

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.

REBUTTAL TESTIMONY OF
JOHN R. PANIZZA
ON BEHALF OF
DUKE ENERGY KENTUCKY, INC.

April 9, 2025

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I. INTRODUCTION AND PURPOSE

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is John R. Panizza, and my business address is 525 South Tryon Street,
3 Charlotte, North Carolina 28202.

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

5 A. I am employed by Duke Energy Business Services LLC (DEBS) as Director, Tax
6 Operations. DEBS provides various administrative and other services to Duke
7 Energy Kentucky, Inc., (Duke Energy Kentucky or Company) and other affiliated
8 companies of Duke Energy Corporation (Duke Energy).

9 **Q. ARE YOU THE SAME JOHN R. PANIZZA THAT SUBMITTED DIRECT**
10 **TESTIMONY IN THIS PROCEEDING?**

11 A. Yes.

12 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

13 A. The purpose of my rebuttal testimony is to respond to the recommendations of
14 Mr. Randy Futral and Mr. Lane Kollen on behalf of the Kentucky Attorney
15 General (KYAG) as it relates to their respective proposed adjustments to the
16 Company's tax expense included in its application in this proceeding.

II. DISCUSSION

17 **Q. PLEASE SUMMARIZE MR. FUTRAL'S RECOMMENDATION**
18 **REGARDING THE COMPANY'S TAX EXPENSE.**

19 A. Mr. Futral recommends that the Commission reduce the base revenue requirement
20 and base rate increase by \$0.017 million to reflect the amortization of the
21 unamortized DEBS Excess Accumulated Deferred Income Taxes (EDIT). This

1 adjustment includes the effect of the \$0.016 million reduction in expense along
2 with the gross up for the effects of uncollectible expense and Commission
3 assessment fees.

4 **Q. PLEASE EXPLAIN WHETHER THE COMPANY AGREES WITH THIS**
5 **ADJUSTMENT.**

6 A. Yes, as discussed by Company witness Ms. Lisa Steinkuhl in her Rebuttal
7 Testimony, the Company accepts this proposed adjustment.

8 **Q. PLEASE EXPLAIN MR. KOLLEN'S RECOMMENDATION**
9 **REGARDING THE CORPORATE ALTERNATIVE MINIMUM TAX**
10 **(CAMT) DEFERRED TAX ASSET (DTA).**

11 A. Mr. Kollen recommends the Commission exclude the CAMT DTA from rate
12 base. The basis for Mr. Kollen's recommendation is that the CAMT is a tax
13 incurred by Duke Energy Corp. on its consolidated tax return due solely to its
14 consolidated adjusted financial statement income allocated in part to Duke Energy
15 Kentucky. The effects of this recommendation are a reduction in rate base of
16 \$11.721 million and a reduction of \$1.169 million in the base revenue
17 requirement.

18 **Q. PLEASE EXPLAIN WHY THE COMPANY DOES NOT AGREE WITH**
19 **THIS ADJUSTMENT?**

20 A. CAMT has specific criteria, as referenced by Mr. Kollen. It is computed for
21 applicable entities with adjusted financial statement income exceeding \$1 billion.
22 Since Duke Energy files a consolidated federal tax return, CAMT applies to all
23 members of the consolidated filing, including Duke Energy Kentucky. As Mr.

1 Kollen acknowledges, because Duke Energy Corp. meets the requirements for
2 CAMT, this makes its subsidiary organizations, including Duke Energy
3 Kentucky, applicable corporations subject to CAMT.

4 **Q. WHAT CAMT COSTS ARE ALLOCATED TO DUKE ENERGY**
5 **KENTUCKY?**

6 A. In this case, Duke Energy Kentucky has proposed to include only the portion of
7 CAMT attributable to Duke Energy Kentucky's adjusted financial statement
8 income in the proposed revenue requirement.

