

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ELECTRONIC APPLICATION OF DUKE)	
ENERGY KENTUCKY, INC., FOR: 1) AN)	
ADJUSTMENT OF THE ELECTRIC RATES; 2))	CASE NO.
APPROVAL OF NEW TARIFFS; 3) APPROVAL)	2024-00354
OF ACCOUNTING PRACTICES TO ESTABLISH)	
REGULATORY ASSETS AND LIABILITIES;)	
AND 4) ALL OTHER REQUIRED APPROVALS)	
AND RELIEF.	

DUKE ENERGY KENTUCKY, INC.’S PETITION FOR REHEARING

Comes now Duke Energy Kentucky, Inc. (Duke Energy Kentucky or Company), by counsel, pursuant to KRS 278.400 and other applicable law, and does hereby petition the Kentucky Public Service Commission (Commission) to grant rehearing on certain items contained in the Commission’s October 2, 2025, Order (2025 Rate Case Order or Order), respectfully stating as follows:

I. INTRODUCTION

Duke Energy Kentucky filed its Application for Authority to Adjust Electric Rates, Approval of New Tariffs, Approval of Accounting Practices to Establish Regulatory Assets and Liabilities, and for All Other Required Approvals and Relief on December 2, 2024 (Application), seeking a \$70,008,476 increase in its electric base rates. In its 2025 Rate Case Order, the Commission granted an electric base rate increase of \$43,693,311.¹ While

¹ *In the Matter of Electronic Application of Duke Energy Kentucky, Inc. for: 1) An Adjustment of the Electric Rates; 2) Approval of New Tariffs; 3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 4) All Other Required Approvals and Relief*, Case No. 2024-00354, Order, p. 44 (Ky. PSC Oct. 2, 2025) (2025 Rate Case Order).

Duke Energy Kentucky appreciates the time and attention that the Commission put into reviewing the Company's Application, the Company respectfully suggests that, in several key aspects, the 2025 Rate Case Order is based upon incorrect assumptions, analyses, or understandings and thus arrives at certain conclusions that are inconsistent with the evidence in the record, underlying authority, or both.² It is therefore necessary and appropriate for the Commission to grant rehearing on the following three issues: (1) PJM Billing Line Items; (2) Rate Case Expense; and (3) Terminal Net Salvage. Each of these items are discussed below.

II. ARGUMENT

A. Proposed Changes to PJM Billing Line Items (BLIs) to be Included in the Fuel Adjustment Clause (FAC) and Profit-Sharing Mechanism (PSM) Riders

In this proceeding, the Company requested that the Commission authorize updates to the PJM Billing Line Item (BLI) codes included in the Company's Fuel Adjustment Clause (FAC) and Profit-Sharing Mechanism (PSM) to reflect updates to these codes that have occurred since the last time that these codes were updated in Case No. 2017-00321. While the Commission granted the Company's requests to update certain PJM BLI codes, the Company requests clarification or rehearing on the following codes where the Commission's Order does not accurately reflect the Company's request or the record evidence on these issues.

² KRS 278.400 establishes the standard of review for motions for rehearing and limits rehearing to new evidence not readily discoverable at the time of the original hearings, to correct any material errors or omissions, or to correct findings that are unreasonable or unlawful.

1. PJM BLI 1216 – Pseudo-Tie Balancing Congestion Refund

As noted in the Commission’s 2025 Rate Case Order, PJM BLI 1216 is a new PJM BLI related to the pseudo tie of generators by market participants importing energy in and exporting energy out of PJM.³ Since these energy imports and exports are subject to electric system congestion and line losses and impact fuel consumption, the Company requested that PJM BLI 1216 be allocated between FAC and PSM (native and non-native).⁴ This is because if a PJM BLI is fuel-related it is allocated between native and non-native load since the generation of the plant could serve either retail load or off-system sales.⁵

While the Company requested PJM BLI 1216 be allocated between the FAC and PSM, the Commission only approved the recovery of this code in the PSM stating, “[t]he Commission approves the inclusion of the new BLIs 1216 and 1246/2246 in the PSM for the reasons provided by Duke Kentucky.”⁶ However, the Commission Order does not state that the Commission was expressly denying recovery of PJM BLI 1216 through the FAC. As noted above, it is appropriate to include PJM BLI in both the PSM and the FAC because it is a fuel-related BLI that should be allocated between native and non-native since the generation of the plant could serve either retail load or off-system sales.⁷ Accordingly, Duke Energy Kentucky requests that the Commission revise its Order to include PJM BLI 1216 in both the PSM and the FAC.

³ 2025 Rate Case Order at 67-68.

⁴ Direct Testimony of John D. Swez at 41 (Swez Direct) (Dec. 2, 2024).

⁵ Company’s Response to STAFF-PHDR-01-002.

⁶ 2025 Rate Case Order at 80.

⁷ Company’s Response to STAFF-PHDR-01-002.

2. PJM BLIs 1667/2667 – Non-performance / Bonus Performance

In its 2025 Rate Case Order, the Commission excluded PJM BLIs 1667/2667 from the PSM.⁸ These are the PJM BLIs used for Capacity Performance Assessments and Credits. According to the Commission, “these BLIs are related to performance penalties and related revenue BLIs—the penalties should be the responsibility of the utility, which has an obligation to provide adequate service.”⁹ Duke Energy Kentucky requests that the Commission reconsider its decision to exclude PJM BLIs 1667/2667.

These PJM BLIs were previously approved by the Commission for inclusion in the PSM in Case No. 2017-00321 as part of the Company’s proposed changes to the PSM, including adjustments to reflect PJM BLIs that were related to credits and charges attributable to the off-system sales shared with customers under the PSM.¹⁰ More specifically, Duke Energy Kentucky proposed to adjust the categories of eligible net proceeds (credits and charges) that could be flowed through the PSM to include all wholesale energy, capacity, and ancillary services markets (net of costs and credits) that were available or might become available in PJM, including capacity performance market requirements, as well as short-term capacity purchases necessary to meet the Company’s three-year fixed resource requirement plan.¹¹ The Company also proposed to revise the sharing percentage between customers and shareholders to a 90/10 split.¹² The Commission

⁸ 2025 Rate Case Order at 78.

⁹ *Id.*

¹⁰ *In the Matter of Electronic Application of Duke Energy Kentucky, Inc. for: 1) An Adjustment of the Electric Rates; 2) Approval of an Environmental Compliance Plan and Surcharge Mechanism; 3) Approval of New Tariffs; 4) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 5) All Other Required Approvals and Relief*, Case No. 2017-00321, Order at 50-52 (Ky. P.S.C. Apr. 13, 2018).

¹¹ *Id.* at 50-51.

¹² *Id.* at 51-52. Previously, the first \$1 million in annual margins from off-system sales flowed to customers and anything over \$1 million was shared 75 percent to customers and 25 percent to Duke Energy Kentucky shareholders.

found Duke Energy Kentucky's proposed changes to the PSM to be reasonable and approved the Company's proposal with the requirement that the Company list each of the PJM BLIs that would flow through the PSM in its compliance tariff.¹³ In addition, the Commission required Duke Energy Kentucky to notify the Commission within seven days of incurring any capacity performance assessment from PJM.¹⁴

In this case, the Company did not request any changes to the recovery of PJM BLIs 1667/2667 because they had been previously authorized for recovery. Accordingly, because no changes were proposed, these PJM BLIs were also not discussed in testimony, including any descriptions of their purpose or recovery. Rather they were simply included in Attachment JDS-3 to the Direct Testimony of Company witness John D. Swez, which is a list of the PJM BLIs that the Company currently includes in its FAC and PSM calculations as well as those included in the Company's base rates.¹⁵ Thus, it appears that the Commission decided to exclude PJM BLIs 1667/2667 based on their name alone (Non-performance and Bonus Performance). This is not a sufficient basis to now deny these PJM BLIs, which were already approved and previously found to be reasonable for recovery by the Commission as part of a prior, fully litigated, electric base rate case proceeding. This is particularly true when the Commission's previous decision was

¹³ *Id.* at 52.

¹⁴ *Id.*

¹⁵ *In the Matter of Electronic Application of Duke Energy Kentucky, Inc. for: 1) An Adjustment of the Electric Rates; 2) Approval of New Tariffs; 3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 4) All Other Required Approvals and Relief*, Case No. 2024-00354, Direct Testimony of John D. Swez at 37 and Attachment JDS-3, p. 2 of 3 (Dec. 2, 2024).

informed by a complete evidentiary record from that prior, fully litigated base rate proceeding and the Company's position then was supported by multiple witnesses.¹⁶

But more importantly, the Commission's decision overlooks the fact that customers benefit from PJM BLIs 1667/2667 and that, contrary to the Commission's finding here, these PJM BLIs are not solely "related to performance penalties." For example, in Case No. 2017-00321, Company witness John A. Verderame testified that the goal of the PSM, which includes these PJM BLIs, is to "share[] risks and opportunities fairly, and maintain[] the alignment of interests between Duke Energy Kentucky and the customers it serves."¹⁷ As he explained, "[t]o the extent Duke Energy Kentucky receives any performance incentives/bonuses from the PJM Capacity Performance market, the Company would share those through the PSM."¹⁸ Customers also receive the benefit of a 90/10 split for any performance incentives/bonuses as a result of the sharing percentage between customers and shareholders discussed above. The significant benefits offered by PJM BLIs 1667/2667 was demonstrated clearly in the Company's 2024 IRP proceeding, Case No. 2024-00197. At the hearing in that case, Company witness Mr. Swez testified that approximately

¹⁶ See e.g., *In the Matter of Electronic Application of Duke Energy Kentucky, Inc. for: 1) An Adjustment of the Electric Rates; 2) Approval of an Environmental Compliance Plan and Surcharge Mechanism; 3) Approval of New Tariffs; 4) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 5) All Other Required Approvals and Relief*, Case No. 2017-00321, Direct Testimony of John A. Verderame at 17-33 (Sept. 1, 2017), Direct Testimony of John D. Swez, pp. 24-25 (Sept. 1, 2017) and Direct Testimony of William Don Wathen pp. 14-15 (Sept. 1, 2017).

¹⁷ *In the Matter of Electronic Application of Duke Energy Kentucky, Inc. for: 1) An Adjustment of the Electric Rates; 2) Approval of an Environmental Compliance Plan and Surcharge Mechanism; 3) Approval of New Tariffs; 4) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 5) All Other Required Approvals and Relief*, Case No. 2017-00321, Direct Testimony of John A. Verderame at 33 (Sept. 1, 2017).

¹⁸ *Id.* at 30.

\$800,000 in capacity performance credits received by the Company during Winter Storm Elliott were passed back to customers through the PSM.¹⁹

Lastly, although any capacity performance assessments received by Duke Energy Kentucky would also flow through the PSM, as previously discussed, the Company is required to notify the Commission within seven days of incurring such capacity performance assessment from PJM. This would give the Commission time to open a docket to determine the prudence of the costs. Given the lack of support in the record for excluding PJM BLIs 1667/2667, the reversal of the Commission's prior determination regarding the reasonableness of recovery of these BLIs, particularly as it relates to the change in the Rider PSM sharing allocation from a 75 percent to 90 percent benefit to customers, and the benefits of these PJM BLIs already provided to customers, Duke Energy Kentucky requests that the Commission grant rehearing on this issue and reconsider its decision to exclude the PJM BLIs.

3. PJM BLIs 1980/2980 – Miscellaneous Bilateral Purchase or Sale

The Commission's Order states that PJM BLIs 1980/2980 related to Miscellaneous Bilateral Purchases or Sales should not be included in the PSM or FAC because the Company "did not explain the basis for including them."²⁰ In support of this statement, the Commission Order cited to the hearing transcript where one of the Company's witnesses generally described these BLIs.²¹ The Commission did note that it remained open to revisiting the issue in a future case if the Company provides sufficient evidence to establish

¹⁹ *In the Matter of Electronic 2024 Integrated Resource Plan of Duke Energy Kentucky, Inc.*, Case No. 2024-00197, Hearing at 02:10:36 (Dec. 10, 2024).

