

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>ELECTRONIC JOINT APPLICATION OF</b>	)	
<b>KENTUCKY UTILITIES COMPANY AND</b>	)	
<b>LOUISVILLE GAS AND ELECTRIC</b>	)	<b>CASE NO. 2026-00077</b>
<b>COMPANY FOR APPROVAL OF</b>	)	
<b>MERGER</b>	)	

**DIRECT TESTIMONY OF**  
**ROBERT M. CONROY**  
**VICE PRESIDENT, STATE REGULATION AND RATES**  
**ON BEHALF OF**  
**KENTUCKY UTILITIES COMPANY AND**  
**LOUISVILLE GAS AND ELECTRIC COMPANY**

**Filed: March 31, 2026**

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1 **I. INTRODUCTION**

2 **Q. Please state your name, position, and business address.**

3 A. My name is Robert M. Conroy. I am the Vice President of State Regulation and Rates  
4 for Kentucky Utilities Company (“KU”) and Louisville Gas and Electric Company  
5 (“LG&E”) (collectively, “Companies”) and an employee of LG&E and KU Services  
6 Company. My business address is 2701 Eastpoint Parkway, Louisville, Kentucky  
7 40223. A complete statement of my education and work experience is attached to this  
8 testimony as Appendix A.

9 **Q. Have you previously testified before this Commission?**

10 A. Yes, I have testified before this Commission in numerous proceedings for more than  
11 20 years, including the Companies’ most recent rate cases and their 2025 application  
12 for certificates of public convenience and necessity (“CPCN”) and site compatibility  
13 certificates (“2025 CPCN Case”),<sup>1</sup> as well as KU’s 2025 ECR application proceeding.<sup>2</sup>

14 **Q. What are the purposes of your testimony?**

15 A. My testimony: (1) describes the proposed merger of LG&E and KU and its benefits;  
16 (2) highlights why now is the right time to merge the Companies; (3) explains why it  
17 will be seamless for customers; (4) discusses how the merger will not immediately  
18 require changes to base rates or tariff provisions; (5) asks the Commission to approve  
19 the Companies proposal to unify their Fuel Adjustment Clause (“FAC”) and Off-  
20 System Sales Adjustment Clause (“OSS”) mechanisms, which would not constitute a

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<sup>1</sup> *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, Direct Testimony of Robert M. Conroy (Feb. 28, 2025).

<sup>2</sup> *Electronic Application of Kentucky Utilities Company for Approval of Its 2025 Compliance Plan for Recovery by Environmental Surcharge*, Case No. 2025-00105, Direct Testimony of Robert M. Conroy (Apr. 30, 2025).

1 rate change or require tariff revisions; (6) supports the Companies’ request for  
2 regulatory asset accounting authority for merger costs; (7) respectfully requests that the  
3 Commission not to attach conditions to its merger approval; and (8) asks the  
4 Commission to approve the merger as proposed.

5 **II. THE PROPOSED MERGER AND ITS BENEFITS**

6 **Q. Please explain what the Companies are proposing in this proceeding.**

7 A. Simply stated, the Companies propose to merge two separate legal entities, LG&E and  
8 KU, into a single legal entity on or after July 29, 2026, the requested date for an order  
9 in this proceeding. More precisely, KU will merge into LG&E. LG&E may later  
10 consider changing its name to more accurately reflect the statewide nature of the service  
11 it will provide. But immediately upon consummation of the merger, LG&E will  
12 operate under the name KU (by registering a “doing business as” name) in the areas  
13 where KU operated pre-merger.

14 **Q. Will merging the Companies be consistent with prior Commission orders and**  
15 **provide benefits to customers, the Commission, and others?**

16 A. Yes. Since 2018, the Commission has repeatedly directed the Companies to file merger  
17 studies,<sup>3</sup> which the Companies did in 2018,<sup>4</sup> annually from 2020 through 2023,<sup>5</sup> and

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<sup>3</sup> *Joint Application of PPL Corporation, PPL Subsidiary Holdings, LLC, PPL Energy Holdings, LLC, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of an Indirect Change of Control of Louisville Gas and Electric Company and Kentucky Utilities Company*, Case No. 2017-00415, Order at 8 (Ky. PSC Apr. 4, 2018); *Electronic Application of Kentucky Utilities Company for an Adjustment of its Electric Rates*, Case No. 2018-00294, and *Electronic Application of Louisville Gas and Electric Company for an Adjustment of its Electric and Gas Rates*, Case No. 2018-00295, Order at 33-34 (Ky. PSC Apr. 30, 2019); Case Nos. 2018-00294 and 2018-00295, Order at 3 (Ky. PSC Aug. 22, 2023).

