

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

RESPONSE OF
KENTUCKY UTILITIES COMPANY
AND
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
THE COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
DATED MAY 1, 2026

FILED: MAY 8, 2026

VERIFICATION

COMMONWEALTH OF KENTUCKY)

COUNTY OF JEFFERSON)

The undersigned, **Chad E. Clements**, being duly sworn, deposes and says that he is the Director – Regulated Utility Tax for PPL Services Corporation and currently provides tax related services to Louisville Gas and Electric Company and Kentucky Utilities Company, that he has personal knowledge of the matters set forth in the responses for which he is identified as a witness, and that the answers contained therein are true and correct to the best of his information, knowledge, and belief.

Signed by:
Chad Clements
583EC22E6AACA1B...
Chad E. Clements

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 5 day of May 2026.



Brittany Elise Meyer
NOTARY PUBLIC
Commonwealth of Kentucky
Commission Number KYNP87702
My Commission Expires
April 22, 2028

Brittany E Meyer
Notary Public

Notary Public ID No. KYNP87702

My Commission Expires:

4/22/2028

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

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

Christopher M. Garrett

Christopher M. Garrett

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 6th day of May 2026.

Tammy J. Elzy

Notary Public

Notary Public ID No. KYNP61560

My Commission Expires:

November 9, 2026

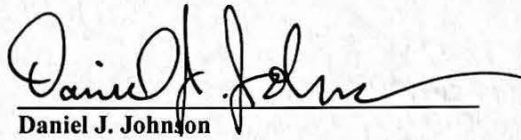


VERIFICATION


STATE OF NEW YORK)

)
COUNTY OF Albany)

The undersigned, **Daniel J. Johnson**, being duly sworn, deposes and says that he is Senior Vice President and Chief Information Officer for PPL Services Corporation and he provides services to Louisville Gas and Electric Company and Kentucky Utilities Company, and that he has personal knowledge of the matters set forth in the foregoing responses, and that the answers contained therein are true and correct to the best of his information, knowledge, and belief.


Daniel J. Johnson

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 05 day of May, 2026.


Notary Public

Notary Public, ID No. 01DU 6441124
(SEAL)

My Commission Expires: 9/19/26

TERA L DUTKIEWICZ
Notary Public, State of New York
No. 01DU6441124
Qualified in Albany County
Commission Expires 09/19/20 24



VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Charles R. Schram**, being duly sworn, deposes and says that he is Vice President –Energy Supply and Analysis for Kentucky Utilities Company and Louisville Gas and Electric Company and is 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.

Charles R. Schram

Charles R. Schram

Subscribed and sworn to before me, a Notary Public in and before said County and State this 5th day of MAY 2026.

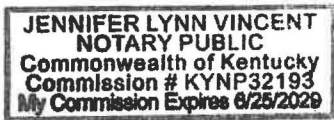
Jennifer Lynn Vincent

Notary Public

Notary Public ID No. KYNP32193

My Commission Expires:

06/25/2029



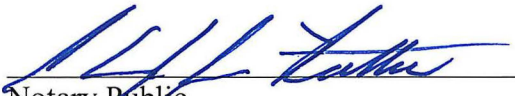
COMMONWEALTH OF PENNSYLVANIA)
)
COUNTY OF CUMBERLAND)

The undersigned, **John J. Spanos**, being duly sworn, deposes and says that he is the President for Gannett Fleming Valuation and Rate Consultants, LLC, 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.



John J. Spanos

Subscribed and sworn to before me, a Notary Public in and before said County and Commonwealth, this 7th day of May 2026.



Notary Public

Notary Public ID No. 1143028

My Commission Expires:
February 20, 2027

Commonwealth of Pennsylvania - Notary Seal
Cheryl Ann Rutter, Notary Public
Cumberland County
My commission expires February 20, 2027
Commission number 1143028
Member, Pennsylvania Association of Notaries

**KENTUCKY UTILITIES COMPANY
AND
LOUISVILLE GAS AND ELECTRIC COMPANY**

**Response to the Commission Staff's First Request for Information
Dated May 1, 2026**

Case No. 2026-00077

Question No. 1

Responding Witness: Christopher M. Garrett

Q-1. Refer to the Application, page 4. Provide a comparison of the merger studies from 2018, 2020, 2021, 2022, 2023, and 2025; including costs, benefits, and expected timelines for anticipated savings.

A-1. Each of the six merger studies confirmed that LG&E and KU already operate as an integrated company in virtually all operational areas. LG&E and KU customers have enjoyed the benefits of this integration since the May 1, 1998 merger of LG&E Energy Corporation and KU Energy Corporation. While the merger studies confirmed that significant regulatory and accounting efficiencies could be achieved by merging LG&E and KU, they also concluded that the merger would result in minimal annual financial savings. Lastly, the previous studies indicated that a merger would result in inequities when harmonizing rates because the savings were not large enough to align customer rates to the lowest rates offered by each company.

When comparing the studies conducted between 2018 and 2023 to the most recent, 2025 assessment, one clear difference emerges: if the Companies act now, they can merge without incurring an additional large IT system cost that would otherwise be required to reconfigure their IT systems to move from two utility operations to one (because the Companies are already performing necessary IT upgrade projects that can include this reconfiguration). This existing IT overhaul makes now the opportune time to pursue the merger. A small window of opportunity exists to effectuate a merger between the Companies that will be economical, but only if there is no imposition of unnecessary merger or further IT costs. A table providing the associated savings and costs to achieve the merger from the previous merger studies is shown below. As shown, until the 2025 study excluding IT reconfiguration costs of \$17 million was prepared, the annual savings do not compare favorably to the "costs to achieve." But because the Companies are already incurring IT reconfiguration costs that can accommodate a single merged entity, merging *now* is economically feasible.

