

1 **INTRODUCTION**

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

3 A. My name is Christopher M. Garrett. I am Vice President - Financial Strategy and Chief
4 Risk Officer for PPL Services Corporation, which provides services to Kentucky Utilities
5 Company (“KU”) and Louisville Gas and Electric Company (“LG&E”) (collectively, the
6 “Companies”). 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 numerous times, including in the Companies’
11 most recent base rate cases, Case Nos. 2025-00113 and 2025-00114.¹

12 **Q. What is the purpose of your testimony?**

13 A. My testimony describes, from a financial perspective, why now is an advantageous time
14 for LG&E and KU to merge. Specifically, I describe how the information technology
15 (“IT”) investments the Companies are making create an opportunity, with no significant
16 incremental cost, to design IT platforms to serve a single entity. I also explain that the
17 merged entity will continue to have the requisite financial ability to provide reasonable
18 service to the Companies’ customers and support the request for LG&E to assume KU’s
19 existing debt and remaining authority to issue new debt the Commission authorized in
20 KU’s last financing case under KRS 278.300.

¹ *In the Matter of: 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); In the Matter of: 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. 2024-00114).*

IT RECONFIGURATION COSTS

1
2 **Q. Did your Direct Testimony in the Companies’ recent rate cases, Case Nos. 2025-00113**
3 **and 2025-00114, provide an update regarding the costs and benefits of merging**
4 **LG&E and KU?**

5 A. Yes, my Direct Testimony included the most recent legal entity merger study the
6 Companies performed. As I explained in that testimony, the Companies have determined
7 the associated financial benefits of a merger are not significant from a quantitative financial
8 standpoint but are significant in terms of easing the administrative and regulatory burden
9 for the Companies, the Commission, and third parties who routinely are involved in such
10 proceedings. Because of this, along with the potential cost avoidance associated with the
11 IT reconfiguration costs, the Companies have elected to proceed with a legal merger at this
12 time.

13 **Q. Please explain the role of IT reconfiguration costs in determining to seek a legal**
14 **merger.**

15 A. The regulatory efficiencies that could be obtained through reducing the number of
16 Commission proceedings, eliminating the need for two electric service retail Kentucky
17 tariffs, and establishing one set of terms and conditions for service is a primary driver for
18 pursuing the merger of LG&E and KU. A significant reconfiguration and upgrade of the
19 existing LG&E and KU IT systems is required, however, to implement the accounting
20 changes and rate and tariff harmonization necessary to achieve these regulatory
21 efficiencies. Based on the current LG&E and KU IT systems, there will be a one-time cost
22 to reconfigure these systems for the surviving utility as part of the legal merger. In 2022,
23 when the Companies previously considered whether to merge the utilities, the estimated
24 one-time cost to reconfigure the IT systems for the legal merger was between \$15.9 to

1 \$17.5 million. This one-time reconfiguration cost was one of the primary reasons that the
2 Companies did not previously pursue the merger.

3 **Q. Please explain what has occurred since the 2022 estimate regarding IT configuration**
4 **costs.**

5 A. Following the 2022 estimate, PPL Corporation (“PPL”) (the Companies’ ultimate parent
6 company) conducted a strategic review of its IT platforms and systems. The review
7 demonstrated that many of the Companies’ systems are aging, nearing the end of their
8 service contracts, or reaching “end-of-life,” which is the point at which an IT product is no
9 longer maintained or supported by its manufacturer. Through this review, PPL determined
10 that a significant investment in upgraded or new core IT systems is necessary to ensure the
11 delivery of safe, affordable, reliable power and reliable operation of PPL’s business
12 systems, including those serving LG&E and KU.² The scope of the planned IT investments
13 includes, among other items, implementation of a consolidated Enterprise Resource
14 Planning system and Customer Information System for all PPL companies.

15 With the planned IT investments, the Companies have an opportunity to avoid the
16 majority of the one-time system reconfiguration costs associated with operating LG&E and
17 KU as separate legal entities by designing and implementing the Enterprise Resource
18 Planning System and Customer Information System with LG&E and KU as a combined
19 utility. The Companies plan to implement the new systems with LG&E and KU as a single
20 utility to capture these savings for customers. However, this decision does not come
21 without some risk as the new IT systems would have to be reconfigured in a way that allows
22 the Companies to keep separate books and records were the merger to not be approved.

² In Case Nos. 2025-00113 and 2025-00114, the Companies’ witness Daniel Johnson described the planned IT investments in detail.

