COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUKE ENERGY KENTUCKY, INC. FOR AN ORDER AUTHORIZING THE ISSUANCE OF UNSECURED DEBT AND LONG-TERM NOTES, EXECUTION AND DELIVERY OF LONG-TERM LOAN AGREEMENTS, AND USE OF INTEREST RATE MANAGEMENT INSTRUMENTS	)	CASE NO. 2026-00296

O R D E R

On September 30, 2026, Duke Energy Kentucky, Inc. (Duke Kentucky), tendered an application for authority to issue and sell a principal amount of up to $350 million in long-term debt for a term not to exceed 30 years.[1] In addition, Duke Kentucky requested authority to borrow from Boone County, Kentucky, or another authorized issuer of tax-exempt bonds in the Commonwealth of Kentucky (Authority), for a term not to exceed 30 years, proceeds of up to a maximum aggregate principal amount of $76.72 million of Authority Tax-Exempt Revenue Bonds (Authority Bonds) that may be issued in one or more series.[2]

LEGAL STANDARD

KRS 278.300 requires Commission approval before a utility may "issue any securities or evidences of indebtedness, or assume any obligation or liability in respect to

[1] Application (filed Sept. 30, 2026) at 1.

[2] Application at 2.

the securities or evidences of indebtedness of any other person." The legal standard contained in KRS 278.300(3) establishes the purview 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.

BACKGROUND

Duke Kentucky requested approval to issue and sell up to $350 million in long-term debt in any combination of secured or unsecured debt instruments over a period ending December 31, 2028.[3] Duke Kentucky expected to continue to classify $25 million of borrowings under the Utility Money Pool Agreement as long-term debt via allocation of Duke Energy Corporation's borrowing capacity under its master credit facility.[4] Authorization to issue $350 million in long-term debt was previously granted in Case No. 2024-00321.[5]

Duke Kentucky stated that it plans to use the proceeds for the following: (1) to repay Duke Kentucky's short-term or expiring long-term indebtedness; (2) to redeem early or at maturity long-term debt of Duke Kentucky, if market conditions are favorable; (3) to fund estimated future capital expenditures related to its gas delivery and electric

[3] Application at 3.

[4] Application at 3-4.

[5] Case No. 2024-00321, *Electronic Application of Duke Energy Kentucky, Inc. for an Order Authorizing the Issuance of Unsecured Debt and Long-Term Notes, Execution and Delivery of Long-Term Loan Agreements, and Use of Interest Rate Management Instruments* (Ky. PSC Nov. 21, 2024).

generation, transmission, and distribution businesses of approximately $203 million in 2026, $293 million in 2027, and $248 million in 2028; (4) for such additional expenditures as contemplated by KRS 278.300; or (5) for other lawful corporate purposes.[6]

Duke Kentucky also requested authority to issue up to a maximum of $76.72 million in Authority Bonds. Duke Kentucky stated that the proceeds from the issuance of the Authority Bonds would be used to refinance existing tax-exempt Authority Bonds with a maturity date of August 1, 2027.[7]

Duke Kentucky requested continued approval to use interest rate management techniques and to enter into interest rate management agreements. Duke Kentucky stated that this authority would allow it sufficient alternatives and flexibility when striving to better manage its interest cost and interest rate risk.[8] Duke Kentucky also noted that similar authority was granted in Case No. 2024-00321.[9] According to Duke Kentucky, the interest rate management agreements would utilize products commonly used in today's capital markets, consisting of interest rate swaps, caps, collars, floors, options, or hedging products to manage interest costs.[10] Duke Kentucky also stated that the net fees and commissions in connection with any interest rate management agreement would not exceed 10 percent of the amount of the underlying obligation involved.[11]

[6] Application at 9.

[7] Application at 10; Duke Kentucky's Response to Commission Staff's First Request for Information (Staff's First Request), Item 2.

[8] Application at 7.

[9] Application at 12, *citing* Case No. 2024-00321, Nov. 21, 2024, Order.

[10] Application at 7.

[11] Application at 8.

DISCUSSION AND FINDINGS

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the proposed issuance of securities and the assumption of obligations in connection therewith as set out in Duke Kentucky's application should be approved. Duke Kentucky's lawful purpose is to provide safe, adequate, and reliable electric service to the public. The proposed financing will enable Duke Kentucky to construct capital projects and refinance or repay existing debt, which are necessary to provide utility service to the public consistent with Duke Kentucky's lawful purpose. Further, Duke Kentucky stated that the proposed financing will not impair its ability to perform its corporate purposes, as it would finance the proposed capital expenditures in a balanced manner using equity and debt in accordance with the capital structure authorized by the Commission.[12] By doing so, Duke Kentucky stated that the proposed financing will not change its authorized capital structure significantly.[13] The Commission thus finds that the proposed financing achieves one or more lawful objects within the corporate purposes of Duke Kentucky's utility operations; is necessary and appropriate for and consistent with the proper performance of its service to the public; will not impair its ability to perform that service; is reasonably necessary and appropriate for such purpose; and, therefore, should be approved.

The Commission finds that Duke Kentucky should be authorized to use interest rate management techniques and to enter into interest rate management agreements as set forth in its application that reduce its overall interest costs. Further, in the event Duke

[12] Duke Kentucky's Response to Commission Staff's First Request, Item 1.

[13] Duke Kentucky's Response to Commission Staff's First Request, Item 1.

Kentucky enters into an interest rate management agreement, a copy of the agreement should be provided to the Commission within 30 days of its execution. Such agreements generally assist in keeping expenses for debt lower than they would have otherwise been.

IT IS THEREFORE ORDERED that:

1. Duke Kentucky is authorized to obtain long-term debt in an aggregate amount not to exceed $350 million as set forth in its application for the period ending December 31, 2028.

2. Duke Kentucky is authorized to borrow from Boone County, Kentucky, or another authorized issuer of tax-exempt bonds in the Commonwealth of Kentucky, for a term not to exceed 30 years, the proceeds of up to a maximum of $76.72 million aggregate principal amount of Authority Bonds that may be issued in one or more series, for the period ending December 31, 2028.

3. Duke Kentucky is authorized to continue to classify $25 million of Utility Money Pool Agreement borrowings as long-term debt if it deems prudent to do so.

4. Duke Kentucky is authorized to use interest rate management techniques and to enter into interest rate management agreements as set forth in its application that reduce its overall interest costs. In the event Duke Kentucky enters into an interest rate management agreement, a copy of the agreement shall be provided to the Commission within 30 days of its execution.

5. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

6. Duke Kentucky shall agree to only such terms and prices as are consistent with this Order.

7. Duke Kentucky shall file with this Commission, within 30 days from the date of issuance, a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate, and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution of any such securities.

8. Any documents filed in the future pursuant to ordering paragraphs 4 or 7 herein shall reference this case number and shall be retained in the post-case correspondence file.

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

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Entered on this 25th day of November, 2026.

PUBLIC SERVICE COMMISSION

Angie Hatton
Chair

Mary Pat Regan
Vice Chair

Andrew W. Wood
Commissioner

Barry L. Mayfield
Commissioner

ATTEST:

Justin McNeil
Executive Director

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