²⁰ 2025 Rate Case Order at 75.

²¹ 2025 Rate Case Order at 75, fn. 282.

why including these BLIs in the FAC or PSM riders is reasonable.²² The Company urges the Commission to revisit this issue now as the Commission previously ordered inclusion of PJM BLIs 1980/2980 in the PSM or the FAC in the Company's 2017 rate case²³ and the Company did not propose any changes in this case.²⁴ In addition, the Company explained in a post-hearing data request response why it is reasonable to include these two BLIs in the PSM or the FAC.

As noted in the Company's response to Staff's Post-Hearing Data Request No. 4, PJM BLIs 1980/2980 are used when PJM administers agreed upon requests between specific PJM members to bilaterally adjust their billing statements.²⁵ When there is Miscellaneous Bilateral transaction, the Company researches the transaction and determines the underlying PJM BLIs that would have been charged/credited if PJM processed the transaction through its normal settlement process rather than through a Miscellaneous Bilateral transaction. After the underlying PJM BLIs have been determined, the amounts are recorded based on underlying PJM BLIs and recovery is based on the approval of the Commission of the underlying PJM BLIs and included in the appropriate section of the PSM or FAC, if applicable.

²² 2025 Rate Case Order at 79.

²³ *In the Matter of Electronic Application of Duke Energy Kentucky, Inc. for: 1) An Adjustment of the Electric Rates; 2) Approval of an Environmental Compliance Plan and Surcharge Mechanism; 3) Approval of New Tariffs; 4) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 5) All Other Required Approvals and Relief*, Case No. 2017-00321, Direct Testimony of John D. Swez, Attachment JDS-4 (Sept. 1, 2017).

²⁴ Swez Direct at Attachment JDS-3.

²⁵ Company's Response to STAFF-PHDR-01-002.

While PJM BLIs 1980/2980 were approved in Case No. 2017-00321²⁶ to be included in the FAC or PSM based on the underlying PJM BLIs, they were not specifically included on the Company's tariffs. The only change that the Company requested in this case was permission to revise the tariffs to explicitly include PJM BLIs 1980/2980 on the FAC and PSM tariff sheets for transparency.²⁷ The Company did not request any other changes to these PJM BLIs in this case.

In fact, the Commission has recently approved as part of the Company's two-year FAC review inclusion of PJM BLIs 1980/2980 when a Miscellaneous Bilateral was used for load correction and the PJM 60-day settlement process was completed for that period.²⁸ This occurred in July 2022 and was included in the FAC as a prior period adjustment in January 2023 because 100 percent of the load reconciliation was related to purchased power for native load. The Commission reviewed this transaction in Case No. 2023-00012²⁹ (2-year FAC review) and the Commission approved the charges and credits billed by the Company through its FAC for the period November 1, 2020, through October 31, 2022, in its May 6, 2024, Order. The prior period adjustment was included in expense month of January 2023, and the Commission approved the charges and credits billed by the Company through its FAC for the period November 1, 2022, through April 30, 2023,

²⁶ See, *In the Matter of the Electronic Application of Duke Energy Kentucky, Inc. for: 1) An Adjustment of the Electric Rates; 2) Approval of an Environmental Compliance Plan and Surcharge Mechanism; 3) Approval of New Tariffs; 4) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 5) All Other Required Approvals and Relief*; Case No. 2017-00321, Direct Testimony of John D. Swez, Attachment JDS-4 (Sept. 1, 2021).

²⁷ Application, Volume 12, Schedule L-2.2, pp. 76-77; Application, Volume 12, Schedule L-1, pp. 118-119.

²⁸ See, *In the Matter of An Electronic Examination of the Application of the Fuel Adjustment Clause of Duke Energy Kentucky, Inc. from November 1, 2020 through October 31, 2022*, Case No. 2023-00012, Duke Energy Kentucky's response to Commission Staff's Second Request for Information, Item 23, Error #3, p. 3 (Oct. 20, 2023).

²⁹ *Id.*

in the March 19, 2025, Order in Case No. 2024-00140. As the Commission has previously approved inclusion of PJM BLIs 1980/2980 in the PSM and/or FAC, the Commission should grant rehearing on its decision to exclude them and further allow the Company to include these two BLIs on its PSM and/or FAC tariff sheets as appropriate.

