

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
COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION
DATED JUNE 16, 2026

FILED: JUNE 23, 2026

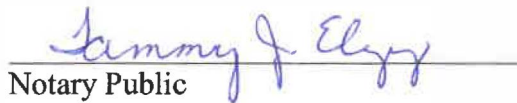
VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is Vice President, State Regulation and Rates, for Kentucky Utilities Company and 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 responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge, and belief.


Robert M. Conroy

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


Notary Public

Notary Public ID No. KYNPG1560

My Commission Expires:

November 9, 2026



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

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

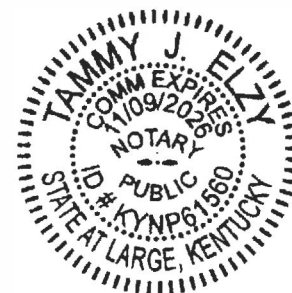


Notary Public

Notary Public ID No. KYNP61560

My Commission Expires:

November 9, 2026



**KENTUCKY UTILITIES COMPANY
AND
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**Response to Commission Staff's Fourth Request for Information
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Question No. 1

Responding Witness: Robert M. Conroy / Counsel

- Q-1. Refer to 807 KAR 5:011, Section 11. Explain whether LG&E will follow the adoption procedures for KU's tariff pursuant to Section 11. If not, explain what procedure LG&E plans to utilize to adopt KU's tariff.
- A-1. Yes. As stated in the Joint Application, "Assuming Commission approval of the merger, LG&E will file an Adoption Notice of KU's tariff in accordance with 807 KAR 5:011, Section 11."²

Relatedly, the Joint Application further stated that if the merger received the necessary approvals, the combined entity might effectuate a name change at some point in the future, for which it would file an adoption notice under 807 KAR 5:011, Section 11.³ The Companies have further considered this issue and currently anticipate that the combined entity will change its name to Kentucky Utilities Company upon merger.

This anticipated name change will not affect the Companies' plans for the foreseeable future to continue doing business as LG&E in LG&E's current electric and gas service territories and to continue doing business as KU in KU's current service territory. Likewise, doing so will not affect the need for the combined entity to adopt KU's existing tariff in accordance with 807 KAR 5:011, Section 11.

² Companies' Joint Application at 14, ¶ 30.

³ *Id.* at 7, ¶ 15.

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Question No. 2

Responding Witness: Christopher M. Garrett

Q-2. Refer to the Direct Testimony of Lane Kollen (Kollen Direct Testimony), page 6. Provide a detailed explanation regarding whether merger approval conditioned on denial of LG&E/KU's request to replace authorized depreciation rates for LG&E and KU with a single set of combined depreciation rates in this proceeding will impact LG&E/KU's decision to move forward with the merger.

A-2. The Companies strongly oppose Mr. Kollen's proposal to deny the Companies' request for approval of combined depreciation rates in this proceeding. Mr. Kollen's assertion that this request is unnecessary and premature is incorrect. Maintaining separate depreciation rates post-merger requires structural separation across systems and integrations, reverses current ERP design direction, and introduces material delay, cost, and operational complexity as further detailed below.

- **Scope of System Impact**

Maintaining separate accounting would require continued segregation of assets and transactions across the full capital project lifecycle, affecting:

- PowerPlan (FA subledger and depreciation processing)
- SAP (system of record for capital projects and downstream postings)
- Work management systems (e.g., WOMS), as well as other upstream/downstream systems involved in asset creation and tracking
- Planning, forecasting, and UI/reporting models tied to depreciation

This introduces cross-system dependencies requiring coordinated redesign across multiple integrations, rather than isolated changes within a single platform.

- **Design & Integration Implications**

Our current design is intentionally structured around a **consolidated asset and depreciation model**. Reverting to a segregated structure would require:

- Re-architecting the PowerPlan subledger to reintroduce legacy utility separation
- Modifying PowerPlan-to-SAP integrations to carry separate depreciation and asset data streams
- Potential rework to upstream integrations (e.g., work management →PowerPlan) that feed asset data
- Updates to forecasting and planning models that currently assume a unified structure
- Importantly, this would reverse design decisions that are already nearing completion and introduce rework across multiple RICEFW components.