<sup>4</sup> Case No. 2017-00415, LG&E and KU Potential Legal Merger of Utilities Internal Study (Aug. 8, 2018).

<sup>5</sup> Case Nos. 2018-00294 and 2018-00295, LG&E and KU Potential Legal Merger of Utilities Internal Study (Mar. 31, 2020); Case Nos. 2018-00294 and 2018-00295, LG&E and KU Potential Legal Merger of Utilities Internal Study (Mar. 31, 2021); Case Nos. 2018-00294 and 2018-00295, LG&E/KU Legal Merger Assessment (Mar. 31, 2022); Case Nos. 2018-00294 and 2018-00295, LG&E and KU Potential Legal Merger of Utilities Internal Study (Mar. 31, 2023).

1 most recently in the Companies’ 2025 base rate cases.<sup>6</sup> The Commission expressed  
2 the view in at least one order that merging the Companies would create “numerous  
3 savings ... [for] customers and stakeholders.”<sup>7</sup> In short, the Commission has expressed  
4 sustained interest in the possibility of merging the Companies, and has stated that  
5 merger would result in benefits to customers, the Commission, and others.

6 The Companies’ merger studies have consistently shown that merging the  
7 Companies would result in increased accounting and regulatory efficiencies by having  
8 one utility company rather than two, although, as I further explain below, until now the  
9 cost to achieve those savings has exceeded the expected savings.<sup>8</sup> In addition to these  
10 savings, the Companies anticipate financing-related savings, which Christopher M.  
11 Garrett discusses in his testimony. Beyond any quantifiable benefits associated with  
12 having a single utility entity, all of which will ultimately benefit customers, merging  
13 the Companies will provide benefits to the Commission, Commission Staff, and  
14 intervenors in the Companies’ cases. Having a single set of FAC-OSS monthly filings  
15 and review proceedings, one base rate case instead of two, one KRS 278.300  
16 application instead of two, and one electric tariff will undoubtedly increase the  
17 efficiency and decrease the workload of the Commission, Commission Staff, the  
18 Companies, and intervenors.

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<sup>6</sup> *Electronic Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates and Approval of Certain Regulatory and Accounting Treatments*, Case No. 2025-00113, and *Electronic Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates and Approval of Certain Regulatory and Accounting Treatments*, Case No. 2025-00114, Direct Testimony of Christopher M. Garrett, Exh. CMG-1 at 5-6 and 8 (May 30, 2025).

<sup>7</sup> Case Nos. 2018-00294 and 2018-00295, Order at 3 (Ky. PSC Aug. 22, 2023).

<sup>8</sup> Case Nos. 2025-00113 and 2025-00114, Direct Testimony of Christopher M. Garrett, Exh. CMG-1 at 5-6 and 8 (explaining that the expected annual savings of \$3 million have been less than the cost to achieve them).

1           The Commission itself has repeatedly highlighted the importance of these  
2           benefits, having previously noted that the Companies’ rate cases, even when filed with  
3           joint testimony, result in “duplication of costs to ratepayers and stress on regulators’  
4           resources because revenue requirement filings and supporting financial data, data  
5           request responses, and resulting rate schedules are unique to each of the two utilities  
6           and thus remain the equivalent of two general rate cases.”<sup>9</sup> The Companies agree these  
7           important benefits support approving the Companies’ merger as proposed.

8           **Q. Will the combined utility have the same ability to serve customers as the**  
9           **Companies have today?**

10          A. Yes. The Companies have jointly planned and operated their utilities, and achieved  
11          significant operational efficiencies, since they first came together under one holding  
12          company almost thirty years ago.<sup>10</sup> Indeed, for nearly all substantive intents and  
13          purposes, they already operate as one electric utility.

14               Therefore, the Companies’ proposed legal entity merger will be, in a number of  
15          important ways, straightforward and seamless. It will have no effect on the  
16          Commission’s jurisdiction and authority concerning the Companies’ Kentucky utility  
17          operations. It will in no way compromise the Companies’ financial, technical, or  
18          managerial abilities to provide reasonable service post-merger; instead, it will increase  
19          accounting and regulatory efficiency by eliminating the need to manage two separate  
20          utility companies. It will have no effect on PPL’s continuing financial, technical, and  
21          managerial support. Under anticipated “doing business as” names obtained from the

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<sup>9</sup> Case No. 2018-00294 and Case No. 2018-00295, Order at 4 (Ky. PSC Aug. 22, 2023).

<sup>10</sup> *Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of Merger*, Case No. 1997-00300, Order (Ky. PSC Sept. 12, 1997).

1 Kentucky Secretary of State, the Companies anticipate the combined utility would  
2 operate as LG&E in LG&E’s current electric and gas service territories for the  
3 foreseeable future, and it would operate as KU in KU’s electric service territory in  
4 Kentucky.<sup>11</sup> The combined utility will adopt LG&E’s and KU’s existing tariffs; using  
5 rate districts, the combined utility will serve LG&E and KU customers under the  
6 Companies’ current tariffs just as the Companies do today.<sup>12</sup> The Companies anticipate  
7 customer bills will continue to say “LG&E” or “KU,” as will the service vehicles  
8 customers see. In short, the merger should be largely, if not entirely, invisible to  
9 customers from a material commercial, operational, and communications standpoint,  
10 and the combined utility will have the same ability to provide reasonable service that  
11 the Companies have today.

### 12 **III. NOW IS THE OPPORTUNE TIME TO MERGE THE COMPANIES**

#### 13 **Q. Why are the Companies seeking to merge now?**

14 A. As I noted above, the Companies’ merger studies have consistently shown that the  
15 expected quantifiable savings from merging the Companies (less than \$3 million  
16 annually) would not justify the cost to implement the merger (more than \$20 million),  
17 particularly due to the cost of merging the Companies’ various information technology  
18 (“IT”) systems to facilitate operating a unified electric utility (between \$17 million to  
19 \$20 million).<sup>13</sup> But as Mr. Garrett explains, the IT cost that has been the chief hurdle  
20 to merging the Companies is, for a limited window of time, not an obstacle due to the

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<sup>11</sup> As stated in the accompanying Joint Application, the Companies seek the Commission’s approval under KRS 278.218 for LG&E to assume KU’s certified electric service territory.

<sup>12</sup> The Companies are not proposing to harmonize or unify their base rates or tariffs in this case. Any such harmonization or unification will occur in a later base rate case.

<sup>13</sup> Case Nos. 2025-00113 and 2025-00114, Direct Testimony of Christopher M. Garrett, Exh. CMG-1 at 5-6 and 8 (May 30, 2025).

1 significant IT upgrades the Companies and PPL Corporation (“PPL”) are currently  
2 undertaking. That is why the Companies are seeking Commission approval to merge  
3 the Companies now; if they delay and miss the window presented by this major IT  
4 overhaul, the same IT cost hurdle to merging will reappear.

5 **IV. MERGING THE COMPANIES FULLY SATISFIES THE REQUIREMENTS**  
6 **OF KRS 278.020(6)**

7 **Q. What is the standard the Commission applies to mergers like the one the**  
8 **Companies are proposing?**

9 A. The standard that applies to mergers like the one the Companies are proposing in this  
10 case is in KRS 278.020(6), which states:

11 No person shall acquire or transfer ownership of, or  
12 control, or the right to control, any utility under the  
13 jurisdiction of the commission by sale of assets, transfer  
14 of stock, or otherwise, or abandon the same, without  
15 prior approval by the commission. *The commission shall*  
16 *grant its approval if the person acquiring the utility has*  
17 *the financial, technical, and managerial abilities to*  
18 *provide reasonable service.*<sup>14</sup>

19 Thus, to satisfy the statute’s requirements, the Companies must demonstrate only that  
20 the combined utility entity will have the financial, technical, and managerial abilities  
21 to provide reasonable service.

22 **Q. Why is KRS 278.020(6) the applicable statutory provision rather than KRS**  
23 **278.020(7)?**

24 A. Although I am not an attorney, it is my understanding that KRS 278.020(8)(b)  
25 precludes applying KRS 278.020(7) to utility changes of control like Companies’

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<sup>14</sup> Emphasis added.

