

2021 Natural Gas Rate Case

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On June 1, 2021, Duke Energy Kentucky filed a request with its state regulator, the Kentucky Public Service Commission, to review the company's natural gas rates.

As part of its request, Duke Energy Kentucky seeks approval to increase its current natural gas rates by approximately \$15.2 million. The company delivers natural gas to more than 100,000 customers in seven counties in Northern Kentucky.

Impact on customers' bills

If regulators grant Duke Energy Kentucky's request in this filing, residential customers who use an average of 57 Ccf (100 cubic feet) of natural gas per month will see an \$8.77 – or 12.7% – increase on their monthly natural gas bills, from \$69.31 to \$78.08. This proposed increase will vary depending on the amount of natural gas a customer uses, a customer's rate type and the prevailing cost of the natural gas commodity.

Multimillion-dollar investments, not operational costs, main drivers for increase

Duke Energy Kentucky has invested nearly \$190 million in a variety of capital projects across Northern Kentucky since asking regulators to approve a natural gas rate increase three years ago. Over that time, the company's costs to operate and maintain its system have remained nearly flat. This is a testament to Duke Energy employees' focus on delivering exceptional service while achieving many efficiency and productivity advantages in their work.

The company's recent multimillion-dollar capital investments have improved the reliability and resiliency of its natural gas delivery system across Northern Kentucky.



Key infrastructure investments include:

- The Boone County natural gas infrastructure project, under construction since 2020, spans 7 miles from Turfway Road ultimately ending on Camp Ernst Road. The first portion of this project went into service at the end of 2020 and the second segment is scheduled to be in service this winter. This project was constructed in response to load growth and to enhance system reliability.
- The Three Mile Station Project involves the replacement of an existing natural gas regulator station in Wilder, Ky. The main components of the project include engineering design, procurement and construction of the replacement facility, which included the construction of a temporary station to relocate existing infrastructure while the new station was built at the same site.

Proposed government directive or mandate cost adjustment

Duke Energy Kentucky is also seeking approval of a new mechanism to track costs associated with the company's obligation to adhere to governmental directives or mandates (Rider GMA). These mandates include changes in federal or state tax rates, and those promulgated by federal governmental entities and

agencies that require the company to upgrade or replace our natural gas delivery infrastructure. Rider GMA would act as either a credit or a charge to customers, depending upon the impact of the governmental mandate. Duke Energy Kentucky's proposed Rider GMA will be applicable to all natural gas customers.

Next steps

Duke Energy Kentucky anticipates that the Kentucky Public Service Commission will soon issue a procedural schedule for the company's rate review request. The process will include opportunities for customers and other stakeholders to learn more about the company's request and provide testimony to be included in the docket. Duke Energy Kentucky expects the rate review process to last until the end of this year.

The company's application and supporting documentation, as well as any other entries related to the case, can be found under Case No. 2021-00190 on the Kentucky Public Service Commission's website at psc.ky.gov.

Frequently asked questions

What is a rate review case?

A base rate case is a public regulatory review process where a utility must demonstrate to the Kentucky Public Service Commission why a proposed increase in rates is needed. This independent, public process helps ensure transparency and fair rates based on the costs to serve our customers.

Why is this increase needed?

We know how vital natural gas is to our customers, communities and region, and that energy is a significant monthly expense for our customers. We also know there's never an ideal time to increase bills. That's why we continue to work hard to keep our costs down.

In Kentucky, we continue to invest millions of dollars in strategic, data-driven projects that aim to improve the safety, reliability and resiliency of our energy delivery system. These investments are providing benefits now and will continue to do so in the years to come.

We're now seeking permission from our state regulators to change our customers' rates to pay for these important investments.

Who sets the rates that customers pay for natural gas?

Duke Energy Kentucky is obligated to provide every customer in our service area with reliable natural gas service at rates approved by our state regulator, the Kentucky Public Service Commission. In exchange, the utility is allowed the opportunity to earn a fair return for investors.

Even though our regulators will ultimately determine any changes to customer bills, we pledge to do our part to keep rates as reasonable as possible.

What is the process? Will customers have a chance to share input?

First, Duke Energy Kentucky must demonstrate to the KYPSC why the rate increase is needed. The Kentucky Attorney General and other interested stakeholders audit our filings and vet the company's request. The commission then thoroughly reviews our request. Later this year, or early next year, the commission will conduct a hearing and consider our written and oral testimony, along with viewpoints from others representing customer groups and other stakeholders. We expect a decision by end of 2021. Duke Energy Kentucky has requested that new rates, as approved by the Kentucky Public Service Commission, go into effect January 2022.

What is Duke Energy Kentucky doing to help customers reduce their energy use and their bills?

It's important to us to give our customers more options to help them better manage energy and ultimately save money – so we're connecting with our customers through new tools like usage updates, free home energy audits and a menu of energy-saving tips, programs and incentives for every budget. To find the right energy-saving program for your household, visit duke-energy.com/SaveEnergy.

We're also proud to provide support to those customers who need it most through initiatives like the Neighborhood Energy Saver Program, which provides energy-saving upgrades at no cost to income-qualified homeowners.

Components of your natural gas bill

Many factors affect your monthly natural gas bill, including the amount of natural gas you use, your rate type and the ever-changing cost of the fuel itself. A residential natural gas bill consists of several components, each subject to review and approval by the Kentucky Public Service Commission.

The following example shows a breakdown of the current costs for an average residential customer who uses 57 Ccf of natural gas per month, as well as the costs proposed in Duke Energy Kentucky's recent filing.

Duke Energy Kentucky's present and proposed natural gas charges for residential customers are listed in the following charts.

Note: The Gas Cost Adjustment (GCA) rate varies from month to month. In the example below, we calculated the amounts using \$0.4062 per 100 cubic feet (Ccf).

Residential Service – Rate RS			
	Present	Proposed	Change
Customer Charge (per month)	\$16.50	\$19.00	\$2.50
Delivery Charge (per Ccf)	\$0.46920	\$0.57926	\$0.11006
Gas Cost (per Ccf)	\$0.40620	\$0.40620	No change
Rider DSM (per month)	\$0.30	\$0.30	No change
Rider DSM (per Ccf)	\$0.045817	\$0.045817	No change

Monthly charges for residential customers using an average of 57 Ccf per month			
	Present	Proposed	Change
Customer Charge	\$16.50	\$19.00	\$2.50
Delivery Charge	\$26.74	\$33.02	\$6.28
Gas Cost	\$23.15	\$23.15	No change
Rider DSM	\$2.91	\$2.91	No change
Total Bill	\$69.30	\$78.08	\$8.78

Customer Charge

The customer charge is a fixed monthly amount to cover the cost of maintaining your natural gas meter to your home as well as maintaining customer records, billing and other transactions affecting the account. It is applicable whether or not natural gas is used.

Delivery Charge

The delivery charge is a variable charge based on the amount of natural gas you use each month. The charge covers our normal operating expenses for delivering gas to you, such as the cost of transporting natural gas to your home, safety services, local pipeline maintenance and other business-related costs.

Gas Cost

This charge represents the actual cost of fuel delivered to your home and varies periodically due to a variety of market-based factors. Duke Energy makes no profit on this charge since it's based on the actual cost we pay our suppliers for the gas we purchase and resell. For the example above, we've used \$0.40143 per Ccf as the cost of fuel.

Rider DSM

This adjustment recovers the costs of offering demand side management (DSM). All programs are approved by the Kentucky Public Service Commission to provide customers with opportunities to use natural gas more efficiently. The DSM charge is reviewed annually by the commission and adjusted to reflect changes in the actual costs incurred. In the example above, Rider DSM appears as a credit.