\$ millions	Annual Savings	Costs to Achieve ⁽³⁾
2018 Merger Study	2.0	23.9
2020 Merger Study	2.0	22.7
2021 Merger Study	2.0	22.7
2022 Merger Study (PWC)	2.3	22.1
2023 Merger Study ⁽¹⁾	2.3	22.1
2025 Merger Study with IT reconfiguration costs ⁽¹⁾	2.3	23.2
2025 Merger Study excluding IT reconfiguration costs ⁽²⁾	2.3	6.2
<p>⁽¹⁾ The Companies did not update the savings estimates from the 2022 PWC merger study in the 2023 and 2025 merger studies. The savings calculated in the 2022 study were not significant and were reasonable compared with current expectations. As part of the 2025 merger study, the Companies updated the IT reconfiguration costs for inflation after discussions with Accenture.</p>		
<p>⁽²⁾ IT reconfiguration costs of \$17 million excluded due to IT upgrade investments.</p>		
<p>⁽³⁾ Costs do not assume incremental bondholder consent fees.</p>		

**KENTUCKY UTILITIES COMPANY
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**Response to Commission Staff's First Request for Information
Dated May 1, 2026**

Case No. 2026-00077

Question No. 2

Responding Witness: Robert M. Conroy / Counsel

- Q-2. Refer to the Application, page 14. Explain whether LG&E will make a filing pursuant to 807 KAR 5:011, Section 11(6) if the merger is approved. If not, explain why not.

- A-2. Upon consummation of the proposed merger, LG&E would adopt KU's tariff pursuant to 807 KAR 5:011, Section 11, and, yes, part of that process would be complying with Section 11(6) of that regulation.

**KENTUCKY UTILITIES COMPANY
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**Response to Commission Staff's First Request for Information
Dated May 1, 2026**

Case No. 2026-00077

Question No. 3

Responding Witness: Robert M. Conroy

- Q-3. Refer to Application, page 16. Explain whether LG&E/KU, assuming approval of the merger application, plans to unify its tariffs with the filing of its next rate case.
- A-3. The Companies have not determined in which base rate case the LG&E and KU tariffs will be unified.

**KENTUCKY UTILITIES COMPANY
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**Response to Commission Staff's First Request for Information
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Case No. 2026-00077

Question No. 4

Responding Witness: Julissa Burgos

Q-4. Refer to Application, Exhibit 3, page 3 and 11. Explain why the amount of Authorized Debt is one quintillion dollars.

A-4. Pursuant to standard industry practices and documentation, first mortgage indentures commonly include an ultimate, maximum total amount of securities which may be issued under such indentures. In 2010, LG&E and KU selected one quintillion dollars as such maximum in each of their indentures in order to permit such indentures to have long effective lives.

As a practical matter, notwithstanding such theoretical maximum, the indentures each include a provision limiting the maximum outstanding debt to approximately 66% of the value of LG&E and KU pledged assets under to each indenture, being substantially all their real and tangible personal property.

As noted in Application Exhibit 3, pages 3 and 11, the actual current amount of LG&E and KU debt secured by the indentures are \$2.9 billion and \$3.5 billion, respectively.

**KENTUCKY UTILITIES COMPANY
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**Response to Commission Staff's First Request for Information
Dated May 1, 2026**

Case No. 2026-00077

Question No. 5

Responding Witness: Christopher M. Garrett

Q-5. Refer to Application, page 16.

- a. Provide the unified depreciation rates requested.
- b. Explain what, if any, impact unification of the depreciation rates has on customer bills.

A-5.

- a. See attachment being provided in a separate file. The Companies will provide a copy of the complete depreciation study and associated workpapers once they become available (anticipated later this month).
- b. Since the Companies requested the combined depreciation study to be performed as of June 30, 2024, which is the same operative date for the depreciation studies provided in their last rate cases, the impact on customer bills is expected to be minimal because the combined depreciation rates are largely consistent with each separate company's depreciation rates. The Companies plan to use the new, combined depreciation rates for the ECR monthly and DSM annual filings.

**KENTUCKY UTILITIES COMPANY
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**Response to Commission Staff's First Request for Information
Dated May 1, 2026**

Case No. 2026-00077

Question No. 6

Responding Witness: Robert M. Conroy

- Q-6. Refer to the Direct Testimony of Robert C. Conroy (Conroy Direct Testimony), pages 11–15. If the Commission does not approve the unification of the base fuel factor in the pending Fuel Adjustment Clause (FAC) two-year review cases, explain how this would affect LG&E/KU's proposal to unify the FAC and Off-System Sales (OSS) mechanisms.
- A-6. If a unified base fuel factor is not approved, the Companies would still plan to unify the calculation of total fuel expense ($F(m) / S(m)$) for the reasons explained in the Conroy Direct Testimony. With different base fuel factors ($F(b) / S(b)$), separate LG&E and KU FAC billing factors would have to be calculated. The OSS adjustment clause would still be unified and consolidated with each Companies' FAC billing factor for monthly billing to customers.

**KENTUCKY UTILITIES COMPANY
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**Response to Commission Staff's First Request for Information
Dated May 1, 2026**

Case No. 2026-00077

Question No. 7

Responding Witness: Robert M. Conroy

- Q-7. Refer to Conroy Direct Testimony, page 11, lines 20-21. Explain whether the Power System Supply Agreement will be terminated upon completion of the proposed merger.
- A-7. The Power Supply System Agreement will terminate upon completion of the merger of LG&E and KU.

**KENTUCKY UTILITIES COMPANY
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**Response to Commission Staff's First Request for Information
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Case No. 2026-00077

Question No. 8

Responding Witness: Robert M. Conroy

- Q-8. Refer to Conroy Direct Testimony, page 12, lines 3-14.
- a. Provide a copy of LG&E's and KU's FAC rate sheets or Form A filings for the expense months of January and February 2026.
 - b. Provide a copy of LG&E's and KU's FAC supplemental documentation or Form B filings for the expense months of January and February 2026.
 - c. Provide an example of the FAC rate sheets and supplemental documentation filings for the expense months of January and February 2026, if the merger had been in place for that period.
- A-8.
- a. See Attachment 1 for KU's and Attachment 2 for LG&E's January and February 2026 expense month Form A Filings provided in separate files.
 - b. See Attachment 1 for KU's and Attachment 2 for LG&E's January and February 2026 expense month Form B Filings provided in separate files.
 - c. See Attachment 1 for KU and LG&E's combined January and February 2026 expense month Form A filings and Attachment 2 for KU and LG&E's combined January and February 2026 expense month Form B filings¹ provided in separate files. These filings are illustrative of what the unified filings for January and February 2026 would look like if the underlying data from the individual LG&E and KU filings were combined, intercompany transactions were excluded, the over/under position were combined, and the Companies' proposed weighted base fuel rate of \$0.03037 per kWh was

¹ Page 6, Sheet 1 of 1 was not updated since the data used in the combined Form A filings was not recalculated.

used.² Actual results would be different if the underlying financial data was combined as it will be post-merger.

² *An Examination of the Application of the Fuel Adjustment Clause of Kentucky Utilities Company from November 1, 2022 to October 31, 2024*, Case No. 2025-00340 and *An Examination of the Application of the Fuel Adjustment Clause of Louisville Gas and Electric Company*, Case No. 2025-00341, Jan. 23, 2026 Direct Testimony of Andrea M. Fackler, at 6.

**KENTUCKY UTILITIES COMPANY
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**Response to Commission Staff's First Request for Information
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Question No. 9

Responding Witness: Robert M. Conroy

- Q-9. Provide a copy of LG&E's and KU's OSS filings for the expense months of January and February 2026 and an example copy of what the OSS filing would look like upon completion of the merger.
- A-9. See the response to Question No. 8.

**KENTUCKY UTILITIES COMPANY
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**Response to Commission Staff's First Request for Information
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Case No. 2026-00077

Question No. 10

Responding Witness: Robert M. Conroy / Charles R. Schram

- Q-10. Refer to Conroy Direct Testimony, page 12, lines 16-19.
- a. Explain how the intercompany sales component of the FAC assures that both LG&E and KU customers are receiving the lowest cost dispatched energy.
 - b. If the merger is approved, with the elimination of the intercompany sales component of the FAC, explain how both LG&E and KU customers can still be assured that they will still receive the lowest cost dispatched energy.

A-10. a. & b.

The customers of the combined entity will continue to receive the benefits of the lowest cost dispatched energy without the Companies' current FAC intercompany sales component.

Since the merger of LG&E Energy and KU Energy almost 30 years ago, the Companies have economically committed and dispatched their generating units, and made economical energy purchases and sales, on a combined basis. *Merging LG&E and KU will not affect these processes.*

The Companies' After-the-Fact Billing ("AFB") process stacks generation and power purchases from lowest cost to highest cost on a MW by MW and hour by hour basis, assigning the highest cost energy to off-system sales for FAC purposes. This ensures the Companies' retail customers receive the lowest cost dispatched energy. *Merging LG&E and KU will not affect this process.*

These processes, *which merging the Companies will not change*, are the means by which the Companies ensure their customers receive the lowest cost dispatched energy.

The Companies' FAC intercompany sales component is a means of sharing the benefits of low-cost generation among the customers of LG&E and KU, and it is necessary only because the Companies are two separate entities. More precisely, when one of the Companies supplies energy to the other at a lower cost than the

next-lowest-cost alternative energy source, the purchasing utility pays the selling utility the cost of the purchased energy plus 50% of the avoided cost savings, thereby evenly splitting the savings between the Companies' customers. Therefore, the Companies' FAC intercompany sales component does not *create* low-cost-energy savings; rather, it *shares* the savings benefits among the Companies' customers.

But sharing those savings benefits among customers will not require an intercompany sales component when the Companies merge. Rather, all customers of the single, merged entity will automatically share in the benefits of the merged entity's economical unit commitment and dispatch, as well as economical energy purchases. Therefore, eliminating the Companies' FAC intercompany sales component upon merger will not diminish low-cost-energy savings for customers.

**KENTUCKY UTILITIES COMPANY
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**Response to Commission Staff's First Request for Information
Dated May 1, 2026**

Case No. 2026-00077

Question No. 11

Responding Witness: Robert M. Conroy

- Q-11. Refer to Conroy Direct Testimony, page 13, lines 7-11 including footnote 25. Using the previous 12 months' FAC and OSS filings, provide a monthly example of the complete FAC and OSS unification process beginning with merger completion to full FAC and OSS unification. Highlight the monthly changes to facilitate understanding of the unification process.
- A-11. The referenced portion of Mr. Conroy's testimony explains that the unification process begins by unifying the FAC and OSS expenses and revenues beginning with the first month of the merger, with the exception of the legacy true-up component. Billing those unified expenses and legacy true-up component would occur in the third month of the merger. Finally, the complete unification including the true-up would happen in the fifth month of the merger. Thus, the critical months of unification would be the first three months after the merger is consummated which would be January, February, and March of 2027 if the merger is consummated January 1, 2027, so, as explained below, the Companies are providing as attachments illustrative examples for those months using 2026 actual filings.