1 proposed merger.<sup>15</sup> That KRS 278.020(7) does not apply to the Companies’ proposed  
2 merger is relevant because KRS 278.020(7) includes an explicit public interest standard  
3 KRS 278.020(6) lacks, and it explicitly states the Commission “may grant any  
4 application ... with modification and upon terms and conditions as it deems necessary  
5 or appropriate,” which KRS 278.020(6) does not. Thus, although the proposed merger  
6 will indeed result in benefits and efficiencies as I described above, it is not necessary  
7 that it do so to satisfy the standard of the applicable statutory provision, KRS  
8 278.020(6).

9 **Q. Why is LG&E the “person acquiring” rather than KU?**

10 A. LG&E has two regulated utility operations, electric and gas, making it somewhat  
11 administratively easier for LG&E to be the “person acquiring.”

12 **Q. Will the combined utility have the financial, technical, and managerial abilities to  
13 provide reasonable service required by KRS 278.020(6)?**

14 A. Yes. Mr. Garrett’s testimony supports the financial ability of the combined entity to  
15 provide reasonable service. As he explains, PPL will support the combined utility’s  
16 financial ability to provide reasonable service (just as it has for the Companies since  
17 the Commission approved the PPL change of control in 2010), and the Companies are  
18 ensuring the combined utility will have access to ample capital. Also, as stated in the  
19 Joint Application and as discussed in Mr. Garrett’s testimony, the Companies seek  
20 approval in this case under KRS 278.300 for LG&E to: (1) retain its existing

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<sup>15</sup> KRS 278.020(8) states in relevant part:

Subsection (7) of this section shall not apply to any acquisition of control of any ... (b) Utility by an acquirer who directly, or indirectly through one (1) or more intermediaries, controls, or is controlled by, or is under common control with, the utility, including any entity created at the direction of such utility for purposes of corporate reorganization[.]

1 Commission-approved debt issuance authority; (2) assume KU’s existing debt; and (3)  
2 assume the remaining authority to issue new debt the Commission authorized in KU’s  
3 last financing case, resulting in a merged entity with the Companies’ combined debt  
4 issuance authority.<sup>16</sup>

5 Regarding technical and managerial abilities, the Commission has held in  
6 multiple merger and acquisition cases involving the Companies over the past three  
7 decades that the Companies have had and continue to have such abilities (as well as the  
8 requisite financial ability). Beginning with the original merging of LG&E and KU  
9 under one holding company almost thirty years ago, the Commission observed:

10 No party challenged the financial, technical, or  
11 managerial abilities of LG&E Energy, LG&E or KU to  
12 continue to provide reasonable utility service in their  
13 respective service territories. The Commission finds that  
14 the uncontested evidence conclusively demonstrates that  
15 LG&E Energy, LG&E and KU possess the requisite  
16 financial, technical, and managerial expertise to continue  
17 to provide the high quality utility service currently  
18 received by customers of LG&E and KU.<sup>17</sup>

19 In every change of control case involving the Companies since then, through  
20 and including PPL’s acquisition of control of the Companies, the Commission has  
21 affirmed the Companies’ financial, technical, and managerial abilities to continue to  
22 provide reasonable service:

- 23 • “PowerGen, LG&E Energy, LG&E, and KU  
24 will, after the consummation of the merger, have  
25 the financial, technical, and managerial abilities  
26 to provide reasonable utility services.”<sup>18</sup>

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<sup>16</sup> *In the Matter of: Electronic Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Indebtedness* (Case No. 2023-00397) (Ky. PSC Feb. 8, 2024).

<sup>17</sup> *Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of Merger*, Case No. 1997-00300, Order at 5 (Ky. PSC Sept. 12, 1997).

<sup>18</sup> *Joint Application of PowerGen PLC, LG&E Energy Corp., Louisville Gas and Electric Company, and Kentucky Utilities Company for Approval of a Merger*, Case No. 2000-00095, Order at 38 (Ky. PSC May 15, 2000).

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- “E.ON, PowerGen, LG&E Energy, LG&E, and KU will, after the consummation of the acquisition, have the financial, technical, and managerial abilities to provide reasonable utility services.”<sup>19</sup>
  - “PPL, LG&E, and KU will, after the consummation of the acquisition, have the financial, technical, and managerial abilities to provide reasonable utility services.”<sup>20</sup>

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Most recently and most analogously to the proposed merger of the Companies, the Commission approved a corporate reorganization in Case No. 2017-00415 in which PPL introduced two new corporate entities into its corporate structure, both of which were in the ultimate chain of ownership and control of the Companies.<sup>21</sup> In its order approving the corporate reorganization, the Commission observed:

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The Joint Applicants specifically note that the officers and employees of LKE and the Utilities, which represent the Utilities' present managerial and technical ability to provide service, will not change as a result of the proposed reorganization. ... Further, the Joint Applicants state that PPL Corporation will continue to be the ultimate parent of LKE and the Utilities .... The Joint Applicants note that the Commission has previously found PPL Corporation to possess the financial, technical, and managerial ability to provide reasonable utility service. In short, Joint Applicants state that the proposed reorganization “will have no effect on the operation or management of the Utilities.”