B. Actual Rate Case Expense

The Commission's denial of \$172,153 in actual rate case expense is inconsistent with the direction provided by the Commission's July 1, 2024, Order in Duke Energy Kentucky's last electric rate case (2022 Rate Case Order).³⁰ In the 2022 Rate Case Order, the Commission found that Duke Energy Kentucky was entitled to recover the actual amount of outside counsel fees incurred after the hearing. Importantly, the Commission also recognized:

In future cases, the Commission appreciates that rate case work is on-going throughout the pendency of the matter. Consequently, utilities may consider filing periodic updates of case expenses, including legal fees, until such time as an Order is issued, even if not requested in a Commission Staff request for information.³¹

In this case, in accordance with the direction provided by the Commission, the Company filed monthly updates of actual rate case costs until the Commission's 2025 Rate Case Order was issued. Relevant here, on July 25, 2025, Duke Energy Kentucky filed its Eighth Supplemental Response to Commission Staff's First Request for Information, Item 14, which reflected \$172,153 in actual costs for July 2025.³² These costs reflected expenses

³⁰ *In the Matter of Electronic Application of Duke Energy Kentucky, Inc. for (1) An Adjustment of Electric Rates; (2) Approval of New Tariffs; (3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and (4) All Other Required Approvals and Relief*, Case No. 2022-00372, Order, 10-11 (Ky. PSC July 1, 2024) (2022 Rate Case Order).

³¹ *Id.* at 11.

³² Duke Energy Kentucky's Eighth Supplemental Response to Commission Staff's First Request for Information, Item 14, Attachment 1, p. 6 (July 25, 2025).

incurred for the hearings held in May 2025, as well as post-hearing activities such as post-hearing briefing. The Commission did not authorize recovery of these costs, noting that the Company provided the costs “more than a month after the close of evidence in this case on June 24, 2025.”³³

The Commission’s denial of Duke Energy Kentucky’s actual rate case expenses is inconsistent with the direction provided by the Commission in the 2022 Rate Case Order, which explicitly states that the Company could file “periodic updates of case expenses, including legal fees, *until such time as an Order is issued.*”³⁴ As previously discussed, in this case, the Commission’s 2025 Rate Case Order was issued on October 2, 2025, and Duke Energy Kentucky filed its monthly update including the \$172,153 in actual costs on July 25, 2025. Thus, there is no basis to deny cost recovery due to timing, and the Commission provides no explanation for its departure from the 2022 Rate Case Order that directed the Company to make such post-evidentiary update filings. Accordingly, Duke Energy Kentucky requests that the Commission grant rehearing on this issue and allow the Company to recover its actual rate case expenses.

C. Depreciation Expense – Terminal Net Salvage

Pursuant to KRS 278.264(2), the Commission found that the depreciation expense associated with terminal net salvage (*i.e.*, decommissioning costs) for fossil fuel generation plants, specifically East Bend 2 and Woodsdale, should be excluded from base rates.³⁵ The Commission’s 2025 Rate Case Order on this point is contrary to a utility’s legal and constitutional right to recover such costs, the plain language of the statute, and longstanding

³³ 2025 Rate Case Order at 43, fn.1.

³⁴ 2022 Rate Case Order at 11 (*emphasis added*).

³⁵ 2025 Rate Case Order at 43.

ratemaking principles and past Commission practice. In addition, the record evidence in this case shows that Duke Energy Kentucky satisfied the rebuttable presumption under KRS 278.264(2) and should be permitted to include terminal net salvage in depreciation expense in base rates.

First, the Commission's decision to deny the Company's recovery of terminal net salvage constitutes a taking of private property for public use without just compensation in violation of Kentucky law and the United States and Kentucky Constitutions. Under Kentucky law, "[e]very utility may demand, collect and receive fair, just and reasonable rates for the services rendered or to be rendered by it to any person."³⁶ In addition, the United States and Kentucky Constitutions prohibit the Commission from ordering a taking of the Company's property.³⁷ As a public utility subject to the Commission's jurisdiction, Duke Energy Kentucky is required to provide adequate, efficient, and reasonable service to customers in its service territory.³⁸ Because the rates that the Company charges for providing such service are set by the Commission through the rate case process, it is important that the rates should be sufficient to allow the Company to recover its costs to serve customers and earn a fair return on its investment property used to provide that

³⁶ KRS 278.030(1).

