

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. 2024-00354
Approval of New Tariffs; 3) Approval of)
Accounting Practices to Establish)
Regulatory Assets and Liabilities; and 4))
All Other Required Approvals and Relief.)

**DUKE ENERGY KENTUCKY, INC.'S 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**

Applicant, Duke Energy Kentucky, Inc., (Duke Energy Kentucky or the Company), by counsel, pursuant to KRS 278.180, KRS 278.190, KRS 278.192, 807 KAR 5:001 Section 14 and Section 16, and other applicable law, hereby applies to the Kentucky Public Service Commission (Commission) for authority to adjust its electric rates, approval of new tariffs, including, but not limited to, approval of certain accounting practices to establish regulatory assets and liabilities, and for all other required approvals and relief (collectively this Application). As set forth in the Company's Notice of Intent filed on November 1, 2024, in accordance with KRS 278.180(1), and 807 KAR 5:001, Section 16(2), this Application is supported by a fully forecasted test period consisting of the twelve months ending June 30, 2026. The Notice of Intent was served upon the Attorney General of the Commonwealth of Kentucky, Office of Rate Intervention. A copy of the Notice of Intent is attached hereto at Vol. 1, Tab 1 of the filing requirements.

In support of this Application, Duke Energy Kentucky respectfully states as follows:

Introduction

1. Duke Energy Kentucky is a “utility” as defined in KRS 278.010(3) and is subject to the Commission’s jurisdiction pursuant to KRS 278.040. In accordance with 807 KAR 5:001, Section 14(1), Duke Energy Kentucky is a Kentucky corporation with its principal office and principal place of business at 139 East Fourth Street Cincinnati, Ohio 45202. The Company’s local office in Kentucky is Duke Energy Erlanger Ops Center, 1262 Cox Road, Erlanger, Kentucky 41018. The Company further states that its electronic mail address for purposes of this matter is KYfilings@duke-energy.com.

2. Duke Energy Kentucky is a utility engaged in the electric and natural gas business. As part of its electric service, Duke Energy Kentucky generates electricity, which it distributes and sells in Boone, Campbell, Grant, Kenton, and Pendleton Counties. Duke Energy Kentucky purchases, sells, stores, and transports natural gas in Boone, Bracken, Campbell, Gallatin, Grant, Kenton and Pendleton Counties, Kentucky.

3. Pursuant to 807 KAR 5:001, Section 14(2), Duke Energy Kentucky states that it was originally incorporated in the Commonwealth of Kentucky on March 20, 1901, and attests that it is currently in good standing in said Commonwealth. Pursuant to 807 KAR 5:001, Section 14(2), a certified copy of Duke Energy Kentucky’s certificate of good standing from the Kentucky Secretary of State is attached at Volume. 1, Tab 5 of this filing, and is incorporated by reference. Duke Energy Kentucky has on file with the Office of the Secretary of State a certificate for the following assumed name: “Duke Energy.” The required certificate of assumed name is attached at Volume. 1, Tab 9 of this filing, and is

incorporated by reference.

4. This Application constitutes notice to the Commission pursuant to KRS 278.180(1) of the changes proposed to be made to Duke Energy Kentucky's electric rates. Duke Energy Kentucky is also filing its Certificate of Notice to the public of the changes in its tariffs that result in increased rates, which Certificate is attached hereto at Volume. 1, Tab 12 of this Application.

5. Pursuant to 807 KAR 5:001 Section 8, on November 1, 2024, Duke Energy Kentucky filed with the Commission, its notice of intent to use electronic filing procedures in this proceeding. Copies of all orders, pleadings and other communications related to this proceeding should be directed to:

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Adjustment of Electric Rates

6. Duke Energy Kentucky's present electric rates and charges, which are based on costs forecasted during the twelve months ended June 30, 2024, were authorized by this Commission by Order dated October 12, 2023, and as amended on rehearing by Order dated July 1, 2024, and by Order entered Nunc Pro Tunc dated July 10, 2024, in Case No. 2022-00372.¹

