

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

ELECTRONIC APPLICATION OF DUKE ENERGY	)	
KENTUCKY, INC. FOR A DECLARATORY ORDER	)	CASE NO.
REGARDING RECOVERY OF COSTS TO	)	2025-00142
CONVERT CUSTOMERS TO ALTERNATE	)	
SOURCE OF FUEL	)	

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**DUKE ENERGY KENTUCKY, INC'S MEMORANDUM BRIEF**

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Comes now Duke Energy Kentucky, Inc. (Duke Energy Kentucky or the Company) by and through the undersigned counsel, pursuant to the Kentucky Public Service Commission's (Commission) March 10, 2026 Order setting forth a procedural schedule and respectfully states as follows:

**I. BACKGROUND**

On June 3, 2025, the Duke Energy Kentucky submitted an Application requesting an order declaring that Duke Energy Kentucky can recover costs of converting customers to an alternate fuel source as a result of TC Energy's abandonment of the transmission line to which the customers are connected.<sup>1</sup>

The three alternatives the Company believes are viable options in this situation were laid out in the presentation that was given to the Commission at the informal conference held on November 14, 2025 and filed into the record of this proceeding under seal on November 17, 2025.<sup>2</sup>

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<sup>1</sup> Application (filed June 6, 2025).

<sup>2</sup> Duke Energy Kentucky met with the Commission on March 31, 2025 to discuss TC Energy's abandonment of the gas distribution line and the Company's preferred solution of fuel conversion.

The Company's request herein was based upon its analysis that an alternative fuel conversion was the least cost alternative for all Duke Energy Kentucky customers. It was not because the Company in any way is opposed to extending service to these customers, a more costly alternative solution. In fact, the Company remains willing to extend its mains to provide natural gas service to these customers if that is what the Commission desires. The Company believes, and the Commission should confirm, that extending its mains in this situation constitutes an ordinary extension of the existing system if that is the Commission's preferred solution. This confirmation is particularly important given the passage of time while this matter has been pending consideration by the Commission and the work that would need to occur to have facilities in place to deliver natural gas to the affected customers prior to TC Energy's abandonment.

An informal conference was held on November 14, 2025.<sup>3</sup> Morning Scott, LLC and Tom Mason were granted intervention on March 10, 2026.<sup>4</sup> Duke Energy Kentucky responded to two requests for information from Commission Staff<sup>5</sup>, one set of requests for information from Morning Scott, LLC<sup>6</sup>, and one set of requests for information from Tom Mason.<sup>7</sup> The Commission's March 10, 2026 Order allowed simultaneous briefs addressing the merits of Duke Energy Kentucky's application to be filed on March 30, 2026.<sup>8</sup>

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<sup>3</sup> Order (November 12, 2025).

<sup>4</sup> Order (March 10, 2026).

<sup>5</sup> Duke Energy Kentucky's Response to Commission Staff's First Request for Information (filed January 9, 2026)("Staff's First Request"); Duke Energy Kentucky's Response to Commission Staff's Second Request for Information (filed March 23, 2026)("Staff's First Request");

<sup>6</sup> Duke Energy Kentucky's Response to Morning Scott, LLC's First Request for Information (filed March 23, 2026).

<sup>7</sup> Duke Energy Kentucky's Response to Tom Mason's First Request for Information (filed March 23, 2026).

<sup>8</sup> Order (March 10, 2026).

## **II. FACTUAL BACKGROUND**

In 2023, TC Energy acquired KO Transmission, a Duke Energy Corporation subsidiary, that owned 51.5 miles of natural gas FERC regulated transmission pipe in Northern Kentucky.<sup>9</sup> There are twenty-seven (27) Duke Energy Kentucky customers directly attached to the existing transmission lines in the manner of a “farm tap.”<sup>10</sup> Some of these customers have been taking service on the KO Transmission Pipeline for more than 50 years.<sup>11</sup> Duke Energy Kentucky billed these customers as distribution customers because Duke Energy Kentucky does not have a farm tap tariff and the customers were technically connected to facilities owned by KO Transmission.<sup>12</sup>

TC Energy now has a modernization project called the “NKY Gate Enhancement Project” pipeline in Campbell, Pendleton, and Bracken Counties. Duke Energy Kentucky is aware that TC Energy indicated it will not allow these types of connections on the new line and that it plans to abandon the old lines when the new lines are completed.<sup>13</sup> TC Energy’s decision to abandon its existing line results in these “farm tap” customers no longer having access to natural gas across or adjacent to their properties.<sup>14</sup>

Duke Energy Kentucky’s natural gas distribution delivery system does not currently extend to the majority of these customers.<sup>15</sup> Duke Energy Kentucky does not currently have natural gas

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<sup>9</sup> Application p. 1 (filed June 6, 2025).

