



DUKE ENERGY CORPORATION

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Kristen Cocanougher
Sr. Paralegal
E-mail: Kristen.cocanougher@duke-energy.com

VIA HAND DELIVERY

September 13, 2011

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Blvd
Frankfort, KY 40601

RECEIVED

SEP 13 2011

PUBLIC SERVICE
COMMISSION

Re: Case No. 2011-249
An Examination of the Application of The Fuel Adjustment Clause of Duke Energy Kentucky, Inc from November 1, 2010 through April 30, 2011

Dear Mr. Derouen:

Enclosed please find an original and twelve copies of the Responses of Duke Energy Kentucky, Inc. to Commission Staff's First Set of Data Requests and Petition for Confidential Treatment in the above captioned case. Also enclosed in the white envelope is one set of the confidential responses being filed under seal.

Please date-stamp the two copies of the letter and the Petition and return to me in the enclosed envelope.

Sincerely,

Kristen Cocanougher

cc: Dennis Howard (w/enclosures)

RECEIVED

SEP 13 2011

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

PUBLIC SERVICE COMMISSION

An Examination of the Application of)	
The Fuel Adjustment Clause of Duke Energy)	Case No. 2011-00249
Kentucky, Inc from November 1, 2010 through)	
April 30, 2011)	

**PETITION OF DUKE ENERGY KENTUCKY, INC.
FOR CONFIDENTIAL TREATMENT OF INFORMATION CONTAINED IN ITS
RESPONSE TO COMMISSION STAFF'S FIRST SET OF DATA REQUESTS**

Duke Energy Kentucky, Inc. (Duke Energy Kentucky or Company), pursuant to 807 KAR 5:001, Section 7, respectfully requests the Commission to classify and protect certain information provided by Duke Energy Kentucky in its response to data request Nos. 15 and 19, as requested by Commission Staff (Staff) in this case on August 23, 2011. The information that Staff seeks through discovery and for which Duke Energy Kentucky now seeks confidential treatment (Confidential Information) shows internal fuel procurement policies and procedures which, happens to also include sensitive information regarding Duke Energy Kentucky's regulated utility affiliates in the Carolinas and Indiana¹, and the Company's coal bid analysis and tabulation sheets².

The response in No. 15 and No. 19 contains sensitive information, the disclosure of which would injure Duke Energy Kentucky and its competitive position and business interest. Specifically, the response to No. 15 includes the recommended contract term coverage level strategy, by year for Duke Energy Kentucky, Duke Energy Indiana, and Duke Energy Carolinas. Duke Energy Corporation's Regulated Fuels Group is responsible for the procurement of coal for

¹ Data Request No. 15

² Data Request No. 19

the regulated utilities in the Duke Energy Corporate footprint and thus its policies and procedures are all-encompassing. The public disclosure of the information described above would place Duke Energy Kentucky at a commercial disadvantage as it negotiates contracts with various suppliers and vendors and potentially harm Duke Energy Kentucky's competitive position in the marketplace, to the detriment of Duke Energy Kentucky and its customers.

The sensitive information contained in response to Data Request No. 19 includes bid tabulations for several coal vendors who responded to a coal solicitation. Releasing this information would give those vendors access to each-other's costs which would act to the detriment of Duke Energy Kentucky and its customers in the future as vendors would know how competing suppliers price their commodities.

In support of this Petition, Duke Energy Kentucky states:

1. The Kentucky Open Records Act exempts from disclosure certain commercial information. KRS 61.878 (1)(c). To qualify for this exemption and, therefore, maintain the confidentiality of the information, a party must establish that disclosure of the commercial information would permit an unfair advantage to competitors of that party. Public disclosure of the information identified herein would, in fact, prompt such a result for the reasons set forth below.

2. The public disclosure of the information described in No. 15 would make public the coal procurement strategy for all of Duke Energy Corporation's regulated utility operations, and would place Duke Energy Kentucky and its sister utilities at a commercial disadvantage as it negotiates contracts with various suppliers and vendors and potentially harm Duke Energy Kentucky's competitive position in the marketplace, to the detriment of Duke Energy Kentucky and its customers. It should be noted that Duke Energy Kentucky is only seeking confidential

protection of a limited section of the procedure document which sets forth the guidelines for procurement of long term contracts for fuel.

3. Disclosure of the factors underlying Duke Energy Kentucky's bid analysis/selection process (No. 19) would damage Duke Energy Kentucky's competitive position and business interests. If the Commission grants public access to the information requested in No. 19, potential bidders could manipulate the bid solicitation process to the detriment of Duke Energy Kentucky and its ratepayers by tailoring bids to correspond to and comport with Duke Energy Kentucky's bidding criteria and process.

4. The information in Nos. 15 and 19 was developed internally by Duke Energy Corporation and Duke Energy Kentucky personnel, is not on file with any public agency, and is not available from any commercial or other source outside Duke Energy Kentucky. The aforementioned information in all five responses is distributed within Duke Energy Kentucky only to those employees who must have access for business reasons, and is generally recognized as confidential and proprietary in the energy industry.

5. The information for which Duke Energy Kentucky is seeking confidential treatment is not known outside of Duke Energy Corporation.

6. Duke Energy Kentucky does not object to limited disclosure of the confidential information described herein, pursuant to an acceptable protective agreement, the Attorney General or other intervenors with a legitimate interest in reviewing the same for the purpose of participating in this case.

7. The Commission has treated the same information described herein as

confidential in other utilities' responses to the same data requests such as Louisville Gas and Electric Company Case No. 2008-521³ and Kentucky Utilities Case 2008-520⁴ and for Duke Energy Kentucky in Case No. 2008-00522⁵.

8. This information was, and remains, integral to Duke Energy Kentucky's effective execution of business decisions. And such information is generally regarded as confidential or proprietary. Indeed, as the Kentucky Supreme Court has found, "information concerning the inner workings of a corporation is 'generally accepted as confidential or proprietary.'" *Hoy v. Kentucky Industrial Revitalization Authority, Ky.*, 904 S.W.2d 766, 768.

9. In accordance with the provisions of 807 KAR 5:001 Section 7, the Company is filing with the Commission one copy of the Confidential Material highlighted and ten (10) copies without the confidential information.

WHEREFORE, Duke Energy Kentucky, Inc. respectfully requests that the Commission classify and protect as confidential the specific information described herein.

Respectfully submitted,

DUKE ENERGY KENTUCKY, INC.



Rocco O. D'Ascenzo (92796)
Associate General Counsel
Amy B. Spiller (85309)
Deputy General Counsel
Duke Energy Business Services, LLC
139 East Fourth Street, 1303 Main
Cincinnati, Ohio 45201-0960
Phone: (513) 287-4320
Fax: (513) 287-4385
e-mail: rocco.d'ascenzo@duke-energy.com

³ Case No. 2008-521, Letter granting Confidential treatment, March 20, 2009.

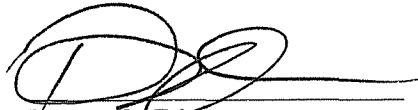
⁴ Case No. 2008-520, Letter granting Confidential treatment, March 20, 2009.

⁵ Case No. 2008-522, Letter granting Confidential treatment, March 20, 2009.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing filing was served on the following via overnight mail, postage prepaid, this 13th day of September 2011:

Dennis G. Howard II
Assistant Attorney General
The Kentucky Office of the Attorney General
1024 Capital Center Drive
Frankfort, Kentucky 40602-2000



Rocco O. D'Ascenzo

VERIFICATION

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

The undersigned, Lisa D. Steinkuhl, being duly sworn, deposes and says that she is employed by the Duke Energy Corporation affiliated companies as Lead Rates Analyst for Duke Energy Business Services, LLC; that on behalf of Duke Energy Kentucky, Inc., she has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of her knowledge, information and belief after reasonable inquiry.

Lisa D Steinkuhl
Lisa D. Steinkuhl

Subscribed and sworn to before me by Lisa D. Steinkuhl on this 2nd day of ~~August~~ Sept. 2011.

[Signature]
NOTARY PUBLIC

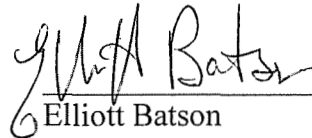
My Commission Expires:

James E. McLean, Jr.
Attorney at Law
Notary Public, State of Ohio
My Commission has no expiration
date. Section 147.03 R.C.

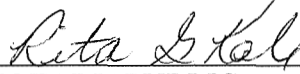
VERIFICATION

STATE OF NORTH CAROLINA)
)
COUNTY OF MECKLENBURG) SS:

The undersigned, Elliott Batson, being duly sworn, deposes and says that he is employed by the Duke Energy Corporation affiliated companies as Vice President - Regulated Fuels for Duke Energy Business Services, LLC; that on behalf of Duke Energy Kentucky, Inc., he has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of his knowledge, information and belief after reasonable inquiry.


Elliott Batson

Subscribed and sworn to before me by Elliott Batson on this 29th day of August, 2011.


NOTARY PUBLIC



My Commission Expires: 6/17/2012

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**Duke Energy Kentucky
Case No. 2011-00249
Staff First Set Data Requests
Date Received: August 23, 2011**

STAFF-DR-01-001

REQUEST:

For the period from November 1, 2010 through April 30, 2011, list each vendor from whom coal was purchased and the quantities and the nature of each purchase (e.g., spot or contract). For the period under review in total, provide the percentage of purchases that were spot versus contract.

RESPONSE:

See Attachment STAFF-DR-01-001.

PERSON RESPONSIBLE: Lisa Steinkuhl

Duke Energy Kentucky

<u>VENDOR</u>	<u>PURCHASE TONNAGE</u>	<u>PURCHASE TYPE</u>
Alpha Coal Sales	18,895	Spot
American Coal Co	187,693	Contract
Charolais	87,574	Contract
Foresight Energy	18,633	Spot
Knight Hawk	62,210	Contract
Oxford Mining	204,746	Contract
Patriot Coal Sales	232,774	Contract
Patriot Coal Sales	34,187	Spot
Rhino Energy LLC	36,289	Contract
Rhino Energy LLC	8,146	Spot
River View	17,352	Contract
River View	38,447	Spot
SMCC AGF Resource Sales	139,409	Contract
SMCC AGF Resource Sales	44,805	Spot
Total	<u>1,131,160</u>	
	85.58%	Contract
	14.42%	Spot

Duke Energy Kentucky
Case No. 2011-00249
Staff First Set Data Requests
Date Received: August 23, 2011

STAFF-DR-01-002

REQUEST:

For the period from November 1, 2010 through April 30, 2011, list each vendor from whom natural gas was purchased for generation and the quantities and the nature of each purchase (e.g., spot or contract). For contract purchases, state whether the contract has been filed with the Commission. If no, explain why it has not been filed.

RESPONSE:

Duke Energy Kentucky purchased the following quantities of spot natural gas from Sequent Energy Management LP for generation at Woodsdale Station:

November 2010	18,398 MMBtu
December 2010	153,700 MMBtu
January 2011	95,000 MMBtu
February 2011	32,500 MMBtu
March 2011	123,500 MMBtu
April 2011	47,500 MMBtu

Duke Energy Kentucky purchased the following quantities of spot natural gas from NJR for generation at Woodsdale Station:

January 2011	5,000 MMBtu
--------------	-------------

PERSON RESPONSIBLE: Lisa Steinkuhl

**Duke Energy Kentucky
Case No. 2011-00249
Staff First Set Data Requests
Date Received: August 23, 2011**

STAFF-DR-01-003

REQUEST:

State whether Duke Kentucky engages in hedging activities for its coal purchases. If yes, describe the hedging activities in detail.

RESPONSE:

Duke Energy Kentucky does not engage in hedging transactions with respect to coal purchases. Duke Energy Kentucky contracts for physical deliveries of coal through fixed term coal transactions within a balanced portfolio of purchases. The Company also maintains a portfolio with multiple suppliers to mitigate potential supply interruption risk.

PERSON RESPONSIBLE: Elliott Batson, Jr.

Duke Energy Kentucky
Case No. 2011-00249
Staff First Set Data Requests
Date Received: August 23, 2011

STAFF-DR-01-004

REQUEST:

For each generating station or unit for which a separate coal pile is maintained, state for the period from November 1, 2010 through April 30, 2011 the actual amount of coal burned in tons, the actual amount of coal deliveries in tons, the total kWh generated, and the actual capacity factor at which the plant operated.

RESPONSE:

Plant	Coal Burn (Tons)	Coal Receipts (Tons)	Net MWH	Capacity Factor (Net MWH) / period hrs x MW rating)
East Bend	728,871 ⁽¹⁾	926,601 ⁽²⁾	1,476,876	82.1%
Miami Fort 6	226,247	207,559	552,128	78.0%

(1) Duke Energy Kentucky's ownership share

(2) 100% of coal received at the station

PERSON RESPONSIBLE: Lisa Steinkuhl

**Duke Energy Kentucky
Case No. 2011-00249
Staff First Set Data Requests
Date Received: August 23, 2011**

STAFF-DR-01-005

REQUEST:

List all firm power commitments for Duke Kentucky from November 1, 2010 through April 30, 2011 for (a) purchases and (b) sales. This list shall identify the electric utility, the amount of commitment in MW, and the purpose of the commitment (e.g., peaking, emergency).

RESPONSE:

Duke Energy Kentucky had no firm power commitments during this period.

PERSON RESPONSIBLE: John Swez

**Duke Energy Kentucky
Case No. 2011-00249
Staff First Set Data Requests
Date Received: August 23, 2011**

STAFF-DR-01-006

REQUEST:

Provide a monthly billing summary of sales to all electric utilities for the period November 1, 2010 through April 30, 2011.

RESPONSE:

See attachment STAFF-DR-01-006.

PERSON RESPONSIBLE: Lisa Steinkuhl

DUKE ENERGY KENTUCKY
 POWER TRANSACTION SCHEDULE

Supplier/Buyer	Transaction Type	kWh	Charges (\$)				Total
			Demand	Fuel	Other		
Month Ended November 30, 2010							
Midwest Independent System Operator	Econ Sales	13,804,290		317,315	34,693	352,008	
Total Sales		<u>13,804,290</u>	<u>0</u>	<u>317,315</u>	<u>34,693</u>	<u>352,008</u>	
Month Ended December 31, 2010							
Midwest Independent System Operator	Econ Sales	18,452,510		213,795	408,890	622,685	
Total Sales		<u>18,452,510</u>	<u>0</u>	<u>213,795</u>	<u>408,890</u>	<u>622,685</u>	
Month Ended January 31, 2011							
Midwest Independent System Operator	Econ Sales	24,962,350		429,981	418,807	848,788	
Total Sales		<u>24,962,350</u>	<u>0</u>	<u>429,981</u>	<u>418,807</u>	<u>848,788</u>	
Month Ended February 28, 2011							
Midwest Independent System Operator	Econ Sales	39,854,780		837,382	404,826	1,242,208	
Total Sales		<u>39,854,780</u>	<u>0</u>	<u>837,382</u>	<u>404,826</u>	<u>1,242,208</u>	
Month Ended March 31, 2011							
Midwest Independent System Operator	Econ Sales	56,356,680		1,263,442	572,712	1,836,154	
Total Sales		<u>56,356,680</u>	<u>0</u>	<u>1,263,442</u>	<u>572,712</u>	<u>1,836,154</u>	
Month Ended April 30, 2011							
Midwest Independent System Operator	Econ Sales	80,045,750		1,854,949	838,400	2,693,349	
Total Sales		<u>80,045,750</u>	<u>0</u>	<u>1,854,949</u>	<u>838,400</u>	<u>2,693,349</u>	

Legend
 Econ Sales - Economy Sales

**Duke Energy Kentucky
Case No. 2011-00249
Staff First Set Data Requests
Date Received: August 23, 2011**

STAFF-DR-01-007

REQUEST:

List Duke Kentucky's scheduled, actual, and forced outages between November 1, 2010 and April 30, 2011.

RESPONSE:

See STAFF-DR-01-007 Attachment.

PERSON RESPONSIBLE: John D. Swez

Duke Kentucky
 East Bend Unit 2
 November 2010-April 2011

MONTH	MAINTENANCE		HOURS OF DURATION		REASON FOR DEVIATION FROM SCHEDULED MAINTENANCE OR REASON FOR FORCED OUTAGE AS APPROPRIATE
	FROM	TO	Scheduled	Forced	
Nov	11/5/10 23:24	11/7/10 7:51	32.45		SECONDARY REHEATER TUBE LEAK
	11/12/10 0:50	11/12/10 3:04			2 23 2-2 BOILER FEED PUMP THRUST PROBE
	11/17/10 7:17	11/18/10 11:29			28 20 SECONDARY REHEATER TUBE LEAK
	11/21/10 23:05	11/22/10 1:21			2 27 2-2 BOILER FEED PUMP THRUST PROBE
Dec	12/6/10 15:01	12/8/10 17:45			50 73 SECONDARY REHEATER TUBE LEAK
Jan					
Feb					
Mar					
Apr					

Duke Kentucky
 Miami Fort 6
 November 2010-April 2011

MONTH	MAINTENANCE		HOURS OF DURATION		REASON FOR DEVIATION FROM SCHEDULED MAINTENANCE OR REASON FOR FORCED OUTAGE AS APPROPRIATE	
	FROM	TO	Scheduled	Forced		
Nov	10/29/10 23:00	11/21/10 22:44	551.73		FALL OUTAGE - BOILER WORK	
	11/21/10 23:15	11/22/10 0:50				1.58 Unit Trip - High Drum Level caused by FW Swings
	11/23/10 7:05	11/26/10 9:29				74.40 Tube Leak - LTSH
Dec	12/11/10 2:27	12/12/10 0:57	22.50		Repair Gasket On Mud Drum	
	12/25/10 8:38	12/31/10 11:14				146.60 Low Temperature Super Heat Tube Leak
Jan	1/10/11 8:45	1/10/11 19:15			10.50 Loss Of Control Air	
	1/27/11 2:19	1/30/11 15:20				85.02 Tube Leak - Waterwall
Feb						
Mar						
Apr						

Duke Kentucky
 Woodsdale 1
 November 2010-April 2011

MONTH	MAINTENANCE		HOURS OF DURATION		REASON FOR DEVIATION FROM SCHEDULED MAINTENANCE OR REASON FOR FORCED OUTAGE AS APPROPRIATE
	FROM	TO	Scheduled	Forced	
Nov					
Dec	12/14/10 12:35	12/17/10 10:37			70.03 Shaft that opens breaker broken.
Jan					
Feb					
Mar	3/21/11 11:10	3/21/11 12:33			1.38 Starting device breaker failed.
Apr	4/11/11 7:00	4/15/11 14:03		103.05	Spring Prep Outage

Duke Kentucky
 Woodsdale 2
 November 2010-April 2011

MONTH	MAINTENANCE		HOURS OF DURATION		REASON FOR DEVIATION FROM SCHEDULED MAINTENANCE OR REASON FOR FORCED OUTAGE AS APPROPRIATE
	FROM	TO	Scheduled	Forced	
Nov					
Dec	12/4/10 16:34 12/16/10 15:30	12/4/10 19:35 12/16/10 19:30	3.02 4.00		Bank 39 out to repair U1 Gen Breaker TB 39 out to repair U1 Gen Breaker
Jan	1/7/11 8:00	5/17/11 12:21	3124.35		Maintenance Outage
Feb					
Mar					
Apr					

Duke Kentucky
 Woodsdale 3
 November 2010-April 2011

MONTH	MAINTENANCE		HOURS OF DURATION		REASON FOR DEVIATION FROM SCHEDULED MAINTENANCE OR REASON FOR FORCED OUTAGE AS APPROPRIATE
	FROM	TO	Scheduled	Forced	
Nov					
Dec					
Jan					
Feb					
Mar					
Apr	4/4/11 7:00	4/8/11 17:11	106:18		Spring Prep Outage

Duke Kentucky
 Woodsdale 4
 November 2010-April 2011

MONTH	MAINTENANCE		HOURS OF DURATION		REASON FOR DEVIATION FROM SCHEDULED MAINTENANCE OR REASON FOR FORCED OUTAGE AS APPROPRIATE
	FROM	TO	Scheduled	Forced	
Nov					
Dec					
Jan					
Feb					
Mar					
Apr	4/4/11 7:00	4/8/11 17:20	106.33		Spring Prep Outage

Duke Kentucky
 Woodside 5
 November 2010-April 2011

MONTH	MAINTENANCE		HOURS OF DURATION		REASON FOR DEVIATION FROM SCHEDULED MAINTENANCE OR REASON FOR FORCED OUTAGE AS APPROPRIATE
	FROM	TO	Scheduled	Forced	
Nov					
Dec					
Jan					
Feb					
Mar					
Apr	4/11/11 7:00	5/18/11 17:03	898.05		Install new turbine controls

Duke Kentucky
 Woodsdale 6
 November 2010-April 2011

MONTH	MAINTENANCE		HOURS OF DURATION		REASON FOR DEVIATION FROM SCHEDULED MAINTENANCE OR REASON FOR FORCED OUTAGE AS APPROPRIATE
	FROM	TO	Scheduled	Forced	
Nov	11/24/10 17:43	11/27/10 10:31		64.80	Temp after turbine spread high
Dec					
Jan					
Feb					
Mar					
Apr	4/11/11 7:00	5/26/11 15:31	1088.52		Install new turbine controls

Duke Energy Kentucky
Case No. 2011-00249
Staff First Set Data Requests
Date Received: August 23, 2011

STAFF-DR-01-008

REQUEST:

List all existing fuel contracts categorized as long-term (i.e., one year or more in length). Provide the following information for each contract:

- a. Suppliers's name and address;
- b. Name and location of production facility;
- c. Data when contract was executed;
- d. Duration of contract;
- e. Date(s) of each contract revision, medication or amendment;
- f. Annual tonnage requirements;
- g. Actual annual tonnage received since the contract's inception;
- h. Percentage of annual requirements received during the contract's term;
- i. Base price in dollars per ton;
- j. Total amount of price escalations to date in dollars per ton; and
- k. Current price paid for coal under the contract in dollars per ton (i + j)

RESPONSE:

East Bend

- a. **Oxford Mining Company, Inc. (10199)**
544 Chestnut Street
Coshocton, OH 43812
- b. Various Ohio Mines
- c. July 22, 2005
- d. April 30, 2011
- e. January 1, 2009, January 18, 2011
- f. 2006 = 500,000; 2007 = 1,000,000; 2008 = 600,000; 2009 = 480,000; 2010 = 496,447.

- g. 2006 = 380,561; 2007 = 1,004,037; 2008 = 426,048; 2009 = 478,427; 2010 = 470,719; 2011 YTD – Apr 30 = 23,949.
- h. 2006 = 76%; 2007 = 100.4%; 2008 = 64%; 2009 = 99.7%; 2010 = 94.8%; 2011 = 99.6%
- i. 2006 = \$33.50; 2007 = \$34.25; 2008 = \$32.16; 2009 = \$34.41; 2010 - Apr 2011 = \$35.20
- j. 4th Qtr 2006 = 2.466; 4th Qtr 2007 = \$2.877; 3rd Qtr 2008 = \$7.545 4th Qtr 2008 – (\$.647); 1st Qtr 2009 = \$1.861; 2nd Qtr 2009 = (\$0.094); 3rd Qtr 2009 = \$0.92; 4th Qtr 2009 = \$1.704; 1st Qtr 2010 = \$2.496; 2nd Qtr 2010 = \$ 2.553, 3rd Qtr 2010 = \$2.921, 4th Qtr - Apr 2011 = \$2.75.
- k. 4th Qtr 2006 = \$35.966; 4th Qtr 2007 = \$37.127; 3rd Qtr 2008 = \$39.705: 4th Qtr 2008 = \$39.709; 1st Qtr 2009 = \$36.271; 2nd Qtr 2009 = \$34.316; 3rd Qtr 2009 = \$35.33; 4th Qtr 2009 = \$36.114; 1st Qtr 2010 = \$37.696; 2nd Qtr 2010 = 37.753 3rd Qtr 2010 = 38.121, 4th Qtr 2010 – Apr 2011 = 37.95

a. **Knight Hawk Coal, LLC (10069)**

500 Cutler-Trico Road
Percy, Il. 63372

- b. Prairie Eagle Mine, Perry County, Il.
- c. October 6, 2008
- d. December 31, 2010
- e. N/A
- f. 2009 = 300,000; 2010 = 300,000
- g. 2009 = 303,409; 2010 = 295,394.
- h. 2009 = 100.1%; 2010 = 98.5%

- i. \$46.00
- j. 2009 1st Qtr = (\$0.85); 2nd Qtr = (\$2.30); 3rd Qtr = (\$1.84); 4th Qtr = (\$1.52)
2010 1st Qtr = (\$1.19); 2nd Qtr = (\$0.98); 3rd Qtr = (\$0.74); 4th Qtr (\$0.86)
- k. 2009 1st Qtr = \$45.15; 2nd Qtr = \$43.70; 3rd Qtr = \$44.16; 4th Qtr \$44.48
2010 1st Qtr = \$44.81; 2nd Qtr = 45.04; 3rd Qtr \$45.26, 4th Qtr = \$45.14

- a. **Patriot Coal Sales, LLC (10049)**
12312 Olive Boulevard
Suite 400
St. Louis, MO 63141
- b. Highland Mine, Union County, KY
- c. December 31, 2008
- d. March 31, 2011
- e. N/A
- f. 2009 = 300,000; 2010 = 343,570
- g. 2009 = 256,430, 2010 = 336,558, 2011- Apr 30 = 6,674
- h. 2009 = 85.4%; 2010 = 98.0%; 2011 – Apr 30 = 100%
- i. \$48.00
- j. 2009 2nd Qtr = (\$0.899); 3rd Qtr = (\$0.071); 4th Qtr = (\$0.205)
2010 1st Qtr = \$1.935; 2nd Qtr = \$2.662; 3rd Qtr = \$3.198; 4th Qtr – Apr 30, 2011=
\$3.084
- k. 2009 2nd Qtr = \$47.101; 3rd Qtr = \$47.30; 4th Qtr = \$47.795
2010 1st Qtr = \$49.935; 2nd Qtr = \$50.662; 3rd Qtr = \$51.198; 4th Qtr – Apr
2011=\$51.084

- a. **Charolais Coal Co (HC 10053)**
Suite 3650
101 South Fifth Street
Louisville, KY 40202
- b. Charolais Coal Company, Muhlenberg, Hopkins and Webster Counties, Kentucky
- c. September 5, 2007
- d. January 1, 2008 to December 31, 2012
- e. Amendment 1 = March 1, 2008; Amendment 2 = March 17, 2008; Amendment 3 = July 15, 2008
- f. 2008 = 287,047; 2009 = 100,000; 2010 = 200,000; 2011 = 223,677
- g. 2008 = 287,048; 2009 = 100,142; 2010 = 176,324; 2011 YTD = 76,851
- h. 2008 = 100%; 2009 = 100%; 2010 = 88.2%; 2011 YTD = 103.2%
- i. 2008 = \$32.00; 2009 = \$32.42; 2010 = \$32.42; 2011 = \$32.70
- j. None
- k. 2008 = \$32.00; 2009 = \$32.42; 2010 = \$32.42; 2011 = \$32.70

- a. **SMCC AGF Resources Sales, Inc. (10116)**
921 Cogdill Road
Suite 301
KNOXVILLE, TN 37932
- b. Allied Resources, Webster County, KY
- c. June 24, 2009
- d. December 31, 2011
- e. N/A
- f. 2009 = 150,000; 2010 = 300,000; 2011 = 289,306
- g. 2009 = 151,158; 2010 = 310,694; 2011 YTD 4/30 = 126,648
- h. 2009 = 100.8%; 2010 = 103.6 %; 2011 YTD 4/30 = 131.3%
- i. 2009 = \$51.00; 2010 – 2011 = \$53.00

- j. None
- l. 2009 = \$51.00; 2010 – 2011 = \$53.00

- a. **Patriot Coal Sales LLC (10136)**
12312 Olive Blvd
St. Louis, Missouri 63141

- b. Blue Grass Complex, Blue Grass, KY

- c. November 19, 2010

- d. December 31, 2012

- e. N/A

- f. 325,000

- g. 2011 YTD 4/30 = 90,714

- h. 2011 YTD 4/30 = 83.7%

- i. 2011 = \$42.00; 2012 = \$45.00

- j. None

- k. 2011 = \$42.00; 2012 = \$45.00

- a. **Patriot Coal Sales LLC (10137)**
12312 Olive Blvd
St. Louis, Missouri 63141

- b. Highland Mine, Highland KY

- c. November 19, 2010

- d. December 31, 2012

- e. N/A

- f. 250,000

- g. 2011 YTD 4/30 = 65,432
- h. 2011 YTD 4/30 = 104.7%
- i. 2011 = \$44.00; 2012 = \$46.50
- j. None
- k. 2011 = \$44.00; 2012 = \$46.50

- a. **Rhino Energy, LLC**
423 Lewis Hargett Circle
Suite 250
Lexington, KY 40503
- b. Sands Hill Mine, Sands Hill, OH
- c. September 1, 2010
- d. December 31, 2012
- e. N/A
- f. 180,000
- g. 2011 YTD 4/30 = 36,289
- h. 2011 YTD 4/30 = 80.6%
- i. 2011 = \$46.00; 2012 = \$49.00
- j. None
- k. 2011 = \$46.00; 2012 = \$49.00

MIAMI FORT #6:

- a. **American Coal Company (10350)**
101 Prosperous Place
Suite 125
Lexington, KY 40509

- b. Galatia Mine, Ill.
- c. June 25, 2005
- d. August 31, 2015
- e. July 14, 2006 – June 1, 2008 – December 31, 2009 – July 20, 2010
- f. 2005 = 100,000; 2006 = 300,000; 2007 = 300,000; 2008 = 300,000; 2009 = 300,000; 2010 = 281,684; 2011 = 322,000
- g. 2005 = 92,816; 2006 = 292,004; 2007 = 295,509; 2008 = 282,250; 2009 = 318,316; 2010 = 247,780; 2011 YTD 4/30 = 152,316
- h. 2005 = 92.8%; 2006 = 97.3%; 2007 = 98.6%; 2008 = 94.1%; 2009 = 106.1%
2010 = 88%; 2011 YTD 4/30 = 142.0%
- i. \$37.05; June 1, 2008 amendment - \$56.00
- j. 2005 = \$.91; 2006 = \$3.82; 2007 = \$3.47; 2008 = \$4.43; 2009 = \$0
2005 = \$37.96; 2006 = \$40.87; 2007 = \$40.52; 2008 = \$41.48; 2009 = \$56.00;
2010 = \$56.64; 2010 = \$51.00; 2011 = \$51.00

* On 7/1/2010, Duke Energy Kentucky took over the fuel buying responsibility of Miami Fort #6 from Duke Energy Ohio. All historical data prior to this date, was provided by Duke Energy Ohio.

- a. **Patriot Coal Sales (03241)**
12312 Olive Boulevard, Suite 400
St. Louis, MO 63141
- b. Dodge Hill Mine, Union KY
- c. December 23, 2009
- d. December 31, 2010
- e. N/A
- f. 150,000
- g. 2010 =146,222
- h. 97.5 %

- i. \$53.00
- j. \$0.00
- k. \$53.00

Woodsdale:

There are no long term contracts with suppliers that source and deliver gas to Company plants. The only long-term contracts that extend past one year are contracts with pipelines for transportation service.

PERSON RESPONSIBLE:

East Bend 2: Elliott Batson, Jr.

Miami Fort 6: Elliott Batson, Jr.

Woodsdale: John Swez

STAFF-DR-01-009

REQUEST:

- a. State whether Duke Kentucky regularly compares the price of its coal purchases with those paid by other electric utilities.
- b. If yes, state:
 - 1) How Duke Kentucky's prices compare with those of other utilities for the review period. Include all prices used in the comparison in cents per MMbtu.
 - 2) The utilities that are included in this comparison and their locations.

RESPONSE:

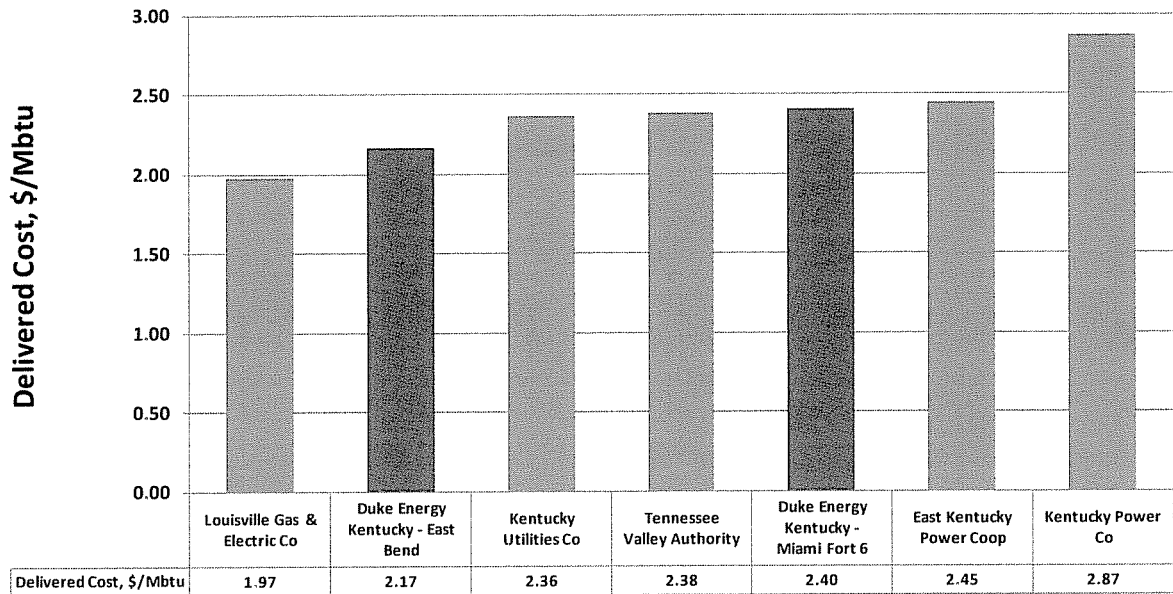
EAST BEND & MIAMI FORT #6:

Duke Energy Kentucky compares its delivered coal prices to those paid by other major Kentucky electric utilities for their plants located in Kentucky. The data requested, along with the utilities in the comparison, for the current review period are shown in the following chart. It is derived from EIA 923 data.

Duke Energy Kentucky Delivered Cost vs. Peer Group

(November 2010 - April 2011)

Source: EIA 923



PERSON RESPONSIBLE: Elliott Batson, Jr.

STAFF-DR-01-010

REQUEST:

State the percentage of Duke Kentucky's coal, as of the date of this Order, that is delivered by:

- a. Rail;
- b. Truck; or
- c. Barge.

RESPONSE:

EAST BEND:

- a. 0% rail
- b. 0% truck
- c. 100% barge.

MIAMI FORT #6:

- a. 0% rail
- b. 0% truck
- c. 100% barge.

WOODSDALE:

N/A

PERSON RESPONSIBLE:

East Bend/ Miami Fort 6: Elliott Batson, Jr.

Woodsdale: John Swez

Duke Energy Kentucky
Case No. 2011-00249
Staff First Set Data Requests
Date Received: August 23, 2011

STAFF-DR-01-011

REQUEST:

- a. State Duke Kentucky's coal inventory level in tons and in number of days' supply as of April 30, 2011. Provide this information by generating station and in the aggregate.
- b. Describe the criteria used to determine number of days' supply.
- c. Compare Duke Kentucky's coal inventory as of April 30, 2011 to its inventory target for that date.
- d. If actual coal inventory exceeds inventory target by 10 days' supply, state the reasons for excessive inventory.
- e. 1) State whether Duke Kentucky expects any significant changes in its current coal inventory target within the next 12 months.

2) If yes, state the expected change and the reasons for this change.

RESPONSE:

EAST BEND:

- a. As of April 30, 2011, total inventory at East Bend was 169,679.06 tons or 26.10 days.
- b. The number of days supply is computed by dividing an ending daily coal inventory figure stated in tons by the Full Load Burn per day figure of 6,500 tons.
- c. Inventory target is approximately 40 days. The Midwest flooding experienced during the Spring of 2011 caused the Green and Ohio Rivers to be shut down which prevented our coal suppliers from loading barges. As a result, East Bend Steam Station relied on reclaiming coal to make up for the missed shipments. Once the flooding subsided, coal shipments resumed and the station has since rebuilt its inventory stockpile.
- d. N/A
- e. 1. No

2. N/A

MIAMI FORT #6:

- a. As of April 30, 2011, total inventory at Miami Fort #6 was 13,684 tons or 11.4 days.
- b. The number of days supply is computed by dividing an ending daily coal inventory figure stated in tons by the Full Load Burn per day figure of 1,200 tons.
- c. Inventory target is approximately 40 days. The Midwest flooding experienced during the Spring of 2011 caused the Ohio River to be shut down which prevented our coal suppliers from loading barges. As a result, Miami Fort #6 relied on reclaiming coal to make up for the missed shipments. Once the flooding subsided, coal shipments resumed and the station has since rebuilt its inventory stockpile.
- d. N/A
- e. 1. We are currently evaluating whether the target will be changed; depending on an evaluation of the EPA's recent Cross State Air Pollution Regulation which becomes effective January 1, 2012

2. N/A

PERSON RESPONSIBLE: Elliott Batson, Jr.

STAFF-DR-01-012

REQUEST:

- a. State whether Duke Kentucky has audited any of its coal contracts during the period from November 1, 2010 through April 30, 2011.
- b. If yes, for each audited contract:
 - 1) Identify the contract;
 - 2) Identify the auditor;
 - 3) State the results of the audit; and
 - 4) Describe the actions that Duke Kentucky took as a result of the audit.

RESPONSE:

EAST BEND/ MIAMI FORT 6:

- a. No.
- b. N/A

WOODSDALE:

N/A

PERSON RESPONSIBLE:

East Bend/ Miami Fort 6: Elliott Batson, Jr.

Woodsdale: John Swez

**Duke Energy Kentucky
Case No. 2011-00249
Staff First Set Data Requests
Date Received: August 23, 2011**

STAFF-DR-01-013

REQUEST:

- a. State whether Duke Kentucky has received any customer complaints regarding its FAC during the period from November 1, 2010 through April 30, 2011.
- b. If yes, for each complaint, state:
 - 1) The nature of the complaint; and
 - 2) Duke Kentucky's response.

RESPONSE:

Duke Energy Kentucky has not received any customer complaints regarding its FAC during the period from November 1, 2010 through April 30, 2011.

PERSON RESPONSIBLE: Lisa Steinkuhl

**Duke Energy Kentucky
Case No. 2011-00249
Staff First Set Data Requests
Date Received: August 23, 2011**

STAFF-DR-01-014

REQUEST:

- a. State whether Duke Kentucky is currently involved in any litigation with its current or former coal suppliers.
- b. If yes, for each litigation:
 - 1) Identify the coal supplier;
 - 2) Identify the coal contract involved;
 - 3) State the potential liability or recovery to Duke Kentucky;
 - 4) List the issues presented; and
 - 5) Provide a copy of the complaint or other legal pleading that initiated the litigation and any answers or counterclaims. If a copy has previously been filed with the Commission, provide the date on which it was filed and the case in which it was filed.
- c. State the current status of all litigation with coal suppliers.

RESPONSE:

- a. No.
- b. N/A
- c. N/A

PERSON RESPONSIBLE: Elliott Batson

STAFF-DR-01-015 PUBLIC

REQUEST:

- a. During the period from November 1, 2010 through April 30, 2011, have there been any changes to Duke Kentucky's written policies and procedures regarding its fuel procurement?
- b. If yes:
 - 1) Describe the changes;
 - 2) Provide the written policies and procedures as changed;
 - 3) State the date(s) the changes were made; and
 - 4) Explain why the changes were made.
- c. If no, provide the date Duke Kentucky's current fuel procurement policies and procedures were last changed, when they were last provided to the Commission, and identify the proceeding in which they were provided.

RESPONSE:

WOODSDALE:

- a. No
- b. N/A
- c. Duke Energy Kentucky has no written policies or procedures that specifically deal with how natural gas is procured. However, risk policies exist that outline gas limits and how gas procurement transactions are recorded. These policies are the "Franchised Electric and Gas Risk Limit" (revision July 2010) and "Franchised Electric Risk Management Policy Manual (revision July 2011)."

CONFIDENTIAL AND PROPRIETARY TRADE SECRET (as to Attachment only)

EAST BEND/ MIAMI FORT 6:

- a. Yes

- b. This response has been filed with the Commission under a Petition for Confidential Treatment.
- c. N/A

PERSON RESPONSIBLE:

Woodsdale: John Swez
East Bend/ Miami Fort 6: Elliott Batson, Jr.

STAFF-DR-01-016

REQUEST:

- a. State whether Duke Kentucky is aware of any violations of its policies and procedures regarding fuel procurement that occurred prior to or during the period from November 1, 2010 through April 30, 2011.
- b. If yes, for each violation:
 - 1) Describe the violation;
 - 2) Describe the action(s) that Duke Kentucky took upon discovering the violation; and
 - 3) Identify the person(s) who committed the violation.

RESPONSE:

EAST BEND/ MIAMI FORT 6:

- a. No
- b. N/A

WOODSDALE:

- a. No
- b. N/A

PERSON RESPONSIBLE:

WOODSDALE: John Swez

EAST BEND/ MIAMI FORT 6: Elliott Batson, Jr.

STAFF-DR-01-017

REQUEST:

Identify and explain the reasons for all changes in the organizational structure and personnel of the departments or divisions that are responsible for Duke Kentucky's fuel procurement activities that occurred during the period from November 1, 2010 through April 30, 2011.

RESPONSE:

EAST BEND/ MIAMI FORT #6:

No changes occurred during this period.

WOODSDALE: No changes occurred during this time period.

PERSON RESPONSIBLE:

WOODSDALE: John Swez

EAST BEND/ MIAMI FORT #6: Elliott Batson, Jr.

**Duke Energy Kentucky
Case No. 2011-00249
Staff First Set Data Requests
Date Received: August 23, 2011**

STAFF-DR-01-018

REQUEST:

- a. Identify all changes that Duke Kentucky has made during the period under review to its maintenance and operation practices that also affect fuel usage at Duke Kentucky's generation facilities.
- b. Describe the impact of these changes on Duke Kentucky's fuel usage.

RESPONSE:

- a. No changes occurred during this time period
- b. N/A

PERSON RESPONSIBLE: John Swez

Duke Energy Kentucky
Case No. 2011-00249
Staff First Set Data Requests
Date Received: August 23, 2011

STAFF-DR-01-019 PUBLIC

REQUEST:

List each written coal supply solicitation issued during the period from November 1, 2010 through April 30, 2011.

- a. For each solicitation, provide the date of the solicitation, the type of solicitation (contract or spot), the quantities solicited, a general description of the quality of coal solicited, the time period over which deliveries were requested, and the generating unit(s) for which the coal was intended.
- b. For each solicitation, state the number of vendors to whom the solicitation was sent, the number of vendors who responded, and the selected vendor. Provide the bid tabulation sheet or corresponding document that ranked the proposals. (This document should identify all vendors who made offers.) State the reasons for each selection.

RESPONSE:

CONFIDENTIAL PROPRIETARY TRADE SECRET (as to Attachment (b) only)

EAST BEND:

- a. See Staff-DR-01-019(a) Attachment - Duke 2011 Spring Coal RFP Solicitation.
- b. Number of vendors that received the solicitation: 119
Number of vendors who responded: Duke Energy Kentucky received 23 responses from vendors with coal that were compatible with East Bend Steam Station.
Selected Vendors: Patriot Coal Sales, Smoky Mountain, Foresight Coal Sales, Alliance Tunnel Ridge.

