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VIA OVERNIGHT DELIVERY

October 9, 2013

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

RECEIVED
OCT 10 2013
PUBLIC SERVICE
COMMISSION

Re: Case No. 2013-265
An Examination of the Application of the Fuel Adjustment Clause of Duke Energy Kentucky, Inc. from November 1, 2012 through April 30, 2013

Dear Mr. Derouen:

Enclosed please find an original and six copies of the Response of Duke Energy Kentucky, Inc. to Commission Staff's First Supplemental Data Request in the above captioned case.

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

Sincerely,

Kristen Ryan
Senior Paralegal
kristen.ryan@duke-energy.com

cc: Dennis G. Howard II. (w/enclosures)

VERIFICATION

STATE OF OHIO)
)
COUNTY OF HAMILTON)

SS:

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PUBLIC SERVICE
COMMISSION

The undersigned, Lisa D. Steinkuhl, Lead Rates Analyst, OH/KY Rate Recovery & Analysis, being duly sworn, deposes and says that she has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of her knowledge, information and belief.

Lisa D Steinkuhl
Lisa D. Steinkuhl, Affiant

Subscribed and sworn to before me by Lisa D. Steinkuhl on this 8th day of October, 2013.

Anita M. Schaffer
NOTARY PUBLIC

My Commission Expires:



ANITA M. SCHAFER
Notary Public, State of Ohio
My Commission Expires
November 4, 2014

VERIFICATION

RECEIVED

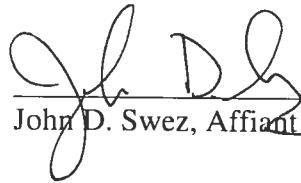
OCT 10 2013

PUBLIC SERVICE
COMMISSION

STATE OF NORTH CAROLINA)
)
COUNTY OF MECKLENBURG)

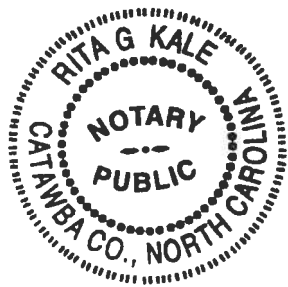
SS:

The undersigned, John D. Swez, Director of General Dispatch & Operations, Power Trading and Dispatch, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.



John D. Swez, Affiant

Subscribed and sworn to before me by John D. Swez on this 8 day of October, 2013.





NOTARY PUBLIC

My Commission Expires: 6/17/2017

REQUEST:

Refer to Duke Kentucky's response to Item 26 of the Commission's August 8, 2013 Information Request.

- a. For each amount shown in column 2 of the table, provide the PJM costs by PJM code and code title that are included in the amount.
- b. Provide a listing of all PJM codes and code titles that Duke Kentucky believes are eligible for inclusion in the fuel adjustment clause calculation and an explanation for why they are includible.

RESPONSE:

- a. The amount in column 2 of the table is the purchased power Duke Energy Kentucky buys from PJM. It is not taken directly off the PJM invoice. It is based on a calculation from the after-the-fact generation model used to economically dispatch on an hourly basis the demand (load) with available supply resources (i.e. generation or purchased power) which are economically stacked. Consequently, the model economically allocates the available supply resource costs for servicing native load such that native load is allocated the lowest cost supply resource.

For every hour, the model stacks the energy market generation awards against the load cleared providing the native customers first call on the lowest cost generation. Within an

hour, if load is greater than the generation, the MWhrs attributable to purchased power are multiplied by the PJM LMP price for that hour. These purchased power costs for each hour are included in the FAC.

If native load for the hour is less than the available generation, the excess generation is considered as a non-native energy sale. The MWhrs attributable to the non-native energy sales are multiplied by the PJM LMP price for that hour. These sales for each hour are included in the Profit Sharing Mechanism (PSM) and shared with the ratepayer.

Based on the calculation, the PJM costs which correlate to this process are

1200 – Day-ahead Sport Market Energy - Day-ahead energy market net hourly PJM Interchange MWh are calculated for cleared day-ahead generation and increment offers, demand, decrement and load response bids and day-ahead energy transactions.

1205 – Balancing Sport Market Energy - Real-time energy market net hourly PJM Interchange MWh are calculated for cleared real-time energy transactions, load (without losses), generation, and metered tie flows, as applicable.

1210 – Day-ahead Transmission Congestion - The increased energy costs due to redispatch in the day-ahead market during hours when PJM transmission system is constrained are assessed to mark participants based on the congestion price component of LMPs.

1215 – Balancing Transmission Congestion - The increased energy costs due to redispatch in the balancing market during hours when PJM transmission system is constrained are assessed to mark participants based on the congestion price component of LMPs.

1220 – Day-ahead Transmission Losses - The increased costs of energy due to transmission losses in the day-ahead market represented in the PJM network model are assessed to market participants based on the loss component of LMPs.

1225 – Balancing Transmission Losses - The increased costs of energy due to transmission losses in the balancing market represented in the PJM network model are assessed to market participants based on the loss component of LMPs.

- b. The only PJM costs/credits taken directly from the invoice and included in the fuel adjustment clause calculation are the native portion of 2370 - Day-Ahead Operating Reserve Credit and 2375 - Balancing Operating Reserve Credit. Pool-scheduled generation and demand resources that operate as requested by PJM are guaranteed to fully recover their daily offer amounts. The credits are the portion of the company's offer amounts in excess of their scheduled MWh times LMP. They are being credited to fuel costs because of the nexus between receiving the payment from PJM and incurring fuel costs to run the plants.

PERSON RESPONSIBLE: Lisa Steinkuhl / John Swez