

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF)	
KENTUCKY UTILITIES COMPANY AND)	
LOUISVILLE GAS AND ELECTRIC)	CASE NO: 2025-00196
COMPANY FOR AN ORDER APPROVING)	
THE ESTABLISHMENT OF)	
REGULATORY ASSETS)	

VERIFIED JOINT APPLICATION OF
KENTUCKY UTILITIES COMPANY AND
LOUISVILLE GAS AND ELECTRIC COMPANY

Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company (“LGE”), (collectively, the “Companies”) apply to the Kentucky Public Service Commission (“Commission”), pursuant to KRS 278.220, for an order authorizing the Companies to establish regulatory assets to account for each utility’s expenses incurred to repair damage and restore service to their customers caused by a storm occurring on May 16, 2025 (“May 2025 Storm”). In support of this Joint Application, the Companies respectfully state:

1. Applicant KU’s full name and business address is: Kentucky Utilities Company, One Quality Street, Lexington, Kentucky 40507. KU’s mailing address is Kentucky Utilities Company c/o Louisville Gas and Electric Company, 2701 Eastpoint Parkway, Louisville, Kentucky 40223.

2. KU is a utility engaged in the electric business. KU generates and purchases electricity, distributes, and sells electricity at retail in the following counties in central, northern, southeastern, and western Kentucky:

Adair	Edmonson	Jessamine	Ohio
Anderson	Estill	Knox	Oldham
Ballard	Fayette	Larue	Owen
Barren	Fleming	Laurel	Pendleton
Bath	Franklin	Lee	Pulaski
Bell	Fulton	Lincoln	Robertson
Bourbon	Gallatin	Livingston	Rockcastle
Boyle	Garrard	Lyon	Rowan
Bracken	Grant	Madison	Russell
Bullitt	Grayson	Marion	Scott
Caldwell	Green	Mason	Shelby
Campbell	Hardin	McCracken	Spencer
Carlisle	Harlan	McCreary	Taylor
Carroll	Harrison	McLean	Trimble
Casey	Hart	Mercer	Union
Christian	Henderson	Montgomery	Washington
Clark	Henry	Muhlenberg	Webster
Clay	Hickman	Nelson	Whitley
Crittenden	Hopkins	Nicholas	Woodford
Daviess			

3. KU is incorporated in the Commonwealth of Kentucky and the Commonwealth of Virginia, and attests it is in good corporate standing in both states. KU was incorporated in Kentucky on August 17, 1912, and in Virginia on November 26, 1991.

4. Applicant LG&E's full name and business address is: Louisville Gas and Electric Company, 820 W Broadway, Louisville, Kentucky 40202. LG&E's mailing address is Louisville Gas and Electric Company, 2701 Eastpoint Parkway, Louisville, Kentucky 40223.

5. LGE is a public utility, as defined in KRS 278.010(3)(a), engaged in the electric and gas business. LGE generates, purchases electricity, distributes, and sells electricity at retail in Jefferson County and portions of Bullitt, Hardin, Henry, Meade, Oldham, Shelby, Spencer, and Trimble Counties. LGE also purchases, stores, and transports natural gas, and distributes and sells natural gas at retail in Jefferson County and portions of Barren, Bullitt, Green, Hardin, Hart, Henry, Larue, Marion, Meade, Metcalfe, Nelson, Oldham, Shelby, Spencer, Trimble, and Washington Counties.

6. LG&E is incorporated in the Commonwealth of Kentucky, and attests it is in good corporate standing. LG&E was incorporated in Kentucky on July 2, 1913.

7. This Joint Application is filed pursuant to KRS 278.220, which authorizes the Commission to prescribe the accounting to be used by any public utility subject to its jurisdiction. The Commission requires the Companies to use and follow the Uniform System of Accounts (“USoA”) as promulgated by the Federal Energy Regulatory Commission.

8. Communications regarding this Joint Application should be addressed to:

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May 16, 2025 Tornado Outbreak

9. On May 12, 2025, meteorologists began warning of two waves of strong thunderstorms and the possible formation of supercells through much of the Midwest beginning on May 15, and the overnight hours of May 16 and into May 17. Forecasts projected the possibility

for localized over 75 mph winds, hail in excess of two inches in diameter, and EF-2 tornadoes where supercells formed.

10. The Companies prepared for the storm activity by activating the Emergency Preparedness Response Team (EPRT) and preparing all resident company and contractor repair crews (approx. 450 FTEs) to respond. Given the uncertainty on where and whether supercells may form, the Companies made plans with contractors and mutual assistance groups to rapidly scale up resources if necessary.

11. On May 15, 2025 the initial storm front impacted the Companies' territories with minimal customer impact.

12. During the evening of Friday, May 16, severe thunderstorms and a tornado outbreak impacted the Midwestern and Southeastern regions of the United States. A supercell formed west of St Louis, Missouri and traveled east through Kentucky and the southern edges of Illinois and Indiana. In all, there were 56 tornadoes across 14 states with 16 tornadoes rating EF3 or greater. Multiple weather fronts moved across Kentucky, each with significant impacts including high winds, wind gusts in excess of 80 miles per hour, large hail and tornadoes.

13. In advance of the storm, Governor Beshear declared a state of emergency and activated the Kentucky Emergency Management Operations Center in preparation for anticipated dangerous weather. By late evening, six tornadoes, which were later confirmed, occurred across the state. One in south central Kentucky was rated an EF4 with peak winds of 170 mph, was nearly a mile in width, and traversed close to 60 miles. Damage in that area was catastrophic and included multiple injuries and 19 fatalities.

14. The May 16 storm outbreak began around 1pm and continued to affect areas all across Kentucky through the very late evening. As storms began to impact the territory, the

Companies management declared the highest level of storm response, assigning personnel from throughout the organization to administrative, logistical and field responsibilities to assist with communication to customers, managing resources, assessing damage and protecting the public. In total these storms interrupted electric service for over 114,000 KU and LG&E customers across 1,700 outage events. The hardest hit areas were London/Somerset, Louisville, Lexington, Campbellsville and western Kentucky areas. The companies experienced nearly 1,000 reports of wires down and over 200 broken poles. Due to the severity of the storm, multiple outages were also experienced on the transmission system resulting in service interruptions to 38,000 of those total customers. While most transmission facilities were able to be returned to service within a couple of days, some facilities remained out of service for more than a week due to extensive damage that required more significant repairs.

15. In response to the level of damage, the Companies brought in contract damage assessors, drones, and repair crews from neighboring states. Additional staging sites were activated at the Kentucky Fairgrounds in Louisville and at a site in London, Kentucky for the off-system crews. The Companies further mobilized support personnel from their sister utility, PPL Electric Utilities, to assist with oversight of off-system crews as well as additional support for the distribution system operators. In total 1,100 restoration personnel worked continuously to protect the public, respond to emergency situations, assess damages, rebuild infrastructure, and restore service safely and as quickly as possible to customers.

16. The Companies' Customer Services team assisted customers with handling needs during more than 8,600 phone calls and helped manage over 78,400 contacts through the Companies' automated outage reporting channels.

17. Working around the clock over the next several days, the Companies' restoration crews, including employees and both on- and off-system contract crews, replaced critical infrastructure, repaired down wires and restored power to locations where lines could be safely energized. Despite the damage, the Companies were able to restore 80% of customers within the first 24 hours of the storm, and 95% within the first 48 hours of the storm. By the evening of Tuesday, May 20, 2025, the Companies had restored service to nearly all impacted customers that were able to receive service. The restoration efforts took four days and were completed without any safety incidents.

May 2025 Storm Costs

18. The Companies presently estimate that their combined distribution and transmission May 2025 Storm-related operations and maintenance ("O&M") and capital costs will be approximately \$27.6 million.

19. KU currently estimates that its combined distribution and transmission May 2025 Storm-related O&M will be \$3.5 million, May 2025 Storm related capital cost will be \$14.6 million or a total May 2025 Storm-related cost to be \$18.1 million. These costs are estimates based on actual and estimated costs incurred-to-date and reasonable estimates of contingencies.

20. LG&E currently estimates that its combined distribution and transmission May 2025 Storm-related O&M will be \$2.0 million, May 2025 Storm-related capital cost will be \$7.5 million or a total May 2025 Storm-related cost to be \$9.5 million. These costs are estimates based on actual and estimated costs incurred-to-date and reasonable estimates of contingencies.

21. Because property and casualty insurance for distribution and transmission storm damage is generally not available in commercial insurance markets, the Companies do not carry such insurance. As a result, the Companies have not received, and will not receive, any insurance proceeds to offset their May 2025 Storm damage costs. It has been and will continue to be costly

to repair the extraordinary, significant, and widespread damage the May 2025 Storm caused, which costs far exceeded average annual storm-related costs.

Need For Relief

22. The Commission requires a jurisdictional utility to obtain Commission approval before recording a regulatory asset on the utility's books for accounting purposes an expense that qualifies for establishment as a regulatory asset.¹ However, in Case No. 2024-00329, the Commission noted:

Currently for storms during the fourth quarter, the Commission allows utilities to record a regulatory asset subject to providing immediate notice to the Commission of the establishment of the regulatory asset and filing an application for approval within 90 days of the storm event. The Commission finds that LG&E/KU should use the same filing timeline for quarterly reports as it does for year-end reports.²

23. Consistent with this guidance, the Companies are hereby notifying the Commission that they will record regulatory assets on their books as of the end of June 2025 in connection with their June accounting close.

24. The Commission has traditionally approved storm-related expenses to be deferred as regulatory assets where such costs are extraordinary nonrecurring expenses which could not have reasonably been anticipated or included in the utility's planning.³ The costs associated with the May 2025 Storm are extraordinary nonrecurring expenses which could not have reasonably been anticipated or included in either utility's planning. The collective magnitude of each company's May 2025 Storm expenses, in relation to the amount of storm-related costs built into

¹ See e.g., Order, *Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities Related to the Extraordinary Expenses Incurred by Kentucky Power Company in Connection With the Two 2015 Major Storm Events*, Case No. 2016-00180, at 1 (Ky. P.S.C. Dec. 12, 2016) ("2016 Storm Order").

² *In the Matter of: Electronic Application of Kentucky Utilities Company and Louisville Gas and Electric Company for an Order Approving the Establishment of Regulatory Assets*, Case No. 2024-00329, Order at 5-6 (Ky. P.S.C. Dec. 4, 2024) (emphasis added).

³ *Id.*; see also *Application of Kentucky Utilities Company for an Order Approving the Establishment of a Regulatory Asset*, Case No. 2008-00457, Order at 5 (Ky. PSC Dec. 22, 2008).

KU's and LG&E's base rates, and the effect a refusal to authorize a deferral would have on each utility's current year financial results fully supports the establishment of the regulatory assets.

25. If incremental major storm O&M costs are expensed and not deferred as a regulatory asset for KU and LG&E in their respective second quarter 2025 financial statements, it indicates to financial statement users that future recovery of those costs is not probable (i.e., the standard for recognition of a regulatory asset under GAAP, specifically ASC 980-340-25-1, has not been met). Failure to reflect the potential for future recovery of these costs in the quarterly financial statements could negatively impact the Companies' future financing costs or credit terms.

The Amount to be Accumulated and Deferred

26. KU and LG&E each seek authorization from the Commission to accumulate and defer for review and recovery in their next base rate proceedings the actual costs (total storm-related O&M expenses to repair damaged facilities and restore service excluding normal operations) associated with the extraordinary May 2025 Storm. Exhibit 1 to the Application shows the current estimate of the May 2025 Storm-related capital and O&M costs for the Companies, and accordingly for KU and LG&E.

27. The Commission has traditionally approved expenses to be deferred as regulatory assets in the event one of the following four criteria has been met: (1) an extraordinary nonrecurring expenses which could not have reasonably been anticipated or included in the utility's planning; (2) an expense resulting from a statutory or administrative directive; (3) an expense in relation to an industry sponsored initiative; or (4) an extraordinary nonrecurring expense that over time will result in a savings that fully offsets the costs.

28. The total incremental O&M costs associated with May 2025 Storm that would not have been incurred but for the storms for each utility is still being calculated at the time of this

filing. This Application therefore includes the Companies' best current high-level estimates. The Companies will update the estimates contained in this Application to the actual amounts when actual costs are known and will file the actual amounts with the Commission.

29. If approved, the Companies will hold their deferred costs in Account No. 182.3, Other Regulatory Assets, until such time as the Commission considers them in rate proceedings.

30. The Commission has approved such treatment for extraordinary storm damages for each of the Companies in the past. Most recently, the Commission approved regulatory asset treatment for the January 2025 Winter Storm.⁴ In addition, the Commission approved regulatory asset treatment for LGE's actual, incremental costs incurred to repair and restore service resulting from the November 2018 Ice Storm,⁵ and for storm damages and service restoration due to the winter storm occurring January 26, 2009 through February 14, 2009.⁶ The Commission also approved a regulatory asset for actual operating and maintenance expenses in amount of \$2.56 million associated with repairing the damage caused by the remnants of Hurricane Ike, which struck the Companies' service territories on September 14, 2008.⁷ In recent years, the Commission also has approved regulatory asset treatment for the storm damages costs incurred by other electric utilities in many other proceedings.⁸

⁴ *In the Matter of: Electronic Joint Application of Kentucky Utilities Company and Louisville Gas and Electric Company for an Order Approving the Establishment of Regulatory Assets*, Case No. 2025-00025 (Ky. P.S.C. March 19, 2025) ("2025 Winter Storm").

⁵ *In the Matter of: Application of Louisville Gas and Electric Company for an Order Approving The Establishment of a Regulatory Asset*, Case No. 2019-00017 (Ky. P.S.C. Mar. 15, 2019) ("November 2018 Ice Storm").

⁶ *In the Matter of Kentucky Utilities Company for an Order Approving the Establishment of a Regulatory Asset*, Case No. 2009-00174 (Ky. P.S.C. Sept. 30, 2009) ("2009 Winter Storm").

⁷ *In The Matter Of: Application Of Kentucky Utilities Company For An Order Approving The Establishment Of A Regulatory Asset*, Case No. 2008-00457, Order at 5 (Ky. P.S.C. Dec. 22, 2008) ("2008 KU Storm").

⁸ *See, In the Matter of: Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities Related to Extraordinary Expenses Incurred by Kentucky Power Company in Connection With Three Major Storm Events in 2009*, Case No. 2009-00352 (Ky. P.S.C. Dec. 22, 2009) ("2009 Storm Case"); *In the Matter of: Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities Related to the Extraordinary Expenses Incurred by Kentucky Power Company in Connection With Four 2012 Major Storm Events*, Case No. 2012-00445 Ky. P.S.C. Jan. 7, 2013) ("2012 Storm Case"); *In the Matter of: Application of Kentucky Power Company for an Order Approving Accounting*

31. FASB ASC 980-340-25-1, addresses regulatory assets and states in relevant part:

Rate actions of a regulator can provide reasonable assurance of the existence of an asset. An enterprise shall capitalize all or part of an incurred cost that would otherwise be charged to expense if both of the following criteria are met:

- a. It is probable (as defined in Topic 450) that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for ratemaking purposes.
- b. Based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs. If the revenue will be provided through an automatic rate adjustment clause, this criterion requires that the regulator's intent clearly be to permit recovery of the previously incurred cost.

A cost that does not meet these asset recognition criteria at the date the cost is incurred shall be recognized as a regulatory asset when it does meet those criteria at a later date.

To comply with ASC 980, the Companies respectfully request the Commission to state explicitly in its order that it is authorizing KU and LGE to accumulate and defer for future recovery the actual amounts, and accruals for estimated amounts until actual costs can be determined, of extraordinary operations and maintenance expenses the Companies incurred to repair damage and restore service to customers following the May 2025 Storms in a regulatory asset recorded in Account No. 182.3, Other Regulatory Assets.

Practices to Establish Regulatory Assets and Liabilities Related to the Extraordinary Expenses Incurred by Kentucky Power Company in Connection With Two 2015 Major Storm Events, Case No. 2016-00180 (Ky. P.S.C. Dec. 12, 2016) ("2015 Storm Case"); In the Matter of: Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish a Regulatory Asset Related to Extraordinary Expenses Incurred by Kentucky Power Company in Connection With Three 2020 Major Storm Events, Case No. 2020-00368 (Ky. P.S.C. Feb. 5, 2021) ("2020 Storm Case"); In the Matter of: Application and Request for Decision by April 5, 2021 of Kentucky Power Company for an Order Approving Accounting Practices to Establish a Regulatory Asset Related to the Extraordinary Expenses Incurred by Kentucky Power Company in Connection With Three February 2021 Major Storm Events, Case No. 2021-00129 (Ky. P.S.C. Apr. 5, 2021); In the Matter of: Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish a Regulatory Asset Related to the Extraordinary Expenses Incurred in Connection With June 2022 and July 2022 Major Storm Events, Case No. 2022-00293 (Ky. P.S.C. Sept. 28, 2022) ("June 2022 and July 2022 Major Event Day Storms").

32. KU and LGE have recorded the costs of restoration efforts in various expense accounts, including those listed in the “Credits” column of Table One below. If the Commission approves the Companies’ requested regulatory asset treatment of its May 2025 Storm-related operations and maintenance expenses, the Companies will perform the journal entries shown in Table One below.

