

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION OF THE APPLICATION OF)	
THE FUEL ADJUSTMENT CLAUSE OF DUKE)	CASE NO.
ENERGY KENTUCKY, INC. FROM NOVEMBER)	2014-00229
1, 2013 THROUGH APRIL 30, 2014)	

COMMISSION STAFF'S SECOND 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 an original paper copy and an electronic copy of the following information, with a copy to all parties of record. The information requested herein is due on or before September 26, 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 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 the 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, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall 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 Duke Kentucky's response to Item 26 of the Commission's August 13, 2014 Request for Information ("August 13, 2014 Request").

a. Refer to the response to Item 26.a. The response states that "[t]he FAC for the periods January 2014 through April 2014 incorporated the day-ahead/real-time blended LMP pricing; therefore, the impact of the change has been reflected in the FAC filings." For comparison purposes, provide the same information for January 2014 through April 2014 that was provided for November 2012 through December 2013.

b. Refer to the response to Item 26.b.(3). The response states, "Native-load customers are not necessarily assigned higher fuel costs in these situations. During off-peak hours the cost of purchased power can be less than the cost of generation from Duke Energy Kentucky units."

(1) Confirm that the response indicates that native load customers are assigned higher fuel costs in situations in which Duke Kentucky purchases power to serve native load when generation is committed to non-native load and those purchase power costs are higher than the cost of generation.

(2) Explain why, when the situation described in subpart (1) above occurs, Duke Kentucky does not assign the lower fuel costs to native load customers. Include in the response whether there is any sort of prohibition against assigning the lower fuel costs to native load customers in these situations.

(3) For each month of the period November 2012 through April 2014, provide the difference in fuel costs that would have been recovered through the fuel adjustment clause ("FAC") had the lowest fuel cost always been assigned to native load customers in the situation described in subpart (1) above.

2. Refer to Duke Kentucky's response to Items 27 and 28 of the August 13, 2014 Request.

a. State whether Duke Kentucky is familiar with the Commission's May 2, 2002 Order in Case No. 2000-00495-B¹ and May 2, 2002 Order in Case No. 2000-00496-B² which state on page 4 of each Order:

We view "economy energy purchases" that are recoverable through an electric utility's FAC as purchases that an electric utility makes to serve native load, that displaces its higher cost of generation, and that have an energy cost less than the avoided variable generation cost of the utility's highest cost generating unit available to serve native load during that FAC expense month.

b. State whether Duke Kentucky considers power purchases made during a planned outage to be "economy purchases." If so, explain how the purchases

¹ Case No. 2000-00495-B, An Examination by the Public Service Commission of the Fuel Adjustment Clause of American Electric Power Company from May 1, 2001 to October 31, 2001 (Ky. PSC May 2, 2002).

² Case No. 2000-00496-B, An Examination by the Public Service Commission of the Fuel Adjustment Clause of East Kentucky Power Cooperative, Inc. from May 1, 2001 to October 31, 2001 (Ky. PSC May 2, 2002).

meet the definition of “economy purchases.” If not, confirm that Duke Kentucky would agree that the purchases would be defined as “non-economy purchases.”

c. State whether Duke Kentucky considers power purchases made when it is not experiencing an outage but must purchase power to meet load to be “economy purchases.” If so, explain how the purchases meet the definition of “economy purchases”. If not, confirm that Duke Kentucky would agree that the purchases would be defined as “non-economy purchases.”

d. State whether Duke Kentucky is familiar with page 5 of those same Orders which state:

We interpret Administrative Regulation 807 KAR 5:056 as permitting an electric utility to recover through its FAC only the lower of the actual energy cost of the non-economy purchased energy or the fuel cost of its highest cost generating unit available to be dispatched to serve native load during the reporting expense month. Costs for non-economy energy purchases that are not recoverable through an electric utility’s FAC are considered “non-FAC expenses” and, if reasonably incurred, are otherwise eligible for recovery through base rates.

e. Given the language in those Orders, explain why Duke Kentucky believes the entire cost of power purchases made during a planned outage and the entire cost of power purchases made when it is not experiencing an outage but are made to meet load are includable for recovery through the FAC.

f. For each month from November 2012 through April 2014, provide the dollar amount that was included in the calculation of the FAC for the power purchases that were made during a planned outage, as well as the dollar amount of power purchases that would have been included in the calculation of the FAC if

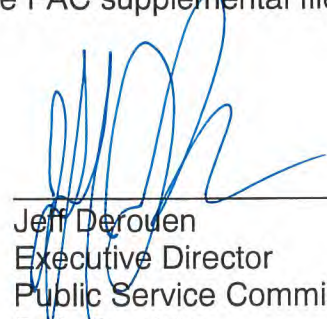
recovery of those purchases through the FAC had been limited to the cost of Duke Kentucky's highest-cost generating unit available.

g. For each month from November 2012 through April 2014, provide the dollar amount that was included in the calculation of the FAC for the power purchases that were made in order to meet demand when all available Duke Kentucky generation was operating, as well as the dollar amount of power purchases that would have been included in the calculation of the FAC if recovery of those purchases through the FAC had been limited to the cost of Duke Kentucky's highest-cost generating unit available.

3. Refer to Duke Kentucky's response to Item 32.b. of the August 13, 2014 Request. The response states that "[t]he portion of the aerial survey adjustment allocated to native is included in the calculation of the FAC rate."

a. State whether the portion allocated to non-native is included in the calculation of the FAC on Schedule 2, Section C. If not, explain why it is not included.

b. Provide the tonnage and dollar amounts of the most recent adjustment and allocation between native and non-native, the date the adjustment was made, and the location of this information in the FAC supplemental files filed monthly by Duke Kentucky.



Jeff Derouen
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Public Service Commission
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DATED SEP 15 2014

cc: Parties of Record

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