

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) CASE NO. 2025-00113
TREATMENTS)
)**

AND

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


**RESPONSE OF
KENTUCKY UTILITIES COMPANY
AND
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
THE COMMISSION STAFF'S SECOND REHEARING REQUEST FOR
INFORMATION
DATED MAY 6, 2026**

FILED: May 22, 2026

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says that he is Executive Vice President of Engineering, Construction and Generation for PPL Services Corporation and he provides services to Louisville Gas and Electric Company and Kentucky Utilities Company, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.


Lonnie E. Bellar

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 19th day of May 2026.


Notary Public

Notary Public ID No. KYNP4577

My Commission Expires:

April 1, 2028



VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Christopher M. Garrett**, being duly sworn, deposes and says that he is Vice President of Financial Strategy and Chief Risk Officer for PPL Services Corporation and he provides services to Kentucky Utilities Company and Louisville Gas and Electric Company, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge, and belief.

Christopher M. Garrett
Christopher M. Garrett

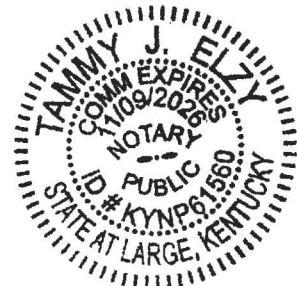
Subscribed and sworn to before me, a Notary Public in and before said County and State, this 19th day of May 2026.

Tammy J. Ely
Notary Public

Notary Public ID No. KYNP61560

My Commission Expires:

November 9, 2026



VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Shannon L. Montgomery**, being duly sworn, deposes and says she is the Vice President, Customer Services for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge, and belief.

Shannon Montgomery

Shannon L. Montgomery

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 19th day of May 2026.

Venita Michelle DeFreeze

Notary Public

Notary Public ID No. KYNP4577

My Commission Expires:

April 1, 2028



VERIFICATION

COMMONWEALTH OF PENNSYLVANIA)
)
COUNTY OF LEHIGH)

The undersigned, Vincent T. Poplaski, being duly sworn, deposes and says that he is Vice President Total Rewards for PPL Services Corporation and he provides services to Louisville Gas and Electric Company and Kentucky Utilities Company, that he has personal knowledge of the matters set forth in the foregoing response, and that the answers contained therein are true and correct to the best of his information, knowledge, and belief.

Vincent Poplaski

Vincent Poplaski (May 19, 2026 10:28:30 EDT)

Vincent T. Poplaski

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 20 day of May, 2026.

Commonwealth of Pennsylvania - Notary Seal
Sharon L. Fazio, Notary Public
Bucks County
My commission expires January 31, 2027
Commission number 1343431
Member, Pennsylvania Association of Notaries

Sharon L. Fazio

Notary Public

Notary Public, ID No. 1343431
(SEAL)

My Commission Expires: 1/31/2027

**KENTUCKY UTILITIES COMPANY
AND
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**Response to Commission Staff's Second Rehearing Request for Information
Dated May 6, 2026**

Case Nos. 2025-00113 / 2025-00114

Question No. 1

Responding Witness: Lonnie E. Bellar

Q-1. Refer to LG&E/KU's Joint Petition for Reconsideration, page 12. Provide current cost estimates for 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 and a comparison of those cost estimates to the cost estimates from their respective Certificate of Public Convenience and Necessity applications.

A-1. Mill Creek Unit 5 - Costs for the project have increased and are currently trending slightly under the 5% PSC threshold. See attachment being provided in a separate file for additional detail.

Marion Solar - Costs for the Build Transfer Agreement have increased when compared to the costs provided in Case No. 2022-00402. See attachment being provided in a separate file for additional detail.

Costs for the Mercer Solar and E.W. Brown Battery Energy Storage Solution (BESS) have not changed. Costs for E.W. Brown Unit 12 and Mill Creek Unit 6 projects are currently within the 5% PSC threshold, but upward price pressures persist.