The Companies used the illustrative filings developed for the response to Question No. 8(c) adjusted to show how the November and December 2025 legacy utility over/under positions would be accounted for in the January and February 2026 unified Form A filing. Attachments 1 and 2 reflect the illustrative January and February 2026 unified filings, respectively, with the over/under position on Page 2 of 5 set to zero. In the respective filing, the November and December 2025 legacy utility true-up FAC factors are calculated on Page 5 of 5 and the legacy utility true-up OSS factors are calculated on OSS Page 3 of 3. These individual utility true-up factors are carried to the Summary of Adjustment Clauses page as an adjustment to the FAC and OSS billing factors calculated based on the unified January and February 2026 expense month costs and sales. Attachment 3 reflects the illustrative March 2026 unified Form A filing, including the true-up of the January 2026 FAC and OSS billing factors calculated in Attachment 1 (\$0.01337 for FAC and -\$0.00349 for OSS). The Companies have not yet filed their April 2026 Form A filings but note that the April 2026 unified

Form A filing will function just like the March 2026 unified Form A filing except that it will true-up the February 2026 legacy utility FAC and OSS billing factors calculated in Attachment 2 (\$0.00115 for FAC and -\$0.00188 for OSS). Finally, the May 2026 will have a unified Form A calculation with the true-up to the March 2026 FAC and OSS unified billing factors.

**KENTUCKY UTILITIES COMPANY
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**Response to Commission Staff's First Request for Information
Dated May 1, 2026**

Case No. 2026-00077

Question No. 12

Responding Witness: Robert M. Conroy / Christopher M. Garrett

- Q-12. Refer to Conroy Direct Testimony, page 15, lines 10-21, and page 16, lines 1-8.
- a. Explain whether the companies are aware of any instances where regulatory asset accounting authority was authorized and then costs within the regulatory asset were subsequently denied.
 - b. Provide a breakdown of the estimated costs requested to be deferred.
 - c. Provide a breakdown of all merger costs being recovered through current rates and all merger costs addressed by other deferrals.
- A-12.
- a. The Companies are not aware of any such instances as it pertains to their regulatory assets. The Companies have not performed the research necessary to address whether the same is true for other utilities.
 - b. The Companies are seeking deferral accounting treatment for certain *external* costs incurred to effectuate the merger. These include financing related costs, external counsel fees, external audit fees, and other external costs including the preparation of the combined depreciation study. The extent of the costs will largely depend on the financing structure utilized to restructure the debt (e.g., if the Companies pursue a financing structure whereby it amends existing LG&E and KU indentures to conform covenants and combine the collateral pools utilized in the estimate below). Total costs are currently estimated to be \$10 million. See attachment being provided in a separate file. The information requested is confidential and proprietary and is being provided under seal pursuant to a petition for confidential protection.

Estimated Merger Costs (\$ millions)	
Financing costs inclusive of fees	7.4
External counsel fees	1.5
External audit fees	0.7
Other	0.4
Total	10.0

Note: These costs do not include future KPSC base rate case costs for incremental work to perform future rate design and cost of service studies. Those costs will be included in future rate case expense deferrals.

Financing costs may be included in FERC Account 189 and amortized over the life of the associated bonds.

- c. No merger costs are being recovered in current base rates. No merger costs have been deferred at this time.

**KENTUCKY UTILITIES COMPANY
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**Response to Commission Staff's First Request for Information
Dated May 1, 2026**

Case No. 2026-00077

Question No. 13

Responding Witness: Robert M. Conroy / Christopher M. Garrett

- Q-13. Refer to Conroy Direct Testimony, page 16, lines 21-24. Explain how the merger costs will be allocated between the LG&E and KU's Kentucky customers, individually, and KU's Virginia customers. Include in the response the amount of merger costs that will be allocated to KU's Virginia customers.
- A-13. The Companies believe it is appropriate for the one-time merger costs to be charged entirely to Kentucky retail customers given they are the primary beneficiary of the combination. The deferred merger costs will not need to be allocated between LG&E and KU customers if the merger is approved and the books for each legacy utility are combined. However, if the costs do need to be allocated, the Companies would develop allocators, similar to what is used in KU's jurisdictional separation cost of service study, for the FERC accounts where the costs would otherwise be charged. For example, merger related costs recorded to FERC account 923, Outside services employed, would be allocated based on labor.

**KENTUCKY UTILITIES COMPANY
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**Response to Commission Staff's First Request for Information
Dated May 1, 2026**

Case No. 2026-00077

Question No. 14

Responding Witness: Robert M. Conroy

- Q-14. Explain how the PPL information technology (IT) upgrade costs will be allocated to KU's Virginia customers.
- A-14. Post-merger, the PPL IT upgrade costs will be allocated to LG&E/KU's Virginia customers using updated allocators developed in LG&E/KU's jurisdictional separation cost of service study. The basis for the allocators is not expected to change; however, the total company costs in the study will be for LG&E electric and KU combined. The allocators to be used will depend on the functional purpose of the costs. For example, IT capital assets that are deemed to be Intangible Plant will be allocated based on the PTDGPLT allocator, which is based on all other plant amounts assignment/allocation to each jurisdiction.

