

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUKE ENERGY)	
KENTUCKY, INC. TO BECOME A FULL PARTICIPANT)	
IN THE PJM INTERCONNECTION LLC, BASE RESIDUAL)	Case No.
AND INCREMENTAL AUCTION CONSTRUCT FOR THE)	2024-00285
2027/2028 DELIVERY YEAR AND FOR NECESSARY)	
ACCOUNTING AND TARIFF CHANGES)	

ATTORNEY GENERAL’S RESPONSE BRIEF

The intervenor, the Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention (“OAG”), hereby submits his Response Brief in the above-styled matter.

First, Duke Energy, Kentucky (“DEK” or “the Company”) in its initial brief incorrectly argues that if the Commission accepts Mr. Kollen’s recommendation regarding the exclusion of capacity-related compliance expenses in the 1000 series Billing Line Item (“BLI”), and to include capacity-related compliance expenses in the 2000 series BLIs that customers would somehow receive all the benefits of RPM participation, but none of the costs.¹ This is patently incorrect. Customers already pay 100% of the costs of generating capacity and transmission costs through base rates. The 90%/10% sharing allocation applies symmetrically to incremental net benefits (capacity sales revenues greater than capacity purchase expenses) or net costs (capacity sales revenues less than capacity purchase expenses) recoverable through the Profit Sharing Mechanism (“PSM”); it does not apply to the 100% of

¹ DEK Initial Brief at 38.

the costs recoverable through base revenues. Only the incremental *net* benefit or the *net* cost is recoverable through the PSM, regardless of whether it is 90%/10% or 100%/0%.²

Second, under Mr. Kollen's recommendation, the incremental net benefits and net costs that would be recovered in the PSM cost recovery formula would be allocated through the PSM on a demand basis. Mr. Kollen stated: "The portion allocated to residential and any other class that is *not* billed on the basis of demand then can be converted to a kWh energy charge for those classes."³ In other words, if the net benefit is allocated to class on demand, then the intraclass billing should be on demand to those classes that are billed on demand, and on kWh to those classes that are billed on kWh.⁴ The OAG does not agree with DEK's assertion that it would need to conduct an undefined study before it could proceed.⁵

Third, DEK claims that Mr. Kollen's proposal that capacity and revenues billed in the PSM could pose an obstacle because none of the Company's current riders or surcharges are billed on a demand basis.⁶ The Company's assertion is misleading as it provided no support whatsoever for this allegation. The OAG notes that the Company's incremental environmental costs recovered through the Environmental Surcharge Mechanism Rider are allocated on total revenues, or a combination of the underlying customer, demand, and energy allocations reflected in all other base and rider revenues. In other words, there is no valid basis to allocate demand costs on an energy basis when the underlying costs are acknowledged by DEK to be demand costs. The OAG notes that DEK's actual tariffs

² See, e.g., Kollen Direct at 3.

³ Kollen Direct at 11:8-10 (emphasis added).

⁴ DEK's Initial Brief at p. 40 in the first paragraph under subheading 10 asserts that the Company is not opposed to changing the allocation of capacity revenues and costs included in the PSM to be based on demand; however, in the next paragraph the Company states it does not agree those capacity revenues and costs should be billed on a demand basis.

⁵ DEK Initial Brief at 40.

⁶ DEK Initial Brief, at 41.

demonstrate that it is more than capable of implementing different allocations in different riders as directed by the Commission.

Respectfully submitted,
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ATTORNEY GENERAL



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Certificate of Service

Pursuant to the Commission's Orders in Case No. 2020-00085, and in accord with all other applicable law, Counsel certifies that an electronic copy of the forgoing was served and filed by e-mail to the parties of record.

This 21st day of March, 2025



Assistant Attorney General