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Having reviewed the record and being otherwise sufficiently advised, the Commission finds that the proposed corporate

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<sup>19</sup> *Joint Application for Transfer of Louisville Gas and Electric Company and Kentucky Utilities Company in Accordance with E.On AG's Planned Acquisition of PowerGen PLC*, Case No. 2001-00104, Order at 31 (Ky. PSC Aug. 6, 2001).

<sup>20</sup> *Joint Application of PPL Corporation, E.On AG, E.On US Investments Corp., E.On U.S. LLC, Louisville Gas and Electric Company, and Kentucky Utilities Company for Approval of an Acquisition of Ownership and Control of Utilities*, Case No. 2010-00204, Order at 19 (Ky. PSC Sept. 30, 2010).

<sup>21</sup> *Joint Application of PPL Corporation, PPL Subsidiary Holdings, LLC, PPL Energy Holdings, LLC, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of an Indirect Change of Control of Louisville Gas and Electric Company and Kentucky Utilities Company*, Case No. 2017-00415, Application (Oct. 17, 2017).

1 reorganization meets the standard set forth in KRS  
2 278.020(6). *Because there is no change to the operation or*  
3 *management of the Utilities, and given the experience and*  
4 *expertise of the current management and employees of the*  
5 *Utilities, NEWC01 and NEWC02 have the financial,*  
6 *technical, and managerial abilities to provide reasonable*  
7 *service.*<sup>22</sup>

8 Notably, it was in this same Order that the Commission first directed the Companies to  
9 “develop an internal study to fully evaluate and quantify the costs and benefits  
10 associated with a potential merger of the two utilities.”<sup>23</sup> Presumably, it would not  
11 have done so if it believed merging the Companies would impair their ability to provide  
12 reasonable service.

13 Merging the Companies will cause minimal changes to the personnel who  
14 would otherwise operate and manage the utilities absent the proposed merger.<sup>24</sup> Thus,  
15 because the Companies currently have the technical and managerial abilities to provide  
16 reasonable service and the anticipated merger-related personnel are minimal, the  
17 combined utility will have the requisite technical and managerial abilities under KRS  
18 278.020(6).

19 **V. THE COMPANIES DO NOT PROPOSE TO UNIFY BASE RATES**  
20 **IMMEDIATELY UPON MERGING THE COMPANIES**

21 **Q. Do the Companies propose to unify their base rates immediately upon merging**  
22 **the Companies?**

23 **A.** No. Doing so would require a base rate case, and it is unnecessary to unify the  
24 Companies’ base rates to implement the proposed merger because LG&E will adopt

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<sup>22</sup> Case No. 2017-00415, Order at 6-7 (Ky. PSC Apr. 4, 2018) (emphasis added).

<sup>23</sup> *Id.* at 8.

<sup>24</sup> Current KU employees will become LG&E employees or service company employees. PPL and the Companies are also considering whether merging LG&E and KU Services Company into PPL Services Corporation would create helpful efficiencies.

1 KU's tariff effective upon the date of the merger, and it will operate two electric rate  
2 districts to which the base rates in those tariffs will apply until base rates are  
3 harmonized or unified in a later base rate case.

4 **Q. Do the Companies propose to unify their non-base rate cost recovery mechanisms**  
5 **upon merging the Companies?**

6 A. With the exception of the Companies' FAC and OSS mechanisms, no, the Companies  
7 do not propose to unify their non-base rate cost recovery mechanisms upon merging  
8 the Companies. As with base rates, immediately unifying non-base rate cost recovery  
9 mechanisms other than FAC and OSS is unnecessary to merge the Companies and can  
10 be addressed in later Commission proceedings. It is unnecessary to unify cost-recovery  
11 mechanisms immediately upon merger because, as I noted above, LG&E will adopt  
12 KU's tariff effective with merger, including its cost recovery mechanisms, all of which  
13 can operate independently with relative efficiency post-merger *except* the FAC and  
14 OSS mechanisms.

