

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ELECTRONIC EXAMINATION BY THE PUBLIC)	
SERVICE COMMISSION OF THE ENVIRONMENTAL)	CASE NO.
SURCHARGE MECHANISM OF DUKE ENERGY)	2019-00147
KENTUCKY, INC. FOR THE SIX-MONTH BILLING)	
PERIOD ENDING NOVEMBER 30, 2018)	

ORDER

On June 3, 2019, the Commission initiated its first six-month review of Duke Energy Kentucky, Inc.'s (Duke Kentucky) environmental surcharge¹ as billed to customers for the six-month period of June 1, 2018, to November 30, 2018.² Pursuant to KRS 278.183(3), at six-month intervals, the Commission must review the past operations of the environmental surcharge, disallow any surcharge amounts that are not just and reasonable, and reconcile past surcharge collections with actual costs recoverable.

The June 3, 2019 Order also established a procedural schedule that provided for discovery, the filing of prepared testimony, and intervenor testimony. Duke Kentucky filed prepared testimony and responded to one request for information from Commission Staff. No parties sought to intervene in this proceeding. On August 22, 2019, Duke Kentucky filed a motion that this case be submitted for decision by the Commission based on the

¹ The Commission authorized Duke Kentucky to implement an environmental surcharge in Case No. 2017-00321, *Electronic Application of Duke Energy Kentucky, Inc. for: 1) An Adjustment of the 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 Apr. 13, 2018).

² Duke Kentucky's surcharge is billed on a two-month lag; therefore, the amounts billed from June 2018 through November 2018 are based on costs incurred from April 13, 2018, through September 2018.

existing record without a public hearing. Finding good cause, the Commission will grant Duke Kentucky's request and decide this case based on the evidence of record without a hearing.

SURCHARGE ADJUSTMENT

Duke Kentucky did not propose any additional over- or underrecovery for the review period.³ Having reviewed the record, the Commission finds reasonable Duke Kentucky's determination that it did not have any additional over- or underrecovery for the review period.

Duke Kentucky states that the average residential customer's monthly usage for this review period was 1,018 kilowatt-hours.⁴ Because Duke Kentucky determined it did not have any over- or underrecovery for the review period, there will be no additional impact on an average residential customer's bill.⁵

RATE OF RETURN

The Commission's final Order in Case No. 2017-00321 authorized a return on common equity of 9.725 percent for environmental surcharge purposes.⁶ It also specified that Duke Kentucky utilizes a total weighted average cost of capital (WACC) of 6.830 percent and a Gross Revenue Conversion Factor (GRCF) of 1.337304, which would remain constant until changed by the Commission in Duke Kentucky's next base rate case.⁷ Therefore, the Commission finds that the combination of these components, which

³ Duke Kentucky's Response to Commission Staff's First Request for Information, Item 2.

⁴ *Id.*, Item 3.

⁵ *Id.*

⁶ Case No. 2017-00321, *Duke Kentucky* (Ky. PSC Apr. 13, 2018), final Order at 76.

⁷ *Id.* at 76–77.

produces an overall grossed-up rate of return of 8.446 percent, should be used in all monthly environmental surcharge filings subsequent to the date of this Order.

IT IS THEREFORE ORDERED that:

1. Duke Kentucky's request to submit this case for a decision on the existing evidence of record without a hearing is granted.
2. The amounts billed by Duke Kentucky through its environmental surcharge for the period June 1, 2018, to November 30, 2018, are approved.
3. Duke Kentucky's determination that it had no additional over- or underrecovery for the review period is approved.
4. Duke Kentucky shall use a weighted average cost of capital of 6.830 percent, a tax gross-up factor of 1.337304, a return on equity rate of 9.725 percent, and an overall grossed-up rate of return of 8.446 percent in all monthly environmental surcharge filings subsequent to the date of this Order.
5. This case is closed and removed from the Commission's docket.

By the Commission

ENTERED
SEP 23 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2019-00147

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