

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

AN ELECTRONIC INVESTIGATION OF THE FUEL	)	
ADJUSTMENT CLAUSE REGULATION 807 KAR	)	CASE NO.
5:056, PURCHASED POWER COSTS, AND	)	2022-00190
RELATED COST RECOVERY MECHANISMS	)	

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**COMMENTS OF DUKE ENERGY KENTUCKY, INC.**

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**I. INTRODUCTION**

Please accept these initial comments submitted on behalf of Duke Energy Kentucky, Inc., (Duke Energy Kentucky or Company) in response to the Kentucky Public Service Commission’s (Commission’s) request for comments from interested utilities in order to develop a record that the Commission can draw upon as it conducts its investigation into the fuel adjustment clause regulation 807 KAR 5:056, purchased power costs, and related cost recovery mechanisms.<sup>1</sup>

**II. BACKGROUND**

On November 2, 2022, the Commission initiated this proceeding to investigate the fuel adjustment clause (FAC) regulation 807 KAR 5:056, purchased power costs, and related cost recovery mechanisms. An FAC is a mechanism for an electric utility to recover its current fuel expense from its customers without the necessity for a full regulatory rate proceeding. Kentucky Senate Resolution 316 titled “A RESOLUTION urging the Kentucky Public Service Commission to examine strategies to address utility costs to

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<sup>1</sup> *In the Matter of an Electronic Investigation of the Fuel Adjustment Clause Regulation 807 KAR 5:056, Purchased Power Costs, and Related Cost Recovery Mechanisms*, Case No. 2022-00190, Order (November 2, 2022).

ratepayers,” (SR 316), requested that the Commission open a proceeding to examine, *inter alia*, “the issues of volatility of electric and natural gas fuel prices.”<sup>2</sup> Given the request of the Kentucky Senate and based on its own concerns, the Commission opened this proceeding to investigate the fuel adjustment clause, purchased power cost recovery, current and future fuel and power price volatility, and related cost recovery mechanisms.

In its November 2, 2022, Order, the Commission directed jurisdictional electric utilities to respond to fifteen questions (Question 1, Question 2, ..., Question 15; collectively the Questions), and to “identify and explain the provisions in their tariffs that allow the recovery of fuel costs, purchased power costs, and related expenses that occur outside of the FAC.”<sup>3</sup> Duke Energy Kentucky provides its answers to the Questions below.<sup>4</sup>

### III. DISCUSSION<sup>5</sup>

#### Question 1: What changes to the FAC regulation, if any, could reduce the monthly volatility of the FAC?

A change to the FAC regulation that could reduce the monthly volatility of the FAC price would be to calculate the Rider FAC on a rolling twelve-month average basis rather than the monthly price adjustment for actual fuel expense as is currently in the regulation. The Company proposed this change to the FAC calculation in the testimony of William Don Wathen, Jr. in Case No. 2019-00271.<sup>6</sup> However, the Commission denied this request

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<sup>2</sup> 2022 KY S.R. 316, 2022 Regular Session.

<sup>3</sup> *In the Matter of an Electronic Investigation of the Fuel Adjustment Clause Regulation 807 KAR 5:056, Purchased Power Costs, and Related Cost Recovery Mechanisms*, Case No. 2022-00190, Order, Paragraph 5 (November 2, 2022).

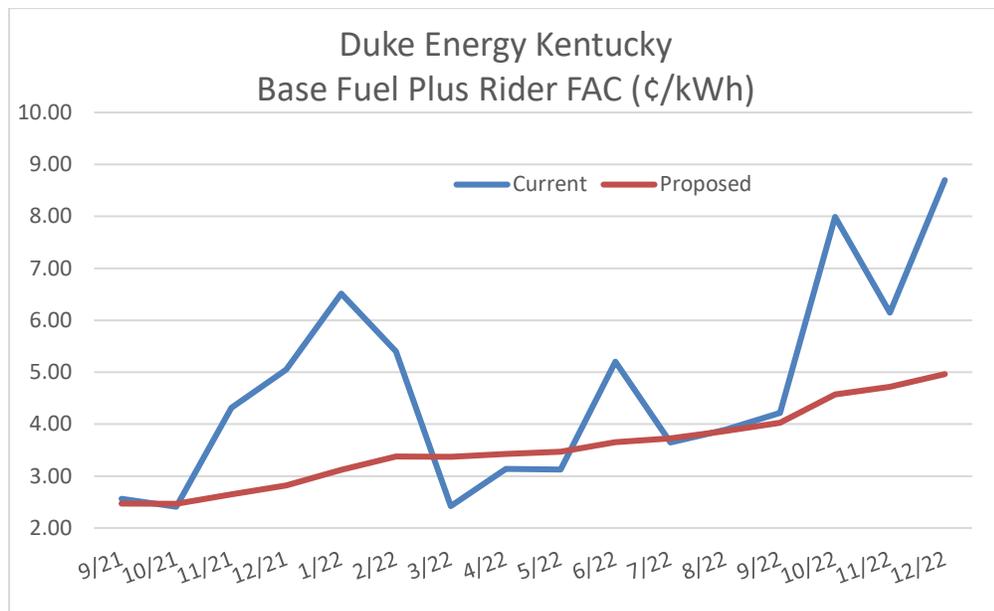
<sup>4</sup> The Company’s response to Question 9 includes a response to ordering paragraph 5.

<sup>5</sup> The Commission’s Questions are reproduced *verbatim* below for ease of reference. Such reproduction does not mean that the Company agrees with all premises or statements in the Questions.

<sup>6</sup> *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;*

in its final Order.<sup>7</sup> The Company still believes moving to the rolling twelve-month average basis is the best way to reduce volatility in the customers' bills through Rider FAC and has proposed it in its current rate case proceeding, Case No. 2022-00372, in the testimony of Sarah E. Lawler.<sup>8</sup>

Simply reviewing recent FAC filings provides an illustration of how using a twelve-month rolling average to calculate the FAC smooths out the volatility currently evident in the monthly FAC calculation.



As can be seen in this chart, the overall fuel rate (base fuel plus Rider FAC) when Rider FAC is calculated on a monthly basis can vary quite a bit. In this example, customer rates increased significantly from October 2021 to January 2022 by about 4 cents/kWh, which, for a typical residential customer using 1,000 kWh in a month, translated to a \$40

and 4) *All Other Required Approvals and Relief*, Case No. 2019-00271, Direct Testimony of William Don Wathen, Jr., pgs. 14-19 (September 3, 2019).

<sup>7</sup> *Id.*, Final Order, pg. 63 (April 27, 2020).

<sup>8</sup> *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. 2022-00372, Direct Testimony of Sarah E. Lawler, pgs. 11-18 (December 1, 2022).

swing in that customer's bill. And, in the same chart, the Rider FAC rate dropped by about 4 cents/kWh from January 2022 to March 2022; so, that customer saw another roughly \$40 swing in the monthly bill. As demonstrated above, the Rider FAC continued to fluctuate monthly for the remaining months of 2022. If the Rider FAC had been calculated on a rolling twelve-month average, customers would have seen a steadier, more modest increase on their monthly bill due to fuel and purchased power costs, and customers would have benefited from avoiding unpleasant surprises in their monthly bills.

Question 2: What changes to the FAC regulations, if any, could reduce exposure of the FAC to volatility in the wholesale power market?

In addition to implementing the rolling twelve-month rider calculation described in the Company's response to Question 1, exposure of the FAC to volatility in the wholesale power market could be reduced by increasing power price stability through the use of financial market hedging.

Utilities could reduce customer exposure to the volatile spot market by expanding volatility and cost mitigation to include forward power purchases for scheduled outages, forced generation outages, and time periods where market prices are lower than operating owned generation assets. Utilizing the financial power markets when generation costs exceed market prices reduces customer exposure and locks in economic price certainty. During forced and planned outage periods, forward financial hedging reduces customer price uncertainty and exposure to daily spot market volatility. During forced and planned outage periods a utility has specific outage information which can be used to proactively hedge and protect the customers from day-to-day market volatility. When economic, the utility should be able to purchase financial power hedges to lock in lower costs for customers when expected dispatch costs exceed market prices.

Question 3: How does the current structure of the FAC regulation affect the efficiency and reliability of power plants, if at all?

The current structure of the FAC regulation allows for appropriate oversight by the Commission to ensure efficient and reliable operation of generating units.

- a. Does the current FAC regulation provide incentives to imprudently delay or forego necessary maintenance?

The FAC regulation does not provide incentives to imprudently delay or forego necessary maintenance. For example, per the FAC regulation forced, outage costs are recovered only up to the fuel cost related to the lost generation. Should the Company imprudently delay or forego necessary maintenance, the risk of forced outages and, therefore, unrecovered fuel costs, increases. Moreover, in a Regional Transmission Organization construct, such as PJM, the utility's generating unit forced outage rate (EFOR) affects the amount of the utility's generating unit's capacity available for planning purposes. It is in the utility and customer's best interests to avoid forced outages to mitigate costs. Finally, the utility always maintains the burden of proof that its actions and fuel costs are reasonable. Thus, there is no incentive under the existing FAC to imprudently delay or forego necessary maintenance.

- b. Does the current FAC regulation provide sufficient incentives for promoting the efficiency and reliability of power plants, and are there other incentives or changes that could be made that would provide further incentive for increased reliability and efficiency?

The current FAC regulation sufficiently encourages efficiency and reliability of power plants. Utilities are motivated to maintain the reliability of power plants because forced outage costs are recovered only up to the fuel cost related to the lost generation, as described in part (a). Furthermore, as discussed below in the Company's responses to Question 12 and Question 13, both a utility's decision to dispatch a unit and a utility's

decision to purchase power are reviewed for prudence, which naturally encourages prudent and efficient operation of units.

There may be opportunities where incentives could be added to the FAC regulation to encourage certain levels of performance such as a lower equivalent forced outage rate (EFOR) rate or heat rate. As a subsidiary of holding company with utility operations in multiple jurisdictions, Duke Energy Kentucky has the benefit of learning from those multijurisdictional experiences.

While there is not necessarily a single uniform approach that can work in every jurisdiction, there are jurisdictions that provide greater incentives, through a shared-savings approach between customers and the company based upon reliability and efficiency gains. These could be beneficial in environments where capital and O&M spending for coal plants are constrained. However, the Company believes that any process that includes shared savings with customers is better suited to be recovered through a separate mechanism, such as the Company's profit sharing mechanism, Rider PSM. The FAC is not designed to be an incentive or sharing mechanism. It is a mechanism for the Company to recover, at no mark-up, its prudently incurred costs.

Question 4: Does the current FAC regulation provide sufficient incentives to ensure efficient and prudent fuel procurement practices? If not, what changes could be made to better promote efficient and prudent fuel procurement practices?

Yes. The manner in which the Commission currently implements the FAC regulation provides sufficient oversight to ensure efficient and prudent fuel procurement practices by requiring utilities to provide evidence to the Commission that its fuel procurement practices are prudent and in the best interest of the customer. As noted previously, the Company does not view the FAC as an incentive mechanism.

In response to the six-month review of the application for Duke Energy Kentucky's FAC, Duke Energy Kentucky is requested to provide the following information to validate efficient and prudent fuel procurement practices:

- Documentation of the amount of spot and term coal purchased during the review period;
- Documentation of any written or oral coal supply solicitations that were solicited during the review period;
- To whom the solicitations were sent and who responded;
- Documentation of all bids received including bid tabulations or rankings and reasons for bid selection;
- Documentation of spot and term natural gas purchases made during the review period;
- Documentation of Duke Energy Kentucky's written policies and procedures supporting its fuel procurement practices; and
- Confirmation that all executed fuel contracts related to commodity and transportation have been filed for review with the Commission.

The requested information referenced above is similar to the information provided in the Company's affiliate jurisdictions' FAC proceedings and is a reasonable basis from which to evaluate the Company's fuel procurement practices to ensure the most reliable fuels on the least cost delivered basis are being procured for the benefit of the customer.

The Company recommends two changes to promote additional efficient and prudent fuel procurement practices: (1) to amend the FAC regulation to provide Kentucky utilities the ability to off-set gas costs with revenues from sales of gas supply that was purchased for generation but not burned due to dispatch decisions by PJM;<sup>9</sup> and (2) allow

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<sup>9</sup> The Commission has previously permitted such recovery via the Company's Rider PSM but declined to authorize similar treatment for all future similar losses or gains going forward, preferring instead to assess

for financial natural gas hedging mechanisms to be recovered via the FAC in order to mitigate volatility caused by reliance on spot natural gas purchases.

Question 5: If you have affiliates that operate in other jurisdictions, explain how those jurisdictions permit the recovery of actual or anticipated fuel and purchased power expenses.

Attachment A describes how the Company's affiliates recover such costs in North Carolina, South Carolina, Indiana, and Florida.

Question 6: The current FAC makes utilities economically indifferent to the cost and recovery of fuel. Should the Commission leave the FAC as is, and take this fact into account when reviewing applications for certificates of public convenience and necessity and financing and integrated resource plans, or should it amend the current FAC to provide for less economic indifference by the utility to the cost and recovery of fuel and purchased power?

Duke Energy Kentucky disagrees that the FAC provides for economic indifference by the utility. The Company's overriding incentive is to maintain competitive fuel rates for all its customers. Competitive rates foster economic development and regional growth which mutually benefits the Company, the customer, and the Commonwealth of Kentucky. The current structure of the FAC regulation allows for appropriate oversight by the Commission to ensure efficient and reliable operation of generating units. Additionally, the Company's Rider PSM allows for the appropriate allocation of revenues and expenses and sharing those revenues and expenses appropriately between the customer and the Company.

Examples of where appropriate revenues and expense are allocated are:

- Although not fuel, potential PJM capacity performance assessments or bonus payments from PJM provide a market incentive for prudent investment in generating unit reliability. In Duke Energy Kentucky's case, capacity performance

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case-by-case. See *An Investigation of Duke Energy Kentucky, Inc.'s Accounting Sale of Natural Gas Not Used in Its Combustion Turbines*, Case No. 2014-78, Order, pgs. 7-8 (November 25, 2014).

assessments or bonus payments are shared 90/10 to customers/Company in its Rider PSM.<sup>10</sup>

- Also, through the Company's Rider PSM, the majority of non-native sales margins are shared with customers. Thus, to the extent that non-native sales occur, the Company has an incentive to maintain reliable generators, defer generating unit maintenance where possible, move generator maintenance from a period of higher LMP to a period of lower LMP if appropriate, and maintain efficient generators since these are all components that influence non-native sales margins.
- Since the Company correctly incorporates the cost of NOx allowances into its generating unit offers, if the Company sells NOx allowances, the proceeds are credited to customers through the Environmental Surcharge Mechanism (ESM).

As part of its integrated resource planning, the Company models its resource needs considering all fuel possibilities to come up with the most reasonable, best informed, decisions. The analysis is performed over a multi-year planning horizon and recovery of fuel expense is not a driver of that analysis. Moreover, as it relates to CPCNs for replacement generation, the ongoing cost of operation is a factor that the Commission already considers as part of the CPCN approval process.

Between the FAC and the other rate mechanisms described above, the Company has incentives, over which the Commission has appropriate oversight, to procure fuel at competitive prices and efficiently manage the use of purchased power.

Question 7: Does the current FAC appropriately balance the risk accompanying the incurrence and recovery of fuel and purchased power costs between customers and the utility? If so, why? If not, why not?

Yes. The recovery of reasonable and prudently incurred costs to provide utility service to customers is a fundamental tenet of utility regulation, having been affirmed by the highest courts. That said, the current FAC appropriately balances the risk of recovery of fuel and purchased power costs between customers and the utility and provides the

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<sup>10</sup> See KY.P.S.C. Electric No. 2, Sheet No 82.

Commission with the appropriate authority to oversee the FAC to ensure customers are paying for reasonable and prudently incurred costs with no mark-up by the Company.

In the case of Duke Energy Kentucky, the Company treats the procurement of fuel, dispatch, commitment of its generating units, and finally the resulting purchase energy from PJM very seriously and the lack of fuel disallowances should not be taken as a negative; it simply means that the Company is acting prudently and in the customer's best interest. The Company employs significant governance surrounding its trading floor operation with established process and procedures, as well additional controls such as risk limits and oversight from Enterprise Risk Management. Moreover, the Company's fuel expense is driven by market forces. The Company uses short and long-term procurement strategies for coal, as is standard in the industry, to help mitigate market exposure.

Substantial risk regarding incurrence and recovery of fuel and purchased power costs falls on the utility under the current FAC framework. The Company currently has risk regarding recovery of purchased energy from PJM, both if occurring due to a forced outage/derate event and the PJM purchase cost is above what is able to be recovered, or if purchase energy is made above the benchmark unit price. Duke Energy Kentucky has experienced costs that were not able to be recovered in the FAC due to PJM purchases resulting from a forced outage/derate that were above the limit for recovery, as well as PJM purchases that were above the benchmark.

Question 8: The current FAC regulation is uniformly applicable to all utilities. If changes to the FAC regulation are made, should the FAC regulation continue to be uniformly applicable? If not uniformly applicable, should the FAC regulation prescribe different FACs from which a utility may choose?

The Company believes that the FAC regulation should continue to be uniformly applicable to all utilities in the Commonwealth. Although there may be some differences

in the detailed calculations as a result of, for example, certain utilities being members of RTO's while others are not, these differences can still be handled in the calculations without prescribing different FAC regulations to choose from. For example, all of the PJM billing codes included in the FAC have been reviewed and approved by the Commission in various utilities' cases and any subsequent changes will be approved by the Commission.

Question 9: Should the FAC be the only mechanism to review non-FAC expenses for reasonableness as a predicate for recovery through base rates or tariff riders?

The FAC should not be used to review non-FAC expenses for reasonableness. Non-FAC costs should be and are reviewed through the proceedings where those costs are being requested for recovery such as base rate proceedings or tariff riders. The Commission has the authority to review and approve or deny the non-FAC expenses through those proceedings and utilities are not guaranteed recovery.

With regard to Duke Energy Kentucky specifically, the Commission authorized the Company to defer forced outage purchased power costs not recovered through its FAC in its electric rate case, Case No. 2017-00321.<sup>11</sup> The Commission can and does review the prudence of those costs when the Company requests them to be amortized into base rates in a base rate case proceeding.

Question 10: What additional information should be required to support the reasonableness of FAC charges and expenses?

The Company believes that, under the existing FAC framework, the Commission obtains all the information required to support the reasonableness of the FAC charges and expenses. The Commission regularly asks for supporting documentation through the six-

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<sup>11</sup> *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*, Case No. 2017-321, Order, pg. 15-16 (April 18, 2018).

month review and two-year audit processes. Additionally, the Company provides supplemental schedules in its monthly filings, including coal, gas, and oil fuel inventory, purchased power and sales, coal contract details, gas/propane purchase details, unit performance data, an analysis of purchased power cost versus Duke Energy Kentucky's highest cost generation, and net fuel related PJM billing line items. The Company's experience is that the Commission's staff is highly engaged in reviewing the filings, periodically reaching out with questions or concerns. Furthermore, if the Commission believes that the circumstances of a particular utility or audit warrant requests for additional information, the Commission has the opportunity to request such in its reviews and audits.

Question 11: What additional information should be required to support the prudence of the utilities' fuel procurement actions?

The Company believes that the information discussed in its response to Question 4, which the Commission already requests, is sufficient to evaluate the prudence of the utilities fuel procurement actions. Accordingly, Duke Energy Kentucky has no recommendations for additional information that should be required.

Question 12: If applicable, what additional information should be required to support the prudence of utilities' bidding strategy governing the potential selection of a unit for economic dispatch?

The Company believes that the information provided in the existing typical audit process is sufficient to evaluate the prudence of the utilities' bidding strategy governing the potential selection of a unit for economic dispatch. However, there are some additional items of information that might be useful to the Commission to further support prudence of the utilities' bidding strategy, which could be provided to the Commission as part of the FAC six-month review process through data requests, including: (1) Day Ahead Awards;

(2) Day Ahead Cleared MW; (3) Day Ahead Energy Offers; (4) Unit Parameters (includes unit min/max load); and (5) Day Ahead LMP prices.

Question 13: If applicable, what additional information should be required to support the prudence of utilities' power purchases in instances when units are not selected for economic dispatch?

The Company's response to Question 12 addresses this question also. The same types of information should be considered useful to support prudence of power purchases in instances when units are not selected for economic dispatch and could be provided to the Commission as part of the FAC six-month review process.

Question 14: When determining whether an energy purchase is an economy energy purchase, should energy purchases be compared to the highest cost unit available during an FAC expense month or the highest cost unit available during the hour the energy purchase is made?

For the reasons given in the Company's response to Question 15 below, Duke Energy Kentucky believes this comparison is not appropriate for utilities operating in an RTO. However, if the Company must make a choice between the hourly and monthly options, the Company believes the current comparison to the highest cost generating unit available to be dispatched to serve native load during a month remains the preferable comparison of the two.

If the current comparison remains in effect, one suggested change to the calculation would be to incorporate the congestion and loss component of LMP of the avoided unit for utilities operating in an RTO. The current comparison of purchased energy to the benchmark price ignores this component, which impacts a unit's dispatch. For example, if the real-time LMP at Woodsdale was -\$30/MWh in an hour (meaning that if the units were to run, it would be paid a negative price), the unit would most likely not be dispatched by PJM, resulting in the Company needing to purchase energy. The current after-the-fact

benchmark comparison compares the cost of the Woodsdale unit to the purchased energy price, with no consideration of the avoided unit LMP.

Question 15: What details should be taken into account in considering a change in the definition of an economy energy purchase, including its recovery through the fuel adjustment clause?

The current definition of an economy energy purchase limits purchased energy recovery to the cost of Duke Energy Kentucky's highest cost generating unit available to be dispatched to serve native load during a month.<sup>12</sup> This limitation is an anachronism from a pre-RTO construct. The comparison of an energy purchase from an RTO is different than comparison of an energy purchase by a utility that is not part of an RTO.

When a utility is not participating in an RTO, the decision to purchase energy is a conscious decision by the utility. For the non-RTO utility, it makes sense in most situations to compare the price of the energy purchased to the avoided cost unit that the utility could have run absent the energy purchase. The utility can choose between either the energy purchase from another counterparty (a bi-lateral transaction) or running its own unit and thus, comparison of the purchase to the avoided cost generator generally makes sense if accounting for the unit's startup and no-load costs, where appropriate, when making this comparison. However, to do this comparison, an assumption must be made around the length of time the avoided unit would have been committed for every instance an energy purchase was made to correctly amortize the startup costs over the commitment period.

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<sup>12</sup> *An Examination by the Public Service Commission of the Fuel Adjustment Clause of East Kentucky Power Cooperative, Inc. from May 1, 2001 to October 31, 2001*, Case No. 2000-00496B, Order, pg .4 (May 2, 2002). (“We view economy energy purchases that are recoverable through an electric utility’s FAC as purchases that an electric utility makes to serve native load, that displace its higher cost of generation, and that have an energy cost less than the avoided variable generation cost of the utility s highest cost generating unit available to serve native load during that FAC expense month.”)

When utilities participate in an RTO, as Duke Energy Kentucky does, the utility has input on its unit commitment and dispatch decision only through the unit offer process. In other words, the decision to dispatch the unit or purchase energy is not determined by the utility, but rather is part of a larger set of decision making by the RTO. Therefore, for an RTO participant, it does not make sense in most situations to compare the price of the purchased energy to the avoided cost unit that the utility could have run absent the energy purchase.

This does not mean that the Commission should not review RTO participants purchase power costs for prudence, but only that the formulaic approach of a benchmark comparison does not make sense in an RTO. The Company's responses to Questions 12 and 13 provide potential additional information that could be provided for review by the Commission to assess prudence.

#### **IV. CONCLUSION**

Duke Energy Kentucky appreciates the opportunity to offer its comments regarding the Commission's investigation into the FAC regulation 807 KAR 5:056, purchased power costs, and related cost recovery mechanisms.

Respectfully submitted,

/s/Larisa M. Vaysman

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**CERTIFICATE OF SERVICE**

This is to certify that the foregoing electronic filing is a true and accurate copy of the document being filed in paper medium; that the electronic filing was transmitted to the Commission on December 2<sup>nd</sup>, 2022; and there are currently no parties that the Commission has excused from participation by electronic means in this proceeding.

*/s/Larisa M. Vaysman*  
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Kentucky Public Service Commission Case No. 2022-00190

Company	Recovery Mechanism	Filings	Reviewed	Over / Under Recovery	Costs Not Included in Fuel Recovery	Carrying Costs
Duke Energy Carolina/Progress North Carolina	Base Rates and Fuel Adjustment Clause	Annual Filing 1. Recovery of projected cost of fuel, economic purchased power, capacity purchased power, and fuel-related costs such as environmental reagents, emission allowances for retail customers.  2. Base fuel rate subtracted from the total fuel rate to determine the FAC rate.	Annual Hearing and Prudency Review	One time true-up recovery for actual costs vs. projected costs for the 12-month test period. No over/under recovery for the difference between revenues and actual expenses.	Non-fuel portion of purchased power expenses associated with reliability purchases to meet NERC capacity reserves. (Base Rate Case Recovery) Cap on the capacity portion of renewables that can be recovered in a future fuel filing.	If the true-up rate is a refund, the Company must pay interest of 10%.
Duke Energy Carolina/Progress South Carolina	Fuel Adjustment Clause	Annual Filing 1. Recovery of projected cost of fuel, economic purchased power, capacity purchased power, and fuel-related costs such as environmental reagents and emission allowances for retail customers.	Annual Hearing and Prudency Review	True-up recovery for actual costs vs. projected costs for the 12-month test period. True-up recovery is a rolling balance. No over/under recovery for the difference between revenues and actual expenses.	Economic purchased power above the avoided cost	N/A
Duke Energy Florida	Fuel Adjustment Clause Capacity Cost Recovery Clause	Both Clauses are Annual Filings 1. Recovery of projected cost of fuel and purchased power for retail customers.	Annual Hearing and Review	Over/under recovery for the difference between the annual revenues and actual expenses is included in the next annual filings.	N/A	Carrying costs accrued on the over/under balance.
Duke Energy Indiana	Base Rates and Fuel Adjustment Clause	Quarterly Filing 1. Projected cost of fuel, economic purchased power, and fuel-related MISO/PJM costs for retail and wholesale native customers and proceeds from sale of RECs associated with PPAs.  2. Base fuel rate subtracted from the total fuel rate to determine the FAC rate.	Quarterly Hearing and Prudency Review	Over/under recovery for the difference between the quarterly revenues and actual expenses is included in the next quarterly fuel clause filing.	N/A	N/A