

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUKE ENERGY	)	
KENTUCKY, INC. FOR AN ORDER APPROVING	)	
ACCOUNTING PRACTICES TO ESTABLISH A	)	CASE NO.
REGULATORY ASSET RELATED TO THE	)	2026-00295
EXTRAORDINARY EXPENSES INCURRED IN	)	
CONNECTION WITH THE MAJOR AUGUST	)	
WINDSTORM EVENT	)	

VERIFIED APPLICATION

Duke Energy Kentucky, Inc. (Duke Energy Kentucky or the Company) respectfully petitions the Kentucky Public Service Commission (Commission) pursuant to KRS 278.030, KRS 278.040, and KRS 278.220 for an Order to be issued on or before December 31, 2026, permitting Duke Energy Kentucky to accumulate and defer for review and recovery in its next base rate proceeding before the Commission those extraordinary and incremental net operations and maintenance expenses the Company incurred to restore service to its customers and to repair damage caused by the destructive derecho storm that struck Duke Energy Kentucky's Northern Kentucky territory beginning on August 11, 2026 (August Derecho). The August Derecho was a major event with widespread winds reaching up to 59 miles per hour.¹

In support of this Application, Duke Energy Kentucky states as follows:

¹ See <https://www.weather.gov/iln/20260811> ("[T]he Cincinnati Northern Kentucky International Airport (KCVG) observed a wind gust of 59 mph. . . . This second round of storms was officially classified as a derecho by the Storm Prediction Center.")

I. INTRODUCTION

1. Pursuant to 807 KAR 5:001, Section 14(2), Duke Energy Kentucky is a Kentucky corporation originally incorporated on March 20, 1901, in good standing, and a “public utility” as that term is defined in KRS 278.010(3), and is therefore, subject to the Commission’s jurisdiction. Attached as Exhibit 1 is a copy of a Certificate of Existence, dated September 30, 2026. Duke Energy Kentucky is engaged in the business of furnishing natural gas and electric services to various municipalities and unincorporated areas in Boone, Bracken, Campbell, Gallatin, Grant, Kenton, and Pendleton Counties in the Commonwealth of Kentucky.

2. Pursuant to 807 KAR 5:001, Section 14(1), Duke Energy Kentucky’s business address is 139 East Fourth Street, Cincinnati, Ohio 45202. The Company’s local office address in Kentucky is Duke Energy Erlanger Ops Center, 1262 Cox Road, Erlanger, Kentucky 41018.

3. Copies of all orders, pleadings and other communications related to this proceeding should be sent to:

Rocco O. D’Ascenzo
Deputy General Counsel
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Associate General Counsel
Sheena McGee Leach
Staff Attorney
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II. BACKGROUND

4. Pursuant to KRS 278.220, the Commission is authorized to prescribe accounting to be kept by utilities subject to its jurisdiction. By Order dated January 31, 2002, in Case No. 2001-00092², the Commission required Duke Energy Kentucky to obtain Commission approval to establish any new regulatory assets.

III. THE MAJOR EVENT STORM

5. Beginning on August 11, 2026, Duke Energy Kentucky's service territory experienced a severe weather event involving Major Event Days³ as defined by IEEE Standard 1366. The August Derecho struck Duke Energy Kentucky's service territory in mid-August, causing damage to the Company's electric delivery system that necessitated significant restoration efforts and expenses. The August Derecho began on or about August 11, 2026, and brought rain, strong thunderstorms, and straight-line winds at of up to 44 miles per hour, with gusts up to 59 miles per hour. The winds brought widespread damage to Duke Energy Kentucky's electric delivery system including, but not limited to, downed tree limbs, wires and poles, and other equipment damage. In terms of system impact, Duke Energy Kentucky documented approximately 880 total events due to the damage caused by the August Derecho. In total, approximately 50,670 Duke Energy Kentucky customers were without power for more than five minutes due to the August Derecho.⁴

6. Duke Energy Kentucky does not yet have final numbers regarding the extent of the damage to its system. Contractor and vendor invoices remain outstanding as the

² *In the Matter of the Adjustment of Gas Rates of the Union Light, Heat and Power Company*, Case No. 2001-00092, Final Order, p. 14 (Ky. P.S.C. Jan. 31, 2002).

³ A Major Event Day here is defined under IEEE Standard 1366 as a day on which the system average interruption duration index (SAIDI) is more than 2.5 standard deviations above the average of the natural logarithms of the Company's daily SAIDI performance during the most recent five-year period.

⁴ As of August 31, 2026, Duke Energy Kentucky had 157,041 total electric customers.

storm concluded less than two months ago, and indeed the Company does not expect the final invoices for some contractors to be submitted and processed for approximately 180 days. Duke Energy Kentucky's employees, contractors, and colleagues from its parent utility in Ohio and its sister utilities in North and South Carolina worked diligently to restore service.

7. Duke Energy Kentucky used its best available resources to monitor and respond to the August Derecho. In addition to deploying its own available resources, Duke Energy Kentucky requested aid from its Carolina affiliates to assist in restoration efforts. Duke Energy customer call centers were alerted to anticipate increased call volume on anticipated outages as a result.

8. Duke Energy Kentucky and its parent utility, Duke Energy Ohio, Inc. (Duke Energy Ohio) coordinated their efforts and immediately began implementing their emergency plans to respond to the damage. At the peak of the August Derecho, according to the Company's preliminary records, 2,698 Duke Energy employees and contractors were responding in Kentucky and Ohio by assessing damage, preparing material for the field, assigning jobs to crews, protecting the public, removing damaged vegetation, repairing downed lines and equipment and providing support services.

IV. AMOUNT TO BE ACCUMULATED AND DEFERRED

9. The estimated costs of restoration that Duke Energy Kentucky incurred due to the August Derecho are projected to significantly and materially exceed the Company's average annual storm-related costs. Duke Energy Kentucky presently has approximately

\$1 million in base rates for major storm restoration.⁵ Duke Energy Kentucky's best estimates at the time of this filing indicate that its total incremental August Derecho-related O&M expenses will be approximately \$3.1 million. The Company therefore estimates necessary deferral authority of approximately \$2.1 million incremental to the \$1 million already included in base rates. The current estimates for costs attributable to the August Derecho are attached hereto as Exhibit 2. These costs are based upon both estimated and actual costs incurred to date. This Application therefore includes Duke Energy Kentucky's best current high-level estimates.

10. Duke Energy Kentucky does not maintain property and casualty insurance that covers its distribution and transmission systems for damage caused by severe weather because of the cost of doing so. In fact, upon information and belief, such coverage has not been available from general insurance carriers and has been specifically excluded from policies since the early 1990s. As a result, Duke Energy Kentucky has not, and will not, receive any insurance proceeds to offset the August Derecho damage expenses.

11. Duke Energy Kentucky asks the Commission for permission to record as a regulatory asset and defer for future recovery in appropriate accounts, both in this quarter and in subsequent fiscal quarters, the actual costs incurred due to the August Derecho in excess of major storm expense contained in base rates. The measures Duke Energy Kentucky took to restore service, and the costs related thereto, were reasonable and prudent and should therefore be recoverable as a necessary cost of providing service to Duke

⁵ See *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, Duke Energy Kentucky's Responses to Attorney General's First Set of Requests for Information, AG-DR-01-097, part b ("Major storm costs are budgeted at \$1,000,000 per year. . . ."); *id.*, part c ("Major Storms are forecasted at \$1,000,000 per year consistent with average historical results.").

Energy Kentucky's customers. If approved, Duke Energy Kentucky will hold its deferred costs in Account No. 182.3, Other Regulatory Assets, until the Commission considers the method of recovery in a future rate proceeding.

12. The accounting treatment requested herein related to the August Derecho will only have a small impact on customers when the Commission subsequently approves amortization and rate recovery of the regulatory asset. For example, if in the next rate case, the Commission approves a five-year amortization of this regulatory asset to be included in revenue requirements, the overall impact on retail customers' monthly bills is expected to be significantly less than one percent (1%).

13. The Commission has exercised its discretion to approve a regulatory asset upon demonstration that the expenses to be deferred fall into one of four categories:

- (1) An extraordinary, nonrecurring expense which could not have reasonably been anticipated in the utility's planning;
- (2) An expense resulting from a statutory or administrative directive;
- (3) An expense in relation to an approved industry initiative; or
- (4) An extraordinary or nonrecurring expense that over time will result in a saving that fully offsets the cost.

The Commission has previously approved accounting treatment for such extraordinary storm-related events and permitted deferral and amortization of significant and extraordinary expenses to the extent such costs exceed the amount of storm-related

costs contained in base rates.⁶ Duke Energy Kentucky respectfully submits that the costs incurred because of the August Derecho undeniably qualify as such extraordinary non-recurring expenses and that such expenses could not have been reasonably anticipated in the utility's planning.

14. The Commission has previously recognized the impact of a late-occurring major event storm as it relates to the utility's fiscal year operations and the timing constraint placed upon seeking accounting orders from the Commission. As a result, the Commission has stated that it would "allow jurisdictional utilities to record expenses for Major Event storms occurring in the fourth quarter of the fiscal year as a deferred asset for accounting purposes only, subject to the utility's filing of an application within 90 days of the occurrence of the Major Event storm seeking Commission approval for such authority."⁷

15. More recently, the Commission has authorized another utility to apply a similar timeline to storms occurring in any quarter:

The Commission will allow, and recommends, Kentucky Power record expenses for storms occurring in any quarter of the fiscal year as a deferred asset for accounting purposes only, subject to Kentucky Power providing the Commission with notice of such within five days of the establishment of the regulatory asset and subject to Kentucky Power filing an application within 90 days of the occurrence of the storm seeking Commission approval for such authority. The Commission finds that Kentucky Power should use the same

⁶ See e.g., *In the Matter of an Adjustment of the Electric Rates, Terms and Conditions of Kentucky Utilities Company*, Case No. 2003-00434, Order, pp. 39-41 (Ky. P.S.C. Jun. 30, 2004), finding Kentucky Utilities' proposal to defer and amortize significant ice storm related expenses as reasonable; *In the Matter of General Adjustment of Rates of East Kentucky Power Cooperative*, Case No. 2006-00472, Order (Ky. P.S.C. Dec. 7, 2007) Permitting amortization of forced outage expenses over three years due to the significance and extraordinary nature of the event; *In the Matter of an Application of Duke Energy Kentucky, Inc for An Order Approving the Establishment of a Regulatory Asset*, Case No. 2008-00476, Order, p. 4 (Ky. P.S.C. Jan. 7, 2009) Permitting deferral of storm restoration costs associated with Hurricane Ike.

⁷ *In the Matter of the Application of Kentucky Power Company for an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities Related to the Extraordinary Expenses Incurred by Kentucky Power Company in Connection with the Two 2015 Major Storm Events*, Case No. 2016-00180, Order, p. 5 (Ky. P.S.C. Dec. 12, 2016).

filing timeline for quarterly reports as it does for year-end reports.⁸

With this Application, Duke Energy Kentucky is both informing the Commission of the need to establish this deferred asset and is also providing the best available information at this time in order for the Commission to consider the Company's deferral request. Additionally, going forward, Duke Energy Kentucky requests the Commission's authorization to follow the same procedures as described above in the Order from Case No. 2025-00031.

16. Consistent with Statements of Financial Standards No. 71 codified as Accounting Standards Codification (ASC) 980, granting the Company's Verified Application in this case will allow Duke Energy Kentucky to make appropriate adjustments to its books of account for the regulatory asset and prevent Duke Energy Kentucky from having to record extraordinary storm costs as expenses on its books. To comply with ASC 980, Duke Energy Kentucky respectfully requests the Commission to state explicitly in its order that it is authorizing Duke Energy Kentucky to accumulate in a regulatory asset and defer the actual amounts of extraordinary expenses (incremental to the \$1 million in base rates) Duke Energy Kentucky incurred to repair damage and restore service to customers following the August Derecho, in a regulatory asset in Account No. 182.3, Other Regulatory Assets. Such amounts are currently estimated to be approximately \$2.1 million, and will be updated based on actuals.

⁸ *In the Matter of the Electronic Application of Kentucky Power Company For an Order Approving Accounting Practices to Establish a Regulatory Asset Related to the Extraordinary Expenses Incurred By Kentucky Power Company In Connection With the January 5, 2025 and February 15, 2025 Major Event Storms*, Case No. 2025-00031, Order, p. 8 (Ky. P.S.C. Mar. 31, 2025).

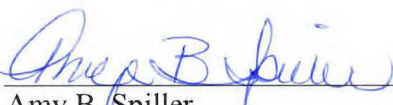
17. If the Commission approves Duke Energy Kentucky's requested regulatory asset treatment of its August Derecho related expenses, Duke Energy Kentucky will make the following journal entries:

Debit	182.3	Other Regulatory Assets
Credit	58X	Distribution Operation Expense
	59X	Distribution Maintenance Expense
	9XX	Administrative & General Expense
	408	Payroll Taxes

18. As soon as is practicable, Duke Energy Kentucky will file an update in this docket with actual expenses deferred to the requested regulatory asset.

WHEREFORE, Duke Energy Kentucky prays that the Commission issue an order on or before December 31, 2026, granting authority to accumulate in a regulatory asset and defer for future recovery the actual amounts incremental to the \$1 million included in base rates of extraordinary expenses Duke Energy Kentucky incurred to repair damage and restore service to customers following the August Derecho and to apply the proposed accounting treatment to make appropriate adjustments on its books of account for the year ending December 31, 2026. Additionally Duke Energy Kentucky respectfully requests to be permitted to follow the process described in Case No. 2025-00031 in the future, *i.e.*, record expenses for storms occurring in any quarter of the fiscal year as a deferred asset for accounting purposes only, subject to providing the Commission with notice within five days of the establishment of the regulatory asset and subject to filing an application within 90 days of the occurrence of the storm seeking Commission approval for such authority.

DUKE ENERGY KENTUCKY, INC.

By: 
Amy B. Spiller
President

Its Attorneys:

/s/Larisa M. Vaysman

Rocco O. D'Ascenzo (92796)

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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 September 30, 2026 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.⁹

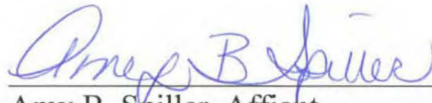
/s/Larisa M. Vaysman
Counsel for Duke Energy Kentucky, Inc.

⁹ *In the Matter of Electronic Emergency Docket Related to the Novel Coronavirus COVID-19*, Case No. 2020-00085, Order (Ky. P.S.C. July 22, 2021).

VERIFICATION

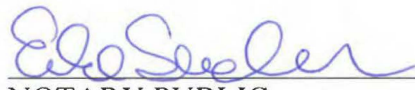
STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

The undersigned, Amy B. Spiller, being duly sworn, states as follows: that she is the President of Duke Energy Kentucky, Inc.; that she has personal knowledge of the matters set forth in the foregoing application; and, that the information contained therein is true and correct to the best of her knowledge, information, and belief.



Amy B. Spiller, Affiant

Subscribed and sworn to before me by Amy B. Spiller on this 29th day of September 2026.



NOTARY PUBLIC

My Commission Expires:



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

Commonwealth of Kentucky
Michael G. Adams, Secretary of State

Michael G. Adams
Secretary of State
P. O. Box 718
Frankfort, KY 40602-0718
(502) 564-3490
<http://www.sos.ky.gov>

Certificate of Existence

Authentication number: 380710

Visit <https://web.sos.ky.gov/ftshow/certvalidate.aspx> to authenticate this certificate.

I, Michael G. Adams, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

DUKE ENERGY KENTUCKY, INC.

DUKE ENERGY KENTUCKY, INC. is a corporation duly incorporated and existing under KRS Chapter 14A and KRS Chapter 271B, whose date of incorporation is March 20, 1901 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that Articles of Dissolution have not been filed; that the most recent annual report required by KRS 14A.6-010 has been delivered to the Secretary of State; and is therefore in good standing.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 30th day of September, 2026, in the 235th year of the Commonwealth.



Michael G. Adams

Michael G. Adams
Secretary of State
Commonwealth of Kentucky
380710/0052929

Duke Energy Kentucky
2026 August Derecho Restoration Estimate (O&M)

August Derecho Storm Dates: August 11, 2026 - August 15, 2026

	Estimated O&M	
Duke Energy Kentucky Payroll		\$ 251,536
Straight time labor	\$ 54,168	
Overtime Labor	\$ 94,716	
Labor Loadings	\$ 102,652	
Affiliate Payroll		\$ 320,226
Straight time labor	\$ 61,699	
Overtime Labor	\$ 177,945	
Labor Loadings	\$ 80,582	
Contractor		\$ 2,166,768
Linemen	\$ 2,023,952	
Tree Trimming	\$ 142,815	
Other		\$ 502,434
Overheads	\$ 133,514	
Expenses (lodging, food, travel, logistics)	\$ 165,015	
Fleet	\$ 57,431	
Materials	\$ 146,474	
Total Storm Estimate	\$ 3,240,964	\$ 3,240,964
Normal Operations (non-incremental costs)		\$ (111,808)
DEK Straight time labor	\$ (54,168)	
DEK Labor Loadings	\$ (37,348)	
Overheads	\$ (20,292)	
Total Storm Estimate - Incremental Cost	\$ 3,129,156	\$ 3,129,156
Major Event Storm Costs in Base Rates		\$ (1,000,000)
DEK Deferral Request		\$ 2,129,156