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) 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

REBUTTAL TESTIMONY OF

JOHN D. SWEZ

ON BEHALF OF

DUKE ENERGY KENTUCKY, INC.

April 9, 2025

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I. INTRODUCTION AND PURPOSE

Q. STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is John D. Swez, and my business address is 525 South Tryon Street, Charlotte, North Carolina 28202.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed as Managing Director, Trading and Dispatch, by Duke Energy Carolinas, LLC, a utility affiliate of Duke Energy Kentucky, Inc. (Duke Energy Kentucky or Company).

Q. ARE YOU THE SAME JOHN D. SWEZ THAT SUBMITTED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. My rebuttal testimony responds to the recommendations by Mr. Lane Kollen on behalf of the Kentucky Attorney General as it relates to the Company's request to re-instate a deferral for forced outage replacement purchased power expense.

II. DISCUSSION

Q. PLEASE BRIEFLY SUMMARIZE MR. KOLLEN'S RECOMMENDATION AS IT RELATES TO THE COMPANY'S PROPOSAL TO REINSTATE ITS FORCED OUTAGE REPLACEMENT PURCHASED POWER DEFERRAL MECHANISM.

A. Mr. Kollen recommends that the Commission reject the Company's request to re-instate a deferral for forced outage replacement purchased power expense stating,

"The deferral mechanisms removed all incentives for the Company to manage and control these expenses."[1]

Q. PLEASE RESPOND TO MR. KOLLEN'S RECOMMENDATION.

A. First, it should be noted that the Company uses its best efforts to avoid forced outages[2] and derates[3]. It is in the best interests of customers, and the Company to keep the generating units operating in a safe and reliable manner for as long as economically possible. The Company does this by addressing maintenance issues proactively as a scheduled outage or, if necessary, a scheduled derate. Said in another way, if there is a known operational issue at a generating station, the Company typically does not wait for that component to fail and to then address the issue. Scheduling a repair as opposed to waiting to failure tends to result in less damage to equipment, a shorter return time, and potentially less expensive repairs.

Within PJM's security constrained generation dispatch and commitment process as well as the Company's post analysis allocation accounting processes, the lowest cost resources are generally utilized first and incrementally become more expensive as additional resources are added. When a forced event occurs, typically the replacement resource will cost more. Forced events are defined by The North American Electric Reliability Corporation (NERC) Generating

[1] Kollen Direct Testimony pg. 53, line 11-12.
[2] *See* 807 FAC 5:056 Section 1(4); Forced outages are all nonscheduled losses of generation or transmission that require substitute power for a continuous period in excess of six (6) hours.
[3] A generating derate refers to a temporary decrease in the available capacity of an electric generating unit, commonly due to a system or equipment modification; environmental, operational, or reliability considerations.
https://www.eia.gov/tools/glossary/index.php?id=derate#:~:text=Causes%20of%20generator%20capacity%20deratings,and%20due%20to%20transient%20conditions

Availability Data System (GADS).[4] Thus, if a generating unit is being utilized to serve native load customers and that unit experiences a forced event, more expensive replacement energy used to serve native load either comes from another Company generator or as purchased power from PJM. Once the generation dispatch group has knowledge of a potential event, personnel work to try and minimize replacement purchase power costs to customers by performing a variety of potential actions. These actions can come in many forms, but typically include discussions with the generating station regarding (1) attempting to repair the unit with a maintenance outage or derate before the issue becomes a forced event, (2) optimizing the placement of an event needed to address an issue, to the extent possible, so that it occurs during a lower demand and lower market price period, (3) optimizing the need to spend additional costs to return a unit to service quicker, and (4) discussion of the likelihood of Capacity Performance charges so that stations are situationally aware and can proactively work to reduce operational risks by delaying non-critical maintenance or testing. All actions attempt to reduce the replacement power cost of the forced event and increase the value of the Company's generating units in the energy market.

[4] Note: GADS defines a forced event as either a start-up failure or an unplanned outage or derate requiring immediate removal of the unit from operation, requiring removal of unit within 6 hours, or requiring removal of the unit before the end of the next weekend. https://www.nerc.com/pa/RAPA/gads/DataReportingInstructions/2025_GADS_DRI.pdf
The term forced event is used to describe both a forced outage (complete loss of a generator) and a forced derate (partial loss of a generator due to a forced outage) for the remainder of the rebuttal testimony.

Q. DOES THE REINSTATEMENT OF THE COMPANY'S FORCED OUTAGE DEFERRAL FOR REPLACEMENT POWER REMOVE AN INCENTIVE FOR THE COMPANY TO MANAGE AND CONTROL THESE EXPENSES?

A. No. At no point does the generation dispatch group consider the relationship between how costs are recovered or the allocation of any costs between customers and shareholders when managing forced events. The Company manages any outage event, forced or otherwise, to reliably serve customers in the most economic manner possible and maintain the safe and reliable operation of the generating units. The Company's response and actions described are completed without regard to any after the fact accounting process.

Q. WHY IS THE REINSTATEMENT OF THE FORCED OUTAGE DEFERRAL REASONABLE, NECESSARY, AND IN CUSTOMERS' BEST INTERESTS?

A. Although the Company works to reduce the financial exposure to forced events to the extent possible, these events are unpredictable and replacement power costs can be volatile. The power markets are dependent and driven by the underlying interrelated fuel markets, customer demand, and other generating unit availability. Since Duke Energy Kentucky is relatively small and only has two fossil-fueled generating stations, one coal unit and a natural gas combustion turbine station, replacement purchased power is the Company's primary mechanism for serving customer demand if East Bend (or Woodsdale) are in a forced event and can have a greater impact on customer rates. The deferral balances the need for protecting

customers from overpaying for these costs when the utility's actual costs incurred are below the levels used to establish base rates and conversely mitigate the utility's risk of financial harm and instability and performance during periods where the Company's actual costs incurred are higher than amounts included in base rates. Reinstituting this deferral process ensures that the Company is able to maintain financial stability to reliably serve customers' demand. It also ensures that customers are paying for their actual costs of service.

III. CONCLUSION

Q. DOES THIS CONCLUDE YOUR PRE-FILED REBUTTAL TESTIMONY?

A. Yes.

VERIFICATION

STATE OF NORTH CAROLINA)
)
COUNTY OF MECKLENBURG)

SS:

The undersigned, John D. Swez, Managing Director Trading & Dispatch, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing rebuttal testimony and that it is true and correct to the best of his knowledge, information and belief.

John D. Swez, Affiant

Subscribed and sworn to before me by John D. Swez on this 27 day of March, 2025.

SHEILA LEMOINE
Notary Public, North Carolina
Lincoln County
My Commission Expires
July 21, 2029

NOTARY PUBLIC

My Commission Expires: