits as previously ordered” and claim the Companies “had the opportunity to contest the Commission’s Order in the previous case[s] but chose not to do so.”⁷⁸ Although the Companies did not seek rehearing or appeal of the jobs benefit issue in their 2020 rate cases, the Companies did argue in their 2020 rate cases that the Commission lacks jurisdiction over jobs-related benefits and therefore lacks any authority to require supposed jobs benefits of distributed solar to be included in net metering rates.⁷⁹ What was true then remains true now: The Commission is a creature of statute and therefore has limited jurisdiction.⁸⁰ The Commission itself has stated that its jurisdiction does not extend to “non-energy factors that do not affect rates or service,”⁸¹ and it has further stated that where it lacks such jurisdiction over such matters, it has no authority to require utilities to account for them in rate-related calculations.⁸² To put the matter plainly, whatever jobs benefits distributed generation may provide, if any, they have no effect on the Companies’ rates or service and are therefore outside the Commission’s jurisdiction, including

⁷⁸ KU Final Order at 233-34; LG&E Electric Final Order at 242.

⁷⁹ See Case Nos. 2020-00349 and 2020-00350, Companies’ Post-Hearing Brief at 33-36 (Sept. 7, 2021).

⁸⁰ See, e.g., *Boone County Water v. Public Service Com’n*, 949 S.W.2d 588, 591 (Ky. 1997) (“The PSC is a creature of statute and has only such powers as have been granted to it by the General Assembly.”); *South Central Bell v. Utility Reg. Com’n*, 637 S.W.2d 649, 653 (Ky. 1982) (“We have held that the Commission’s powers are purely statutory.”).

⁸¹ *Electronic Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Review, Modification, and Continuation of Certain Existing Demand-Side Management and Energy Efficiency Programs*, Case No. 2017-00441, Order at 28 (Ky. PSC Oct. 5, 2018) (“The Commission has no jurisdiction over environmental impacts, health, or other non-energy factors that do not affect rates or service. Lacking jurisdiction over these non-energy factors, the Commission has no authority to require a utility to include such factors in benefit-cost analyses of DSM programs.”).

⁸² *Id.* See also KRS 278.040(2); *EnviroPower, LLC v. Public Service Commission of Kentucky*, 2007 WL 289328 at *4 (Ky. App. 2007) (not to be published) (“First, there is the statutory limitation under KRS 278.040(2) that the person seeking intervention must have an interest in the “rates” or “service” of a utility, since those are the only two subjects under the jurisdiction of the PSC.”); *The 2011 Joint Integrated Resource Plan of Louisville Gas and Electric Company and Kentucky Utilities Company*, Case No. 2011-00140, Order at 4 (Ky. PSC July 8, 2011) (“[I]ssues of environmental externalities, such as air and water pollution from generating electricity and mining fuel to supply the generating plants, are all issues beyond the scope of the Commission’s jurisdiction.”); *The 2008 Joint Integrated Resource Plan of Louisville Gas and Electric Company and Kentucky Utilities Company*, Case No. 2008-00148, Order at 5-6 (PSC Ky. July 18, 2008) (“Notably absent from the Commission’s jurisdiction are environmental concerns, which are the responsibility of other agencies within Kentucky state government.”).

regarding Rider NMS-2 rates. Finally, whether the Companies appealed the Commission's 2020 rate case orders has no bearing on the Commission's jurisdiction; the Commission cannot grant itself the jurisdiction it lacks over jobs benefits regardless of whether any party appeals an order erroneously asserting such authority. Therefore, the Commission should reconsider this portion of its Final Orders and issue orders on reconsideration that correctly state its lack of jurisdiction over jobs benefits and rescind any obligation for the Companies to consider such matters in future NMS-2 related cases.

XIII. The Terminal Net Salvage and Miscellaneous Revenues Are Incorrect.

In examining the Commission's revenue requirement calculations, it appears the Commission may not have removed terminal net salvage amounts for KU's Unit 3 at the Brown Generating Facility even though the Companies agreed to that removal as part of the Stipulation.⁸³ It also appears that the Commission may not have considered the changes in miscellaneous revenues, including those resulting from changes in special charges ordered by the Commission, shown in Schedule M in each case when it calculated the revenue requirements for each utility. The Companies ask the Commission to review these two issues.