15 **Q. Why are the Companies proposing to unify their FAC and OSS mechanisms as**  
16 **part of their merger?**

17 A. The Companies propose to unify their FAC and OSS mechanisms as part of their  
18 merger because attempting *not* to unify these mechanisms would be inefficient for  
19 several reasons.

20 First, it is my understanding that the Companies' Power System Supply  
21 Agreement, which affects the cost of intercompany power sales and purchases, will  
22 cease to have any effect when the Companies merge because there will no longer be

1 two parties to the agreement. Therefore, there will no longer be Intercompany  
2 Transactions included in the determination of the FAC and OSS billing factors.

3 Second and likewise, there will be a unification of fuel purchases upon merger;  
4 it is my understanding LG&E will assume all KU fuel and fuel-related contracts, just  
5 as there will be a unification of off-system sales and purchases upon merger rather than  
6 being allocated between the two Companies. This will have the practical effect of  
7 unifying FAC costs and OSS costs and revenues beginning with the January 2027  
8 expense month, which will appear on customer bills in the March 2027 billing cycle  
9 (assuming the merger takes effect on January 1, 2027).

10 Third, the Companies anticipate that the base fuel factor (i.e., the “F(b)/S(b)”  
11 component of the FAC factor) for both Companies will be the same following the  
12 Commission’s final orders in their pending FAC two-year review cases. Thus, this  
13 component of the FAC billing factor should already be unified prior to the proposed  
14 merger. (There is no corresponding base factor component of the OSS mechanism.)

15 For these reasons, it is reasonable to unify the Companies’ FAC and OSS  
16 mechanisms upon merger. Indeed, not unifying them would require inefficiently  
17 engaging in ongoing accounting fictions (e.g., continuing to calculate intercompany  
18 sales when there are no longer two Companies) until eventually unifying the  
19 mechanisms at some point in the future. The Companies believe the most reasonable  
20 approach is to avoid such inefficiencies and unify their FAC and OSS mechanisms  
21 upon merger.

1 **Q. How do the Companies propose to unify their FAC and OSS mechanisms?**

2 A. The Companies have already taken steps toward unifying their FAC mechanisms by  
3 asking the Commission to approve the same base fuel factor for both Companies in  
4 their pending FAC two-year review cases. If the Commission approves that request,  
5 this component of the FAC billing factor would already be unified prior to the proposed  
6 merger.

7 If the Commission approves the proposed merger here, the merged utility would  
8 begin by unifying FAC and OSS expenses and revenues beginning with the first month  
9 of merger, billing those unified FAC and OSS expenses beginning with the third month  
10 of merger, and finally completing the unification process in the fifth month of merger  
11 by unifying the FAC and OSS over- or under-recovery true-up components.<sup>25</sup> This  
12 approach aligns with the existing FAC and OSS formulaic calculations and would  
13 allow the merged electric utility to bill a mostly unified FAC-OSS factor beginning  
14 with bills issued in the third month post-merger and a fully unified FAC-OSS billing  
15 factor beginning with bills issued in the fifth month post-merger.

16 **Q. Would unifying the FAC and OSS mechanisms as part of merging the Companies**  
17 **constitute a rate change?**

18 A. No, the Companies do not believe unifying their FAC and OSS mechanisms as part of  
19 merging the Companies would constitute a rate change because: (1) it would not require

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<sup>25</sup> This multi-step unification approach results from two aspects of how the Companies calculate the FAC-OSS billing factor each month. First, all components of the FAC-OSS billing factor for a given billing month (except the FAC and OSS over- or under-recovery true-up components and the base fuel factor) depend on expenses from two months prior (e.g., the March 2027 FAC-OSS billing factor will be based on the January 2027 expense month). Second, the FAC and OSS over- or under-recovery true-up components depend on the amount of expenses recovered from the FAC and OSS billing factors determined *four* months earlier (e.g., the May 2027 FAC and OSS over- or under-recovery true-up components will be based on how much of the expenses included in the January 2027 FAC and OSS billing factors were actually recovered in the March 2027 billing month).