<sup>10</sup> Application p. 1 (filed June 6, 2025).

<sup>11</sup> Application p. 1 (filed June 6, 2025).

<sup>12</sup> Application p. 1-2 (filed June 6, 2025).

<sup>13</sup> Application p. 2 (filed June 6, 2025).

<sup>14</sup> Application p. 2 (filed June 6, 2025).

<sup>15</sup> Application p. 2 (filed June 6, 2025).

mains, or gas distribution facilities, adjacent to twenty-five of these twenty-seven customers.<sup>16</sup> Once TC Energy abandons its old lines, for safety, each of the customers' "farm tap" service lines will have to be capped and Duke Energy Kentucky's natural gas metering equipment will be removed.<sup>17</sup> Duke Energy Kentucky has explored possible solutions to assist these customers with a "farm tap" connection to the interstate pipeline, including extending its distribution system or assisting customers with the cost of converting them to another fuel source.<sup>18</sup>

Duke Energy Kentucky has an obligation to provide reasonable service to its customers.<sup>19</sup> Two of the subject customers impacted by the TC Energy pipeline abandonment are close in proximity to Duke Energy Kentucky's existing infrastructure and can be easily and inexpensively connected, but the remaining customers do not have Duke Energy Kentucky mains or distribution lines in close proximity to their property.<sup>20</sup> The cost of extending service to each of those 25 customers where natural gas distribution facilities does not exist would be significantly more than the cost of conversion and will take time to construct.<sup>21</sup> Accordingly, Duke Energy Kentucky's Application proposed to compensate those customers for the costs of conversion to an alternate fuel source rather than construct new infrastructure and explained the estimated cost differential.<sup>22</sup> Duke Energy Kentucky does not oppose constructing natural gas delivery infrastructure to serve these customers, but as stated in the Company's Application, the costs for extending the natural

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<sup>16</sup> Application p. 2 (filed June 6, 2025).

<sup>17</sup> Application p. 2 (filed June 6, 2025).

<sup>18</sup> Application p. 2 (filed June 6, 2025).

<sup>19</sup> Application p. 3 (filed June 6, 2025).

<sup>20</sup> Application p. 3 (filed June 6, 2025).

<sup>21</sup> Application p. 3 (filed June 6, 2025).

<sup>22</sup> Application p. 3-4 (filed June 6, 2025).

gas system to serve these customers is significantly more expensive than converting these customers to an alternative fuel source. Therefore, Duke Energy Kentucky requested a declaratory order confirming that Duke Energy Kentucky can recover the costs of converting the customers to an alternate fuel source as costs of removal of the existing services.<sup>23</sup>

### **III. ARGUMENT**

The costs of conversion to an alternate fuel source are recoverable by Duke Energy Kentucky as costs of removal of the existing services. These costs are necessary, fair, just and reasonable to provide service consistent with KRS 278.030. Accounting guidance supports treating these conversions as a retirement cost along with the caps on service line and meter removals.<sup>24</sup> The fundamental premise of utility depreciation is to match recovery of assets with their use.<sup>25</sup> Removal costs, which are incurred in the future at the time an asset is retired, are part of the cost to be recovered through depreciation.<sup>26</sup> These future removal costs are estimated so that a pattern of recovery can be established and implemented as the assets are used.<sup>27</sup> The concept of depreciation is explained as recovery of the full-service value of an asset where the full-service value is not only the original cost but costs to remove an asset from service.<sup>28</sup> The Federal Energy Regulatory Commission's (FERC) Code of Federal Regulation, Title 18, Chapter 1, Subchapter C, part 101, #10 states, "Cost of removal means the cost of demolishing, dismantling, tearing down

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<sup>23</sup> Application p. 3-4 (filed June 6, 2025).

<sup>24</sup> Application p. 3 (filed June 6, 2025).

<sup>25</sup> Duke Energy Kentucky's Responses to Staff's First Request for Information, Item 1.