1 This would result in incremental costs. However, we view this risk to be remote given the
2 associated benefits of the merger.

3 **Q. Do the Companies plan to complete the IT investments even if the legal merger is not**
4 **approved?**

5 A. Yes. As explained in the Direct Testimony of Mr. Daniel Johnson, Senior Vice President,
6 Chief Information Officer, PPL Services Corporation, in Case Nos. 2025-00113 and 2025-
7 00114, PPL has decided to complete the IT improvements across all its utilities, including
8 LG&E and KU. Mr. Johnson's testimony describes the planned process in detail and
9 explains that PPL projects to fully implement the platform for the Enterprise Resource
10 Planning System by 2027 and for the Customer Information System operations by the end
11 of 2028. These systems are being designed now to serve a single, merged entity and will
12 be implemented that way unless the Commission rejects the proposed merger. Because the
13 Companies are performing these improvements separately and apart from the merger,
14 LG&E and KU can utilize these improvements to harmonize the Companies' IT systems
15 without the one-time cost that had previously rendered a potential merger cost prohibitive.

16 **FINANCIAL ABILITY**

17 **Q. Do LG&E and KU currently have the requisite financial ability to provide reasonable**
18 **service to its customers?**

19 A. Yes, LG&E and KU currently possess the financial ability to provide reasonable service to
20 its customers. As reported in the Companies' most recent Annual Reports on file with the
21 Commission, LG&E's total year-end utility plant was \$10,096,278,425, with revenues of
22 \$1,751,275,736 and net income of \$309,209,099. Likewise, KU's total year-end utility
23 plant was \$13,369,099,327, with revenues of \$2,075,614,652 and net income of
24 \$398,038,598.

1 The Companies also have access to capital at reasonable rates. KU and LG&E last
2 requested Commission authority to incur indebtedness in Case Nos. 2023-00397 and 2023-
3 00398, respectively.³ In those proceedings, the Commission authorized LG&E to incur
4 indebtedness in an aggregate principal amount not to exceed \$1.15 billion, and authorized
5 KU to incur indebtedness in an aggregate principal amount not to exceed \$1.35 billion in
6 the form of one or more privately placed or publicly issued, secured or unsecured, debt
7 securities or obligations, which may include first mortgage bonds, medium or long-term
8 notes, term or bank loans, and similar securities or obligations in one or more series from
9 time to time through December 31, 2027. The Commission further authorized LG&E and
10 KU to maintain their revolving credit lines and to extend their existing or new revolving
11 line(s) of credit through December 31, 2027, for up to five years from the date of each
12 amendment date in an amount up to \$750 million for LG&E and \$650 million for KU.

13 **Q. If the merger is consummated, will the Companies, as a combined entity, continue to**
14 **possess the financial ability to provide reasonable service to its customers?**

15 A. Yes. LG&E and KU have demonstrated to the Commission and their customers that they
16 have the financial ability to provide reasonable service to its customers. Merging KU into
17 LG&E will not negatively affect the utilities' financial ability to continue providing gas
18 and electric service. Many of the personnel that provide financial services to LG&E or
19 KU, including me in my role as Vice President - Financial Strategy and Chief Risk Officer
20 at PPL Services Corporation, already provide those services to both utilities. Therefore,

³ *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); *In the Matter of: Electronic Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Indebtedness* (Case No. 2023- 00398 (Ky. PSC Feb. 8, 2024).

1 the financial management that has contributed to the Companies' ability to provide
2 reasonable service will remain in place.

3 **Q. Will there be any change to PPL's financial support for the utilities if the merger is**
4 **consummated?**

5 A. No, there will be no changes. PPL will continue to provide the requisite financial support
6 to enable the Companies to continue providing the safe and reliable service customers have
7 come to expect.

8 **Q. Please explain how LG&E's and KU's financing activities will change if the**
9 **Companies merge.**

10 A. Since 2010, LG&E and KU have primarily issued a form of secured, long-term debt known
11 as "First Mortgage Bonds" ("FMBs") supported by their respective First Mortgage
12 Indentures that provide a first lien to the lenders on the utility assets of each utility. LG&E
13 has \$2.9 billion of FMBs outstanding with maturities ranging from 2026 – 2055, and KU
14 has \$3.5 billion of FMBs outstanding with maturities ranging from 2032 – 2055. If the
15 Companies merge, the combined surviving entity (LG&E) would become the obligor of all
16 previously outstanding LG&E and KU bonds, as well as future new issued debt.