1 any tariff changes; and (2) it would consist of periodically recalculating existing  
2 formulaic rates, only on a combined, merged basis rather than for two separate  
3 utilities.<sup>26</sup> This view is consistent with 807 KAR 5:011 Sec. 8(6), which states:

4 Periodic recalculation of a formulaic rate that does not involve a revision  
5 of the rate and that is performed in accordance with provisions of an  
6 effective rate schedule, special contract, or administrative regulation  
7 does not require notice in accordance with this section.

8 Here, the Companies are not proposing to change their formulaic FAC and OSS  
9 mechanisms; rather, they would continue to operate as they always have, only on a  
10 combined basis post-merger as described above.

11 **Q. What are the Companies asking the Commission to do in this proceeding**  
12 **concerning the proposed unification of the FAC and OSS mechanisms?**

13 A. If the Commission approves the proposed merger, the Companies ask the Commission  
14 to declare in its final order in this case that unifying the Companies' FAC and OSS  
15 mechanisms upon merger would not constitute a rate change or require tariff revisions  
16 and therefore would not require publishing customer notice.

17 In the first alternative, if the Commission believes unifying the FAC and OSS  
18 mechanisms would require publishing customer notice under 807 KAR 5:011 Sec. 8,  
19 the Companies respectfully ask the Commission in its final order to: (1) declare the  
20 Commission's position; and (2) grant the Companies a deviation pursuant to 807 KAR  
21 5:011 Sec. 15 from the notice publication requirement. The Companies believe such a

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<sup>26</sup> The Companies recognize that the Commission has taken different views on this issue concerning unifying cost recovery mechanisms. Compare, e.g., Case No. 2022-00422, Order (Ky. PSC Jan. 24, 2023); *Electronic Application of Delta Natural Gas Company, Inc. for an Adjustment of Its Rates and a Certificate of Public Convenience and Necessity*, Case No. 2021-00185, Order (Ky. PSC Jan. 3, 2022), to *Electronic Application of Navitas KY NG, Johnson County Gas Company, and B&H Gas Company for Approval of Acquisition, Transfer of Ownership, and Control of Natural Gas Utility Systems*, Case No. 2020-00396, Order (Ky. PSC Apr. 27, 2021).

1 deviation would be reasonable to avoid having to incur the cost of such notice, which  
2 would serve only to notify customers of charges that already exist.

3 In the second alternative, if the Commission determines that unifying the FAC  
4 and OSS mechanisms would require a rate or tariff filing, the Companies seek a  
5 declaration from the Commission providing guidance as to the content of the notice the  
6 Companies must provide and what the Commission desires the Companies to file to  
7 unify the FAC and OSS mechanisms.

8 **VI. THE COMPANIES REQUEST REGULATORY ASSET ACCOUNTING**  
9 **AUTHORITY FOR MERGER COSTS**

10 **Q. Please explain the Companies' request concerning regulatory asset accounting**  
11 **authority for merger costs.**

12 A. As I discussed above and Mr. Garrett addresses in his testimony, there is now a  
13 temporary lack of an IT-cost hurdle to merger. But that does not mean there will be  
14 zero cost to merge; rather, the Companies have incurred and will incur merger costs  
15 not being recovered through current rates or addressed by other deferrals, including  
16 legal, regulatory, and financing-related costs to achieve and implement merger (e.g.,  
17 the cost of this proceeding). The Commission has long held regulatory asset treatment  
18 is appropriate “when a utility has incurred ... an extraordinary or nonrecurring expense  
19 that over time will result in a saving that fully offsets the cost.”<sup>27</sup> Here, the Companies  
20 anticipate that long-term merger savings will exceed merger implementation costs  
21 during this limited window of opportunity in which IT cost is not an obstacle, making

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<sup>27</sup> Case No. 2025-00113, Order at 9 (Ky. PSC Feb. 16, 2026); Case No. 2025-00114, Order at 9-10 (Ky. PSC Feb. 16, 2026); *Application of East Kentucky Power Cooperative, Inc. for an Order Approving Accounting Practices to Establish a Regulatory Asset Related to Certain Replacement Power Costs Resulting from Generation Forced Outages*, Case No. 2008-00436, Order at 3–4 (Ky. PSC Dec. 23, 2008).

1 the implementation cost of merger a prudent investment for customers. Therefore, the  
2 Companies respectfully request regulatory asset accounting authority to allow the  
3 Companies to defer all merger costs not being recovered through current rates or  
4 addressed by other deferrals.