XIV. Summary of Requested Relief

A. Overarching request: The Companies' overarching request is that the Commission approve the Stipulation as filed. Should the Commission decline to do so, the Companies alternatively request the following specific relief outlined below.

⁸³ Brown 3 terminal net salvage depreciation is approximately \$2.2 million per Stipulation Testimony Exhibit 3 – KU Revised Depreciation Rates.xlsx: Tab: Summary; Adjustment 1B filed on 10/20/2025. https://psc.ky.gov/pscecf/2025-00113/rick.lovekamp%40ge-ku.com/10202025040246/21-2025_KU_LGE_Rate_Case_Stipulation_Testimony_Exhibit_3_-_KU_Revised_Depreciation_Rates.xlsx

B. Correct errors and inherent unreasonableness: Several of the issues raised in this Petition involve errors or result in outcomes that are facially unreasonable. As to those, the Companies specifically request:

- Capitalization and rate base: The Companies request that the Commission utilize capitalization in this proceeding, with the Companies presenting rate base calculations with regulatory assets and liabilities included in their next base rate cases. Alternatively, the Companies request that the Commission increase the revenue requirement by \$11.0 million to reflect the inclusion of regulatory assets and liabilities in rate base. This will serve to eliminate the current \$2.7 million ADIT mismatch.
- Mill Creek 2 Stay Open Costs: The Companies request that the Commission authorize deferral accounting for the \$7.5 million in stay open costs that the Companies incurred as of February 15, 2026.
- Paperless Billing: The Companies request that the Commission include the \$761,526 in costs associated with the partial denial of moving to paperless billing in the revenue requirement.
- Terminal Net Salvage and Miscellaneous Revenues: The Companies request that the Commission remove approximately \$2.2 million associated with Brown 3 terminal net salvage depreciation. Additionally, the Companies request that the Commission consider the changes in miscellaneous revenues when updating its revenue allocations to each rate class and calculating new rates.

C. Reconsider arbitrary decisions that lack substantial evidence: Certain of the issues raised in this Petition concern arbitrary decisions that conflict with the evidence in the record. Regarding these, the Companies specifically request:

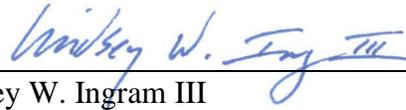
- Adjustment Clause SM: The Companies request the Commission approve Adjustment Clause SM which benefits customers through a known stay-out period. Without this approval, the Companies will likely not be able to stay out of base rate cases.
- Adjustment Clause PGR: The Companies request the Commission remove the limitations on Adjustment Clause PGR that narrow its benefits to customers.
- Return on Equity: The Companies request the Commission approve the 9.90% return on equity for base rates and capital riders.
- Restricted Stock Units: The Companies request the Commission include restricted stock units in the revenue requirement, which consist of approximately \$1.9 million, \$1.3 million and \$0.5M for KU, LG&E Electric, and LG&E Gas, respectively.
- IT Costs: The Companies request that the Commission authorize deferred accounting for IT configuration costs incurred after 2026.
- Qualifying Facilities: The Companies request that the Commission reconsider its avoided capacity calculation.
- NMS-2: The Companies request that the Commission state its lack of jurisdiction over jobs benefits and rescind any obligation for the Companies to consider such matters in future NMS-2 related cases.

CONCLUSION

The Companies respectfully request the Commission reconsider its Final Orders and approve the Stipulation as filed. In the alternative, the Companies request the Commission to reconsider its findings regarding the specific issues set forth herein.

Dated: March 11, 2026

Respectfully submitted,



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CERTIFICATE OF SERVICE

In accordance 807 KAR 5:001, Section 8 as modified by the Commission's Order of July 22, 2021 in Case No. 2020-00085 (Electronic Emergency Docket Related to the Novel Coronavirus COVID-19), this is to certify that the electronic filing has been transmitted to the Commission on March 11, 2026; and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.



*Counsel for Kentucky Utilities Company
and Louisville Gas and Electric Company*