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Case Nos. 2025-00113 / 2025-00114

Question No. 2

Responding Witness: Christopher M. Garrett

- Q-2. Refer to LG&E/KU's response to Commission Staff's First Rehearing Request for Information (Staff's First Rehearing Request), Item 3, Attachment 1.
- a. Confirm that "OTHER REGULATORY ASSETS CUR OST" relates to the Off-System Sales Adjustment Clause. If this cannot be confirmed, explain.
 - b. Explain why it is reasonable for LG&E/KU to earn a return at the weighted average cost of capital (WACC) on regulatory assets related to timing differences for adjustment clauses.
 - c. For account 254090, explain what portion of the regulatory asset originates in KU's Virginia operations and confirm that those costs are removed for ratemaking purposes. If confirmed, provide where the costs were removed. If this cannot be confirmed, explain.
 - d. Provide the LG&E regulatory assets and liabilities separately for electric and gas operations.
- A-2.
- a. Confirmed.
 - b. LG&E and KU should earn a return at the WACC on regulatory assets for adjustment clauses because these represent costs that must be funded by LG&E and KU, similar to any other regulatory asset. Additionally, Staff's First Rehearing Request for Information, Item 3, Attachment 1 also includes regulatory liabilities related to timing differences for adjustment clauses because similarly, these amounts have been funded by rate payers and should earn a return at the WACC. As shown in the referenced attachment, the regulatory liabilities for these adjustment clauses is in excess of the included regulatory assets. These adjustment clauses include OST (row 20), FAC (rows 21 and 29), ECR (rows 22 and 28) and DSM (row 30) for KU and GLT

(row 25), OST (row 26), GSC (row 27), FAC (row 31), ECR (row 32), and DSM (row 33) for LG&E.

- c. The Companies believe the Commission intended to refer to Account 182334 - Hurricane Helene VA, not Account 254090 - Forward Starting Swap Losses. The Companies agree that Account 182334 should be removed from rate base for Kentucky ratemaking purposes because the entire asset originates in Virginia. Accordingly, the \$83,142,266 provided in Row 6 of the Attachment to PSC RH DR1 Question No. 16 should be reduced to \$80,934,260 to reflect the removal of the Account 182334 balance of \$2,208,006.

Please note that Account 254090 - Forward Starting Swap Losses shows a regulatory liability balance in the cited attachment, not a regulatory asset balance.¹ Also, Account 254090 concerns interest rate swaps related to KU's debt. Because the Companies do not engage in project finance, the values in Account 254090 represent financing related gains associated with both Kentucky and Virginia operations. KU therefore allocates its total capitalization, including Account 254090, by applying the Jurisdictional Rate Base Percentage as shown on Schedule J.

- d. See attachment being provided in a separate file. This file includes LG&E's regulatory assets and liabilities from the Staff's First Rehearing Request, Item 3, Attachment 1. Columns AR and AS show amounts separately for electric and gas operations. Regulatory assets and liabilities that are not tracked separately have been allocated using LG&E's electric/gas jurisdictional rate base percentage.

¹ Under the FERC Uniform System of Accounts, Account 254 concerns regulatory *liabilities*; Account 182.3 concerns regulatory *assets*. Also, please see the formula in cell AQ31 in the "KU 2026 Reg A + L" tab in the cited attachment, which shows the Account 254090 balance and other regulatory liability balances being deducted from the sum of the regulatory asset balances to arrive at the 13-month average net regulatory asset value shown in cell AQ31. Note that the same is true in cell AQ35 in the "LG&E 2026 Reg A + L" tab in the cited attachment.

