

**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.

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**DUKE ENERGY KENTUCKY, INC.’S**  
**REPLY IN SUPPORT OF PETITION FOR REHEARING**

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Comes now Duke Energy Kentucky, Inc. (Duke Energy Kentucky or the Company), by counsel, pursuant to KRS 278.400, 807 KAR 5:001, Section 5, and other applicable law, and does hereby tender its Reply in Support of Duke Energy Kentucky, Inc.’s Petition for Rehearing, respectfully stating as follows:

**I.        INTRODUCTION**

Following the Kentucky Public Service Commission’s (Commission) October 2, 2025, Order (Order), Duke Energy Kentucky filed a Petition for Rehearing (Petition) on October 22, 2025. Only one intervenor, the Office of the Attorney General (OAG), tendered a Response to the Petition (Response), contesting only one issue raised for rehearing in Duke Energy Kentucky, Inc.’s Petition: terminal net salvage. The OAG did not contest the other two issues raised for rehearing in the Company’s Petition: (1) PJM Billing Line Items; and (2) rate case expense, and the Commission should grant rehearing on these issues. Additionally, in accordance with 807 KAR 5:001, Section 5, regarding the

limited scope of a reply, Duke Energy Kentucky addresses below the sole issue discussed in the OAG's Response, respectfully incorporating the arguments raised in the Company's Petition and advancing arguments not previously raised in the Company's Petition.

## **II. ARGUMENT**

In its Response, the OAG argues that the arguments presented in Duke Energy Kentucky's Petition related to terminal net salvage were either in the original record or readily discoverable at the time of the original hearing. The OAG also argues that the denial of terminal net salvage is not a taking because decommissioning costs will not be incurred until after the generating units are retired. However, the OAG's Response ignores several key issues raised in the Company's Petition, including that the Commission's disallowance of terminal net salvage constitutes a taking because it potentially creates millions of dollars in stranded costs; 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; and the Commission's denial of recovery of terminal net salvage is a departure from longstanding ratemaking principles and past Commission practice.

As explained in Duke Energy Kentucky's Petition, the Commission's Order violates the plain substantive terms of Kentucky law and the United States and Kentucky Constitutions because it constitutes a taking. The Commission's determination that KRS 278.264 required it to disallow prudent terminal net salvage costs for East Bend 2 and Woodsdale was a misapplication of law, as the interpretation itself is not reasonable or consistent with the nature of terminal net salvage costs. The plain language of KRS 278.264 applies in the context of "the retirement of an electric generating unit." Very simply put, the Company was not seeking Commission approval to retire East Bend 2 or Woodsdale,

and the inclusion of terminal net salvage in the depreciation rates of fossil fuel generation plants in a base rates request is not the same as a request for Commission approval of “the retirement of an electric generating unit” or “a surcharge for the decommissioning of” an electric generating unit.<sup>1</sup> Rather, these are ordinary costs that are collected in depreciation rates regardless of whether or when an asset is set to retire. The Company’s proposals were specific to appropriate cost planning as part of establishing depreciation rates and ultimately just and reasonable base rates. The OAG’s Response glosses over this threshold issue as if it does not exist.

The taking caused by the misapplication of KRS 278.264 also causes an unreasonable and unlawful departure from longstanding ratemaking principles and past Commission practice. 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.”<sup>2</sup> In fact, 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

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<sup>1</sup> KRS 278.264(2).

<sup>2</sup> *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 on Behalf of Duke Energy Kentucky, Inc., 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, 27 (Ky. PSC Apr. 13, 2018) (2017 Rate Case Order)).

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 and is at odds with traditional ratemaking practice.

For these reasons, Duke Energy Kentucky has raised a question as to whether the Commission's Order was unreasonable and unlawful. The OAG's Response does not sufficiently address this issue, and thus rehearing is warranted.

### **III. CONCLUSION**

Duke Energy Kentucky again respectfully suggests that rehearing is warranted on all three of the issues raised in its Petition. The OAG – as well as the other intervenors in this case – does not appear to contest two of the issues raised in the Petition, and the Company has shown via this Reply that the OAG's objections to the remaining issue, the recovery of terminal net salvage expense, should be disregarded. Accordingly, Duke Energy Kentucky's Petition should be granted.

WHEREFORE, on the basis of the foregoing, Duke Energy Kentucky respectfully requests that the Commission grant the rehearing and the relief prayed for in the Company's Petition.

This 4th day of November 2025.

Respectfully submitted,

DUKE ENERGY KENTUCKY, INC.

/s/Rocco D'Ascenzo

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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 November 4, 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.<sup>3</sup>

/s/Rocco D'Ascenzo  
*Counsel for Duke Energy Kentucky, Inc.*

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<sup>3</sup> *In the Matter of Electronic Emergency Docket Related to the Novel Coronavirus COVID-19*, Case No. 2020-00085, Order (Ky. PSC July 22, 2021).