9 **Q. WHY IS IT REASONABLE FOR DUKE ENERGY KENTUCKY TO BE**
10 **ALLOCATED A PORTION OF THE CAMT AND INCLUDE IT IN RATE**
11 **BASE?**

12 A. As explained in the Direct Testimony of Company witness Rebecca Buck, Duke
13 Energy Kentucky is party to a number of service agreements that help the
14 Company manage staffing levels and costs through sharing of common business
15 functions and to have access to experienced and trained personnel that allow the
16 Company to manage its business without having to maintain its own independent
17 organizations and systems. One of these agreements is the Fourth Amended
18 Agreement for Filing of Consolidated Income Tax Returns and for Allocation of
19 Consolidated Income (Tax Sharing Agreement), which was included in Volume
20 18, Appendix I, of the Company's Application.

21 Under this Tax Sharing Agreement, all members participate in tax sharing
22 arrangements designed to share costs and benefits and optimize the use of tax
23 attributes. These arrangements generally facilitate the accelerated utilization of

1 DTAs by other members of the consolidated federal tax group. For example, if a
2 member of the consolidated federal tax group is in a net operating loss (“NOL”)
3 position, other members can utilize those NOL DTAs to reduce rate base and
4 therefore the revenue requirement presently, rather than wait until that member
5 has their own income sufficient to utilize the NOL DTA.

6 While Duke Energy’s consolidated federal tax filing structure provides tax
7 benefits for Duke Energy Kentucky (and all members of the Tax Sharing
8 Agreement), CAMT represents a tax expense associated with being a larger
9 consolidated federal tax group. It would be unreasonable and unfair for Duke
10 Energy Kentucky to receive the benefits of this Tax Sharing Agreement structure
11 but not share in a proportional share of the costs of such an arrangement. Mr.
12 Kollen’s recommendation does just that, and if adopted, could set a precedent that
13 would cause future revenue requirements to be higher because other tax benefits
14 under the Tax Sharing Agreement could not be recognized and shared with
15 Kentucky, even though they may be readily utilized and reimbursed by other
16 members of the consolidated federal tax group. It would be unreasonable to all
17 other parties to the Tax Sharing Agreement if one member could only receive
18 benefits under that agreement and not share a portion of the expense.

19 **Q. IS THE PARTICIPATION IN THE TAX SHARING AGREEMENT**
20 **UNIQUE?**

21 A. No. In fact, this issue is similar to other benefits and costs of corporate shared
22 services. As previously mentioned, and discussed in the Direct Testimony of
23 Company witness Rebekah E. Buck, “Duke Energy Kentucky has been able to

1 share in common business functions rather than maintain its own dedicated and
2 thus duplicative functions.... allowing the Company to take advantage of the
3 economies of scale and best practices that exist with an organization the size of
4 Duke Energy through shared expertise and resources.”

5 The efficiencies of Duke Energy Kentucky operating as a member of the
6 overall Duke Energy Corporate group exist across various functions. Similar to
7 tax, there are benefits and associated costs of Duke Energy Kentucky being a
8 member of the overall Duke Energy Corporate group. Additionally, similar to the
9 shared services agreement, the binding Tax Sharing Agreement exists to
10 accurately charge and credit entities for their share of tax expenses and attributes.

11 In conclusion, CAMT represents an allocable cost associated with Duke
12 Energy Kentucky being a member of the Duke Energy Corporate group. Duke
13 Energy Kentucky avails itself of various benefits and burdens, tax and non-tax
14 related, of being a member of the broader Duke Energy group.

15 Removing CAMT from the revenue requirement for Duke Energy
16 Kentucky would result in a precedent that could exclude customer-favorable
17 benefits of being in a consolidated federal tax group, such as the timing for
18 utilizing NOL or Tax Credit DTAs. If Duke Energy Kentucky is not able to
19 recover the costs of participating in this Tax Sharing Agreement, it should also
20 not be able to claim the benefits of such participation going forward.

III. CONCLUSION

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

22 **A. Yes.**

VERIFICATION

STATE OF NORTH CAROLINA)
) **SS:**
COUNTY OF MECKLENBURG)

The undersigned, John R. Panizza, Director, Tax Operations, 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 R. Panizza

John R. Panizza, Affiant

Subscribed and sworn to before me by John R. Panizza on this 25th day of March, 2025.

Teresa Ray

NOTARY PUBLIC

My Commission Expires: 01/21/29