17 In conjunction with the merger, the Companies may consider multiple long-term
18 financing structures. The financing structures being evaluated include: (i) amend the
19 existing LG&E and KU indentures; (ii) retain the legacy mortgage of the surviving entity,
20 LG&E; and (iii) a collateral trust mortgage.

21 The first structure consists of amending the existing indentures to conform
22 covenants and combine collateral pools, while retaining bondable capacity under both
23 legacy indentures. This structure requires at least 50% of bondholders providing their

1 consent for a related consent fee. This alternative would provide a clean post-merger
2 financing option with maximum flexibility.

3 The second structure is to retain the legacy mortgage of the surviving entity, LG&E
4 and issue all future debt of the combined entity from that indenture. This structure may
5 limit access to the remaining bondable capacity and retired bond credits under the non-
6 surviving entity legacy mortgage (KU), providing for the potential of stranded asset
7 capacity.

8 Third, the collateral trust mortgage structure also retains the full bondable capacity
9 of both legacy LG&E and KU mortgages, but establishes a new umbrella trust indenture,
10 which increases administrative complexity on a prospective basis until the last outstanding
11 bonds mature in 2055.

12 With respect to the tax-exempt bonds, the Companies expect that they would follow
13 the same financing structure that is selected, subject to any specific requirements under the
14 loan agreements with the various county sponsors.

15 In conjunction with the merger, the Companies may similarly consider the ultimate
16 revolving credit facility structure and sizing, with the expectation that the current revolving
17 credit facility capacity of each Company will be combined into one credit facility.

18 Based on further analysis of the various options, including relevant market factors
19 and associated costs, the Companies will select the appropriate financing structures that
20 minimize asset capacity implications and ongoing administration but provide for the
21 continued access to the capital markets to obtain necessary financing.

1 **Q. Are the Companies asking for KRS 278.300 approvals in this case?**

2 A. Yes, but not for the approval of any new debt that the Commission has not already
3 authorized. As described in the Joint Application, pursuant to KRS 278.300, the
4 Companies request approval for LG&E to assume both (1) KU's existing debt and (2) KU's
5 remaining authority to issue new debt that the Commission authorized in KU's last
6 financing case⁴ without affecting the approvals the Commission issued in LG&E's last
7 financing case for long-term debt and LG&E's Revolving Credit Agreement.⁵ The
8 Companies are not seeking any *new* authority to issue debt under KRS 278.300 or 807
9 KAR 5:001, Section 19 (which is the Commission's regulation regarding the content of
10 applications seeking authority to issue new debt). However, so that the Commission will
11 have relevant information for the request the Companies are making, the Companies have
12 provided with the Joint Application a Financial Exhibit for each of LG&E and KU with
13 the content required by 807 KAR 5:001, Section 12.

14 In KU's last financing case, the Commission authorized KU to incur indebtedness
15 in an aggregate principal amount not to exceed \$1.35 billion in the form of one or more
16 privately placed or publicly issued, secured or unsecured, debt securities or obligations,
17 which may include first mortgage bonds, medium or long-term notes, term or bank loans
18 and similar securities or obligations, in one or more series from time to time through
19 December 31, 2027. The Commission further authorized KU to maintain its revolving
20 credit line and to extend its existing or new revolving line(s) of credit through December

⁴ *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).

⁵ *In the Matter of: Electronic Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Indebtedness* (Case No. 2023-00398) (Ky. PSC Feb. 8, 2024).

1 31, 2027, for up to five years from the date of each amendment date in an amount up to
2 \$650 million for KU.

3 Since that decision, KU has three times extended its existing multiyear Revolving
4 Credit Agreement (“RCA”). KU first extended its existing RCA on February 29, 2024,
5 extending the termination date of the RCA from December 6, 2027 to December 6, 2028.⁶
6 On January 2, 2025, KU also extended the RCA from December 6, 2028 to December 6,
7 2029 and increased the borrowing capacity under such revolving credit facilities from \$400
8 million to \$600 million for KU.⁷ On January 29, 2026, KU also extended the RCA from
9 December 6, 2029 to December 6, 2030. KU has only issued long-term debt once since
10 that decision. Of the \$1.35 billion that was authorized, KU issued \$700 million in long
11 term debt on August 13, 2025.⁸ This means that KU has \$650 million of remaining long-
12 term debt authority to issue prior to December 31, 2027. As stated in the Joint Application,
13 the Companies request authorization for LG&E to assume KU’s RCA and the additional
14 \$650 million of long-term debt authority described above *in addition to* the existing
15 authority the Commission authorized in LG&E’s last financing case.

