

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC JOINT APPLICATION OF BIG RIVERS ELECTRIC CORPORATION AND KENTUCKY UTILITIES COMPANY FOR AUTHORITY TO TRANSFER THE DAVIESS COUNTY ASSETS PURSUANT TO KRS 278.218) CASE NO. 2025-00323

**RESPONSE OF
KENTUCKY UTILITIES COMPANY
TO
THE COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

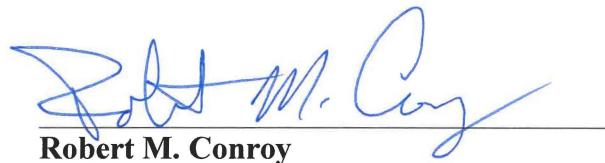
DATED JANUARY 15, 2026

FILED: JANUARY 30, 2026

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

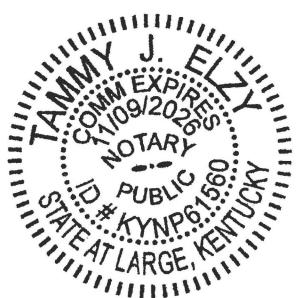
The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is Vice President, State Regulation and Rates, for Kentucky Utilities Company and an employee of LG&E and KU Services Company, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge, and belief.



Robert M. Conroy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 28th day of January 2026.


Tammy J. Ely
Notary Public
Notary Public ID No. KYNP61560



My Commission Expires:

November 9, 2026

VERIFICATION

COMMONWEALTH OF KENTUCKY)

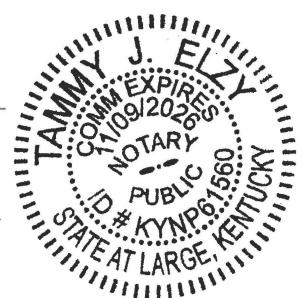
COUNTY OF JEFFERSON)

The undersigned, **Drew T. McCombs**, being duly sworn, deposes and says that he is Director - Regulatory Accounting for PPL Services Corporation and he provides services to Kentucky Utilities Company, that he has personal knowledge of the matters set forth in the responses, and that the answers contained therein are true and correct to the best of his information, knowledge, and belief.

Drew T. McCombs
Drew T. McCombs

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 28th day of JANUARY 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, **Elizabeth J. McFarland**, being duly sworn, deposes and says that she is Vice President, Transmission, for Kentucky Utilities 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.

Elizabeth J. McFarland

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 22nd day of January 2026.

Caroline J. Davison
Notary Public

Notary Public ID No. KYNP63286

My Commission Expires:

January 22, 2027



KENTUCKY UTILITIES COMPANY

Response to Commission Staff's Second Request for Information
Dated January 15, 2026

Case No. 2025-00323

Question No. 1

Responding Witness: Robert M. Conroy / Elizabeth J. McFarland

Q-1. Refer to the Joint Application and the Daviess County Assets Agreement. KU states that the transaction will result in the release of an outstanding lien, and that BREC will purchase the assets at a price approximately \$1 million lower than the stated original book value.

- a. Explain why the transaction is financially reasonable for KU and its retail ratepayers.
- b. Describe how ratepayers benefit from accepting a sale price below original book value.

A-1.

- a. The transaction is financially reasonable for KU and its retail ratepayers because the sale price reflects the Net Book Value calculated in 2024 ("NBV"), which represents the remaining undepreciated investment associated with these assets. In addition, with this transaction and OMU's decision to join MISO, KU and LG&E customers will benefit from the elimination of depancaking expenses paid to OMU. This benefit is approximately \$9 million (merger mitigation depancaking expenses less OMU transmission revenues) annually and is discussed further in the response to Question No. 4.
- b. See the response to part (a). Additionally, ratepayers will benefit from the reduction to rate base for the net book value in subsequent base rate related proceedings.

KENTUCKY UTILITIES COMPANY

Response to Commission Staff's Second Request for Information
Dated January 15, 2026

Case No. 2025-00323

Question No. 2

Responding Witness: Elizabeth J. McFarland

Q-2. Explain why the assets were priced at approximately \$1 million below the original book value.

A-2. See the response to Question No. 1.

KENTUCKY UTILITIES COMPANY

Response to Commission Staff's Second Request for Information
Dated January 15, 2026

Case No. 2025-00323

Question No. 3

Responding Witness: Drew T. McCombs

Q-3. Identify the lien referenced in Section 6(B) of the Daviess County Assets Agreement. Provide the name of the lienholder, the outstanding amount, and the balance that will be retired or credited upon closing.

A-3. The lien is The Indenture dated October 1, 2010, as supplemented, between Kentucky Utilities Company and The Bank of New York Mellon, as Trustee. The lienholder is The Bank of New York Mellon. The outstanding balance as of December 21, 2025, is approximately \$3.5 billion. Given the value of the assets and their classification in the lien, no amount of indebtedness will be retired or credited upon closing. As explained further in the response to Question No. 7, KU will obtain a release prior to closing to remove these assets from the lien.

KENTUCKY UTILITIES COMPANY

Response to Commission Staff's Second Request for Information
Dated January 15, 2026

Case No. 2025-00323

Question No. 4

Responding Witness: Robert M. Conroy / Drew T. McCombs

Q-4. Describe whether the proposed sale affects the level of merger mitigation depancaking expenses being tracked as a regulatory asset or liability under the Stipulation filed in Case No. 2025-00113.²

- a. If the level of merger mitigation depancaking expenses being tracked as a regulatory asset or liability is affected, provide the monthly impact expressed both in dollars and percentage.
- b. State whether KU anticipates adjusting the regulatory asset balance recorded prior to closing.

A-4. See the response to PSC 1-4. Also, see the response to PSC PH-12 in Case Nos. 2025-00113 and 2025-00114. As indicated in response to PSC PH-12, pending the Commission Order approving the stipulation, the baseline level of merger mitigation depancaking expense embedded in base rates for KU would be \$22.635 million (Kentucky jurisdictional) and for LG&E it would be \$6.924 million. These baseline amounts already reflect the anticipated reduction (\$6.313 million for KU and \$3.486 million for LG&E) due to OMU's decision to join MISO in early 2027. Actual expenses above or below this baseline level will be recorded to a regulatory asset or liability, respectively, going forward.

- a. The actual monthly impact to the regulatory asset or liability will not be known until after actual expenses are known in 2026. The baseline level of merger mitigation depancaking expense will be determined pending the Commission's Orders in Case Nos. 2025-00113 and 2025-00114. This baseline level will be compared to the actual expenses to determine the regulatory asset or liability balance.
- b. The Companies will begin recording a regulatory asset subject to the Commission's approval of the stipulation in the base rate case proceedings. The regulatory asset will be recorded monthly and will reflect the amount by which actual monthly expenses are in excess of the baseline monthly expenses (which comprise the annual amounts shown above). The

² Case No. 2025-00113, *Electronic Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates and Approval of Certain Regulatory and Accounting Treatments* (filed May 30, 2025).

Response to Question No. 4

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Conroy / McCombs

Companies will not begin recording the regulatory asset until the Final Order is issued in the base rate case proceedings but currently expect this to occur prior to the closing date.

KENTUCKY UTILITIES COMPANY

Response to Commission Staff's Second Request for Information
Dated January 15, 2026

Case No. 2025-00323

Question No. 5

Responding Witness: Elizabeth J. McFarland

Q-5. Refer to KU's response to Commission Staff's First Request for Information (Staff's First Request), Item 1. State the fair market value (FMV) of the Daviess County Assets compared to their net book value. Identify the methodology or reference benchmarks supporting the estimate.

A-5. The Fair Market Value of the Daviess County Assets is not known, nor is it necessary in this case. KU is simply recovering the existing undepreciated investment related to these assets in order to ensure KU ratepayers are not left paying for an asset that will no longer benefit KU. Once the sale takes place, KU will no longer need the assets, so understanding the Fair Market Value of the substation is not needed, as there is no desire to replace it with something similar. Further, by selling these assets, OMU will be able to join MISO and thus will no longer be entitled to merger mitigation depancaking reimbursement, thereby greatly benefiting LG&E and KU ratepayers.

KENTUCKY UTILITIES COMPANY

Response to Commission Staff's Second Request for Information
Dated January 15, 2026

Case No. 2025-00323

Question No. 6

Responding Witness: Drew T. McCombs / Elizabeth J. McFarland

Q-6. Provide a complete list of the assets included in the transaction purchase price by category (substation equipment, 345 kV transmission structures, 138 kV lines, easements, communications equipment, etc.).

A-6. A list of assets included in the transaction purchase price was provided in the attachment responsive to PSC 1-4. In that file, we provided the Original Book Value of the assets included in the transaction; the transaction purchase price of \$2,655,569 for these same assets is based upon the 2024 calculation of the Net Book Value.

KENTUCKY UTILITIES COMPANY

Response to Commission Staff's Second Request for Information
Dated January 15, 2026

Case No. 2025-00323

Question No. 7

Responding Witness: Drew T. McCombs

Q-7. Refer to KU's response to Staff's First Request, Item 6:

- a. Reconcile KU's statement in the response that there is no current indebtedness related to the Substation Property with Agreement language stating that the assets are subject to a lien.
- b. Confirm whether KU will retire or otherwise remove the lien at closing and explain the process by which the release of the lien results in a "no indebtedness" condition at transfer. Explain the response.

A-7.

- a. The property is subject to the lien identified in the response to Question No. 3, but there is no direct indebtedness related to these assets as KU does not typically engage in specific project financing.
- b. Yes, KU will obtain a release from the Trustee prior to closing to remove these assets from the lien. Upon such release, the lien will no longer apply to the Substation Property but will continue to apply to substantially all KU property in Kentucky.