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 FOR APPROVAL OF MERGER	))))	CASE NO. 2026-00077

ORDER

On March 31, 2026, Louisville Gas and Electric Company (LG&E) and Kentucky Utilities Company (KU) (jointly, LG&E/KU) filed an application for (1) approval of a legal merger of the companies pursuant to KRS 278.020(6); (2) approval pursuant to KRS 278.300(1) for LG&E to assume the existing debt obligations of KU upon consummation of the merger; (3) approval pursuant to KRS 278.018 for LG&E to assume KU's certified electric service territory upon consummation of the merger; (4) request regulatory asset accounting authority to account for all merger costs not being recovered through current rates or other deferrals, allowing the Commission to review and approve recovery of such costs in a future base rate case; and (5) approval of combined depreciation rates for accounting purposes.

In addition to those requests, LG&E/KU requested a declaration, pursuant to 807 KAR 5:001, Section 19, that when LG&E/KU unify their currently separate Fuel Adjustment Clause (FAC) and Off-System Sales (OSS) adjustment clause mechanisms upon consummation of the merger in connection with LG&E's adoption of KU's tariff, customer notice is not required. As an alternative, LG&E/KU proposed a deviation from a customer notice requirement pursuant to 807 KAR 5:011, Section 15, or, in the second alternative, a declaration describing the content of a customer notice and what other filings the Commission requires regarding unification of those mechanisms if customer notice is required and a deviation is not approved.

PROCEDURAL HISTORY

The Commission issued a procedural schedule on April 10, 2026, as amended by an Order issued April 30, 2026.[1] Six parties were granted intervention in this matter: Kentucky Industrial Utilities Customers, Inc. (KIUC),[2] the Office of the Attorney General, by and through the Office of Rate Intervention (Attorney General),[3] Lexington Fayette Urban County Government (LFUCG),[4] Kentucky Broadband Cable Association (KBCA),[5] Louisville Metro,[6] and Walmart.[7] Louisville Metro and LFUCG (jointly, Louisville/LFUCG) participated cooperatively.[8] An Informal Conference (IC) with the parties was held on May 5, 2026.[9] The Commission also issued an Order incorporating the records of Case

[1] Order (Ky. PSC Apr. 10, 2026).

[2] Order (Ky. PSC Apr. 13, 2026).

[3] Order (Ky. PSC Mar. 30, 2026).

[4] Order (Ky. PSC Apr. 24, 2026).

[5] Order (Ky. PSC Apr. 30, 2026).

[6] Order (Ky. PSC Apr. 24, 2026).

[7] Order (Ky. PSC May 13, 2026).

[8] Louisville Metro_LFUCG_Joint_Response_to_April_24_Order.pdf

[9] 20260519_PSC Notice of Filing of Informal Conference Memorandum and Attendance List.pdf

No. 2025-00045, in full, and Case Nos. 2025-00113 and 2025-00114, in part.[10] A second IC was held on June 24, 2026.[11]

LG&E/KU has responded to four requests for information from Commission Staff,[12] and two requests for information from the Attorney General.[13] LG&E/KU responded to one request for information from Walmart[14] and two requests for information from Louisville/LFUCG.[15] LG&E/KU responded to one request for information from KBCA.[16] The Attorney General responded to one request for information from Commission Staff and LG&E/KU, each respectively.[17] Walmart also responded to one request for

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[10] Case No. 2025-00045, *Electronic Application of Kentucky Utilities Company and Louisville Gas and Electric Company for Certificates of Public Convenience and Necessity and Site Compatibility Certificates* (Ky PSC Oct. 28, 2025), Order; rehearing granted, in part and denied in part, Order (Ky PSC Dec. 9, 2025); Case No. 2025-00113, *Electronic Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates and Approval of Certain Regulatory and Accounting Treatments*; Case No. 2025-00114, *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*.

[11] 20260708_PSC Letter Filing Informal Conference Memorandum and Attendance List into the Record.pdf

[12] LG&E/KU's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Apr. 15, 2026); LG&E/KU's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed May 8, 2026); LG&E/KU's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed May 29, 2026); LG&E/KU's Response to Commission Staff's Fourth Request for Information (Staff's Fourth Request) (filed June 23, 2026).

[13] LG&E/KU's Response to the Attorney General's First Request for Information (Attorney General's First Request) (filed May 8, 2026); LG&E/KU's Response to Commission Staff's Second Request for Information (Attorney General's Second Request) (filed May 29, 2026).

[14] LG&E/KU's Response to Walmart's Supplemental Request for Information (Walmart's First Request) (filed May 29, 2026).

[15] LG&E/KU's Response to Louisville/LFUCG's First Request for Information (Louisville/LFUCG's First Request) (filed May 8, 2026); LG&E/KU's Response to Louisville/LFUCG's Second Request for Information (Louisville/LFUCG's Second Request) (filed May 22, 2026).

[16] LG&E/KU's Response to KBCA's First Request for Information (KBCA's First Request) (filed May 8, 2026).

[17] Attorney General's Response to Commission Staff's First Request for Information (filed June 23, 2026); Attorney General's Response to LG&E/KU's First Request for Information (filed June 23, 2026).

information from Commission Staff.[18] The parties supplemented these filings, as necessary, throughout the proceeding.

On July 2, 2026, the parties filed a Joint Stipulation with Supporting Testimony. In addition, LG&E/KU requested leave to file additional testimony in support of the Joint Stipulation.[19] On that same date, LG&E/KU filed a notice that the companies were not requesting a hearing.[20] The Attorney General filed to submit the matter on the record.[21] No party requested a hearing. The case stands submitted for a decision.

<u>LEGAL STANDARD</u>

KRS 278.020, in part, reads as follows:

> …
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> (6) No person shall acquire or transfer ownership of, or control, or the right to control, any utility under the jurisdiction of the commission by sale of assets, transfer of stock, or otherwise, or abandon the same, without prior approval by the commission. The commission shall grant its approval if the person acquiring the utility has the financial, technical, and managerial abilities to provide reasonable service.
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> (7) No individual, group, syndicate, general or limited partnership, association, corporation, joint stock company, trust, or other entity (an "acquirer"), whether or not organized under the laws of this state, shall acquire control, either directly or indirectly, of any utility furnishing utility service in this state, without having first obtained the approval of the commission. Any acquisition of control without prior authorization shall be void and of no effect. As used in this subsection, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a utility, whether through the

[18] LG&E/KU's Statement Regarding Hearing (filed July 2, 2026) at 1.

[19] LG&E/KU's Motion for Leave to File Joint Stipulation Testimony (filed July 2, 2026).

[20] LG&E/KU's Statement Regarding Hearing (filed July 2, 2026).

[21] Attorney General's Recommendation to Submit Case on the Record (filed July 2, 2026) at 1.

ownership of voting securities, by effecting a change in the composition of the board of directors, by contract or otherwise. Control shall be presumed to exist if any individual or entity, directly or indirectly, owns ten percent (10%) or more of the voting securities of the utility. This presumption may be rebutted by a showing that ownership does not in fact confer control. Application for any approval or authorization shall be made to the commission in writing, verified by oath or affirmation, and be in a form and contain the information as the commission requires. The commission shall approve any proposed acquisition when it finds that the same is to be made in accordance with law, for a proper purpose and is consistent with the public interest. The commission may make investigation and hold hearings in the matter as it deems necessary, and thereafter may grant any application under this subsection in whole or in part and with modification and upon terms and conditions as it deems necessary or appropriate. The commission shall grant, modify, refuse, or prescribe appropriate terms and conditions with respect to every such application within sixty (60) days after the filing of the application therefor, unless it is necessary, for good cause shown, to continue the application for up to sixty (60) additional days. The order continuing the application shall state fully the facts that make continuance necessary. In the absence of that action within that period of time, any proposed acquisition shall be deemed to be approved.

(8) Subsection (7) of this section shall not apply to any acquisition of control of any:

(a) Utility which derives a greater percentage of its gross revenue from business in another jurisdiction than from business in this state if the commission determines that the other jurisdiction has statutes or rules which are applicable and are being applied and which afford protection to ratepayers in this state substantially equal to that afforded such ratepayers by subsection (7) of this section;

(b) Utility by an acquirer who directly, or indirectly through one (1) or more intermediaries, controls, or is controlled by, or is under common control with, the utility, including any entity created at the direction of such utility for purposes of corporate reorganization; or

> (c) Utility pursuant to the terms of any indebtedness of the utility, provided the issuance of indebtedness was approved by the commission.

KRS 278.218 requires prior Commission approval before a person may acquire or transfer a utility's assets with an original book value of over $1,000,000 if either the assets are to be transferred by the utility for reasons other than obsolescence; or the assets will continue to be used to provide the same or similar service to the utility or its customers. The Commission is required to grant such approval if the transaction is for a proper purpose and is consistent with the public interest.

KRS 278.300 requires Commission authorization before a utility may "issue any securities or evidences of indebtedness, or assume any obligation or liability in respect to the securities or evidences of indebtedness of any other person." KRS 278.300(3) establishes the legal standard and clarifies the scope of Commission review, stating:

> The Commission shall not approve any issue or assumption unless, after investigation of the purposes and uses of the proposed issue and proceeds thereof, or of the proposed assumption of obligation or liability, the commission finds that the issue or assumption is for some lawful object within the corporate purposes of the utility, is necessary or appropriate for or consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

KRS 278.300(8) establishes that KRS 278.300 does not apply if the proposed issuance of securities or indebtedness is payable at periods of not more than two years from the issuance date and any renewals of such notes do not exceed six years from the initial issuance date.

Commission regulation 807 KAR 5:011 Section 11 lays out the adoption procedure for the successor utility to adopt the predecessor's utility. Specifically, 807 KAR 5:011

Section 11(2) states that “the person operating the utility business going forward shall adopt, ratify, and make as its own the predecessor's rates, classifications, and requirements on file with the Commission and effective at the time of the change of ownership or control.” Furthermore, 807 KAR 5:011, Section 11(7)(b), requires that if a new tariff or a revised sheet of an existing tariff changes or amends the rates or requirements of the predecessor utility, the successor utility shall provide notice pursuant to KRS 278.180 and 807 KAR 5:011, Section 8. Commission regulation 807 KAR 5:011 Section 15, notes that, in special cases, for good cause shown, the Commission shall permit deviations from this administrative regulation.

BACKGROUND

LG&E is a utility[22] incorporated in the Commonwealth of Kentucky.[23] LG&E generates and purchases electricity, and it distributes and sells electricity at retail in Jefferson County and portions of Bullitt, Hardin, Henry, Meade, Oldham, Shelby, Spencer, and Trimble Counties.[24] LG&E also purchases, stores, and transports natural gas, and it 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, Kentucky.[25]

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[22] As defined by KRS 278.010(3)(a).

[23] Application at 2.

[24] Application at 2.

[25] Application at 2.

KU is a utility[26] incorporated in the Commonwealth of Kentucky.[27] KU generates and purchases electricity, and it distributes and sells electricity at retail in the following counties: 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 counties, Kentucky.[28]

LG&E/KU have a history of corporate transactions.[29] Those case findings are informative and provide historical context for the Commission in this matter. In 1990, LG&E/KU requested approval for a holding company. The Commission noted three areas

[26] As defined by KRS 278.010(3)(a).

[27] Application at 2.