**KENTUCKY UTILITIES COMPANY
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**Response to Commission Staff's First Request for Information
Dated May 1, 2026**

Case No. 2026-00077

Question No. 15

Responding Witness: Robert M. Conroy

- Q-15. Explain whether there will be merger costs that are recovered from any customers other than those residing in Kentucky and Virginia.
- A-15. See the response to Question No. 13.

**KENTUCKY UTILITIES COMPANY
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**Response to Commission Staff's First Request for Information
Dated May 1, 2026**

Case No. 2026-00077

Question No. 16

Responding Witness:

Q-16. (Question is missing)

A-16.

**KENTUCKY UTILITIES COMPANY
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**Response to Commission Staff's First Request for Information
Dated May 1, 2026**

Case No. 2026-00077

Question No. 17

Responding Witness: Christopher M. Garrett / Daniel Johnson

Q-17. Refer to Daniel Johnson's Direct Testimony in Case Nos. 2025-00113³ and 2025-00114⁴ (Johnson Direct Testimony). Refer also generally to Conroy's Direct Testimony in this case.

- a. Detail the difference in costs associated with the IT upgrade, including the costs expected to be incurred during the rate case test year as well as over the 5-year business planning horizon.
- b. Explain whether the IT upgrade costs described in Mr. Conroy's testimony are the only upgrade costs that would be affected by LG&E and KU merging and for which there are any cost savings attributable to the planned merger.

A-17.

- a. The costs identified in Mr. Johnson's testimony include the costs associated with the system changes needed to effectuate the merger. Mr. Johnson's testimony in Case Nos. 2025-00113 and 2025-00114 includes the associated costs during the rate case test year (calendar year 2026) and 5-year business plan. The Companies plan to complete the IT upgrades irrespective of the merger.
- b. The IT upgrade costs primarily impacted by the merger include the costs associated with implementing the new ERP system and CIS. Additionally, the Companies are in the process of modifying the After-the-Fact billing system to eliminate intercompany transactions between LG&E and KU.

³ Case No. 2025-00113, 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 (filed May 30, 2025).

⁴ Case No. 2025-00114, 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).

**KENTUCKY UTILITIES COMPANY
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**Response to Commission Staff's First Request for Information
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Case No. 2026-00077

Question No. 18

Responding Witness: Christopher M. Garrett / Daniel Johnson

- Q-18. Refer to the Direct Testimony of Christopher M. Garrett, (Garrett Direct Testimony), page 3 lines 3-11. Also refer to Johnson Direct Testimony, pages 10-20. Mr. Johnson describes, in detail, all the IT upgrades that PPL plans to undertake over a 5- year planning horizon. Explain whether the IT software system/platform upgrades described in Mr. Garrett's testimony are the only ones for which there are any cost savings attributable to merging LG&E and KU and that all other implementation costs will be incurred regardless.
- A-18. The IT upgrades described in Mr. Johnson's testimony will be performed irrespective of the merger, which is why the Companies are seizing this opportunity to propose to effectuate the merger. The systems, namely the ERP system and CIS, are being designed to account for the merger-related impacts, which will result in the avoidance of reconfiguration costs in the future.

**KENTUCKY UTILITIES COMPANY
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**Response to Commission Staff's First Request for Information
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Case No. 2026-00077

Question No. 19

Responding Witness: Julissa Burgos

- Q-19. Refer to Garrett Direct Testimony, pages 7-8.
- a. Explaining which of the three financing structures being evaluated is LG&E/KU's preferred financing structure.
 - b. With regard to LG&E/KU's expectation that the current revolving credit facility capacity of each company would be combined into one credit facility, explain whether LG&E/KU would be required to notify credit service providers or parties to LG&E/KU's Revolving Credit Agreement. If so, explain whether they have been notified or when notification could be expected.
 - c. Explain whether LG&E/KU anticipates that the credit service providers would agree to the current revolving credit facility capacity of each of the companies being combined into one credit facility.
 - d. If any credit service providers do not agree to the combined credit facility, explain how LG&E/KU would replace those portions of the credit facility.
- A-19.
- a. The Companies are still evaluating the different alternatives, but the intent is to establish the financing structure that minimizes stranded asset capacity and administrative burden while preserving efficient, reliable access to the capital markets.
 - b. The Companies are currently working with the administrative agent under the existing Revolving Credit Agreements to evaluate the appropriate approach for combining the revolving credit facilities. Given that LG&E and KU facilities have the same credit providers, the Companies anticipate that the facilities could be combined through amendments to the existing LG&E agreement and the termination of the KU agreement, with the credit providers formally notified in connection with such amendments.

While the Companies have begun preliminary discussions with credit providers regarding the potential merger, formal notice would not be provided until the agreements are amended, which is expected to occur following approval of the merger.

- c. The Companies expect the merger to be well received by investors, lenders, and rating agencies and therefore do not anticipate resistance from credit providers to combining the revolving credit facilities.
- d. If any credit provider does not agree to the combined facility, the Companies would have the option to reallocate the applicable capital commitments to other participating banks that agree to the amendment or to invite new banks to replace those that do not. However, based on preliminary discussions and the uniform lender group across both facilities, the Companies do not expect such circumstances to arise.

