

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ELECTRONIC EXAMINATION BY THE)	
PUBLIC SERVICE COMMISSION OF THE)	
ENVIRONMENTAL SURCHARGE)	CASE NO.
MECHANISM OF DUKE ENERGY KENTUCKY,)	2019-00391
INC. FOR THE SIX-MONTH BILLING PERIOD)	
ENDING MAY 31, 2019)	

ORDER

On November 8, 2019, the Commission initiated a six-month review of Duke Energy Kentucky, Inc.'s (Duke Kentucky) environmental surcharge as billed to customers from December 1, 2018, to May 31, 2019.¹ At six-month intervals, the Commission must review the past operations of the environmental surcharge, disallow any surcharge amounts that are not just and reasonable, and reconcile past surcharge collections with actual costs recoverable.²

The November 8, 2019 Order, included a procedural schedule that provided for discovery and the filing of prepared testimony and intervenor testimony. Duke Kentucky filed prepared testimony and responded to one request for information from Commission Staff. No parties sought to intervene in this proceeding. On January 20, 2020, Duke Kentucky filed a motion that this case be submitted for a decision based on the existing record without a public hearing. Finding good cause, the Commission will grant Duke

¹ Duke Kentucky's surcharge is billed on a two-month lag; therefore, the amounts billed are based on costs incurred from October 2018 through March 2019.

² KRS 278.183(3).

Kentucky's request and decide this case based on the evidence of record without a hearing.

SURCHARGE ADJUSTMENT

Duke Kentucky did not propose any additional over- or under-recovery for the review period.³ Having reviewed the record, the Commission finds reasonable Duke Kentucky's determination that it did not have any additional over- or under-recovery for the review period.

Duke Kentucky states that the average residential customer's monthly usage for the review period was 1,008 kilowatt-hours.⁴ Because Duke Kentucky determined it did not have any over- or under-recovery for the review period, there will be no additional impact on an average residential customer's bill.⁵

RATE OF RETURN

The Commission's final Order in Case No. 2017-00321 authorized a return on common equity of 9.725 percent for environmental surcharge purposes.⁶ It also specified that Duke Kentucky utilize a total weighted average cost of capital (WACC) of 6.830 percent and a Gross Revenue Conversion Factor (GRCF) of 1.337304, which would remain constant until changed by the Commission in Duke Kentucky's next base rate

³ Duke Kentucky's Response to Commission Staff's First Request for Information, Item 2.

⁴ *Id.*, Item 3.

⁵ *Id.*

⁶ Case No. 2017-00321, *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* (Ky. PSC Apr. 13, 2018), final Order at 76.

case.⁷ Therefore, the Commission finds that the combination of these components, which produces an overall grossed-up rate of return of 8.446 percent, should be used in all monthly environmental surcharge filings subsequent to the date of this Order.

IT IS THEREFORE ORDERED that:

1. Duke Kentucky's request to submit this case for a decision on the existing evidence of record without a hearing is granted.

2. The amounts billed by Duke Kentucky through its environmental surcharge from December 1, 2018, to May 31, 2019, are approved.

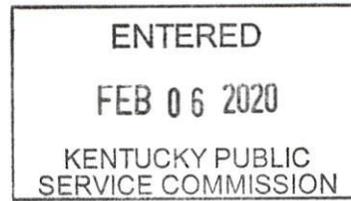
3. Duke Kentucky's determination that it had no additional over- or under-recovery for the review period is approved.

4. Duke Kentucky shall use a weighted average cost of capital of 6.830 percent, a tax gross-up factor of 1.337304, a return on equity rate of 9.725 percent, and an overall grossed-up rate of return of 8.446 percent in all monthly environmental surcharge filings subsequent to the date of this Order.

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

⁷ *Id.* at 76–77.

By the Commission



ATTEST:

A handwritten signature in blue ink, appearing to be "H. C. C.", written over a horizontal line.

Executive Director

*Kristen Ryan
Senior Paralegal
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

*Theodore H Czupik Jr.
Duke Energy Kentucky, Inc.
139 East Fourth Street
Cincinnati, OH 45201