[28] Application at 3

[29] Case No. 19010296, *Creation of Holding Company*; Case No. 1989-00374, *Application of Louisville Gas and Electric Company for an Order Approving an Agreement and Plan of Exchange and to Carry Out Certain Transactions in Connection Therewith*; Case No. 1997-00300, *Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of a Merger*; Case No. 2000-00095, *Joint Application Of Powergen PLC, LG&E Energy Corp., Louisville Gas and Electric Company, and Kentucky Utilities Company for Approval of a Merger;* Case No. 2001-00104, *Joint Application of E.ON AG, Powergen PLC, LG&E Energy Corp., Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of an Acquisition;* Case No. 2007-00466, *Joint Verified Application of E.ON AG, Powergen Ltd., and E.ON U.S. LLC for Waiver of Certain Merger Commitments;* Case No. 2009-00427, *Application Of Kentucky Utilities Company And Louisville Gas and Electric Company to Transfer Control of Certain Transmission Functions;* Case No. 2010-00204, *Electronic Joint Application of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC, Louisville Gas and Electric Company, and Kentucky Utilities Company for Approval of an Acquisition of Ownership and Control of Utilities;* Case No. 2017-00038, *Joint Application of Kentucky Utilities Company and Louisville Gas and Electric Company for a Declaratory Order.*

of concern related to protection of ratepayer interests: (1) the protection of utility resources; (2) the ability to adequately monitor the corporate activities of the utility; the holding company and any other subsidiaries established by the holding company; and (3) the establishment of reporting requirements to assist the Commission in its monitoring activities.[30] As part of the approval in that case, the Commission set forth multiple reporting requirements.[31]

In 1997, LG&E/KU, pursuant to KRS 278.030(4) and KRS 278.020(5),[32] filed for approval of a merger and tendered a Merger Agreement.[33] As a result of the merger, LG&E/KU alleged that the fuel savings for all customers for the first ten years was estimated to be a total of $90 million and will be passed on in its entirety to the customers of LG&E/KU through the operation of their respective fuel adjustment clauses.[34] LG&E/KU proposed to recover half of the costs of the merger from ratepayers and then that half being divided evenly and amortized over five years.[35] The Commission granted approval of the transfer subject to certain conditions and did not approve an even split of the cost, basing the division of the expense on the revenues of the respective utilities.[36]

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[30] Case No. 1989-00374, final Order (Ky. PSC May 25, 1990) at 4-5. For purposes of clarity, Case No. 19010296, KU's application for approval to create a holding company, and Case No. 1989-00374, LG&E's application for approval to create a holding company are companion cases. The Commission references herein will utilize the final Order in Case No. 1989-00374.

[31] Case No. 1989-00374, May 25, 1990, final Order at 14-22.

[32] Significant to this case, KRS 278.020 was amended in 2004 and again in 2016 resulting in the current KRS 278.020(6), KRS 278.020(7) and KRS 278.020(8). KRS 278.020(4)-(5) were substantially the same as the current KRS 278.020(6)-(7).

[33] Case No. 1997-00300, Application (filed July 14, 1997). The transaction, in part, in that case involved the transfer of shares in the companies as well as a change to the Board of Directors.

[34] Case No. 1997-00300, Sept. 12, 1997 final Order at 9-11.

[35] Case No. 1997-00300, Sept. 12, 1997 final Order at 9-40.

[36] Case No. 1997-00300, Sept. 12, 1997 final Order at 9-40.

The Commission did not grant approval of any deferred accounting related to the merger and required a multitude of post-case filings related to the merger.[37]

In 2010, PPL Corporation (PPL), E.ON AG (E.ON), E.ON US Investments Corp. (E.ON US Investments), E.ON U.S. LLC (E.ON U.S.), and LG&E/KU filed an application for approval under KRS 278.020(5) and (6)[38] of the acquisition by PPL of ownership and control of LG&E and KU.[39] The Commission approved the application.[40]

On October 17, 2017, PPL Corporation, PPL Subsidiary Holdings, LLC, PPL Energy Holdings, LLC, LG&E and KU Energy LLC, LG&E, and KU submitted a joint application requesting Commission approval of a corporate reorganization.[41] In that case, on April 4, 2018, the Commission ordered "LG&E and KU to develop an internal study to fully evaluate and quantify the costs and benefits associated with a potential merger of the two utilities."[42] On August 8, 2018, an internal study was conducted.[43] The study concluded that the financial savings were too small and outweighed by one-time merger costs to recommend merging at that time.[44]

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[37] Case No. 1997-00300, Sept. 12, 1997 final Order at 21–40.

[38] Statutes referenced here were the effective versions at the time as previously noted in this Order.

[39] Case No. 2010-00204, Application (filed May 28, 2010).

[40] Case No. 2010-00204, final Order (Ky. PSC Sept. 30, 2010) at 19–21. The Commission did include several post-case filing requirements.

[41] Case No. 2017-00415, *Electronic 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*, (Ky. PSC Oct. 17, 2017), Order.

[42] Case No. 2017-00415, Apr. 4, 2018 Order at 8–9.

[43] LG&E and KU Potential Legal Merger of Utilities Internal Study (filed Aug. 8, 2018) (Aug. 8, 2018 Study).

[44] Aug. 8, 2018 Study at 2.

MERGER STUDIES

On April 30, 2019, the Commission found "that [LG&E/KU] should update these studies [merger studies] annually and file such updates with the Commission as part of [the] annual report."[45] Additionally, the Commission found that "[a]s part of its annual report, [LG&E/KU] shall file updates to its RTO membership study and potential legal merger study."[46] On March 31, 2020, and on March 31, 2021, annual internal studies were filed with the Commission.[47]

On June 30, 2021, in Case Nos. 2020-00349 and 2020-00350, the Commission stated that it "[wa]s not convinced that [LG&E/KU] conducted an impartial or serious analysis of a potential merger.[48] The study appears to be results oriented, with no affirmative steps taken to obtain more than cursory opinions of potential hurdles to merger."[49] The Commission went on to state it "expect[ed] future merger studies to reflect an unbiased review of the benefits and costs of a legal merger, and we further expect

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[45] Case No. 2018-00294, *Electronic Application of Kentucky Utilities Company for an Adjustment of its Electric Rates Case* (Ky. PSC Apr. 30, 2019), Order at 30, and Case No. 2018-00295, *Electronic Application of Louisville Gas and Electric Company for an Adjustment of its Electric and Gas Rates* (Ky. PSC Apr. 30, 2019), Order at 33.

[46] Case No. 2018-00294, Apr. 30, 2019 Order at 31, and Case No, 2018-00295, Apr. 30, 2019 Order at 34.

[47] LG&E and KU Potential Legal Merger of Utilities Internal Study (filed Mar. 31, 2020); LG&E and KU Potential Legal Merger of Utilities Internal Study (filed Mar. 31, 2021).

[48] Case No. 2020-00349, *Electronic Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates, a Certificate of Public Convenience and Necessity to Deploy Advanced Metering Infrastructure, Approval of Certain Regulatory and Accounting Treatments, and Establishment of a One-Year Surcredit* (Ky PSC June 21, 2021) Order at 59; and Case No. 2020-00350, *Electronic Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates, a Certificate of Public Convenience and Necessity to Deploy Advanced Metering Infrastructure, Approval of Certain Regulatory and Accounting Treatments, and Establishment of a One-Year Surcredit* (Ky. PSC Jun. 21, 2021) Order at 63-64.

[49] Case No. 2020-00349, June 21, 2021 Order at 59; and Case No. 2020-00350, June 21, 2021 Order at 63–64.

[LG&E/KU] to address those qualitative risks continually identified as a hurdle to legal merger."[50]

In their applications in Case Nos. 2025-00113 and 2025-00114, LG&E/KU asked for a determination that the LG&E and KU Energy LLC Legal Merger Assessment presents a reasonable plan for the legal merger of LG&E and KU, subject to obtaining the requisite regulatory approvals.[51] KU stated the desire to move toward a potential merger.[52] The LG&E and KU Energy LLC Legal Merger Assessment: Possible Legal Merger of LG&E and KU – Update, dated May 15, 2026, found that, although direct financial savings are minimal because the companies already operate as one, a legal merger could create meaningful regulatory efficiencies by eliminating duplicate filings, rate cases, and tariffs.[53] The study found that the strongest reason to proceed now is that upcoming information technology (IT) system upgrades could avoid the $17 million–$20 million in reconfiguration costs if designed for a single, merged utility.[54] As a result, despite limited cost savings, the companies recommended continuing to pursue the merger, subject to further review and regulatory approval.[55] The financial impact was

[50] Case No. 2020-00349, June 21, 2021 Order at 60; Case No. 2020-00350, June 21, 2021 Order at 64–65.

[51] Case No. 2025-00113, Application at 19 and Case No. 2025-00114, Application at 19.

[52] Case No. 2025-00113 and Case No. 2025-00114, the Direct Testimony of Christopher Garrett (Garrett Direct Testimony) at 5–6.

[53] Case No. 2025-00113 and Case No. 2025-00114, Garrett Direct Testimony, Exhibit CMG-1 at 3-4.

[54] Case No. 2025-00113 and Case No. 2025-00114, Garrett Direct Testimony, Exhibit CMG-1 at 3-4.

[55] Case No. 2025-00113 and Case No. 2025-00114, Garrett Direct Testimony, Exhibit CMG-1 at 8.

found to be modest (under $3M) and not material annual net savings.[56] According to the study, the strongest argument for merger would be regulatory efficiencies; combining into one utility would streamline filings, reduce duplicative reviews (rates, surcharges, fuel adjustments, riders, financing), cut regulatory burden, and simplify tariffs and governance.[57] These regulatory efficiencies, although not quantifiable, were alleged to be significant.[58] In Case Nos. 2025-00113 and 2025-00114, the Commission found that the merger assessment complied with the directives from Case No. 2020-00350.[59]

PROPOSED TRANSACTION

LG&E/KU proposed to merge LG&E and KU into a single legal entity on or after July 29, 2026.[60] If approved, KU would merge into LG&E.[61] Upon consummation of the merger, LG&E will do business as KU in KU's service territories.[62]

STIPULATION

On July 2, 2026, KU, LG&E, the Attorney General, KIUC, and Walmart (Signing Parties), entered into a Stipulation, attached to this Order as an Appendix. KBCA, Louisville Metro, and LFUCG have reviewed the Stipulation and do not oppose it.[63] The

[56] Case No. 2025-00113 and Case No. 2025-00114, Garrett Direct Testimony, Exhibit CMG-1 at 6.

[57] Case No. 2025-00113 and Case No. 2025-00114, Garrett Direct Testimony, Exhibit CMG-1 at 8.

[58] Case No. 2025-00113 and Case No. 2025-00114, Garrett Direct Testimony, Exhibit CMG-1 at 10.

[59] Case No. 2025-00113, Feb. 16, 2026 Order at 287; Case No. 2025-00114, Feb. 16, 2026 Order at 295 (electric) and at 155 (gas).

[60] The Direct Testimony of Robert Conroy (Conroy Direct Testimony) at 2.

[61] Conroy Direct Testimony at 2.

[62] Conroy Direct Testimony at 2.

[63] Stipulation at 2.

Signing Parties stated that absent express agreement stated in the Stipulation, the Stipulation does not represent agreement on any specific claim, methodology, or theory supporting the appropriateness of any proposed or recommended relief, matters, or issues addressed by the Stipulation.[64] The Signing Parties also agreed that the Stipulation, viewed in its entirety, is a fair, just and reasonable resolution of the issues resolved in the Stipulation.[65] A summary of the provisions contained in the Stipulation are as follows:

- The Signing Parties agreed that KRS 278.020(6), not KRS 278.020(7) applies to LG&E/KU's proposed merger.[66]

- The Signing Parties agreed that LG&E/KU should receive authority to defer for later Commission prudence review and recovery all merger-related costs (except that LG&E/KU commit, for the limited purpose of this Stipulation only, that they will not seek recovery from customers for rebranding, advertising, and promotional costs associated with the merger of the companies requested in Case No. 2026 00077).

- LG&E/KU agreed to amortize merger costs in a manner designed so that, in each year of cost recovery, any savings resulting from the merger will be reasonably expected to offset or exceed the associated cost recovery.

- Upon the effective date of merger, the merged entity will implement the unified depreciation rates the companies filed in this case for accounting purposes.

- LG&E/KU will record a regulatory liability for the difference between depreciation expense embedded in current base rates and that resulting from the unified depreciation rates. The Signing Parties agree that the annualized amount of such difference for these purposes should be $5,164,000. Beginning on the effective date of merger, each month the merged entity will record to the regulatory liability account 1/12 of that amount ($430,333). All such deferred amounts will begin to be returned to

[64] Stipulation at 2.

[65] Stipulation at 2.

[66] Note that the Attorney General and Walmart stated that they "do not believe it is necessary for the purposes of stipulation for the parties to reach a conclusion on the applicable legal standard clearly in the purview of the Commission and therefore do not join Article I of the Stipulation."

customers in a future base rate proceeding corresponding with the regulatory asset associated with merger costs.

- Regarding the proposed regulatory asset and regulatory liability, all sums included therein shall be subject to a return based on the weighted average cost of capital.

- LG&E/KU committed that in future base rate filings they will consider gradualism and possible rate impact mitigation measures, including considering phased implementation of any rate harmonization and customer class impacts.

- The Signing Parties recommended to the Commission that, except as modified in the Stipulation, all other relief requested in the companies' filings in the Merger Proceeding should be approved as filed or as later corrected or amended by the companies in their responses to data requests.

DISCUSSION

Having reviewed the evidence, the Commission accepts the Stipulation, with modifications, as discussed below, and approves the legal merger of LG&E and KU.

The Applicable Legal Standard: KRS 278.020 and 278.218

Two statutes govern LG&E/KU's request to merge: KRS 278.020(6) through (8), and KRS 278.218(1) and (2). KRS 278.020(6) operates on the utility itself and references the "ownership of, or control, or the right to control" of that utility; however, the transfer is accomplished, whether "by sale of assets, transfer of stock, or otherwise."[67] KRS 278.020(6–8) governs the corporate aspects of a transaction, including but not limited to a utility's equity interests, its name and going-concern rights, and the right to control and operate its business. The identity of the entity is not the same as its property. Ratepayers pay for that property through rates that provide a return of and on the assets in rate base, and the Kentucky General Assembly (General Assembly) gave the transfer

[67] KRS 278.020(6).

of those assets a separate approval requirement. KRS 278.218 applies to the utility's assets whether the transaction also transfers control of the utility. It reaches assets owned by an electric utility, “as defined under KRS 278.010(3)(a) . . . if the assets have an original book value of $1,000,000 or more,”[68] providing in full:

> (1) No person shall acquire or transfer ownership of or control, or the right to control, any assets that are owned by a utility as defined under KRS 278.010(3)(a) without prior approval of the commission, if the assets have an original book value of one million dollars ($1,000,000) or more and:
> (a) The assets are to be transferred by the utility for reasons other than obsolescence; or
> (b) The assets will continue to be used to provide the same or similar service to the utility or its customers.
> (2) The commission shall grant its approval if the transaction is for a proper purpose and is consistent with the public interest.

The General Assembly enacted KRS 278.218 in 2002,[69] and the statute’s requirement that a utility show a proper purpose and consistency with the public interest before transferring assets with an original book value of one million dollars or more is consistent with the Commission’s general review of a utility's capital decisions. For example, KRS 278.020(1) requires a Certificate of Public Convenience and Necessity before major construction, and KRS 278.300, which LG&E/KU invoke in this case, requires approval before a utility issues “any securities or evidences of indebtedness.”[70] Each balances the utility's need for capital against ratepayers' right to “adequate, efficient and reasonable service.”[71]

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[68] KRS 278.218(1).

[69] 2002 Ky. Acts ch. 365, § 14.

[70] KRS 278.020(1); KRS 278.300(1).

[71] KRS 278.030(2).

In Case No. 2002-00475, the Commission explained that KRS 278.218 "applies to the transfer of ownership or control of assets" and "was enacted to supplement the Commission's then-existing authority under KRS 278.020(4) and 278.020(5) to review and approve the transfer of ownership or control of a utility."[72] The authority then codified at KRS 278.020(4) and (5) is now codified at KRS 278.020(6) and (7).[73] Two years later, in Case No. 2005-00471, the Commission described the predecessor to KRS 278.020(7) as "a statute of significantly more limited scope than the more recently enacted KRS 278.218," under which "a transfer of assets alone is sufficient to require Commission approval," and held that a transfer of operational control of transmission assets "falls within the scope of the Commission's jurisdiction and requires pre-approval from the Commission."[74] The Commission has since reiterated that KRS 278.218 "specifically applies to the acquisition or transfer of ownership of or control, or the right to control certain utility assets that are used or to be used in the generation, production, transmission or distribution of electricity."[75] When LG&E/KU sought a declaration that KRS 278.218 does not apply to transfers between them, the Commission denied the request finding "[t]he Commission is not at liberty to construe 'person' as used in

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[72] Case No. 2002-00475, *Application of Kentucky Power Company d/b/a American Electric Power for Approval, to the Extent Necessary, to Transfer Functional Control of Transmission Facilities Located in Kentucky to PJM Interconnection, L.L.C. Pursuant to KRS 278.218* (Ky. PSC May 19, 2004), Order at 2.

[73] When KRS 278.218 was enacted in 2002, the provisions now codified at KRS 278.020(6) through (8) were codified at KRS 278.020(4) through (6). They were renumbered in 2004 and again in 2016. Their substance is unchanged.

[74] Case No. 2005-00471, *The Application of Louisville Gas and Electric Company and Kentucky Utilities Company to Transfer Functional Control of Their Transmission Facilities* (Ky. PSC July 6, 2006), Order at 3-4.

[75] Case No. 2014-00043, Order (Ky. PSC May 20, 2014) at 8; *see also* Case No. 2017-00415, Order (Ky. PSC Apr. 4, 2018) at 8 n.29.

KRS 278.218(1) and defined in KRS 278.010(2) to exclude a Commission-regulated utility. As such, the Commission finds that KRS 278.218 applies to asset transfers between the Companies."[76]

Where the Commission has found KRS 278.218 inapplicable to a change of control, the reason has been that no utility asset changed hands. For example, the indirect acquisition of Duke Energy Kentucky's parent fell outside the statute because the transaction "result[ed] in an indirect transfer of Duke Kentucky in its entirety, rather than a transfer of control of the assets of Duke Kentucky."[77] In the 2018 reorganization described above, LG&E/KU's parent fell outside the parameters of KRS 278.218 because" the Joint Applicants here are not proposing to transfer any assets used or to be used by an electric utility in Kentucky."[78] In both cases, the utility survived the transaction and kept title to its assets. Neither Order held that a transaction reviewable under KRS 278.020 is exempt from KRS 278.218.

<u>LG&E/KU's Position</u>

LG&E/KU petitioned for approval of "the merger of the Companies by which KU will merge into LG&E" only under KRS 278.020(6).[79] They asserted that KRS 278.020(8)(b) precludes application of KRS 278.020(7), and they noted that

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[76] Case No. 2017-00038, *Joint Application of Kentucky Utilities Company and Louisville Gas and Electric Company for a Declaratory Order* (Ky. PSC Aug. 1, 2017), Order at 6.

[77] Case No. 2011-00124, *Joint Application of Duke Energy Corporation, Cinergy Corp., Duke Energy Ohio, Inc., Duke Energy Kentucky, Inc., Diamond Acquisition Corporation, and Progress Energy, Inc., for Approval of the Indirect Transfer of Control of Duke Energy Kentucky, Inc.* (Ky. PSC Aug. 2, 2011), Order at 12.

[78] Case No. 2017-00415, Order (Ky. PSC Apr. 4, 2018) at 8 n.29.

[79] Application at 5, paragraph 10.

KRS 278.020(7) “includes an explicit public interest standard that KRS 278.020(6) lacks,” together with the power to grant an application “with modification and upon terms and conditions as it deems necessary or appropriate,” which KRS 278.020(6) does not.[80] LG&E/KU asked the Commission not to attach conditions to its approval for three reasons: (1) that KRS 278.020(6) does not provide for them; (2) that “the quantifiable benefits of the merger, though real, are not large, and attaching any conditions to merger approval could cause the merger not to proceed”; and (3) that the Federal Energy Regulatory Commission (FERC) and the Virginia State Corporation Commission (Virginia SCC) must also approve the merger, so that "if each regulator attaches its own conditions, it will increase the likelihood the merger will not proceed."[81]

In response to Staff's inquiry regarding whether they sought approval under KRS 278.218, LG&E/KU stated that “[t]he Companies are not seeking any approvals under KRS 278.218."[82] In support, LG&E/KU quoted the Commission's statement in Case No. 2003-00266 that KRS 278.218 “extended the Commission's jurisdiction to review the transfers of utility assets when such transfers do not constitute a change in control of a utility,” and asserted that the Commission “has approved the acquisition, acquisition of control, or merger of utilities without referring to KRS 278.218 since the

[80] Application at 6, paragraph 11.

[81] Application at 8-9, paragraph 18; Conroy Direct Testimony at 16-17.

[82] LG&E/KU's Response to Staff's First Request, Item 3.

statute first took effect in 2002," citing Case No. 2010-00204[83] and Case No. 2005-00228.[84]

In Article 1 of the Stipulation, only LG&E/KU and KIUC agreed that "KRS 278.020(6), not KRS 278.020(7), applies to the Companies' proposed merger" and that "[b]ecause LG&E and KU are affiliated utilities owned by the same parent company, KRS 278.020(8)(b) precludes applying KRS 278.020(7) to the proposed merger."[85] The Attorney General and Walmart declined to join Article 1, stating that they "do not believe it is necessary for the purposes of stipulation for the parties to reach a conclusion on the applicable legal standard clearly in the purview of the Commission."[86] In their Joint Stipulation Testimony, Mr. Conroy and Mr. Garrett summarized LG&E/KU's position as follows:

> The Stipulation states that KRS 278.020(6), not KRS 278.020(7), applies to the Companies' proposed merger; because LG&E and KU are affiliated utilities owned by the same parent company, KRS 278.020(8)(b) precludes applying KRS 278.020(7) to the proposed merger. That is consistent with the Companies' filed position, and no party has contested it. Under KRS 278.020(6), the "[C]ommission shall grant its approval if the person acquiring the utility has the financial, technical, and managerial abilities to provide reasonable service."

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[83] LG&E/KU's Response to Staff's First Request, Item 3.

[84] LG&E/KU's Response to Staff's First Request, Item 3 footnote 1 (quoting Case No. 2003-00266, *Investigation into the Membership of Louisville Gas and Electric Company and Kentucky Utilities Company in the Midwest Independent Transmission System Operator, Inc.* (Ky. PSC May 31, 2006), Order at 7). The same response disclosed that the Application's two references to KRS 278.218, in paragraphs 30 and 34, were typographical errors for KRS 278.018. Citing Case No. 2010-00204 and Case No. 2005-00228 *Joint Application of Duke Energy Corporation, Duke Energy Holding Corp., Deer Acquisition Corp., Cougar Acquisition Corp., Cinergy Corp., The Cincinnati Gas & Electric Company, and The Union Light, Heat and Power Company for Approval of A Transfer and Acquisition of Control.*

[85] Stipulation Section 1.1 at 2.

