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Devin Ryan  
Principal

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File #: 164739

July 21, 2023

***VIA ELECTRONIC FILING***

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor North  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**Re: PPL Electric Utilities Corporation - Utility Services Agreement for Goods Not Readily Available from the Market, Obsolete or Otherwise Surplus  
Docket No. G-2014-2422882**

Dear Secretary Chiavetta:

On October 6, 2016, the Pennsylvania Public Utility Commission (“Commission”) issued a Secretarial Letter approving the above-referenced Affiliated Interest Agreement (“AIA” or “Agreement”) between PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) and certain of its affiliates, specifically, Kentucky Utilities Company d/b/a Old Dominion Power Company (“KU-ODP”), Louisville Gas and Electric Company (“LG&E”), LG&E and KU Services Company (“LK Services”), and PPL Services Corporation (“PPL Services”). Under the Agreement, KU-ODP, LG&E, and PPL Electric could transfer and receive from one another goods that are not readily available from the market or that are considered to be obsolete or otherwise surplus inventory.

Section 5 of the AIA states, in pertinent part:

The authorization for this Agreement shall expire at the conclusion of five years beginning on the date this Agreement is given final approval by the Virginia State Corporation Commission and the Pennsylvania Public Utility Commission, whichever occurs later, unless the respective Commissions extend their authorizations.

Rosemary Chiavetta, Secretary  
July 21, 2023  
Page 2

On May 9, 2019, the Virginia State Corporation Commission (“VSCC”) issued an Order extending its authorization of the AIA for five years measuring from the date of the Order, *i.e.*, until May 9, 2024.

PPL Electric respectfully requests that the Commission extend its authorization of the AIA until May 9, 2024, to align with the VSCC’s extension of authorization. Such extension will resolve any doubt as to the Agreement’s effectiveness and enable PPL Electric to transfer and receive goods that are not readily available from the market or that are considered to be obsolete or otherwise surplus inventory from certain of its affiliates. No substantive changes are being made to the AIA that would warrant disturbing the Commission’s prior determination that the AIA is not unreasonable or contrary to the public interest.

Enclosed are the following attachments:

- Attachment A – The Commission’s October 6, 2016 Secretarial Letter
- Attachment B – The AIA effective October 6, 2016
- Attachment C – VSCC’s May 9, 2019 Order

Copies of this filing are being served as indicated on the Certificate of Service.

Respectfully submitted,



Devin Ryan

DR/dmc  
Enclosures

cc: Certificate of Service

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

### VIA E-MAIL

Richard A. Kanaskie, Esq.  
Bureau of Investigation & Enforcement  
Commonwealth Keystone Building  
400 North Street, 2nd Floor West  
PO Box 3265  
Harrisburg, PA 17105-3265  
[rkanaskie@pa.gov](mailto:rkanaskie@pa.gov)

NazAarah Sabree, Esquire  
Office of Small Business Advocate  
555 Walnut Street, 1<sup>st</sup> Floor  
Forum Place  
Harrisburg, PA 17101  
[ra-sba@pa.gov](mailto:ra-sba@pa.gov)

Patrick M. Cicero, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923  
[ra-oca@paoca.org](mailto:ra-oca@paoca.org)

Date: July 21, 2023

  
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Devin Ryan

# **Attachment A**



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
400 NORTH ST, HARRISBURG, PA 17105-3265

IN REPLY  
PLEASE REFER  
TO OUR FILE

October 6, 2016

Docket No. G-2014-2422882  
Utility Code: 110500

ANTHONY D KANAGY ESQUIRE  
POST & SCHELL  
17 NORTH SECOND STREET 12<sup>TH</sup> FLOOR  
HARRISBURG PA 17101-1601

Re: PPL Electric Utilities Corporation – Utility Services Agreement For Goods Not  
Readily Available From The Market, Obsolete or Otherwise Surplus

Dear Mr. Kanagy:

On May 23, 2014, PPL Electric Utilities Corporation (PPL Electric), filed with the Pennsylvania Public Utility Commission (Commission), pursuant to 66 Pa. C.S. §§ 2102, *et seq.*, the above-referenced Affiliated Interest Agreement (Agreement). By Secretarial letter dated June 13, 2014, the Commission extended the statutory consideration period for this Agreement until further action of the Commission. On May 4, 2016, PPL Electric revised the Agreement to remove PPL Energy Supply, LLC because it is no longer an affiliate of PPL Electric.

PPL Electric filed the proposed Agreement (AIA) between PPL Electric and certain of its affiliates including Kentucky Utilities Company, Louisville Gas and Electric Company, Louisville Gas and Electric Company and KU Services, and PPL Services Corporation.

The purpose of the Agreement is to allow the regulated parties, including PPL Electric, to obtain goods from affiliate entities that are not readily available, obsolete or surplus in order for the acquiring utility to restore or maintain service in a timely fashion. Likewise, the Agreement would allow PPL Electric to offer goods to its affiliates to restore service in a timely manner as well.

Upon review of the filing, it does not appear that this Agreement is unreasonable or contrary to the public interest. Therefore, this filing is hereby approved. However, approval of this filing does not constitute a determination that the associated costs or expenses are reasonable or prudent for the purposes of determining just and reasonable rates. Furthermore, the Commission's approval is contingent upon the possibility that subsequent audits, reviews and inquiries in any Commission proceeding may be conducted, pursuant to 66 Pa. C.S. §§ 2102, *et seq.*

The parties are directed to file a signed copy of this Agreement within 30 days of the effective date.

In addition, this approval will apply only to the agreement, services, matters and parties specifically and clearly defined under this instant proceeding as well as under any associated and previously filed filings.

Sincerely,

A handwritten signature in black ink, appearing to read "Rosemary Chiavetta". The signature is written in a cursive, flowing style.

Rosemary Chiavetta  
Secretary

cc: Yasmin Snowberger, TUS  
Debra Backer, TUS

# **Attachment B**

UTILITY SERVICES AGREEMENT FOR GOODS NOT READILY AVAILABLE FROM  
THE MARKET, OBSOLETE OR OTHERWISE SURPLUS

This Utility Services Agreement For Goods Not Readily Available From the Market, Obsolete or Otherwise Surplus ("Agreement") is entered into as of the 6<sup>th</sup> day of October, 2016, by and between Kentucky Utilities Company ("KU-ODP"), a public utility organized under Virginia and Kentucky law and doing business in Virginia as Old Dominion Power Company; Louisville Gas and Electric Company ("LG&E"), a public utility organized under Kentucky law; LG&E and KU Services Company ("LK Services"), a Kentucky corporation; PPL Electric Utilities Corporation ("PPL Electric"), a public utility organized under Pennsylvania law; and PPL Services Corporation ("PPL Services"), a Delaware corporation. Collectively, KU-ODP, LG&E, LK Services, PPL Electric, and PPL Services are referred to as the "Parties."

WHEREAS, the inventories of KU-ODP, LG&E, and PPL Electric from time to time contain certain goods for the provision of electric utility service which are not readily available from the market;

WHEREAS, the inventories of KU-ODP, LG&E, and PPL Electric from time to time contain certain goods for the provision of electric utility service which may become obsolete or otherwise surplus inventory;

WHEREAS, KU-ODP, LG&E, and PPL Electric desire an arrangement whereby they may transfer and receive from one another goods that are not readily available from the market, or are considered to be obsolete or otherwise surplus inventory;

WHEREAS, KU-ODP and LK Services desire an arrangement whereby LK Services may act as payment and billing agent for KU-ODP; and

WHEREAS, the Parties believe that it is in the public interest and the interests of each company to provide for such an arrangement.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

1. Definitions.

"Goods" shall be defined as equipment and parts routinely used for the repair, maintenance, or operation of electric utility systems in the ordinary course of business including, but is not limited to, transformers, motors, pumps, switches, and wire and cable.

"Not readily available" shall be defined to include situations where a good is not readily available in the existing marketplace and is needed to restore or maintain electric utility service in a timely fashion.

“Regulated Parties” shall be defined to include Kentucky Utilities Company, Louisville Gas and Electric Company, and PPL Electric Utilities Corporation.

2. **GOODS NOT READILY AVAILABLE.** From time to time during the term of this Agreement, the Regulated Parties may supply goods that are not readily available and are needed to restore or maintain electric service in a timely fashion by the requesting Party. Such transactions will be completed only (a) upon request, (b) when the requesting Party (“Requesting Company”) believes in good faith that the goods are not readily available and are needed to restore or maintain electric service in a timely fashion and (c) the responding Party (“Responding Company”) believes in good faith that the goods can be provided without harm to the Responding Company and its native-load customers, if any. The Responding Company shall have the opportunity to provide the requested inventory, but not the obligation; and the Regulated Parties shall decline any such request where the transfer will prejudice their ability to provide reliable, high-quality electric service.

3. **OBSOLETE OR SURPLUS GOODS.** From time to time during the term of this Agreement, the Regulated Parties may determine to sell goods that are obsolete or surplus inventory. Such transactions between the Parties will be completed only (a) upon request and (b) when the Responding Company that desires to sell the goods believes in good faith that the goods are obsolete or surplus inventory. The Requesting Company shall have the opportunity to purchase the obsolete or surplus inventory from the Responding Company, but not the obligation; and the Regulated Parties shall decline any such transfer where the transfer will prejudice their ability to provide reliable, high-quality electric service.

4. **COMPENSATION AND ALLOCATION.** The Party transferring goods shall be reimbursed for all costs and expenses incurred as a result of furnishing goods. Goods transferred among the Regulated Parties shall be transferred at cost.

5. **TERMINATION AND MODIFICATION.** Any Party to this Agreement may terminate this Agreement by providing sixty-days written notice of such termination to the other Parties.

This Agreement is subject to termination or modification at any time to the extent its performance may conflict with any rule, regulation or order of the Federal Energy Regulatory Commission adopted before or after the making of this Agreement. This Agreement shall be subject to the approval of any state commission or other state regulatory body whose approval is, by the laws of said state, a legal prerequisite to the execution and delivery or the performance of this Agreement.

The authorization for this Agreement shall expire at the conclusion of five years beginning on the date this Agreement is given final approval by the Virginia State Corporation Commission and the Pennsylvania Public Utility Commission, whichever occurs later, unless the respective Commissions extend their authorizations.

6. **BILLING AND PAYMENT.** Payment for services provided pursuant to this Agreement shall be by making remittance of the amount billed or by making appropriate accounting entries on the books the appropriate Parties. Billing will be made after the good is

received by the buyer and all actual costs have been accumulated with remittance due within 30 days of billing. Any amount remaining unpaid after 30 days following receipt of the bill shall bear interest thereon from the date of the bill at annual rate of A1/P1 30-day Commercial Paper. LK Services may act as payment and billing agent for KU-ODP. Payment and billing services include, but are not limited to, sending or receiving invoices, receiving or disbursing payment, and making appropriate accounting entries.

7. NOTICE. Where written notice is required by this Agreement, all notices, consents, certificates, or other communications hereunder shall be in writing and shall be deemed given when mailed by United States registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

- A. To KU-ODP, LG&E, or LK Services:  
220 West Main Street  
Louisville, Kentucky 40202  
Attn: Corporate Secretary
- B. To PPL Electric or PPL Services:  
2 North Ninth Street  
Allentown, Pennsylvania 18101  
Attn: Assistant Treasurer

8. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky, without regard to its conflict of laws provisions.

9. MODIFICATION. No amendment, change, or modification of this Agreement shall be valid, unless made in writing and signed by the parties hereto.

10. ENTIRE AGREEMENT. This Agreement constitutes the entire understanding and agreement of the Parties with respect to its subject matter, and effective upon the execution of this Agreement by the respective Parties hereof and thereto, any and all prior agreements, understandings, or representations with respect to this subject matter are hereby terminated and canceled in their entirety and are of no further force and effect.

11. WAIVER. No waiver by any Party hereto of a breach of any provision of this Agreement shall constitute a waiver of any preceding or succeeding breach of the same or any other provision hereof.

12. ASSIGNMENT. This Agreement shall inure to the benefit and shall be binding upon the Parties and their respective successors and assigns. No assignment of this Agreement or any Parties' rights, interests, or obligations hereunder may be made without the other Parties' consent, which shall not be unreasonably withheld, delayed, or conditioned.

13. SEVERABILITY. If any provision or provisions of this Agreement shall be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of this 6<sup>th</sup> day of October, 2016.

