COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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

ORDER

Duke Energy Kentucky, Inc. (Duke Kentucky) requested authorization to increase its electric base rate revenue, including fuel, to a new total of $524,431,113, which reflects an increase of $70,008,476 or 15.41 percent from its current rates.[1]

Duke Kentucky's last adjustment of its electric rates was granted in Case No. 2022-00372.[2] By this Order, we establish rates that will produce an annual increase in revenues of $43,692,476 or 9.61 percent.

BACKGROUND

Duke Kentucky, a Kentucky corporation, owns and operates electric generation, transmission, and distribution as well as natural gas storage, transportation, and distribution facilities in Northern Kentucky. Duke Kentucky provides electric service to 152,641 customers in Boone, Campbell, Grant, Kenton, and Pendleton counties,

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[1] Application at 5.

[2] Case No. 2022-00372, *Electronic Application of Duke Energy Kentucky, Inc. for (1) An Adjustment of 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* (Ky. PSC Oct. 12, 2023), Order.

Kentucky. Duke Kentucky also provides gas service to 105,000 customers in Boone, Bracken, Campbell, Gallatin, Grant, Kenton, and Pendleton counties, Kentucky.[3]

PROCEDURE

On November 1, 2024, Duke Kentucky filed a notice of its intent to file an application for approval of increases in its electric rates.[4] On December 2, 2024, Duke Kentucky filed its application for an adjustment of its electric rates based on a forecasted test period, along with additional tariff and accounting approvals. The application proposed that the new rates become effective on January 2, 2025. In an Order issued on December 18, 2024, Duke Kentucky's proposed rates were suspended for six months, up to and including July 2, 2025.[5] The December 18, 2024 Order also established a procedural schedule for the processing of this matter, which provided for a deadline for requesting intervention, two rounds of discovery upon Duke Kentucky's application,[6] a deadline for the filing of intervenor testimony, one round of discovery upon any intervenor testimony, and an opportunity for Duke Kentucky to file rebuttal testimony. As required, Duke Kentucky filed its base period update on April 14, 2025.

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[3] Application at 2.

[4] Duke Kentucky's Notice of Intent and Election (filed Nov. 1, 2024).

[5] Order (Ky. PSC Dec. 18, 2024).

[6] Duke Kentucky responded to a total of four requests for information from Commission Staff prior to the hearing: Duke Kentucky's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Dec. 16, 2024); Duke Kentucky's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Jan. 22, 2025); Duke Kentucky's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed Feb. 26, 2025); and Duke Kentucky's Response to Commission Staff's Fourth Request for Information (Staff's Fourth Request) (filed Apr. 30, 2025).

The following parties were granted intervention in this proceeding: the Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General);[7] the Kroger Co. (Kroger);[8] and Walmart, Inc. (Walmart).[9]

A formal hearing was held on May 21, 2025, and May 22, 2025. Duke Kentucky filed responses to post-hearing information requests on June 11, 2025.[10] Each of the parties filed simultaneous post-hearing briefs on June 16, 2025. Duke Kentucky, Kroger, and Walmart filed simultaneous reply briefs on June 23, 2025.[11] The case now stands ready for a final Order.

ANALYSIS AND DETERMINATION

Test Period

Duke Kentucky proposed the 12 months ending June 30, 2026, as its forecasted test period to determine the reasonableness of its proposed rates.[12] Duke Kentucky used a base period of the 12 months ending February 28, 2025, which included 6 months of actual data through August 31, 2024, and 6 months of budgeted data.[13] Duke Kentucky's 2024 actual data and 2024 and 2025 budgets were the starting point for the preparation

[7] Order (Ky. PSC Dec. 11, 2024).

[8] Order (Ky. PSC Jan. 16, 2025).

[9] Order (Ky. PSC Jan. 17, 2025).

[10] Duke Kentucky's Response to Commission Staff's Post-Hearing Request for Information (Staff's Post-Hearing Request) and Duke Kentucky's Response to the Attorney General's Post-Hearing Request for Information.

[11] The Attorney General did not file a reply brief.

[12] Direct Testimony of Grady Carpenter (Carpenter Direct Testimony) (filed Dec. 2, 2024) at 3.

[13] Carpenter Direct Testimony at 3.

of both the base and forecasted periods.[14] Duke Kentucky described the review and approval process to which its budgets are subjected, including Duke Kentucky's executive management and Duke Energy Corporation's (Duke Energy) Board of Directors.[15]

The Commission finds Duke Kentucky's forecasted test period to be consistent with the provisions of KRS 278.192 and 807 KAR 5:001, Sections 16(6), (7), and (8). Therefore, the Commission accepts the forecasted test period proposed by Duke Kentucky for use in this proceeding.

Rate Base

Duke Kentucky proposes a forecasted net investment rate base of $1,273,791,539. This includes a net Utility Plant in Service (UPIS) of $1,476,236,388. The Commission accepts this forecasted rate base with the following exceptions:

Error in Cash Working Capital Due to Expense Synchronization – Duke Kentucky included $4,507,797 of cash-working capital (CWC) in rate base in its application based on the results of a lead/lag study performed on its behalf.[16] The Attorney General asked Duke Kentucky to prove that the test-year expenses used in the CWC lead/lag study matched the expenses reflected elsewhere in Duke Kentucky's determination of the revenue requirement and to provide an updated CWC calculation if the expenses did not match. Duke Kentucky admitted that the Miscellaneous Expense Adjustment and the Federal and State Income Taxes were not synchronized with the as-filed amounts

[14] Carpenter Direct Testimony at 3.

[15] Carpenter Direct Testimony at 3.

[16] Duke Kentucky's Response to Staff's First Request, Item 54, Attachment KPSC_Electric_SFRs-2024, Schedule B-1.

provided elsewhere in the application schedules.[17] Duke Kentucky stated that correcting the error would reduce the CWC included in rate base by $51,178.[18]

The Commission finds that a rate base reduction of $51,178 to synchronize expenses in the CWC is appropriate.

<u>Deferred Rate Case Expense</u> – Duke Kentucky included a regulatory asset of $1,230,681 of deferred rate case expense from previous rate cases as well as expenses from this case in rate base: $58,547 from its 2019 rate case, $438,521 from its 2022 rate case, and $733,613 from the current case.[19] These regulatory assets were offset by accumulated deferred income taxes (ADIT) of $306,749.[20] The regulatory assets and ADIT were provided on a 13-month average basis.

The Attorney General recommended removing the regulatory assets, net of ADIT, from rate base because the Commission has historically held that shareholders benefit from rate cases and should share the cost with ratepayers.[21] Additionally, the Attorney General argued that it is unfair to earn a full return on these regulatory assets as the balance declines between rate cases.[22] The Attorney General also recommended that the amortization of the rate case regulatory assets be recovered in base rates so that approximately 80 percent of Duke Kentucky's proposed rate case expense revenue

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[17] Duke Kentucky's Response to the Attorney General's First Request for Information (Attorney General's First Request) (filed Jan. 22, 2025), Item 54(b).

[18] Duke Kentucky's Response to the Attorney General's First Request, Item 54.

[19] Duke Kentucky's Response to Staff's First Request, Item 54, Attachment KPSC_Electric_SFRs-2024, WPB-1.1a

[20] Duke Kentucky's Response to Staff's First Request, Item 54, Attachment KPSC_Electric_SFRs-2024, WPB-1.1a.

[21] Futral Direct Testimony at 10–11.

[22] Futral Direct Testimony at 12.

requirement are recovered from ratepayers.[23] The Attorney General's recommendation results in a reduction of $923,932 in rate base and a reduction of $92,160 in the revenue requirement.

Duke Kentucky argued that rate case expense is a cash outlay that must be financed like any deferral, it is obligated to file rate cases, and rate case expense is a cost of doing business.[24] Therefore, Duke Kentucky asked that rate case expense deferrals be included in rate base so that it can be compensated for the time value of money while the regulatory assets are being amortized in rates.[25]

While the Commission includes the amortization of rate case expense in rates, the Commission has previously found that deferred rate cases expenses should not be included in rate base to share the cost of rate cases between shareholders and ratepayers,[26] including in Duke Kentucky's 2019 rate case.[27] In Duke Kentucky's 2022 rate case, the inclusion of Duke Kentucky's deferred rate case expense in rates was not directly addressed as it appears that Duke Kentucky voluntarily removed that deferred expense from rate base.[28] As discussed below, the Commission will include the

[23] Futral Direct Testimony at 12.

[24] Rebuttal Testimony of Sarah Lawler (Lawler Rebuttal Testimony) (filed Apr. 9, 2025) at 2.

[25] Lawler Rebuttal Testimony at 2–3.

[26] *See* Case No. 2021-00214, *Electronic Application of Atmos Energy Corporation for An Adjustment of Rates* (Ky. PSC May 19, 2022), Order at 17-18; and Case No. 2022-00147, *Electronic Application of Water Service Corporation of Kentucky for General Adjustment in Existing Rates and a Certificate of Public Convenience and Necessity to Deploy Advanced Metering Infrastructure* (Ky. PSC Apr. 12, 2023), Order at 13–14.

[27] *See* Case No. 2019-00271, *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* (Ky. PSC Apr. 27, 2020), Order at 7–8.

[28] *See generally* Case No. 2022-00372, Oct. 12, 2023 Order.

amortization of actual rate case expenses in the revenue requirement. However, there was no basis offered that justifies a different treatment than that used in Duke Kentucky's 2019 rate case with respect to the inclusion of deferred rate case expense in rates. Thus, the Commission finds that the adjustment proposed by the Attorney General to remove the rate case expense regulatory assets from rate base should be accepted, which results in a rate base reduction of $923,932.

Vendor Supplied Portion of Construction Payables – Duke Kentucky temporarily finances its capital expenditures for plant and other assets as well as operating expenses through delayed payments to its vendors recorded as accounts payable with no financing cost.

The Attorney General's witness, Lane Kollen (Kollen), recommended subtracting construction accounts payable from rate base because the delay between billing and payment of those accounts effectively provided Duke Kentucky zero-cost financing.[29] Kollen cited Case No. 2020-00174[30] in which the Commission removed construction accounts payable based on a finding that it constituted zero-cost financing.[31] Kollen testified that removing the construction accounts payable would reduce rate base by $17,564,173, which would reduce the revenue requirement by $1,751,984.

Duke Kentucky's witness, Lisa Steinkuhl, stated that Duke Kentucky did not include construction work in progress (CWIP) in rate base in this proceeding, which is

[29] Direct Testimony of Lane Kollen (Kollen Direct Testimony) (filed Mar. 5, 2025) at 10.

[30] Case No. 2020-00174, *Electronic Application of Kentucky Power Company for (1) a General Adjustment of Its Rates for Electric Service; (2) Approval of Tariffs and Riders; (3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; (4) Approval of a Certificate of Public Convenience and Necessity; and (5) all other Required Approvals and Relief* (Ky. PSC Jan. 13, 2021), Order at 10.

[31] Kollen Direct Testimony at 11.

where the construction accounts payable would be located in rate base.[32] Therefore, Duke Kentucky's witness argued in rebuttal testimony that it does not make sense to reduce its revenue requirement based on an amount that is not included in rate base.[33]

At the hearing, Duke Kentucky's witness also stated that lags between when bills for construction are sent and when they are paid are not included in Duke Kentucky's calculation of allowance for funds used during construction (AFUDC).[34] Rather, while Duke Kentucky records AFUDC to account for delays between when construction work is completed and when it is placed in service, Duke Kentucky's witness stated that Duke Kentucky only records AFUDC after the construction invoices are paid.[35] The Attorney General's witness, Kollen, acknowledged at the hearing that if Duke Kentucky does not include CWIP in rate base and does not record AFUDC for construction accounts payable until the invoices are paid that his proposed adjustment would not be appropriate to account for the float between the billing and payment of construction invoices.[36]

Including CWIP in rate base or recording AFUDC are different methods for recognizing the cost of financing construction projects during the construction. If Duke Kentucky included construction accounts payable in CWIP or recorded AFUDC for construction invoices before they are paid, then the Commission would agree with the

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[32] Rebuttal Testimony of Lisa Steinkuhl (Steinkuhl Rebuttal Testimony) (filed Apr. 9, 2025) at 5–6.

[33] Steinkuhl Rebuttal Testimony at 5–6.

[34] Hearing Video Transcript (HVT) of the May 22, 2025 Hearing at 10:27:08–10:27:43.

[35] HVT of the May 22, 2025 Hearing at 10:27:56–10:28:04.

[36] HVT of the May 22, 2025 Hearing at 11:43:47–11:44:45.

Attorney General's proposed adjustment, at least in principle,[37] because it would be unreasonable to include financing costs in the cost of service when no financing costs are incurred. However, the Commission finds that Duke Kentucky did not include CWIP in rate base and did not record AFUDC on construction accounts payable until the invoices were paid, and therefore, there is no evidence that Duke Kentucky's customers are paying for financing costs associated with the construction accounts payable. Thus, the Commission finds that the Attorney General's recommendation to subtract construction accounts payable from rate base and the associated revenue requirement adjustment should be rejected.

Cash Working Capital - Revenue Collection Lag Days – One component of a lead/lag study used to calculate CWC is the determination of the number of revenue lag days. Duke Kentucky set this number at 45.52 days.[38] This is comprised of service lag, billing lag, collection lag, and payment processing lag components. The collection lag and the payment processing lag combined to be 27.48 days.[39] Duke Kentucky used a total utility CWC rather than attempt to split out separate gas and electric CWC.

The Attorney General argued that the combined collection lag and payment processing lag is too high and based on a spike in gas prices in 2022.[40] The Attorney General recommended basing the collection lag and payment processing lag on 2023 gas prices and a combined collection lag and payment processing lag of 23.15 days,

[37] The amount of the adjustment would have likely needed to be different if AFUDC were recorded on construction accounts payable as compared to if construction accounts payable were included in CWIP.

[38] Adams Direct Testimony, Attachment MJA-2 at 2.

[39] Adams Direct Testimony, Attachment MJA-2 at 2.

[40] Futral Direct Testimony at 13–14.

which it argues are more in line with historical trends.[41] This would result in a reduction of $2,893,997 million in rate base and a reduction of $288,669 in the revenue requirement.[42]

Duke Kentucky argued that the Attorney General arbitrarily selected a different timeframe for collection lag and ignored the matching principle, which should not be set aside unless there are anomalous conditions that overwhelm the general principle of relying on a matching period for the purposes of analyzing leads and lags.[43] Duke Kentucky argued that if the study period needs to be adjusted, then both the revenue lag and expense leads should be adjusted.[44]

The Commission disagrees with the Attorney General and finds that the revenue and expense periods for the lead/lag study should match. The lead/lag study is based on 2023 expenses and revenues and updating only the revenues to 2024 data is inappropriate. Duke Kentucky used a reasonable period, given the filing date of this case. The study period for revenue lags and expense leads should be the same so that the results are comparable.

<u>Cash Working Capital - Coal, Lime, and Prepaid Expenses</u> – The Attorney General stated that the physical coal and lime are taken from the coal and lime inventories at East Bend 2, used to generate electricity and then expensed; they are not cash expenses.[45] The Attorney General argued that there is only one cash disbursement that occurs when

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[41] Futral Direct Testimony at 16.

[42] Futral Direct Testimony at 16.

[43] Adams Rebuttal Testimony at 9.

[44] Adams Rebuttal Testimony at 9.

[45] Kollen Direct Testimony at 5.

the coal and lime inventories are purchased. The Attorney General stated that inventories are included in rate base offset by the related cost-free vendor financing, reflected in accounts payable; similarly, prepayments are included in rate base and involve a single cash outlay.[46] The Attorney General recommended removing the coal, the lime, and prepaid amortization from the CWC calculation, resulting in a reduction to rate base of $5,133,070 and a reduction to the base revenue requirement of $512,011.[47]

Duke Kentucky argued that it does not include the amortization of prepayments in CWC as the Attorney General suggests, but that these amounts are the PSC assessment fee and insurance.[48] Duke Kentucky stated that it expends cash at the time of purchase for coal and lime, and that the CWC requirement for these items reflects the actual cash outlays made during the study period.[49]

Contrary to Duke Kentucky's assertion that it used the cash expenses arising from the purchase of coal and lime in the lead/lag study, the expenses in the lead/lag study are based on the expenses arising from when those inventories being used.[50] Duke Kentucky also used the test-year, non-cash expenses for the prepayment of assessment fees and insurance in the lead/lag study.[51] The lead/lag study should only include cash

[46] Kollen Direct Testimony at 5.

[47] Kollen Direct Testimony at 13.

[48] Adams Rebuttal Testimony at 4.

[49] Adams Rebuttal Testimony at 3.

[50] Application, Volume 13 at 38, Schedule WPC-2.1a_BP and Adams Direct Testimony, Attachment MJA-2 at 1.

[51] Application, Volume 13 at 41, Schedule WPC-2.1a_BP and Adams Direct Testimony, Attachment MJA-2 at 1.

expenses. The Commission finds that this adjustment proposed by the Attorney General should be accepted, which results in a rate base reduction of $5,133,070.

Cash Working Capital - Long Term Debt Interest Expense – Duke Kentucky's long-term debt interest is paid in cash or cash equivalents on a lagged basis. Duke Kentucky collects cash revenues for this expense from customers each month. Duke Kentucky did not include this expense in its CWC lead/lag study.

The Attorney General recommends including this expense in the CWC, as it is a cash expense billed to customers.[52] The Attorney General further noted that this expense was included in CWC for Kentucky Power Company in 2023-00159[53] and for other Duke Energy operating companies in North Carolina.[54] The result of including the interest expense in CWC would be a reduction to the rate base of $2,936,599 and to the base revenue requirement by $292,919.

Duke Kentucky argued that including long-term debt interest payments in CWC is inconsistent with its prior approved lead-lag study.[55] Duke Kentucky further argued that there is a theoretical basis to exclude interest payments from CWC. Duke Kentucky cites *Accounting for Public Utilities*, which states that:

> The most prevalent [decision by state utility commissions] is probably to not consider the operating income component in the lead-lag study, which results in not recognizing a need for cash working capital to cover operating income and not recognizing accruals of interest and preferred dividends as a

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[52] Kollen Direct Testimony at 14.

[53] Case No. 2023-00159, *Electronic Application of Kentucky Power Company for (1) A General Adjustment of Its Rates for Electric Service; (2) Approval of Tariffs and Riders; (3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; (4) A Securitization Financing Order; and (5) All Other Required Approvals and Relief* (Ky. PSC Jan. 13, 2024).

[54] Kollen Direct Testimony at 14.

[55] Adams Rebuttal Testimony at 5.

> source of cash working capital. The procedure of ignoring operating income generally produces approximately the same effect as does the procedure of recognizing the lag in collecting the equity return component of operating income while also recognizing a lag in the payment of interest expense and preferred dividends.[56]

The Commission agrees with the Attorney General's recommendation to include long-term interest expense and associated revenue in the calculation of the CWC. Duke Kentucky does not dispute that customers are paying rates to cover interest expense on a monthly basis while payments of the interest expense are being made on a lagged basis. Duke Kentucky benefits from receiving revenues to pay interest expense before the expense is paid, and it would be unreasonable not to recognize that benefit, along with other leads and lags that increase CWC, in seeking fairly and accurately represent Duke Kentucky's operating position in the test period. Conversely, the Commission finds that there is no need to make a similar adjustment pertaining to the equity share of the capital structure because there is no preferred stock or required equity payments. Thus, the Commission finds that this adjustment proposed by the Attorney General should be accepted, which results in a rate base reduction of $2,936,599 and a $292,919 revenue requirement decrease.

<u>Cash Working Capital - Sale of Receivables in Collection Lag Days</u> – Duke Kentucky calculated 45.52 revenue lag days used in its cash working capital calculation.[57] Duke Kentucky calculated 27.48 collection lag days from the date the bills were sent to customers until the date cash was collected.[58] In March 2024, Duke Kentucky ended its

[56] Rebuttal Testimony of Michael J. Adams (Adams Rebuttal Testimony) at 6.

[57] Direct Testimony of Michael J. Adams (Adams Direct Testimony), Attachment MJA-2 at 2.

[58] Adams Direct Testimony, Attachment MJA-2 at 2.

receivables financing program.[59] While the program was in effect, Duke Kentucky sold the prior day's customer accounts receivables on a daily basis to Cinergy Receivables Company LLC (CRC); CRC would then take out a loan to pay for the accounts receivable and pay the loan off as customer payments came in.[60]

The Attorney General argued that Duke Kentucky mischaracterized the program as a long-term debt expenditure as opposed to a short-term debt expenditure.[61] The Attorney General further argued that the program created a tangible benefit for customers, as the program allowed Duke Kentucky to immediately monetize its customer accounts receivables at a lower interest rate than a long-term debt expenditure; the result reduced the revenue lag days, reduced cash working capital, reduced rate base, and reduced the revenue requirement.[62] The Attorney General recommended that the Commission impute the receivables financing and properly reflect the cost savings so that the revenue lag days reflect the lesser collection lag days in the CWC calculation, the working capital and rate base are reduced, and the revenue requirement be reduced to remedy Duke Kentucky's imprudent decision to terminate the receivables financing program.[63] The result would be a reduction in CWC and rate base of $16,247,399 and a reduction of $1,620,639 in the revenue requirement. The Attorney General argued that

[59] Kollen Direct Testimony at 16.

[60] Kollen Direct Testimony at 16.

[61] Kollen Direct Testimony at 16.

[62] Kollen Direct Testimony at 17.