7. In accordance with the provisions of KRS 278.180, KRS 278.190, and KRS 278.192, Duke Energy Kentucky requests Commission approval of a change in existing rates, including but not limited to a change in its depreciation rates, establishment of new rates, and changes in terms, conditions, and tariffs for electric service. Duke Energy Kentucky proposes to implement and change its existing rates and tariffs to those rates and charges set forth in the proposed tariff(s) attached hereto at Schedule L contained in Volume 11, of this Application. A comparison of the present and proposed rates and charges is attached hereto in the notice contained in Volume. 1, Tab 12 and in Volume 11, Schedule L of this Application.

8. Duke Energy Kentucky has several special contracts on file with this Commission consisting primarily of interconnection agreements, economic development incentives pursuant to the Company's Development Incentive Rider (Rider DIR) and Back-Up Delivery Point/Reserve Capacity service agreements pursuant to the Company's

¹ *In the Matter of the 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. 2022-00372, (Ky. P.S.C. Order) (Oct. 12, 2023); (Order) (July 1, 2024), (Order Nunc Pro Tunc)(July 10, 2024)..

Commission-approved Back-Up Delivery Point Rider (Rider BDP). In addition, Duke Energy Kentucky has one special contract for the purchase and sale of renewable energy credits to a specific customer. With this Application, Duke Energy Kentucky is not seeking to change any of those special contracts, except to the extent such contracts incorporate base rates charges or other standard tariff provisions that are impacted by the Company's Application.

9. Duke Energy Kentucky seeks to adjust its electric base rates (including fuel) to a new total of \$524.4 million, which reflects an increase from its current rates of approximately \$70 million. The increase in base rates takes into account the offsetting impact of cost-effective energy efficiency in terms of adjustments to the Company's load forecast as used in its Application. The monthly residential electric bill increase (total bill) due to the proposed electric base rates will be approximately 16.1 percent or approximately \$21.45 for a residential customer using 1,000 kWh of electricity (the typical monthly consumption of a Duke Energy Kentucky residential customer). The amounts of the proposed new total rates are at Volume 10, Schedule A of this filing, and are incorporated by reference. The proposed new charges and the impact of the proposed adjustment on each customer class are provided at Volume 11, Schedule N of this Application, and are incorporated by reference. Duke Energy Kentucky states that it will implement this adjustment effective January 2, 2025.

10. In its Application, Duke Energy Kentucky is proposing new rates for electric service and clarifying language changes to certain tariffs. The Company is proposing to re-establish the Company's previously authorized planned outage O&M deferral and forced outage purchased power deferral. In addition, the Company is

requesting changes to accounting methods to establish and implement deferrals for regulatory assets and liabilities related to the aforementioned mechanisms and to continue all other existing deferrals.

Support for Change in Existing Rates and Tariffs

11. In accordance with 807 KAR 5:001 Section 16(1)(b)(1), Duke Energy Kentucky states that the primary reason for this requested change in rates, terms, conditions and tariffs is that Duke Energy Kentucky's earned rate of return on rate base obtained from its current electric operations is projected to be 3.886 percent, which is inadequate to enable the Company to continue providing safe, reasonable, and reliable service to its customers and is insufficient to afford Duke Energy Kentucky a reasonable opportunity to earn a fair return on its investment property that is used to provide such service while attracting necessary capital at reasonable rates. In addition, the Company is seeking to recover, through amortization, certain regulatory assets, including but not limited to: 1) incremental planned outage O&M expense; 2) incremental purchased power expense for forced outages; and 3) rate case expenses resulting from this instant rate case.

12. In accordance with 807 KAR 5:001 Section 16(1)(b)(1), a more detailed statement of the reasons for the general adjustment of existing rates is provided in the direct testimony of Company witnesses Ms. Amy B. Spiller and Ms. Sarah E. Lawler as well as others, filed contemporaneously with this Application, and incorporated by reference.

