

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC EXAMINATION BY THE PUBLIC	)	
SERVICE COMMISSION OF THE	)	
ENVIRONMENTAL SURCHARGE MECHANISM	)	CASE NO.
OF DUKE ENERGY KENTUCKY, INC. FOR THE	)	2026-00041
SIX-MONTH BILLING PERIOD ENDING	)	
NOVEMBER 30, 2025.	)	

ORDER

On April 3, 2026, pursuant to KRS 278.183, the Commission initiated a six-month review of Duke Energy Kentucky, Inc.'s (Duke Kentucky) environmental surcharge mechanism (ESM) for the six-month billing period ending November 30, 2025. Duke Kentucky filed prepared testimony¹ pursuant to the April 3, 2026 Order and responded to two requests for information from Commission Staff.² There were no intervention requests in this proceeding.

On July 29, 2026, Duke Kentucky requested that this case be submitted for decision by the Commission based on the existing record without an evidentiary hearing.³ The matter now stands submitted for a decision.

LEGAL STANDARD

KRS 278.183(3) requires, in pertinent part, that:

¹ Direct Testimony of Libbie Miller (Miller Direct Testimony) (filed April 24, 2026).

² Duke Kentucky's Response to Commission Staff's First Request for Information (Staff's First Request) (filed April 24, 2026); Duke Kentucky's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed May 28, 2026).

³ Duke Kentucky's Request to Submit the Case on the Record (filed July 29, 2026).

At six (6) month intervals, the commission shall review past operations of the environmental surcharge of each utility, and after hearing, as ordered, shall, by temporary adjustment in the surcharge, disallow any surcharge amounts found not just and reasonable and reconcile past surcharges with actual costs recoverable pursuant to subsection (1) of this section.

Additionally, KRS 278.183(5) states

The commission shall retain all jurisdiction granted by this section and KRS 278.020 to review the environmental surcharge authorized by this section and any complaints as to the amount of any environmental surcharge or the incorporation of any environmental surcharge into the existing base rate of any utility.

PROPOSAL

Duke Kentucky reported that its ESM rate base at the end of April 2025 was \$51,306,522 and that its ESM rate base at the end of September 2025 was \$50,178,476.⁴ Duke Kentucky calculated its ESM return on rate base during the period to be \$2,238,251.⁵ Duke Kentucky also incurred \$17,716,163 in environmental operating expenses, including depreciation expense and the amortization of regulatory assets, during the review period.⁶

Duke Kentucky's surcharge has a monthly true-up mechanism for differences in revenues used to calculate and bill the monthly factor. Duke Kentucky stated that it did not experience any additional over- or under-recoveries.⁷

⁴ Duke Kentucky's Response to Staff's First Request, Item 1, Attachment 1 at 1.

⁵ Duke Kentucky's Response to Staff's First Request, Item 1, Attachment 1 at 4.

⁶ Duke Kentucky's Response to Staff's First Request, Item 1, Attachment 1 at 5.

⁷ Duke Kentucky's Response to Staff's First Request, Item 2.

As approved in Case No. 2022-00372,⁸ the most recent base rate case at the time of the expense months under review, Duke Kentucky used a return on equity of 9.65⁹ percent and a gross revenue conversion factor of 1.3342383,¹⁰ for an overall rate of return of 8.822 percent.¹¹ Duke Kentucky updated the rate of return authorized by the Commission in Case No. 2024-00354,¹² effective for the October 2025 expense month, which is the December 2025 billing month.¹³ The approved pre-tax rate of return in Case No. 2024-00354 is 9.102 percent.¹⁴ The Commission finds this approach reasonable.

DISCUSSION

Based on the information provided by Duke Kentucky in this matter, the amounts billed by Duke Kentucky for the six-month billing period ending November 30, 2025, generally appear to be reasonable. Thus, the Commission finds that the amounts billed by Duke Kentucky through its environmental surcharge for the period under review should be approved.

⁸ 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 41–42.

⁹ Case No. 2022-00372, Oct. 12, 2023 Order at 41–42.

¹⁰ Case No. 2022-00372, Application, Volume 10, Schedule A

¹² Case No. 2024-00354, *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. 2, 2025), Order at 51.

¹³ Miller Direct Testimony at 6.

¹⁴ Miller Direct Testimony at 6.

IT IS THEREFORE ORDERED that:

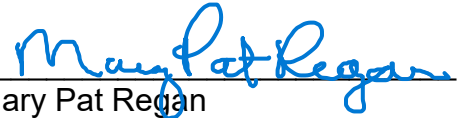
1. The amounts billed by Duke Kentucky through its environmental surcharge for the six-month billing period ending November 30, 2025, are approved.
2. Duke Kentucky shall utilize a pre-tax rate of return of 9.102 percent starting with the October 2025 expense month.
3. This case is closed and removed from the Commission's docket.

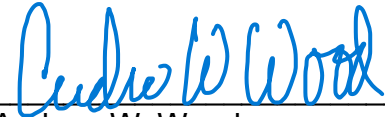
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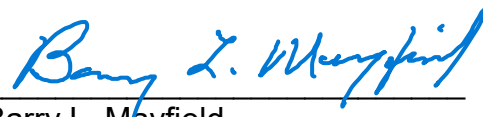
Entered on this 21st day of August, 2026.

PUBLIC SERVICE COMMISSION



Angie Hatton
Chair

Mary Pat Regan
Vice Chair

Andrew W. Wood
Commissioner

Barry L. Mayfield
Commissioner

ATTEST:



Justin McNeil
Executive Director

Service List for Case 2026-00041

* Duke Energy Kentucky, Inc.
139 East Fourth Street
Cincinnati, OH 45202

* Larisa Vaysman
Duke Energy Kentucky, Inc.
139 East Fourth Street
Cincinnati, OH 45201

* Rocco O D'Ascenzo
Duke Energy Kentucky, Inc.
139 East Fourth Street
Cincinnati, OH 45201

* Sheena McGee Leach
Duke Energy Kentucky, Inc.
139 East Fourth Street
Cincinnati, OH 45201