

**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,	)	2025-00342
INC. FROM NOVEMBER 1, 2022 THROUGH	)	
OCTOBER 31, 2024	)	

---

**DIRECT TESTIMONY OF**  
  
**KIMBERLY HUGHES**  
  
**ON BEHALF OF**  
  
**DUKE ENERGY KENTUCKY, INC.**

---

January 23, 2026

## **TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
<b>I. INTRODUCTION AND PURPOSE.....</b>	<b>1</b>
<b>II. DISCUSSION.....</b>	<b>3</b>
<b>III. CONCLUSION.....</b>	<b>8</b>

**I.     INTRODUCTION AND PURPOSE**

1     **Q.     STATE YOUR NAME AND BUSINESS ADDRESS.**

2     A.     My name is Kimberly Hughes, and my business address is 525 S. Tryon Street,  
3             Charlotte, North Carolina 28202.

4     **Q.     BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5     A.     I am employed as Director of Coal Origination, by Duke Energy Progress, Inc., a  
6             utility affiliate of Duke Energy Kentucky, Inc. (Duke Energy Kentucky, or  
7             Company).

8     **Q.     PLEASE DESCRIBE BRIEFLY YOUR EDUCATIONAL BACKGROUND**  
9             **AND PROFESSIONAL EXPERIENCE.**

10    A.     I am a 1996 graduate of Northern Kentucky University where I received a  
11            Bachelor of Science Degree in Business Administration. I began my career with  
12            Duke Energy's predecessor Cinergy Corp. in September 1997. I have held various  
13            positions in Human Resources, Power Trading, and Coal Procurement. I became  
14            Manager of Coal Origination and Contract Administration for Duke Energy in  
15            2020. In November 2022, I assumed my current position as Director, Coal  
16            Origination.

17    **Q.     HAVE YOU TESTIFIED PREVIOUSLY BEFORE THE PUBLIC**  
18             **SERVICE COMMISSION?**

19    A.     Yes, I have testified in a previous fuel adjustment clause (FAC) proceeding before  
20            the Kentucky Public Service Commission (Commission).

21

1   **Q.   PLEASE SUMMARIZE YOUR DUTIES AS DIRECTOR OF COAL**  
2       **ORIGINATION.**

3   A.   As Director of Coal Origination, I oversee Duke Energy's Coal Procurement  
4       Group. I am ultimately responsible for all aspects of the procurement of coal and  
5       reagents in the five regulated jurisdictions (Kentucky, Indiana, Florida, North  
6       Carolina, and South Carolina) that encompass Duke Energy regulated electric  
7       utilities' collective footprint. As part of this responsibility, I review forecasts of  
8       supply and demand, price, quality, availability, and deliverability. These coal  
9       forecasts cover both existing supply sources and potential supply sources that may  
10      be economically developed. On behalf of Duke Energy Kentucky, I also supervise  
11      the Company's coal procurement activities, including the evaluation, negotiation,  
12      and oversight of coal purchase contracts.

13   **Q.   WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

14   A.   The purpose of my testimony is to respond to Paragraph 6(a)-(e) and (g) of the  
15      Commission's December 19, 2025 Order (Order), and to more broadly discuss  
16      and support Duke Energy Kentucky's fuel procurement practices from November  
17      1, 2022 through October 31, 2024. Finally, I sponsor several of Duke Energy  
18      Kentucky's responses to the Commission's Data Requests contained in Appendix  
19      B of its Order.

## **II. DISCUSSION**

1   **Q.   PLEASE COMMENT GENERALLY ON THE REASONABLENESS OF**  
2       **DUKE ENERGY KENTUCKY’S COAL PROCUREMENT PRACTICES**  
3       **DURING THE REVIEW PERIOD.**

4   A.   Duke Energy Kentucky’s coal procurement policy is designed to assure that we  
5       procure a reliable and consistent supply of appropriate quality coal for our coal  
6       generating station at an economic price. Coal is generally purchased under long-  
7       term contracts of one to three years in length. The Company secures both its spot  
8       (one year or less) and long-term coal supply from producers through competitive  
9       bid processes that are evaluated thoroughly, taking into account coal quality,  
10      quantity, transportation alternatives, and price, among other factors. The producer  
11      (or producers) whose coal offers the best value, particularly with regard to overall  
12      utilization costs, is selected for further negotiations to produce contracts. The  
13      Company’s long-term contracts may contain provisions for periodic price  
14      adjustments or a mechanism to adjust prices based upon published market price  
15      indices. The Company has established guidelines for the amounts of coal to be  
16      placed under contract during a specific period of time, and the Coal Procurement  
17      Group follows these guidelines.

18           The Company’s Coal Procurement Group stays informed as to the current  
19      market alternatives for spot and long-term coal supply through frequent  
20      communication with coal producers coupled with on-going monitoring of pricing  
21      information documented in industry publications such as industry newsletters,  
22      trade publications, regulatory filings, and the weekly spot market pricing indices

1 published by brokers and traders, which assists in the Company's analysis of  
2 external coal market conditions. Coal supply needs are determined by an ongoing  
3 review of generating station stockpiles, consumption projections, and current coal  
4 supply quantities already contracted. Finally, frequent communication between  
5 coal procurement, logistics personnel, coal suppliers, and mining operations  
6 provide an understanding of the various coal market operating conditions.

7 **Q. HAVE THERE BEEN ANY CHANGES TO THE COMPANY'S**  
8 **MODELING PROCESS RELATED TO FORECASTING FUEL COSTS?**

9 A. Yes, starting in 2023 the Fleet Analytics Stochastic Tool "FAST" model outputs  
10 began being used not only for procurement planning, but also as part of the  
11 process to forecast future fuel costs. Since late 2020, the Company has used the  
12 outputs from the FAST model as the basis for its fuel procurement planning  
13 process.

14 **Q. PLEASE EXPLAIN THE STOCHASTIC MODEL CAPABILITIES.**

15 A. The stochastic model uses historic weather information to simulate numerous  
16 scenarios of future weather and commodity prices. For each of these scenarios,  
17 system load and commodity prices (gas, coal, oil, and power) are all calculated in  
18 a correlated manner using historical correlations with each other and with  
19 weather. The resulting forecasts of this stochastic model give the Company not  
20 only expected fuel burns, but also the range of fuel burns and the probability  
21 associated with each range.

1   **Q.   PLEASE DESCRIBE THE COAL SUPPLIERS' ADHERENCE TO**  
2       **CONTRACT DELIVERY SCHEDULES DURING THE REVIEW**  
3       **PERIOD.**

4   A.   During the review period, the Company received approximately 94 percent of all  
5       contracted coal during the agreed upon delivery schedule. The amount of contract  
6       delivery shortfalls were caused by typical operational and logistical delays. The  
7       Company maintained adequate inventory levels and a reliable supply of fuel  
8       during the review period.

9   **Q.   PLEASE DESCRIBE DUKE ENERGY KENTUCKY'S EFFORTS TO**  
10       **ENSURE COAL SUPPLIERS' ADHERENCE TO CONTRACT**  
11       **DELIVERY SCHEDULES DURING THE REVIEW PERIOD.**

12   A.   Duke Energy Kentucky constantly monitors and enforces the provisions of our  
13       coal contracts with respect to quantities and qualities of coal due the Company.  
14       The Company monitors supplier performance monthly and determines the causes  
15       of any supplier's under-performance for quantity or quality. If our review  
16       determines that the supply shortages were not the result of a Force Majeure event,  
17       we will either work with the particular supplier to determine a new alternate  
18       delivery schedule or seek remedies per the terms of the contract. In either case, we  
19       preserve as much of the market value as possible. All coal contracts contain  
20       quality adjustment provisions to account for the differences between the actual  
21       coal quality shipped and the contracted quality. Monthly quality pricing  
22       adjustments are made per the terms of the contract which include penalties for  
23       non-conforming shipments of coal. Contracts also contain terms stating if

1 shipments are not in compliance with contract specifications, the Company has  
2 the ability to suspend deliveries and terminate the contract if quality deficiencies  
3 cannot be corrected.

4 **Q. PLEASE DESCRIBE DUKE ENERGY KENTUCKY'S EFFORTS TO**  
5 **MAINTAIN THE ADEQUACY OF ITS COAL SUPPLIES IN LIGHT OF**  
6 **ANY SUPPLIER'S INABILITY OR UNWILLINGNESS TO MAKE**  
7 **CONTRACT DELIVERIES.**

8 A. The Company executes a strategy of supplier diversity to reduce the potential for  
9 a disruption in supply and to minimize the impact due to a supplier's inability or  
10 unwillingness to make contract deliveries. As mentioned earlier, the Company  
11 monitors supplier delivery performance monthly as part of a strong adherence to  
12 contract administration. The Company also closely monitors actual coal burns,  
13 actual coal inventories, and projected coal burns and inventories. If a supplier fails  
14 to make contracted deliveries per the agreed upon schedule, the Company  
15 immediately notifies the supplier and discusses the reasons and nature of the  
16 shortfall. Depending upon the nature of the failure to perform, the parties either  
17 agree to reschedule the missed shipments or the Company looks to pursue the  
18 legal remedies for non-performance under the terms of the agreement. The  
19 Company then factors any shortfall or agreed upon make up schedule for missed  
20 tons into the forward plans for projected inventories. If the missed shipments will  
21 lead to a situation where the Company's coal inventories will fall below  
22 established inventory guidelines, the Company will purchase replacement coal  
23 through its competitive bid process.



1   **Q.   WERE THERE ANY CHANGES IN COAL MARKET CONDITIONS**  
2       **THAT OCCURRED DURING THE REVIEW PERIOD OR THAT DUKE**  
3       **ENERGY KENTUCKY EXPECTS TO OCCUR IN THE NEXT TWO**  
4       **YEARS THAT HAVE SIGNIFICANTLY AFFECTED OR WILL**  
5       **SIGNIFICANTLY AFFECT DUKE ENERGY KENTUCKY’S COAL**  
6       **PROCUREMENT PRACTICES?**

7   A.   Coal markets continue to experience a high degree of market volatility due to a  
8       number of factors, including: (1) the inability of coal suppliers to respond timely  
9       to changes in demand; (2) natural gas price and power price volatility; (3)  
10      heightened uncertainty regarding proposed and imposed U.S. Environmental  
11      Protection Agency (“EPA”) regulations for power plants; (4) volatility in global  
12      demand for both steam and metallurgical coal; (5) continued shifts in production  
13      between thermal and metallurgical coal; and (6) labor and resource constraints  
14      further limiting suppliers’ operational flexibility.

15               Over the course of 2023 and 2024, published coal market prices have  
16      retreated from the record levels of 2021 and 2022 bringing them closer to market  
17      prices experienced pre-COVID, however, coal producers have felt the inflationary  
18      impacts of rising costs associated with individual mining operations which may  
19      result in higher coal contract prices than market publications imply. The Company  
20      is watching this trend closely for potential impacts on long-term supplier viability  
21      and contracting costs.

1   **Q.   PLEASE DESCRIBE ANY ACTIONS TAKEN BY DUKE ENERGY**  
2       **KENTUCKY TO MITIGATE HIGH FUEL PRICES FOR CUSTOMERS.**

3   A.   Duke Energy Kentucky's coal procurement strategy is designed to assure that the  
4       Company procures a reliable supply of appropriate quality coal for its coal  
5       generating fleet at the least cost reasonably possible. Aspects of this procurement  
6       strategy include determining an appropriate mix of long and short-term purchases  
7       required to manage projected coal burn volatility, evaluating contract expirations,  
8       and limiting exposure to market price changes, diversifying sourcing, and  
9       incorporating flexibility into the supply contracts as available. The Company  
10      conducts spot market solicitations as needed to supplement term contract  
11      purchases, taking into account changes in projected coal burns and existing coal  
12      inventory levels. Additionally, the Company negotiates coal transportation  
13      contracts that support secure, reliable deliveries.

14   **Q.   PLEASE IDENTIFY THE RESPONSES TO COMMISSION DATA**  
15       **REQUESTS YOU ARE SPONSORING.**

16   A.   I sponsor the Company's responses to Data Request Numbers 1, 2, 3, 4, 5, 8, 9,  
17       10, 11, 18, 21, 22, and 36 in this proceeding. These responses were prepared by  
18       me and under my direction and control and are true and accurate.

### **III.   CONCLUSION**

19   **Q.   IN YOUR OPINION, WERE DUKE ENERGY KENTUCKY'S FUEL**  
20       **COSTS AND PROCUREMENT DURING THE REVIEW PERIOD**  
21       **REASONABLE?**

22   A.   Yes.

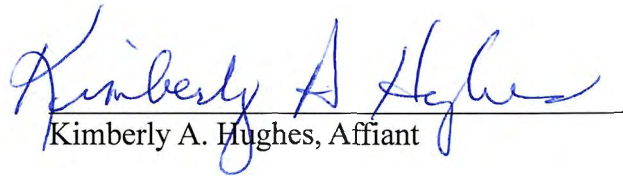
- 1    **Q.     DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**
- 2    **A.     Yes.**

**VERIFICATION**

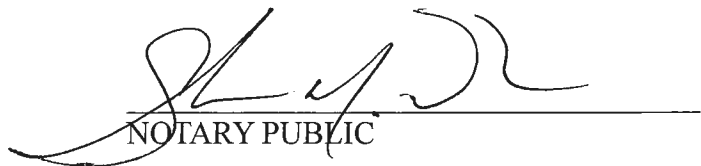
STATE OF NORTH CAROLINA )  
 )  
COUNTY OF MECKLENBURG )

SS:

The undersigned, Kimberly A. Hughes, Director Coal Origination, being duly sworn, deposes and says that she has personal knowledge of the matters set forth in the foregoing testimony and that it is true and correct to the best of her knowledge, information, and belief.

  
Kimberly A. Hughes, Affiant

Subscribed and sworn to before me by Kimberly A. Hughes on this 13<sup>th</sup> day  
of January, 2026.

  
NOTARY PUBLIC

My Commission Expires:

