

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ELECTRONIC EXAMINATION OF THE	)	
APPLICATION OF THE FUEL ADJUSTMENT	)	CASE NO.
CLAUSE OF DUKE ENERGY KENTUCKY, INC.	)	2023-00012
FROM NOVEMBER 1, 2020 THROUGH	)	
OCTOBER 31, 2022	)	

ORDER

Pursuant to 807 KAR 5:056, the Commission, on September 6, 2023, established this case to review and evaluate the operation of the Fuel Adjustment Clause (FAC) of Duke Energy Kentucky, Inc. (Duke Kentucky) for the period from November 1, 2020, through October 31, 2022, and to determine the amount of fuel costs that should be included in its base rates.

In establishing this review, the Commission ordered Duke Kentucky to submit certain information concerning its fuel procurement, fuel usage, and the operation of its FAC. Duke Kentucky submitted this information on September 22, 2023,<sup>1</sup> and filed responses to Commission Staff's Second Request for Information on October 20, 2023, and responses to Staff's Third Request for Information on November 17, 2023. A public hearing was held on January 4, 2024. Duke Kentucky filed responses to Commissions Staff's post-hearing data request on January 25, 2025. There are no intervenors in this proceeding.

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<sup>1</sup> Duke Kentucky filed a motion to file Direct Testimony out-of-time on September 28, 2023. The Commission granted Duke Kentucky's motion on October 10, 2023.

Duke Kentucky experienced two planned outages that were subsequently extended beyond original planned dates. The first was a planned spring outage beginning April 24, 2021, through May 3, 2021, and extended to May 10, 2021. The outage extension addressed fan shaft and bearing repairs that carried past the original outage timeframe. The second planned outage was scheduled for September 11, 2021, through November 21, 2021, and was extended to December 19, 2021. The causes for the extension were mainly related to COVID 19 impact on labor resources and the quality of the vendor work performed, which impacted the rewind of East Bend's Generator and the replacement of the Low Pressure Turbine L minus 2 (L-2) blades.<sup>2</sup> The Commission finds that reasons for the planned outage extensions were largely beyond Duke Kentucky's control. However, the Commission remains concerned about long outage extensions especially during times of high energy rates and will continue to monitor generation outages.

Having considered the evidence of record and being otherwise sufficiently advised, the Commission finds that during the period under review, Duke Kentucky has complied with the provisions of 807 KAR 5:056. The Commission further finds no evidence of improper calculation or application of Duke Kentucky's FAC charges or improper fuel procurement practices for the last six months of the period under review, from May 1, 2022, to October 31, 2022.

### Base Fuel Cost

Duke Kentucky is proposing to increase the amount of fuel costs included in base rates and proposes that the month of February 2022 and a base fuel cost of \$0.033780

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<sup>2</sup> Direct Testimony of Brad Daniel (filed Sept. 28, 2024) at 13-14.

per kWh per kilowatt hour (kWh) be used as the base period for the purpose of arriving at the base fuel cost and the kWh sales components of its FAC.<sup>3</sup> Given that Duke Kentucky's current base fuel cost is \$0.025401 per kWh, the proposal would result in an increase of \$0.008379 per kWh.<sup>4</sup>

Duke Kentucky reviewed the total native fuel rate in the two-year review period, the two-year forecasted period, and actual fuel rates after the end of the review period from November 2022 through July 2023. Duke Kentucky concluded that the two-year forecasted rates were not representative of the actual rates going forward and the analysis in choosing a new base fuel rate should focus on the actual rates.<sup>5</sup> Duke Kentucky chose February 2022 as the base period because the fuel costs in that period were more in line with the average and median sales of the two-year review period (November 2020 – October 2022) and with actuals after the end of the review period from November 2022 through July 2023.<sup>6</sup>

When establishing the appropriate level of base fuel cost to be included in Duke Kentucky's rates, the Commission must determine whether the proposed base period cost per kWh is representative of the level of fuel cost currently being experienced by Duke Kentucky. An analysis of Duke Kentucky's monthly FAC filings shows that the total fuel cost for the two-year review period ranged from a low of \$0.022761 per kWh in

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<sup>3</sup> Direct Testimony of Libbie S. Miller (filed Sept. 28, 2024) (Miller Testimony) at 5.

<sup>4</sup> Duke Kentucky's Response to Commission Staff's First Request for Information (filed Sept. 22, 2023), Item 26.

<sup>5</sup> Duke Kentucky's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Oct. 20, 2023), Item 18; see also Miller Testimony at 4-5 (generally explaining Duke Kentucky's basis for choosing February 2022 as the base period).

<sup>6</sup> Duke Kentucky's Response to Staff's Second Request, Item 18; Miller Testimony at 4-5.

December 2020 to a high of \$0.086980 per kWh in October 2022 with an average total fuel cost for the 24-month period under review of \$0.039403 per kWh. Based upon its review, the Commission finds that the proposed base period fuel cost of \$0.033780 per kWh should be approved beginning with the expense month of June 2024 and that Duke Kentucky's base energy rates should be increased by \$0.008379 per kWh, as proposed, for service rendered on and after June 1, 2024, to reflect the increase to its base fuel costs.

IT IS THEREFORE ORDERED that:

1. The charges and credits applied by Duke Kentucky through the FAC for the period from November 1, 2020, through October 31, 2022, are approved.
2. Duke Kentucky's proposed base fuel cost of \$0.033780 per kWh is approved.
3. Beginning with the expense month of June 2024, Duke Kentucky shall use a FAC rate based upon a base fuel cost of \$0.033780 per kWh.
4. Duke Kentucky shall increase its base energy rates by \$0.008379 per kWh for service rendered on and after June 1, 2024, to reflect the increase of \$0.008379 per kWh to Duke Kentucky's base fuel cost, which is the differential between the old base fuel cost of \$0.025401 per kWh and the new base fuel cost of \$0.033780 per kWh.
5. Within 20 days of the date of this Order, Duke Kentucky shall file, using the Commission's electronic Tariff Filing System, its revised tariff sheets with the Commission setting out the increase in its base energy rates discussed herein and reflecting that they were approved pursuant to this Order.
6. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ENTERED  
MAY 06 2024 bsb  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
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