16 **Q. How is the investment community anticipated to respond to a merger of the**
17 **Companies?**

18 Based on initial feedback from investors, the Companies expect that a merger will be well
19 received by the investor community and rating agencies. The overall size of the combined
20 entity, as well as the streamlining of credit and risk assessments done by investors and the

⁶ [https://psc.ky.gov/pscecf/2023-00397/rick.lovekamp@lge-ku.com/03192024103105/Closed/02-KU_-Extension_Agreement_\[Amedndment_No._2-Executed\].pdf](https://psc.ky.gov/pscecf/2023-00397/rick.lovekamp@lge-ku.com/03192024103105/Closed/02-KU_-Extension_Agreement_[Amedndment_No._2-Executed].pdf)

⁷ [https://psc.ky.gov/pscecf/2023-00397/rick.lovekamp@lge-ku.com/01132025012744/Closed/02-KU_-Extension_Agreement_\[Amedndment_No._3-Executed\].pdf](https://psc.ky.gov/pscecf/2023-00397/rick.lovekamp@lge-ku.com/01132025012744/Closed/02-KU_-Extension_Agreement_[Amedndment_No._3-Executed].pdf)

⁸ https://psc.ky.gov/pscecf/2023-00397/rick.lovekamp@lge-ku.com/09112025022827/Closed/20250911_KU_Issuance.pdf

1 rating agencies, should result in a more efficient cost of financing for the merged entity,
2 ultimately reducing costs for customers. The merger will create a combined entity that can
3 access the debt capital markets with larger tranche sizes, providing for additional liquidity
4 in their bonds, which is a consideration in determining the pricing of debt securities.

5 **Q. Will the manner in which the Companies request approval for financings change**
6 **following the merger?**

7 A. Yes, the Companies anticipate regulatory efficiencies with respect to financing
8 applications filed under KRS 278.300. Specifically, applications for financing authority
9 and the associated regulatory cost and burden will be reduced from two to one.

10 **Q. Will the merger have any effect on the depreciation rates the Companies use?**

11 A. Yes. The new combined entity will need to perform a depreciation study to consolidate
12 the depreciation rates for KU and LG&E. The Companies have requested John Spanos,
13 Gannett Fleming, to perform this study. To align the consolidated depreciation rates with
14 the separate company depreciation rates, the Companies have requested Mr. Spanos to
15 perform the study using the asset values as of June 30, 2024.⁹ The Companies plan to file
16 this study once available as part of this proceeding and request that the Commission
17 approve these new depreciation rates for accounting purposes.

18 **CONCLUSION**

19 **Q. Does this conclude your testimony?**

20 A. Yes, it does.

⁹ Currently approved depreciation rates for KU and LG&E are based on depreciation studies as of June 30, 2024 filed as part of Case Nos. 2025-00113 and 2025-00114.

APPENDIX A

Christopher M. Garrett

Vice President – Financial Strategy and Chief Risk Officer
PPL Services Corporation
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Louisville, Kentucky 40223
Telephone: (502) 627-3328

Previous Positions

Vice President, Financial Strategy and Chief Risk Officer	Mar. 2024 – present
Vice President, Finance and Accounting	Apr. 2022 – Mar 2026
Controller	Jan. 2018 – Apr. 2022
Director, Rates	Feb. 2016 – Dec. 2017
Director, Accounting and Regulatory Reporting	Dec. 2012 – Jan. 2016
Director, Financial Planning & Controlling	Feb. 2010 – Nov. 2012
Manager, Financial Planning	Nov. 2007 – Feb. 2010
Manager, Corporate Accounting	Jan. 2006 – Oct. 2007
Manager, Utility Tax	May. 2002 – Jan. 2006
Tax Analyst, various positions	Aug. 1995 – May 2002

Education

Eastern Kentucky University, Bachelor of Business Administration - Accounting, 1995
Graduated Magna Cum Laude
Certified Public Accountant, Kentucky, 1999

Professional Memberships

American Institute of Certified Public Accountants (AICPA)
Kentucky Society of Certified Public Accountants (KYCPA)
Edison Electric Institute

Civic Activities

The Louisville Free Public Library Foundation, Immediate Past Board Chair
Saint Joseph School, Past Board Chair
Leadership Louisville, Bingham Fellows 2021