[86] Stipulation at 3 footnote 1.

> Consistent with their response to PSC 4-7, the Companies respectfully note that KRS 278.020(6) does not expressly provide the Commission authority to attach its own conditions to approval of the proposed merger. The Companies further submit that even if the Commission possesses discretion to attach its own conditions to the merger, the record demonstrates that no such conditions are necessary or appropriate on the facts of this case. Moreover, the Commission not adding its own conditions would be consistent with the Stipulation's request that the Commission approve the Stipulation as submitted.[87]

Having considered the evidence and being sufficiently advised, the Commission finds that both KRS 278.020 and KRS 278.218 apply. The merger is an acquisition and transfer of both ownership and control of a utility, and as such, KRS 278.020(6) applies. KU's separate corporate existence will end, the equity interests in KU will be extinguished, and ownership of KU's utility business, together with the right to control and operate it, will vest in LG&E.[88] The Application states that "LG&E has the financial, technical, and managerial abilities to skillfully and efficiently operate the merged entity as required by KRS 278.020(6)."[89] The supporting testimony provided that the two utilities "already operate as one electric utility" under common management; the merger "will in no way compromise the Companies' financial, technical, or managerial abilities to provide reasonable service post-merger."[90] PPL Corporation (PPL) will continue to support the combined utility's financial ability to provide service as it has since 2010.[91] As a technical

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[87] Joint Stipulation Testimony of Robert M. Conroy and Christopher M. Garrett (Joint Stipulation Testimony) at 3 (footnotes omitted).

[88] Application at 5-7; Application Exhibit 2.

[89] Application at 7.

[90] Conroy Direct Testimony at 4, 6-7; Garrett Direct Testimony at 5-7.

[91] Conroy Direct Testimony at 4, 6-7; Garrett Direct Testimony at 5-7.

matter, LG&E, as the surviving entity, has the financial, technical, and managerial abilities to provide reasonable service, and the requirement of KRS 278.020(6) is satisfied.

That does not, however, end the Commission's inquiry into the matter. The merger is not a change of ownership with a surviving, and separate, subsidiary utility. KU will cease to exist, and every asset KU owns will vest in LG&E.[92] Those assets had a total original cost of $13,369,099,327 on December 31, 2025,[93] and they "will continue to be used to provide the same or similar service" to the same customers.[94] LG&E will serve KU's customers in KU's certified territory, under KU's tariff, with the same generation, transmission, and distribution facilities.[95] The assets are not being transferred for reasons of obsolescence. KRS 278.218(1), therefore, requires prior Commission approval of the transfer of assets.

This understanding of the relationship between KRS 278.020 and KRS 278.218 is also consistent with Commission precedent. In Case No. 2003-00266, the Commission, speaking about the then newly enacted statute, recognized KRS 278.218 as an extension of its authority in KRS 278.020 without precluding the application of both statutes in certain circumstances, such as the proposed merger before the Commission now.[96]

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[92] KRS 271B.11-060(1)(b) ("The title to all property, whether real, personal, or intangible, owned by each corporation party to the merger shall be vested in the surviving corporation without reversion or impairment."); Application at 7, paragraph 14; LG&E/KU's Response to Staff's First Request, Item 2, Attachment 1 (Draft Plan of Merger).

[93] Application at 10, Exhibit 3.

[94] KRS 278.218(1)(b).

[95] Application at 7, 12-14; Conroy Direct Testimony at 5.

[96] Case No. 2003-00266, Order (Ky. PSC May 31, 2006) at 7 ("The recently enacted transfer of assets statute, KRS 278.218, extended the Commission's jurisdiction to review the transfers of utility assets when such transfers do not constitute a change in control of a utility and, thus, would not fall within the purview of KRS 278.020(5).").

Moreover, in Case No. 2017-00038, the Commission rejected the position that KRS 278.218 was inapplicable in similar circumstances.[97] In Case No. 2010-00204, the Commission held that "[a] decision by LG&E or KU to rejoin an RTO is subject to our prior approval pursuant to KRS 278.218," and it embedded the statute in a binding commitment by which PPL, LG&E, and KU undertook, "pursuant to the terms, provisions, and exceptions of KRS 278.218, to obtain Commission approval prior to the transfer of any LG&E or KU Property, Plant and Equipment asset with an original book value of $1 million or more."[98] The Order in Case No. 2017-00415 likewise analyzed KRS 278.218 and found it inapplicable only because no assets were then being transferred.[99] Thus, the statute applies in this circumstance because the transferor is extinguished and title passes.[100]

KRS 278.218(2) directs that the Commission "shall grant its approval if the transaction is for a proper purpose and is consistent with the public interest." The record establishes a proper purpose. LG&E and KU have operated as a single integrated system under common management for nearly 30 years, with jointly dispatched generation and a shared transmission system.[101] The merger would allow a single utility to file one rate

[97] Case No. 2017-00038, Aug. 1, 2017 Order at 6 and 8.

[98] Case No. 2010-00204, Sept. 30, 2010 Order at 16; Appendix C, Commitment 6.

[99] Case No. 2017-00415, Apr. 4, 2018 Order at 8, footnote 29.

[100] KRS 271B.11-060(1)(a), (b); *see e.g.* Case No. 2011-00124, Aug. 2, 2011 Order at 12 (Finding 4) (KRS 278.218 inapplicable because the transaction “results in an indirect transfer of Duke Kentucky in its entirety, rather than a transfer of control of the assets of Duke Kentucky”), and Case No. 2005-00228, *Joint Application of Duke Energy Corporation, Duke Energy Holding Corp., Deer Acquisition Corp., Cougar Acquisition Corp., Cinergy Corp., The Cincinnati Gas & Electric Company and The Union Light, Heat and Power Company for Approval of a Transfer and Acquisition of Control* (Ky. PSC Nov. 29, 2005), Order (approving an indirect transfer of control of The Union Light, Heat and Power Company without reference to KRS 278.218).

[101] Conroy Direct Testimony at 4; LG&E/KU's Response to Staff's Second Request, Item 10.

case, one set of tariffs, and one set of surcharge, fuel adjustment, and financing applications where LG&E and KU now file each separately,[102] and it would allow the utilities to consolidate their systems during the current IT upgrade and avoid $17 million to $20 million in reconfiguration cost.[103] The Commission finds that the transfer of KU's assets to LG&E is for a proper purpose.

The statute does not define public interest. In its first application of KRS 278.218, the Commission set forth factors relevant to its assessment in the Kentucky-American Water Company transfer cases:

> [A]ny party seeking approval of a transfer of control must show that the proposed transfer will not adversely affect the existing level of utility service or rates or that any potentially adverse effects can be avoided through the Commission's imposition of reasonable conditions on the acquiring party. The acquiring party should demonstrate that the proposed transfer is likely to benefit the public through improved service quality, enhanced service reliability, the availability of additional services, lower rates or a reduction in utility expenses to provide present services. Such benefits, however, need not be immediate or readily quantifiable.[104]

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[102] Case Nos. 2025-00113 and 2025-00114, Direct Testimony of Christopher M. Garrett (filed May 30, 2025), Exhibit CMG-1, LG&E and KU Energy LLC Legal Merger Assessment, Possible Legal Merger of LG&E and KU - Update (May 15, 2025) (2025 Legal Merger Assessment) at 3, 5.

[103] 2025 Legal Merger Assessment at 6; Garrett Direct Testimony at 4-5.

[104] Case No. 2002-00475, Order (Ky. PSC July 17, 2003) at 2 (quoting Case No. 2002-00018, *Application of Kentucky-American Water Company to RWE AktienGesellschaft and Thames Water Aqua Holdings GMBH* (Ky. PSC May 30, 2002), Order at 7–8). The Commission added that, although the transaction there "involves the transfer of functional control of utility assets, rather than a transfer of ownership of the assets, the same criteria apply in determining whether the transaction satisfies the 'public interest' standard."

The Commission has reviewed similar factors to deny approval under KRS 278.218 where a utility quantified the costs of a transaction but not its benefits,[105] and to condition approval where conditions were needed to protect ratepayers.[106]

This transfer will not adversely affect the existing level of utility service. According to LG&E/KU, the personnel responsible for operating both systems are unchanged; the service territories, generating fleet, and transmission and distribution facilities are unchanged; and LG&E/KU stated that the reliability metrics they track for each legacy utility, local area, and circuit "will not be impacted post-merger."[107] KU's customers will continue to be served under KU's tariff, which LG&E will adopt.[108]

LG&E/KU did not seek to unify base rates or, except for the FAC and OSS mechanisms addressed below, any cost recovery mechanism in this case. The legacy LG&E and legacy KU rate districts will continue to be billed under their existing tariffs until base rates are unified in a future base rate proceeding.[109] This approach, however, has the potential for adverse effects on rates depending on the rate class and utility in question. Thus, the Commission cannot approve the proposed merger in this case without imposing conditions necessary to protect ratepayers from those potential adverse

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[105] Case No. 2002-00475, July 17, 2003 Order at 14 ("Having readily quantified cost increases resulting from PJM membership, Kentucky Power is obligated to quantify the benefits of membership.").

[106] Case No. 2010-00203, *Application of Duke Energy Kentucky, Inc. for Approval to Transfer Functional Control of Its Transmission Assets from the Midwest Independent Transmission System Operator to the PJM Interconnection Regional Transmission Organization and Request for Expedited Treatment* (Ky. PSC Dec. 22, 2010), Order at 17–19 (approving the transfer under KRS 278.218 subject to six conditions and the utility's written acceptance of them).

[107] Application at 7, paragraph 16; LG&E/KU's Response to Staff's Third Request, Item 34.

[108] Application at 12–14.

[109] Application 12–13; LG&E/KU's Response to Staff's Third Request, Item 6(c).

outcomes. First, LG&E/KU's own analysis shows that unifying base rates would shift revenue responsibility between the legacy customer groups. Under a weighted-average unification of current rates, KU's customers, as a whole, would pay approximately $8.7 million less annually and LG&E's customers correspondingly more, with larger shifts within particular classes.[110] The Stipulation commits LG&E/KU to "consider gradualism and possible rate impact mitigation measures" in that proceeding.[111] Second, the unified depreciation rates that LG&E/KU seek to implement for accounting purposes reduce booked depreciation expense by $5,164,000 annually below the amount embedded in current base rates. Absent the regulatory liability the Stipulation establishes, LG&E would retain that difference until base rates are next reset.[112] Third, LG&E/KU sought to defer all merger costs for later recovery against merger savings that the 2025 assessment placed below $3 million annually.[113]

The benefits identified above need not be immediate or readily quantifiable. On this record, they are modest but real, and the combined entity's larger issuance size, is expected to improve the liquidity and pricing of its debt over the long term.[114] The Commission finds that, subject to the conditions set out below, the transfer of KU's assets

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[110] LG&E/KU's Corrected Response to the Attorney General's First Request, Item 12 (filed May 28, 2026), Corrected Attachment at 1 (total KU revenue requirement change of $(8,694,943) under the weighted-average scenario).

[111] Stipulation, Section 4.1.

[112] Stipulation Section 3.2; Kollen Direct Testimony at 17.

