COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC EXAMINATION BY THE PUBLIC SERVICE COMMISSION OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF DUKE ENERGY KENTUCKY, INC. FOR THE TWO-YEAR BILLING PERIOD ENDING MAY 31, 2026	))))))	CASE NO. 2026-00234

DIRECT TESTIMONY OF

LIBBIE S. MILLER

ON BEHALF OF

DUKE ENERGY KENTUCKY, INC.

October 23, 2026

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I. INTRODUCTION AND PURPOSE

Q. STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Libbie S. Miller. My business address is 139 East Fourth Street, Cincinnati, Ohio 45202.

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

A. I am employed by Duke Energy Business Services LLC (DEBS) as Rates and Regulatory Strategy Manager for Duke Energy Kentucky, Inc., (Duke Energy Kentucky or Company) and Duke Energy Ohio, Inc. (Duke Energy Ohio). DEBS provides various administrative and other services to Duke Energy Kentucky and other affiliated companies of Duke Energy Corporation (Duke Energy).

Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL QUALIFICATIONS.

A. I earned a Bachelor of Science in Accounting from Indiana State University, Terre Haute, Indiana, in 1988. I also am a Certified Public Accountant licensed in Indiana. I began my career with Public Service Indiana, in 1988, where I held positions in Fuels Accounting, Corporate Accounting, and Financial Systems. I transferred to Cincinnati, Ohio, in 1995 with the inception of Cinergy Corp., the parent of Duke Energy Ohio, where I continued working in Financial Systems and later held various accounting positions within the generation business. In 2015, I worked in Program Performance supporting Energy Efficiency and Demand Response customer programs for Duke Energy Indiana. In January 2018, I became Lead Analyst, Rates and Regulatory Strategy for Duke Energy Kentucky and Duke

Energy Ohio. In 2022, I assumed my current position as Rates and Regulatory Strategy Manager.

Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THE PUBLIC SERVICE COMMISSION?

A. Yes. I have provided testimony in proceedings before the Kentucky Public Service Commission regarding Duke Energy Kentucky's Fuel Adjustment Clause (FAC) and Environmental Surcharge Mechanism (ESM).

Q. PLEASE SUMMARIZE YOUR DUTIES AS RATES AND REGULATORY STRATEGY MANAGER.

A. As Rates and Regulatory Strategy Manager, I am responsible for the preparation of various monthly, quarterly, and annual rate recovery mechanisms. I also prepare other schedules used in retail rate filings for Duke Energy Kentucky and Duke Energy Ohio, along with Federal Energy Regulatory Commission (FERC) filings.

Q. WHAT IS THE PURPOSE OF THIS PROCEEDING?

A. The purpose of this proceeding is to review the operation of Duke Energy Kentucky's environmental surcharge mechanism tariff (ESM) during the two-year billing period ended May 31, 2026; determine whether the surcharge amounts collected during that period were just and reasonable; and to determine whether it is appropriate to incorporate into the Company's existing base rates the surcharge amounts the Commission finds to be just and reasonable.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. The purpose of my testimony is to: (1) summarize the operation of the Company's ESM during the two-year review period; (2) demonstrate that the revenues collected

during the review period were just and reasonable; and (3) present the Company's recommendation, together with supporting analysis, regarding whether the cumulative environmental surcharge amount should be incorporated into base rates and explain the methodology for implementing the Company's recommendation.

II. DISCUSSION

A. The Company's Rider ESM

Q. PLEASE DESCRIBE THE OPERATION OF DUKE ENERGY KENTUCKY'S ESM DURING THE BILLING PERIOD UNDER REVIEW.

A. For each month of the two-year review period, Duke Energy Kentucky calculated its environmental surcharge factors in accordance with its ESM Tariff and consistent with the Commission's Orders in Duke Energy Kentucky's previous applications to implement or amend its ESM and Environmental Compliance Plan (ECP). The Company billed customers a monthly environmental surcharge during the review period from June 2024 through May 2026. Each monthly calculation was prepared using the Commission-approved forms and filed with the Commission at least ten days before the new monthly charge was billed, consistent with KRS 278.183.

The two-year review period encompasses four six-month billing periods. The June 2024 through November 2024 billing period was reviewed in Case No. 2025-00024; the December 2024 through May 2025 billing period was reviewed in Case No. 2025-00237; and the June 2025 through November 2025 billing period was reviewed in Case No. 2026-00041. The remaining six-month billing period,

December 2025 through May 2026, is being reviewed in this proceeding. Together, these periods comprise the two-year review period ending May 31, 2026.

Q. WHAT ARE THE COMPONENTS OF THE ENVIRONMENTAL COMPLIANCE COSTS THAT WERE INCLUDED IN THE CALCULATION OF THE ENVIRONMENTAL SURCHARGE BILLING FACTORS FOR THE BILLING PERIOD UNDER REVIEW?

A. In each month of the two-year period under review in this proceeding, Duke Energy Kentucky's environmental compliance costs, E(m), include: (1) a return on environmental compliance rate base; (2) environmental operating expenses; (3) proceeds from emission allowance sales; (4) prior period adjustments; (5) adjustment for over- or under-recovery of previously filed monthly jurisdictional E(m); and (6) independent consultant fees in association with Case Nos. 2024-00152 and 2025-00002, CPCNs for the Limestone Conversion Project. Pursuant to KRS 278.183(4), the costs associated with the Commission retaining an independent consultant shall be paid by the applicant and be included as financial costs in the ESM Surcharge.

Q. PLEASE DESCRIBE THE COMPONENTS OF ENVIRONMENTAL COMPLIANCE RATE BASE THAT WERE INCLUDED IN THE CALCULATION OF THE ENVIRONMENTAL SURCHARGE BILLING FACTORS FOR THE BILLING PERIOD UNDER REVIEW.

A. Environmental compliance rate base included in the calculation of the environmental surcharge billing factors for the billing period under review includes: (1) eligible environmental compliance plant in-service excluding AFUDC; (2) eligible environmental compliance construction work in progress (CWIP) excluding AFUDC; (3) emission allowance inventory; (4) accumulated depreciation on eligible environmental compliance plant in-service; and (5) deferred income taxes on eligible environmental compliance plant in-service. The capital projects that comprise the environmental compliance plant in-service and CWIP are those approved by the Commission in Case No. 2017-00321 and Case No. 2018-00156. Capital projects included in the calculation of the ESM include the following as shown on FORM 2.10 of the monthly ESM filings:

Project No.	Description
1	EB020290 Lined Retention Basin West
2	EB020745 Lined Retention Basin East
3	EB020298 East Bend SW/PW Reroute
4	EB021281 East Bend Landfill Cell 2

Q. WHAT ENVIRONMENTAL PLAN OPERATING EXPENSES WERE INCLUDED IN THE CALCULATION OF THE ENVIRONMENTAL SURCHARGE BILLING FACTORS FOR THE BILLING PERIOD UNDER REVIEW?

A. The environmental plan operating expenses included in the calculation of the environmental surcharge billing factors for the billing period under review are those approved by the Commission in Case No. 2017-00321, Case No. 2018-00156, and Case No. 2021-00290. The expenses included in the calculation of the ESM include the following as shown on FORM 2.00 of the monthly Rider ESM filings:

Description	Source
Monthly Depreciation Expense	ES Form 2.10
Monthly Taxes Other Than Income Taxes	ES Form 2.10
Monthly Amortization Expense	ES Form 2.20
Monthly Emission Allowance Expense	ES Form 2.30
Monthly Environmental Reagent Expense	ES Form 2.50

Q. WERE THERE ANY PERTINENT CHANGES TO THE ENVIRONMENTAL SURCHARGE DURING THE REVIEW PERIOD?

A. Two Commission Orders resulted in changes to the ESM during the review period.

First, in its October 2, 2025, Order in Case No. 2024-00354, the Commission approved a 9.70 percent return on equity (ROE) and a 9.102 percent pre-tax rate of return for the ESM. In the same proceeding, the Commission approved new depreciation rates for calculating depreciation expense on eligible environmental compliance plant in service. The Company incorporated these

changes into the ESM beginning with the December 2025 billing period, which reflected the October 2025 expense month.

Second, in its October 2, 2025 Order in Case No. 2025-00024, the Commission approved the incorporation of an additional $13,489,347 of environmental surcharge amounts into base rates. When combined with the $22,535,632 previously approved by the Commission to be rolled into base rates in its August 8, 2024 Order in Case No. 2023-00374, the total environmental surcharge amount incorporated into base rates is $36,024,979.

Q. DOES THE COMPANY HAVE CHANGES TO ANY OF THE COMPONENTS OF ITS ENVIRONMENTAL SURCHARGE BILLING FACTORS?

A. The Company does not have any changes or corrections to its filed environmental surcharge mechanisms during the review period.

Q. WHAT RATE OF RETURN IS THE COMPANY PROPOSING TO USE FOR THE ENVIRONMENTAL SURCHARGE?

A. The Company is proposing to use the pre-tax rate of return approved in its last base rate case, Case No. 2024-00354, until changed by the Commission in a base rate case proceeding. The currently approved pre-tax rate of return is 9.102 percent, including a 9.70 percent return on equity, a total weighted average cost of capital (WACC) of 7.362 percent, and a gross revenue conversion factor of (GRCF) of 1.3401703.

Q. WHAT IS THE RATIONALE FOR THIS PROPOSAL?

A. This current rate of return was established in 2025 and was supported by a full cost of equity analysis; therefore, the Company believes it is reasonable to continue using the current Commission approved rate of return until the Commission authorizes an updated rate of return through a base rate case proceeding.

Q. IS DUKE ENERGY KENTUCKY RECOMMENDING TO INCORPORATE ADDITIONAL ESM AMOUNTS INTO EXISTING BASE RATES PURSUANT TO KRS 278.183(3).

A. No. The Company does not recommend incorporating any additional environmental surcharge amounts into base rates in this two-year review proceeding. Instead, the Company recommends maintaining the $36,024,979 of environmental surcharge revenues previously incorporated into base rates. Pursuant to the Commission's final order in Duke Energy Kentucky's last ESM two-year review proceeding, Case No. 2025-00024, the Company rolled an additional $13,489,347 into base rates for a total amount of environmental surcharge revenues included in base rates of $36,024,979. The revised base rates reflecting this roll-in became effective January 2, 2026. Duke Energy Kentucky has not experienced any significant increases in ESM rate base or operating expenses since that time and does not believe an incremental roll-in is necessary. Maintaining the current amount is reasonable and appropriate because it establishes an adequate funding level to accommodate anticipated fluctuations in future environmental compliance revenue requirements,

including monthly variations attributable to seasonal factors, and is intended to maintain the ESM as close to zero as practicable.

Q. IF THE COMMISSION DOES NOT ADOPT DUKE ENERGY KENTUCKY'S RECOMMENDATION TO MAINTAIN THE CURRENT JURISDICTIONAL ENVIRONMENTAL SURCHARGE AMOUNT INCORPORATED INTO BASE RATES, HOW SHOULD ANY CHANGE TO BASE RATES BE IMPLEMENTED?

A. If the Commission orders a change to the jurisdictional environmental surcharge amount incorporated into base rates, the Company recommends that the change should take effect for bills rendered beginning with the first billing cycle in the third month following the month in which the Commission issues its Order in this proceeding to ensure the accurate update and review of the base rate change. Because the ESM is billed on a bills-rendered basis, the corresponding base-rate change should likewise be implemented on a bills-rendered basis.

Q. IS THE COMPANY PROPOSING TO MAKE ANY CHANGES TO ITS ESM TARIFF?

A. No, the Company does not propose to make any changes to its ESM tariff.

Q. IS THE COMPANY PROPOSING TO MAKE ANY CHANGES TO THE MONTHLY ES FORMS?

A. No, the Company does not propose to change any of the monthly ES Forms.

B. Data Requests Sponsored

Q. PLEASE IDENTIFY THE RESPONSES TO COMMISSION DATA REQUESTS YOU ARE SPONSORING.

A. I sponsor the Company's responses to Staff Data Request Numbers 1, 2, 3, and 6, and co-sponsor the Company's response to Staff Data Request Number 5 with John D. Swez. These responses were prepared by me and/or under my direction and control and are true and accurate to the best of my knowledge.

III. CONCLUSION

Q. WERE THE ESM BILLING FACTORS CHARGED DURING THE TWO-YEAR PERIOD UNDER REVIEW CALCULATED IN ACCORDANCE WITH THE ESM TARIFF AND APPLICABLE COMMISSION ORDERS?

A. Yes, the ESM billing factors charged during the two-year period under review were calculated in accordance with the ESM tariff and applicable Commission Orders. The environmental surcharge billing factors charged during the review period are fair, just, and reasonable.

Q. WHAT DOES THE COMPANY RECOMMEND FOR THE COMMISSION IN THIS CASE?

A. The Commission should find the Company's ESM Surcharge amounts for the two-year billing period ending May 31, 2026, to be just and reasonable.

The Commission should approve the Company's proposal not to incorporate additional environmental surcharge amounts into base rates. However, if the Commission recommends rolling an amount into base rates, the change should take effect with bills rendered beginning with the first billing cycle in the

third month following the month in which the Commission issues its Order in this proceeding.

The Commission should continue to approve the use of an overall rate of return on capital of 9.102 percent approved by the Commission in the last Duke Energy Kentucky electric base rate case, Case No. 2024-00354 until changed by the Commission in the Company's next base rate case proceeding.

Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?

A. Yes.

VERIFICATION

STATE OF OHIO)
) **SS:**
COUNTY OF HAMILTON)

The undersigned, Libbie S. Miller, Rates & Regulatory Strategy Manager, being duly sworn, deposes and says that she has personal knowledge of the matters set forth in the foregoing testimony, and that the information contained therein is true and correct to the best of her knowledge, information, and belief.

Libbie S. Miller

Libbie S. Miller, Affiant

Subscribed and sworn to before me by Libbie S. Miller on this 11th day of October, 2026.

Emilie Sunderman

NOTARY PUBLIC

My Commission Expires: July 8, 2027

NOTARY PUBLIC STATE OF OHIO

EMILIE SUNDERMAN
Notary Public
State of Ohio
My Comm. Expires
July 8, 2027