

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 NATURAL GAS RATES;	)	CASE NO.
2) APPROVAL OF NEW TARIFFS; AND 3) ALL	)	2025-00125
OTHER REQUIRED APPROVALS, WAIVERS,	)	
AND RELIEF.	)	

REBUTTAL TESTIMONY OF

JOHN R. PANIZZA

ON BEHALF OF

DUKE ENERGY KENTUCKY, INC.

October 3, 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 EXPLAIN MR. KOLLEN'S RECOMMENDATION**
18 **REGARDING THE CORPORATE ALTERNATIVE MINIMUM TAX**
19 **(CAMT) DEFERRED TAX ASSET (DTA).**

20 A. Mr. Kollen recommends the Commission exclude the CAMT DTA from rate
21 base. The basis for Mr. Kollen's recommendation is that the CAMT is a tax

1 incurred by Duke Energy Corp. on its consolidated tax return due solely to its
2 consolidated adjusted financial statement income allocated in part to Duke Energy
3 Kentucky. Mr. Kollen alleges that the Company failed to identify, highlight,
4 disclose, or specifically request an allocation of the Duke Energy Corp.
5 consolidated CAMT DTA in this rate case. The effects of this recommendation
6 are a reduction in rate base of \$2.824 million and a reduction of \$0.281 million in
7 the base revenue requirement.

8 **Q. PLEASE EXPLAIN THE CAMT DTA IN MORE DETAIL.**

9 A. The CAMT represents an alternative federal income tax framework predicated on
10 the computation of Adjusted Financial Statement Income (AFSI) multiplied by a
11 statutory rate of 15%. The CAMT liability is compared to the regular income tax
12 liability. In instances where the CAMT exceeds the regular income tax liability
13 for a given tax year, the taxpayer must pay the CAMT liability. The amount of
14 CAMT in excess of the regular income tax results in a tax credit carryforward,
15 which is represented as a CAMT DTA. This CAMT DTA is cumulative,
16 incorporating any carryforwards from prior tax years.

17 If the regular income tax liability surpasses the CAMT for the tax year, the
18 taxpayer pays the regular income tax. However, should there be an existing
19 CAMT DTA carryforward from previous years, the taxpayer is permitted to apply
20 this carryforward to offset the regular income tax liability down to the CAMT
21 amount calculated for that tax year, which would reduce the CAMT DTA
22 available for carryforward to subsequent tax years.

1 **Q. PLEASE EXPLAIN WHY THE COMPANY DOES NOT AGREE WITH**
2 **MR. KOLLEN’S ADJUSTMENT?**

3 A. CAMT has specific criteria, as referenced by Mr. Kollen. It is computed for
4 applicable entities with adjusted financial statement income exceeding \$1 billion.
5 Since Duke Energy files a consolidated federal tax return, CAMT applies to all
6 members of the consolidated filing, including Duke Energy Kentucky. As Mr.
7 Kollen acknowledges, because Duke Energy Corp. meets the requirements for
8 CAMT, this makes its subsidiary organizations, including Duke Energy
9 Kentucky, applicable corporations subject to CAMT.

10 **Q. WHAT CAMT COSTS ARE ALLOCATED TO DUKE ENERGY**
11 **KENTUCKY?**

12 A. In this case, Duke Energy Kentucky has proposed to include only the portion of
13 CAMT attributable to Duke Energy Kentucky’s adjusted financial statement
14 income in the proposed revenue requirement.

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

18 A. As explained in the Direct Testimony of Company witness Rebekah E. Buck,
19 Duke Energy Kentucky is party to a number of service agreements that help the
20 Company manage staffing levels and costs through sharing of common business
21 functions and to have access to experienced and trained personnel that allow the
22 Company to manage its business without having to maintain its own independent
23 organizations and systems. One of these agreements is the Fourth Amended

1 Agreement for Filing of Consolidated Income Tax Returns and for Allocation of
2 Consolidated Income (Tax Sharing Agreement), which was included in Volume
3 16, Appendix H, of the Company's Application.

4 Under this Tax Sharing Agreement, all members participate in tax sharing
5 arrangements designed to share costs and benefits and optimize the use of tax
6 attributes. These arrangements generally facilitate the accelerated utilization of
7 DTAs by other members of the consolidated federal tax group. For example, if a
8 member of the consolidated federal tax group is in a net operating loss (NOL)
9 position, other members can utilize those NOL DTAs to reduce rate base and
10 therefore the revenue requirement presently, rather than wait until that member
11 has their own income sufficient to utilize the NOL DTA.

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

1 **Q. CAN YOU PROVIDE AN EXAMPLE OF A TAX BENEFIT THAT DUKE**
2 **ENERGY KENTUCKY HAS RECENTLY RECEIVED FROM THE TAX**
3 **SHARING AGREEMENT?**

4 A. Yes, in 2023, Duke Energy Kentucky had an \$88 million dollar NOL that was
5 utilized by other members of the consolidated group and therefore, no NOL DTA
6 was established on Duke Energy Kentucky's financial statements. If a separate
7 company methodology was applied, an \$18 million dollar DTA would need to be
8 established for Duke Energy Kentucky, directly impacting and increasing the
9 Company's revenue requirement for this case.

10 **Q. ARE YOU AWARE OF THE PRECEDENT SET IN THE RECENT DUKE**
11 **ENERGY KENTUCKY ELECTRIC RATE CASE NO. 2024-00354?**

12 A. Yes, Case No. 2024-00354 indicates that a separate return methodology should be
13 applied for tax attributes. Page 19 from Case No. 2024-00354 states that:

14 *"The Commission has recently indicated in several cases that tax effects,*
15 *particularly a utility's net operating loss carryforward (NOLC) DTAs, should be*
16 *calculated on a Kentucky specific basis to prevent costs from other jurisdictions*
17 *from being shifted to Kentucky customers."*¹

18 The impact of the order was to remove the CAMT DTA from the revenue
19 requirement.

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. 2024-00354, Order, p. 19 (Ky. P.S.C. Oct. 2, 2025).*

1 **Q. WHAT IS THE IMPACT OF THE PRECEDENT SET IN THE RATE**
2 **CASE NO. 2024-00354 TO THIS RATE CASE?**

3 A. By applying a separate company methodology, the NOL generated in 2023,
4 adjusted for actuals through August 2025 and forecasted test period utilization
5 from taxable income for this rate case, the NOL DTA that should be included is
6 \$11,567,049 that would result in an increase to rate base and, in turn, the revenue
7 requirement.

8 **Q. IS THE PARTICIPATION IN THE TAX SHARING AGREEMENT**
9 **UNIQUE?**

10 A. No. In fact, this issue is similar to other benefits and costs of corporate shared
11 services. As previously mentioned and discussed in the Direct Testimony of
12 Company witness Rebekah E. Buck, “Duke Energy Kentucky has been able to
13 share in common business functions rather than maintain its own dedicated and
14 thus duplicative functions.... allowing the Company to take advantage of the
15 economies of scale and best practices that exist with an organization the size of
16 Duke Energy through shared expertise and resources.”

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

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

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

III. CONCLUSION

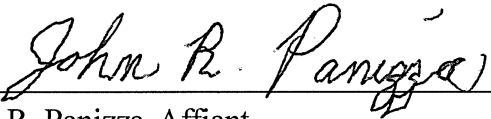
11 **Q. DOES THIS CONCLUDE YOUR PRE-FILED REBUTTAL TESTIMONY?**

12 **A. Yes.**

VERIFICATION

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

The undersigned, John R. Panizza, Director of Tax Operations, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the rebuttal testimony, and that the answers contained therein are true and correct to the best of his knowledge, information, and belief.

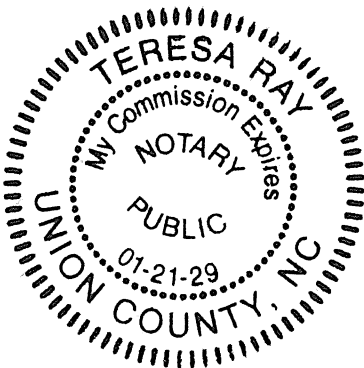


John R. Panizza, Affiant

Subscribed and sworn to before me by John R. Panizza this 3rd day of October, 2025.



NOTARY PUBLIC



My Commission Expires: 01/21/29