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Question No. 20

Responding Witness: Christopher M. Garrett / John J. Spanos

- Q-20. Refer to Garrett Direct Testimony, page 11, lines 10-17.
- a. For jointly owned assets, explain whether the depreciation rates are the same for both LG&E's and KU's ownership share.
 - b. Explain generally how the depreciation rates for wholly owned assets for LG&E, for KU, and for jointly owned assets will be combined.
 - c. Explain and provide a numerical example of how the depreciation rate for a wholly owned LG&E asset will be combined with KU.
 - d. Explain and provide a numerical example of how the depreciation rates for a jointly owned LG&E and KU asset will be combined.
- A-20.
- a. LG&E and KU currently maintain separate depreciation rates for jointly owned assets. Upon merger, LG&E will assume ownership of KU's assets by operation of law pursuant to KRS 271B.11-060. Thus, there will no longer be jointly owned assets *between* LG&E and KU post-merger. There will only be one depreciation rate for each generation unit plant account post-merger.
 - b. The plant accounting records of the individual studies of each Company that were conducted in the last rate case will be combined by account in order to properly identify the most appropriate survivor curve and net salvage percentage by account. There will be one interim survivor curve for generation accounts and one survivor curve for mass property accounts that incorporates the combined historical transactional data of both companies as well as the informed judgment related to past and present practices of each company as well as incorporating the Companies' outlook for the future of each asset class. This information is consistent with what was incorporated in the studies performed in the last rate case. Generation units will continue to be depreciated on a location basis if individually owned or jointly owned in the case of Trimble County units 1 and 2. The net salvage component will

be determined in the same manner that was determined in the last rate cases where generation accounts had a weighted net salvage percentage and all generation except solar and wind will have terminal net salvage excluded. The mass property accounts will have net salvage determined based on the combined historical data of the two Companies.

- c. Use of an example of a generation asset and also one for mass property is appropriate. LG&E Account 312 Mill Creek Unit 3 is an example for generation. In the last rate case, the probable retirement date was 2039, the interim curve was 57-S0 and the weighted net salvage was approved as negative 3%. This produced a rate of 4.55% as of June 30, 2024. In this calculation of the combined company, the probable retirement date is still 2039, the interim survivor curve is now 58-R1.5 and the weighted net salvage is negative 2%. The recommended rate is 4.42% as of June 30, 2024. For mass property, Transmission Account 355, Poles and Fixtures is an example. The asset base for LG&E Account 355 as of June 30, 2024 totaled \$149.7 million with a book reserve of \$43.6 million. The depreciation rate was 3.03% based on a 60-R2 survivor curve and negative 80% net salvage. The combined Company for Account 355 as of June 30, 2024 has a total plant balance of \$891.4 million and book reserve of \$178.4 million. The combined depreciation rate is 3.34% based on a 56-R2 survivor curve and negative 80% net salvage. The individual KU estimates for Account 355 were a 53-R2 survivor curve and negative 80% net salvage.

- d. Account 314, Turbogenerator Unit, Trimble County Unit 2 is an example of how a jointly owned LG&E and KU asset will be combined. In the last rate case for LG&E, the settled rate and life parameter were based on the probable retirement date of 2066, the interim curve was 55-R2.5 and the weighted net salvage was approved as negative 7%. This produced a rate of 2.21% as of June 30, 2024. In the last rate case for KU, the settled rate and life parameter were based on the probable retirement date of 2066, the interim curve was 55-R1.5 and the weighted net salvage was approved as negative 9%. This produced a rate of 2.23% as of June 30, 2024. In this calculation of the combined company, the probable retirement date is still 2066, the interim survivor curve is now 53-R2 and the weighted net salvage is negative 8%. The recommended rate is 2.24% as of June 30, 2024.

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Question No. 21

Responding Witness: Christopher M. Garrett

- Q-21. Refer to Conroy Direct Testimony, page 10, footnote 24. PPL is considering merging LG&E and KU Services Company into PPL Services Corporation. Explain how the allocation of shared service costs to Kentucky ratepayers' changes under a single service provider model, and what safeguards will prevent cross-subsidization from other PPL affiliates.
- A-21. As a result of the merger of LG&E and KU, shared services costs will no longer need to be allocated between LG&E and KU. PPL Services costs will continue to be allocated to LG&E in accordance with the PPL Corporation Cost Allocation Manual.

The majority of LG&E and KU Services ("LKS") employees will transfer to LG&E at the merger resulting in the elimination of the need to allocate associated employee costs between LG&E and KU. Certain LKS employees, *e.g.* certain accounting, payroll, sales analysis and forecasting, and customer services personnel, are expected to transfer to PPL Services at the merger whereby associated costs will be directly assigned, directly attributed, or indirectly allocated to PPL affiliates based on the PPL Corporation Cost Allocation Manual.

Accounting personnel will continue to ensure adherence to the PPL Corporate Cost Allocation Manual providing the necessary safeguard to prevent cross-subsidization from other PPL affiliates.

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Question No. 22

Responding Witness: Christopher M. Garrett / Daniel Johnson

- Q-22. Refer to the Application, page 5, which states that merging now avoids \$17 million to \$20 million in IT costs by integrating PPL's ongoing system overhaul. If the Commission denies the merger, provide the precise incremental cost to reconfigure the new systems to maintain separate legal entity accounting for KU and LG&E. Provide a detailed breakdown in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.
- A-22. The Companies have not performed a detailed cost analysis of the associated costs should the merger not proceed.

Also, to clarify, the Application states at page 5, "[T]he IT cost that has been the chief hurdle to merging the Companies is, for a limited window of time, not an obstacle due to the significant IT upgrades the Companies and PPL are currently undertaking. The Companies are therefore seeking Commission approval to merge the Companies now; if they delay and miss the window presented by this major IT overhaul, the same IT cost hurdle to merging will reappear." Thus, the \$17 to \$20 million in IT costs cited in the Application are not avoided costs in the traditional sense; by merging, the Companies are not avoiding costs they would incur absent merger. The Companies are incurring costs for these IT upgrades regardless of whether the Companies merge. But they can seize the opportunity presented by the ongoing IT upgrade process to design the new systems for a single, merged utility now, thereby avoiding incremental costs to do so in the future if they delayed the merger.