<sup>26</sup> Duke Energy Kentucky's Responses to Staff's First Request for Information, Item 1.

<sup>27</sup> Duke Energy Kentucky's Responses to Staff's First Request for Information, Item 1.

<sup>28</sup> Duke Energy Kentucky's Responses to Staff's First Request for Information, Item 1.

or otherwise removing gas plant, including the cost of transportation and handling incident thereto.” This ensures that costs to take utility infrastructure out of service are properly accounted for and recovered.<sup>29</sup>

Duke Energy Kentucky proposes to allow the customers to choose their desired alternative fuel source and work with an energy provider of their choice to select and modify or replace current natural gas appurtenances with those that would use their selected alternative energy.<sup>30</sup> TC Energy has not indicated to Duke Energy Kentucky that TC Energy has any duty whatsoever to these customers.<sup>31</sup> Duke Energy Kentucky filed this application in an attempt to address the situation and seek Commission guidance on how to assist these customers who will be without gas supply once TC Energy abandons the pipeline.<sup>32</sup> Duke Energy Kentucky is seeking to mitigate the impact of TC Energy’s abandonment of the transmission line on these customers and is seeking a declaratory order on how to proceed.<sup>33</sup> Duke Energy Kentucky presented the Commission with alternatives and estimated costs and explained that converting these customers to an alternative fuel is the least-cost solution for all involved.<sup>34</sup> For the foregoing reasons, Duke Energy Kentucky respectfully requests that the Commission enter an order declaring that Duke Energy Kentucky can recover the costs of converting the customers to an alternate fuel source as costs of removal of the existing services.

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<sup>29</sup> Duke Energy Kentucky’s Responses to Staff’s First Request for Information, Item 1.

<sup>30</sup> Duke Energy Kentucky’s Responses to Staff’s First Request for Information, Item 11.

<sup>31</sup> Duke Energy Kentucky’s Responses to Staff’s Second Request for Information, Item 11.

<sup>32</sup> Duke Energy Kentucky’s Responses to Staff’s Second Request for Information, Item 11.

<sup>33</sup> Duke Energy Kentucky’s Responses to Staff’s Second Request for Information, Item 11.

<sup>34</sup> Duke Energy Kentucky’s Responses to Staff’s Second Request for Information, Item 11.

Duke Energy Kentucky sought the Commission’s guidance in this unique situation and requested a decision by July 15, 2025.<sup>35</sup> That time has passed. Duke Energy Kentucky understands that this situation will affect these customers and is attempting to minimize that as much as possible. As Duke Energy Kentucky stated in its Application, Duke Energy Kentucky believes there are three alternatives. The alternative that Duke Energy Kentucky believes is the best, least cost alternative is conversion to an alternative fuel source. Although building infrastructure to the customers is a more expensive solution, Duke Energy Kentucky is not opposed to that option. However, given the length of time this proceeding has been pending, if the Commission’s guidance is for Duke Energy Kentucky to build infrastructure to continue to serve these customers, Duke Energy Kentucky would need the Commission to determine that these extensions would be in the ordinary course of business without the need for Duke Energy Kentucky to file for Certificates of Public Convenience and Necessity (“CPCN”) in order to begin construction immediately. Without being able to begin construction immediately, and if the Company must now seek a CPCN, Duke Energy Kentucky would not be able to complete construction in time to have gas service available to these customers before TC Energy abandons its pipeline. The third alternative is the least attractive to Duke Energy Kentucky which would be abandonment of the service lines. Duke Energy Kentucky requests guidance on what the Commission believes is the best alternative in this unique situation. However, if the decision is to extend infrastructure to serve the customers, Duke Energy Kentucky requests confirmation that CPCNs are not required in order to complete the construction in time for service to be established before TC Energy abandons its pipeline. If the decision is to convert the customers to an alternative

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<sup>35</sup> Application p. 1.

fuel source, Duke Energy Kentucky requests a decision that the costs to convert are recoverable by Duke Energy Kentucky.

Respectfully submitted,



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**CERTIFICATE OF SERVICE**

This is to certify that the foregoing electronic filing was transmitted to the Commission on March 30, 2026, and that there are no parties that the Commission has excused from participation by electronic means in this proceeding. Pursuant to prior Commission Orders, no paper copies of this filing will be made.

A handwritten signature in blue ink, appearing to read "Meredith Anne".

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*Counsel for Duke Energy Kentucky, Inc.*