Kentucky Utilities Company

By: K+W Blake  
Name: Kent W. Blake  
Title: Chief Financial Officer

Louisville Gas and Electric Company

By: K+W Blake  
Name: Kent W. Blake  
Title: Chief Financial Officer

LG&E and KU Services Company

By: K+W Blake  
Name: Kent W. Blake  
Title: Chief Financial Officer

PPL Electric Utilities Corporation

By:   
Name: Joseph P. Bergstein, Jr.  
Title: Treasurer

PPL Services Corporation

By:   
Name: Joseph P. Bergstein, Jr.  
Title: VP- Investor Relations & Treasurer

# **Attachment C**

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

AT RICHMOND, MAY 9, 2019

SEC-CLERK'S OFFICE  
DOCUMENT CONTROL CENTER

2019 MAY -9 P 2: 25

190520178

APPLICATION OF

KENTUCKY UTILITIES COMPANY  
d/b/a OLD DOMINION POWER COMPANY,  
LOUISVILLE GAS AND ELECTRIC COMPANY,  
LG&E AND KU SERVICES COMPANY,  
PPL ELECTRIC UTILITIES CORPORATION,  
and  
PPL SERVICES CORPORATION

CASE NO. PUR-2019-00057

For authority to engage in affiliate transactions

ORDER GRANTING APPROVAL

On April 2, 2019, Kentucky Utilities Company d/b/a Old Dominion Power Company ("KU/ODP"), Louisville Gas and Electric Company ("LG&E"), LG&E and KU Services Company ("LK Services"), PPL Electric Utilities Corporation ("PPL Electric"), and PPL Services Corporation ("PPL Services") (collectively, "Applicants")<sup>1</sup> filed a joint application ("Application") with the State Corporation Commission ("Commission") requesting authority, pursuant to Chapter 4 of Title 56 of the Code of Virginia ("Code"),<sup>2</sup> to engage in affiliate transactions. The Applicants seek to renew the approval of the Utility Services Agreement for Goods Not Readily Available from the Market, Obsolete or Otherwise Surplus ("Goods Services Agreement"), which the Commission previously approved in Case No. PUE-2014-00008<sup>3</sup> for five years from the effective date of its March 21, 2014 Order Granting Approval.

<sup>1</sup> The initial Application listed LG&E and KU Energy LLC, PPL Corporation, and PPL Power Insurance, Ltd., as Applicants. By letter dated April 8, 2019, the Applicants amended the Application to remove the three companies from the list of Applicants.

<sup>2</sup> Code § 56-76 *et seq.* ("Affiliates Act").

<sup>3</sup> *Joint Application of Kentucky Utilities Company d/b/a Old Dominion Power Company, LG&E and KU Energy LLC, Louisville Gas & Electric Company, LG&E and KU Services Company, PPL Corporation, PPL Electric Utilities Corporation, PPL Services Corporation, PPL Power Insurance, Ltd., and PPL Energy Supply LLC, For Authority to Engage in Affiliate Transactions*, Case No. PUE-2014-00008, 2014 S.C.C. Ann. Rept. 375, Order Granting Approval (Mar. 21, 2014). On June 6, 2016, the Commission approved a revision to the Goods Services Agreement that removed PPL Energy Supply LLC.

On April 3, 2019, the Applicants filed a Motion for Interim Authority, in which they acknowledged that they inadvertently allowed the approval for the Goods Services Agreement to expire, apologized for the oversight, and requested interim authority to operate under the Goods Services Agreement pending the Commission's final order in this case. On April 4, 2019, the Commission issued an Order Granting Interim Authority. On April 9, 2019, the Applicants supplemented and completed the filing of the Application with an additional verified signature.

Under the Goods Services Agreement, KU/ODP, LG&E, and PPL Electric will carry out the limited transfer of equipment and parts routinely used for the repair, maintenance, or operation of electric utility systems, including transformers, motors, pumps, switches, wire and cable. ("Goods"). The Applicants represent that the vast majority of Goods have been and will continue to be purchased from third-party vendors using competitive bidding practices. The routine equipment and parts transfers will occur only:

- (a) upon request, (b) when the requesting Party ("Requesting Company") believes in good faith that the [G]oods are not readily available and are needed to restore or maintain electric service in a timely fashion and (c) the responding party ("Responding Company") believes in good faith that the [G]oods can be provided without harm to the Responding Company and its native-load customers, if any.<sup>4</sup>

In addition, the Regulated Utilities may sell obsolete or surplus inventory among themselves pursuant to Section (3) of the Goods Services Agreement. The inventory transfers will occur only:

- (a) upon request and (b) when the Responding Party that desires to sell the [G]oods believes in good faith that the [G]oods are obsolete or surplus inventory.<sup>5</sup>

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<sup>4</sup> Goods Services Agreement at 2, Case No. PUE-2014-00008, Doc. Con. Cen. No. 161020014 (Oct. 12, 2016).

