COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY UTILITIES COMPANY AND LOUISVILLE GAS AND ELECTRIC COMPANY FOR AN ORDER APPROVING THE ESTABLISHMENT OF REGULATORY ASSETS	**)**	**CASE NO. 2026-00316**

VERIFIED JOINT APPLICATION OF
KENTUCKY UTILITIES COMPANY
LOUISVILLE GAS AND ELECTRIC COMPANY

Kentucky Utilities Company ("KU") and Louisville Gas and Electric Company ("LG&E"), collectively, the "Companies") apply to the Kentucky Public Service Commission ("Commission"), pursuant to KRS 278.220, for an order authorizing the Companies to establish regulatory assets to account for each utility's information technology ("IT") implementation costs in 2027. In support of this Joint Application, the Companies respectfully state:

1. Applicant KU's full name and business address is: Kentucky Utilities Company, One Quality Street, Lexington, Kentucky 40507. KU's mailing address is Kentucky Utilities Company c/o Louisville Gas and Electric Company, 2701 Eastpoint Parkway, Louisville, Kentucky 40223.

2. KU is a utility engaged in the electric business. KU generates and purchases electricity, distributes, and sells electricity at retail in the following counties in central, northern, southeastern, and western Kentucky:

Adair	Edmonson	Jessamine	Ohio
Anderson	Estill	Knox	Oldham
Ballard	Fayette	Larue	Owen
Barren	Fleming	Laurel	Pendleton
Bath	Franklin	Lee	Pulaski

Bell	Fulton	Lincoln	Robertson
Bourbon	Gallatin	Livingston	Rockcastle
Boyle	Garrard	Lyon	Rowan
Bracken	Grant	Madison	Russell
Bullitt	Grayson	Marion	Scott
Caldwell	Green	Mason	Shelby
Campbell	Hardin	McCracken	Spencer
Carlisle	Harlan	McCreary	Taylor
Carroll	Harrison	McLean	Trimble
Casey	Hart	Mercer	Union
Christian	Henderson	Montgomery	Washington
Clark	Henry	Muhlenberg	Webster
Clay	Hickman	Nelson	Whitley
Crittenden	Hopkins	Nicholas	Woodford
Daviess			

3. KU is incorporated in the Commonwealth of Kentucky and the Commonwealth of Virginia, and attests it is in good corporate standing in both states. KU was incorporated in Kentucky on August 17, 1912, and in Virginia on November 26, 1991.

4. Applicant LG&E's full name and business address is: Louisville Gas and Electric Company, 820 W Broadway, Louisville, Kentucky 40202. LG&E's mailing address is Louisville Gas and Electric Company, 2701 Eastpoint Parkway, Louisville, Kentucky 40223.

5. LG&E is a public utility, as defined in KRS 278.010(3)(a), engaged in the electric and gas business. LG&E generates, purchases electricity, distributes, and sells electricity at retail in Jefferson County and portions of Bullitt, Hardin, Henry, Meade, Oldham, Shelby, Spencer, and Trimble Counties. LG&E also purchases, stores, and transports natural gas, and distributes and sells natural gas at retail in Jefferson County and portions of Barren, Bullitt, Green, Hardin, Hart, Henry, Larue, Marion, Meade, Metcalfe, Nelson, Oldham, Shelby, Spencer, Trimble, and Washington Counties.

6. LG&E is incorporated in the Commonwealth of Kentucky, and attests it is in good corporate standing. LG&E was incorporated in Kentucky on July 2, 1913.

7. This Joint Application is filed pursuant to KRS 278.220, which authorizes the Commission to prescribe the accounting to be used by any public utility subject to its jurisdiction. The Commission requires the Companies to use and follow the Uniform System of Accounts ("USoA") as promulgated by the Federal Energy Regulatory Commission.

8. Communications regarding this Joint Application should be addressed to:

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Software Implementation Cost Deferral in the Companies' 2025 Rate Cases

9. In the Companies' 2025 rate cases,[1] KU and LG&E proposed to defer software implementation expenses and amortize the resulting regulatory asset over the lives of the underlying software.[2] Expenses that the Companies requested deferred accounting for included training; data conversion and migration; direct business or functional process reengineering costs associated with strategic implementations; change management; preliminary project stage; hyper care; and cloud computing such as hosting and other fees during implementation. The software implementation costs will be incurred through 2029.

10. KU and LG&E explained that under FERC accounting rules, these costs would be expensed in a single year.[3] Under deferral accounting, however, the costs would be amortized over the depreciable lives of the underlying assets with amortization commencing once approved in rates.

11. In its February 16, 2026 Final Orders in the 2025 rate cases, the Commission found that "deferral accounting should be approved because otherwise the implementation costs would be expensed in a single year. Because the expenses are nonrecurring, the Commission would normalize the expenses over the life of the underlying asset."[4] The Commission further found that "these expenses, limited to the implementation costs described above, are extraordinary, non-recurring expenses that qualify for deferral accounting."[5]

[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. 2025-00114).
[2] Case Nos. 2025-00113 and 2025-00114, Direct Testimony of Christopher M. Garrett at 10–12.
[3] *Id.*
[4] KU Final Order at 104; LG&E Electric Final Order at 108; LG&E Gas Final Order at 75.
[5] *Id.*

12. The Commission granted "the deferral accounting only for the amounts through December 31, 2026, and approves the amortization period over the lives of the underlying software. The Commission further finds that the amortization expense associated with this period contained in the forecasted test period is reasonable and should be accepted."[6]

13. The Companies filed a Petition for Rehearing regarding certain issues in the Final Orders, including the Commission's decision to limit deferral accounting for software implementation costs incurred through December 31, 2026 when such costs will be incurred through 2029. The Companies explained they were unsure whether they were permitted to seek deferral treatment for future implementation costs beyond December 31, 2026 given the language of the Commission's Final Orders. The Companies explained that if the Commission will consider approving deferral accounting for post-2026 software implementation costs, the Companies would like to understand how best to proceed with future deferral accounting requests for subsequent years.

14. In its August 14, 2026 Orders ruling on the Petitions for Rehearing, the Commission noted the "reason for the 2026 language in the final Order related to the end of LG&E/KU's forecasted test year."[7] Moreover, the Commission clarified that the Companies "are permitted to request deferral accounting for the IT Implementation costs on an annual basis for their future IT implementation costs."[8]

2027 Software Implementation Costs

15. In this Joint Application, the Companies request the Commission grant deferral accounting for KU and LG&E's software implementation costs incurred from January 1 to

[6] *Id.*
[7] Case Nos. 2025-00113 and 2025-00114, August 14, 2026 Order at 44.
[8] *Id.* at 44-45.

December 31, 2027. Although the Companies are requesting authority to establish a regulatory asset for these costs at this time, the Companies will not begin amortization of the costs until: (1) the underlying asset is placed in service and (2) the Commission sets rates in KU and LG&E's next base rate cases. This is consistent with the Commission's Order on rehearing, which stated that the Companies "cannot amortize these costs before their next rate cases."[9]

16. The Companies expect to incur software implementation costs in calendar year 2027 in the following amounts:

January 1 – December 31, 2027 Projected Costs, by Project & Utility			
Project	**KU**	**LG&E – Electric**	**LG&E – Gas**
Customer Information System	$4,115,442	$2,547,336	$990,631
ERP Implementation	$1,876,965	$1,684,838	$655,215
Governance	$374,403	$336,079	$130,697
Customer Experience	$416,903	$260,099	$101,150
Work & Asset Management	$237,713	$136,534	$53,096
Intelligent Grid Operations	$207,470	$69,000	$0
Metering Modernization	$140,432	$108,900	$72,600
Data & AI	$68,893	$61,841	$24,049
Hosting Strategy	$31,217	$28,022	$10,897
Total	**$7,469,439**	**$5,232,649**	**$2,038,336**

17. The amounts in the preceding paragraph are the Companies' best estimate of the projected costs. The Companies will update the estimates to actual amounts when actual costs are known and will file those amounts with the Commission when including such costs in the next base rate case.

18. The projected implementation costs relate to:

Customer Information System ("CIS"): The CIS project will replace the Companies' aging SAP Customer Care System with a modern, cloud-based SAP platform that supports

[9] *Id.*

customer billing, payment processing, AMI and smart-grid integration, customer self-service, and automated regulatory reporting. The project is intended to reduce cybersecurity and technology-obsolescence risk while providing a more integrated and standardized customer platform across PPL's utilities.

ERP Implementation: Implement a modern, cloud-based SAP enterprise resource planning platform to support financial management and budgeting, asset and supply-chain management, human capital management, and business intelligence and analytics. The initiative modernizes the enterprise systems that support PPL's core corporate and financial processes.

Governance: Expand Reinvention Office and change-management capabilities to strengthen program governance, cross-functional coordination, value realization, and organizational adoption across IT Reinvention.

Customer Experience (CX): Modernizes the customer-facing platforms customers use to interact with the Companies, including web, mobile, phone, and electronic communications. The project is intended to provide more integrated self-service capabilities, allowing customers to view usage information, make payments, report issues, receive timely billing and outage notifications, and move seamlessly between communication channels. It also includes upgrades to the existing Interactive Voice Response (IVR) system.

Work & Asset Management: Modernize and consolidate work and asset management technologies to improve field execution, information sharing, and the use of predictive capabilities in utility operations.

Intelligent Grid Operations: Modernize and standardize grid operations across PPL's utilities through intelligent and automated solutions that improve the management and control of power flows. The initiative supports the broader Grid of the Future strategy and includes capabilities such as advanced distribution and energy management systems and other technologies supporting increasingly integrated grid operations.

Metering Modernization: Modernizes the technology and systems supporting the Companies' metering operations as part of the broader Advanced Customer Operations & Engagement strategy. The initiative supports integration of advanced metering and smart-grid information with customer systems, helping enable more modern customer and utility operations.

Data & AI: Establish and expand data analytics, artificial intelligence, machine learning, and automation capabilities to improve business and IT operations. The initiative focuses on applying these technologies to areas such as incident cataloguing, data maintenance and reporting, user-access management, routine IT fixes and patching, and asset planning.

Hosting Strategy: Modernizes PPL's technology hosting environment by transitioning workloads from legacy on-premise data centers to cloud-based infrastructure and adopting standardized compute and storage architecture. The initiative supports the broader IT Reinvention effort to establish a modern infrastructure foundation and migrate appropriate workloads to the cloud.

19. The costs are appropriate for deferral accounting, as the Commission has already recognized that the implementation expenses are extraordinary, non-recurring expenses that qualify for the requested accounting treatment.

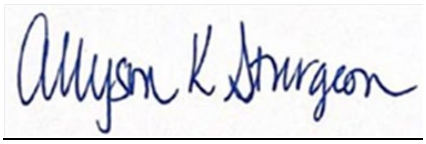
WHEREFORE, KU and LG&E respectfully request that the Commission issue an order by January 31, 2027, granting the Companies authority to:

1. Accumulate and defer for future recovery the actual amounts, and accruals for estimated amounts until actual costs can be determined, of the IT implementation expenses incurred by the Companies in 2027 pursuant to KRS 278.220; and

2. That the Commission issue an order determining that the actual amount of regulatory assets herein that are to be amortized and included in rates shall be determined in the Companies' future base rate cases.

Dated: October 30, 2026

Respectfully submitted,



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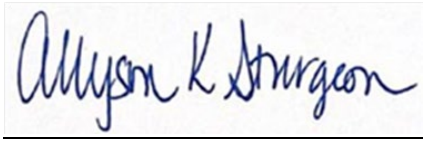
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Counsel for Kentucky Utilities Company and
Louisville Gas and Electric Company

CERTIFICATE OF SERVICE

In accordance with the Commission's Order of July 22, 2021 in Case No. 2020-00085 (Electronic Emergency Docket Related to the Novel Coronavirus COVID-19), this is to certify that the electronic filing has been transmitted to the Commission on October 30, 2026; and that no parties have been excused from electronic participation.



Counsel for Kentucky Utilities Company and
Louisville Gas and Electric Company

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Christopher M. Garrett**, being duly sworn, deposes and says that he is Vice President - 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 foregoing Verified Application, and that 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 29th day of October 2026.

Notary Public

Notary Public ID No. KYNP61560

My Commission Expires:

November 9, 2026

TAMMY J. ELZY
COMM EXPIRES: 11/09/2026
NOTARY PUBLIC
ID # KYNP61560
STATE AT LARGE, KENTUCKY