- **Program Impact (Timeline & Cost)**

While isolated PowerPlan changes may appear manageable, the broader, cross-system impact materially changes the outlook:

- Coordinated redesign across systems along with changes to data conversions and integrations drives, at a minimum, a six-month delay in the ERP project.
- Alignment and onboarding across impacted platforms (particularly work management systems) adds complexity and potential resourcing challenges
- The need to establish and track additional projects and associated accounting delays administrative savings
- The temporary delay and subsequent consolidation introduce a structural inefficiency:
 - We would not only incur incremental costs to **segregate now**, we would also incur incremental costs to **reconsolidate later** once depreciation rates are harmonized
 - This effectively results in duplicative costs for customers

While we have not developed a formal estimate of the associated costs at this time of Mr. Kollen's proposal, we anticipate the associated costs of such proposal to exceed the previous \$17-\$20 million estimate for the entire IT reconfiguration work provided in the 2025 merger study as noted in our response to PSC 3-17. Accordingly, this proposal would make merging the legal entities uneconomical and would require the Companies to reconsider whether to proceed with merger, resulting in foregone benefits for customers, intervenors, and the Commission.

The Companies would also respectfully observe that maintaining separate depreciation rates would be inconsistent with achieving the administrative and

regulatory efficiencies the Commission has cited in directing the Companies to study merging.⁴

⁴ See, e.g., *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 3 – 5 (Ky. PSC Aug. 22, 2023).

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Question No. 3

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

- Q-3. Refer to Kollen Direct Testimony, page 5. Provide a detailed explanation regarding how the surviving entity, following the merger of LG&E/KU, will calculate savings resulting from the merger. Include in the explanation whether offsetting any deferred merger costs with merger savings will impact whether LG&E/KU will move forward with the merger.
- A-3. Savings associated with potential depreciation related savings can be tracked via the establishment of a regulatory liability. Other categories of merger savings are impracticable to track on an actual, as-realized basis, including headcount reductions, audit fees, bank fees, financing costs, and rate case expenses. Nonetheless, such savings will be embedded in future base rate cases and redound to customers' benefit. This will have the effect of offsetting any deferred merger costs with merger savings.

The Companies do not oppose offsetting merger savings with associated merger costs. The Companies merely seek to not be financially harmed as a result of the merger. Please note also the administrative and regulatory efficiencies the Commission has cited in directing the Companies to study merging,⁵ as well as the significant savings the Companies have achieved for customers over almost 30 years by operating in many respects as a single utility company.

⁵ See, e.g., *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 3 – 5 (Ky. PSC Aug. 22, 2023).

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Question No. 4

Responding Witness: Robert M. Conroy

- Q-4. Provide a detailed explanation regarding whether, and how, KU's subsidiary Old Dominion Power Company (Old Dominion) will be impacted by the changes resulting from LG&E/KU request to unify the separate fuel adjustment clause (FAC) and off-system sales (OSS) adjustment clause mechanisms in this proceeding.
- A-4. To clarify, KU does business as ODP in Virginia; ODP is not a subsidiary of KU that maintains separate financials. The proposed unification of the FAC and OSS adjustment clauses in this proceeding is not expected to impact fuel cost recovery from ODP's customers. In Virginia, just like Kentucky, recoverable fuel and purchased power costs are compiled on a total company basis using the methodology authorized by the respective commission. In Virginia, these costs are jurisdictionalized to determine the amount to recover from ODP customers. In Kentucky, the costs are not jurisdictionalized per se, but KU only charges FAC and OSS rates to its Kentucky jurisdictional customers.

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Question No. 5

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

- Q-5. State whether, and how, LG&E/KU's decision to move forward with the merger will be impacted if required to maintain separate rate districts beyond 2028.
- A-5. The Companies expect to maintain separate rate districts for tariffed rates and revenues, not for allocation of costs, for as long as necessary to fully harmonize all rates between legacy LG&E and KU customers across like rate classes. It is unlikely that full harmonization could occur prior to 2028, as the Companies expect some rates will be gradually harmonized due to the differential between current LG&E and KU rates. Therefore, if the Commission required the merged entity to maintain separate rate districts beyond 2028, the Companies' decision to move forward with the merger now would likely not be impacted. However, the Companies do not believe such a requirement is necessary to approve the legal merger of LG&E and KU. The gradual harmonization of rates will be addressed in future base rate proceedings and may take multiple proceedings depending upon the circumstances and impact to customers in each future base rate proceeding.

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Question No. 6

Responding Witness: Robert M. Conroy

- Q-6. For each of LG&E/KU's prior change-of-control proceedings (including but not limited to Case Nos. 1997-00300, 2000-00095, 2001-00104, 2010-00204, and 2017- 00415) identify and provide a list of every condition established by the Commission in approving LG&E/KU's requests. Additionally, for each identified condition, state whether that condition is currently in-effect and binding (if not, why not) and whether it will remain in-effect and binding if the Commission approves the application to merge.
- A-6. See attachment being provided in a separate file. The Companies assume the request for "every condition established by the Commission" includes conditions to which the Companies agreed, not just those added or modified by the Commission.

The attached Excel file lists and provides the requested information regarding all conditions approved, revised, or imposed by the Commission in Case No. 2010-00204. Case No. 2010-00204 incorporated and revised conditions from prior cases.

The Commission did not add or revise any conditions in approving the change of control addressed in Case No. 2017-00415, in which the Commission approved the indirect acquisition of the Companies by two entities wholly owned by PPL Corporation. Please note that, although it was not a condition of the approved change of control, the Commission's final order in Case No. 2017-00415 directed the Companies for the first time to "develop an internal study to fully evaluate and quantify the costs and benefits associated with a potential merger of the two utilities."⁶

The Companies respectfully submit that the proposed legal entity merger of LG&E and KU proposed herein is substantively closer to the transaction proposed

⁶ *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).

in Case No. 2017-00415—a matter of internal reorganization—than to the other change of control proceedings cited in the request, in which the ultimate control of one or both of the Companies changed. It would thus be appropriate and consistent with the Commission’s authority not to impose conditions in approving the proposed merger at issue in this proceeding. See the response to Question No. 7.

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Question No. 7

Responding Witness: Counsel

Q-7. State whether LG&E/KU believe that the Commission has the authority to establish conditions in approving the proposed merger.

A-7. The Companies respectfully submit that the Commission's authority in this proceeding is defined by statute. The applicable change of control statute, KRS 278.020(6), does not expressly provide for the attachment of conditions to approval of the proposed merger. The Commission does have authority under KRS 278.300(4) to grant financing authority with such terms and conditions as it deems appropriate; however, that authority applies to the Joint Application's financing request, not the merger itself. In any event, even assuming arguendo that the Commission possesses discretion to consider conditions in connection with the merger, the record demonstrates that no such conditions are necessary or appropriate. The proposed transaction does not introduce new ownership, new financial incentives, or new operational risk. Rather, it is the legal consolidation of two long-regulated Kentucky utilities that will remain fully subject to the Commission's jurisdiction and oversight.

LG&E and KU have operated under common ownership and coordinated operations for nearly three decades. The proposed merger does not alter that regulatory framework, but instead simplifies the Companies' legal structure, reduces administrative duplication, and enhances operational efficiency. Because the merger does not create incremental risk to customers—while offering efficiency benefits—there is no identified harm that would warrant mitigation through conditions. The Commission's prior orders reflect a sustained interest in evaluating the potential benefits of a legal merger between LG&E and KU, including reductions in administrative duplication and improved regulatory efficiency. The proposed transaction directly advances those objectives. Approval of the merger without conditions would be consistent with the Commission's prior observations while allowing the identified benefits to be realized without unnecessary delay or qualification. The Companies also note that the quantifiable benefits of the proposed merger, while meaningful, depend on maintaining a streamlined and efficient transaction structure; imposing conditions could reduce or delay realization of those benefits. In addition, the

merger requires approval from other regulatory authorities, and a consistent regulatory approach will facilitate efficient implementation.

The Companies will remain fully subject to all existing statutory and regulatory protections applicable to utilities in Kentucky and are committed to maintaining the high level of service and regulatory transparency that our customers expect. For these reasons, the Companies respectfully submit that the Commission should approve the proposed merger without conditions.

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Question No. 8

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

- Q-8. Describe the methodology LG&E/KU will use following approval of a merger to allocate costs and revenues between the rate districts in a future rate proceeding prior to the unification of base rates and tariffs. As part of the explanation, describe whether LG&E/KU anticipates the need to file two separate rate cases for any rate proceeding following the merger, but prior to the unification of base rates and tariffs.
- A-8. The Companies do not anticipate the need to file two separate base rate applications for any rate proceeding following the merger but prior to the full unification of base rates and tariffs. Filing a single application would be consistent with achieving the administrative and regulatory efficiencies the Commission has cited in directing the Companies to study merging.⁷

The Companies are currently developing their 2027 Business Plan on a separate company basis and can present both historical and forecast information on both a separate legacy utility and combined utility basis. If the Companies apply for new rates based on the 2027 Business Plan after receiving merger approval, the allocation of costs and revenues between the legacy utilities will follow the same methodology used pre-merger. To support such rates, the Companies would expect to file separate legacy utility cost of service studies as well as a combined utility cost of service study. The cost of service studies would show the earned returns expected for each rate class for the forecasted test year. The Companies would compare the earned returns between the separate legacy utility and combined utility cost of service studies to determine whether each legacy utility's rate class would be under- or over-earning and use that information to determine the revenue increase allocations that would move each legacy utility's rate class closer to the combined utility's rate class overall system average return.

Starting with the 2028 Business Plan, financial projections will be prepared for the combined entity only. See the responses to PSC 3-11 and Walmart 2-4.

⁷ See, e.g., *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 3 – 5 (Ky. PSC Aug. 22, 2023).

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Question No. 9

Responding Witness: Robert M. Conroy

- Q-9. Explain whether LG&E Gas will file a separate rate application, in its next base rate adjustment filing, upon completion of this merger.
- A-9. No, the Companies do not anticipate that LG&E Gas will file a *separate* rate application in its next base rate adjustment filing upon completion of this merger. Rather, consistent with recent base rate applications that included both LG&E's electric and gas operations, LG&E expects to include its requests to adjust gas base rates and electric base rates in a single application when seeking to adjust base rates upon completion of the merger. Doing so would be consistent with achieving the administrative and regulatory efficiencies the Commission has cited in directing the Companies to study merging.⁸

⁸ See, e.g., *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 3 – 5 (Ky. PSC Aug. 22, 2023).

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Question No. 10

Responding Witness: Robert M. Conroy

- Q-10. State whether conditions established by the proceedings related to Old Dominion currently before the Virginia State Corporation Commission (Virginia SCC) could impact LG&E/KU's decision to move forward with the merger.
- A-10. Yes, any such conditions could affect the Companies' decision to move forward with the proposed merger. Please note that the Companies stated in their Virginia merger application:

The approval the Companies are seeking from this Commission is expressly contingent upon the KPSC and FERC approving the merger and upon the Companies determining to proceed with the merger in light of any conditions the KPSC and FERC may impose. *Accordingly, the Companies will move forward with the merger only if the KPSC, FERC, and this Commission authorize the merger and do not attach conditions that render the merger impracticable, uneconomical, or otherwise unpalatable.*⁹

⁹ Attachment to Companies' Response to PSC 3-12, *Joint Application of Kentucky Utilities Company d/b/a Old Dominion Power Company and Louisville Gas and Electric Company for Transfer of Certificate, Approval of Merger, and Declaratory Order*, Va. SCC Case No. PUR-2026-00052, Joint Application at 5, ¶ 10 (Apr. 17, 2026) (emphasis added).