

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUKE ENERGY)	
KENTUCKY, INC. FOR AN ORDER AUTHORIZING)	
THE ISSUANCE OF UNSECURED DEBT AND)	CASE NO.
LONG-TERM NOTES, EXECUTION AND)	2020-00321
DELIVERY OF LONG-TERM LOAN)	
AGREEMENTS, AND USE OF INTEREST RATE)	
MANAGEMENT INSTRUMENTS)	

ORDER

On September 28, 2020, Duke Energy Kentucky, Inc. (Duke Kentucky), tendered an application for authority to issue and sell a principal amount of up to \$250 million in long-term debt for a term not to exceed 50 years. In addition, Duke Kentucky requested authority to borrow from Boone County, Kentucky, or another authorized issuer of tax-exempt bonds in the Commonwealth of Kentucky (Authority), for a term not to exceed 50 years; the proceeds of up to a maximum aggregate principal amount of \$76.72 million of Authority Tax-Exempt Revenue Bonds (Authority Bonds) that may be issued in one or more series. The Commission notified Duke Kentucky by letter dated October 7, 2020, that its application was rejected for failure to satisfy the minimum filing requirements set forth in certain Commission regulations. Duke Kentucky subsequently cured the filing deficiencies and its application was deemed filed as of October 8, 2020. The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, (Attorney General) was granted intervention. Duke Kentucky responded to one round of requests for information from each Commission Staff and the Attorney

General. The matter now stands submitted to the Commission for a decision.

Duke Kentucky requests approval to issue and sell up to \$250 million for any combination of secured or unsecured debt instruments over a period ending December 31, 2022. Duke Kentucky states that it also expects to classify \$25 million of Utility Money Pool Agreement borrowings as long-term debt via allocation of Duke Energy Corporation's master credit facility.¹ Authorization to issue the \$280 million in long-term debt was previously granted in Case No. 2019-00238,² and that authority expires December 31, 2020.

Duke Kentucky states that it plans to use the proceeds for the following: (1) to repay short-term debt or expiring long-term indebtedness; (2) to redeem early or at maturity long-term debt, if conditions are favorable; (3) to fund estimated future capital expenditures related to gas delivery and electric generation, transmission and distribution of approximately \$229 million in 2020, \$149 million in 2021, and \$202 million in 2022; (4) to fund such additional expenditures as are contemplated by KRS 278.300; or (5) for other lawful corporate purposes.³ Duke Kentucky projects that it will need to issue at least \$120 million in long-term debt by the end of 2022 to pay for planned capital expenditures in the normal course of its utility business.⁴

¹ Application at 3.

² Case No. 2019-00238, *Application of Duke Energy Kentucky, Inc. for an Order Seeking an Amendment to Its Existing Financing Authority Authorizing the Issuance of Unsecured Debt and Long-Term Notes, Execution and Delivery of Long-Term Loan Agreements, and Use of Interest Rate Management Instruments* (Ky. PSC Sept. 9, 2019).

³ Application at 8.

⁴ *Id.*

Duke Kentucky also requests authority to issue up to a maximum of \$76.72 million in Authority Bonds. Duke Kentucky states that the proceeds from the issuance of the Authority Bonds will be used to refund existing obligations on outstanding tax-exempt bonds. In particular, the \$50 million County of Boone, Kentucky Pollution Control Revenue Refunding Bonds originally issued as series 2008A on December 3, 2008, and the \$26.72 million County of Boone, Kentucky Pollution Control Revenue Refunding Bonds issued as series 2010 on November 24, 2010.⁵

Duke Kentucky requests continued approval to use interest rate management techniques and to enter into interest rate management agreements. Duke Kentucky states that this authority will allow it to react to market fluctuations that will result in better management of its interest cost and such authority was also granted in Case No. 2019-00238. According to Duke Kentucky, interest rate management agreements will facilitate products commonly used in today's capital markets, consisting of interest rate swaps, caps, collars, floors, options, or hedging products to manage interest rate costs. Duke Kentucky states that any net fees and commissions in connection with these interest rate management agreements will not exceed 10 percent of the amount of the underlying obligation.⁶

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the proposed issuance of securities and the assumption of obligations in connection therewith as set out in Duke Kentucky's application should be approved. The Commission also finds that the proposed financing is for lawful objects

⁵ Application at 2.

⁶ Application at 6–7.

within the corporate purposes of Duke Kentucky's utility operations, is necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair its ability to perform that service, is reasonably necessary and appropriate for such purposes, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. Duke Kentucky is authorized to obtain long-term debt in an aggregate amount not to exceed \$250 million as set forth in its application for the period ending December 31, 2022.

2. Duke Kentucky is authorized to borrow from Boone County, Kentucky, or another authorized issuer of tax-exempt bonds in the Commonwealth of Kentucky, for a term not to exceed 50 years, the proceeds of up to a maximum of \$76.72 million aggregate principal amount of Authority Bonds that may be issued in one or more series, for the period ending December 31, 2022.

3. Duke Kentucky is authorized to continue to classify \$25 million of Utility Money Pool Agreement borrowings as long-term debt if it deems it prudent to do so.

4. Duke Kentucky is authorized to use interest rate management techniques and to enter into interest rate management agreements as will reduce its overall interest costs. Further, in the event Duke Kentucky enters into an interest rate management agreement, a copy of the agreement shall be provided to the Commission within 30 days of its execution.

5. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

6. Duke Kentucky shall agree to only such terms and prices as are consistent with this Order.

7. Duke Kentucky shall file with this Commission, within 30 days from the date of issuance, a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate, and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution of any such securities.

8. Any documents filed in the future pursuant to ordering paragraphs 4 or 7 herein shall reference this case number and shall be retained in the post-case correspondence file.

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

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

By the Commission

ENTERED
DEC 02 2020 rbs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Deputy Executive Director

Case No. 2020-00321

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