This response has been filed with the Commission under a Petition for Confidential Treatment.

MIAMI FORT #6:

- a. See Staff-DR-01-019(a) Attachment - Duke 2011 Spring Coal RFP Solicitation.
- a. Number of vendors that received the solicitation: 119
Number of vendors who responded: Duke Energy Kentucky received 10 responses from vendors with coal that were compatible with Miami Fort #6.
Selected Vendors: American Coal Company

This response has been filed with the Commission under a Petition for Confidential Treatment.

PERSON RESPONSIBLE: Elliott Batson, Jr.

DUKE ENERGY KENTUCKY, INC
REQUEST FOR COAL SUPPLY PROPOSAL
DATED MARCH 1, 2011
GUIDELINES AND SPECIFICATIONS

1. General Information

- 1.1. Duke Energy Kentucky, Inc. (hereafter "Duke") is soliciting proposals for a supply of crushed bituminous steam coal from the Central Appalachian Basin, Northern Appalachian Basin, Illinois Basin, Colorado / Utah and sub-bituminous steam coal from the Powder River Basin for delivery to Duke East Bend Steam Station and Miami Fort Unit #6. . All Coal offered should be processed or quality controlled as necessary such that it meets the quality specifications set forth in Attachment C.
- 1.2. Proposals are to be submitted to Duke pursuant to the terms and conditions set forth in this Request for Proposal 2011 - #1 ("RFP") document and in accordance with the terms and conditions set forth in the Master Agreement for the Sale and Purchase of Coal included as a part of this RFP.
- 1.3. Seller shall fully complete the attached Duke Energy offer sheet and coal quality data forms which must be signed by an authorized representative of the Seller, also showing their printed name and title. Please also include Seller's current primary contact information including; e-mail address, telephone number and mailing address with your proposal.
- 1.4. All Proposals shall be received by Duke **no later than noon (EDT) on Friday March 11, 2011 and shall remain valid for thirty (30) days**. Proposals that are received after the required submittal date and time will be rejected without evaluation.
- 1.5. **For Central Appalachia coal supply only**. Seller shall clearly identify in its proposal if the Seller can guarantee the coal to be supplied will be produced using 100% Non-Mountaintop Removal mining methods (see Non-MTR Coal definition below). If the Seller cannot guarantee the coal to be supplied will be 100% Non-MTR Coal, Seller shall identify the approximate percentage of coal to be supplied that will be Non-MTR Coal and the approximate percentage of coal that will be Mountaintop Removal Coal (see MTR Coal definition below). If capable, Seller shall offer proposals for coal supply from either non-MTR sources, MTR sources or both. Duke shall have the right to inspect and audit Seller's coal production and facilities to ensure the coal to be delivered to Duke complies with the obligation to deliver Non-MTR Coal.
- 1.6. **Definition of MTR Coal (For Central Appalachia coal only):** the surface mining of coal where the mining operation will remove an entire coal seam or seams running through the upper fraction of a mountain, ridge, or hill by removing all of the overburden with no highwalls remaining.
- 1.7. **Definition of Non-MTR Coal (For Central Appalachia coal only):** coal that can be produced using mining methods that are not described in the MTR Coal definition.
- 1.8. Proposals should be submitted via e-mail to: coal@dukeenergy.com. If Seller is unable to e-mail its proposal, it may be faxed to (704) 382-4568.

Please contact the following individuals for questions pertaining to this RFP:

Duke Energy Kentucky's East Bend and Miami Fort #6 stations:

- Chris Coffman at (704) 382-3788 (Primary)
- Walt Coleman at 704-382-9310 (Secondary)

- 1.9. By replying to this request, Seller warrants that it has sufficient reserves and/or supply sources of steam coal to fulfill the coal quantity(ies) and quality(ies) stated in its proposal(s).
- 1.10. All coal loading information needs to be included in the proposal such as; barge loadout and milepost, railroad to be utilized, rail district, shipping point, tipple, and rail mine number. Loading capabilities/parameters must be clearly specified within proposal(s).
- 1.11. Please be advised that your initial offer will be the basis of Duke's evaluation. Duke does not intend to entertain offers or revisions to initial offers submitted and received after the required submittal date listed above. Based on Duke's initial evaluation of all proposals, it reserves the right to open contract negotiations, which includes, but is not limited to, price, terms and conditions, with the Seller(s) that offers the most advantageous price, terms and conditions, where all cost impacts to Duke are considered.
- 1.12. Proposals will be evaluated on, but not limited to, the following:
 - Suitability of the fuel for Duke Energy Kentucky's Stations
 - Total delivered cost (per million Btu)
 - Total generating cost as evaluated by Duke based on analysis of the coal quality submitted
 - Tonnage offered and volume flexibility of coal shipments
 - Reliability of coal supply and availability of proven reserves with the ability to mine and produce offered amounts, including having mining permits in place to meet the tonnage commitments
 - Fuel quality/specification
 - Supplier's financial strength, stability and creditworthiness
- 1.13. Seller shall clearly identify all of the coal supply producers that it plans to utilize to meet the requirements of this RFP. The enclosed Duke Energy offer sheet and coal quality data forms must be fully completed for each producer proposed. If Seller is proposing coal from multiple producers, the percentage of the total from each producer must be provided. Also, any proposal submitted by Seller on behalf of a producer must include a written statement by the producing company giving the Seller the sole and exclusive right to offer coal on the producer's behalf. Please note that all coal proposed shall come from the sources listed in your proposal.
- 1.14. Duke reserves the right to request additional information pertaining to any proposal at any time after receipt of a proposal.
- 1.15. If Seller's coal has not been extensively utilized/burned by Duke at the plant(s) for which it is being considered, detailed evaluation and a successful test burn may be required prior to final acceptance of any contract resulting from this RFP.
- 1.16. By replying to this proposal, Seller is implying its agreement with the terms of this RFP as well as the terms and conditions set forth in the Master Agreement for the Sale and Purchase of Coal included as a part of this RFP. If Seller has any exceptions to the terms and conditions set forth in

the Master Agreement for the Sale and Purchase of Coal included as a part of this RFP, those exceptions must clearly be identified in Seller's proposal.

- 1.17. Seller shall indicate in its proposal that it presently owns or otherwise controls, whether directly or through and affiliate, the coal reserves identified in an amount sufficient to fulfill the term proposal proposed.
- 1.18. Duke requires that Seller indicate in its proposal the status of mining permits for coal to be supplied to fulfill the term, quantity and quality being proposed.
- 1.19. Duke reserves the right to send a representative(s) to Seller's mines, properties, operating facilities and coal loading points, for the purpose of inspecting Seller's operations (including sampling, weighing and loading systems), coal reserves, mining plans, mining permits, and quality control operations reasonably necessary to ensure Seller has the fuel of the quantity and quality offered prior to any contract award resulting from this RFP.
- 1.20. Duke reserves the right to modify or withdraw this request, to reject any or all proposals and/or to terminate negotiations at any time.
- 1.21. Duke Energy is not liable for any costs incurred by Seller in connection with any response to this RFP.
- 1.22. All proposals and financial information submitted under this RFP will be kept in strict confidence by Duke Energy and shall not be disclosed to any third party, unless required by any regulatory agency or applicable court of law. Seller shall not disclose, nor publicize the details of their invitation to participate in, or their actual participation in this RFP to any third party.
- 1.23. Any final agreement between Duke Energy and the Seller is subject to reviews and approvals from Duke Energy's fuel, plant operations, credit, legal and senior management groups.

