

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY, INC. TO)
EXTEND THE FILING DEADLINE FOR THE FILING OF) CASE NO.
ITS BACK-UP SUPPLY PLAN AND TO CONTINUE ITS) 2014-00334
CURRENT PLAN THROUGH MAY 31, 2015 AND)
REQUEST FOR EXPEDITED RULING)

ORDER

On September 18, 2014, Duke Energy Kentucky, Inc. ("Duke Kentucky") filed an application requesting that the Commission grant an extension for the filing of Duke Kentucky's back-up supply plan ("BSP"), to continue its current BSP through May 31, 2015, and for an expedited ruling. Duke Kentucky has been required to have a BSP in place since the Commission's approval of the settlement agreement reached by the parties in Duke Kentucky's last electric general rate case.¹

Duke Kentucky's current BSP was approved in Case No. 2012-00220² to be in effect through December 31, 2014. The Commission's final order in that case also required that Duke Kentucky file any future BSPs at least 90 days prior to their effective date. To comply with the requirements established by the Commission's decision in Case No. 2012-00220, Duke Kentucky must file a new BSP no later than October 3, 2014, to be effective January 1, 2015. Due to possible changes in its generation mix,

¹ Case No. 2006-00172, Application of The Union Light, Heat and Power Company D/B/A Duke Energy Kentucky for an Adjustment of Electric Rates (Ky. PSC Dec. 21, 2006).

² Case No. 2012-00220, Back-up Power Supply Plan of Duke Energy Kentucky, Inc. (Ky. PSC Dec. 18, 2012).

which will not be resolved prior to October 3, 2014, Duke Kentucky has submitted the request that is the subject of this proceeding.

BACKGROUND

Duke Kentucky acquired its existing generating assets in 2006 from its parent company, Duke Energy Ohio, Inc. ("Duke Ohio"). Before acquiring those generating assets, Duke Kentucky had operated as a distribution utility which purchased its power requirements from Duke Ohio under a series of wholesale purchased power contracts. Since the acquisition of its existing generating assets, Duke Kentucky's ability to meet its base load power requirements has been concentrated in two generation sources: its 69 percent interest, for 414 megawatts ("MW"), in the East Bend station and its 100 percent interest, for 163 MW, in Miami Fort Unit 6. The concentration of its base load generation in only two resources precipitated Duke Kentucky's need for a BSP.

Duke Kentucky has pending before the Commission a request for approval to acquire the remaining 31 percent of the East Bend station.³ Depending on whether that request is granted, Duke Kentucky may choose to retire Miami Fort Unit 6 in the second quarter of 2015 rather than retrofit it with the equipment necessary for it to comply with the Mercury and Air Toxic Standards ("MATS"). Because (1) a Commission decision in Case No. 2014-00201 is needed in order for Duke Kentucky to determine whether to retire or retrofit Miami Fort Unit 6, and (2) said decision is not likely until November or December of 2014, Duke Kentucky asserts that the components of a new BSP cannot yet be determined. This uncertainty forms the basis for Duke Kentucky's request in this

³ Case No. 2014-00201, 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 Connections with the Acquisition; (3) Deferral of Costs Incurred as Part of the Acquisition; and (4) all Other Necessary Waivers, Approvals, and Relief (Ky. PSC filed June 24, 2014).

matter that its current BSP be extended through May 31, 2015, and for an extension of time, until March 31, 2015, to file its next BSP.

Duke Kentucky states that it is in the process of evaluating various strategies in order to determine the most cost-effective and reasonable BSP. It recently issued a request for proposals seeking various products it considers possible and viable procurement strategies to assist in this evaluation.

Duke Kentucky states its belief that the timing of its analyses and evaluation of potential supply alternatives should be aligned with the June through May planning year of PJM Interconnection, LLC ("PJM"), the regional transmission organization to which it now belongs. This alignment, according to Duke Kentucky, will provide a logical nexus between all aspects of its resource planning as a PJM member.

ANALYSIS

In light of the circumstances under which Duke Kentucky is currently operating in regard to its generation mix, and with the issue of MATS compliance looming in the near future, the Commission finds reasonable Duke Kentucky's request to continue its current BSP through May 31, 2015. The fact that extending the current BSP through that date will result in synchronizing the period of future BSPs with the PJM planning year lends further support for finding that Duke Kentucky's proposal is reasonable.

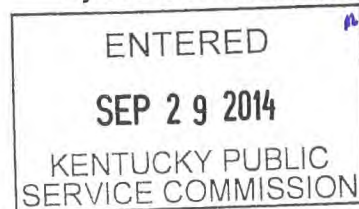
While extending the filing date of its next BSP in conjunction with continuing the current BSP is a reasonable request, Duke Kentucky's proposal to extend the filing date by approximately six months while continuing the current BSP by only five months is not reasonable. The existing filing schedule requires that a proposed BSP be submitted for Commission review 90 days prior to its planned effective date. A March 31, 2015 filing

date, as Duke Kentucky proposes, would shorten that review period to approximately 60 days, which we find unacceptable. Accordingly, in conjunction with continuing Duke Kentucky's current BSP for five months, through May 31, 2015, the Commission finds that the filing date of Duke Kentucky's next BSP should likewise be extended for five months, from the current schedule date of October 3, 2014, to March 2, 2015.

IT IS THEREFORE ORDERED that:

1. Duke Kentucky's current BSP shall be continued for an additional five months, from December 31, 2014, to May 31, 2015.
2. The required filing date of Duke Kentucky's next BSP shall be extended by five months, from October 3, 2014, to March 2, 2015.

By the Commission



ATTEST:



Executive Director

Rocco O D'Ascenzo
Duke Energy Kentucky, Inc.
139 East Fourth Street
P. O. Box 960
Cincinnati, OH 45201