[113] Application at 14–15; 2025 Legal Merger Assessment at 8 ("Estimated annual net savings of less than $3 million are possible").

[114] Garrett Direct Testimony at 10–11.

to LG&E is consistent with the public interest, and the Commission approves the transfer under KRS 278.218(2).

KRS 278.300

LG&E/KU requested approval for LG&E to assume the existing debt obligations of KU upon consummation of the merger.[115] Specifically, LG&E/KU requested approval for LG&E to assume both KU's existing debt, as well as KU's remaining authority to issue new debt the Commission authorized in KU's last financing case,[116] Case No. 2023-00397.[117]

In Case No. 2023-00397, the Commission authorized KU to incur indebtedness in an aggregate principal amount not to exceed $1.35 billion in the form of one or more privately placed or publicly issued, secured or unsecured, debt securities or obligations, which may include first mortgage bonds, medium or long-term notes, term or bank loans and similar securities or obligations, in one or more series from time to time through December 31, 2027.[118] The Commission also authorized KU to maintain its revolving credit line and to extend its existing or new revolving credit line(s) through December 31, 2027, for up to five years from the date of each amendment date in an amount up to $650 million for KU.[119]

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[115] Application at 1.

[116] Application at 9.

[117] Case No. 2023-00397, *Electronic Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Indebtedness* (Ky. PSC Feb. 8, 2024), final Order.

[118] Case No. 2023-00397, Feb. 8, 2024 Order at 7–8.

[119] Case No. 2023-00397, Feb. 8, 2024 Order at 7–8.

LG&E/KU noted that their request for authorization for LG&E to assume KU's existing debt, remaining authority to issue debt, and revolving line of credit, is in addition to LG&E's existing debt, remaining authority to issue debt, and current revolving line of credit.[120] The Commission authorized LG&E's existing debt and remaining authority to issue debt in its last financing case, Case No. 2023-00398.[121] In Case No. 2023-00398, the Commission authorized LG&E to incur indebtedness in an aggregate principal amount not to exceed $1.15 billion in the form of one or more privately placed or publicly issued, secured or unsecured, debt securities or obligations, which may include first mortgage bonds, medium or long-term notes, term or bank loans and similar securities or obligations, in one or more series from time to time through December 31, 2027.[122] The Commission also authorized LG&E to maintain its revolving credit line and to extend its existing or new revolving credit line(s) through December 31, 2027, for up to five years from the date of each amendment date in an amount up to $750 million for LG&E.[123]

Existing Debt:

LG&E/KU stated that, since 2010, they have primarily issued first mortgage bonds (FMBs) supported by their respective First Mortgage Indentures that provide a first lien to the lenders on the utility assets of each utility.[124] Additionally, LG&E/KU have tax-exempt environmental "conduit" municipal bonds issued by various Kentucky counties and

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[120] Application at 11.

[121] Case No. 2023-00398, *Electronic Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Indebtedness* (Ky. PSC Feb. 8, 2024), final Order.

[122] Case No. 2023-00398, Feb. 8, 2024 Order at 8.

[123] Case No. 2023-00398, Feb. 8, 2024 Order at 8.

[124] Garrett Direct Testimony at 7.

supported by LG&E and KU loan agreements with such counties (Tax-Exempt Bonds).[125] LG&E has $2.9 billion of FMBs outstanding with maturities ranging from 2026 to 2055, and KU has $3.5 billion of FMBs outstanding with maturities ranging from 2032 to 2055.[126] If the companies merge, LG&E would become the obligator of all previously outstanding LG&E and KU bonds, as well as future new issued debt.[127] LG&E/KU did not seek new authority to issue new debt in their Application.

Having considered the record, and being otherwise sufficiently advised, the Commission finds that LG&E/KU's request for approval for LG&E to assume KU's existing debt upon merging should be approved pursuant to KRS 278.300, consistent with the Stipulation. LG&E/KU's request for LG&E to assume KU's existing debt is in direct relation to the proposed merger and expected administrative efficiencies. Therefore, the Commission finds that the transaction is for some lawful object within the corporate purposes of the utilities and is necessary or appropriate for or consistent with the proper performance of the utilities of their service to the public. Additionally, the Commission finds that the transaction will not impair LG&E's ability to perform that service and is reasonably necessary and appropriate for such purpose. LG&E/KU's existing debt remains unchanged from the levels that the Commission considered in setting the rates approved in Case Nos. 2025-00113 and 2025-00114. The Commission notes that, because each individual entity's current rates are sufficient to service its debt, the Commission anticipates the same will be true on a combined basis. In addition, LG&E/KU

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[125] LG&E/KU's Response to Staff's Third Request, Item 22.

[126] Garret Direct Testimony at 7.

[127] Garrett Direct Testimony at 7.

anticipate regulatory efficiencies with respect to financing applications, and that the associated regulatory cost and burden would be reduced from two to one.[128]

Remaining Authority to Issue New Debt:

LG&E/KU provided that, since the Commission's decisions in Case Nos. 2023-00397 and 2023-00398, KU and LG&E have each extended their existing multiyear Revolving Credit Agreements (RCA) (KU RCA and LG&E RCA, respectively) three times: On February 29, 2024, extending the termination date from December 6, 2027, to December 6, 2028; on January 2, 2025, extending the termination date from December 6, 2028, to December 6, 2029, and increasing the borrowing capacity under such revolving credit facilities from $400 million to $600 million for KU and from $500 million to $600 million for LG&E; and on January 29, 2026, extending the termination date from December 6, 2029, to December 6, 2030.[129] KU and LG&E have each issued long-term debt once under the authority granted in Case Nos. 2023-00397 and 2023-00398. On August 13, 2025, KU issued $700 million in long-term debt,[130] leaving KU $650 million of remaining long-term debt authority to issue prior to December 31, 2027, and LG&E issued $700 million in long-term debt,[131] leaving LG&E $450 million of remaining long-term debt authority to issue prior to December 31, 2027.

After the assumption of KU's existing debt and remaining authority to issue new debt, LG&E would have authority to issue $1.1 billion of new debt prior to December 31,

[128] Garrett Direct Testimony at 11.

[129] Application at 10–12.

[130] Application at 10–11.

[131] Application at 12.

2027.[132] Additionally, LG&E would have the authority to maintain one or more revolving credit facilities in an aggregate total amount of up to $1.4 billion, including, but not limited to, the KU RCA and LG&E RCA.[133]

The Commission finds that LG&E/KU's request for LG&E to assume KU's remaining authority to issue new debt the Commission authorized in KU's last financing case should be approved pursuant to KRS 278.300, consistent with the Stipulation. As with the above request, LG&E/KU's request for LG&E to assume KU's remaining authority to issue new debt is in direct relation to the proposed merger and expected administrative efficiencies. Therefore, the Commission finds that the transaction is for some lawful object within the corporate purposes of the utilities and is necessary or appropriate for or consistent with the proper performance of the utilities of their service to the public. Additionally, the Commission finds that the transaction will not impair LG&E/KU's ability to perform that service and is reasonably necessary and appropriate for such purpose. LG&E/KU's existing authority to issue new debt was previously granted by the Commission for the individual entities. As the Commission is approving the merger of the entities, the Commission finds that it is reasonable that the surviving entity, LG&E, assumes KU's remaining authority to issue new debt.

Financing Structure

LG&E/KU explained that the financing structures being evaluated included (1) amending the existing LG&E and KU indentures, (2) retaining the legacy mortgage of the

[132] Application at 12.

[133] Application at 12.

surviving entity, and (3) a collateral trust mortgage.[134] With respect to tax-exempt bonds, LG&E/KU explained that they expect that they would follow the same financing structure that is selected, subject to any specific requirements under the loan agreement with the various county sponsors.[135] Similarly, LG&E/KU stated that they may consider the ultimate revolving credit facility structure and sizing, with the expectation that the current revolving credit facility capacity of each company would be combined into one credit facility.[136] LG&E/KU stated they would, based on further analysis of the various options including market factors and associated costs, select the appropriate financing structures that would minimize asset capacity implications and ongoing administrations but provide for the continued access to the capital markets to obtain necessary financing.[137] LG&E/KU further explained that they are still evaluating the different alternatives, but that their intent is to establish the financing structure that minimizes stranded asset capacity and administrative burden while preserving efficient, reliable access to the capital markets.[138] LG&E/KU stated that they expect the merger to be well received by investors, lenders, and rating agencies and do not anticipate resistance from credit providers to combining the revolving credit facilities.[139] LG&E/KU argued that the overall size of the combined entity, as well as the streamlining credit and risk assessments done by investors and the rating agencies, should result in a more efficient cost of financing, as

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[134] Garrett Direct Testimony at 7.

[135] Garrett Direct Testimony at 8.

[136] Garrett Direct Testimony at 8.

[137] Garrett Direct Testimony at 8.

[138] LG&E/KU's Response to Staff's Second Request, Item 19(a).

[139] LG&E/KU's Response to Staff's Second Request, Item 19(c).

the merger would create a combined entity that could access the debt capital markets with larger tranche sizes, providing for additional liquidity in their bonds, which is a consideration in determining the pricing of debt securities.[140] However, LG&E/KU further stated that, if any credit provider does not agree to the combined facility, they 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.[141] LG&E/KU provided that they are currently working with the administrative agent under the existing RCAs to evaluate the appropriate approach for combining the RCAs, and that, while they have begun preliminary discussions with credit providers regarding the potential merger, formal notice would not be provided until the agreements were amended, which they expect would occur following the approval of the merger.[142] LG&E/KU explained that they desire market flexibility to make the decision as close as reasonably possible to the time frame for issuing the financing, and that they would notify the Commission once they have determined the long-term financing structure they intend to pursue and, following such, would provide a copy or form of indenture for the financing structure, to the extent applicable.[143] LG&E/KU stated that, absent a merger of the entities, each utility would continue to access the capital markets independently under its existing indenture and financing framework and forego the potential savings that the combined entity would have as a single issuer with a greater scale and marketability.[144]

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[140] Garrett Direct Testimony at 10–11.

[141] LG&E/KU's Response to Staff's Second Request, Item 19(d).

[142] LG&E/KU's Response to Staff's Second Request, Item 19(b).

[143] LG&E/KU's Response to Staff's Third Request, Item 14.

[144] LG&E/KU's Response to the Attorney General's First Request, Item 8.

LG&E/KU's FMB indentures do not have change of control provisions; however, they contain provisions permitting mergers under conditions for which the merger would qualify.[145] Under the provisions of LG&E/KU's FMB indentures, mergers are authorized (1) with respect to the disappearing entity, the surviving entity (LG&E) shall deliver to the trustee a supplemental indenture expressly assuming the payment obligations of bonds and other obligations under the disappearing entity (KU's) indenture and confirming the continuation of the lien of such indenture on the existing legacy KU property, and (2) with respect to the surviving entity (LG&E), no actions are required regarding under its indenture.[146] LG&E/KU's Tax-Exempt Bonds also do not have change of control provisions; however, contain provisions such that mergers are authorized (1) with respect to the disappearing entity (KU), as long as the surviving entity (LG&E) delivers to the county and its bond trustee a written instrument assuming the obligations of the disappearing entity under its loan agreements, and that the surviving entity is a U.S. corporation qualified to do business in Kentucky, and (2) with respect to the surviving entity (LG&E), no actions are required regarding under its loan agreements.[147]

LG&E/KU's short-term debt instruments, including Revolving Credit Agreements, Commercial Paper Programs, and Utility Money Pool Agreements, either do not have provisions regarding mergers or change of control, or permit mergers under conditions

[145] LG&E/KU's Response to Staff's Third Request, Item 22.

[146] LG&E/KU's Response to Staff's Third Request, Item 22.

[147] LG&E/KU's Response to Staff's Third Request, Item 22.

for which the merger would qualify and have control provisions that are not applicable to the merger.[148]

The Commission finds that, once LG&E/KU have determined the financing structure, LG&E/KU should file with the Commission a description of the long-term financing structure as well as a copy of any agreements or form of indenture.

Deferral Accounting Treatment of Merger Expenses

In the application, LG&E/KU requested regulatory asset treatment of certain expenses related to the merger, specifically all merger costs not being recovered through current rates or addressed by other deferrals, including the legal, regulatory, and financing-related costs to achieve and implement the merger.[149] LG&E/KU did not seek a merger-related deferral of any IT-related cost.[150] LG&E/KU estimated the total costs to be $10.0 million:[151]

Description	Amount ($M)
Financing Costs Inclusive of Fees	7.4
External Counsel Fees	1.5
External Audit Fees	0.7
Other	0.4
Total	10.0

LG&E/KU argued that their request for regulatory accounting authority is consistent with Commission precedent as the merger costs are nonrecurring expenses that would

[148] LG&E/KU's Response to Staff's Third Request, Item 22.

[149] Application at 14–15.

[150] LG&E/KU's Response to Staff's Third Request, Item 19.

[151] LG&E/KU's Response to Staff's Second Request, Item 12.

be offset by the savings they produce over time.[152] LG&E/KU expect that long-term merger savings would outweigh merger implementation costs in five years, should savings of $2.3 million be achieved annually as projected in the previous merger study.[153]

LG&E/KU estimated the financing related costs to be $7.4 million. LG&E/KU explained that the extent of the costs will largely depend on the financing structure utilized to restructure the debt.[154] The Attorney General noted that the merger study provided in Case Nos. 2025-00113 and 2025-00114 provided a narrative description of limited potential savings from reductions in financing activities, and noted that in this proceeding LG&E/KU addressed increases in financing costs from the merger, not potential savings in financing activities.[155] In response to discovery, the Attorney General noted that the combined company would incur and presumably defer merger costs incurred to integrate and restructure regulatory functions and to restructure the debt agreements, among others, to achieve such cost savings and argued that, in some cases, those costs may not be deferred to the merger costs regulatory asset, but deferred or expensed to other "business as normal" accounts, such as debt issuance costs and/or interest expense.[156] The Attorney General asserted that LG&E/KU seek open-ended authorization to defer merger costs, subject only to Commission review at some unknown date in the future

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[152] Garrett Rebuttal Testimony at 7.

[153] LG&E/KU's Response to Staff's Second Request, Item 34.

[154] LG&E/KU's Response to Staff's Second Request, Item 12.

[155] Kollen Direct Testimony at 8.

[156] The Attorney General's Response to Staff's First Request, Item 3.

when the combined company seeks recovery of those costs through the ratemaking process.[157]

Prior to the Stipulation, the Attorney General recommended the Commission approve LG&E/KU's request to defer the merger costs, but only if they are expensed, external, and incremental.[158] Additionally, the Attorney General recommended that the Commission direct LG&E/KU to offset the deferred merger costs with the merger savings that are achieved, and state that future recovery of the regulatory asset will be dependent on a demonstration that merger savings are equal to or greater than the merger costs incurred.[159] To that point, the Attorney General recommended the Commission direct the combined company to include the costs caused directly or indirectly by the merger even if they are capitalized and/or deferred and recorded in separate accounts pursuant to generally accepted accounting principles (GAAP) and the Federal Energy Regulatory Commission (FERC) uniform system of accounts (USOA) and not deferred expressly to the merger cost regulatory asset.[160] Finally, the Attorney General recommended that the Commission expressly exclude certain costs from the accounting order authorization, including, but not limited to, rebranding costs, advertising and promotional costs, and debt restructuring and refinancing costs, which the companies claim they cannot quantify at this time.[161]

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[157] Kollen Direct Testimony at 7.

[158] Kollen Direct Testimony at 5.

[159] Kollen Direct Testimony at 5.

[160] Kollen Direct Testimony at 10.

[161] Kollen Direct Testimony at 5–6.

In rebuttal, LG&E/KU argued that the Attorney General provided no justification for excluding financing related costs from the requested deferral other than asserting that they are costs that LG&E/KU claim they cannot quantify at this time.[162] LG&E/KU noted that they provided their current estimate of merger costs they anticipate deferring in response to discovery, and argued that the only financing-related item the companies have stated that they cannot quantify at this time is the amount of financing-related savings the merger company would achieve which would benefit customers due to expected lower borrowing costs.[163] Additionally, LG&E/KU argued that the proposed merger, if executed now during the brief timeline in which IT-related cost is not a barrier, would be beneficial for customers in the form of reduced administrative and financing costs over time.[164] Finally, LG&E/KU argued that, since the companies are not seeking rate recovery of such costs now and rather, the Commission would be able to review all deferred amounts in future proceedings, there is no need or justification effectively to predetermine that all such costs are impermissible.[165] With regard to the Attorney General's observation regarding potential financing-related savings, LG&E/KU argued that they focused on quantifiable savings and that that does not mean that the companies no longer believe the merger would create potential financing related savings.[166]

[162] Garrett Rebuttal Testimony at 3.

[163] Garrett Rebuttal Testimony at 3–4.

[164] Garrett Rebuttal Testimony at 4.

[165] Garrett Rebuttal Testimony at 4.

[166] Garrett Rebuttal Testimony at 7.

In the Stipulation, the Signing Parties agreed the merger related expenses should be deferred subject to certain conditions as outlined above in the Stipulation Summary.[167] In addition, the Signing Parties agreed that LG&E/KU should be allowed to amortize those expenses "in a manner designed so that, in each year of cost recovery, any savings resulting from the merger will be reasonably expected to offset or exceed the associated cost recovery."[168]

Having considered the record and being otherwise sufficiently advised, the Commission finds that this provision of the Stipulation should be granted in part and modified in part. The Commission finds that LG&E/KU's request for authority to establish a regulatory asset to account for all merger related costs, limited to incremental external costs and costs that are not currently recovered through existing rates or addressed by other deferrals should be approved, consistent with the Stipulation. However, the Commission finds that the Stipulation should be modified to exclude debt restructuring and refinancing costs, including any noteholder consent fees, from the deferral accounting authority at this time. While LG&E/KU provided estimates of the financing-related costs, these estimates are largely dependent on the financing structure which LG&E/KU have yet to determine. LG&E/KU are, however, permitted to request deferral accounting for the financing-related merger costs at a later date, when the financing structure is determined and the resulting costs are more conclusive.

Additionally, the Commission finds that LG&E/KU, in the base rate case in which they or the combined entity requests amortization of the regulatory asset authorized

[167] Stipulation at 3.

[168] Stipulation at 3.

herein, should present the Commission quantifiable evidence demonstrating all actual and remaining expected merger-related savings, including all calculations and justification.

Depreciation Rates

In its application, LG&E/KU requested approval of combined depreciation rates for accounting purposes; however, the companies did not provide a depreciation study with the application.[169] The Commission previously approved depreciation rates in Case Nos. 2025-00113 and 2025-00114.[170] The rates approved by the Commission were based on the electric, gas and common plant as of June 30, 2024.[171] On May 28, 2026, LG&E/KU filed proposed unified depreciation rates.[172] The proposed unified rates were also based on the June 30, 2024 plant in service.[173]

The Attorney General filed testimony raising issues with the proposed depreciation rates.[174] Specifically, the Attorney General noted that no depreciation study or methodology was provided in a timely fashion; the application was filed March 31, 2026, and the rates were not proposed until May 29, 2026.[175] In addition, the information

[169] Application at 1.

[170] Case No. 2025-00113, Feb. 16, 2026 Order at 52-63; Case No. 2025-00114, Feb. 16, 2026 Order at 54–65.

[171] Case No. 2025-00113, Feb. 16, 2026 Order at 52–63; Case No. 2025-00114, Feb. 16, 2026 Order at 54–65 .

[172] LG&E/KU's supplemental response to Staff's First Request (filed May 29, 2026), Item 5(a).

[173] LG&E/KU's supplemental response to Staff's First Request (filed May 29, 2026), Item 5(b).

[174] Direct Testimony of Lane Kollen (Kollen Direct Testimony) (filed June 8, 2026).

[175] Kollen Direct Testimony at 4–6; 14–18.

provided was merely the proposed rates without a study or methodology.[176] The Attorney General noted the new depreciation rates result in $4.960 million lower depreciation expense than the depreciation expense under the approved rates in Case Nos. 2025-00113 and 2025-00114.[177] In conclusion, the Attorney General recommended denying the proposed depreciation rates, in part because the companies would be over recovering approximately $5 million in annual base revenue.[178]

In the Stipulation, the Signing Parties agreed to the implementation of unified depreciation rates.[179] The Signing Parties also agreed that the difference in recovery between the current depreciation expense and the unified depreciation expense is $5,164,000.[180] Beginning on the effective date of merger, each month the merged entity will record to the regulatory liability account 1/12 of that amount ($430,333).[181] According to the agreement, all such deferred amounts will begin to be returned to customers in a future base rate proceeding corresponding with the regulatory asset associated with merger costs.[182]

Having considered this request, the Commission accepts the Stipulation as proposed. The Commission recognizes that the over collection of a recently approved depreciation expense amount would not be fair, just or reasonable. The creation of a

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[176] Kollen Direct Testimony at 14.

[177] Kollen Direct Testimony at 17-19.

[178] Kollen Direct Testimony at 17-19.

[179] Joint Stipulation at 4.

[180] Joint Stipulation at 4.

[181] Joint Stipulation at 4.

[182] Joint Stipulation at 4.

regulatory liability is one way for the ratepayers to be credited for this over collection, and it will be used to offset any expenses related to the merger. The regulatory liability will be subject to a return based on the weighted average cost of capital. The Commission expects LG&E/KU to provide a unified depreciation study with supporting methodology and workpapers in their next base rate adjustment application.

Fuel Adjustment Clause (FAC) and Off System Sales (OSS)

The FAC is a mechanism that permits jurisdictional utilities to regularly adjust the price of electricity to reflect fluctuations in the cost of fuel, or purchased power, used to supply that electricity. The FAC serves strictly as a mechanism for reflecting the costs of fuel and purchased power on a dollar-for-dollar basis. The standard for the FAC is set forth pursuant to 807 KAR 5:056. Kentucky electric jurisdictional utilities also maintain a tariff sheet with the FAC. The OSS Clause mechanism was first approved in Case No. 2014-00371[183] and is included, in part, with the FAC mechanism calculation for the final monthly FAC rate billed to customers.[184] The purpose of the OSS Clause mechanism is for electric off-system sales margins to be shared on a 75/25 percent basis between customers and the utility.

LG&E/KU proposed to unify its FAC and OSS Clause mechanisms upon approval of the requested merger.[185] In addition, LG&E/KU requested that the Commission declare that unification of the FAC and OSS mechanisms would not constitute a rate change

[183] Case No. 2014-00371, *Application Of Kentucky Utilities Company for an Adjustment of Its Electric Rates* (Ky. PSC June 30, 2015), Order at 4.

[184] KU's Tariff, PSC KY No. 21, Original Sheet No. 88; and LG&E's Tariff, PSC KY No. 14, Original Sheet No. 88.