2. Financial Information

- 2.1 Seller shall submit within its proposal(s):

(a). Copies of audited or officer certified financial statements for year ending December 31, 2009 and the most recent quarterly financial statements. (If fiscal year is not on a calendar basis, please provide such financial statements that correlate with your most recent designated fiscal year). These statements should include Balance Sheets, Income Statements, Cash Flow Statements or other pertinent financial documentation related to changes in financial reporting methods.

(b). Organizational flow of Parent Company and related subsidiaries.

- 2.2 Duke reserves the right to audit any financial data submitted prior to award of any contract resulting from this RFP to determine if Seller is a creditworthy counterparty.

3. Proposal Term Length(s)

3.1 Seller should submit a proposal(s) in which coal deliveries begin and end under one or more of the following:

Term No. 1: 6 Months: July 1, 2011 through December 31, 2011

Term No. 2: 1 Year: January 1, 2012 through December 31, 2012.

Term No. 3: 2 Years: January 1, 2012 through December 31, 2013.

Term No. 4: 3 Years: January 1, 2012 through December 31, 2014.

Term No. 5: 4 Years: January 1, 2012 through December 31, 2015.

4. QUANTITY:

4.1 The monthly and/or annual quantity offered is at the discretion of Seller. Shipments are expected to be in approximate equal monthly quantities over a calendar year. Duke reserves the right to determine the contract quantity and delivery schedule that is in its best interest.

4.2 Please specify in your proposal if you are offering short tons or metric tons.

5. PRICING:

5.1 The Contract Price(s) quoted shall be in US dollars and be inclusive of any and all costs that Seller shall be responsible for, including but not limited to taxes, fees, insurance requirements, on-site haulage, on-site blending, loading charges fixed per ton F.O.B. railroad car, **F.O.B. Barge (F.O.B Barge shall be inclusive of harbor and/or fleeting service fees)** or F.O.B. truck at the loading point or at the delivery point. Depending upon the term, Duke reserves the right to incorporate a contract price re-opener/renegotiation structure prior to award of any contract resulting from this RFP. Duke will also consider other pricing options or pricing re-openers proposed by Seller, depending upon term offered.

5.2 The price(s) quoted must be quoted in US Dollars and shall include all costs of compliance by Seller with all federal, state or local government taxes, fees, laws, rules regulations and/or other levies which are the responsibility of the Seller.

5.3 Contract Price Adjustments:

A. Duke will apply a pricing adjustment increasing or decreasing the Contract Base Price to compensate for variances in the actual "as received" Btu content from the guaranteed Btu for coal shipped to Duke.

B. Other coal quality pricing adjustments based on coal actual "as received" qualities, such as SO₂ per MMBtu content and ash content will be negotiated.

(See Master Agreement for the Sale and Purchase of Coal as a part of this RFP for more detailed information on price adjustment methodologies). Duke reserves the right to modify any

of the pricing adjustments set forth in the Agreement for the Sale and Purchase of Coal included in this RFP.

6. COAL QUALITY

- 6.1 Duke will evaluate proposal(s) based on actual coal qualities represented within proposal(s) listed on the Duke Energy offer sheet and coal quality data forms. Consequently, Seller should completely fill out both Attachment A and Attachment B as provided (or provide such data in a similar form) and the data should accurately reflect all qualities of coal to be provided to Duke.

Attachment A - (Short Proximate Analysis - Btu, moisture, ash, sulfur, grind, volatile matter, ash fusion temperature, etc.) and

Attachment B - (Proximate Analysis, Ultimate Analysis, Ash Fusion Temperature, Ash Elemental Oxides Analysis, Forms of Sulfur, Miscellaneous Properties including free swelling index, Trace Metals, Halogens, Size Consist).

Seller's coal quality data submitted as a part of this RFP shall be representative of the proposed coal sources and should be analyzed by a certified laboratory, and the analysis of the data should not be older than 6 months. In addition, Duke reserves the right to require Seller to supply up to a thirty pound representative sample to one of its Coal Quality Laboratories for the purposes of analysis by Duke.

**Duke Energy Kentucky
Case No. 2011-00249
Staff First Set Data Requests
Date Received: August 23, 2011**

STAFF-DR-01-020

REQUEST:

List each oral coal supply solicitation issued during the period from November 1, 2010 through April 30, 2011.

- a. For each solicitation, state why the solicitation was not written, the date(s) of the solicitation, the quantities solicited, a general description of the quality of coal solicited, the time period over which deliveries were requested, and the generating unit(s) for which the coal was intended.
- b. For each solicitation, identify all vendors solicited and the vendor selected. Provide the tabulation sheet or other document that ranks the proposals. (This document should identify all vendors who made offers.) State the reasons for each selection.

RESPONSE:

EAST BEND/ MIAMI FORT 6:

- a. No oral solicitations occurred during this period.
- b. No oral solicitations occurred during this period.

PERSON RESPONSIBLE: Elliott Batson, Jr.

Duke Energy Kentucky
Case No. 2011-00249
Staff First Set Data Requests
Date Received: August 23, 2011

STAFF-DR-01-021

REQUEST:

- a. List all intersystem sales during the period under review in which Duke Kentucky used a third party's transmission system.
- b. For each sale listed above:
 - (1) Describe how Duke Kentucky addressed for FAC reporting purposes the cost of fuel expended to cover any line losses incurred to transmit its power across the third party's transmission system; and
 - (2) State the line loss factor used for each transaction and describe how that line loss factor was determined.

RESPONSE:

- a. Duke Energy Kentucky sells 100% of its generation to the Midwest Independent System Operator, Inc. ("MISO"). These sales are made at the generating station; consequently, no third party transmission was used.
- b. Not Applicable

PERSON RESPONSIBLE: Lisa Steinkuhl

**Duke Energy Kentucky
Case No. 2011-00249
Staff First Set Data Requests
Date Received: August 23, 2011**

STAFF-DR-01-022

REQUEST:

Describe each change that Duke Kentucky made to its methodology for calculating intersystem sales line losses during the period under review.

RESPONSE:

Not Applicable. See response to Staff-DR-01-021.

PERSON RESPONSIBLE: Lisa Steinkuhl

STAFF-DR-01-023

REQUEST:

State whether Duke Kentucky has solicited bids for coal with the restriction that it was not mined through strip mining or mountain top removal. If yes, explain the reasons for the restriction on the solicitation, the quantity in tons and price per ton of the coal purchased as a result of this solicitation, and the difference between the price of this coal and the price it could have obtained for the coal if the solicitation had not been restricted.

RESPONSE:

EAST BEND:

The RFP issued in March 2011 requested Central Appalachia bidders to distinguish between coal that was mined by mountain top removal or underground mining methods. For East Bend, all of the coal suppliers evaluated in response to the RFP were either Illinois Basin or NAPP Suppliers, where no MTR suppliers exist. Therefore, the issue of MTR had no impact on fuel procurement decisions for East Bend Steam Station.

MIAMI FORT #6:

The RFP issued in March 2011 requested Central Appalachia bidders to distinguish between coal that was mined by mountain top removal or underground mining methods. For Miami Fort #6, all of the coal suppliers evaluated in response to the RFP were from Central Appalachia or the Illinois Basin. For Miami Fort #6, Regulated Fuels chose the least cost option, and therefore, the question of MTR did not influence which coal was selected for the unit.

PERSON RESPONSIBLE: Elliott Batson, Jr.