

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

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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).

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)**

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
Kimberly A. Hughes, Affiant

Subscribed and sworn to before me by Kimberly A. Hughes on this 15th day
of January, 2026.



NOTARY PUBLIC

My Commission Expires:

