

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
WILLIAM C. LUKE
ON BEHALF OF
DUKE ENERGY KENTUCKY, INC.

April 9, 2025

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I. INTRODUCTION AND PURPOSE

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

2 A. My name is William C. Luke, and my business address is 1000 East Main Street,
3 Plainfield, Indiana 46168.

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

5 A. I am Vice President of Midwest Generation for Duke Energy Business Services,
6 LLC (DEBS). DEBS is a service company subsidiary of Duke Energy
7 Corporation (Duke Energy), which provides services to Duke Energy and its
8 subsidiaries, including Duke Energy Kentucky, Inc. (Duke Energy Kentucky or
9 the Company).

10 **Q. ARE YOU THE SAME WILLIAM C. LUKE THAT SUBMITTED DIRECT**
11 **TESTIMONY IN THIS PROCEEDING?**

12 A. Yes.

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

14 A. My rebuttal testimony responds to the recommendations by Mr. Lane Kollen on
15 behalf of the Kentucky Attorney General as it relates to the Company's request to
16 reinstate the planned outage operations & maintenance (O&M) deferral.

II. DISCUSSION

17 **Q. PLEASE BRIEFLY SUMMARIZE MR. KOLLEN'S**
18 **RECOMMENDATION AS IT RELATES TO THE COMPANY'S**
19 **PROPOSAL TO RE-IMPLEMENT ITS PLANNED OUTAGE O&M**
20 **DEFERRAL.**

21 A. Mr. Kollen recommends that the Commission reject the Company's request to re-
22 implement a deferral for planned outage O&M expenses stating, "The deferral

1 mechanisms removed all incentives for the Company to manage and control these
2 expenses.”¹

3 **Q. PLEASE RESPOND TO MR. KOLLEN’S RECOMMENDATION.**

4 A. First, it should be noted that Mr. Kollen does not address in his testimony the
5 reasonableness of re-instituting the deferral mechanism for planned outage O&M
6 expense put forth in Mrs. Lawler’s and my direct testimony. Mr. Kollen also does
7 not address whether the conditions for which the Commission’s decision to
8 eliminate this deferral in the prior base rate case, Case No. 2022-00372, still
9 exists. Mr. Kollen provides no basis for his recommendation to deny the
10 Company’s proposal to re-establish the deferral of planned outage O&M expense
11 other than to state that the “deferral mechanisms removed all incentives for the
12 Company to manage and control these expenses.”

13 **Q. DOES THE COMPANY’S REQUEST TO RE-ESTABLISH THE**
14 **PLANNED OUTAGE O&M DEFERRAL REMOVE AN INCENTIVE FOR**
15 **THE COMPANY TO MANAGE AND CONTROL THESE EXPENSES?**

16 A. No. At no point do the generating stations consider the relationship between how
17 costs are recovered nor the allocation of any costs between customers and
18 shareholders when determining the planned maintenance activities required to
19 maintain the safe, reliable, and efficient operation of their generating assets.
20 Maintenance activities are planned and executed based on several factors
21 including the operating profile of the equipment, online monitoring, offline
22 condition inspections, fleet operating experience, and original equipment
23 manufacturers (OEM) recommendations. The planned maintenance activities are

¹ Kollen Direct Testimony pg. 53, line 11-12.

1 completed without regard to any after the fact accounting process. Additionally, it
2 is in the Company's interest to manage and control these expenses as the
3 Company is required to demonstrate prudence of expenses incurred through a
4 detailed review in rate case filings.

5 **Q. PLEASE EXPLAIN HOW THE COMPANY MANAGES AND**
6 **CONTROLS ITS PLANNED OUTAGE O&M EXPENSES FOR ITS**
7 **GENERATING UNITS.**

8 A. The Company controls costs through a rigorous cost management program. This
9 program involves routine executive oversight of budget and activity reporting,
10 with projects requiring approval by progressively higher levels of management
11 depending on total cost. The Company utilizes strategic planning and
12 procurement, efficient oversight of contractors by a trained and experienced
13 workforce, rigorous monitoring of work quality, thorough critiques to drive out
14 process improvement, and industry benchmarking to ensure the use of best
15 practices. The company runs its generating fleet in a disciplined manner and
16 continuously balances cost management with safety and reliability to generate
17 electric service for our customers.

18 **Q. PLEASE EXPLAIN WHY THE PLANNED OUTAGE O&M DEFERRAL**
19 **IS NECESSARY.**

20 A. The Company's generation fleet, like all generating assets, require routine
21 maintenance to maintain their safe, reliable, and efficient operation. Periodically,
22 generating assets require larger maintenance scopes to be executed due to the
23 normal lifecycle wear of larger components or systems. These variations in scale

1 of maintenance activities are normal and are driven by several factors including
2 the operating profile of the equipment, online monitoring, offline condition
3 inspections, fleet operating experience, and OEM recommendations. These
4 periods of large scope activities drive significant year-over-year variations in
5 maintenance costs for the Company. Therefore, the year-over-year maintenance
6 expense will also vary significantly from the normalized 8-year average planned
7 outage O&M expense. Additionally, Duke Energy Kentucky is relatively small
8 and only has two fossil-fueled generating stations, limiting the Company's ability
9 to control these variations. Re-instituting the deferral for planned outage O&M
10 expense helps to prevent volatile swings in the Company's cash flows, which
11 directly impacts the Company's financial stability.

12 **Q. PLEASE EXPLAIN WHY REIMPLEMENTING THE PLANNED**
13 **OUTAGE O&M DEFERRAL IS REASONABLE AND IN CUSTOMERS'**
14 **BEST INTERESTS?**

15 A. The Company budgets its planned outage O&M expense to ensure reliable, cost-
16 effective generation for customers. Permitting the Company to defer for future
17 recovery any incremental amount over or under what is established in base rates
18 for these expenses is in the customers' best interest. The deferral balances the
19 need for protecting customers from overpaying for these costs when the utility's
20 actual costs incurred are below the levels used to establish base rates and
21 conversely mitigate the utility's risk to financial stability and performance during
22 years where the Company's actual costs incurred in reliability serving customers
23 are higher than those used to establish base rates.

III. CONCLUSION

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

2 **A. Yes.**

VERIFICATION

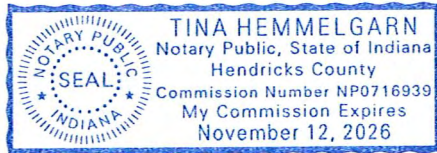
STATE OF INDIANA)
)
COUNTY OF HENDRICKS) **SS:**

The undersigned, William C. Luke, VP Midwest Generation, 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.



William C. Luke, Affiant

Subscribed and sworn to before me by William C. Luke on this 7th day of April, 2025.





NOTARY PUBLIC

My Commission Expires: 11/12/2026