

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matters of:

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

-and-

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

**ATTORNEY GENERAL’S FINAL BRIEF ON  
REHEARING**

The intervenor, the Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention (“AG”), states as follows for his final brief on Louisville Gas & Electric Company (“LG&E”) and Kentucky Utilities Company’s (“KU”)(hereinafter jointly referred to as “LG&E-KU” or “the Companies”) Joint Motion for Rehearing (“Motion”), filed on March 11, 2026.

**1. The Commission Should Grant the Companies’ Requested Relief**

The AG encourages the Commission to grant the Companies’ Motion by approving the Stipulation in its entirety, or alternatively, approve the Sharing Mechanism Adjustment Clause (“SMAC” or “Adjustment Clause SM”) conditioned upon the Companies agreeing to the two-and-a-half year base rate case stay-out. The combination of the Stipulation’s 2.5 year base rate case stay-out, enabled by the limited-duration SMAC <sup>1</sup> would: afford the maximum

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<sup>1</sup> Under the terms of the settlement, the SMAC would remain in effect during the thirteen-month period July 1, 2027 through and including July 31, 2028.

degree of rate stability during a time of extraordinary capital spending; mitigate the overall rate impact; and contribute to economic stability in the Companies' service territories. Moreover, the stay-out provision would incentivize the Companies to control costs,<sup>2</sup> while the SMAC ensures both a reasonable return for the Companies, and that ratepayers benefit from any potential overearnings. Perhaps the most important aspect of the SMAC is the return on equity deadband of between 9.4% - 10.15%. First, there would be no distribution or collection if the earned return on equity falls within the 9.4% - 10.15% deadband. Second, the 9.4% minimum level in the SMAC is significantly lower than the Commission-authorized 9.775% ROE (-0.375%), which equates to annual savings of \$27.8 million on a combined basis for all three of the Companies' operations.<sup>3</sup> The SMAC's reduction in ROE would thus constitute major ratepayer savings that the Commission's final orders did not provide.

## **2. Ratepayer Costs Under the SMAC Would be Lower Than if They Were Included in Additional Base Rate Cases**

As one of the reasons for denying the SMAC, the Commission in its February 16, 2026 Final Order stated that if it approved the SMAC, customers could experience high bills during the period the SMAC is in effect.<sup>4</sup> However, approval of the SMAC would lead to savings of as much as \$27.8 million, discussed above, which the Commission could not obtain without approving the SMAC. Moreover, the Companies have stated that without approval of the

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<sup>2</sup> In the 4.75 year period from 2021 to the third quarter of 2025, LG&E-KU were under a base rate stay-out. The change in rates between the end of the 2020 base rate cases (Dockets 2020-00349 and 2020-00350) the Companies' base rates had increased by only 8.11% (KU) and 10.51% (LG&E). This fact constitutes substantial evidence of the effectiveness of a base rate case stay-out provision.

<sup>3</sup> See Direct Testimony of AG-KIUC witness Lane Kollen at 90-91, in which he quantified the revenue requirement effect of each 0.1% change in ROE at \$4.022 million for KU, \$2.479 million for LG&E electric, and \$0.900 for LG&E gas operations.

<sup>4</sup> See, e.g., Case No. 2025-00113, Final Order dated Feb. 16, 2026 at 153.

SMAC, they will file for another base rate case before the year is out,<sup>5</sup> and perhaps a second one soon thereafter,<sup>6</sup> both of which will likely include requests for an ROE significantly higher than that included in the SMAC.<sup>7</sup> Clearly, those further costs from the additional 1-2 rate cases that will be filed prior to the termination of the SMAC's effective period will total many millions of dollars. Yet approving the SMAC will avoid those costs.

Additionally, the Commission's final orders in the instant rate cases approved settlement provisions that further modify the Companies' existing Extremely High Load Tariff ("Rate EHLF").<sup>8</sup> These modifications further strengthen existing safeguards designed to ensure that large loads such as data centers pay the utility's full cost of providing service to them. These modifications should further assuage the Commission's concern about high costs being included in the SMAC.

Moreover, authorizing the full settlement would ensure that the new data center load projected to be in-service toward the end of the SMAC's recovery period will begin contributing toward the Companies' capital spending expense while the SMAC is still in effect. This will reduce costs borne by other ratepayers to an even greater extent.

Without the SMAC, the Companies have stated they will be forced to file yet another rate case in just a few months.<sup>9</sup> Clearly, the 2.5 year stay-out included within the stipulation thus assumes even more value, and for the ratepayers' sake, is a crucial factor to which the

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<sup>5</sup> See LG&E-KU's Statement Regarding Hearing and Motion for Briefing Deadline, filed May 26, 2026 in Case No. 2025-00113 and 2025-00114, at 2; and LG&E-KU's Petition for Rehearing, filed March 16, 2026 in Case Nos. 2025-00113 and 2025-00114, at 10, FN 20.

<sup>6</sup> LG&E-KU's Petition for Rehearing, filed March 16, 2026, at 11.

<sup>7</sup> *Id.*

<sup>8</sup> See, e.g., Case No. 2025-00113, Final Order dated Feb. 16, 2026 at 278-281.

<sup>9</sup> See LG&E-KU's Statement Regarding Hearing and Motion for Briefing Deadline, filed May 26, 2026 in Case No. 2025-00113 and 2025-00114, at 2.

Commission should ascribe great significance. The AG believes that the Stipulation continues to represent the best possible outcome for all parties.

**3. The Commission Should Encourage Rate Case Settlements That Lead to Fair, Just and Reasonable Rates**

Finally, the AG believes that the Commission should continue to scrutinize and modify settlement agreement terms when necessary in order to ensure fair, just and reasonable rates. However, it is fundamental to the ratemaking process that settlements should be encouraged. Attempts to extract additional savings by relying on a party's settlement position as opposed to their litigation position tends to *disincentivize* settlements, which in the long run can be harmful to the regulatory environment. Moreover, credit agencies favor reasonable, well-balanced settlements, and take them into consideration when setting credit ratings and the cost of debt for Kentucky's utilities, which directly impacts rates.

**4. Conclusion**

WHEREFORE, the AG encourages the Commission to grant the Companies' relief by approving the settlement in its entirety, or alternatively approve the SMAC conditioned upon the Companies agreeing to the two-and-a-half year base rate case stay-out.

Respectfully submitted,

RUSSELL COLEMAN  
ATTORNEY GENERAL



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**Certificate of Service**

Pursuant to the Commission's Order dated July 22, 2021 in Case No. 2020-00085, and in accord with all other applicable law, Counsel certifies that an electronic copy of the forgoing was served and filed by e-mail to the parties of record.

This 18<sup>th</sup> day of June, 2026



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Assistant Attorney General