[185] Application at 13.

requiring notice pursuant to 807 KAR 5:011; or, in the alternative, if the Commission believes that notice would be required, the Commission grant a deviation from the notice requirement.[186] LG&E/KU explained that early unification of the FAC and OSS mechanisms as part of the merger would be more efficient than waiting post-merger.[187] Some of the reasons include (1) Intercompany Transactions will no longer be included in the FAC and OSS billing factors; (2) unification of fuel purchases and fuel-related contracts will remove allocation between the two utilities; and (3) anticipation that the Commission would approve the same proposed base FAC factor for KU and LG&E in their respective FAC two-year review cases[188] Case Nos. 2025-00340[189] and 2025-00341,[190] both of which were open cases when this Application was filed. LG&E/KU further stated that not unifying the FAC and OSS mechanisms would lead to ongoing accounting frictions until the mechanisms are unified.[191]

The Stipulation Agreement did not include a modification to LG&E/KU's proposed unification of the FAC and OSS mechanisms but did recommend that the Commission approve all other relief, except as set forth in the Stipulation.[192]

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[186] Application at 13-14. In addition, LG&E/KU requested that should the Commission find notice is required, that the Commission provide the notice language necessary for regulatory compliance.

[187] Conroy Direct Testimony at 11.

[188] Conroy Direct Testimony at 11–12.

[189] Case No. 2025-00340, *An Electronic Examination of the Application of the Fuel Adjustment Clause Of Kentucky Utilities Company From November 1, 2022 Through October 31, 2024* (filed. Jan. 23, 2026), Direct Testimony of Andrea M. Fackler at 4.

[190] Case No. 2025-00341, *An Electronic Examination of the Application of the Fuel Adjustment Clause of Louisville Gas and Electric Company from November 1, 2022 Through October 31, 2024* (filed. Jan. 23, 2026), Direct Testimony of Andrea M. Fackler at 4.

[191] Conroy Direct Testimony at 12.

[192] Joint Stipulation Testimony at 7.

The Commission finds that LG&E/KU's proposal to unify its FAC and mechanisms should be denied. In its August 18, 2026 Orders for Case Nos. 2025-00340 and 2025-00341, the Commission, found the proposed use of a weighted average between KU and LG&E to set the base FAC rate to be unreasonable.[193] Pursuant to 807 KAR 5:056, Section 1, fuel costs and sales for the expense month and base period month are to be based on actual fuel costs and sales for the respective utility, as established in subsections (2) through (6) of the Section. Commission regulation 807 KAR 5:056 is clear on the calculation methodology that should be used when determining fuel related costs for passthrough in the FAC. The Commission, having denied KU and LG&E's proposal to set the base FAC rate as a weighted average between the two utilities in Case Nos. 2025-00340 and 2025-00341, also finds that the proposed merger of the OSS Clause mechanism should be denied at this time. Due to the OSS Clause being a factor in the calculation of the billed FAC rate, it would be unreasonable to approve the merger of one mechanism without the other. Furthermore, temporary accounting frictions are a by-product of acquisitions and mergers between entities, but they do not justify the proposed merger of the FAC and OSS mechanisms at this time.

The Commission further directs the parties to 807 KAR 5:056, Section 1(2), which states: "F(b)/S(b) [or base FAC rate] shall be determined so that on the effective date of the Commission's approval of the utility's application of the formula, the resultant adjustment shall be equal to zero." LG&E/KU may, upon Commission approval of the

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[193] Case No. 2025-00340, *An Electronic Examination of the Application of the Fuel Adjustment Clause of Kentucky Utilities Company from November 1, 2022 Through October 31, 2024* (Ky. PSC Aug. 18, 2026) at 3–4; and Case No. 2025-00341, *An Electronic Examination of the Application of the Fuel Adjustment Clause of Louisville Gas and Electric Company From November 1, 2022 Through October 31, 2024* (Ky. PSC Aug. 18, 2026) at 3–4.

merger of the unified base rates, FAC mechanism, and OSS mechanisms, set its base FAC rate to zero. This would allow for the fuel related costs passed through the FAC mechanism to be unified for all customers along with the base rates. LG&E/KU should ensure it complies with 807 KAR 5:056 as it pertains to a utility's handling of its FAC.

Since the Commission has denied LG&E/KU's request to unify its FAC and OSS mechanisms, the Commission finds that the requests related to notice are moot. The Commission does not believe it appropriate to make findings related to deviations from notice requirements when the underlying request has been denied.

Electric Service

LG&E/KU requested the Commission for approval for LG&E to serve KU customers in accordance with KU's existing tariff on file with the Commission and to assume KU's existing certified territory pursuant to KRS 278.018.[194] KRS 278.018(1) states, in relevant part, that:

> each retail electric supplier shall have the exclusive right to furnish retail electric service to all electric-consuming facilities located within its certified territory, and shall not furnish, make available, render or extend its retail electric service to a consumer for use in electric-consuming facilities located within the certified territory of another retail electric supplier; provided that any retail electric supplier may extend its facilities through the certified territory of another retail electric supplier, if such extension is necessary for such supplier to connect any of its facilities or to serve its consumers within its own certified territory.

KRS 278.018(4) states, in relevant part that:

> no retail electric supplier shall furnish, make available, render or extend retail electric service to any electric consuming facility to which such service is being lawfully furnished by another retail electric supplier on June 16, 1972, or to which

[194] Application at 14.

> retail electric service is lawfully commenced thereafter in accordance with this section by another retail electric supplier.

LG&E/KU also stated that "[a]ssuming 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."[195]

The Stipulation did not specifically address this request but requested approval through the catch-all provision.[196]

Having considered the record and being otherwise sufficiently advised, the Commission finds that LG&E/KU's request for LG&E to serve KU customers in accordance with KU's existing tariff on file with the Commission and to assume KU's existing certified territory pursuant to KRS 278.018 is approved. Upon completion of the merger, it follows that LG&E, as the surviving entity, should assume the certified territory of KU and be granted the exclusive right to operate in KU's service territory.

<u>Gas Service</u>

Unlike for electric service, there are not defined natural gas service territories. The Commission has some concern about LG&E Gas expanding its service area into the KU electric service territories not currently served by LG&E Gas. Obviously, such expansion may implicate KRS 278.020 but arguably, with a company as large as LG&E Gas, the expansion may be done in the ordinary course of business. Although LG&E Gas stated it would not be expanding its current service territory,[197] should LG&E Gas plan any capital expenditures in the newly acquired service territory, it should file for a declaratory

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[195] Application at 14.

[196] Stipulation, Section 5.1.

[197] LG&E/KU's response to Staff's Third Request, Items 3 and 4.

order seeking a determination that no Certificate of Public Convenience and Necessity is necessary, or in the alternative, file an application pursuant to KRS 278.020.

Approval in Other Jurisdictions

In its Application, LG&E/KU stated that it anticipated seeking approvals related to the merger from the FERC and the Virginia SCC.[198] LG&E/KU stated that if each regulator attaches its own conditions to the merger, it increases the likelihood that the merger will not proceed.[199]

On April 17, 2026, LG&E/KU filed an application with the Virginia SCC Commission in Case No. PUR-2026-00052 requesting:

> approval of the transfer of the certificate to furnish electric service pursuant to Chapter 10.1 of Title 56 of the Code of Virginia; (2) approval of the merger of the Companies pursuant to Chapter 5 of Title 56 of the Code of Virginia or a determination that such approval is not required; and (3) a declaration that KU/ODP's exemption from regulation under Chapter 23 of Title 56 of the Code of Virginia in § 56-580 G will continue to apply to the merged Companies.[200]

This application is still pending at the time of this Order.

On May 29, 2026, KU and LG&E filed its verified joint application with the Virginia SCC in Case No. PUR-2026-00083.[201] LG&E/KU stated that:

> In the application, the Companies requested (1) approval of the assumption and issuance, respectively, of evidences of indebtedness necessary to consummate, or following, the merger pursuant to Chapter 3 of Title 56 of the Code of Virginia and (2) approval of the Plan of Merger of the

[198] Application at 9.

[199] Application at 9.

[200] LG&E/KU's Response to Staff's Third Request, Item 12, Attachment; Case No. PUR-2026-00052 with the Virginia State Corporation Commission

[201] June 2, 2026 Supplemental Response to Staff's Third Request, Item 12.

> Companies pursuant to Chapter 4 of Title 56 of the Code of Virginia.[202]

On August 31, 2026, the Virginia SCC approved LG&E/KU's request in Case No. PUR-2026-00083.[203]

On July 9, 2026, LG&E/KU submitted its application with the FERC for authorization of a proposed internal corporate reorganization pursuant to sections 203(a)(1) of the Federal Power Act and Part 33 of the regulations of the FERC.[204] On September 18, 2026, LG&E/KU received authorization from the FERC for its proposed internal corporate reorganization, subject to certain conditions.[205]

The Commission finds that as a post-case filing, LG&E/KU should update the Commission once approval is received in Case No. PUR-2026-00052 before the Virginia SCC and provide the order addressing the substantive merits of LG&E/KU's requests.

IT IS THEREFORE ORDERED that:

1. The Stipulation, as modified herein, is accepted.

2. LG&E/KU shall file with the Commission a description of the long-term financing structure as well as a copy of any agreements or form of indenture in the post-case correspondence of this case.

3. LG&E/KU's request for authority to establish a regulatory asset to account for all merger costs, modified as described herein to exclude debt restructuring and refinancing costs, including any noteholder consent fees, is accepted.

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[202] June 2, 2026 Supplemental Response to Staff's Third Request, Item 12.

[203] Sept 3. 2026 Supplemental Response to Staff's Third Request, Item 12, Attachment.

[204] July 9, 2026 Supplemental Response to Staff's Third Request, Item 12.

[205] Sept. 21, 2026 Supplemental Response to Staff's Third Request, Item 12.

4. LG&E/KU, in the base rate case in which they or the combined entity requests amortization of the regulatory asset authorized herein, shall present the Commission with quantifiable evidence demonstrating all actual and remaining expected merger-related savings, including all calculations and justification.

5. LG&E/KU's proposal to unify its FAC and OSS mechanisms is denied.

6. LG&E's request related to a declaratory Order or deviation from 807 KAR 5:011 as it relates to notice of a change in the FAC and OSS mechanisms is denied as moot.

7. Should LG&E Gas plan any capital expenditures in the newly acquired service territory, LG&E Gas shall file for a declaratory order that no Certificate of Public Convenience and Necessity is necessary, or in the alternative, an application pursuant to KRS 278.020.

8. As a post-case filing, LG&E/KU shall update the Commission once a final decision is received in Case No. PUR-2026-00052 before the Virginia SCC Commission and provide the order substantively addressing LG&E/KU's requests.

9. LG&E/KU shall notify the Commission, in writing, within seven days of the transaction being completed. If it has not been completed within six months of the date of this Order, LG&E/KU shall provide a written status report to the Commission.

10. Any material revision to the proposed transaction shall require approval by the Commission in order for the amendment to be effective.

11. Within 20 days of the closing of the acquisition, LG&E/KU shall file the journal entries it proposes to record the acquisition. The acquisition shall be recorded in accordance with the FERC USoA.

12. Any document filed pursuant to the ordering paragraphs herein shall reference this case number and shall be retained in the post-case correspondence file.

13. KU, as it ceases to exist as a result of the proposed acquisition, shall be responsible for submitting to the Commission its financial and statistical reports, as described in 807 KAR 5:006, Section 3, for the period in calendar 2026 in which it owned and operated its electric generation, transmission, and distribution systems.