<sup>5</sup> *Id.*

Collectively, the transfers of equipment and parts, and the transfers of obsolete or surplus inventory, are referred to hereafter as Transactions. The Goods Transactions will occur at cost since KU/ODP, LG&E, and PPL Electric are rate-regulated electric utilities ("Regulated Utilities").

LK Services and PPL Services ("Service Companies") are parties to the Goods Services Agreement because they provide payment, billing, and accounting services to support the transfer of Goods between the Regulated Utilities. LK Services will provide such services to KU/ODP at cost in accordance with the 2015 Amended and Restated Utility Services Agreement approved in Case No. PUR-2015-00126.<sup>6</sup> PPL Services will not provide any direct or indirect services to KU/ODP. The Goods Services Agreement will be governed by the laws of the Commonwealth of Kentucky, and its term will be five years from the date of the Commission's approval in this case.

NOW THE COMMISSION, upon consideration of this matter and having been advised by its Staff through Staff's action brief, is of the opinion and finds that the proposed Goods Services Agreement is in the public interest and shall be approved subject to the requirements listed in the Appendix attached to this Order. In the future, we remind the Applicants to be diligent in complying with the requirements of our Affiliates Act orders.

Accordingly, IT IS ORDERED THAT:

(1) Pursuant to § 56-77 of the Code, the Goods Services Agreement hereby is approved subject to the requirements listed in the Appendix attached to this Order.

(2) This case is dismissed.

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<sup>6</sup> *Application of Kentucky Utilities Company d/b/a Old Dominion Power Company, For authority to engage in affiliate transactions*, Case No. PUE-2015-00126, 2016 S.C.C. Ann. Rept. 318, Order Granting Authority (Feb. 24, 2016).

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:  
Kendrick R. Riggs, Esquire, Stoll Keenon Ogden PLLC, 2000 PNC Plaza, 500 West Jefferson Street, Louisville, Kentucky 40202-2828; Allyson K. Sturgeon, Managing Senior Counsel, Regulatory and Transactions, and Sara Judd, Senior Corporate Attorney, LG&E and KU Energy LLC, 200 West Main Street, Louisville, Kentucky 40202; and C. Meade Browder, Jr., Senior Assistant Attorney General, Office of the Attorney General, Division of Consumer Counsel, 202 N. 9th Street, 8th Floor, Richmond, Virginia 23219-3424. A copy hereof also shall be delivered to the Commission's Office of General Counsel and Divisions of Utility Accounting and Finance and Public Utility Regulation.

## APPENDIX

- 1) The Commission's approval of the Goods Services Agreement shall extend for five years from the effective date of its Order Granting Approval in this case. Should the Applicants wish to extend the Goods Services Agreement beyond that date, separate approval shall be required.
- 2) The Commission's approval shall have no accounting or ratemaking implications.
- 3) The Commission's approval shall be limited to the specific Transactions identified in the Goods Services Agreement. Should the Applicants wish to engage in additional Transactions not specifically identified in the Goods Services Agreement, separate approval shall be required.
- 4) Separate Commission approval shall be required for KU/ODP to engage in Transactions with affiliated third parties other than those identified in the Goods Services Agreement.
- 5) KU/ODP shall be required to maintain records demonstrating that the Goods are transferred at fully distributed cost and that the Transactions are cost beneficial to Virginia ratepayers.
- 6) The approval granted in this case shall not preclude the Commission from exercising its authority under Va. Code § 56-76 *et seq.* hereafter.
- 7) Separate Commission approval shall be required for any changes in the terms and conditions of the Goods Services Agreement.
- 8) The Commission shall reserve the right to examine the books and records of KU/ODP and any affiliate in connection with the approval granted in this case, whether or not such affiliate is regulated by this Commission.
- 9) KU/ODP shall file an executed copy of the Goods Services Agreement within thirty (30) days after the effective date of the Order Granting Approval in this case, subject to administrative extension by the Commission's Director of the Division of Utility Accounting and Finance ("UAF Director").
- 10) KU/ODP shall include all Transactions associated with the Goods Services Agreement in its Annual Report of Affiliate Transactions ("ARAT") submitted to the UAF Director on May 1 of each year, subject to administrative extension by the UAF Director. The ARAT shall include:
  - (a) the case number in which the Goods Services Agreement was approved;
  - (b) the names of all direct and indirect affiliated parties to the Goods Services Agreement; and
  - (c) a calendar year annual schedule showing the Goods Services Agreement's Transactions by month, FERC account, and amount as they are recorded on KU/ODP's books.