Table One: Journal Entries for Regulatory Asset Treatment	
<u>Debits</u>	<u>Credits</u>
<ul style="list-style-type: none"> • Acct. 182.3 - Other Regulatory Assets 	<ul style="list-style-type: none"> • 57x - Maintenance of Overhead Lines • 58x - Electric Distribution Operations Expenses • 59x - Electric Distribution Maintenance Expenses • 907 - Customer Service & Informational Operations Expenses • 909 - Informational & Instructional Advertising Expense • 925 - Administrative & General Operations Expenses - Injuries and Damages

33. The Companies ask the Commission to permit each utility to accumulate as regulatory assets and defer for future recovery the actual amounts, and accruals for estimated amounts until actual costs can be determined, of their May 2025 Storm-related operations and maintenance costs in the appropriate accounts. The measures the Companies took to restore service, and the costs related thereto, were reasonable and prudent, and should therefore be recoverable as a necessary cost of providing electric service to KU and LG&E customers.

WHEREFORE, Kentucky Utilities Company and Louisville Gas and Electric Company respectfully request that the Commission issue an order granting each the authority to:

1. Accumulate and defer for future recovery the actual amounts, and accruals for estimated amounts until actual costs can be determined, of extraordinary operations and maintenance expenses the Companies incurred to repair damage and restore service to customers following the May 2025 Storms as a regulatory asset recorded in Account No. 182.3, Other Regulatory Assets; and

2. Kentucky Utilities Company and Louisville Gas and Electric Company further respectfully request that the Commission issue an order determining that the actual amount of the regulatory assets herein that is to be amortized and included in rates shall be determined in the next base rate cases for Kentucky Utilities Company and Louisville Gas and Electric Company.

Dated: June 17, 2025

Respectfully submitted,



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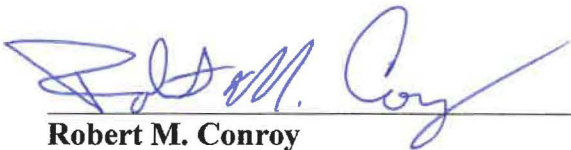
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*Counsel for Kentucky Utilities Company
and Louisville Gas and Electric Company*

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is Vice President, State Regulation and Rates, for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, that he has personal knowledge of the matters set forth in the foregoing Verified Application, and that the content thereof is true and correct to the best of his information, knowledge and belief.


Robert M. Conroy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 16th day of June 2025.


Notary Public

Notary Public ID No. KYNP61560

My Commission Expires:

November 9, 2026



VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Christopher M. Garrett**, being duly sworn, deposes and says he is the Vice President - Financial Strategy & 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 foregoing Verified Application, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.



Christopher M. Garrett

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 17th day of June 2025.



Notary Public

Notary Public ID No. KYNP61560

My Commission Expires:

November 9, 2026



COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

Peter Waldb

Caroline J. Lawson

CERTIFICATE OF COMPLIANCE

In accordance with 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 June 17, 2025; and that there are currently no parties in this proceeding that the Commission has executed from participation by electronic means.

A handwritten signature in blue ink, reading "Allyson K. Burgeon". The signature is written in a cursive style with a horizontal line underneath.

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

Kentucky Utilities Company
Louisville Gas and Electric Company
Case No. 2025-00196
Application Exhibit 1

	<u>\$M</u>		
	<u>Capital</u>	<u>O&M</u>	<u>Total</u>
<u>Estimate of Total KY Storm Costs</u>			
<u>Total KU and LG&E</u>			
Labor (Employees & Contractors)	\$ 15.1	\$ 4.2	\$ 19.3
Materials	\$ 4.0	\$ 0.2	\$ 4.2
Miscellaneous	\$ 1.0	\$ 0.6	\$ 1.6
Contingency	\$ 2.0	\$ 0.5	\$ 2.5
Total	\$ 22.1	\$ 5.5	\$ 27.6
 <u>Total KU</u>			
Labor (Employees & Contractors)	\$ 10.0	\$ 2.7	\$ 12.7
Materials	\$ 2.5	\$ 0.1	\$ 2.6
Miscellaneous	\$ 0.8	\$ 0.4	\$ 1.2
Contingency	\$ 1.3	\$ 0.3	\$ 1.6
Total	\$ 14.6	\$ 3.5	\$ 18.1
 <u>Total LG&E</u>			
Labor (Employees & Contractors)	\$ 5.1	\$ 1.5	\$ 6.6
Materials	\$ 1.5	\$ 0.1	\$ 1.6
Miscellaneous	\$ 0.2	\$ 0.2	\$ 0.4
Contingency	\$ 0.7	\$ 0.2	\$ 0.9
Total	\$ 7.5	\$ 2.0	\$ 9.5

Note - the above figures are initial high level estimates for the total storm costs. The estimated normal operations costs have not yet been backed out, and will be calculated once actual costs are processed.