5 To be clear, the Companies are *not* asking the Commission to approve any  
6 particular merger cost in this case; rather, the Companies seek the requisite regulatory  
7 asset accounting authority to allow the Commission to consider merger costs for  
8 recovery in a future base rate case.

9 **VII. TO ENSURE THE MERGER CAN PROCEED AND PROVIDE BENEFITS**  
10 **TO CUSTOMERS, THE COMMISSION, AND OTHERS, THE COMPANIES**  
11 **RESPECTFULLY ASK THE COMMISSION NOT TO ATTACH CONDITIONS TO**  
12 **ITS MERGER APPROVAL**

13 **Q. Please explain why the Companies respectfully ask the Commission not to attach**  
14 **conditions to its merger approval in this proceeding.**

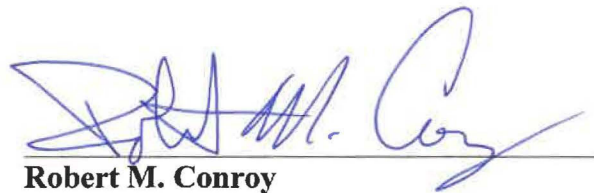
15 A. There are several reasons why the Companies respectfully submit that attaching  
16 conditions to the Commission's merger approval would not be appropriate. First, as I  
17 discussed above, it would accord with KRS 278.020(6) not to attach any conditions to  
18 merger approval. Second, as I also noted above, the quantifiable benefits of the merger,  
19 though real, are not large, and attaching any conditions to merger approval could cause  
20 the merger not to proceed, resulting in missing this limited opportunity to obtain the  
21 Commission's desired merger benefits. Third, the Companies anticipate seeking  
22 approvals related to the proposed merger from other regulatory bodies, including the  
23 Federal Energy Regulatory Commission and the Virginia State Corporation  
24 Commission; if each regulator attaches its own conditions, it will increase the



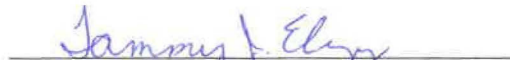
VERIFICATION

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 testimony, and that the answers contained therein are true and correct to the best of his information, knowledge, and belief.

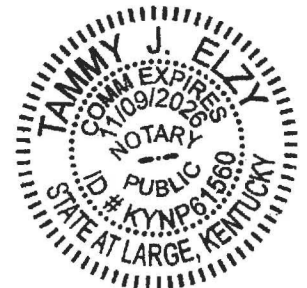
  
Robert M. Conroy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 31<sup>st</sup> day of March 2026.

  
Notary Public  
Notary Public ID No. KYNP61560

My Commission Expires:

November 9, 2026



## APPENDIX A

### **Robert M. Conroy**

Vice President, State Regulation and Rates  
LG&E and KU Services Company  
2701 Eastpoint Parkway  
Louisville, Kentucky 40223

### **Previous Positions**

Vice President, State Regulation and Rates	Feb. 2016 – Present
Director, Rates	Feb. 2008 – Feb. 2016
Manager, Rates	Apr. 2004 – Feb. 2008
Manager, Generation Systems Planning	Feb. 2001 – Apr. 2004
Group Leader, Generation Systems Planning	Feb. 2000 – Feb. 2001
Lead Planning Engineer	Oct. 1999 – Feb. 2000
Consulting System Planning Analyst	Apr. 1996 – Oct. 1999
System Planning Analyst III & IV	Oct. 1992 – Apr. 1996
System Planning Analyst II	Jan. 1991 - Oct. 1992
Electrical Engineer II	Jun. 1990 - Jan. 1991
Electrical Engineer I	Jun. 1987 - Jun. 1990

### **Professional/Trade Memberships**

Registered Professional Engineer in Kentucky, 1995  
Edison Electric Institute - Rates and Regulatory Affairs Committee  
Southeastern Energy Exchange - Rates and Regulation Committee

### **Education**

Essentials of Leadership, London Business School, 2004  
Masters of Business Administration  
Indiana University (Southeast campus), December 1998  
Center for Creative Leadership, Foundations in Leadership program, 1998.  
Bachelor of Science in Electrical Engineering  
Rose Hulman Institute of Technology, May 1987

### **Civic Activities**

Olmstead Parks Conservancy – Board of Directors – 2016 – 2024  
Leadership Kentucky – Class of 2016  
Financial Research Institute – Advisory Board Member – 2016 – 2024