³⁷ U.S. Const. amend. V ("[N]or shall private property be taken for public use, without just compensation."); Ky. Const. § 242 ("Municipal and other corporations, and individuals invested with the privilege of taking private property for public use, shall make just compensation for property taken, injured or destroyed by them; which compensation shall be paid before such taking, or paid or secured, at the election of such corporation or individual, before such injury or destruction."); *Chicago, Burlington & Quincy R.R. v. Chicago*, 166 U.S. 226, 236 (1897) (holding that the Takings Clause of the Fifth Amendment is incorporated into the Due Process Clause of the Fourteenth Amendment).

³⁸ KRS 278.030(2).

service. If the Commission sets rates that are not sufficient, the Commission's action amounts to a taking³⁹ and results in confiscatory rates⁴⁰ in violation of constitutional law.

This is the case here. The Commission's disallowance of terminal net salvage for fossil fuel generation plants potentially creates millions of dollars in stranded costs. There is no dispute in the record that there are prudent terminal net salvage costs associated with the fossil fuel generation plants and that such costs should be recoverable. However, the Commission excluded these costs from rates, contrary to Duke Energy Kentucky's legal and constitutional right to recover such costs.

Second, the Commission's interpretation and application of KRS 278.264 to deny recovery is not reasonable or consistent with the nature of terminal net salvage costs. KRS 278.264(2) states that "[t]he commission shall not approve the retirement of an electric generating unit, authorize a surcharge for the decommissioning of the unit, or take any other action which authorizes or allows for the recovery of costs for the retirement of an electric generating unit, including any stranded asset recovery, unless the presumption created by this section is rebutted." The Company's inclusion of terminal net salvage in the depreciation rates of fossil fuel generation plants in a base rates request was not a request for Commission approval of "the retirement of an electric generating unit" or "a surcharge for the decommissioning of" an electric generating unit. Rather, these are ordinary costs that are collected in depreciation rates regardless of whether or when an asset is set to retire. Duke Energy Kentucky's inclusion of terminal net salvage costs in depreciation expense was also not a request "for the recovery of costs for the retirement of

³⁹ *Duquesne Light Co. v. Barasch*, 488 U.S. 299, 308 (1989).

⁴⁰ *Federal Power Com. v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944); *Bluefield Water Works & Improvement Co. v. Public Serv. Comm'n*, 262 U.S. 679, 692 (1923).

an electric generating unit,” as the Commission stated,⁴¹ because the Company was not requesting to retire any fossil fuel generation plants as part of this case. Rather, the Company’s proposals concerned appropriate cost planning as part of establishing depreciation rates and ultimately just and reasonable base rates.

Third, the Commission’s denial of recovery of terminal net salvage is a departure from longstanding ratemaking principles and past Commission practice. As explained by Company witness John J. Spanos, the Commission has previously approved decommissioning costs in Duke Energy Kentucky’s depreciation rates, finding that the Company’s “treatment of terminal net salvage value in the computing the depreciation rates for generating units is reasonable...and should be approved.”⁴² The Company developed its proposed depreciation rates in this case in the same manner and using the same methods as in prior cases, as the relevant facts remain the same: upon the inevitable retirement of the fossil fuel generation plants, the Company must incur costs to safely decommission the plants in compliance with various state and federal laws, rules, regulations, and Commission orders. Removing decommissioning costs from rates during the life of these facilities not only denies Duke Energy Kentucky cost recovery to which it is entitled under state and constitutional laws, but also constitutes a departure from prior Commission rulings based on the same facts. Further, the Commission’s disallowance is at odds with

⁴¹ See 2025 Rate Case Order at 41 (“The decommissioning costs recovered as part of a utility’s terminal net salvage value would be costs for the retirement of the unit.”).