A small window of opportunity exists to effectuate a merger between the Companies that will be economical, but only if there is no imposition of unnecessary merger or further IT costs. As explained in response to Question 1, until the 2025 merger study excluding IT reconfiguration costs of \$17 million was prepared, the annual savings did not compare favorably to the "costs to achieve." But because the Companies are already incurring IT reconfiguration costs that can accommodate a single merged entity, merging *now* is economically feasible.

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Question No. 23

Responding Witness: Christopher M. Garrett

- Q-23. Refer to the Application, page 5. Refer also to the Conroy Direct Testimony, page 10, footnote 24. State if the less than \$3 million in annual quantifiable savings include projected reductions in headcount, or if it is derived solely from administrative/filing efficiencies.
- A-23. The previous merger studies included the potential elimination of approximately 10 full-time employees, primarily accounting positions.

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Question No. 24

Responding Witness: Christopher M. Garrett

- Q-24. Refer to Garrett Direct Testimony, page 11. Explain why LG&E\KU chose to use its asset values as of June 30, 2024, for the consolidated depreciation rate study.
- A-24. As stated in the Direct Testimony of Mr. Garrett, LG&E/KU decided to use asset values as of June 30, 2024 to align the consolidated depreciation rates with the separate company depreciation rates. This ensures the consolidated depreciation rates are largely consistent with the recently approved separate company depreciation rates as filed in Case Nos. 2025-00113 and 2025-00114 for accounting purposes as those rates were based on a June 30, 2024 depreciation study. Additionally, this will result in future mechanism regulatory filings employing consistent depreciation rates with those approved for base rates.

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Question No. 25

Responding Witness: Christopher M. Garrett / Chad E. Clements

- Q-25. Explain the accounting impacts for the merger associated with LG&E\KU's deferred tax liabilities derived from book tax timing differences.
- A-25. The proposed LG&E/KU merger is a brother-sister transaction within a controlled group and is expected to qualify as a tax-free reorganization under Internal Revenue Code §368(a)(1)(A) and (D). The merger does not affect the recognition, measurement, or amortization of deferred tax liabilities arising from book-tax timing differences. The deferred tax balances are preserved at existing amounts, consistent with ASC 740 and federal income tax rules applicable to reorganizations under common control and will continue to be reflected in regulatory accounts consistent with normalization and ratemaking principles.

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Question No. 26

Responding Witness: Robert M. Conroy

- Q-26. Refer to the Application, page 7. Explain if LG&E/KU has calculated an estimate of the costs associated to effectuate a name change from the potential merger. If yes, provide the estimated costs and provide a breakdown of the expense categories.
- A-26. The Companies have not estimated the cost associated with a name change. As stated in the Companies' Application, the combined utility may effectuate a name change at some point in the future, but the new name and the timing have not yet been determined.

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Question No. 27

Responding Witness: Robert M. Conroy

- Q-27. Refer to the Application, page 1. Provide an estimate of the costs for LG&E/KU to issue a notice to customers for the unification of the companies' FAC and OSS mechanisms.
- A-27. The cost associated with any publication of notice will depend upon the level of detail and content of the customer notice that the Commission requires pursuant to the second alternative request contained in the Application, page 1 and page 14, paragraph 29. The level of detail and content will determine the size of the publication space in the newspapers. The Companies have estimates from the KY Press for space encompassing a simple 3" x 5" notification that ranges from \$60,000 to \$70,000.

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Question No. 28

Responding Witness:

Q-28. (Question is missing)

A-28.

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Question No. 29

Responding Witness: Charles R. Schram

- Q-29. Refer to Conroy Direct Testimony, page 12, lines 3-6. Explain the process of LG&E assuming KU's fuel and fuel-related contracts upon merger. Include in the response if there are any penalties associated with the change.
- A-29. The contracts should be assumable by the merged entity without additional material costs.

Pursuant to state corporate law statutes and principles, title to all property, tangible and intangible, vests in the surviving entity upon merger. See KRS 271B.11-060

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Question No. 30

Responding Witness: Robert M. Conroy

- Q-30. Refer to the Application, page 13. Refer also to Conroy Direct Testimony at 11, lines 17-19. Provide clarity on whether LG&E and KU are proposing to unify the FAC and OSS mechanisms in this proceeding or if the formal unification will be proposed in a future FAC-related filing.
- A-30. The Companies are not proposing to unify their FAC and OSS mechanisms in this proceeding; rather, the Companies respectfully ask the Commission to declare whether the Companies' proposed unification approach constitutes a rate or tariff change requiring notice publication or an application of some kind, and if so, what that would entail. If the Commission declares the proposed unification would not constitute a rate or tariff change, the Companies would unify their FAC and OSS mechanisms post-merger as described in their Application and Mr. Conroy's testimony, and the merged entity would reflect that unification in its monthly FAC-OSS filings.

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Question No. 31

Responding Witness: Christopher M. Garrett

Q-31. Refer to the Application, page 5.

- a. Specify the length of the "limited window of time" where the IT costs do not outweigh the benefits of merging.
- b. Provide the specific dates of the "limited window of time" if available.

A-31.

- a. The "limited window of time" refers to the current implementation period for the ERP system and CIS projects. The Companies are currently designing and configuring the systems assuming the merger will be approved to avoid having to incur incremental costs in the future. Should the Companies not configure the ERP system and CIS assuming the merger is effectuated now, the Companies will have to redesign and reconfigure the systems yet again to effectuate a future merger.
- b. The new ERP system is expected to be completed in 2027, and the new CIS is expected to be completed by the end of 2028. Both projects were initiated in 2025 with SAP chosen as the preferred vendor.