13. Duke Energy Kentucky certifies that its annual reports, including the annual report for the year ending 2023, are on file with this Commission as required by 807 KAR 5:006, Section 4(1).

14. The aggregate total revenue from Duke Energy Kentucky's non-regulated

incidental activities exceeds the lesser of 2 percent of Duke Energy Kentucky's total revenue or \$1 million, annually; therefore, Duke Energy Kentucky is required under KRS 278.2203 and KRS 278.2205 to submit a cost allocation manual (CAM) with this filing. The Company periodically submits its CAM to the Commission when material changes are made. The Company last provided the Commission with a copy of its CAM by electronic delivery on March 31, 2024. A copy of the CAM is included in Volumes 16 and 17 of this Application.

15. Pursuant to 807 KAR 5:001, Section 16(1)(b)(8), Duke Energy Kentucky states that its proposed tariffs and proposed tariff changes are provided at Volume 11, Schedule L of this filing, and are incorporated by reference. The effective date of the proposed tariffs and proposed tariff changes is January 2, 2025.

16. Pursuant to 807 KAR 5:001, Section 16(1)(b)(5), Duke Energy Kentucky states that it has complied with 807 KAR 5:011, Section 16(2) and 807 KAR 5:001, Sections 17(3) and (4) by delivering to the newspapers of general circulation in its service territory area a copy of a Legal Notice for publishing once a week for three consecutive weeks in a prominent manner, the first of said publications to be made no later than the date this Application is filed with the Commission. A copy of the Legal Notice is attached at Volume 1, Tab 12 of this Application, Notice and Statement, and is incorporated by reference. Duke Energy Kentucky states that it will implement this adjustment effective January 2, 2025.

17. Pursuant to 807 KAR 5:001, Section 17, Duke Energy Kentucky states that it has filed with the Executive Director of this Commission a written notice of its intention to file this Application and e-mailed a copy to the Utility Intervention and Rate Division

of the Attorney General's office. A copy of the written notice is attached at Volume 1, Tab 1, of this filing, and is incorporated by reference.

18. Pursuant to 807 KAR 5:001, Section 17, Duke Energy Kentucky states that it will post a copy of this filing at its place of business on the date on which this Application is filed and it will remain posted until this Commission has finally determined Duke Energy Kentucky's electric rates and will also be posted, within five business days of the date of filing this Application with the Commission, on Duke Energy Kentucky's website www.duke-energy.com, which will contain a hyperlink to the Commission's website where this Application can be viewed.

19. Pursuant to 807 KAR 5:001, Section 12, Duke Energy Kentucky states that its financial exhibit is provided at Volume 1, Tab 3 of this filing, and is incorporated by reference.

20. Duke Energy Kentucky supports its request for a change in existing rates and tariffs for electric service with the verified testimony and exhibits of the following:

- a.) Amy B. Spiller, President, Duke Energy Kentucky;
- b.) Michael J. Adams, Senior Vice President, Concentric Energy Advisors;
- c.) Marc W. Arnold, Vice President Zone Operations;
- d.) Rebekah E. Buck, Director of Allocations and Reporting;
- e.) Shannon A. Caldwell, Director ,Compensation;
- f.) Grady "Tripp" S. Carpenter, Director Regional Financial Forecasting;
- g.) Thomas "TK" Christie, Director Transmission & Distribution (T&D) Vegetation Management;

- h.) Jacob S. Colley, Director of Customer Regulatory Planning, Support and Compliance;
- i.) Thomas J. Heath Jr., Corporate Finance Director;
- j.) Matthew Kalemba, Vice President, Integrated Resource Planning;
- k.) Ibrar A. Khera, Lead Load Forecasting Analyst;
- l.) Sarah E. Lawler, Vice President, Rates and Regulatory Strategy OH/KY;
- m.) William C. Luke, Vice President Midwest Generation;
- n.) James J. McClay, Managing Director Natural Gas Trading;
- o.) Sharif S. Mitchell, Manager Accounting II;
- p.) Joshua C. Nowak, Assistant Vice President, Concentric Energy Advisors;
- q.) John R. Panizza, Director, Tax Operations;
- r.) Bruce L. Sailors, Director Jurisdictional Rate Administration;
- s.) John J. Spanos, Gannet Fleming Valuation and Rate Consultants, LLC;
- t.) Lisa D. Steinkuhl, Director Rates, and Regulatory Planning;
- u.) John D. Swez, Managing Director, Trading and Dispatch;
- v.) Danielle L. Weatherston, Manager Accounting II; and
- w.) James E. Ziolkowski, Director, Rates and Regulatory Planning.

21. Duke Energy Kentucky further supports its request for a change in its existing rates and tariffs for electric service with the following exhibits complying with the requirements of 807 KAR 5:001, Sections 14, 16, and 17:

Tab	Filing Requirement	Description
4	807 KAR 5:001 Section 14(1)	Name, Address, Facts
5	807 KAR 5:001 Section 14(2)	Corporation in good standing
6	807 KAR 5:001 Section 14(3)	LLC- in good standing
7	807 KAR 5:001 Section 14(4)	LP- Agreement
8	807 KAR 5:001 Section 16(1)(b)(1)	Reason for Rate Adjustment
9	807 KAR 5:001 Section 16(1)(b)(2)	Certificate of Assumed Name
10/ Schedule L, Vol. 11	807 KAR 5:001 Section 16(1)(b)(3)	New/revised Tariff w/ effective date
11/ Schedule L, Vol. 11	807 KAR 5:001 Section 16(1)(b)(4)	Proposed Tariff Changes
12	807 KAR 5:001 Section 16(1)(b)(5)	Statement about Customer Notice
13	807 KAR 5:001 Section 16(2)	Notice of Intent
14	807 KAR 5:001 Section 16(3)	Compliance with 807 KAR 5:051, Section 2
15	807 KAR 5:001 Section 16(6)(a)	Financial Data
16	807 KAR 5:001 Section 16(6)(b)	Forecasted Adjustments
17	807 KAR 5:001 Section 16(6)(c)	Capitalization and Rate Base
18	807 KAR 5:001 Section 16(6)(d)	No Revisions to Forecast
19	807 KAR 5:001 Section 16(6)(e)	Alternative Forecast
20	807 KAR 5:001 Section 16(6)(f)	Reconciliation of Rate Base and Capital
21/ Testimony Vol. 13-15	807 KAR 5:001 Section 16(7)(a)	Testimony
22	807 KAR 5:001 Section 16(7)(b)	Capital Construction Budget
23	807 KAR 5:001 Section 16(7)(c)	Description of Factors Supporting Forecast
24	807 KAR 5:001 Section 16(7)(d)	Annual and Monthly Budgets
25	807 KAR 5:001 Section 16(7)(e)	Attestation
26	807 KAR 5:001 Section 16(7)(f)	Major Construction Projects
27	807 KAR 5:001 Section 16(7)(g)	Other Construction Projects
28	807 KAR 5:001 Section 16(7)(h)	Financial Forecasts
28	807 KAR 5:001 Section 16(7)(h)(1)	Operating Income Statement
28	807 KAR 5:001 Section 16(7)(h)(2)	Balance Sheet
28	807 KAR 5:001 Section 16(7)(h)(3)	Statement of Cash Flows
28	807 KAR 5:001 Section 16(7)(h)(4)	Revenue Requirements
28	807 KAR 5:001 Section 16(7)(h)(5)	Load Forecast
28	807 KAR 5:001 Section 16(7)(h)(6)	Access Line Forecast (telephone)

28	807 KAR 5:001 Section 16(7)(h)(7)	Mix of Generation
28	807 KAR 5:001 Section 16(7)(h)(8)	Mix of Gas Supply
28	807 KAR 5:001 Section 16(7)(h)(9)	Employee Level
28	807 KAR 5:001 Section 16(7)(h)(10)	Labor Cost Changes
28	807 KAR 5:001 Section 16(7)(h)(11)	Capital Structure Requirement
28	807 KAR 5:001 Section 16(7)(h)(12)	Rate Base
28	807 KAR 5:001 Section 16(7)(h)(13)	Gallons of Water to be sold
28	807 KAR 5:001 Section 16(7)(h)(14)	Customer Forecast (gas/water)
28	807 KAR 5:001 Section 16(7)(h)(15)	Sales Volume Forecast (gas)
28	807 KAR 5:001 Section 16(7)(h)(16)	Toll and Access Forecast (telephone)
28	807 KAR 5:001 Section 16(7)(h)(17)	A Detailed Explanation of Other Info.
29	807 KAR 5:001 Section 16(7)(i)	FERC Audit Reports
30	807 KAR 5:001 Section 16(7)(j)	Stock or Bond Prospectus
31	807 KAR 5:001 Section 16(7)(k)	FERC Form 1
32	807 KAR 5:001 Section 16(7)(l)	Annual Reports to Stockholders (2 yrs.)
33	807 KAR 5:001 Section 16(7)(m)	Chart of Accounts
34	807 KAR 5:001 Section 16(7)(n)	12 months Managerial Reports
35	807 KAR 5:001 Section 16(7)(o)	Monthly Budget Variance Reports
36	807 KAR 5:001 Section 16(7)(p)	Utility 10-Ks, 8-Ks, 10-Qs
37	807 KAR 5:001 Section 16(7)(q)	Independent Auditor Opinion Report
38	807 KAR 5:001 Section 16(7)(r)	Quarterly Reports to Stockholders (5 qtrs.)
39/ Attachment JS-1	807 KAR 5:001 Section 16(7)(s)	Depreciation Study Summary
40	807 KAR 5:001 Section 16(7)(t)	List of Computer Software, Hardware, etc.
41	807 KAR 5:001 Section 16(7)(u)	Affiliate Allocations/Charges
42	807 KAR 5:001 Section 16(7)(v)	Cost of Service Study
43	807 KAR 5:001 Section 16(7)(w)	Incumbent Local Exchange Carriers
44	807 KAR 5:001 Section 16(8)(a)	Financial Summaries
45	807 KAR 5:001 Section 16(8)(b)	Rate Base Summary
46	807 KAR 5:001 Section 16(8)(c)	Operating Income Statements
47	807 KAR 5:001 Section 16(8)(d)	Summary of Adjustments to Operating Income
48	807 KAR 5:001 Section 16(8)(e)	Federal and State Income Tax Summary
49	807 KAR 5:001 Section 16(8)(f)	Summary of Membership Dues
50	807 KAR 5:001 Section 16(8)(g)	Payroll Costs

51	807 KAR 5:001 Section 16(8)(h)	Gross Revenue Conversion Factor
52	807 KAR 5:001 Section 16(8)(i)	Comparative Income Statements
53	807 KAR 5:001 Section 16(8)(j)	Cost of Capital Summary
54	807 KAR 5:001 Section 16(8)(k)	Financial Data and Earnings Measures
55/ Schedule L, Vol. 11	807 KAR 5:001 Section 16(8)(l)	Narrative Description of Tariff Changes
56/ Schedule M, Vol. 11	807 KAR 5:001 Section 16(8)(m)	Revenue Summaries
57/ Schedule N, Vol. 11	807 KAR 5:001 Section 16(8)(n)	Typical Bill Comparison
60	807 KAR 5:001 Section 17(1)	Sample Notices Posted
61	807 KAR 5:001 Section 17(2)	Customer Notice Method
62	807 KAR 5:001 Section 17(3)	Proof of Notice
63	807 KAR 5:001 Section 17(4)	Customer Notice Content
Vol. 16-17	KRS 278.2203 and 278.2205	Cost Allocation Manual

22. Pursuant to KRS 278.192(1) and 807 KAR 5:001 Section 16(1)(a)(2), Duke Energy Kentucky has utilized a forward-looking test period for the twelve months ending June 30, 2026. This test period corresponds to the first twelve calendar month period the proposed rates will be in effect following the six-month suspension of the proposed rates.

23. The testimony and exhibits to this Application demonstrate that the rates, terms, conditions, and tariffs proposed are fair, just, and reasonable under KRS 278.030.

New Tariffs/Services/Deferrals

24. Pursuant to the Commission’s statutory rate-making authority to allow recovery of costs through fair, just, and reasonable rates embodied in KRS 278.180, KRS 278.192, and as confirmed by the Supreme Court of the Commonwealth of Kentucky in *Kentucky Public Service Comm’n v. Commonwealth ex rel. Conway*, 324 S.W.3d 373 (Ky. 2010), the Company is proposing to implement, without limitation, certain new programs,

and to modify existing policies and tariffs, including but not limited to, the following:

- a.) A new hedging program for managing the Company's participation in the PJM Interconnection LLC markets to mitigate price volatility for customers;
- b.) Gas Management Proposal;
- c.) Restoring Terminal Net Salvage expense for fossil generation in depreciation expense;
- d.) Restoring the Company's previously authorized planned outage O&M deferral;
- e.) Restoring the Company's previously authorized forced outage replacement purchased power deferral;
- f.) Revising its FAC and Profit-Sharing Mechanism (Rider PSM) to include, recover and reconcile various PJM costs and charges not currently being recovered through those mechanisms;
- g.) Other tariff language changes, including but not limited to, new minimum demand provision for new customer loads of 20 MWs or more, closing Rate OL-E to new participation, and combining the pole attachment charge for 2-user and 3-user poles; and
- h.) Changes to accounting methods to establish and implement deferrals for regulatory assets and liabilities related to the aforementioned mechanisms and continue existing deferrals.

Terminal Net Salvage and Kentucky's Rebuttable Presumption against Generation

Retirement

25. As part of this proceeding, Duke Energy Kentucky is seeking to re-establish terminal net salvage as a component of its depreciation expense in base rates as has been the case for decades.

26. As part of its decision in Case No. 2022-00372, the Commission removed from the Company's depreciation rates, the terminal net salvage expense, finding that the Company had not met the then newly created rebuttable presumption against retirement of fossil generating assets that had been enacted in KRS 278.264 while that case was pending.²

27. KRS 278.264(2) provides, as in relevant part:

(2) There shall be a rebuttable presumption against the retirement of a fossil fuel-fired electric generating unit. The 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 by evidence sufficient for the commission to find that:

(a) The utility will replace the retired electric generating unit with new electric generating capacity that:

1. Is dispatchable by either the utility or the regional transmission organization or independent system operator responsible for balancing load within the utility's service area;
2. Maintains or improves the reliability and resilience of the electric transmission grid;
3. Maintains the minimum reserve capacity requirement established by the utility's reliability coordinator; and
4. Has the same or higher capacity value and net capability, unless the utility can demonstrate that such

² *In the Matter of the 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, (KY.P.S.C. at 14-15) (Oct. 12, 2023).

capacity value and net capability is not necessary to provide reliable service;

(b) The retirement will not harm the utility's ratepayers by causing the utility to incur any net incremental costs to be recovered from ratepayers that could be avoided by continuing to operate the electric generating unit proposed for retirement in compliance with applicable law;

(c) The decision to retire the fossil fuel-fired electric generating unit is not the result of any financial incentives or benefits offered by any federal agency; and

(d) The utility shall not commence retirement or decommissioning of the electric generating unit until the replacement generating capacity meeting the requirements of paragraph (a) of this subsection is fully constructed, permitted, and in operation, unless the utility can demonstrate that it is necessary under the circumstances to commence retirement or decommissioning of the existing unit earlier.

28. As set forth in the testimony accompanying this Application, although the Company is not seeking approval to retire its generating assets in this proceeding, nonetheless, these assets are nearing the end of their operational lives, and specifically with respect to East Bend, existing environmental regulations provide clear retirement obligations and timelines. Therefore, it is reasonable to recover terminal net salvage costs now, so not to create additional stranded costs in the future.

29. Terminal net salvage should be included in the Company's existing depreciation expense to avoid intergeneration subsidies where future customers are paying for the retirement of existing generating assets that are presently being used to serve current customers, and in recognition of the principles of cost causation and avoiding rate shock to future customers.

30. In satisfaction of the rebuttable presumption set forth in KRS 278.264, as fully explained in the Company's testimony, the Company will eventually replace its existing fossil

generation with new and dispatchable generation that is:

- a.) Dispatchable in PJM;
- b.) Maintains or improves the reliability and resilience of the transmission grid;
- c.) Maintains minimal reserve requirements;
- d.) Has the same or higher capacity value and net capability as the assets to be retired;
- e.) Will not harm Company's ratepayers by causing Duke Energy Kentucky to incur any net incremental costs that could be avoided by continuing to operate the electric generating unit proposed for retirement in compliance with applicable law;
- f.) Is not being incentivized through any Federal Agency incentives; and
- g.) Will be permitted, constructed, and operational before the exiting units' retirement.

Establishment of Regulatory Assets and Liabilities

31. As part of this proceeding, Duke Energy Kentucky is seeking Commission authorization to create deferral mechanisms associated with its proposals to track actual planned maintenance outage O&M expense and forced outage purchased power expense not otherwise recovered through the Company's Rider FAC. The deferral authority will allow the Company to debit or credit regulatory asset accounts when actual expenses for these costs in a year are under or over the amount established in base rates in this proceeding. Duke Energy Kentucky proposes to defer, on an annual basis, any such over recovery or under recovery and establish a regulatory liability or asset as may be required. Each year the incremental

amount over or under what is established in base rates will be added or subtracted from the total balance deferred. Duke Energy Kentucky further proposes that any regulatory asset or liability created be reviewed for recovery through amortization as part of the Company's next electric base rate case.

32. Financial Accounting Standards Board Accounting Standards Codification (FASB Codification or ASC) requires utility management to defer and capitalize a current cost as a regulatory asset or a current obligation as a regulatory liability when in management's judgment the cost is probable of recovery, or the obligation is probable of refund in future ratemaking proceedings. Evidence of probable recovery includes orders from the regulatory authority specifically authorizing deferral of the current cost or current obligation for later review and recovery or refund through rates. Duke Energy Kentucky is requesting authorization in this case to permit its deferral of the above-described costs that are incremental to base rates, with carrying charges, with the recovery of any accumulated balances to be addressed in a future base rate proceeding.

WHEREFORE, Duke Energy Kentucky respectfully requests the Kentucky Public Service Commission to enter an Order:

1. Approving the new rates and new and revised tariff sheets for electric service;
2. Authorizing Duke Energy Kentucky to establish regulatory assets and liabilities to track and defer for future recovery actual forced outage purchased power expense and planned outage O&M expense incremental to amounts established in the rate case test period;
3. Approving amortization of new and existing regulatory assets;

4. Approving Duke Energy Kentucky's proposed depreciation rates;
Approving proposals to reduce volatility in customer rates from market commodities through a change to its Fuel Adjustment Clause and new Hedging Plan proposal;
5. Approving the Gas Management proposal;
6. Approving new tariffs and programs, and;
7. Granting all other waivers and relief to which Duke Energy Kentucky may be entitled.

Respectfully submitted,

DUKE ENERGY KENTUCKY, INC.



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Counsel for Duke Energy Kentucky, Inc.

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 December 2, 2024; 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.³

Hon. John Horne
The Office of Attorney General
Utility Intervention and Rate Division
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Counsel for Duke Energy Kentucky, Inc.

³*In the Matter of Electronic Emergency Docket Related to the Novel Coronavirus COVID-19, Order, Case No. 2020-00085 (Ky. P.S.C. July 22, 2021).*