⁴² *In the Matter of Electronic Application of Duke Energy Kentucky, Inc. for: 1) An Adjustment of the Electric Rates; 2) Approval of New Tariffs; 3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 4) All Other Required Approvals and Relief*, Case No. 2024-00354, Direct Testimony of John J. Spanos at 14 (Dec. 2, 2024) (Spanos Direct) (quoting *In the Matter of Electronic Application of Duke Energy Kentucky, Inc. for: 1) An Adjustment of the Electric Rates; 2) Approval of an Environmental Compliance Plan and Surcharge Mechanism; 3) Approval of New Tariffs; 4) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 5) All Other Required Approvals and Relief*, Case No. 2017-00321, Order, p. 27 (Ky. P.S.C. Apr 13, 2018) (2017 Rate Case Order)).

traditional ratemaking practice, as decommissioning costs are widely accepted in the industry as an inherent component of a generating asset's depreciation.⁴³

Fourth, even if the Commission had properly applied KRS 278.264 to Duke Energy Kentucky, the record evidence shows that the Company satisfied the rebuttable presumption under the statute. The Company presented extensive testimony from Company witnesses John D. Swez, Matthew Kalembo, Sarah E. Lawler, Mr. Spanos, and William C. Luke regarding each criterion of KRS 278.264(2). For example, the testimony demonstrated that Duke Energy Kentucky will replace East Bend 2 and Woodsdale with generation that will be dispatchable by PJM Interconnection LLC (PJM) and will at a minimum maintain the reliability and resilience of the electric transmission grid. Witness Kalembo testified that the Company's 2024 Integrated Resource Plan (IRP) analyzed replacement generation beyond the life of East Bend, concluding a 1x1 combined cycle as the optimal replacement resource.⁴⁴ Further, Mr. Kalembo testified that Woodsdale would be replaced with similar dispatchable firm capacity.⁴⁵ Any replacement will also maintain necessary reserve capacity requirements established by PJM and will have the same or higher capacity value of East Bend 2 and Woodsdale currently.⁴⁶ Company witnesses further explained that the decision to retire is not based on any financial incentives or benefits offered by any federal agency. The inclusion of terminal net salvage costs in depreciation expense will also not result in any net incremental costs that could be avoided

⁴³ Spanos Direct at 16-18 (citing Federal Energy Regulatory Commission accounting requirements and authoritative depreciation texts that require terminal net salvage to be included in an asset's depreciation rate).

⁴⁴ Direct Testimony of Matthew Kalembo at 6 (Kalembo Direct) (Dec. 2, 2024).

⁴⁵ *Id.* at 20.

⁴⁶ *Id.* at 6-24.

by continuing to operate East Bend 2 and Woodsdale. Moreover, Duke Energy Kentucky's IRP demonstrates that the Company's approach to retire East Bend 2 is the least cost to customers. Finally, the testimony shows that the Company will not commence retirement or decommissioning of East Bend 2 or Woodsdale before the replacement generation capacity meeting the requirements of KRS 278.264 is fully constructed, permitted, and in operation. There is no evidence in the record that disputes or contradicts the Company's assertions, analysis, or conclusions.

For these reasons, Duke Energy Kentucky requests that the Commission grant rehearing on this issue and allow the Company to recover terminal net salvage

III. CONCLUSION

WHEREFORE, on the basis of the foregoing, Duke Energy Kentucky respectfully requests that the Commission grant the relief requested herein.

This 22nd day of October 2025.

Respectfully submitted,

DUKE ENERGY KENTUCKY, INC.

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CERTIFICATE OF SERVICE

This is to certify that the foregoing electronic filing is a true and accurate copy of the document in paper medium; that the electronic filing was transmitted to the Commission on October 22, 2025; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that submitting the original filing to the Commission in paper medium is no longer required as it has been granted a permanent deviation.⁴⁷

/s/Rocco D'Ascenzo

Counsel for Duke Energy Kentucky, Inc.

⁴⁷ *In the Matter of Electronic Emergency Docket Related to the Novel Coronavirus COVID-19*, Case No. 2020-00085, Order (Ky. P.S.C. July 22, 2021).