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Question No. 32

Responding Witness: Christopher M. Garrett

- Q-32. Refer to the Application at 5. Specify the cost to merge during the “limited window of time” and the cost with the IT implementation hurdle.
- A-32. See the response to Question No. 12. The Companies are unable to isolate the specific IT costs associated with designing and configuring the systems to effectuate the merger in connection with the current ERP system and CIS implementations. As discussed in the Legal Merger Assessment filed as part of my direct testimony in Case Nos. 2025-00113 and 2025-00114, Exhibit CMG-1, the Companies estimated the IT costs to be approximately \$17- \$20 million prior to the decision to implement the new ERP system and CIS.

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Question No. 33

Responding Witness: Robert M. Conroy

- Q-33. Refer to Application, page 8-9. Provide case numbers when available for applications at the Federal Energy Regulatory Commission (FERC) and in Virginia. This is an ongoing request.
- A-33. An application with the Virginia State Corporation Commission was filed on April 17, 2026 in Case No. PUR-2026-00052. The Companies will update this request when additional filings are made in Virginia and at FERC.

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Question No. 34

Responding Witness: Christopher M. Garrett

- Q-34. Refer to the Application, page 14, which states “long-term merger savings will exceed merger implementation costs”. Provide the projected break-even point in years when the cumulative savings from the merger will fully offset the deferred regulatory asset balance.
- A-34. The primary benefit of the merger is not the associated cost savings. It is the regulatory and administrative efficiencies that are discussed in the Direct Testimonies of Mr. Garrett and Mr. Conroy. However, the Company expects the savings will outweigh the costs in 5 years should savings of \$2.3 million be achieved annually as projected in the previous merger study. Additionally, the merger is projected to result in financing savings through lower future borrowing costs, but this is not readily quantifiable.

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Question No. 35

Responding Witness: Christopher M. Garrett

- Q-35. Refer to the Application, page 14, which states "all merger costs are not being recovered through current rates or addressed by other deferrals, including the legal, regulatory, and financing-related costs to achieve and implement merger." Provide a preliminary estimate of these front-end costs to understand the potential magnitude of the future rate increase required to amortize this asset.
- A-35. See the response to Question No. 12.

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Question No. 36

Responding Witness: Christopher M. Garrett

- Q-36. Refer to the Application, Exhibit 3, page 2 and 10. Explain how LG&E/KU addresses the existing difference between the Book Reserve and the Theoretical Reserve when combining the two separate depreciation reserve pools into one.
- A-36. With the merger, KU's accumulated depreciation reserve will be combined into LG&E's accumulated depreciation reserve. The associated cost of removal reserves will also be combined.

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Question No. 37

Responding Witness: Christopher M. Garrett

- Q-37. Refer to the Application, page 5. Refer also to Conroy Direct Testimony, page 5, lines 4-6. Explain if the depreciation rates for the new Enterprise Resource Planning and Customer Information Systems should be unified immediately, or if they should follow different amortization schedules based on the 2027 and 2028 implementation dates.
- A-37. In the most recent depreciation studies approved by the Commission in Case Nos. 2025-00113 and 2025-00114, new amortization rates were provided for IT investments with 5, 10, and 15 year lives. Those amortization rates are unchanged in the combined depreciation study. The new ERP system and CIS will utilize the 15-year rate of 6.67%.

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Question No. 38

Responding Witness: Counsel

- Q-38. Refer to Application, page 14. Explain whether LG&E/KU is requesting approval under KRS 278.018(6). If so, provide the agreement and evidence addressing the required analysis. If not, explain why not.
- A-38. The Companies are asking the Commission to approve LG&E's assumption of KU's certified territory as part of the approval of the overall merger in accordance with KRS 278.018 to ensure that LG&E is in compliance with KRS 278.018(1). The Companies do not believe any agreements are necessary under KRS 278.018(6) to effect the requested territory change, as LG&E will assume the KU service territory as a matter of law upon consummation of the merger under KRS 271B.11-060. To the extent the Commission determines an agreement is needed, the Companies submit that the Plan of Merger Agreement between LG&E and KU would be the operative agreement.

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Question No. 39

Responding Witness: Robert M. Conroy / Counsel

Q-39. Refer to LG&E/KU response to Commission Staff's First Request for Information, Item 3.

- a. Explain how KU plans to transfer its assets to LG&E.
- b. Explain how the merger will affect the ownership percentages for each asset for LG&E/KU, respectively.

A-39.

- a. Upon merger, KU's assets will transfer to LG&E by operation of law.⁵
- b. Upon merger, all assets of KU will be owned by LG&E. Until the merged entity seeks to unify cost recovery mechanisms other than FAC and OSS in future proceedings, it will use pre-merger asset ownership percentages as appropriate in cost recovery mechanism calculations.

⁵ KRS 271B.11-060(1).

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Question No. 40

Responding Witness: Christopher M. Garrett

Q-40. Refer to Case No. 2025-00114, LG&E's response to Commission Staff's Second Request for Information, Item 107, page 4.

- a. Provide an update cumulative annual net savings and cost comparison or a statement that there is no update.
- b. Explain what impact any IT efficiencies have on the one-time costs.

A-40.

- a. The savings estimate provided in the previous merger studies of \$2.3 million annually is still appropriate. See the response to Question No. 12 for a breakdown of the associated one-time costs.
- b. See the response to Question No. 34 which indicates the payback within 5 years excluding the IT reconfiguration costs previously estimated.