COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY, INC., FOR (1) A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING THE ACQUISITION OF THE DAYTON POWER & LIGHT COMPANY'S 31% INTEREST IN THE EAST BEND GENERATING STATION; (2) APPROVAL OF DUKE ENERGY KENTUCKY, INC.'S ASSUMPTION OF CERTAIN LIABILITIES IN CONNECTION WITH THE ACQUISITION; (3) DEFERRAL OF COSTS INCURRED AS PART OF THE ACQUISITION; AND (4) ALL OTHER NECESSARY WAIVERS, APPROVALS, AND RELIEF	)	CASE NO. 2014-00201

COMMISSION STAFF'S SUPPLEMENTAL REQUEST FOR INFORMATION TO DUKE ENERGY KENTUCKY, INC.

Duke Energy Kentucky, Inc. ("Duke Kentucky"), pursuant to 807 KAR 5:001, is to file with the Commission the original and ten copies of the following information, with a copy to all parties of record. The information requested herein is due on or before August 29, 2014. Responses to requests for information shall be appropriately bound, tabbed, and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Duke Kentucky shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Duke Kentucky fails or refuses to furnish all or part of the requested information, Duke Kentucky shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to the application, the Direct Testimony of William Don Wathen Jr. ("Wathen Testimony"), Exhibit WDW-4, page 6 of 6, Schedule 6. Explain the reason for the case reference included in the note on this page.

2. Refer to the response to Item 3, Attachment A, of Commission Staff's Initial Request for Information ("Staff's First Request")

a. Explain the penalty referred to in the first small bullet point on page 2 of 19.

b. Given the effective date of the Mercury and Air Toxics Standard, explain the assumption shown in the third bullet point on page 6 of 19.

c. Explain the reason for the differences between the capacity factors shown for bids 5D, 5E, and 5F on page 19 of 19.

3. Refer to the response to Item 4 of Staff's First Request, which shows how often East Bend Unit 2 and Miami Fort 6 cleared in the PJM Interconnection, Inc. ("PJM") market since January 2013. Provide the same information for the same time period for Duke Kentucky's Woodsdale units. Explain also whether it is generally cheaper or more expensive to operate the Woodsdale units compared to purchasing power from the market.

4. Refer to the response to Item 5 of Staff's First Request. Confirm that the "net settlement" mentioned in the third sentence of the response refers to the settlement of the proposed East Bend transaction.

5. Refer to the response to Item 8 of Staff's First Request.

a. Explain why its location, between Units 7 and 8, makes it unlikely that Miami Fort 6 "will be demolished in any significant degree for some time."

b. The response from Witness Steve Immel goes on to state that "a future demolition cost will exist for the unit." Explain whether Mr. Immel is aware, as discussed on page 14 of the Wathen Testimony, that demolition/removal costs are included in the depreciation expense currently being recorded by Duke Kentucky.

6. Refer to the response to Item 9.b. of Staff's First Request, page 2. The amount of additional assets to be acquired by Duke Kentucky listed on this page total approximately $12.3 million, which is in addition to the cost of the 31 percent ownership of East Bend Unit 2 ("East Bend Purchase").

a. Explain whether this additional cost was included in Duke Kentucky's bid analysis.

b. In the event there are no adjustments to the $12.4 million to be paid by Duke Kentucky for Dayton Power and Light's ("DP&L") share of East Bend, if the 5/31/14 values for the items in the response turn out to also be the 12/31/14 values, confirm that Duke Kentucky's total cash outlay would be approximately $24.7 million.

7. Refer to the response to Item 9.c. of Staff's First Request, page 3 which, among other things, states that "[t]he Company does not have a cost estimate of what all individual liabilities might be as it depends upon numerous scenarios, changes in law such as environmental compliance and remediation." Provide a listing, including the amount, of each liability that can be estimated, such as those related to the current costs of operations.

8. Refer to the last paragraph in the response to Item 10 of Staff's First Request. Explain how the base case CO_2 price for 2020 was developed and provide the basis for the escalated CO_2 price shown for 2028.

9. Refer to the attachment to the response to Item 11 of Staff's First Request, the order of the Federal Energy Regulatory Commission in Docket No. EC14-103-100 approving the East Bend Purchase.

a. Condition 7 of the order dictates the accounting treatment for Duke Kentucky's acquisition of DP&L's interest in East Bend. The last paragraph of the order states that rehearing requests must be filed within 30 days from the issuance of the order. Explain whether Duke Kentucky sought rehearing on Condition 7.

b. If the response to part a. of this request is negative, state whether Duke Kentucky's interpretation of Condition 7 is that the impairment recorded by DP&L should or should not be recognized.

c. State whether Duke Kentucky's interpretation of Condition 7 is that any resulting amount in Account 114, Electric Plant Acquisition Adjustments, should not be cleared to accumulated depreciation, as this step is not included in the Uniform System of Accounts, as noted in the response to Item 32 of Staff's First Request.

10. Refer to the response to Item 13 of Staff's First Request.

a. The supporting calculations requested in Item 13 were not included in the response. Provide the supporting calculations as originally requested.

b. The response indicates that Duke Kentucky estimates savings over the next five years in fuel and purchase power costs ranging between $16 million and $24 million annually due to substituting DP&L's share of East Bend for the Miami Fort 6 capacity. However, the response to Item 28.e. of the Attorney General's First Request for Information ("AG DR1") states that current fuel prices for the two units "are nearly the same, so substituting East Bend for Miami Fort 6 should have very little impact on fuel cost . . . ." Explain the apparent discrepancy in the content of the two responses.

11. Refer to the attachment to the response to Item 15 of Staff's First Request, page 1 of 3.

a. Explain why there are parentheses around P + A in the Rider PSM Factor formula.

b. Explain why there is a need for the following proposed text in the third paragraph under the Rider PSM Factor formula: "After December 31st of each year, the sharing mechanism will be reset for off-system power sales. Each month the sharing mechanism will be reset for the ancillary services profits."

12. Refer to the response to Item 18 of Staff's First Request which indicates that $9.7 million was the initial proposed bid price for DP&L's share of East Bend.

a. Given that negotiations typically result in a price that is less than a seller's initial "asking price," explain, generally, why the final negotiated price is greater than DP&L's initial bid price of $9.7 million.

b. Without divulging specific details of negotiations, provide a general description of what Duke Kentucky believes it gained in exchange for agreeing to a final price that is greater than DP&L's initial bid price.

c. Explain whether the conclusion reached after the bid analysis was completed would have been different if the final price of the East Bend Purchase had been included.

13. Refer to the response to Item 20 of Staff's First Request.

a. Explain the basis for Duke Kentucky's having set the required specification for the rate of SO_2 emissions at 0.15 lb/mmBTU on a 30-day rolling average.

b. Explain the basis for Duke Kentucky's having set the required specification for the rate of NO_x emissions at 0.10 lb/mmBTU on a 30-day rolling average.

14. Refer to the response to Item 22, parts b. and c. of Staff's First Request. Provide the following:

a. The cost Duke Kentucky incurred for alternate power during the spring 2014 outage and the June outages over and above the cost it would have incurred if East Bend had not experienced the outages.

b. The effect the purchase of alternate power had on a typical residential customer's bill for those outages.

15. Refer to the response to Item 23 of Staff's First Request.

a. Explain whether a cost estimate has been developed for the outage described in the response.

b. If a cost estimate has been developed, describe how it was treated in Duke Kentucky's analysis of the potential acquisition of DP&L's share of East Bend.

16. Refer to the response to Item 28.b. of Staff's First Request. Given that the acquisition of capacity under the East Bend Purchase is for the purpose of serving native load, explain why Duke Kentucky did not propose that native load customers benefit 100 percent from the capacity revenues and bear 100 percent of the replacement capacity costs.

17. Refer to the responses to Items 29 and 30.b. of Staff's First Request. Confirm that the replacement capacity costs in the capacity price column shown in the table provided in response to 30.b. are the actual costs incurred for the year 2015/2016, rather than the replacement capacity expense at the Base Residual Auction price shown for the same period in the table on page 3 of the response to Item 29. If this cannot be confirmed, explain.

18. Refer to the response to Item 31 of Staff's First Request, page 2. It appears that the amounts in the RWIP Reserve column are not reflected in the net book value amounts on this page. Explain the relevance of this column.

19. Refer to the response to Item 34 of Staff's First Request, page 3. Explain why Duke Kentucky is purchasing 627.369 acres located in North Carolina from DP&L.

20. Refer to the response to Item 12.a. of AG DR1. Explain how the estimated costs shown in the response were reflected in Duke Kentucky's analysis of the East Bend Purchase.

21. Refer to the response to Item 13 of AG DR1. Explain how the estimated cost of the East Bend waste water treatment system was reflected in the analysis of the East Bend Purchase.

22. Refer to the response to Item 27 of AG DR1.

a. The second sentence of the response states, "Specifically, in the energy market, forced outages create exposure to short term power prices." Explain whether this is also true for planned outages.

b. The first full sentence on page 2 of the response states that "Duke Energy Kentucky assesses and manages these exposures through its Back-up Power Supply Plan." Explain how Duke Kentucky's Back-up Power Supply Plan mitigated the impact on customers' bills of power purchases made during the spring 2014 planned outage and the June 2014 outages at East Bend.

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DATED AUG 19 2014

cc: Parties of Record