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Case Nos. 2025-00113 / 2025-00114

Question No. 3

Responding Witness: Vincent Poplaski

- Q-3. Refer to LG&E/KU's response to Staff's First Rehearing Request, Item 10(b). Provide both KU's and LG&E's voluntary turnover rates as compared to the industry average of six to eight percent. Provide the source for the cited six percent to eight percent industry average turnover rate.
- A-3. The voluntary turnover rate for KU's long-term incentive eligible employees was zero from 2023 through 2025. For LG&E, the voluntary turnover rate for long-term incentive eligible employees was 2.9% in 2023 and zero for 2024 through 2025. The Companies benchmark voluntary turnover rates against the PricewaterhouseCoopers ("PwC") Saratoga Median Voluntary Separation Rate for the Utilities Peer Group. For 2025, PwC Saratoga reported a Median Utilities Voluntary Separation Rate of 6.5%, and a Median Utilities Turnover Rate which includes both voluntary and involuntary separations of 8.5%.

Additionally, the Center for Energy Workforce Development ("CEWD") 2023 Workforce Report Executive Summary supports the utility industry average of six to eight percent based on the chart provided on page seven for non-retirement attrition at 7.2% for 2022, which represents the most recent data published by CEWD.² As stated, the Companies' voluntary turnover rates for long-term incentive eligible employees are below utility industry benchmarks.

² Available at https://cewd.org/wp-content/uploads/2023/01/CEWD-2023-Workforce-Report-Executive-Summary_2023-FINAL-1.pdf.

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Case Nos. 2025-00113 / 2025-00114

Question No. 4

Responding Witness: Christopher M. Garrett

- Q-4. Refer to LG&E/KU's response to Commission Staff's First Request for Information, Item 11. Confirm that LG&E/KU usually requests regulatory asset treatment after costs are incurred or when they can be reasonably estimated in a test period. If not confirmed, explain.
- A-4. The Companies routinely request regulatory asset treatment after costs are incurred or when they can be reasonably estimated in a test period, but they have also requested, and the Commission has approved, regulatory asset treatment *before* costs are incurred and include the ongoing deferral of costs beyond the test period. For example:
- In Case Nos. 2020-00349 and 2020-00350, the Companies requested, and the Commission approved, regulatory asset treatment related to AMI project implementation expenses, the remaining net book value of meters replaced and retired less any excess depreciation recovered in base rates, and the difference between AFUDC recovered at the utilities' weighted average cost of capital ("WACC") and calculated using the approved FERC methodology.
 - In Case Nos. 2018-00294 and 2018-00295, the Companies requested, and the Commission approved, regulatory asset (or liability) treatment for plant outage costs above or below a defined amount on an annual basis until the next base rate case.
 - In Case Nos. 2022-00402 and 2025-00045, the Companies requested, and the Commission approved, the recording of a regulatory asset during the construction period for the difference between AFUDC accrued at the Companies' WACC and AFUDC accrued using the FERC methodology for various construction projects.

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Case Nos. 2025-00113 / 2025-00114

Question No. 5

Responding Witness: Robert M. Conroy / Andrea M. Fackler

- Q-5. Refer to LG&E/KU's response to Staff's First Rehearing Request, Item 13, Attachment 1. Refer also to LG&E/KU's Joint Petition for Reconsideration at 27, where LG&E/KU request that the Commission consider the changes in miscellaneous revenues when updating its revenue allocations to each rate class and calculating new rates. Confirm that this spreadsheet reflects, specifically pertaining to each company's revenue requirement, the changes in miscellaneous revenues that LG&E/KU request reconsideration on. If not confirmed, provide the impact to the revenue requirement that the changes in miscellaneous revenues would result in.
- A-5. Confirmed. The changes in miscellaneous revenues based on the Commission's authorized special and miscellaneous charges are reflected on Schedule M-2.1 (specifically column (5) under Other Operating Revenues) of the corrected attachments to Staff's First Rehearing Request, Item 13. If the Commission revises its authorized revenue requirement for KU and/or LG&E, the changes in miscellaneous revenues should be deducted first and then the remaining revenue requirements allocated to the base rate classes. See also the response to Question No. 6.

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Question No. 6

Responding Witness: Robert M. Conroy / Andrea M. Fackler

- Q-6. Refer to LG&E/KU's response to Staff's First Rehearing Request, Item 13. Explain the method in which the recovery of the unaccounted-for miscellaneous revenues would be allocated across the rate classes. Provide updated rates that illustrate this change.
- A-6. See the response to Question No. 5. The miscellaneous revenues do not necessarily have to be allocated across the base rate classes but should be accounted for in determining how much of the revenue increase to allocate to the base rate classes. For example, the Commission noted in its February 16, 2026 Order for KU that it approved a revenue requirement increase of \$128,499,951. From this amount, the Commission should have deducted the total \$1,724,371 increase in miscellaneous revenues based on the approved special and miscellaneous charges. The difference of \$126,775,580 should then have been allocated across the rate classes as targets to be achieved by adjusting KU's proposed rates. The Companies do not have support for how the Commission determined its revenue increase allocations (\$125,936,314 per the Order at 169);³ however, the Companies have provided the updated rates below to capture any unaccounted-for miscellaneous revenues and to achieve the total approved revenue increase, including the amounts for each base rate class and the miscellaneous revenues, on Schedule M-2.1. The adjusted total is \$128,497,618, which is within \$2,333 of the Commission's approved revenue requirement increase of \$128,499,951. See below for a summary of the updated rates and the respective amounts for KU, LG&E electric, and LG&E gas as well as the detailed Schedule M files attached as Attachment 1 for KU, Attachment 2 for LG&E electric, and Attachment 3 for LG&E gas. Certain information in KU's attachment is confidential and is being provided separately subject to a request for confidential protection.

³ The Companies note that this is the subtotal for the table, but the table omits the line item for the Curtailable Service Rider revenue credit increase of \$7,288,554 that is included in the subtotal. Likewise, the LG&E electric Order omits the line item for the Curtailable Service Rider revenue credit increase of \$2,982,378.

KU

Rate RS/VFD Energy Rate - \$0.11230 per kWh

Rate GS Energy Rate - \$0.13663 per kWh

LG&E Electric

Rate RS/VFD Energy Rate - \$0.11353 per kWh

LG&E Gas

Rate RGS Distribution Charge - \$0.63673 per 100 cubic feet

	<u>KU</u>	<u>LG&E-E</u>	<u>LG&E-G</u>
Commission-approved Revenue Increase	128,499,951	58,668,766	45,744,476
Less: Change in Misc Revenues due to Commission-approved Misc Charges	<u>1,724,371</u>	<u>637,010</u>	<u>146,659</u>
Revenue Increase Allocated to Base Rate Classes	126,775,580	58,031,756	45,597,817
	<u>KU</u>	<u>LG&E-E</u>	<u>LG&E-G</u>
Schedule M-2.1 Updated per PSC RH Q-6 Attachments	128,497,618	58,658,861	45,743,812
Less: Commission-approved Revenue Increase	<u>128,499,951</u>	<u>58,668,766</u>	<u>45,744,476</u>
Difference due to rounding of rates	(2,333)	(9,905)	(664)

**KENTUCKY UTILITIES COMPANY
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**Response to Commission Staff's Second Rehearing Request for Information
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Case Nos. 2025-00113 / 2025-00114

Question No. 7

Responding Witness: Christopher M. Garrett

- Q-7. Refer to LG&E/KU's response to Staff's First Rehearing Request, Item 17. Confirm that the rate base associated with regulatory assets and liabilities was not included in the determination of the revenue requirement in the final order because LG&E/KU did not include those balances in its rate base calculations in its initial filing or at any other point in this case. If not confirmed, please explain.
- A-7. While it is true that the Companies did not include regulatory assets and liabilities in rate base, the Companies should not be harmed as a result of this exclusion given the Commission's historical position on this issue and the Stipulating Parties' plan for a possible shift to rate base in a future rate proceedings.

As stated in the response to Staff's First Rehearing Request, Item 1, the Companies have utilized capitalization as the valuation methodology for more than the past forty years. Accordingly, the change ordered by the Commission as part of these proceedings provided the Companies no opportunity to adjust their presentation of rate base to properly reflect the inclusion of regulatory assets and liabilities necessary for the provision of utility service. Because capitalization had been accepted as the valuation methodology for use in the Companies' previous rate cases in the face of intervenor arguments to the contrary, the Companies' exclusion of regulatory assets and liabilities from rate base resulted in no financial harm to the Companies. However, the Companies are and will continue to suffer financial harm as a result of this proceeding given the move to rate base exclusive of regulatory assets and liabilities. In recognition of this issue, as well as the increased debate in these proceedings over the appropriate valuation methodology, the Parties to the Stipulation agreed in Paragraph 9.2 that the Companies would present rate base calculations inclusive of regulatory assets and liabilities in future proceedings.

Additionally, as discussed in the Petition for Rehearing, were the Companies aware they would be forced to utilize rate base exclusive of regulatory assets and liabilities, the Companies would not have proposed the lengthy and asymmetrical regulatory asset and liability amortization periods given the resulting financial harm from the loss of carrying costs recovery. Thus, the Companies must be

afforded the opportunity to prepare for and implement a change from capitalization to rate base in their next rate case rather than in this one.

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Case Nos. 2025-00113 / 2025-00114

Question No. 8

Responding Witness: Shannon L. Montgomery

- Q-8. Refer to LG&E/KU's response to Staff's First Rehearing Request, Item 19.
- a. Explain whether it is a requirement that new customers provide the company with an email address when initiating service. If not, explain whether LG&E/KU considered making that a requirement.
 - b. Provide the "Customer Provided Email Rate" for all new customers taking service in calendar year 2025.
- A-8.
- a. It is not a requirement. While the Companies request an email address for all customers initiating service at a new address, they do not deny service to customers who decline to share, or do not have, an email address. New customers who provide their email address will be defaulted into paperless billing, but those who do not provide an email address will receive their bills in hard copy via regular mail. The Companies considered making this a requirement but declined since having an email address is not a condition of service.
 - b. The customer provided email rate for all *new* customers requesting service in 2025 is 79 percent. But aside from that, the best measure of savings to be achieved as a result of customers moving to paperless billing is the actual percentage of customers who are, in fact, on paperless billing. When the Companies filed the case, total paperless billing enrollment was 28 percent. Also, the actual percentage of all *new* customers that enrolled and stayed on paperless billing over the last two and a half years was 41 percent. If the Companies do not have the ability to modify paperless processes as they requested in this case, the 41 percent paperless billing adoption rate of new customers as noted is likely to continue and the Companies will not get to the target of 45 percent of *all customers* adopting paperless billing which is the basis of the savings proposed as shown in the response to AG 1-48(e). Therefore, given the Commission's decision on paperless billing, the Companies are entitled to have those planned savings returned to them as described in the Companies' Petition for Reconsideration.

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**Response to Commission Staff's Second Rehearing Request for Information
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Case Nos. 2025-00113 / 2025-00114

Question No. 9

Responding Witness: Lonnie E. Bellar / Robert M. Conroy

- Q-9. Refer to the attachment to LG&E/KU's response to Staff's First Rehearing Request, Item 6. Provide the basis (e.g. forecasted or actual expense from a previous rate case) for the 2021 Base Rates O&M expense associated with Mill Creek 2.
- A-9. The basis for the 2021 Base Rates O&M expense in Item 6 was the forecasted expense for the test period July 1, 2021, through June 30, 2022, in Case No. 2020-00350. Figures in the below table can be found in the attachment to Staff's First Rehearing Request, Item 6 on "Base Rates 2021 Pivot" tab.

MC2 Forecasted Expense in Test Period	
Case No. 2020-00350	
Jul-21	\$1,005,938
Aug-21	\$1,313,454
Sep-21	\$1,201,036
Oct-21	\$986,628
Nov-21	\$1,073,952
Dec-21	\$1,131,755
Jan-22	\$1,152,204
Feb-22	\$1,352,451
Mar-22	\$1,638,712
Apr-22	\$2,497,230
May-22	\$931,215
Jun-22	\$1,003,890