

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUKE ENERGY	)	
KENTUCKY, INC. FOR AN ORDER	)	
AUTHORIZING THE ISSUANCE OF UNSECURED	)	CASE NO.
DEBT AND LONG-TERM NOTES, EXECUTION	)	2022-00334
AND DELIVERY OF LONG-TERM LOAN	)	
AGREEMENTS, AND USE OF INTEREST RATE	)	
MANAGEMENT INSTRUMENTS	)	

ORDER

On October 3, 2022, Duke Energy Kentucky, Inc. (Duke Kentucky), tendered an application for authority to issue and sell a principal amount of up to \$275 million in long-term debt for a term not to exceed 30 years.<sup>1</sup> In addition, Duke Kentucky requested authority to borrow from Boone County, Kentucky, or another authorized issuer of tax-exempt bonds in the Commonwealth of Kentucky (Authority), for a term not to exceed 30 years, the proceeds of up to a maximum aggregate principal amount of \$76.72 million of Authority Tax-Exempt Revenue Bonds (Authority Bonds) that may be issued in one or more series.<sup>2</sup> The matter now stands submitted to the Commission for a decision.

LEGAL STANDARD

KRS 278.300 requires Commission approval before a utility may “issue any securities or evidences of indebtedness, or assume any obligation or liability in respect to

---

<sup>1</sup> Application at 1.

<sup>2</sup> Application at 2.

the securities or evidences of indebtedness of any other person.”<sup>3</sup> The legal standard contained in KRS 278.300(3) establishes the purview of Commission review, stating:

The commission shall not approve any issue or assumption unless, after investigation of the purposes and uses of the proposed issue and proceeds thereof, or of the proposed assumption of obligation or liability, the commission finds that the issue or assumption is for some lawful object within the corporate purposes of the utility, is necessary or appropriate for or consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

### DISCUSSION AND FINDINGS

Duke Kentucky requests approval to issue and sell up to \$275 million for any combination of secured or unsecured debt instruments over a period ending December 31, 2024. Duke Kentucky states that it also expects to classify \$25 million of Utility Money Pool Agreement borrowings as long-term debt via allocation of Duke Energy Corporation’s master credit facility.<sup>4</sup> Authorization to issue the \$250 million in long-term debt was previously granted in Case No. 2020-00321,<sup>5</sup> and that authority expires December 31, 2022.

Duke Kentucky states that it plans to use the proceeds for the following: (1) to repay short-term debt or expiring long-term indebtedness; (2) to redeem early or at maturity long-term debt, if conditions are favorable; (3) to fund estimated future capital expenditures related to gas delivery and electric generation, transmission and distribution

---

<sup>3</sup> KRS 278.300(1).

<sup>4</sup> Application at 3.

<sup>5</sup> Case No. 2020-00321, *Electronic Application of Duke Energy Kentucky, Inc. for an Order Authorizing the Issuance of Unsecured Debt and Long-Term Notes, Execution and Delivery of Long-Term Loan Agreements, and Use of Interest Rate Management Instruments* (Ky. PSC Dec. 2, 2020).

of approximately \$156 million in 2022, \$272 million in 2023 and \$199 million in 2024; (4) to fund such additional expenditures as are contemplated by KRS 278.300; or (5) for other lawful corporate purposes.<sup>6</sup>

Duke Kentucky also requests authority to issue up to a maximum of \$76.72 million in Authority Bonds. Duke Kentucky states that the proceeds from the issuance of the Authority Bonds will be used to refund existing obligations on outstanding tax-exempt bonds.

Duke Kentucky requests continued approval to use interest rate management techniques and to enter into interest rate management agreements. Duke Kentucky states that this authority will allow it to react to market fluctuations that will result in better management of its interest cost and such authority was also granted in Case No. 2020-00321. According to Duke Kentucky, interest rate management agreements will facilitate products commonly used in today's capital markets, consisting of interest rate swaps, caps, collars, floors, options, or hedging products to manage interest rate costs. Duke Kentucky states that any net fees and commissions in connection with these interest rate management agreements will not exceed 10 percent of the amount of the underlying obligation.<sup>7</sup>

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the proposed issuance of securities and the assumption of obligations in connection therewith as set out in Duke Kentucky's application should be approved because Duke Kentucky satisfied the legal standard for Commission approval

---

<sup>6</sup> Application at 8.

<sup>7</sup> Application at 7.

of the proposed financing. Duke Kentucky's lawful purpose is to provide safe, adequate, and reliable service to the public. The proposed financing will enable Duke Kentucky to construct capital projects and refinance or repay existing debt, which is necessary to provide utility service to the public consistent with Duke Kentucky's lawful purpose. The Commission also finds that the proposed financing is for lawful objects within the corporate purposes of Duke Kentucky's utility operations, is necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair its ability to perform that service, is reasonably necessary and appropriate for such purposes, and is therefore approved.

IT IS THEREFORE ORDERED that:

1. Duke Kentucky is authorized to obtain long-term debt in an aggregate amount not to exceed \$275 million as set forth in its application for the period ending December 31, 2024.

2. Duke Kentucky is authorized to borrow from Boone County, Kentucky, or another authorized issuer of tax-exempt bonds in the Commonwealth of Kentucky, for a term not to exceed 30 years, the proceeds of up to a maximum of \$76.72 million aggregate principal amount of Authority Bonds that may be issued in one or more series, for the period ending December 31, 2024.

3. Duke Kentucky is authorized to continue to classify \$25 million of Utility Money Pool Agreement borrowings as long-term debt if it deems it prudent to do so.

4. Duke Kentucky is authorized to use interest rate management techniques and to enter into interest rate management agreements that will reduce its overall interest costs. Further, in the event Duke Kentucky enters into an interest rate management

agreement, a copy of the agreement shall be provided to the Commission within 30 days of its execution.

5. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

6. Duke Kentucky shall agree to only such terms and prices as are consistent with this Order.

7. Duke Kentucky shall file with this Commission, within 30 days from the date of issuance, a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate, and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution of any such securities.

8. Any documents filed in the future pursuant to ordering paragraphs 4 or 7 herein shall reference this case number and shall be retained in the post-case correspondence file.

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

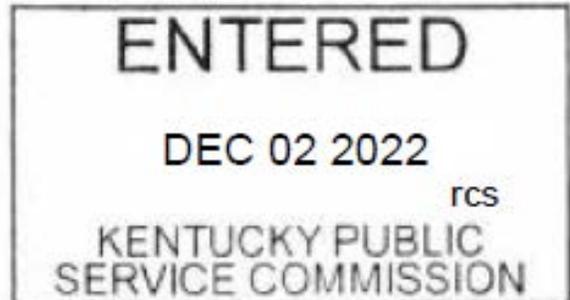
Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

PUBLIC SERVICE COMMISSION

  
Chairman

Vice Chairman

  
Commissioner



ATTEST:

  
Executive Director

\*Debbie Gates  
Duke Energy Kentucky, Inc.  
139 East Fourth Street  
Cincinnati, OH 45201

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

\*Minna Sunderman  
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