14. This case is closed and removed from the Commission's docket.

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Entered on this 25th day of September, 2026.

PUBLIC SERVICE COMMISSION

Angie Hatton
Chair

Mary Pat Regan
Vice Chair

Andrew W. Wood
Commissioner

Barry L. Mayfield
Commissioner

ATTEST:

Justin McNeil RP

Justin McNeil
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00077 DATED SEP 25 2026

FOURTEEN PAGES TO FOLLOW

<u>STIPULATION AND RECOMMENDATION</u>

This Stipulation and Recommendation ("Stipulation") is entered into this 2nd day of July 2026 by and among Kentucky Utilities Company ("KU") and Louisville Gas and Electric Company ("LG&E") (collectively, "the Companies"); Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention ("AG"); Kentucky Industrial Utility Customers, Inc. ("KIUC"); and Walmart Inc. ("Walmart") (collectively, the "Parties").

W I T N E S S E T H:

WHEREAS, on March 31, 2026, the Companies filed with the Kentucky Public Service Commission ("Commission") their Joint Application in *Electronic Joint Application of Kentucky Utilities Company and Louisville Gas and Electric Company for Approval of Merger* ("Merger Application"), and the Commission has established Case No. 2026-00077 ("Merger Proceeding") to review the Merger Application;

WHEREAS, the AG, Kentucky Broadband and Cable Association ("KBCA"), KIUC, Lexington-Fayette Urban County Government ("LFUCG"), Louisville/Jefferson County Metro Government ("Louisville Metro"), and Walmart have participated as full intervenors in Case No. 2026-00077;

WHEREAS, an in-person informal conference for the purpose of discussing settlement and the text of this Stipulation, attended by representatives of the Parties, KBCA, LFUCG, Louisville Metro, and Commission Staff, took place on June 24, 2026, during which a number of procedural and substantive issues were discussed, including potential settlement of all issues pending before the Commission in these cases;

WHEREAS, the Parties hereto desire to settle all the issues pending before the Commission in this case;

WHEREAS, KBCA, Louisville Metro, and LFUCG have reviewed the Stipulation and are not Parties hereto, but they do not oppose the Stipulation;

WHEREAS, it is understood by all Parties hereto that this Stipulation is subject to the approval of the Commission insofar as it constitutes an agreement by the Parties for settlement, and, absent express agreement stated herein, does not represent agreement on any specific claim, methodology, or theory supporting the appropriateness of any proposed or recommended relief, matters, or issues addressed herein;

WHEREAS, all of the Parties, who represent diverse interests and divergent viewpoints, agree that this Stipulation, viewed in its entirety, is a fair, just, and reasonable resolution of their issues resolved in this Stipulation; and

WHEREAS, the Parties believe sufficient and adequate data and information in the record of this proceeding supports this Stipulation, and further believe the Commission should approve it without modifications or conditions;

NOW, THEREFORE, for and in consideration of the promises and conditions set forth herein, the Parties hereby stipulate and agree as follows:

ARTICLE I. APPLICABLE STATUTORY STANDARD

1.1. KRS 278.020(6) Applies to the Proposed Merger. The Parties agree KRS 278.020(6), not KRS 278.020(7), applies to the Companies' proposed merger. Because LG&E and KU are affiliated utilities owned by the same parent company, KRS 278.020(8)(b) precludes applying KRS 278.020(7) to the proposed merger. Pursuant to KRS 278.020(6), the

"[C]ommission shall grant its approval if the person acquiring the utility has the financial, technical, and managerial abilities to provide reasonable service."[1]

ARTICLE II. MERGER COST DEFERRAL

2.1. Regulatory Asset Authority to Defer Merger Costs. The Parties agree the Companies should receive authority to defer for later Commission prudence review and recovery all merger-related costs (except that the Companies commit, for the limited purpose of this Stipulation only, that they will not seek recovery from customers for rebranding, advertising, and promotional costs associated with the merger of the Companies requested in Case No. 2026-00077) consistent with the following:

(A) The costs would otherwise be expensed (not capitalized) under applicable accounting standards;

(B) The costs are incremental and the Companies would not have incurred those costs but for the merger; and

(C) The costs are not otherwise authorized for deferral under existing Commission orders or regulatory mechanisms.

2.2. Amortizing the Regulatory Asset. To promote timely and tangible customer benefits, the Companies agree to amortize merger costs in a manner designed so that, in each year of cost recovery, any savings resulting from the merger will be reasonably expected to offset or exceed the associated cost recovery.

[1] The Attorney General and Walmart do not believe it is necessary for the purposes of stipulation for the parties to reach a conclusion on the applicable legal standard clearly in the purview of the Commission and therefore do not join Article I of the Stipulation.

ARTICLE III. DEPRECIATION RATES AND RELATED REGULATORY LIABILITY

3.1. Unified Depreciation Rates to Be Effective upon Merger. Upon the effective date of merger, the merged entity will implement the unified depreciation rates the Companies filed with the Commission in the Merger Proceeding for accounting purposes.

3.2. Regulatory Liability for Depreciation Rate Differences. The Companies will record a regulatory liability for the difference between depreciation expense embedded in current base rates and that resulting from the unified depreciation rates. The Parties agree that the annualized amount of such difference for these purposes should be $5,164,000.[2] Beginning on the effective date of merger, each month the merged entity will record to the regulatory liability account 1/12 of that amount ($430,333). All such deferred amounts will begin to be returned to customers in a future base rate proceeding corresponding with the regulatory asset associated with merger costs.

3.3. With regard to the proposed regulatory asset and regulatory liability, all sums included therein shall be subject to a return based on the weighted average cost of capital.

ARTICLE IV. GRADUALISM COMMITMENT

4.1. Commitment to Consider Gradualism in Harmonizing Rates. The Companies commit that in future base rate filings they will consider gradualism and possible rate impact mitigation measures, including considering phased implementation of any rate harmonization and customer class impacts.

ARTICLE V. ALL OTHER RELIEF REQUESTED TO BE APPROVED AS FILED

5.1. All Other Relief Requested by the Companies to Be Approved as Filed. The Parties recommend to the Commission that, except as modified in the Stipulation, all other relief

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[2] *See* Rebuttal Exhibit CMG-1 to the Rebuttal Testimony of Christopher M. Garrett.

requested in the Companies' filings in the Merger Proceeding should be approved as filed or as later corrected or amended by the Companies in their responses to data requests.

ARTICLE VI. MISCELLANEOUS PROVISIONS

6.1. Except as specifically stated otherwise in this Stipulation, entering into this Stipulation shall not be deemed in any respect to constitute an admission by any of the Parties that any computation, formula, allegation, assertion or contention made by any other party in this case is true or valid.

6.2. The Parties agree that the foregoing Stipulation represents a fair, just, and reasonable resolution of the issues addressed herein and request that the Commission approve the Stipulation by July 29, 2026.

6.3. Following the execution of this Stipulation, the Parties shall cause the Stipulation to be filed with the Commission on July 2, 2026, together with a request to the Commission for consideration and approval of this Stipulation.

6.4. This Stipulation is subject to the acceptance of, and approval by, the Commission. The Parties agree to act in good faith and to use their best efforts to recommend to the Commission that this Stipulation be accepted and approved. The Parties commit to notify immediately any other Party of any perceived violation of this provision so the Party may have an opportunity to cure any perceived violation, and all Parties commit to work in good faith to address and remedy promptly any such perceived violation. In all events, counsel for all Parties will represent to the Commission that the Stipulation is a fair, just, and reasonable means of resolving all issues in this proceeding, and all Parties will clearly and definitively ask the Commission to accept and approve the Stipulation as such.

6.5. If the Commission issues an order adopting this Stipulation in its entirety and without additional conditions, each of the Parties agrees that it shall file neither an application for rehearing with the Commission nor an appeal to the Franklin Circuit Court with respect to such order.

6.6. If the Commission does not accept and approve this Stipulation in its entirety, then any adversely affected Party may timely file for rehearing or appeal. If any Party timely seeks rehearing of or appeals the Commission's order, all Parties will have the right to withdraw from this Stipulation until the latter of (1) the expiration of all statutory periods provided for rehearing and appeal of the Commission's orders concerning the Stipulation, including any order on rehearing concerning the Stipulation, and (2) the conclusion of all rehearings and appeals. All Parties that have not withdrawn in accordance with the terms of this paragraph will continue to be bound by the terms of the Stipulation as modified by the Commission's order.

6.7. If the Stipulation is voided or vacated for any reason after the Commission has approved the Stipulation, none of the Parties will be bound by the Stipulation.

6.8. The Stipulation shall in no way be deemed to affect or diminish the jurisdiction of the Commission under Chapter 278 of the Kentucky Revised Statutes.

6.9. The Stipulation shall inure to the benefit of and be binding upon the Parties hereto and their successors and assigns.

6.10. The Stipulation constitutes the complete agreement and understanding among the Parties, and any and all oral statements, representations, or agreements made prior hereto or contemporaneously herewith shall be null and void and shall be deemed to have been merged into the Stipulation.

6.11. The Parties agree that, for the purpose of the Stipulation only, the terms are based upon the independent analysis of the Parties to reflect a fair, just, and reasonable resolution of the issues herein and are the product of compromise and negotiation.

6.12. The Parties agree that neither the Stipulation nor any of its terms shall be admissible in any court or commission except insofar as such court or commission is addressing litigation arising out of the implementation of the terms herein, the approval of this Stipulation, or a Party's compliance with this Stipulation. This Stipulation shall not have any precedential value in this or any other jurisdiction.

6.13. The signatories hereto warrant that they have appropriately informed, advised, and consulted their respective Parties in regard to the contents and significance of this Stipulation and based upon the foregoing are authorized to execute this Stipulation on behalf of their respective Parties.

6.14. The Parties agree that this Stipulation is a product of negotiation among all Parties hereto, and no provision of this Stipulation shall be strictly construed in favor of or against any Party. Notwithstanding anything contained in the Stipulation, the Parties recognize and agree that the effects, if any, of any future events upon the operating income of the Companies are unknown and this Stipulation shall be implemented as written.

6.15. The Parties agree that this Stipulation may be executed in multiple counterparts.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Parties have hereunto affixed their signatures.

Kentucky Utilities Company and
Louisville Gas and Electric Company

HAVE SEEN AND AGREED:

By:____ Allyson K Sturgeon ____________

Allyson K. Sturgeon

Attorney General for the Commonwealth of Kentucky, by and through the Office of Rate Intervention

HAVE SEEN AND AGREED:

By: John G. Horne II

Lawrence W. Cook
J. Michael West
Angela M. Goad
T. Toland Lacy
John G. Horne II

Kentucky Broadband and Cable Association

HAVE SEEN AND DO NOT OPPOSE:

By: Rebecca Price

Rebecca C. Price
Paul Werner
Hannah Wigger
Meredith Lerner

Kentucky Industrial Utility Customers, Inc.

HAVE SEEN AND AGREED:

By: ______________________________

Michael L. Kurtz
Jody Kyler Cohn

Lexington-Fayette Urban County Government

HAVE SEEN AND DO NOT OPPOSE:

By:____

James W. Gardner
J.E.B. Pinney
Rebecca C. Price

Louisville/Jefferson County Metro Government

HAVE SEEN AND DO NOT OPPOSE:

By: J.E.B. Pinney

James W. Gardner
J.E.B. Pinney
Rebecca C. Price

Walmart Inc.

HAVE SEEN AND AGREED:

By:_____________________________________

Carrie H. Grundmann

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