[63] Kollen Direct Testimony at 17.

the collection lag days should be 1.46 days instead of the 27.48 collection lag days included in Duke Kentucky's CWC calculation.[64]

Duke Kentucky argued that it only receives cash as customers pay their bills.[65] Further, Duke Kentucky stated that it engaged in the securitization financing of accounts receivable as a means of diversifying its long-term debt and not as factoring of accounts receivable.[66] Duke Kentucky stated that the Commission previously agreed with Duke Kentucky's characterization of the program in Case No. 2022-00372.[67] It also argued that the Attorney General's assertion that the termination of the program lengthened the collection lag days from 1.46 days to 27.48 days is simply incorrect.[68] Finally, Duke Kentucky argued that it would be inappropriate to impute the impact of a financing program that was terminated in March 2024.[69]

Whether or not terminating the accounts receivable arrangement was a favorable decision, it never resulted in near instantaneous cash infusions and did not reduce the collection lag days. The Commission finds that this adjustment proposed by the Attorney General should be rejected.

CAMT Deferred Tax Asset – The Inflation Reduction Act, which was signed into federal law in late 2022, established a Corporate Alternative Minimum Tax (CAMT), which is an alternative federal income tax based on a calculation of adjusted financial statement

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[64] Kollen Direct Testimony at 22.

[65] Rebuttal Testimony of Thomas J. Heath, Jr. (Heath Rebuttal Testimony) (filed Apr. 9, 2025) at 7.

[66] Heath Rebuttal Testimony at 3.

[67] Heath Rebuttal Testimony at 3.

[68] Heath Rebuttal Testimony at 3.

[69] Heath Rebuttal Testimony at 4.

income (AFSI) multiplied by a 15 percent tax rate.[70] The CAMT is compared to the regular federal income tax calculation in a given year and if the CAMT is greater than the regular income tax then the taxpayer must pay the CAMT. However, a taxpayer is permitted to carryforward the difference between the CAMT it paid and what would have been paid under a regular tax calculation to reduce taxes in future years to the extent that its regular federal income tax exceeds the CAMT in those future years. That carryforward is recorded as a deferred tax asset (DTA).[71]

Duke Energy files a consolidated federal tax return that includes Duke Kentucky and other Duke Energy subsidiaries, and based on the AFSI on that consolidated return, Duke Energy has been subject to the CAMT to the extent its CAMT is higher than its regular tax.[72] Duke Kentucky also indicated that the CAMT for the consolidated return exceeded the regular tax in [redacted] and Duke Kentucky projected that the CAMT would exceed the regular tax in [redacted]. Duke Kentucky recorded or projected that it would record a CAMT DTA in each of those tax years to reflect the actual or projected differences between the CAMT and regular tax for the consolidated group in each of those years.[73] Duke Kentucky included portions of those CAMT DTAs from each tax year, totaling $11,720,554, in its rate base for the forecasted test period.[74]

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[70] Kollen Direct Testimony at 23.

[71] Kollen Direct Testimony at 23–24; *See also* Duke Kentucky's Initial Post-Hearing Brief at 32.

[72] Duke Kentucky's Initial Post-Hearing Brief at 32–33.

[73] *See* Duke Kentucky's Response to Attorney General's Second Request for Information (Attorney General's Second Request), Item 48(c), AG-DR-02-048 CONF Attachment.xlsx.

[74] Kollen Direct Testimony at 23.

The Attorney General's witness, Kollen, argued that the CAMT is a tax incurred by Duke Energy on its consolidated federal tax return due solely to its consolidated adjusted financial statement income that Duke Energy allocated, in part, to Duke Kentucky.[75] Kollen asserted that Duke Kentucky would not incur this tax on a standalone basis.[76] Kollen asserted that Commission precedent is to calculate federal income taxes on a standalone basis and to not include consolidated tax savings or costs.[77] Among other things, Kollen pointed to previous cases in which the Commission rejected an adjustment proposed by the Attorney General to reflect consolidated tax savings, and asserted that it would be inconsistent with those cases and unreasonable to reflect consolidated tax costs in this case.[78] Thus, Kollen recommended an adjustment to remove the CAMT DTA from rate base, which would reduce rate base by $11,720,554 and reduce the revenue requirement by $1,169,097.[79]

Duke Kentucky's witness, John Panizza (Panizza), responded to Kollen in rebuttal testimony and asserted that the CAMT is a result of its parent company filing a consolidated federal tax return and that Duke Kentucky shares in the CAMT on a proportional basis pursuant to the Tax Sharing Agreement.[80] Panizza argued in rebuttal that the use of a consolidated return has numerous benefits to Duke Kentucky such as

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[75] Kollen Direct Testimony at 5, 22–26.

[76] Kollen Direct Testimony at 5–6, 22–26.

[77] Kollen Direct Testimony at 6, 22-26.

[78] *See* HVT of May 22, 2025 Hearing at 03:08:00.

[79] Kollen Direct Testimony at 25–26.

[80] Rebuttal Testimony of John R. Panizza (Panizza Rebuttal Testimony) (filed Apr. 9, 2025) at 3.

the fast monetization and elimination of DTAs associated with net operating losses.[81] Panizza stated that it would be unreasonable and unfair for Duke Kentucky to receive the benefits of this Tax Sharing Agreement structure but not share in a proportional share of the costs of such an arrangement.[82] Panizza asserted that Kollen's proposal could set a precedent that would cause future revenue requirements to be higher because other tax benefits under the Tax Sharing Agreement could not be recognized and shared with Duke Kentucky.[83] Panizza concluded that:

> CAMT represents an allocable cost associated with Duke Energy Kentucky being a member of the Duke Energy Corporate group. . . . If Duke Energy Kentucky is not able to recover the costs of participating in this Tax Sharing Agreement, it should also not be able to claim the benefits of such participation going forward.[84]

In its post-hearing brief, Duke Kentucky cited to Panizza's testimony and argued that inclusion of CAMT DTA in rate base is reasonable given that Duke Energy is required by the Internal Revenue Code to file a consolidated federal tax return that includes Duke Kentucky.[85] Duke Kentucky also stated that "it would be inappropriate to calculate the *federal income tax expense* [emphasis added] for Duke Energy Kentucky on a standalone basis since [Duke Kentucky] is prohibited under the Internal Revenue Code from filing a standalone federal income tax return."[86] Like Panizza, Duke Kentucky also argued in its

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[81] Panizza Rebuttal Testimony at 3–4.

[82] Panizza Rebuttal Testimony at 4.

[83] Panizza Rebuttal Testimony at 4

[84] Panizza Rebuttal Testimony at 5.

[85] Duke Kentucky's Post-Hearing Brief at 33.

[86] Duke Kentucky's Post-Hearing Brief at 33.

brief that it would be one-sided for Duke Kentucky's customers to receive the benefits associated with being part of a consolidated tax group but not also share in the costs.[87]

The Commission has recently indicated in several cases that tax effects, particularly a utility's net operating loss carryforward (NOLC) DTAs, should be calculated on a Kentucky specific basis to prevent costs from other jurisdictions from being shifted to Kentucky customers.[88] However, given the complexity of tax law and the fact that it is subject to change, as well as limitations in a utility's records, there may be exceptions to the general rule in which a specific consolidated tax benefit or cost should be allocated to a state utility.[89] It may even be appropriate to allocate the tax effects of the CAMT to subsidiaries in certain circumstances if, as Duke Kentucky alleges, the CAMT applies as a matter of law. However, even under those circumstances, a utility would have the burden of establishing that the costs of a consolidated return are accurately calculated and are reasonably allocated to it and that the costs should be reflected in rates in the manner proposed by the utility.[90]

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[87] Duke Kentucky's Post-Hearing Brief at 33.

[88] *See* Case No. 2021-00214, *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates* (Ky. PSC May 19, 2022) Order at 12–13; and Case No. 2024-00276, *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates; Approval of Tariff Revisions; and Other General Relief* (Ky. PSC Aug. 11, 2025) Order at 12–14.

[89] For instance, if the utility, which bears the burden to support a proposed rate increase, is unable to produce records that can accurately justify a standalone tax calculation, then it may be appropriate, depending on the circumstances, for the Commission to use a consolidated calculation, allocated to the Kentucky utility, especially if the allocated calculation results in a lower cost to customers than a Kentucky specific calculation that is not supported by the evidence. Further, there may be circumstances where it is appropriate to reflect an affiliates use of a utility's deferred tax asset to reflect reduce its tax expense.

[90] *See* KRS 278.190(3) (indicating that a utility bears the burden of establishing that a proposed rate increase is just and reasonable); *see also* KRS 278.2207 ("services and products provided to the utility by an affiliate shall be priced at the affiliate's fully distributed cost but in no event greater than market or in compliance with the utility's existing USDA, SEC, or FERC approved cost allocation methodology"); KRS 278.2209 ("In any formal commission proceeding in which cost allocation is at issue, a utility shall provide sufficient information to document that its cost-allocation procedures and affiliate transaction pricing are

Duke Kentucky proposed to include CAMT DTAs in the amount of $11,720,554 in its calculation of rate base and to then earn a return on those amounts based on its weighted average cost of capital (WACC).[91] Duke Kentucky's rebuttal testimony, however, gave no specific basis for why portions of the CAMT DTAs should be included in Duke Kentucky's rate base, i.e. why they represent the value of a utility's assets used to provide service.[92]

The Commission has allowed DTAs arising from NOLCs to be included in rate base but it did so for reasons that are not established by the evidence in this case.[93] For instance, based on normalization rules established by the Internal Revenue Service (IRS), the Commission generally allows utilities to include in rate base NOLC DTAs attributable to deferred tax liabilities (DTL) arising from accelerated federal tax

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consistent with the provisions of this chapter."); KRS 278.2211(1)(b)(indicating that the Commission may "[o]rder that the costs attached to any transaction be disallowed from rates" if a utility has failed to provide sufficient evidence of its compliance)

[91] *See* Kollen Direct Testimony at 25–26.

[92] *See, generally* Panizza Rebuttal Testimony.

[93] Federal tax law permits utilities to depreciate certain property used to provide utility service on an accelerated basis for federal tax purposes but prohibits state utility commission's from reflecting that tax expense is reduced by accelerated tax depreciation when setting rates. This results in the tax computed for the regulated book purposes being higher than that payable to the IRS in the early part of an assets life, i.e. customers initially pay more in federal taxes than a utility is required to pay, and the resulting DTL is available as an interest-free loan for the utility until taxes are due in later years as the book-tax timing difference reverses. Because utilities are effectively receiving an interest free loan through the prepayment of taxes by ratepayers while the book-tax timing difference exists, the Commission reduces rate base by the balance of a utility's DTLs arising from those book-tax timing differences.

However, in years in which a utility is in a net operating loss position, it may be unable to use all of its tax expensing to reduce the amount of taxes it owes and will instead record a NOLC DTA. While it leaves state commissions some discretion in calculating the relevant amounts, the IRS requires state commissions to include NOLC DTA in rate base to the extent that it arises from accelerated tax depreciation. The IRS has indicated that the purpose of identifying and including NOLC DTAs attributable to accelerated depreciation in rate base is to ensure "that rate base is not understated in jurisdictions in which net deferred tax liabilities reduce rate base." *See* Case No. 2021-00214, *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates* (Ky. PSC Jun. 24, 2022) Order at 9–13; *see also* HVT of May 21, 2025 Hearing at 05:58:00–-06:01:57 (discussing DTLs arising from book-tax timing differences and the generation of NOLC DTAs).

depreciation where the corresponding DTLs are included in rate base to reflect the extent to which the DTLs, which are reducing rate base, could not be used to reduce tax expense.[94] Duke Kentucky's witness, Panizza, generally acknowledged this basis for including NOLC DTAs in rate base.[95] However, Panizza stated that there was no corresponding DTLs directly offsetting the CAMT DTAs in rate base, and that other deferred taxes could be attributed to offsetting the CAMT DTAs, but that they cannot be specifically identified, because it is not a one for one item.[96] Thus, the bases for including NOLC DTAs in rate base would not support Duke Kentucky's position in this case for including CAMT DTAs based on the evidence presented by Duke Kentucky.

Duke Kentucky did not compare its stand-alone, regular federal income tax expense to the CAMT attributed to it in order to determine the extent to which its regular tax expense was less than the CAMT, and therefore, the extent to which CAMT DTAs could be allocated to Duke Kentucky based on its standalone regular federal tax expense. Duke Kentucky also did not perform its with or without calculation using its actual standalone, regular tax expense. Rather, Duke Kentucky stated that once it determined that the regular tax liability for the consolidated group was zero that there was no need for a separate regular tax calculation for Duke Kentucky because the CAMT would be compared back to regular tax liability of zero[97]—meaning that Duke Kentucky assumed

[94] Case No. 2021-00214, *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates* (Ky. PSC Jun. 24, 2022), Order at 10–11.

[95] *See* HVT of May 21, 2025 at 05:58:00–06:01:57 (discussing DTLs and corresponding NOLC DTAs and stating that "you cannot take one of the other regulated deferred tax assets and put it on Kentucky's books, and they can't take yours and put it on their books:).

[96] HVT of May 21, 2025 Hearing at 05:41:38–05:42:16.

[97] *See* Duke Kentucky's Response to Staff's Post-Hearing Requests, Item 9.

that its regular tax was zero because the tax for the consolidated group was zero. Duke Kentucky's methodology is flawed in that the overall regular tax liability of the consolidated group could have been zero, or positive but still less than the CAMT due to losses, including NOLCs, or other deductions arising solely from other jurisdictions that should not be attributed to Duke Kentucky. In such as circumstances, all or significantly more of the CAMT DTAs should have been attributed to other jurisdictions, which would be driving the regular tax liability to be lower than the CAMT.

For instance, it appears that Duke Energy's regular consolidated tax liability was zero in [redacted] in large part due to significant NOLC DTAs arising primarily or exclusively from other jurisdictions.[98] Duke Kentucky effectively traded the NOLC DTAs arising primarily or exclusively from other jurisdictions for CAMT DTAs that were then allocated, in part, to Duke Kentucky. Such a result would be unreasonable for the same reason that including NOLC DTAs arising from losses in other jurisdictions in Duke Kentucky's rate base would be unreasonable.[99]

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[98] *See* Duke Kentucky's Response to Attorney General's Second Request, Item 48, AG-DR-02-048 CONF Attachment.xlsx, Tab 2023 – Consolidated and 2024 – Consolidated ([redacted]); *see also* Duke Kentucky's Response to Attorney General's First Request, Item 112, AG-DR-01-112_Attachment.xlsx, Tab 112(b) ADIT by Month (reflecting little or no NOLC DTAs attributable to Duke Kentucky's electric service in the relevant periods); Duke Kentucky's Response to Staff's Post-Hearing Requests, Item 9(g) (indicating that Duke Energy's NOLC DTAs were eliminated in 2024).

[99] *See* Case No. 2021-00214, *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates* (Ky. PSC Jun. 24, 2022) Order at 9–13 (explaining, among other things, that DTAs arising from NOLCs in other jurisdictions should not be included in rate base because the associated deferred tax liabilities, which would offset rate base, are also not include in rate base); *see also* HVT of May 21, 2025 Hearing at 05:58:00–06:01:57 (in which Panizza indicated that NOLC DTAs arising from other regulated operating companies should not be included in rate base of Kentucky customers).

For the reasons discussed above, and having reviewed the record and being otherwise sufficiently advised, the Commission finds that Duke Kentucky failed to establish that Duke Energy's allocation of CAMT DTAs to Duke Kentucky in this case was reasonable or consistent with KRS Chapter 278. Thus, the Commission finds that the adjustment proposed by the Attorney General should be accepted, which results in a rate base reduction of $11,720,554.

Accumulated Depreciation – Duke Kentucky uses a 13-month average of its accumulated depreciation balance for the period from June 1, 2025 through June 30, 2026 to arrive at forecasted accumulated depreciation of $953,936,550. Duke Kentucky proposed to change the probable retirement date of East Bend 2 from the present date of December 2041 to December 2038 for purposes of calculating East Bend 2 depreciation rates and resulting depreciation and decommissioning expenses. However, Duke Kentucky did not seek in this proceeding, or any other proceeding, Commission approval to retire East Bend in 2038. Duke Kentucky stated it has no specific plan to retire East Bend 2 in 2038, or any other specific date, but that the 2038 date is based upon its 2024 IRP filing and forecasted, yet unknown, future economic and market conditions and environmental, societal, and governmental concerns, and industry trends.[100] In proposing a revised retirement date, Duke Kentucky has proposed to change the depreciation rate by reducing the number of years of useful life of the asset. Changing the depreciation rate for an asset also changes the accumulated depreciation and associated ADIT for the asset in the test year. As discussed below, Duke Kentucky has proposed to change the depreciation rate for East Bend to reflect a 2038 retirement date

[100] Direct Testimony of Matthew Kalemba (Kalemba Direct Testimony) at 10–14.

as opposed to a 2041 retirement date and the Attorney General opposed that change. As discussed further in the section of this order regarding Depreciation Expenses, the Commission finds that Duke Kentucky's revised depreciation rate for the East Bend facility is denied. This reduces the amount of Accumulated Depreciation in the test period for East Bend, and results in a $1,347,252 increase in the rate base

Terminal Net Salvage – Duke Kentucky proposed net salvage values, which is discussed in more detail in the Operating Income Adjustments section. Similar to the change in the retirement date, this proposed net salvage values increased the depreciation expense in Operating Income and increased the total Accumulated Depreciation and associated ADIT in rate base. The Attorney General argued that the terminal net salvage should be denied, which would decrease the accumulated depreciation and associated ADIT during the test year, resulting in a rate base increase of $1,371,308 and a revenue requirement increase of $136,785.

Duke Kentucky did not dispute the accuracy of the Attorney General's rate base and revenue requirement change if the Commission accepts the Attorney General's position on net salvage value. However, Duke Kentucky argued that solar generating units should not be included in the adjustment.

As discussed in detail below, the Commission finds that this adjustment proposed by the Attorney General should be accepted with the modification to include terminal net salvage in depreciation rates for solar generating units, which results in a rate base increase of $1,213,220.

Summary – Duke Kentucky proposed a net investment rate base for its forecasted test period of $1,273,791,539, based on the 13-month average for that period. The

Attorney General proposed to reduce Duke Kentucky's rate base to $1,219,039,197. As discussed above, the Commission has determined that Duke Kentucky's net investment rate based is $1,255,586,678, as shown below:

	Attorney General	Final
Rate Base per Duke Kentucky	$ 1,273,791,539	$ 1,273,791,539
Adjustments:		
Error in Cash Working Capital Due to Expense Synchronization	(51,178)	(51,178)
Deferrred Rate Case Expense	(923,932)	(923,932)
Vendor Supplied Portion of Construction Payables	(17,564,173)	-
Cash Working Capital - Revenue Collection Lag Days	(2,893,997)	-
Cash Working Capital - Coal, Lime, and Prepaid Expenses	(5,133,070)	(5,133,070)
Cash Working Capital - Long Term Debt Interest Expense	(2,936,599)	(2,936,599)
Cash Working Capital - Sale of Receivables in Collection Lag Days	(16,247,399)	-
CAMT Deferred Tax Asset	(11,720,554)	(11,720,554)
East Bend Retirement Date	1,347,252	1,347,252
Terminal Net Salvage	1,371,308	1,213,220
Net Change in Rate Base	(54,752,342)	$ (18,204,861)
Adjusted Rate Base	1,219,039,197	$ 1,255,586,678

The net revenue requirement impact of the reduction in rate base is a revenue requirement reduction of $1,812,719.

Operating Income Adjustments

Uncollectible Expense – Duke Kentucky proposed to include $4,152,002 in uncollectible expense in the base revenue requirement.[101] It calculated this amount by applying the total projected revenue subject to the uncollectible expense of $450,814,548 by a historical uncollectible expense factor of 0.921 percent, which was computed based on 2023 total company –electric and gas divisions combined– uncollectible net charge-

[101] Duke Kentucky's response to Staff's First Request, Item 54, Attachment_KPSC_Electric_SFRs2024, Schedule D-2.21 and WPD-2.21a.

off experience.[102] The uncollectible expense of $2,366,517 was forecasted in the budgets for the forecasted test period prior to the addition of the pro forma adjustment of $1,785,485.[103]

The Attorney General stated the 0.921 percent factor is excessive and should be reduced to a level that is more reasonable and recurring.[104] The Attorney General argued that the 2024 electric-only uncollectible expense factor was only 0.454 percent, which is less than half of the factor of 0.921 percent used in Duke Kentucky's pro forma adjustment determination and the Attorney General recommends the Commission use the 2024 electric-only uncollectible expense factor of 0.454 percent to compute Duke Kentucky's projected uncollectible expense for its electric division.[105] This proposed adjustment would reduce the revenue requirement by $2,108,581.

Duke Kentucky contended that because the majority of Duke Kentucky customers are combination electricity and gas customers (Combination Customers) and receive only one bill for electricity and natural gas, it is appropriate to calculate uncollectible expense based on the historical percentage of uncollectible expense on a total bill basis, and that at the time of filing, a full year of 2024 actuals was not available.[106] Accordingly, Duke

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[102] Duke Kentucky's Response to Staff's First Request, Item 54, Attachment_KPSC_Electric_SFRs2024, Schedule D-2.21 and WPD-2.21a; and Duke Kentucky's Response to the Attorney General's First Request, Item 57.

[103] Duke Kentucky's Response to Staff's First Request, Item 54, Attachment_KPSC_Electric_SFRs2024, Schedule D-2.21 and WPD-2.21a.

[104] Futral Direct Testimony at 18.

[105] Futral Direct Testimony at 19–20.

[106] Steinkuhl Rebuttal Testimony at 7.

recommended the Commission reject the Attorney General's recommendation to utilize the 2024 electric-only uncollectible expense factor.

The "electric only" factor includes Combination Customers, so it is a more accurate depiction of the uncollectible expenses for Duke Kentucky's electric operations. The Commission finds that the Attorney General's adjustment should be accepted, which results in a revenue requirement reduction of $2,108,581.

<u>Error to Reflect Amortization of DEBS EDIT</u> – The Commission's Order in Case No. 2019-00271 stated that the $214,140 of Duke Energy Business Services (DEBS) excess deferred income taxes (EDIT) previously allocated to Duke should be amortized over a five-year period and returned to customers through a revenue reduction.[107] The rates from that Order became effective on May 1, 2020, resulting in a remaining balance of $82,035 as of June 30, 2023, just prior to the start of the forecast test year in the last rate case, Case No. 2022-00372. Duke requested and the Commission authorized a five-year amortization of the $82,035 remaining balance resulting in an amortized reduction of income tax expense of $16,407 per year, but Duke Kentucky indicated it inadvertently left that amount out of the revenue requirement calculation in this case.[108]

The Attorney General recommended that the Commission reduce the base revenue requirement by $16,508 to properly reflect the amortization of the unamortized

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[107] Case No. 2019-00271, *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* (Ky. PSC Apr. 27, 2020).

[108] Case No. 2022-00372, *Electronic Application of Duke Energy Kentucky, Inc. for (1) An Adjustment of 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* (Ky. PSC Nov. 12, 2023).

DEBS EDIT balance.[109] Duke Kentucky agrees with the Attorney General's recommendation.[110]

The Commission finds that this adjustment should be accepted, which results in a revenue requirement reduction of $16,508.

Billed Revenue – Duke Kentucky made an adjustment to reduce base revenues by $330,788 to reflect a change from the unbilled revenue methodology used for the per books revenues to the billed revenue methodology for ratemaking purposes. The unbilled revenue methodology follows accrual accounting and records revenues as they are accrued. The billed revenue methodology follows cash accounting and reflects revenues that are billed during the month, which lags the service provided or delivered during the month. This change to the billed revenue methodology for ratemaking purposes results in the revenues at present rates and the revenues at proposed rates on Schedule M being calculated using kW and kWh billed during the test year instead of the kW and kWh delivered and recorded as sales revenues under the unbilled revenue methodology for accounting purposes during the test year.[111] In response to Attorney General discovery, Duke Kentucky stated that revenue requirements by rate class are "targets for revenue collection" and that "[r]evenue collection occurs through billed kW and kWh."[112]

Attorney General recommended the Commission use delivered kW and kWh to calculate the revenue requirement, present revenues, and base rates which would create

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[109] Futral Direct Testimony at 8–9.

[110] Duke Kentucky's response to the Attorney General's First Request, Item 116.

[111] Kollen Direct Testimony at 27.

[112] Kollen Direct Testimony at 27.

an increase in base revenues of $330,788 and a reduction in the base revenue requirement of $332,816 after the gross up for uncollectible expense and Commission assessment fees.[113]

Duke Kentucky disagreed with the Attorney General's recommendation and stated that calculating the revenue requirement based on billed revenues is the most precise and accurate measurement of total revenues.[114] Duke Kentucky argued that the Attorney General's recommendation needlessly overcomplicates the calculation. Duke Kentucky stated that its revenue estimates are based on 12 months of revenues and customer rates should be based on the actual billed usage of a customer.[115] Duke Kentucky has used the billed-revenue methodology in all its previous rate cases. Duke Kentucky argued that the Attorney General's proposed adjustment is a goal-oriented calculation that goes in favor of reducing Duke Kentucky's revenue requirement.

Unbilled revenues and billed revenues are lagged the same amount on either end of the year such that both provide 12 months of revenue. There is no guarantee that this change would not increase rates in the next case and does appear to be a results-oriented adjustment. Thus, having reviewed the record and being otherwise sufficiently advised, the Commission finds that Duke Kentucky has utilized the appropriate methodology for forecasted billed revenues including the pro forma adjustment of $330,788. Consequently, the Commission will reject the Attorney General's adjustment to test year revenues.

[113] Kollen Direct Testimony at 28.

[114] Lawler Rebuttal Testimony at 3.

[115] Lawler Rebuttal Testimony at 4.

PJM NITS Transmission Fees Expense – Duke Kentucky projected an increase in the level of transmission expenses in the projected test year compared to the base year. Total expenses were projected to be $29,352,086 in the test period compared to $24,452,367 in the base period, an increase of over 20 percent.[116] Most of this expense is related to PJM Network Integrated Transmission Services (NITS) fees. Duke Kentucky derived this projection by comparing NITS fees actual expense for the first six months of 2024 with the NITS fees actual expense for the first 6 months of 2023 to determine an escalation of 11.7 percent.[117] This 11.7 percent was used as a projected estimate for each year through 2026.

The Attorney General argued that Duke Kentucky should have used a 12-month period instead of a 6-month period for the projection, which would result in an escalation factor of 8.1 percent each year to determine the 2025 and 2026 amounts.[118] This percentage is very close to the average escalation increase over the past three years of 7.6 percent.[119] The effect would be a reduction of $2,291,688 in the revenue requirement.

Duke Kentucky disagreed with the Attorney General's proposal because at the time of filing, Duke Kentucky did not have a full year of 2024 actuals available.[120] Duke

[116] Duke Kentucky's Response to Staff's First Request, Item 54, Attachment_KPSC_Electric_SFRs2024, Schedule C 2.1 at 3 and 10.

[117] Futral Direct Testimony at 22.

[118] Futral Direct Testimony at 22–23.

[119] Futral Direct Testimony, Duke_Energy_KY_Rev_Req_-_AG_Recommendations_Workpapers_1 at tab "PJM NITS."

[120] Rebuttal Testimony of Claire Hudson (Hudson Rebuttal Testimony) (filed Apr. 9, 2025) at 5.

Kentucky stated its method of calculating the escalation of NITS fees is fair and reasonable based upon the information it had at the time of filing.[121]

As required, Duke filed a base period update as required under the regulations. The updated information is now in the record and supports the Attorney General's argument that a 12-month period would have provided a more accurate forecast. Thus, the Commission finds that the Attorney General's adjustment should be accepted, which results in a revenue requirement reduction of $2,291,688.

<u>Corporate Expenses</u> – Duke Kentucky included three types of corporate related expenses in its revenue requirement:

a. Directors and Officers Insurance in the amount of $183,329;
b. Board of Directors Compensation in the amount of $23,324; and
c. Investor Relations expense in the amount of $59,986.

The Attorney General argued that ratepayers should not be expected to be held responsible for 100 percent of these costs, especially since the majority of these benefits are retained by shareholders.[122] As such, the Attorney General recommended a 50/50 sharing of the three corporate related expenses in its revenue requirement. The revenue requirement impact of these adjustments were: Directors and Officers Insurance in the amount of $92,227; Board of Directors Compensation in the amount of $11,734; and Investor Relations expense in the amount of $29,674.

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[121] Hudson Rebuttal Testimony at 5.

[122] Futral Direct Testimony at 27.

Duke Kentucky disagreed with a 50/50 split on all three items because the expenses are prudent and necessary to provide electrical service and the Commission has recently found in Case No. 2024-00092[123] that the expense is appropriate and reasonable for inclusion in cost of service.[124] Duke Kentucky argued that a 50/50 sharing mechanism is not grounded in Kentucky precedent or cost-causation principles, and customers benefit from good governance.[125]

Duke Kentucky is correct that the Commission recently addressed this issue in Case No. 2024-00092, involving Columbia Gas of Kentucky, Inc., and found that the costs should be recoverable, as a prudent cost for an investor-owned utility.[126] The Commission agrees that reasoning is relevant in this case and finds that the costs proposed in this case, which are minimal, are prudent cost for an investor-owned utility. The Commission disagrees with the Attorney General's proposed adjustment and accepts Duke Kentucky's forecasted Corporate Expenses.

<u>Credit Card Processing Fees</u> – Duke Kentucky proposed to expand its present limited "fee free payment options" relating to fees a customer may pay if the customer chooses to pay with credit cards, debit cards, prepaid card, or electronic checks.[127] Duke Kentucky's third-party service provider currently charges residential customers $1.25 per

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[123] Case No. 2024-00092, *Electronic Application of Columbia Gas of Kentucky, Inc. for an Adjustment of Rates; Approval of Depreciation Study; Approval of Tariff Revisions; and Other Relief* (Ky. PSC Dec. 30, 2024), Order.

[124] Steinkuhl Rebuttal Testimony at 11.

[125] Steinkuhl Rebuttal Testimony at 11.

[126] Case No. 2024-00092 (Ky. PSC Dec. 30, 2024), Order.

[127] Direct Testimony of Jacob S. Colley (Colley Direct Testimony) at 18.

electronic payment transaction, a negotiated reduction from $1.50.[128] Duke Kentucky requested to expand its "fee free payment options" for customers so that the fees are charged directly to Duke Kentucky instead of the individual customer choosing to pay electronically and the fee would be socialized to all customers.[129] Duke Kentucky estimated that approximately 49 percent of customers who receive agency assistance and 19 percent of its "non-assistance" residential customers have used and been directly charged for the electronic payment option.[130]

In Case No. 2019-00271, the Commission denied a similar request from Duke Kentucky stating, "asking all customers to share the cost for payment methods that are at least ten times more expensive than the alternatives is unreasonable. Duke Kentucky offers multiple fee free payment methods and should offer those alternatives to customers that take issue with the convenience fees."[131]

Attorney General recommended the Commission deny Duke Kentucky's request because cost recovery will be shifted from the non-assistance residential customers who have used these payment options and paid the third-party fees to the other 81 percent who have not used these payment options and have avoided the third-party fees, which would be a reduction of $321,272 to the revenue requirement.[132]

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[128] Colley Direct Testimony at 20–21.

[129] Colley Direct Testimony at 18.

[130] Colley Direct Testimony at 19.

[131] Case No. 2019-00271, *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* (Ky. PSC Apr. 27, 2020), Order at 21.

[132] Kollen Direct Testimony at 31.

Duke Kentucky argued that its proposed “fee free payment option” is designed to assist those who are unbanked or underbanked—the most vulnerable members of the community—that often have loadable cards or debit cards.[133] Duke Kentucky stated that its proposal would eliminate customer frustrations with payment options and provide better customer service.[134]

The Commission has previously rejected Duke Kentucky’s proposals to socialize the cost of credit card processing fees. However, there are arguments both for and against doing so. For instance, the credit card fees are an easily identifiable cost of paying with a credit card such that it would be reasonable and consistent with ratemaking principles to require those that cause the cost (i.e., card users), to pay the cost. Conversely, the cost of other forms of payment, such as taking payment in-person, processing an electronic funds transfer, and lock box expenses are socialized to all customers. Duke Kentucky provided the estimated cost of other payment processing methods, which are much lower than the credit card processing fees.[135] Duke Kentucky also stated that approximately 24 percent of its customers pay with credit cards while approximately 28 percent of its affiliate utilities without convenience fees pay with credit cards, which indicates that socialization of the convenience fees does not significantly change customer behavior.[136] Duke Kentucky stated that credit card usage increased approximately 1 percent from 2024 to 2025.[137] Additionally, Duke Kentucky provided that

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[133] Rebuttal Testimony of Jacob S. Colley (Colley Rebuttal Testimony) (filed Apr. 9, 2025) at 2–3.

[134] Colley Rebuttal Testimony at 2–3.

[135] Duke Kentucky’s Response to Staff’s Post-Hearing Request, Item 8f.

[136] Duke Kentucky’s Response to Staff’s Post-Hearing Request, Item 8d.

[137] Duke Kentucky’s Response to Staff’s Post-Hearing Request, Item 8c.

if the fee-free program is approved, the increase in cost to an average customer using 1,000 kWh would be approximately $0.18 per month.[138]

Duke Kentucky indicated that the chart below represents the per transaction cost of other forms of payment.[139] The chart indicates that other forms of payment are significantly lower on a per transaction basis than the $1.25 per transaction fee for credit card fees, which could provide some basis for the disparate treatment of those costs in allowing to be socialized as compared to credit card fees.

Payment Type	Per Transaction Cost	Estimated Test Year Expense
Mail-In	$0.15	~$31,000
Walk-In Locations	$0.03	~$600
AutoPay, Electronic Funds Transfer	$0.08	~$38,000
One-time ACH (web/mobile)	$0.13	~$28,000

However, the Commission finds that credit card payments are not materially different from other customer accounts expenses and can be appropriately included in Duke Kentucky's test year expenses. Including these expenses in the test year and removing the per transaction fee will reduce customer frustration with payment options and could allow Duke Kentucky to negotiate a lower fee. Therefore, the Commission finds that the Attorney General's adjustment should be rejected, and Duke Kentucky's proposal should be accepted.

Depreciation Expense - Retirement Date for East Bend – Duke Kentucky proposed to change the probable retirement date of East Bend 2 from the present date of December

[138] Duke Kentucky's Response to Staff's Post-Hearing Request, Item 8e.

[139] Duke Kentucky's Response to Staff's Post-Hearing Request, Item 8f.

2041 to December 2038 for purposes of calculating East Bend 2 depreciation rates and resulting depreciation and decommissioning expenses. However, Duke Kentucky did not seek in this proceeding, or any other proceeding, Commission approval to retire East Bend in 2038. Duke Kentucky stated it has no specific plan to retire East Bend 2 in 2038, or any other specific date, but that the 2038 date is based upon its 2024 IRP filing and forecasted, yet unknown, future economic and market conditions and environmental, societal, and governmental concerns, and industry trends.[140]

The Attorney General argued that if 2038 is adopted as the retirement date for East Bend 2, it will increase East Bend 2's depreciation rates and decommissioning expense, which are reflected in the requested base revenue increase, and Duke Kentucky has no evidence it actually plans to retire East Bend 2 in 2038.[141] The Attorney General recommended the Commission deny Duke Kentucky's request to accelerate the probable retirement date and shorten the remaining service life for East Bend 2.[142] The effects would be a $5,405,858 reduction in the revenue requirement.

Duke Kentucky contended that the probable retirement date changes based upon information available to it at the time and these dates change all the time.[143] Duke Kentucky argued that 2038 is the probable retirement date for Duke Kentucky's East Bend 2 based upon its depreciation study.[144]

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[140] Direct Testimony of Matthew Kalemba (Kalemba Direct Testimony) at 10–14.

[141] Kollen Direct Testimony at 31–32.

[142] Kollen Direct Testimony at 36.

[143] Rebuttal Testimony of John Spanos (Spanos Rebuttal Testimony) (filed Apr. 9, 2025) at 4.

[144] Spanos Rebuttal Testimony at 2.

Duke Kentucky did not present any additional evidence from the last rate case with this request but has extended the retirement date from 2035 to 2038. In the last case, the Commission found that "[l]eaving the current depreciable rate for East Bend balances the risk of retirement before the unit is fully depreciated while encouraging Duke Kentucky to operate East Bend as long as it is economically viable." The Commission continues to agree with that finding based on the evidence presented in this case, and therefore finds that Duke Kentucky's proposed change in the depreciation rate for East Bend should be denied. Thus, the Commission finds that the Attorney General's adjustment removing the effects of Duke Kentucky's proposed change in the depreciation rates should be accepted, which results in a revenue requirement decrease of $5,405,858 for reduced depreciation expense.

Depreciation Expense - Terminal Net Salvage – Duke Kentucky sought to recover generating unit decommissioning expense for each generating unit as part of its terminal net salvage based on an estimated decommissioning cost escalated for inflation to the probable retirement dates established by Duke Kentucky. Duke Kentucky's request is based on cost estimates for each of the generating units in 2022 dollars. Duke Kentucky included decommissioning for East Bend 2 and Woodsdale, a coal unit and a natural gas combustion turbine, respectively.

In Case No. 2022-00372, the Commission denied Duke Kentucky's recovery of decommissioning expense as part of its terminal net salvage for East Bend 2 and Woodsdale, stating, "[t]he Commission also finds terminal net salvage should be removed from the depreciation rates due to the requirements of KRS 278.264(2) that the Commission 'shall not . . . take any other action which authorizes or allows for the recovery of costs for the retirement of an electric generating unit . . . unless the presumption created by this section is rebutted.'"[145]

Here, the Attorney General recommended denying Duke Kentucky's recovery of all decommissioning expense, not only for East Bend 2 and Woodsdale, but also for solar generating units. The Attorney General argued that Duke Kentucky has provided no evidence that it is in the process of decommissioning any generating units, nor has Duke Kentucky filed any application relating to retiring any generating units as is required by KRS 278.264(2).[146] Additionally, the Attorney General argued that KRS 278.264(2) explicitly prevents the Commission from approving the retirement of an electric generating unit, authorizing a surcharge for decommissioning, or taking any other action which authorizes or allows for the recovery of costs for the retirement of an electric generating unit, unless the presumption against retirement is rebutted. Thus, the Attorney General asserted that the Commission should not approve terminal net salvage costs, which the Attorney General indicated would reduce the revenue requirement by $5,502,383.

Duke Kentucky contended it is normal and an industry accepted practice to include terminal net salvage expenses in depreciation. Duke Kentucky further indicated that removing escalation from the terminal net salvage percentage but maintaining the probable retirement dates of all generation would cause an $11.8 million under-recovery

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[145] Case No. 2022-00372, *Electronic Application of Duke Energy Kentucky, Inc. for (1) an Adjustment of 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* (Ky. PSC Oct. 12, 2023), Order at 14; *see also* Case No. 2022-00372 (Ky. PSC Jul. 1, 2024), Order (allowing the decommissioning costs for non-fossil fuel generation to be included in the terminal net salvage).

[146] Kollen Direct Testimony at 34-35.

annually.[147] Duke Kentucky cited to NARUC, FERC USOA, and *Depreciation Systems* as supporting terminal net salvage depreciation expenses.[148] Additionally, Duke Kentucky admits its current Commission-approved depreciation rates do not include escalation. Duke Kentucky attempted to satisfy the rebuttable presumption under KRS 278.264 through reference to its most recent integrated resource plan (IRP) and testimony regarding its depreciation rates.[149]

The Commission acknowledges that other jurisdictions generally permit utilities to recover negative terminal net salvage values, including estimated decommissioning costs for generating units, for the purpose of recovering those costs from the customers who are benefiting from the generating units. Further, while the Commission has previously denied the recovery of negative terminal net salvage values based on the evidence in specific cases, the Commission has previously authorized the recovery of negative net salvage values in some cases as a means of reducing generational inequity.[150] However, there is no dispute that the amounts the Attorney General is proposing to remove from the net salvage value calculation are estimated decommissioning costs for generating units, including the East Bend 2 and Woodsdale units, which are fossil fuel generating units.[151] The Commission previously found that KRS 278.264(2) prohibited Duke

[147] Spanos Rebuttal Testimony at 7.

[148] Spanos Rebuttal Testimony at 8-10.

[149] Kalemba Direct Testimony at 14–19.

[150] *See* Case No. 2017-00321, *Electronic Application of Duke Energy Kentucky, Inc. for: (1) an Adjustment of 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 Tariff* (Ky. PSC Apr. 13, 2018), Order at 27.

[151] *See* Spanos Rebuttal Testimony at 12–13

Kentucky from recovering such costs for fossil fuel generating units in rates without rebutting the presumption against the retirement of that unit established by that statute.[152]

KRS 278.264(2), which was the primary requirement of Senate Bill 4 (2023), states that:

> There shall be a rebuttable presumption against the retirement of a fossil fuel-fired electric generating unit. The commission shall not approve the retirement of an electric generating unit, authorize a surcharge for the decommissioning of the unit, or take any other action which authorizes or allows for the recovery of costs for the retirement of an electric generating unit, including any stranded asset recovery, unless the presumption created by this section is rebutted.

KRS 278.264(2) goes on to state a number of criteria that must be established to rebut the presumption,[153] including that the utility will replace the retired generating unit with new generation that is dispatchable and maintains and improves the reliability of the system and that the retirement will not cause the utility to incur any net incremental cost.[154]

While it is unclear whether the negative terminal net salvage values were specifically considered in adopting KRS 278.264, the Commission is bound by the plain language of the statute. As noted above, that statute expressly prohibits the Commission from "approv[ing] the retirement of an electric generating unit, authoriz[ing] a surcharge for the decommissioning of the unit, or tak[ing] any other action which authorizes or allows

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[152] Case No. 2022-00372 (Ky. PSC Oct. 12, 2023), Order at 14; *see also* Case No. 2022-00372 (Ky. PSC July 1, 2024), Order (rehearing order allowing the decommissioning costs for non-fossil fuel generation to be included in the terminal net salvage).

[153] KRS 278.264(2)(a)–(d).

[154] KRS 278.264(2)(a).

for the recovery of costs for the retirement of an electric generating unit, . . . unless the presumption created by this section is rebutted."[155] The decommissioning costs recovered as part of a utility's terminal net salvage value would be costs for the retirement of the unit, and therefore, pursuant to the plain language of the statute, the Commission would be prohibited from taking action to allow the recovery of such costs, unless Duke Kentucky rebutted the presumption against the retirement of the unit. Thus, while there are valid reasons for allowing utilities to recover such costs in certain circumstances as part of the terminal net salvage value for an asset, Duke Kentucky must rebut the KRS 278.264 presumption prior to recovering estimated decommissioning costs for fossil fuel generating plants included in the negative net salvage value calculation.

Here, Duke Kentucky generally relied on its most recent IRP analysis and its depreciation study to support its arguments that it overcame the presumptions in KRS 278.264. However, Duke Kentucky's IRP analysis did not include the retirement of the Woodsdale unit during the planning period, and therefore, there is no analysis of the cost or reliability of the Woodsdale unit as compared to some replacement generation necessary to rebut the presumption against retirement.[156] Duke Kentucky did analyze the potential retirement of the East Bend 2, but that analysis did not establish that the retirement of the East Bend 2 would be cost-effective or would maintain or improve the reliability of the system.

In a scenario without new greenhouse gas rules proposed in 2023, Duke Kentucky indicated that its preferred portfolio would retire East Bend 2 in 2035 and replace it with

[155] KRS 278.264(2).

[156] *See* Direct Testimony of Mathew Kalemba (Kalemba Direct Testimony) at 5 (reflecting Woodsdale remaining in Duke Kentucky's portfolio through the planning period).

new generation. However, the 2035 retirement date was not dynamically selected based on cost to serve load. Rather, Duke Kentucky's own analysis indicated that continuing to operate East Bend 2 as a coal unit would be lower cost compared to alternative portfolios that contemplated retiring East Bend 2 in 2035 through the end of the IRP planning period in or about 2041.[157] Duke Kentucky then did not look at the costs of continuing to operate East Bend 2 beyond 2042,[158] so in the scenario without the new greenhouse gas rules, the available evidence either indicates that continuing to operate East Bend 2 is least cost or at minimum fails to establish that retiring East Bend 2 would be lower cost.

With the new greenhouse gas regulations, Duke Kentucky indicated that its preferred portfolios would include converting East Bend 2 to natural gas/coal, duel-fuel in 2030 and then retiring it in or about 2039 and replacing that unit with a natural gas combined cycle unit.[159] However, Duke Kentucky acknowledges that the current administration is taking action to eliminate the new greenhouse gas regulations such that there is uncertainty with respect to their application.[160] Duke Kentucky also acknowledged significant escalations of the cost of NGCC units in the last few years,[161] and there are other major variables that could change before Duke Kentucky even seeks approval to retire East Bend 2 pursuant to KRS 278.264. Given those variables, the

[157] *See* Kalemba Direct Testimony at 13, Figure 1; HVT of May 21, 2025 Hearing at 57:00-01:06:40; Duke Kentucky's response to Staff's Second Request, Item 8, Attachment 1, at 4 (providing a table with the values supporting Figure 1 from Kalemba's testimony, which indicate that the alternative that contemplates keeping East Bend 2 open until at least 2042 is the lowest cost through 2040 on a cumulative basis with the annual increases in the revenue requirement being lower in later years).

[158] Kalemba Direct Testimony at 5, HVT of May 21, 2025 Hearing at 01:07:40–01:08:34.

[159] HVT of May 21, 2025 Hearing at 56:30–57:00.

[160] HVT of May 21, 2025 Hearing at 56:30–57:00.

[161] HVT of May 21, 2025 Hearing at 56:30–57:00.

uncertainty with respect to the greenhouse gas regulations, and costs in the event the greenhouse gas regulations are not eliminated, the Commission is not able to find that Duke Kentucky rebutted the presumption against the retirement of the fossil fuel units established by KRS 278.264. Thus, the Commission finds that terminal net salvage for fossil fuel generation plants should be excluded from rates as proposed by the Attorney General because it is bound by the statute. However, consistent with Duke Kentucky's last rate case, the Commission will reject the portion of the Attorney General's adjustment relating to non-fossil fuel units, because KRS 278.264 would not apply to those units. The Commission finds that the depreciation expense associated with terminal net salvage for fossil fuel generation plants should be excluded; however, the depreciation expense related to terminal net salvage for non-fossil fuel generating units should remain, which results in a revenue requirement decrease of $5,344,295.

Reflect Actual Rate Case Expense – Duke Kentucky estimated its rate case expense at $880,333 in the application and the final expense update totaled $880,333, including pending and estimated expenses of $66,798.[162] Duke Kentucky requested an amortization period of five years.[163]

The estimated and pending expenses simply matched the original estimate, including several negative adjustments.[164] The actual expenses incurred through July

[162] Application Schedule D-2.17 and F-6 and Duke Kentucky's Seventh Supplemental Response to Staff's First Request (filed July 3, 2025), Item 14, Attachment 1. Duke Kentucky provided an eighth supplemental response on July 25, 2025, more than a month after the close of evidence in this case on June 24, 2025. *See* May 30, 2025 Order setting out the post-hearing procedural schedule.

[163] Duke Kentucky's Response to Staff's First Request, Item 54, Attachment_KPSC_Electric_SFRs2024, Schedule WPB-1.1a.

[164] Duke Kentucky's Seventh Supplemental Response to Staff's First Request, Item 14, Attachment 1.

2025 are the best evidence the Commission has of the actual costs. The Commission finds that the $66,798 difference in estimated and actual expenses should be reflected in the test-year amortization, which will decrease the test-year expenses by $13,360 for a revenue requirement reduction of $13,442.[165]

Total Revenue Requirement

The effect of the Commission's adjustments on Duke Kentucky's requested revenue increase of $70,008,476, including adjustments to rate base and return on equity, is a decrease of $26,315,247, for a total revenue requirement increase of $43,693,311.[166]

VALUATION

Rate Base

Duke Kentucky's proposed rates included a return on rate base. The Commission finds that Duke Kentucky's use of rate base to determine its return component is reasonable and should be approved.

As discussed above, the Commission has determined that Duke Kentucky's net investment rate based is $1,255,586,678.

Capitalization

Duke Kentucky is a wholly owned subsidiary of Duke Energy Ohio, Inc. (Duke Ohio), which is a wholly owned subsidiary of Cinergy Corp., which is wholly owned by Duke Energy. All equity funding is issued by Duke Energy and each subsidiary issues its own debt. Duke Kentucky proposes a total capitalization for both electric and gas for the

[165] $66,798 / 5 = $13,360 * 1.0061314 = $13,442.

[166] *See* Appendix A to this Order for a summary of adjustments.

forecasted test period of $2,191,207,945.[167] The allocated electric activities have a proposed capitalization of $1,453,712,477, which reflects financing activities through June 2026. The Commission accepts Duke Kentucky's proposed capitalization amount.

RATE OF RETURN

Duke Kentucky stated that the primary reason for the requested increase is that Duke Kentucky's earned rate of return on capital obtained from its current electric operations is projected to be 3.886 percent.[168] Duke Kentucky stated this is inadequate to enable it to continue providing safe, reasonable, and reliable service to its customers and is insufficient to afford Duke Kentucky a reasonable opportunity to earn a fair return on its investment property that is used to provide such service while attracting necessary capital at reasonable rates.[169]

Return on Equity (ROE)

Duke Kentucky estimated its ROE based on the Discounted Cash Flow (DCF) model, the Capital Asset Pricing Model (CAPM), and the Bond Yield Plus Risk Premium (Risk Premium) model (RP Model) (collectively, Models).[170] Duke Kentucky also considered the Expected Earnings analysis.[171] In its analysis, Duke Kentucky used a proxy group of 15 electric utilities (Utility Proxy Group).[172] The proxy group companies were selected based on eight criteria factors that reflect the broad set of risks that

[167] Application, Volume 1, Tab 20, Filing Requirement 16(6)(f) attachment at 2, line 1.

[168] Application at 6.

[169] Application at 6.

[170] Direct Testimony of Joshua Nowak (Nowak Direct Testimony) at 3.

[171] Nowak Direct Testimony at 3.

[172] Nowak Direct Testimony at 26.

investors consider when investing a regulated vertically integrated electric utility.[173] Duke Kentucky asserted that, in addition to the Models, consideration of Duke Kentucky's business and regulatory risk in relation to proxy group assisted in determining an appropriate ROE.[174] The Models produced a range of ROE estimates of 10.23 percent to 12.82 percent, but Duke Kentucky ultimately considered a range of 10.25 percent to 11.25 percent to be reasonable.[175] Based on this range, Duke Kentucky proposed an ROE of 10.85 percent, which it noted was slightly above the midpoint of the range it determined to be reasonable.[176] The initial estimated ROE results are shown below:[177]

	Average	Median
Primary Analysis		
DCF Result	10.41%	10.32%
CAPM Result	12.11%	11.96%
Risk Premium	10.44%	10.44%
Average	10.99%	10.94%
Benchmark Analysis		
Expected Earnings	10.86%	10.27%

The Attorney General estimated its ROE recommendation using DCF and CAPM analyses.[178] The Attorney General's DCF analysis was applied to a proxy group of 16 regulated electric utilities, and its CAPM analysis used both historical and forecasted

[173] Nowak Direct Testimony at 23-24.

[174] Nowak Direct Testimony at 5–6.

[175] Nowak Direct Testimony at 4.

[176] Nowak Direct Testimony at 4.

[177] Nowak Direct Testimony, Figure 12 at 42.

[178] Direct Testimony of Richard Baudino (Baudino Direct Testimony) at 3.

market risk premiums (MRPs), as well as publicly available estimates of MRPs from other sources.[179] The Attorney General's analyses resulted in a range of ROE estimates of 8.62 percent to 10.75 percent.[180] The Attorney General expressed concern regarding the average consensus analysts' earning growth rates being significantly higher than the long-term growth rate of the overall economy.[181] However, the Attorney General recommended a 9.65 percent ROE, which ultimately included the DCF results using the consensus analysts' forecasts, tempered with the results of the CAPM.[182]

Walmart also provided expert witness testimony regarding the ROE. Although Walmart did not provide a ROE recommendation based on a ROE model. Walmart argued that Duke Kentucky's proposed 10.85 percent ROE should be rejected due to the customer impact of the resulting revenue requirement, the use of a forecasted test year, Duke Kentucky's currently approved ROE, and recent ROEs approved in Kentucky and other jurisdictions nationwide.[183] Walmart further calculated that the impact of the proposed 110 basis point increase to Duke Kentucky's ROE would result in an increase to the revenue requirement of approximately $9.9 million, or 14.21 percent.[184] Walmart argued that Duke Kentucky's proposed 10.85 percent ROE is counter to recent Commission actions regarding ROEs in Kentucky,[185] as well as other utility regulatory

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[179] Baudino Direct Testimony at 3.

[180] Baudino Direct Testimony, Table 1 at 33.

[181] Baudino Direct Testimony at 33-34.

[182] Baudino Direct Testimony at 36.

[183] Perry Direct Testimony at 4-5.

[184] Perry Direct Testimony at 9.

[185] Perry Direct Testimony at 9.

commissions for the three prior years.[186] Walmart asserted that approval of a 9.73 percent ROE, which Walmart calculated as the average authorized ROE nationwide in 2022, 2023, and 2024, would result in a $10.1 million, or 14.47 percent, reduction in Duke Kentucky's revenue requirement versus the proposed ROE of 10.85 percent.[187] Walmart recommended an ROE for Duke Kentucky that is no higher than its currently authorized ROE of 9.75 percent.[188]

In rebuttal, Duke Kentucky provided an update to its ROE analyses to include market data through March 31, 2025.[189] The proxy group remained unchanged. Duke Kentucky disagreed with the inclusion of the parent company in the proxy group, and continued to exclude it in its updated analyses.[190] The updated ROE estimates ranged from 10.02 percent to 10.93 percent.[191] In response to the Attorney General, Duke Kentucky disagreed with the inclusion of Value Line's Dividend Growth Rate Projection in the DCF analysis.[192] In regard to the CAPM, Duke Kentucky took issue with the Attorney General's MRP assumptions and its position that Duke Kentucky's forward-looking MRP is overstated.[193] Additionally, Duke Kentucky argued that the Attorney General should acknowledge where its results are unreasonably low, and noted that the Attorney

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[186] Perry Direct Testimony at 10.

[187] Perry Direct Testimony at 12-13.

[188] Perry Direct Testimony at 14.

[189] Rebuttal Testimony of Joshua Nowak (Nowak Rebuttal Testimony) (filed Apr. 9, 2025) at 7.

[190] Nowak Rebuttal Testimony at 7-8.

[191] Nowak Rebuttal Testimony, Figure 2 at 8.

[192] Nowak Rebuttal Testimony at 15-16.

[193] Nowak Rebuttal Testimony at 17-20.

General's CAPM estimates as low as 8.34 percent are well below returns recently authorized for vertically integrated electric utilities.[194] Finally, Duke Kentucky disagreed with the Attorney General's concern regarding the RP Model, as well as the Expected Earnings analysis.[195] In response to Walmart, Duke Kentucky agreed that recently authorized ROEs are a useful benchmark that investors use to develop their return requirements.[196] However, Duke Kentucky argued that current and expected economic and capital market conditions need to be considered to understand investors' required return on a forward-looking basis.[197] Duke Kentucky noted that returns authorized from early 2020 through mid-2022 were determined at a time when interest rates were historically low, and argued that this includes Duke Kentucky's authorized ROE.[198] Finally, Duke Kentucky stated that, from its updated analyses, it considered a range of 10.25 percent to 11.25 percent to be reasonable, and continued to recommend an ROE of 10.85 percent.[199]

In its post-hearing brief, the Attorney General maintained that its ROE recommendation of 9.65 percent is reasonable for a relatively low-risk regulated electric utility investment such as Duke Kentucky, and that it fully reflects the current economic and financial market conditions at the time of the filing of its testimony.[200] Additionally,

[194] Nowak Rebuttal Testimony at 16.

[195] Nowak Rebuttal Testimony at 21–26.

[196] Nowak Rebuttal Testimony at 27.

[197] Nowak Rebuttal Testimony at 27.

[198] Nowak Rebuttal Testimony at 27.

[199] Nowak Rebuttal Testimony at 27–28.

[200] Attorney General's Initial Post-Hearing Brief (Attorney General's Initial Brief) (filed June 16, 2025) at 54.

the Attorney General argued that Duke Kentucky's recommended ROE of 10.85 percent significantly overstates the investor-required return for regulated electric utilities, is inconsistent with current financial market evidence, and is significantly above recently commission allowed ROEs.[201] Finally, the Attorney General argued that approval of Duke Kentucky's proposed ROE of 10.85 percent would significantly inflate Duke Kentucky's revenue requirement, harming and burdening the Kentucky ratepayers, and requested the Commission adopt the Attorney General's recommended 9.65 percent ROE.[202]

Walmart, in its post-hearing brief, asserted that Duke Kentucky's proposed ROE of 10.85 percent should be rejected, and an ROE of approximately 9.75 percent should be awarded.[203] Walmart maintained that the proposed 10.85 percent ROE is unreasonable, as compared to authorized ROEs in Kentucky, as well as authorized ROEs across the country.[204] Additionally, Walmart argued that an ROE in or around 9.75 percent is reasonable, as the average ROE for vertically integrated utilities authorized from 2022 through January 8, 2025, which Walmart calculated to be 9.3 percent.[205]

In recent cases, such as Case No. 2024-00092,[206] the Commission explained why it is appropriate for utilities to present, and for the Commission to evaluate, multiple methodologies to estimate ROEs. Each approach has its own strengths and limiting

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[201] Attorney General's Initial Brief at 54.

[202] Attorney General's Initial Brief at 59–60.

[203] Walmart's Initial Post-Hearing Brief (Walmart's Initial Brief) (filed June 16, 2025) at 3.

[204] Walmart's Initial Brief at 3–5

[205] Walmart's Initial Brief at 6.

[206] Case No. 2024-00092, *Electronic Application of Columbia Gas of Kentucky, Inc. for an Adjustment of Rates; Approval of Depreciation Study; Approval of Tariff Revisions; and other Relief*, (Ky. PSC Dec. 30, 2024), Order at 42.

assumptions. As demonstrated in the respective ROE testimonies in this proceeding, there is considerable variation in both data and application within each modeling approach, which can lead to differing results. The Commission's role is to conduct a balanced analysis of all presented models, while giving weight to current economic conditions and trends.

The Commission reiterates that it continues to reject the use of the Predictive Risk Premium Model (PRPM), flotation cost adjustments, financial risk adjustments and size adjustments in the ROE analyses. The Commission evaluates all models but will afford most weight to DCF and CAPM analyses based upon regulated company proxy groups. Both the DCF and CAPM are long-standing, well accepted models that evaluate risk and returns both implicitly and explicitly.

Regarding the proposed models, the Commission agrees with Duke Kentucky that it is appropriate to present multiple methodologies to estimate ROEs, and it is the Commission's role to analyze various approaches presented by the parties. By balancing the needs of Duke Kentucky, and its customers, and reviewing the record in its entirety in this proceeding, the Commission finds that a ROE of 9.80 percent is fair, just and reasonable. The Commission continues to view capital riders, such as the ESM, as providing lower risk to the utility due to the automatic cost recovery and true-up components in the ESM and Duke Kentucky's gas pipeline replacement program. As such, the Commission finds that a 10-basis point reduction in the ROE component of the ESM from 9.80 percent to 9.70 percent is fair, just and reasonable.

Capital Structure/Cost of Debt

Duke Kentucky proposed a capital structure consisting of 52.73 percent equity at a cost rate of 10.85 percent, 42.48 percent long-term debt at a cost rate of 4.93 percent, and 4.79 percent short-term debt at a cost rate of 3.20 percent.[207] Duke Kentucky argued that the proposed capital structure introduces an appropriate amount of risk due to leverage and minimizes the rate of return to customers.[208]

The proposed short-term debt reflects assumed amounts for the Amount Outstanding for the Notes Payable to Associated Companies in the forecasted short-term debt schedule.[209] This amount is the 13-month average of Duke Kentucky's monthly money pool borrowing balance from current projections.[210] Duke Kentucky stated that the interest rate was derived from Bloomberg's implied forward curve for 1-month Term Secured Overnight Financing Rate (SOFR) as of September 2024.[211]

Regarding the proposed long-term debt, the interest rate on $25 million of long-term Commercial Paper for the forecast period was derived from Bloomberg's implied forward curve for one-month Term SOFR as of September 2024, plus a 25 basis point credit spread.[212] Additionally, long-term senior unsecured debt issuances of $150 million and $175 million were forecasted for September 2025 and May 2026, respectively.[213]

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[207] Nowak Direct Testimony at 46 and Application, Volume 11, Schedule J-1 at 2.

[208] Direct Testimony of Thomas Heath (Heath Direct Testimony) at 16.

[209] Heath Direct Testimony at 19-20 and Application, Volume 11, Schedule J-2.

[210] Heath Direct Testimony at 20.

[211] Heath Direct Testimony at 20 and Application, Volume 11, Schedule J-2.

[212] Heath Direct Testimony at 20 and Application, Volume 11, Schedule J-3.

[213] Heath Direct Testimony at 20 and Application, Volume 11, Schedule J-3.

The interest rates were derived from a weighted average of Bloomberg's forward curves for the 5-year, 10-year, and 15-year US Treasury yield as of September 2024, plus a credit spread of 155 basis points, 175 basis points, and 185 basis points, respectively.[214]

Duke Kentucky stated that it determined the reasonableness of its proposed capital structure by comparing the financial capital structures of the proxy group companies to its proposed financial capital structure.[215] The results of this analysis produced a range of common equity ratios of 45.07 percent to 60.12 percent for the operating companies held by the proxy group for the eight quarters ended Q2 2024.[216] In addition, Duke Kentucky noted that its proposed common equity ratio was consistent with the proxy group average actual common equity ratio of 52.60 percent.[217] The following table shows Duke Kentucky's proposed capital structure:[218]

	13-Month Average Balance	Percent of Total	Cost Rate	Weighted Cost
Common Equity	1,155,393,756	52.73%	10.85%	5.72%
Long-Term Debt	930,883,286	42.48%	4.93%	2.09%
Short-Term Debt	104,930,903	4.79%	3.20%	0.15%
Total Capital	$ 2,191,207,945	100.00%		7.97%

The Attorney General reviewed Duke Kentucky's proposed capital structure and did not oppose, noting that the proposed 52.73 percent common equity ratio was adjusted

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214 Heath Direct Testimony at 20 and Application, Volume 11, Schedule J-3.

215 Nowak Direct Testimony at 46.

216 Nowak Direct Testimony at 46 and Attachment JCN-10.

217 Nowak Direct Testimony at 46–47.

218 Application, Volume 11, Schedule J-1 at 2.

downward from the base period common equity ratio of 54.50 percent.[219] Additionally, the Attorney General reviewed Duke Kentucky's proposed long-term debt cost rate of 4.93 percent, and did not oppose its inclusion in Duke Kentucky's cost of capital, noting that the forecasted rates compare favorable to the current Mergent long-term bond yields for utilities.[220]

The Commission finds that Duke Kentucky's proposed capital structure consisting of 52.73 percent equity, 42.48 percent long-term debt, and 4.79 percent short-term debt should be approved. The Commission, however, notes concern regarding the reasonableness of Duke Kentucky's continued use and reliance on the private placement market for its financing. However, the Commission acknowledges Duke Kentucky's preference to access the Rule 144A private placement market and encourages Duke Kentucky to continue exploring ways to lower its financing costs to the benefit of ratepayers.

Rate of Return Summary

Applying the cost rates of 3.20 percent for short-term debt, 4.93 percent for long-term debt, and 9.80 percent for common equity, the Commission approved capital structure percentages consisting of 4.79 percent, 42.48 percent, and 52.73 percent, respectively, produces an overall weighted average cost of capital of 7.41 percent:

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219 Baudino Direct Testimony at 36–37.

220 Baudino Direct Testimony at 36.

	Percent of Total	Cost Rate	13-month Avg. Cost
Short-Term Debt	4.79%	3.20%	0.15%
Long-Term Debt	42.48%	4.93%	2.09%
Common Equity	52.73%	9.80%	5.17%
Total Capital	100.00%		7.41%

This reduction from Duke Kentucky's proposed weighted average cost of capital reduces the revenue requirement by $9,322,158.

REVENUE ALLOCATION AND RATE DESIGN

Cost of Service Study (COSS) and Revenue Allocation

Duke Kentucky performed three COSSs that differ in methodologies used to develop the allocation factor from the demand component of production-related costs.[221] The three methodologies evaluated by Duke Kentucky were the 12 Coincident Peak (12 CP) method, the Average and Excess (A&E) method, and the Production Stacking method.[222] The 12 CP method allocates capacity-related costs to the rate classes based on the class load contribution during maximum peak.[223] The A&E method allocates capacity costs in a two-part formula, recognizing both the class average use and class contribution to the capacity to meet maximum system load.[224] Finally, the Production Stacking method is a time-differentiated method that allocates plant costs.[225]

[221] Direct Testimony of James E. Ziolkowski (Ziolkowski Direct Testimony) (filed Dec. 2, 2024) at 5, lines 5–8.

[222] Ziolkowski Direct Testimony at 5, lines 8–10.

[223] Ziolkowski Direct Testimony at 5, lines 13–17.

[224] Ziolkowski Direct Testimony at 5, lines 18–22.

[225] Ziolkowski Direct Testimony at 6, lines 8–13.

Duke Kentucky asserted that all three of the allocation methods produce reasonable results.[226] However, Duke Kentucky recommended following the 12 CP method to allocate production plant costs because the 12 CP method appropriately aligns capacity costs with the rate classes that impose such costs.[227] Kroger and the Attorney General did not object to the 12 CP methodology.[228] Walmart did not object to the application of the 12 CP methodology, but recommended the use of the A&E method as an alternative.[229]

For its COSS, Duke Kentucky applied the minimum size method for poles, conductors, and transformers.[230] As ordered by the Commission in Case No. 2019-00271,[231] Duke Kentucky did perform a zero-intercept study. Duke Kentucky stated the calculated zero-intercept cost of a transformer was calculated as $845, which is lower than the minimum size study cost of $2,049.[232] The zero-intercept method results in a customer percentage of 34.06 percent versus the customer percentage of 12.53 percent in the minimum size study.[233]

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[226] Ziolkowski Direct Testimony at 9, lines 6–7.

[227] Ziolkowski Direct Testimony at 9, lines 16–18.

[228] Kroger's Post Hearing Brief at 1–3. The Attorney General's Post Hearing Brief does not discuss the allocation methodology.

[229] Direct Testimony of Lisa V. Perry (Perry Direct Testimony) at 5, lines 10–16.

[230] Ziolkowski Direct Testimony at 22–23.

[231] Case No. 2019-00271, *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* (Ky. PSC Apr. 27, 2020), Order at 49. *See also*, Ziolkowski Direct Testimony at 24, lines 17–23.

[232] Ziolkowski Direct Testimony at 25, lines 12–16.

[233] Ziolkowski Direct Testimony at 25, lines 12–16.

According to Duke Kentucky, the difference in customer percentages occurs because the zero-intercept method does not account for the age of the transformers that exist on the current Duke Kentucky distribution system.[234] The calculated zero-intercept cost of a pole was calculated at $208.[235] This is lower than the minimum size study cost of $1,569 for primary poles and $878 for secondary poles.[236] According to Duke Kentucky, the analysis includes both primary and secondary poles because the accounting data does not specify the type of pole in each category.[237] The zero-intercept method resulted in a customer percentage of 10.16 percent for primary poles versus the customer percentage of 31.34 percent in the minimum size study.[238]

Duke Kentucky used the minimum size method in the COSS after the zero-intercept study based on several alleged deficiencies: linear relationship between equipment size and cost, the age of the equipment, and Duke Kentucky's accounting methods do not allow for a thorough and useful analysis under the zero-intercept method.[239]

The results of the COSS illustrate the amount of cross-subsidization between the rate classes. Duke Kentucky's proposed rate design addresses this subsidization and proposes a two-step process to distribute the proposed revenue increase. The first step eliminates 15 percent of the subsidy/excess revenues between customer classes based

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[234] Ziolkowski Direct Testimony at 25, lines 16–19.

[235] Ziolkowski Direct Testimony at 26, lines 5–7.

[236] Ziolkowski Direct Testimony at 26, lines 7–9.

[237] Ziolkowski Direct Testimony at 26, lines 9–10.

[238] Ziolkowski Direct Testimony at 26, lines 10–12.

[239] Ziolkowski Direct Testimony at 26–27.

on present revenues. The second step allocates the rate increase to customer classes based on electric original cost-depreciated (OCD) rate base. Duke Kentucky's present and proposed Rate of Return on Rate Base and proposed revenue increase for each rate class is as follows:[240]

Rate Class	Proposed Increase	Precent Increase	Present ROR	Proposed ROR
Rate RS	$32,789,066	16.83%	3.42%	7.61%
Rate DS	$19,692,617	14.81%	4.67%	8.67%
Rate GS-FL	$83,011	6.22%	14.85%	17.32%
Rate EH	$390,698	24.32%	0.03%	4.73%
Rate SP	$4,969	3.74%	20.84%	22.42%
Rate DT- Secondary	$8,260,662	14.30%	4.11%	8.19%
Rate DT- Primary	$6,666,022	15.75%	2.50%	6.82%
Rate DP	$90,080	6.33%	14.98%	17.43%
Rate TT	$1,424,419	8.32%	6.50%	10.22%
Lighting	$394,548	13.90%	7.17%	10.79%
Other- Water Pumping	$196,469	25.95%	(2.84%)	2.87%
Total	$69,992,562	15.53%	3.84%	7.97%

The Commission notes that in the prior rate case, Case No. 2022-00372, the Commission ordered Duke Kentucky to consider using a methodology that takes into account energy utilization at times other than the 12-month peaks and should examine the utilization of expenses throughout the year beyond the 12 peaks.[241] Duke Kentucky stated that there are three metrics that are available to allocate expenses and plant costs to rate classes: demand (kW), energy (kWh), and customer counts.[242] Additionally, Duke Kentucky stated that the reason the allocators were calculated using the three methods (12 CP, A&E, and Production Stacking) is due to the following reasons: (1) Demand (kW) coincident and non-coincident peak data is routinely calculated by Duke Kentucky's Load

[240] Ziolkowski Direct Testimony, Attachment JEZ-2 at 1, K201 Generation Allocator Using 12 CP.

[241] Case No. 2022-00372, *Electronic Application of Duke Energy Kentucky, Inc. for (1) an Adjustment of 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* (Ky. PSC Oct. 12, 2023), Order at 29.

[242] Ziolkowski Direct Testimony at 7.

Research group; (2) Energy (kWh) data is easily available; (3) Duke Kentucky has one base load plant and one peaker plant; (4) the analyses are easy to perform and understand; and (5) the analyses do not require subjective judgments.[243]

The Commission finds that Duke Kentucky's proposal to use the 12 CP method as a guide to determine revenue allocation is reasonable and should be accepted.

Rate Design

Duke Kentucky proposed a revenue increase of $70,008,476 and allocated the increase based on the results of the 12 CP COSS. The Commission finds the allocation of revenue reasonable, however, the Commission also found a revenue increase of $43,692,476 to be reasonable, and therefore, the rates must be revised to meet that revenue increase. The Commission notes that although the revenue allocations are not identical, the COSS results are used as a guide to inform the process of Rate Design. The 12 CP COSS supported revenue allocations[244] and the Commission's revenue allocations are illustrated in the chart below:

Rate Class	**COSS Allocation**	**Commission Allocation**
Rate RS	42.568%	44.715%
Rate DS	29.387%	29.101%
Rate DT-Pri	10.463%	9.373%
Rate DT-Sec	12.984%	11.977%
Rate EH	0.564%	0.622%
Rate SP	0.007%	0.017%
Rate GSFL	0.126%	0.272%
Rate DP	0.141%	0.123%
Transmission	3.460%	2.850%
Lighting	0.000%	0.794%
Other	0.300%	0.479%
Total	100.000%	100.000%

[243] Ziolkowski Direct Testimony at 8–9.

[244] Ziolkowski Direct Testimony, Exhibit JEZ-1.

Regarding Rate Residential Service (Rate RS), the Commission finds the proposed monthly customer charge of $16.00 to be unreasonable. The proposed monthly customer charge, as it stands, is higher than the monthly customer charge of Rate DS Single Phase customers. The Commission does not support a rate design in which nonresidential rate classes pay a monthly customer charge that is lower than that charged to the residential class.[245] Therefore, the Commission finds a Rate RS monthly customer charge of $14.75 to be reasonable. The energy charge will increase from $0.111639 per kWh to $0.122399 per kWh. As a result, Rate RS will receive a revenue increase of $19,395,851, or 9.80 percent. The revenue increase is approximately 44.724 percent of the Commission-approved revenue increase. An average Rate RS customer using approximately 1,000 kWh[246] of energy will receive an increase of $12.51, or 10.04 percent to their monthly bill, increasing from $124.64 to $137.15.

Regarding Service at Secondary Distribution Voltage (Rate DS), the Commission finds the proposed demand charge and proposed energy charges to not be reasonable. The Commission finds that the demand charge should increase from $10.68 to $12.07. Additionally, the Commission finds that the Rate DS energy charges should be increased as follows:

Energy Charge	**Current**	**Commission Approved**
First 6000 kWh	$0.114788 per kWh	$0.123015 per kWh
Next 300 kWh	$0.074619 per kWh	$0.082846 per kWh

[245] See Case No. 2019-00053, *Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment in Existing Rates,* (Ky. PSC Jun. 20, 2019) at 16–17.

[246] Application at 5.

Additional kWh	$0.063056 per kWh	$0.071283 per kWh
Non-church Cap Rate	$0.307297 per kWh	$0.331506 per kWh
Church Cap Rate	$0.188652 per kWh	$0.203519 per kWh

Rate DS will receive and increase in revenue of $12,714,827, which is approximately 29.101 percent of the Commission-approved revenue increase.

Regarding Real Time Pricing Program (Rate DS-RTP) Secondary and Primary, the energy delivery charge should be revised to increase from $0.020034 per kWh to $0.0300051 per kWh. Rate DT-RTP energy delivery charge should increase from $0.016479 per kWh to $0.024719 per kWh. Additionally, Rate TT-RTP energy delivery charge should increase from $0.006915 per kWh to $0.010373 per kWh.

The Commission finds that for Rate DT-Sec, the single phase and three phase customer charges should stay at current rates. The current Rate of Return for this customer class does not support an increase in the customer charge as the current Rate of Return of 4.11 percent is higher than the overall Rate of Return of 3.84 percent. However, the COSS supported a revenue allocation of approximately 12.984 percent for Rate DT-Sec and approximately 10.463 percent for Rate DT-Pri. Therefore, the revenue increase will be allocated to the Rate DT-Pri customer charge, and both rates demand charges and energy charges. The table below outlines the Commission's revisions to Rate DT-Sec and Rate DT-Pri:

Rate	Current	Commission Approved
DT-Sec	Distribution: $6.07 per kW On-Peak Distribution: $13.92 per kW (Winter) $14.71 per kW (Summer) Off-Peak Distribution: $1.32 per kW (Summer and Winter)	Distribution: $6.77 per kW On-Peak Distribution: $14.88 per kW (Winter) $15.72 per kW (Summer)

	On-Peak Summer Energy Charge: $0.056747 per kWh On-Peak Winter Energy Charge: $0.054640 per kWh	Off-Peak Distribution: $1.41 per kW (Summer and Winter) On-Peak Summer Energy Charge: $0.062936 per kWh On-Peak Winter Energy Charge: $0.060540 per kWh
DT-Pri	Customer Charge: $138.00 Distribution: $6.07 per kW On-Peak Distribution: $13.92 per kW (Winter) $14.71 per kW (Summer) Off-Peak Distribution: $1.32 per kW (Summer and Winter) On-Peak Summer Energy Charge: $0.056747 per kWh On-Peak Winter Energy Charge: $0.054640 per kWh Off-Peak Energy Charge: $0.048348 per kWh 1st Discount: ($0.75) per kW Additional Discount: ($0.58) per kW	Customer Charge: $155.00 Distribution:$6.77 per kW On-Peak Distribution: $14.88 per kW (Winter) $15.72 per kw (Summer) Off-Peak Distribution: $1.41 per kW (Summer and Winter) On-Peak Summer Energy Charge: $0.062936 per kWh On-Peak Winter Energy Charge: $0.060540 per kWh Off-Peak Energy Charge: $0.053385 per kWh 1st Discount: ($0.80) per kW Additional Discount: ($0.62) per kW

The revisions to Rate DT-Sec and Rate DT-Pri result in an allocation of the revenue increase of approximately 11.977 percent and 9.373 percent, respectively.

Regarding the remaining rates with proposed increases, the Commission finds that based on the revenue allocations supported by the 12 CP COSS, the proposed rate revisions are reasonable and are reflected in Appendix B to this Order.

<u>Other Rate Design Findings</u>

<u>Financial Assurance for New High Volume Rate DT and Rate TT Customers -</u> Regarding the rate design of Rate DT and Rate TT, Duke Kentucky proposed new language in its tariff for customers seeking service of 20 MW or greater to require financial assurance and minimum demand provision in the service agreement of 75 percent of the

customer-specific load.[247] Specifically, new language was proposed to be added to Rate DT's Terms and Conditions, stating:

> Customers seeking service of 20 MW or greater at one or more aggregated premises, or whose demand is reasonably expected to grow to this level, and require significant production and/or transmission investments by the Company for the provision of service may be required to provide the Company appropriate financial and/or performance and credit assurance. A minimum demand provision equal to 75% of the customer specified load requirement and credit requirements will be specified in a required service agreement between the Customer and the Company. The service agreement is subject to Commission approval.[248]

New language was also proposed to be added to Rate DT's Demand section, stating:

> On-peak, Off-peak, and distribution demand values are subject to applicable minimum requirements as established in a service agreement between the Customer and the Company as described below under Terms and Conditions.[249]

Similar language was also proposed to be added to Rate TT's Terms and Conditions and Demand sections.[250]

Walmart stated that the additional language in the tariff is necessary. However, Walmart added that the 20 MW threshold for Rate DT may be too low to serve its purpose and could capture unintended customers, such as Walmart.[251] Walmart originally recommended an increase to a 75 MW threshold, stating that this threshold would be necessary to capture large load customers such as data centers and crypto mining

[247] Direct Testimony of Bruce L. Sailers (Sailers Direct Testimony) at 11.

[248] Application, Schedule L-2.2 at 14.

[249] Application, Schedule L-2.2 at 13.

[250] *See* Application, Schedule L-2.2 at 25–26.

[251] Direct Testimony of Lisa V. Perry (Perry Direct Testimony) at 26.

facilities.[252] Duke Kentucky stated that a threshold of 75 MW is far too high and that the language only applies to new customers.[253] Additionally, Duke Kentucky stated that the language is not meant to target specific facilities, such as data centers.[254] In the Hearing, Duke Kentucky and Walmart's witnesses agreed on a 40 MW threshold would be reasonable.[255] No other party objected to the proposed language.

The Commission generally finds that language like that proposed by Duke Kentucky is reasonable to ensure that significant costs associated with providing or taking steps to provide service to a new high-demand customer would not be shifted to existing customers. The Commission similarly finds that the 40 MW threshold agreed upon by Duke Kentucky and Walmart to be reasonable under the circumstances. Such requirements generally make sense in the case of large loads that will likely require Duke Kentucky to incur significant costs to connect and serve, and the threshold, while lower than other similar tariffs, is high enough that customers subject to the requirement are likely to be sophisticated enough to engage with Duke Kentucky regarding the details of any contract regarding their load and to raise a complaint with the Commission if they are being treated unreasonably. Further, the Commission finds no basis in the record to establish different thresholds for Rate DT and Rate TT.

Duke Kentucky's proposal does contain limited details and largely leaves the details to a service agreement between the parties. This approach has benefits in that it

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[252] Perry Direct Testimony at 27.

[253] Rebuttal Testimony of Bruce L. Sailers (Sailers Rebuttal Testimony) (filed Apr. 9, 2025) at 2.

[254] Sailers Rebuttal Testimony at 2–3.

[255] HVT of the May 22, 2025 Hearing at 02:07:53-02:07:59. *See also*, Duke Kentucky's Initial Post-Hearing Brief (filed June 16, 2025) at 76–77.

will allow the Commission to review the details of a service agreement based on actual facts to determine its reasonableness instead of considering the issue in the abstract to impose a generally applicable rule. However, the discretion in the language, which allows Duke Kentucky to control in the manner and extent to which financial assurance may be required, raises the prospect that new customers seeking service of 40 MW or greater may be treated differently despite requesting the same or similar service. Thus, while the Commission finds that the proposed tariff language should be approved with the increase from 20 MW to 40 MW, Duke Kentucky should be prepared to show that it is applying the provision to new customers seeking service without unreasonable preference or improper advantage to any one customer over another to which the provision applies, when such service agreements are filed for Commission approval. The Commission also notes that in the event issues arise under this tariff language, it may revisit the language to require more specific and uniform standards be included.

Demand and Energy Allocation for Rate DS – Regarding the rate design for Rate DS, Duke Kentucky proposed a rate design that recovers 80.7 percent of demand-related costs through the demand charge, and 126.1 percent of energy-related costs through the energy charges.[256] Kroger stated that demand-related costs and energy-related costs should be recovered through the respective charges.[257] Kroger recommended a rate design that it alleged would better align rates while also minimizing intraclass subsidization, by shifting the demand charge to recover 92.9 percent of demand-related

[256] Direct Testimony of Justin Bieber (Bieber Direct Testimony) at 146, Table JB-3.

[257] Bieber Direct Testimony at 14.

costs and the energy charges to recover 112.2 percent of energy-related costs.[258] Duke Kentucky responded that Kroger's suggestion ignores the potential intraclass subsidization it creates in regard to customers with demand less than or equal to 15 kW.[259] Duke Kentucky suggested an alternative rate design that takes Kroger's recommendation into consideration, which lightly increases the more than 15 kW demand charge, and reduces only the final energy charge block to offset the revenue increase.[260] The Commission believes that Duke Kentucky's allocation was reasonable, except to the extent that changes are reflect in Appendix B. However, the Commission finds that in Duke Kentucky's next rate case, Duke Kentucky should calculate rates that further align the demand-related and energy-related rates to the respective costs.

PROPOSED TARIFF CHANGES AND OTHER PROPOSALS

Proposed Changes to PJM Billing Line Items to be Included in the Fuel Adjustment Clause and Profit-Sharing Mechanism Riders

PJM is an RTO that operates the power grid and wholesale electric market for all or parts of thirteen states and the District of Columbia.[261] This electric market consists of a capacity market, energy market, Ancillary Service Market (ASM), and a Financial Transmission Rights (FTR) market.[262] Duke Kentucky indicated that PJM has a standard process for accounting for all costs and credits accrued through participation in its

[258] Bieber Direct Testimony at 19, Tables JB-4 and JB-5.

[259] Sailers Rebuttal Testimony at 7.

[260] Sailers Rebuttal Testimony at 7.

[261] Direct Testimony of John D. Swez (Swez Direct Testimony) at 5.

[262] Swez Direct Testimony at 5.

markets pursuant to which all costs and credits accrued as a member of PJM are invoiced weekly with a monthly true-up and settled by PJM through Billing Line Items (BLIs).[263]

In Case No. 2017-00321, the Commission approved certain PJM BLIs to be recovered in Duke Kentucky's fuel adjustment clause (FAC) and Profit-Sharing Mechanism (PSM).[264] The Commission has also previously ordered that Duke Kentucky is not permitted to change any of the BLIs included in the FAC or PSM without Commission approval.[265] However, Duke Kentucky indicated that since Case No. 2017-00321 was decided PJM has added, eliminated, and bifurcated certain BLIs.[266] Thus, Duke Kentucky proposed to include a number of updates to the BLIs included in the FAC and PSM to reflect updates to PJM's BLIs.[267]

Specifically, Duke Kentucky proposed that the following BLIs[268] be included in the PSM or the FAC, or both:

- 1216 – Pseudo-Tie Balancing Congestion Refund: Duke Kentucky indicated that this is a new PJM BLI related to the pseudo tie of generators by market participants

[263] Swez Direct Testimony at 35.

[264] Case No. 2017-00321, *Electronic Application for Duke Energy Kentucky, Inc., for (1) An Adjustment of 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* (Ky. PSC Oct. 2, 2018), Order at 13.

[265] *See* Case No. 2021-00296*, Electronic Examination of the Application of the Fuel Adjustment Clause of Duke Energy Kentucky, Inc. from November 1, 2020 through April 30, 2021*, Order (Ky. PSC March 24, 2022).

[266] Swez Direct Testimony at 38.

[267] Duke Kentucky's Initial Post-Hearing Brief at 85.

[268] BLIs that start with a 1000 designation are costs, BLIs that start with a 2000 designation are credits, BLIs that start with a 1400 designation is a reconciliation of a cost, and BLIs that start with a 2400 designation is a reconciliation of a credit.

importing energy in and exporting energy out of PJM. A pseudo-tied generator's energy import or export is subject to congestion and losses, like a generator inside PJM. Duke Kentucky asserted that congestion and losses are directly related to fuel consumption, and therefore, Duke Kentucky proposed that this charge or credit to be included in the FAC and PSM based on native and non-native allocations.[269]

- 1246/2246 – Load Response Test Reduction: Duke Kentucky stated that starting on June 1, 2023, PJM created two new BLIs, 1246 and 2246, which represent either the charge or the credit for entities testing load management programs. Duke Kentucky asserted that eligible entities can receive a credit equal to the measured reduction in demand adjusted for losses multiplied by the appropriate 5-minute LMP. Duke Kentucky stated that these new BLIs were created to allocate credits for testing and corresponding allocated charges. Because no fuel is consumed from reducing demand, Duke Kentucky requested this charge and credit be included in the PSM consistent with the recovery the Commission has approved with other Load Response BLIs. [270]
- 1390/2390 – Fuel Cost Policy Penalty: Duke Kentucky stated that, like all other PJM entities that offer generators into the PJM Energy Market, makes both a price-based and cost-based offer for its generators. For the cost-based offers, Duke Kentucky creates and then must follow a PJM approved cost-based offer policy. Duke Kentucky stated that PJM compares the generators submitted cost-based

[269] Swez Direct Testimony at 41.

[270] Swez Direct Testimony at 42.

offer to a calculated cost-based offer each day using the entities Fuel Cost Policy. If an entity submits a cost-based offer outside of an allowable range, the entity is assessed a penalty (BLI 1390). Additionally, penalties assessed to entities are credited to other PJM participants based on real-time load ratio share for the hour the penalty was assessed (BLI 2390). To date, Duke Kentucky stated that it has received substantially more credits under BLI 2390 than charges under BLI 1390. Because no fuel is consumed for either of these BLIs, Duke Kentucky requested the inclusion of both BLIs in the PSM.[271]

- 1666/2666 - Load Management Test Failure: Duke Kentucky stated that sellers with committed Demand Resources that fail performance tests pay a penalty charge which is allocated to eligible LSEs. This billing is performed in the August monthly bill issued in September after the conclusion of the delivery year. Duke Kentucky stated that the net capability testing shortfall MWs are charged daily at the weighted annual revenue rate for the applicable zone plus the greater of 0.2 times that weighted annual revenue rate or $20/MW-day. Duke Kentucky stated that total revenues each day are allocated to LSEs that paid a Locational Reliability charge that day based on their daily unforced capacity obligations.[272]
- 1669/2669 - Price Responsive Demand (PRD) Commitment Compliance Penalty: Duke Kentucky stated that PRD Commitment Compliance Penalties are charges and credits related to a commitment compliance shortfall for a PRD. This charge or credit can be paid or received for either a reliability pricing model (RPM) or fixed

[271]Swez Direct Testimony at 42–43.

[272] Swez Direct Testimony at 43.

resource requirement (FRR) capacity construct member. Duke Kentucky stated that non-performance related to price responsive demand is charged under BLI 1669 and the corresponding revenues is paid in BLI 2669. Duke Kentucky proposed to include those billing line items in the PSM.[273]

- 1670/2670 – FRR LSE Reliability: FRR LSE Reliability are charges or credits incurred by LSEs serving load whose capacity requirement is being met through an FRR plan that is owned by another company. Duke Kentucky stated that the FRR LSE reliability charge or credit is applied by PJM on behalf of the FRR Entity to compensate the FRR Entity for capacity procured on the LSE's behalf. Duke Kentucky proposed to include those billing line items in the PSM.[274]
- 1681/2681 - Duke Kentucky stated that FRR LSE Capacity Resource Deficiency: As discussed earlier in this testimony, PJM may charge or credit an entity for an FRR deficiency penalty. FRR LSE Capacity Resource Deficiencies are charges or credits incurred when capacity resources of entities participating in the FRR are unable or unavailable to deliver unforced capacity, and do not obtain replacement unforced capacity. Duke Kentucky explained that each capacity resource's deficiency MWs for each day it is deficient pays the daily deficiency rate. For example, an LSE participating as an FRR Capacity participant, for the 2024/2025 Delivery Year, will pay a deficiency charge equal to 1.2 times the RPM Clearing Price in that Delivery Year. Starting with the 2025/2026 Delivery Year, the FRR Capacity Resource Deficiency Charge is equal to the shortfall amount multiplied

[273] Swez Direct Testimony at 44–45.

[274] Swez Direct Testimony at 44–45.

by the greater of either the Gross Cost of New Entry (CONE) or 1.75 multiplied by Net CONE. Duke Kentucky asserted that a FRR plan deficiency can occur due to a sudden increase in customer demand, planned or unplanned unit retirements, or through a reduction in Duke Energy Kentucky's generation capacity value. Duke Kentucky stated that total revenues each day are allocated to LSEs that paid a Locational Reliability charge that day based on their daily unforced capacity obligations. Duke Kentucky proposed to include those billing line items in the PSM.[275]

- 1985 – PJM Weekly Miscellaneous Charge: Duke Kentucky stated that to address a credit risk for a future assessment of Non-Performance Assessment capacity performance penalty charges, PJM may charge an entity a payment towards its penalty obligation and then credit a redemption once the obligation to withhold prepayments has ended. Duke Kentucky explained that for that reason this BLI would be both a charge and a credit and can be paid or received for either an RPM or FRR capacity construct member. Duke Kentucky proposed to include this billing line item in the PSM.[276]
- 1999 - PJM Customer Payment Default: Duke Kentucky asserted that a default could occur when a PJM Market entity defaults in any of the PJM markets. Duke Kentucky indicated that a small portion of the default is allocated to all PJM members and the remaining portion is allocated based on market settlement activity. Duke Kentucky stated that it previously received a charge in BLI 1999

[275] Swez Direct Testimony at 44-46.

[276] Swez Direct Testimony at 44, 46.

after a PJM FTR Market entity defaulted on its obligations to PJM. In the FTR Market example, the Company would include this charge in the FAC for the native portion or PSM for non-native portion since the underlying default was related to PJM BLI 1500 and 2500 – Financial Transmission Rights Auction (FTRs). Duke Kentucky proposed to recovery of this charge or credit based on approved recovery of the underlying default, as Duke Kentucky asserted that this activity is directly related to the Company's participation in PJM.[277]

- 2360 – Balancing Synchronized Reserve: Duke Kentucky stated that the previous name for BLI 2360, Synchronized Reserve, has been renamed Balancing Synchronized Reserve. Duke Kentucky stated that on October 1, 2022, PJM modified its ancillary services market, creating both Day-Ahead and Real-Time (Balancing) markets for Synchronized Reserves. Duke Kentucky stated that BLI 2360 continues to be for payment for the provision of Synchronized Reserves but in the Real-Time market only. Duke Kentucky noted that this this ancillary service was previously determined to be fuel related since deployment of synchronized reserves involves ramping an on-line generator up in output to supply the reserve, burning fuel. Duke Kentucky asserted that the Commission approved Synchronized Reserves to be included in the FAC and PSM based on native and non-native allocations.[278]
- 2362 – Balancing Non-Synchronized Reserve: Duke Kentucky stated that BLI 2362 was renamed from Balancing Non-Synchronized Reserve to Non-

[277] Swez Direct Testimony at 46-47.

[278] Swez Direct Testimony at 39.

Synchronized Reserve. Duke Kentucky stated that on October 1, 2022, PJM modified its ancillary services market, creating both Day-Ahead and Real-Time markets for Non-Synchronized Reserves. Duke Kentucky stated that BLI 2362 continues to be for payment for the provision of Non-Synchronized Reserves but in the Real-Time market only. Duke Kentucky stated that this ancillary service was previously determined to be non-fuel since non-synchronized reserves are typically supplied by units that are off-line not consuming fuel, such as quick start (within 10 minute) resources such as the Woodsdale units. Duke Kentucky stated that the unit is off-line and not burning fuel when clearing this reserve product but once deployed by PJM the unit is turned on-line and begins burning fuel. Duke Kentucky stated that the Commission previously approved Non-Synchronized Reserve to be included in the PSM rider, given that the unit is not burning fuel during the majority of the BLI activity.[279]

- 2366 – Day-Ahead Synchronized Reserve: Duke Kentucky stated that BLI 2366 is the same type of ancillary product that existed previously as BLI 2360, Synchronized Reserves, but PJM expanded this ancillary service into the Day-Ahead Market. Duke Kentucky stated that this service was previously determined to be fuel related since deployment of synchronized reserves involves ramping an on-line generator up in output to supply the reserve, burning fuel. Duke Kentucky indicated that it is requesting the same recovery treatment for this new BLI as was

[279] Swez Direct Testimony at 39.

approved in Case No. 2017-00321 for Synchronized Reserve, the native portion to be included in the FAC and the non-native portion included in the PSM.[280]

- 2368 – Day-Ahead Non-Synchronized Reserve: Duke Kentucky stated that BLI 2368 is the same type of ancillary product that existed previously as BLI 2362, Synchronized Reserves but PJM expanded this ancillary service into the Day-Ahead Market, creating the Day-Ahead Non-Synchronized Reserve. Duke Kentucky stated that it is requesting the same recovery treatment for this new BLI as was approved in Case No. 2017-00321 for Non-Synchronized Reserve, to be included in the PSM.
- 1361 – Secondary Reserve, 2367 – Day-Ahead Secondary Reserve, 2361 – Balancing Secondary Reserve, and 1471 - Load Reconciliation for Secondary Reserves: Duke Kentucky stated that as part of the October 1, 2022 PJM modification to the ancillary services market that PJM renamed the Day-ahead Scheduling Reserve to the Secondary Reserve and then created both Day-Ahead and Real-Time markets for Secondary Reserves pursuant to FERC Order ER19-1486. Duke Kentucky stated that Secondary Reserves are reserves that take more than 10 minutes but less than 30 minutes to convert to energy and can be on-line or off-line. Duke Kentucky stated that this type of ancillary service was previously determined to be non-fuel related since secondary reserves can be supplied by units that are off-line. Duke Kentucky stated that the Commission in Case No. 2017-00321 approved including Day-Ahead Scheduling Reserve, 1365 and 2365, in the PSM rider, but asserted that those BLIs were eliminated and replaced with

[280] Swez Direct Testimony at 39–40.

the Secondary Reserve BLIs. Thus, Duke Kentucky asserts that the Secondary Reserve BLIs should be included in the PSM.

- 1980/2980 – Bilateral Purchase or Sale: Duke Kentucky proposed including these BLIs in the PSM,[281] but did not explain the basis for including them.[282]

The Attorney General's witness, Kollen, stated that Duke Kentucky's requests are the same or similar to requests that were pending in Case No. 2024-00285.[283] Kollen recommended that the Commission find that Duke Kentucky's request in this proceeding is duplicative to the extent that the issues are addressed in Case No. 2024-00285 and that to the extent that the Commission finds that they were not duplicative to the final Order in Case No. 2024-00285 that the Commission base the substantive determinations herein on his recommendations in that case.[284]

In its Initial Post Hearing Brief, the Attorney General noted that in Case No. 2024-00285, it had recommended for the Commission to exclude the BLIs that represent penalties for costs imposed on Duke Kentucky due to compliance and performance failures.[285] The Attorney General asserted that:

> By including these penalty BLIs in the FAC and PSM, as the Company proposes, it may establish a presumption that the penalty expenses are reasonable, essentially placing the burden on Intervenors, Commission Staff, and, ultimately, the Commission to review and build an evidentiary record against

[281] Application, Volume 12, Schedule L-2.2, pgs. 76-77; Application, Volume 12, Schedule L-1, pgs. 118-119.

[282] *See, generally* Swez Direct Testimony at 6-46; *see also* HVT of May 21, 2025 Hearing at 12:18:52, 12:29:00 (in which the witness was asked about BLIs 1980 and 2980 and generally explained what it was but did provide a reason for including it).

[283] Kollen Direct Testimony at 63.

[284] Kollen Direct Testimony at 63.

[285] Attorney General's Initial Post-Hearing Brief at 68-69.

> recovery of such costs if the Company has failed to act prudently or reasonably and has been penalized by PJM. On the other hand, if the penalty BLIs are excluded, then Duke Kentucky can seek to have any penalty expense included for recovery in the FAC or PSM, but will retain the burden to specifically request recovery of the expenses and to justify the expense as reasonable and prudent.[286]

Duke Kentucky argued in rebuttal and in its briefs that its request to add BLIs to its PSM in this matter is not repetitive to those made in Case No. 2024-00285 because the requests in that case only relate to BLIs associated with becoming an RPM member of PJM whereas the requests in this case did not relate to any BLIs related to Duke Kentucky becoming an RPM member because Duke Kentucky is currently an FRR member. Duke Kentucky also stated that it did not request any changes to the BLIs included in the FAC in Case No. 2024-00285.[287] Lastly, Duke Kentucky noted that the Commission in Case No. 2024-00285 adopted some but not all the Attorney General's recommendations in that case, subject to certain conditions, and Duke Kentucky indicated that it was not necessary to repeat or reconsider those conditions here.[288]

The Attorney General assertion that the requests in this case are the same requests as those pending in Case No. 2024-00285 is generally incorrect, though there was some overlap. Duke Kentucky's primary request in Case No. 2024-00285 was to transition from an FRR plan to the RPM Construct in PJM, and in doing so, Duke Kentucky proposed adding a number of BLIs to its PSM.[289] As Duke Kentucky noted in this case,

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[286] Attorney General's Initial Post-Hearing Brief at 69.

[287] Duke Kentucky's Initial Post-Hearing Brief at 85–86.

[288] Duke Kentucky's Initial Post-Hearing Brief at 86.

[289] Case No. 2024-00285, *Electronic Application of Duke Energy Kentucky, Inc. to Become a Full Participant in the PJM Interconnection, LLC, Base Residual and Incremental Auction Construct for the*

many of the BLIs that Duke Kentucky proposed adding in that case relate only to entities that are part of the RPM Construct, and therefore, it did not propose to add those in this case.[290] Further, in Case No. 2024-00285, the Commission, after accepting and rejecting some of Duke Kentucky's proposed changes to the BLIs, indicated that the proposed changes would not be effective until after Duke Kentucky transitions to the RPM construct.[291]

However, there were a few BLIs proposed to be included here, 1666/2666 and 1600/2600, that were addressed in Case No. 2024-00285. Duke Kentucky's proposal to include BLIs 1666/2666 was denied in Case No. 2024-00285 based on a finding that they are compliance and performance penalties, and Duke Kentucky's proposal to amend its tariff to include BLIs 1600/2600 was approved as they had been approved in Case No. 2017-00321 but were not added to the tariff.[292] Further, the Attorney General's arguments against including BLIs that constitute performance or compliance penalties, which the Commission accepted in Case No. 2024-00285, would be similarly applicable to this case. Thus, Duke Kentucky's proposal in Case No. 2024-00285 and the arguments addressed therein do have some relevance to Duke Kentucky's proposals herein.

Specifically, in Case No. 2024-00285, the Commission excluded BLIs 1666 and 2666, along with a number of other BLIs regarding compliance and performance penalties, from the PSM, stating that "Duke Kentucky has the responsibility to avoid

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2027/2028 Delivery Year and for Necessary Accounting and Tariff Changes (Ky. PSC May 16, 2025), Order.

[290] Case No. 2024-00285, May 16, 2025 Order at 29–34.

[291] Case No. 2024-00285, May 16, 2025 Order at 29–34.

[292] Case No. 2024-00285, May 16, 2025 Order at 30.

penalties resulting from its own behavior, and ratepayers should not automatically bear the burden of performance related penalties."[293] Consistent with that decision and the Attorney General's arguments in that case and herein, the Commission finds that BLIs 1390/2390, 1666/2666, 1667/2667, 1669/2669, 1681/2681, and 1985 should be excluded from the PSM and the FAC, because these BLIs are related to performance penalties and related revenue BLIs—the penalties should be the responsibility of the utility, which has an obligation to provide adequate service.

With respect to BLI 1999, the Commission notes that it relates to sharing the cost of a default by other members of PJM. Duke Kentucky proposed to recover portions of those costs through the FAC and PSM,[294] and Duke Kentucky's witness indicated that portions of the BLI could also be recovered through base rates.[295] However, the Commission previously excluded costs billed under this BLI from Duke Kentucky's FAC.[296] Duke Kentucky was also not able to explain how it would determine the mechanism through which such costs would be recovered, and indicated that it would largely be determined based on a case by case analysis.[297] Without understanding how or what portions of the costs would be included in the FAC, PSM, or base rates, the Commission is not able to find that including portions of those costs in the riders is

[293] Case No. 2024-00285, May 16, 2025 Order at 30.

[294] Application, Volume 12, Schedule L-2.2 at 76–77; Application, Volume 12, Schedule L-1 at 118-119.

[295] HVT of May 21, 2025 Hearing at 12:33:00.

[296] Case No. 2020-00031, *Electronic Application of Duke Energy Kentucky, Inc. for an Order Approving the Establishment of a Regulatory Asset for the Liabilities Associated with the PJM Expenses Related to the GreenHat Energy, LLC Default* (Ky. PSC Sept. 30, 2020).

[297] HVT of May 21, 2025 Hearing at 12:33:00.

reasonable as it would then be difficult to ensure that customers are not charged twice for the costs, or where the costs should be reflected. The Commission also notes that Duke Kentucky's witness indicated that PJM had only previously used this BLI on a single occasion, at least as it relates to a material cost,[298] which raises questions regarding whether blanket rider recovery is appropriate for a very specific, rarely incurred cost that would have to be analyzed on a case by case basis to determine the proper recovery mechanism when it is incurred. Thus, the Commission finds that Duke Kentucky's proposal to include BLI 1999 in its FAC and PSM should be denied.

The Commission finds that Duke Kentucky failed to meet its burden establishing that including BLIs 1980 and 2980 are reasonable as Duke Kentucky provided little explanation of what those BLIs included or why they should be recovered through the FAC or PSM. Duke Kentucky's witness also indicated that Duke Kentucky did not currently have a bilaterial contract paid through PJM that would be included in that billing line item[299] such that excluding this item now would not currently affect Duke Kentucky's cost recovery. Thus, while the Commission may revisit the issue in future cases if Duke Kentucky provides sufficient evidence to establish why including these BLIs in the FAC or PSM is reasonable, the Commission denies Duke Kentucky's proposed inclusion of BLIs 1980 and 2980 in the FAC and PSM in this matter.

The Commission approves Duke Kentucky's request to remove BLIs 1365/2365 as they are no longer actively used in PJM's current billing rules or processes due to FERC Order ER19-1486. The Commission similarly approves the removal of BLI 2210

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[298] HVT of May 21, 2025 Hearing at 12:34:00.

[299] *See* HVT of May 21, 2025 Hearing at 12:18:52.

from both the FAC and PSM, and removal of BLIs 1240 and 1241 from the PSM as they are no longer used by PJM.

The Commission approves that inclusion of BLIs 1361/2361, and 2367 and 1471 in the PSM, all related to Secondary Reserves, consistent with the Commission's previous inclusion of BLIs 1365/2365, which covered the same or similar costs as the costs in these new BLIs. The Commission similarly approves the inclusion of BLI 2366 and BLI 2368 in the FAC and PSM, as proposed, respectively, by Duke Kentucky, because both include the similar costs to those included in BLIs 2360 and 2362, respectively, which were previously permitted to be included in the PSM and FAC, and BLIs 2360 and 2362, which have been renamed should similarly remain in the PSM and FAC in the same manner that they were previously included.

As noted in Case No. 2024-00285,[300] the Commission approved the inclusion of BLIs 1600 and 2600 in the PSM in Case No. 2017-00321, but Duke Kentucky apparently did not list those items in its updated tariff. Consistent with those orders, the Commission finds that Duke Kentucky's proposed amendments to the tariffs to include BLIs 1600 and 2600 should be approved to accurately reflect the costs or credits that will be included in the PSM.

The Commission approves the inclusion of the new BLIs 1216 and 1246/2246 in the PSM for the reasons provided by Duke Kentucky. The Commission also approves the inclusion of BLIs 1670/2670 as proposed while Duke Kentucky remains FRR until the move to the RPM construct as these BLIs are not related to being an RPM. In that regard, the Commission also finds that Duke Kentucky's PSM tariff should include language that

[300] Case No. 2024-00285 (Ky. PSC May 16, 2025), Order at 30.

BLIs approved in this case that are FRR-only BLIs are only approved until Duke Kentucky's move to the RPM.

Public Electric Vehicle Charging Rate

In direct testimony, Walmart stated that Duke Kentucky does not currently offer a rate specifically for public EV charging designed for third-party locations, such as a Walmart parking lot.[301] Walmart stated that building out a public EV charging network is essential for encouraging EV adoption by eliminating the challenges of finding public charging stations.[302] In rebuttal, Duke Kentucky stated that it is not opposed to discussing a public EV charging rate with interested stakeholders, but it does not believe that the objective of the discussion should be solely for public facing DCFC EV charging stations.[303]

The Commission agrees that public EV charging stations are important to the encouragement of EV adoption and understands Walmart's desire to serve its customers. Further, the Commission agrees that engagement with stakeholders to assess fair and efficient means of providing customers the services that they want is important. The Commission encourages Duke Kentucky to engage with stakeholders regarding a public EV charging rates and further finds that Duke Kentucky should provide an update in its next rate case regarding the nature and extent of such engagement and the results of any such engagement.

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[301] Perry Direct Testimony at 27.

[302] Perry Direct Testimony at 28.

[303] Sailers Rebuttal Testimony at 4.

Proposed New Comprehensive Hedging Program

Duke Kentucky requested authorization to implement a more comprehensive hedging strategy introducing additional power hedging for forced outages and economic hedging when the PJM AEP-Dayton (AD) hub market power price is under the cost of production, and authorization to refund gains and recover losses through the FAC.[304]

The Attorney General stated that the new comprehensive hedging program is essentially the same program Duke Kentucky proposed in Case No. 2022-00372 and was denied by the Commission.[305] According to the Attorney General, Duke Kentucky once again failed to provide a detailed description of the new program by listing specific products or otherwise describing in detail how Duke Kentucky would use those products to mitigate price volatility or reduce costs.[306]

The Commission finds that Duke Kentucky's proposal is too vague such that it would be unclear what the Commission would even be approving. Therefore, the Commission denies Duke Kentucky's request and suggests that Duke Kentucky file a separate case concerning the proposed back up power supply plan or comprehensive hedging program, and the required evaluation and long-term effectiveness analysis in that filing, so that the Commission can make an informed assessment.

Proposed New Gas Management Program

Duke Kentucky is requesting the ability to share the net revenues or costs of gas purchased but not burned off-set by the sale of the surplus gas through the PSM. Duke

[304] Direct Testimony of James McClay (McClay Testimony) at 5-9.

[305] Office of the Attorney General, direct testimony of Lane Kollen (Kollen Testimony) (filed Mar. 5, 2025) at 58.

[306] Kollen Testimony, at 58-59.

Kentucky stated that due to PJM participation volatility, and the constraints put on them by the gas pipeline and transmission companies, Duke Kentucky often finds itself holding onto excess amounts of gas for days or weeks at a time that it otherwise could sell. Additionally, Duke Kentucky may be forced to burn the excess gas that has already been purchased or have it confiscated.

In Case No. 2014-00078, the Commission approved a recovery from the sale of gas through the PSM, but denied approving this accounting treatment for all future Duke Kentucky loses or gains incurred under similar circumstances, stating that the gains and losses should be investigated on a case-by-case basis.[307]

The Attorney General recommended denying the proposed new gas management program because Duke Kentucky only experienced one gas loss in the last ten years, it is possible Duke Energy sells surplus gas at a loss in the current market when it could have held on to the already purchased gas to use at Woodsdale at a future date, and there is concern about no safeguard being put in place to protect consumers from unnecessary sale of gas at a loss. [308]

The Commission is concerned about Duke Kentucky selling gas uneconomically instead of keeping gas that has already been purchased to use at a future date, and therefore finds that Duke Kentucky's broad gas management proposal is unreasonable because the circumstances under which Duke Kentucky would be permitted to sell gas are not clearly defined. However, the Commission understands that if Duke Kentucky

[307] Case No. 2014-00078, *An Investigation of Duke Energy Kentucky, Inc.'s Accounting Sale of Natural Gas Not Used in Its Combustion Turbines* (Ky. PSC Nov. 25, 2014).

[308] Kollen Direct Testimony, at 63.

does not have the ability to sell gas that it purchased in good faith to serve customers, circumstances could arise when Duke Kentucky is forced to either burn that gas or have it confiscated. In those circumstances, the Commission finds that it would be reasonable for Duke Kentucky to be able to sell that gas and reflect the revenue from the sale through its PSM. Thus, the Commission finds that Duke Kentucky's request to sell gas it purchased in good faith to serve customers and pass the revenue from those sales through the PSM should be approved but only in situations in which Duke Kentucky would otherwise be forced to burn off the surplus gas or it would be confiscated by a pipeline company.

Proposed Deferral Mechanisms for Planned Maintenance Expense and Forced Outage Expense

Duke Kentucky requested approval of a deferral mechanism whereby any actual planned maintenance expense above the baseline expense recovered in the base revenue requirement is deferred to a regulatory asset and below the baseline is deferred to a regulatory liability.[309] In addition, Duke Kentucky requested approval of a deferral mechanism whereby any actual forced outage expense disallowed from recovery in the FAC above the baseline expense recovered in the base revenue requirement is deferred to a regulatory asset and below the baseline is deferred to a regulatory liability.[310]

The Attorney General specified that these deferral mechanisms were requested even though the Commission discontinued them in Case No. 2022-00372, stating: "The Commission also finds that the deferral mechanisms for forced and scheduled outages

[309] Kollen Testimony at 55.

[310] Kollen Testimony at 55.

are no longer necessary, given that Duke Kentucky expects the expenses to be in line with the base rate amounts."[311]

Duke Kentucky argued that reinstituting this deferral process ensures that the Duke Kentucky is able to maintain financial stability to reliably serve customers' demand, and reinstatement also ensures that customers are paying for their actual costs of service.[312]

The Commission is not persuaded by Duke Kentucky's argument that reinstituting this deferral process ensures financial stability maintenance or that customers are paying for their actual costs of service and therefore denies Duke Kentucky's requests to establish both deferral mechanisms.

<u>Capacity Performance Insurance</u>

Duke Kentucky is evaluating capacity performance insurance in order to protect customers against the rising cost of a potential Capacity Performance (CP) event and seeks authorization for the purchase of such insurance and recovery of the expense through the profit-sharing mechanism (PSM).[313]

According to the Attorney General, Duke Kentucky has obtained quotes from two carriers in preparation for this rate case filing under various policy payout limits and deductibles,[314] but has not performed any studies to compare outcomes with and without

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[311] Case No. 2022-00372, *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* (Ky. PSC Oct. 12, 2023), Order at 18.

[312] Rebuttal Testimony of John D. Swez (filed Apr. 9, 2025) at 7.

[313] McClay Testimony at 19.

[314] Attorney General's First Request, Item 83.

capacity performance insurance and the related costs recoverable through the PSM whether Duke Kentucky is in a FRR or RPM construct.[315]

The Commission finds that Duke Kentucky's request is denied because insufficient information exists for Duke Kentucky to purchase capacity performance insurance, or for the Commission to approve recovery of the costs of such insurance through the PSM.

Lighting Tariff Changes

Duke Kentucky proposed to close Rate OL-E to new Company-owned fixture participation as of June 30, 2025. That rate allowed certain customers to receive lighting service from utility-owned equipment that included equipment other than the LED lighting service offered under Rate LED. Duke Kentucky indicated that existing Rate OL-E customers with utility-owned equipment would continue to receive service with existing equipment, but as that equipment reached the end of its useful life, Duke Kentucky indicated that those customers would have the option of moving to utility-owned lighting under Rate LED or obtaining fixtures themselves.[316] Duke Kentucky also proposed to add a number of options for additional equipment under Rate LED.[317] No party objected to Duke Kentucky's proposed lighting tariff changes.

The Commission finds that Duke Kentucky's proposed lighting tariff changes represent a reasonable shift to new technology while offering protections and options to existing and new lighting customers. Thus, except to the extent Duke Kentucky's proposed lighting rates were changed as discussed above and reflected Appendix B, the

[315] Kollen Testimony at 64.

[316] Sailers Direct Testimony at 12–14; *see also* Application, Schedule L-2.2 at 39, 41–56.

[317] Application, Schedule L-2.2 at 39, 45–53.

Commission finds that Duke Kentucky's proposed to changes to the lighting customer tariff sheets for Rate UOLs, Rate OL-E, and Rate LED should be approved.

Reconnection Fee Changes

Duke Kentucky proposed minor changes to charges for reconnection of service that included both increases and decreases in charges depending on the circumstances. The largest increase in a reconnection charge was $0.90 and the largest decrease was $2.45. Duke Kentucky also eliminated an additional $40.00 charge for afterhours reconnections.[318] No party objected to the changes in the reconnection fee charges. Having reviewed the record and being otherwise sufficiently advised, the Commission finds that the proposed changes to the reconnection fee tariff sheets should be approved.

Miscellaneous Tariff Changes

Duke Kentucky proposed a minor, non-substantive change to the table of contents of its tariff,[319] and the Commission finds that proposed change to be reasonable and that it should be approved. Duke Kentucky proposed to rename Traffic Lighting Service to Traffic Signal Service,[320] and the Commission finds that proposed change to be reasonable and that it should be approved.

REFUND OF RATES PLACED INTO EFFECT

On May 8, 2025, Duke Kentucky made a filing in which it provided the Commission notice pursuant to KRS 278.190(2) of its intent to place its proposed rates into effect, subject to refund, for service rendered on or after July 3, 2025, and in which it indicated

[318] Application, Schedule L-2.2 at 39, 79–80.

[319] Application, Schedule L-2.2 at 1.

[320] Application, Schedule L-2.2 at 37.

that it would maintain records for such refunds. The rates determined to be reasonable and approved herein are different from and lower than those proposed by Duke Kentucky, which were placed into effect for service rendered on or after July 3, 2025. Thus, the Commission finds that Duke Kentucky should refund to its customers, within 60 days from the date of service of this Order, all amounts collected in excess of the rates set forth in Appendix B to this Order for service rendered on or after July 3, 2025, through the date of entry of this Order. In addition, within 75 days from the date of service of this Order, Duke Kentucky should also file a written report into the case record that describes its efforts to refund all monies collected in excess of the rates that are set forth in Appendix B to this Order. The changes to Duke Kentucky's PSM and FAC, as approved herein, should be effective for service rendered after July 2, 2025, and any over- or under-recovery arising from Duke Kentucky's placement of those rates into effect, if any, should be reflected in future true ups of those mechanisms and addressed in the cases in which those rates are reviewed.

IT IS THEREFORE ORDERED that:

1. The rates and charges proposed by Duke Kentucky are denied.

2. The rates and charges, as set forth in Appendix B to this Order, are approved as fair, just and reasonable rates for Duke Kentucky, and these rates and charges are approved for service rendered on and after the date of entry of this Order.

3. Duke Kentucky's proposed depreciation rates are denied, and its depreciation rates shall be calculated as discussed in this Order.

4. Duke Kentucky's proposal to defer forced outage expense and planned maintenance expenses is denied.

5. Duke Kentucky's proposal to hedge forced outages and economic purchases is denied.

6. Except for the tariffs that have been modified or denied herein, Duke Kentucky's proposed tariffs are approved as filed.

7. Within 20 days of the date of this Order, Duke Kentucky shall file with the Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates, charges, and modifications approved or as required herein and reflecting their effective date and that they were authorized by this Order.

8. Within 60 days of the date of service of this Order, Duke Kentucky shall refund to its customers all amounts collected for service rendered after July 2, 2025, through the date of entry of this Order that are in excess of the rates set forth in Appendix B attached to this Order.

9. Within 75 days of the date of service of this Order, Duke Kentucky shall submit a written report to the Commission in which it describes its efforts to refund all monies collected in excess of the rates that are set forth in Appendix B to this Order.

10. The Commission reserves its right to initiate an investigation to determine whether Duke Kentucky reasonably refunded all monies collected in excess of the rates that are set forth in Appendix B to this Order should the Commission deem it necessary.

11. Duke Kentucky shall provide an update in its next rate case regarding the nature and extent of any engagement with customers, including Walmart, regarding EV charging rates for EV charging stations to be made available to persons other than the customer that owns the charging station and the results of any such engagement.

12. Duke Kentucky's proposed tariff language change allowing financial assurance for new high volume Rate DT and Rate TT customers is approved with the amendment to the threshold discussed above from 20 MW to 40 MW.

13. Duke Kentucky's proposed changes it PSM and FAC, including changes to the BLIs, are approved and denied as discussed herein above.

14. The changes to Duke Kentucky's PSM and FAC, as approved herein, shall be effective for service rendered on or after July 3, 2025, and any over or under recovery arising from Duke Kentucky's placement of those rates into effect, if any, shall be reflected in future true ups of those mechanisms and addressed in the cases in which those rates are reviewed.

15. Duke Kentucky's proposed new gas management program is approved only in situations in which Duke Kentucky would otherwise be forced to burn off surplus gas to prevent it from being confiscated by a pipeline company. Duke Kentucky's proposed new gas management program is denied for any other circumstances.

16. Except to the extent Duke Kentucky's proposed lighting rates were changed as reflected in Appendix B, Duke Kentucky's proposed changes to the lighting customer tariff sheets for Rate UOLs, Rate OL-E, and Rate LED are approved.

17. Duke Kentucky's proposed changes to the reconnection fee tariff sheets are approved.

18. Duke Kentucky's proposed change to rename Traffic Lighting Service to Traffic Signal Service is approved.

19. Duke Kentucky proposed changes to the table of contents of its tariff are approved.

20. Duke Kentucky's request for approval to recover the cost-of-capacity performance insurance is specifically denied.

21. Duke Kentucky's proposed deferral mechanisms for planned maintenance expense and forced outage expense is specifically denied.

22. Duke Kentucky's proposed new comprehensive hedging program is specifically denied.

23. This case is closed and removed from the Commission's docket.

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PUBLIC SERVICE COMMISSION

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Chairman

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Commissioner

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Commissioner

ATTEST:

____
Executive Director

ENTERED

OCT 2 2025

jdc

KENTUCKY PUBLIC
SERVICE COMMISSION

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00354 DATED OCT 2 2025

For the Test Year Ended June 30, 2026

	Attorney General		Final
Requested Base Rate Increase	70,008,476	-	70,008,476
Rate Base Adjustments			
Correct Error in Cash Working Capital Due to Expense Synchronization	(5,105)	-	(5,105)
Remove Deferrred Rate Case Expense, Net of ADIT	(92,160)	-	(92,160)
Subtract Vendor Supplied Portion of Construction Payables	(1,751,984)	-	-
Reduce Cash Working Capital to Reflect Revenue Collection Lag Days for 2024	(288,669)	-	-
Reduce Cash Working Capital to Remove Non-Cash Coal, Lime, and Prepaid Expenses	(512,011)	-	(512,011)
Reduce Cash Working Capital to Include Long Term Debt Interest Expense	(292,919)	-	(292,919)
Reduce Cash Working Capital to Reflect Sale of Receivables in Collection Lag Days	(1,620,639)	-	-
Remove CAMT Deferred Tax Asset	(1,169,097)	-	(1,169,097)
Reflect Changes in A/D and ADIT Due to Lower Depr. Expense - 2041 East Bend Retirement	134,385	-	134,385
Reflect Changes in A/D and ADIT Due to Lower Depr. Expense - No Terminal Net Salvage	136,785	-	124,188
Operating Income Adjustments			
Reduce Uncollectible Expense by Utilizing More Current 2024 Electric-Only Historic Data	(2,108,581)	-	(2,108,581)
Correct Error to Reflect Amortization of DEBS EDIT	(16,508)	-	(16,508)
Increase Revenues by Using Unbilled Revenues	(332,816)	-	-
Reduce Projection of PJM NITS Transmission Fees Expense	(2,291,688)	-	(2,291,688)
Remove 50% of Directors and Officers Insurance Expense to Share with Shareholders	(92,227)	-	-
Remove 50% of Board of Directors Compensation Expense to Share with Shareholders	(11,734)	-	-
Remove 50% of Investor Relations Expense to Share with Shareholders	(29,674)	-	-
Reject Proposed Socialization of Credit Card Processsing Fees	(321,272)	-	-
Reduce Depreciation Expense to Reflect 2041 Retirement Date for East Bend	(5,405,858)	-	(5,405,858)
Reduce Depreciation Expense to Remove Terminal Net Salvage Component of Depreciation Rates	(5,502,383)	-	(5,344,295)
Reflect Actual Rate Case Expense	-	-	(13,442)
Rate of Return Adjustments			
Reduce Return on Equity from 10.85%	(10,341,449)	-	(9,322,158)
Total Adjustments	(31,915,602)	-	(26,315,165)
Base Rate Increase After Adjustments	38,092,874	-	43,693,311

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00354 DATED OCT 2 2025

The following rates and charges are prescribed for the customers served by Duke Energy Kentucky, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of this Commission prior to the effective date of this Order.

Residential Service (Rate RS)

Customer Charge	$14.75 per month
Energy Charge	$0.122399 per kWh

Service at Secondary Distribution Voltage (Rate DS)

Demand Charge; Additional kilowatts	$12.07 per kW
Energy Charge; First 6,000 kWh	$0.123015 per kWh
Energy Charge; Next 300 kWh/kW	$0.082846 per kWh
Energy Charge; Additional kWh	$0.071283 per kWh
Cap Rate (non-church)	$0.331506 per kWh
Cap Rate (church)	$0.203519 per kWh

Time-of-Day Rate for Service at Distribution Voltage (Rate DT)

Customer Charge; Single Phase	$63.50 per month
Customer Charge; Three Phase	$127.00 per month
Customer Charge; Primary Voltage Service	$155.00 per month
Demand Charge; Summer On Peak kW	$15.72 per kW
Demand Charge; Summer Off Peak kW	$1.41 per kW
Demand Charge; Winter On Peak kW	$14.88 per kW
Demand Charge; Winter Off Peak kW	$1.41 per kW
Demand Charge; Distribution kW	$6.77 per kW
Energy Charge; Summer On Peak kWh	$0.062936 per kWh
Energy Charge; Winter On Peak kWh	$0.060540 per kWh
Energy Charge; Off Peak kWh	$0.053385 per kWh
Primary Discount; First 1,000 kW	$0.80 per kW
Primary Discount; Additional kW	$0.62 per kW

Optional Rate for Electric Space Heating (Rate EH)

Customer Charge; Primary Voltage Service	$120.00 per month
Energy Charge; All kWh	$0.104834 per kWh

Seasonal Sports Service (Rate SP)

Energy Charge	$0.167645 per kWh

Optional Unmetered General Service Rate for Small Fixed Loads (Rate GS-FL)

Minimum Bill	$4.37 per Fixed Load Location per month
Load Range 540 to 720 Hours	$0.133002 per kWh
Load Range Less Than 540 Hours	$0.151636 per kWh

Service at Primary Distribution Voltage (Rate DP)

Customer Charge; Primary Voltage Service (12.5 or 34.5 kV)	$120.00 per month
Demand Charge; All kilowatts	$10.13 per kW
Energy Charge; First 300 kWh/kW	$0.076294 per kWh
Energy Charge; Additional kWh	$0.066112 per kWh
Cap Rate	$0.308166 per kWh

Time-of-Day Rate for Service at Transmission Voltage (Rate TT)

Demand Charge; Summer On Peak kW	$10.23 per kW
Demand Charge; Summer Off Peak kW	$1.55 per kW
Demand Charge; Winter On Peak kW	$8.39 per kW
Demand Charge; Winter Off Peak kW	$1.55 per kW
Energy Charge; Summer On Peak kWh	$0.073558 per kWh
Energy Charge; Summer Off Peak kWh	$0.062297 per kWh
Energy Charge; Winter On Peak kWh	$0.070736 per kWh
Energy Charge; Winter Off Peak kWh	$0.062297 per kWh

Generation Support Service (Rider GSS)

Rate DS Monthly Transmission and Distribution Reservation Charge	$10.0361 per kW
Rate DT Monthly Transmission and Distribution Reservation Charge	$13.8082 per kW
Rate DP Monthly Transmission and Distribution Reservation Charge	$7.0422 per kW
Rate TT Monthly Transmission and Distribution Reservation Charge	$5.2433 per kW

Street Lighting Service (Rate SL)

Overhead Distribution Area	Lamp Watt	kW/Unit	Annual kWh	Rate/Unit
Fixture Description				
Standard Fixture				
(Cobra Head)				
Mercury Vapor				
7,000 lumen	175	0.193	803	$13.13
7,000 lumen	175	0.205	853	$11.16
(Open Refractor)				
10,000 lumen	250	0.275	1,144	$15.39
21,000 lumen	400	0.430	1,789	$20.88
Metal Halide				
14,000 lumen	175	0.193	803	$13.13
20,500 lumen	250	0.275	1,144	$15.39
36,000 lumen	400	0.430	1,789	$20.88
Sodium Vapor				
9,500 lumen	100	0.117	487	$14.10
9,500 lumen	100	0.117	487	$10.72
(Open Refactor)				
16,000 lumen	150	0.171	711	$15.59
22,000 lumen	200	0.228	948	$20.22
27,500 lumen	250	0.275	948	$20.22
50,000 lumen	400	0.471	1,959	$27.91
Decorative Fixtures				
Sodium Vapor				
9,500 lumen	100	0.117	487	$17.41
(Rectilinear)				
22,000 lumen	200	0.246	1,023	$21.96
(Rectilinear)				
50,000 lumen	400	0.471	1,959	$29.72
(Rectilinear)				
50,000 lumen	400	0.471	1,959	$43.19
(Setback)				
Underground Distribution Area				
Fixture Description				
Standard Fixture				
(Cobra Head)				
Mercury Vapor				
7,000 lumen	175	0.210	874	$13.41
7,000 lumen	175	0.205	853	$11.16
(Open Refractor)				
10,000 lumen	250	0.292	1,215	$15.72
21,000 lumen	400	0.460	1,914	$21.48
Metal Halide				

14,000 lumen	175	0.210	874	$13.41
20,500 lumen	250	0.292	1,215	$15.72
36,000 lumen	400	0.460	1,914	$21.48
Sodium Vapor				
9,500 lumen	100	0.117	487	$14.10
9,500 lumen (Open Refractor)	100	0.117	487	$10.87
16,000 lumen	150	0.171	711	$15.54
22,000 lumen	200	0.228	948	$20.22
27,500 lumen	250	0.318	1,323	$20.61
50,000 lumen	400	0.471	1,959	$27.91
Decorative Fixtures				
Mercury Vapor				
7,000 lumen (Town & Country)	175	0.205	853	$13.84
7,000 lumen (Holophane)	175	0.210	874	$17.15
7,000 lumen (Gas Replica)	175	0.210	874	$38.05
7,000 lumen (Granville)	175	0.205	853	$13.97
7,000 lumen (Aspen)	175	0.210	874	$24.44
Metal Halide				
14,000 lumen (Traditionaire)	175	0.205	853	$13.81
14,000 lumen (Granville Acorn)	175	0.210	874	$24.44
14,000 lumen (Gas Replica)	175	0.210	874	$38.19
14,500 lumen (Gas Replica)	175	0.207	861	$38.17
Sodium Vapor				
9,500 lumen (Town & Country)	100	0.117	487	$19.39
9,500 lumen (Holophane)	100	0.128	532	$21.01
9,500 lumen (Rectilinear)	100	0.117	487	$15.95
9,500 lumen (Gas Replica)	100	0.128	532	$40.25
9,500 lumen (Aspen)	100	0.128	532	$24.38
9,500 lumen (Traditionaire)	100	0.117	487	$19.39
9,500 lumen	100	0.128	532	$24.38

(Granville Acorn)				
22,000 lumen	200	0.246	1,023	$20.88
(Rectilinear)				
50,000 lumen	200	0.471	1,959	$29.82
(Rectilinear)				
50,000 lumen	400	0.471	1,959	$43.19
(Setback)				

Pole Charges	Pole Type	Rate/Pole
Pole Description		
Wood		
17 foot	W17	$7.14
(Wood Laminated) (a)		
30 foot	W30	$7.05
35 foot	W35	$7.14
40 foot	W40	$8.55
Aluminum		
12 foot	A12	$19.40
(Decorative)		
28 foot	A28	$11.24
28 foot	A28H	$11.37
(Heavy Duty)		
30 foot	A30	$22.46
(Anchor Base)		
Fiberglass		
17 foot	F17	$7.14
12 foot	F12	$20.86
(Decorative)		
30 foot	F30	$13.57
(Bronze)		
35 foot	F35	$13.95
(Bronze)		
Steel		
27 foot	S27	$18.34
(11 Gauge)		
27 foot	S27H	$27.02
(3 Gauge)		

Overhead Spans of Secondary Wiring	$0.87 per month per street lighting unit
Underground Spans of Secondary Wiring	$1.26 per month per street lighting unit

Traffic Signal Service (Rate TL)

Base Rate $0.076809 per kWh

Unmetered Outdoor Lighting Electric Service (Rate UOLS)

Base Rate; All kWh $0.075946 per kWh

LED Outdoor Lighting Electric Service (Rate LED)

Base Rate; All kWh $0.079088 per kWh

I. Fixtures				Per Unit Per Month		
Billing Type	Description	Initial Lumens	Lamp Wattage	Monthly kWh	Fixture	Maintenance
LED NB 50	50W Neighborhood	5,000	50	17	$4.74	$3.31
LED NBL 50	50W Neighborhood with Lens	5,000	50	17	$4.80	$3.31
LED RDW 50	50W Standard LED	4,521	50	17	$4.39	$3.31
LED RDW 70	70W Standard LED	6,261	70	24	$4.82	$3.31
LED RDW 110	110W Standard LED	9,336	110	38	$5.45	$3.31
LED RDW 150	150W Standard LED	12,642	150	52	$5.52	$3.31
LED RDW 220	220W Standard LED	18,642	220	76	$7.21	$4.04
LED RDW 280	280W Standard LED	24,191	280	97	$7.27	$4.04
LED ACS 50	50W Acorn LED	5,147	50	17	$13.38	$3.31
LED DA 50	50W Deluxe Acorn LED	5,147	50	17	$14.91	$3.31
LED ODA 70	70W LED Open Deluxe Acorn	6,500	70	24	$15.36	$3.31
LED TR 50	50W Traditional LED	3,303	50	17	$7.21	$3.31
LED OT 50	50W Open Traditional LED	3,230	50	17	$7.50	$3.31
LED MB 50	50W Mini Bell LED	4,500	50	17	$13.72	$3.31
LED EN 50	50W Enterprise LED	3,880	50	17	$13.17	$3.31

I. Fixtures (Contd.)				Per Unit Per Month		
Billing Type	Description	Initial Lumens	Lamp Wattage	Monthly kWh	Fixture	Maintenance
LED SAN 70	70W Sanibel LED	5,508	70	24	$16.75	$3.31
LED SAN 150	150W Sanibel LED	12,500	150	52	$17.46	$3.31
LED LD 150	150W LED Teardrop	12,500	150	52	$20.98	$3.31
LED LDP 50	50W LED Teardrop Pedestrian	4,500	50	17	$17.15	$3.31
LED SBX 220	220W LED Shoebox	18,500	220	76	$13.01	$4.04
LED SBX 420	420W LED Shoebox	39,078	420	146	$19.33	$4.04
LSBX530	530W LED Shoebox	57,000	530	184	$22.27	$4.04
LCLE150	150W Clermont LED	12,500	150	52	$22.90	$3.31
LFL130	130W Flood LED	14,715	130	45	$8.23	$3.31
LFL260	260W Flood LED	32,779	260	90	$12.84	$4.04
LMON050	50W Monticello LED	4,157	50	17	$15.41	$3.31
LMT050	50W Mitchell Finial	5,678	50	17	$14.68	$3.31
LMTR050	50W Mitchell Ribs, Bands, and Medallions LED	5,678	50	17	$16.04	$3.31
LMTT050	50W Mitchell Top Hat LED	5,678	50	17	$14.68	$3.31
LMTL050	50W Mitchell Top Hat with Ribs, Bands, and Medallions LED	5,678	50	17	$16.04	$3.31
LOMO050	50W Open Monticello LED	4,157	50	17	$15.36	$3.31
TBD	150W LED Shoebox	19,000	150	52	$11.97	$3.31
TBD	50W Sanibel LED	6,000	50	17	$15.88	$3.31
TBD	40W Acorn No Finial LED	5,000	40	14	$12.80	$3.31
TBD	50W Ocala Acorn LED	6,582	50	17	$7.67	$3.31
TBD	50W Deluxe Traditional LED	5,057	50	17	$14.65	$3.31
TBD	30W Town & Country LED	3,000	30	10	$6.11	$3.31
TBD	30W Open Town & Country LED	3,000	30	10	$5.82	$3.31
TBD	150W Enterprise LED	16,500	150	52	$13.08	$3.31
TBD	220W Enterprise LED	24,000	220	76	$13.46	$4.04
TBD	50W Clermont LED	6,300	50	17	$21.34	$3.31

I. Fixtures (Contd.)				Per Unit Per Month		
Billing Type	Description	Initial Lumens	Lamp Wattage	Monthly kWh	Fixture	Maintenance
TBD	30W Gaslight Replica LED	3,107	30	10	$24.34	$3.31
TBD	50W Cobra LED	5,500	50	17	$4.76	$3.31
TBD	70W Cobra LED	8,600	70	24	$4.95	$3.31
TBD	30W Granville Acorn LED	4,100	30	10.4	$11.75	$3.31
TBD	30W Style B Bollard LED	2,390	30	10.4	$15.31	$3.31
TBD	30W Style C Bollard LED	2,146	30	10.4	$15.31	$3.31
TBD	30W Style D Bollard LED	2,390	30	10.4	$15.31	$3.31
TBD	30W Style E Bollard LED	1,200	30	10.4	$15.31	$3.31
TBD	40W Colonial Bollard LED	1,107	40	13.9	$19.48	$3.31
TBD	40W Washington Bollard LED	1,107	40	13.9	$19.48	$3.31
TBD	26W Holiday Riser Receptacle LED	NA	26	9.0	$4.21	$3.31
TBD	26W Holiday Bracket Top Receptacle LED	NA	26	9.0	$4.96	$3.31
TBD	26W Holiday Festoon Receptacle LED	NA	26	9.0	$5.85	$3.31
TBD	26W Holiday Post Top Receptacle LED	NA	26	9.0	$5.32	$3.31
TBD	26W Holiday Post Top with Adapter Receptacle LED	NA	26	9.0	$5.91	$3.31
TBD	26W Dual Post Top Receptacle LED	NA	26	9.0	$6.94	$3.31
TBD	26W Dual Post Top with Adapter Receptacle LED	NA	26	9.0	$7.53	$3.31
TBD	26W Dual Bracket Top Receptacle LED	NA	26	9.0	$6.94	$3.31
TBD	50W Senoia LED	4,525	50	17.3	$15.68	$3.31
TBD	50W Halo LED	4,809	50	17.3	$17.64	$3.31
TBD	30W Standard LED	3,720	30	10.4	$3.17	$3.31
TBD	40W Standard LED	4,506	40	13.9	$3.18	$3.31
TBD	30W Open Bottom LED	4,510	30	10.4	$3.06	$3.31

II. Poles		
Billing Type	Description	Charge per Month per Unit
A12A	Style A 12 Ft Long Anchor Base Top Tenon Aluminum	$10.67
A15D	Style A 15 Ft Long Direct Buried Top Tenon Aluminum	$9.93
A15A	Style A 15 Ft Long Anchor Base Top Tenon Aluminum	$12.37
A18D	Style A 18 Ft Long Direct Buried Top Tenon Aluminum	$10.17
A17A	Style A 17 Ft Long Anchor Base Top Tenon Aluminum	$13.20
A25D	Style A 25 Ft Long Direct Buried Top Tenon Aluminum	$13.43
A22A	Style A 22 Ft Long Anchor Base Top Tenon Aluminum	$16.65
A30D	Style A 30 Ft Long Direct Buried Top Tenon Aluminum	$15.25
A27A	Style A 27 Ft Long Anchor Base Top Tenon Aluminum	$22.26
A35D	Style A 35 Ft Long Direct Buried Top Tenon Aluminum	$17.70
A32A	Style A 32 Ft Long Anchor Base Top Tenon Aluminum	$22.84
A41D	Style A 41 Ft Long Direct Buried Top Tenon Aluminum	$21.69
A12B	Style B 12 Ft Long Anchor Base Post Top Aluminum	$12.12
A12C	Style C 12 Ft Long Anchor Base Post Top Aluminum	$14.75
S12V	Style C 12 Ft Long Anchor Base Davit Steel	$17.87
S14C	Style C 14 Ft Long Anchor Base Top Tenon Steel	$16.85
S21V	Style C 21 Ft Long Anchor Base Davit Steel	$37.66
S23C	Style C 23 Ft Long Anchor Base Boston Harbor Steel	$43.73
A12R	Style D 12 Ft Long Anchor Base Breakaway Aluminum	$14.08
A12E	Style E 12 Ft Long Anchor Base Post Top Aluminum	$14.75
A12I	Style F 12 Ft Long Anchor Base Post Top Aluminum	$17.98
A39T	Legacy Style 39 Ft Direct Buried Single or Twin Side Mount Aluminum Satin Finish	$23.90
A27S	Legacy Style 27 Ft Long Anchor Base Side Mount Aluminum Pole Satin Finish Breakaway	$23.37
A33S	Legacy Style 33 Ft Long Anchor Base Side Mount Aluminum Pole Satin Finish Breakaway	$24.43
A37S	Legacy Style 37 Ft Long Anchor Base Side Mount Aluminum Pole Satin Finish	$26.98
W30	30' Class 7 Wood Pole	$7.40

II. Poles (Contd.)		
Billing Type	Description	Charge per Month per Unit
W35	35' Class 5 Wood Pole	$8.27
W40	40' Class 4 Wood Pole	$9.38
W45	45' Class 4 Wood Pole	$9.77
A15J	15' Style A - Fluted - for Shroud - Aluminum Direct Buried Pole	$11.48
A20J	20' Style A - Fluted - for Shroud - Aluminum Direct Buried Pole	$12.04
A15K	15' Style A - Smooth - for Shroud - Aluminum Direct Buried Pole	$9.93
A20K	20' Style A - Smooth - for Shroud - Aluminum Direct Buried Pole	$11.72
TBD	21' Style A - Fluted - Direct Buried	$16.42
TBD	30' Style A - Transformer Base - Anchor Base	$24.89
TBD	35' Style A - Transformer Base - Anchor Base	$28.03
TBD	19' Style A - Breakaway - Direct Buried	$22.34
TBD	24' Style A - Breakaway - Direct Buried	$23.64
TBD	27' Style A - Breakaway - Direct Buried	$22.61
TBD	32' Style A - Breakaway - Direct Buried	$23.15
TBD	37' Style A - Breakaway - Direct Buried	$24.63
TBD	42' Style A - Breakaway - Direct Buried	$25.47
TBD	17' Style B - Anchor Base	$17.18
TBD	17' Style C - Post Top - Anchor Base	$18.53
TBD	17' Style C - Davit - Anchor Base	$29.31
TBD	17' Style C - Boston Harbor - Anchor Base	$28.59
TBD	25' Style D - Boston Harbor - Anchor Base	$33.33
TBD	50' Wood - Direct Buried	$12.16
TBD	55' Wood - Direct Buried	$12.81
TBD	18' Style C - Breakaway - Direct Buried	$25.34
TBD	17' Wood Laminated*	$7.14
TBD	12' Aluminum (decorative)*	$19.40
TBD	28' Aluminum*	$11.24
TBD	28' Aluminum (heavy duty)*	$11.37

II. Poles (Contd.)		
Billing Type	**Description**	**Charge per Month per Unit**
TBD	30' Aluminum (anchor base)*	$22.46
TBD	17' Fiberglass*	$7.14
TBD	12' Fiberglass (decorative)*	$20.86
TBD	30' Fiberglass (bronze)*	$13.57
TBD	35' Fiberglass (bronze)*	$13.95
TBD	27' Steel (11 gauge)*	$18.34
TBD	27' Steel (3 gauge)*	$27.07
A Pole Shroud	Shroud - Standard Style for anchor base poles**	$3.10
B Pole Shroud	Shroud - Style B Pole for smooth and fluted poles**	$7.36
C Pole Shroud	Shroud - Style C Pole for smooth and fluted poles**	$9.20
D Pole Shroud	Shroud - Style D Pole for smooth and fluted poles**	$11.35
TBD	Shroud - Style B – Assembly	$9.62
TBD	Shroud - Style C – Assembly	$11.30
TBD	Shroud - Style D – Assembly	$13.78
TBD	Shroud - Style Standard - Assembly 6"/15"	$5.38
TBD	Shroud - Style Standard - Assembly 6"/18"	$5.85

III. Pole Foundations		
Billing Type	**Description**	**Charge per Month per Unit**
FND-Flush-A	Flush - Pre-fabricated - Style A Pole	$15.20
FND-Flush-B	Flush - Pre-fabricated - Style B Pole	$14.03
FND-Flush-C	Flush - Pre-fabricated - Style C Pole	$15.05
FND-Flush-D	Flush - Pre-fabricated - Style D Pole	$14.03
FND-Flush-E	Flush - Pre-fabricated - Style E Pole	$14.03
FND-Flush-F	Flush - Pre-fabricated - Style F Pole	$14.03
FND-Reveal-A	Reveal - Pre-fabricated - Style A Pole	$21.40
FND-Reveal-B	Reveal - Pre-fabricated - Style B Pole	$17.02
FND-Reveal-C	Reveal - Pre-fabricated - Style C Pole	$17.66
FND-Reveal-D	Reveal - Pre-fabricated - Style D Pole	$17.66
FND-Reveal-E	Reveal - Pre-fabricated - Style E Pole	$17.66
FND-Reveal-F	Reveal - Pre-fabricated - Style F Pole	$17.66
FND-Screw-in	Screw-in Foundation	$9.10

IV. Brackets		
Billing Type	**Description**	**Charge per Month per Unit**
BKT-Wood-14in	14 inch bracket - wood pole - side mount	$2.21
BKT-Wood-4ft	4 foot bracket - wood pole - side mount	$2.47
BKT-Wood-6ft	6 foot bracket - wood pole - side mount	$2.43
BKT-Wood-8ft	8 foot bracket - wood pole - side mount	$3.30
BKT-Wood-10ft	10 foot bracket - wood pole - side mount	$5.45
BKT-Wood-12ft	12 foot bracket - wood pole - side mount	$4.96
BKT-Wood-15ft	15 foot bracket - wood pole - side mount	$5.79
BKT-Side-4ft	4 foot bracket - metal pole - side mount	$5.87
BKT-Side-6ft	6 foot bracket - metal pole - side mount	$5.95
BKT-Side-8ft	8 foot bracket - metal pole - side mount	$7.39
BKT-Side-10ft	10 foot bracket - metal pole - side mount	$7.79
BKT-Side-12ft	12 foot bracket - metal pole - side mount	$7.12

IV. Brackets (Contd.)		
Billing Type	Description	Charge per Month per Unit
BKT-Side-15FT	15 foot bracket - metal pole - side mount	$8.50
BKT-Tenon-18in-DBL	18 inch bracket - wood pole - double mount - side mount	$2.37
BKT-Tenon-14In	14 inch bracket - metal pole - single mount - top tenon	$2.50
BKT-Tenon-14in DBL	14 inch bracket - metal pole - double mount - top tenon	$2.71
BKT-Tenon-14in TPL	14 inch bracket - metal pole - triple mount - top tenon	$2.88
BKT-Tenon-14in Quad	14 inch bracket - metal pole - quad mount - top tenon	$3.01
BKT-Tenon-6ft	6 foot - metal pole - single - top tenon	$5.56
BKT-Tenon-6ft DBL	6 foot - metal pole - double - top tenon	$7.05
BKT-Tenon-4ft BH	4 foot - Boston Harbor - top tenon	$8.07
BKT-Tenon-6ft BH	6 foot - Boston Harbor - top tenon	$8.49
BKT-Tenon-12t BH	12 foot - Boston Harbor Style C pole double mount - top tenon	$14.52
BKT-Tenon-4ft Davit	4 foot - Davit arm - top tenon	$7.36
BKT-Wood-18in-CH	18 inch - Cobrahead fixture for wood pole	$2.08
BKT-Wood-18in-FL	18 inch - Flood light for wood pole	$2.30
TBD	18" Metal - Flood - Bullhorn - Top Tenon	$2.83
TBD	4' Transmission - Top Tenon	$10.42
TBD	10' Transmission - Top Tenon	$12.01
TBD	15' Transmission - Top Tenon	$13.21
TBD	18" Transmission - Flood - Top Tenon	$5.55
TBD	3' Shepherds Crook - Single - Top Tenon	$5.27
TBD	3' Shepherds Crook w/ Scroll - Single - Top Tenon	$5.84
TBD	3' Shepherds Crook - Double - Top Tenon	$7.45
TBD	3' Shepherds Crook w/ Scroll - Double - Top Tenon	$8.38
TBD	3' Shepherds Crook w/ Scroll & Festoon - Single - Top Tenon	$6.11
TBD	3' Shepherds Crook w/ Scroll - Wood - Top Tenon	$7.29
TBD	17" Masterpiece - Top Tenon - Double Post Mount - Top Tenon	$5.82

V. Wiring Equipment		
Billing Type	**Description**	**Charge per Month per Unit**
MISC-Sec-PED	Secondary Pedestal (cost per unit)	$2.82
MISC-Handhole	Handhole (cost per unit)	$4.04
TBD	Pullbox	$10.26
CABLE-6AL-Trench	6AL DUPLEX and Trench (cost per 10 feet)	$1.28
CABLE-6AL-Trench-Conduit	6AL DUPLEX and Trench with conduit (cost per 10 feet)	$1.49
CABLE-6AL-Existing Conduit	6AL DUPLEX with existing conduit (cost per 10 feet)	$0.94
CABLE-6AL-Bore-Conduit	6AL DUPLEX and Bore with conduit (cost per 10 feet)	$3.19
WIRE-6AL	6AL DUPLEX OH wire (cost per 100 feet)	$2.99

VI. Shields		
Billing Type	**Description**	**Charge per Month per Unit**
TBD	Standard	$1.83
TBD	Decorative	$1.71

Street Lighting Service Non-Standard Units (Rate NSU)

Base Rate	Lamp Watt	kW/Unit	Annual kWh	Rate/Unit
Company Owned				
Boulevard Units				
2,500 lumen Incandescent – Series	148	0.148	616	$16.58
2,500 lumen Incandescent – Multiple	189	0.189	786	$13.21
Holophane Decorative				
10,000 lumen Mercury Vapor	250	0.292	1,215	$30.29
Street Light Units				
2,500 lumen Incandescent	189	0.189	786	$13.09
2,500 lumen Mercury Vapor	100	0.109	453	$12.09
21,000 lumen Mercury Vapor	400	0.460	1,914	$20.42
Customer Owned				
Steel Boulevard Units				
2,500 lumen Incandescent – Series	148	0.148	616	$10.04
2,500 lumen Incandescent – Multiple	189	0.189	786	$12.77

Street Lighting Service – Customer Owned (Rate SC)

Base Rate	Lamp Watt	kW/Unit	Annual kWh	Rate/Unit
Fixture Description				
Standard Fixture (Cobra Head)				
Mercury Vapor				
7,000 lumen	175	0.193	803	$7.77
10,000 lumen	250	0.275	1,144	$10.05
21,000 lumen	400	0.430	1,789	$14.18
Metal Halide				
14,000 lumen	175	0.193	803	$8.76
20,500 lumen	250	0.275	1,144	$10.05
36,000 lumen	400	0.430	1,789	$14.18
Sodium Vapor				
9,500 lumen	100	0.117	487	$8.76
16,000 lumen	150	0.171	711	$9.97
22,000 lumen	200	0.228	948	$11.16
27,500 lumen	250	0.228	948	$11.16
50,000 lumen	400	0.471	1,959	$15.95
Decorative Fixture				
Mercury Vapor				
7,000 lumen (Holophane)	175	0.210	874	$9.70

7,000 lumen (Town & Country)	175	0.205	853	$9.60
7,000 lumen (Gas Replica)	175	0.210	874	$9.70
7,000 lumen (Aspen)	175	0.210	874	$9.70
Metal Halide				
14,000 lumen (Traditionaire)	175	0.205	853	$9.60
14,000 lumen (Granville Acorn)	175	0.210	874	$9.78
14,000 lumen (Gas Replica)	175	0.210	874	$9.78
Sodium Vapor				
9,500 lumen (Town & Country)	100	0.117	487	$8.64
9,500 lumen (Traditionaire)	100	0.117	487	$8.64
9,500 lumen (Granville Acorn)	100	0.128	532	$9.04
9,500 lumen (Rectilinear)	100	0.117	487	$8.64
9,500 lumen (Aspen)	100	0.128	532	$9.04
9,500 lumen (Holophane)	100	0.128	532	$9.04
9,500 lumen (Gas Replica)	100	0.128	532	$9.04
22,000 lumen (Rectilinear)	200	0.246	1,023	$11.84
50,000 lumen (Rectilinear)	400	0.471	1,959	$16.43

Pole Description	Pole Type	Rate/Pole
Wood		
30 foot	W30	$7.05
35 foot	W35	$7.14
40 foot	W40	$8.55

Customer Owned and Maintained Units Energy Charge — $0.075456 per kWh

Street Lighting Service – Overhead Equivalent (Rate SE)

Base Rate	Lamp Watt	kW/Unit	Annual kWh	Rate/Unit
Fixture Description				
Decorative Fixtures				
Mercury Vapor				
7,000 lumen (Town & Country)	175	0.205	853	$13.46
7,000 lumen (Holophane)	175	0.210	874	$13.52
7,000 lumen (Gas Replica)	175	0.210	874	$13.52
7,000 lumen (Aspen)	175	0.210	874	$13.52
Metal Halide				
14,000 lumen (Traditionaire)	175	0.205	853	$13.46
14,000 lumen (Granville Acorn)	175	0.210	874	$13.52
14,000 lumen (Gas Replica)	175	0.210	874	$13.52
Sodium Vapor				
9,500 lumen (Town & Country)	100	0.117	487	$14.18
9,500 lumen (Holophane)	100	0.128	532	$14.43
9,500 lumen (Rectilinear)	100	0.117	487	$14.18
9,500 lumen (Gas Replica)	100	0.128	532	$14.42
9,500 lumen (Aspen)	100	0.128	532	$14.42
9,500 lumen (Traditionaire)	100	0.117	487	$14.18
9,500 lumen (Granville Acorn)	100	0.128	532	$14.42
22,000 lumen (Rectilinear)	200	0.246	1,023	$20.73
50,000 lumen (Rectilinear)	400	0.471	1,959	$28.09
50,000 lumen (Setback)	400	0.471	1,958	$28.09

Distribution Pole Attachments (Rate DPA)

Two-user/Three-user pole	$7.50 per foot
Occupancy fee	$0.67 per linear foot

Real Time Pricing Program (Rate RTP)

Energy Delivery Charge; Secondary Service (Rate DS-RTP Pri & Sec)	$0.030051 per kWh
Energy Delivery Charge; Primary Service (Rate DT-RTP)	$0.024719 per kWh
Energy Delivery Charge; Transmission Service (Rate TT-RTP)	$0.010373 per kWh

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