

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION OF THE APPLICATION OF )  
THE FUEL ADJUSTMENT CLAUSE OF ) CASE NO. 2014-00227  
KENTUCKY UTILITIES COMPANY FROM )  
NOVEMBER 1, 2013 THROUGH APRIL 30, 2014 )

NOTICE OF FILING

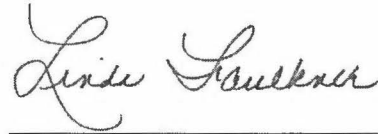
Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on November 12, 2014 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on November 12, 2014 in this proceeding;
- A written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on November 12, 2014.

A copy of this Notice, the certification of the digital video record, hearing log, and exhibits have been electronically served upon all persons listed at the end of this Notice. Parties desiring an electronic copy of the digital video recording of the hearing in Windows Media format may download a copy at: [http://psc.ky.gov/av\\_broadcast/2014-00226-thru-00249/2014-00226-thru-00249\\_12Nov14\\_Inter.aspx](http://psc.ky.gov/av_broadcast/2014-00226-thru-00249/2014-00226-thru-00249_12Nov14_Inter.aspx). Parties wishing an

annotated digital video recording may submit a written request by electronic mail to [pscfilings@ky.gov](mailto:pscfilings@ky.gov). A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 26<sup>th</sup> day of November 2014.

A handwritten signature in cursive script that reads "Linda Faulkner".

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Linda Faulkner  
Director, Filings Division  
Public Service Commission of Kentucky

Robert Conroy  
LG&E and KU Energy LLC  
220 West Main Street  
Louisville, KENTUCKY 40202

Rick E Lovekamp  
Manager - Regulatory Affairs  
LG&E and KU Energy LLC  
220 West Main Street  
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LG&E and KU Energy LLC  
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Honorable Allyson K Sturgeon  
Senior Corporate Attorney  
LG&E and KU Energy LLC  
220 West Main Street  
Louisville, KENTUCKY 40202

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION OF THE APPLICATION OF THE )  
FUEL ADJUSTMENT CLAUSE OF KENTUCKY ) CASE NO. 2014-00227  
UTILITIES COMPANY FROM NOVEMBER 1, 2013 )  
THROUGH APRIL 30, 2014 )

AN EXAMINATION OF THE APPLICATION OF THE )  
FUEL ADJUSTMENT CLAUSE OF LOUISVILLE GAS & ) CASE NO. 2014-00228  
ELECTRIC COMPANY FROM NOVEMBER 1, 2013 )  
THROUGH APRIL 30, 2014 )

CERTIFICATE

I, Sonya Harward, hereby certify that:

1. The attached DVD contains a digital recording of the Hearing conducted in the above-styled proceedings on November 12, 2014. Hearing Log, Exhibits, Exhibit List, and Witness List are included with the recording on November 12, 2014.

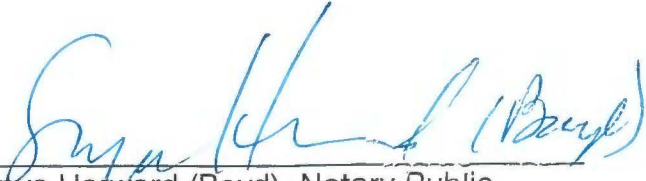
2. I am responsible for the preparation of the digital recording.

3. The digital recording accurately and correctly depicts the Hearing of November 12, 2014.

4. The "Exhibit List" attached to this Certificate correctly lists all Exhibits introduced at the Hearing of November 12, 2014.

5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the Hearing of November 12, 2014 and the time at which each occurred.

Given this 19<sup>th</sup> day of November, 2014.

  
\_\_\_\_\_  
Sonya Harward (Boyd), Notary Public  
State at Large  
My commission expires: August 27, 2017



# Session Report - Detail

2014-00226-2014-00230\_12NOV2014

FAC Cases

Date:	Type:	Location:	Department:
11/12/2014	Fuel Adjustment Clause	Public Service Commission	Hearing Room 1 (HR 1)

Judge: David Armstrong; Linda Breathitt; Jim Gardner  
 Witness: Lindsay Baron - Big Rivers; Lawrence Baronowsky - Big Rivers; Scott Burnside - Duke Kentucky; Michelle Carpenter - EKPC; Nicholas Castlen - Big Rivers; Robert Conroy - KU/LG&E; Mike Dotson - KU/LG&E; Robin Hayes - EKPC; Mark Horn - EKPC; Craig Johnson - EKPC; Mark McAdams - Big Rivers; Wayne O'Bryan - Big Rivers; Brett Phipps - Duke Kentucky; Eileen Saunders - KU/LG&E; Charles Schram - KU/LG&E; Isaac Scott - EKPC; Lisa Steinkuhl - Duke Kentucky; John Swez - Duke Kentucky; Julia Tucker - EKPC; Patrick Woods - EKPC  
 Clerk: Sonya Harward

Event Time	Log Event
9:42:27 AM	Session Started
9:42:31 AM	Session Paused
10:03:21 AM	Session Resumed
10:03:23 AM	2014-00226-EAST KENTUCKY POWER COOPERATIVE
10:04:18 AM	Vice Chairman James Gardner - Preliminary Remarks Note: Harward, Sonya Introduces Commissioner Linda Breathitt (Chairman David Armstrong will join hearing later.)
10:04:35 AM	Atty. David Samford for EKPC
10:04:47 AM	Atty. Jeffrey Scott for Grayson (Intervenor)
10:04:56 AM	Attys. Jeb Pinney and Quang Nguyen, and Staff Chris Whelan, Leah Faulkner, and Matthew Baer for PSC
10:05:08 AM	Public Notice filed on Nov. 6, 2014
10:05:18 AM	Public Comments Note: Harward, Sonya No comments given.
10:05:28 AM	Outstanding Motion Concerning Confidentiality Note: Harward, Sonya Taken under advisement.
10:05:58 AM	Introduction of Witnesses for EKPC Note: Harward, Sonya Mark Horn, Patrick Woods, Robin Hayes, Michelle Carpenter, Craig Johnson, Julia Tucker, Isaac Scott
10:07:05 AM	Witnesses Sworn in as a Panel
10:07:18 AM	Atty. Samford Direct Exam of EKPC's Panel of Witnesses Note: Harward, Sonya Confirm that testimonies are still accurate and have no changes.
10:09:34 AM	Atty. Scott Cross Exam of EKPC Panel of Witnesses
10:09:40 AM	Atty. Scott to Witness Scott Note: Harward, Sonya Asking about codes used in the mechanism for calculating the FAC.
10:11:38 AM	Atty. Scott to Witness Scott Note: Harward, Sonya Referencing response to Intervenor's Request, Item 7.
10:14:27 AM	Atty. Scott to Witness Scott Note: Harward, Sonya Asking about meeting held with Commission Staff in Feb. 2014 concerning FAC.
10:14:49 AM	Atty. Samford - Objection Note: Harward, Sonya Asking for clarification.
10:15:48 AM	Witness Scott Note: Harward, Sonya Corrected his previous response about attendance at meeting in Feb. 2014.
10:16:10 AM	Atty. Scott to Witness Scott Note: Harward, Sonya Asking about attendance at a meeting on Feb. 17, 2014 with Commission Staff.

10:17:49 AM	Atty. Scott to Witness Carpenter Note: Harward, Sonya	Asking about modifications made when EKPC periodically re-visits the codes of PJM in calculating the FAC.
10:20:19 AM	Atty. Scott to Witness Carpenter Note: Harward, Sonya	Asking how inclusion of codes fits within actual regulations.
10:21:23 AM	Witness Tucker Note: Harward, Sonya	Adds to response.
10:21:50 AM	Atty. Scott to Witness Tucker Note: Harward, Sonya	Referencing response to Staff's Initial Request, Item 26.b.
10:24:41 AM	Atty. Scott to Witness Tucker Note: Harward, Sonya	Asking about difference in codes applied in Jan. and Mar.
10:27:38 AM	Atty. Scott to Witness Tucker Note: Harward, Sonya	Asking about regulation enforcement.
10:27:55 AM	Atty. Samford - Objection Note: Harward, Sonya	Counsel is assuming it is inconsistent with the regulation.
10:28:04 AM	Atty. Scott - Re-stated Question	
10:29:48 AM	Atty. Scott to Witness Tucker Note: Harward, Sonya	Asking about EKPC seeking a different methodology than was previously used.
10:30:59 AM	Atty. Samford - Objection Note: Harward, Sonya	Margins are not part of FAC calculation.
10:31:27 AM	Atty. Scott - Response to Objection	
10:31:48 AM	Atty. Scott to Witness Tucker Note: Harward, Sonya	Asking about the margins for Jan. being \$19 million.
10:33:11 AM	Atty. Scott to Witness Johnson Note: Harward, Sonya	Referencing response about Dale Plant and its winterization.
10:34:33 AM	Witness Tucker Note: Harward, Sonya	Responds to question about Dale Plant.
10:36:36 AM	Atty. Scott to Witness Tucker Note: Harward, Sonya	Asking about decisions made concerning PJM contracts.
10:37:36 AM	Atty. Scott to Witness Johnson Note: Harward, Sonya	Asking about 5-day start up.
10:38:19 AM	Atty. Scott to EKPC Note: Harward, Sonya	Feb. 18 Letter from EKPC to the Commission, page 3, that references purchases through PJM being "in addition to" and not "a substitution for" the generation from all of EKPC's available generation.
10:39:06 AM	Atty. Samford Note: Harward, Sonya	Asks for copy of letter being discussed.
10:40:19 AM	Atty. Pinney Note: Harward, Sonya	Asking if Letter is in the record of this case.
10:40:57 AM	Witness Scott Note: Harward, Sonya	Reads from the letter.
10:42:56 AM	Atty. Scott to Witness Tucker Note: Harward, Sonya	Continuing to question about the "substitution" versus 'addition' to the generation.
10:45:11 AM	Atty. Scott to Witness Tucker Note: Harward, Sonya	Asking about all purchases being economy purchases now that EKPC is member of PJM.
10:47:25 AM	Atty. Pinney Cross Exam of EKPC Panel of Witnesses	
10:47:27 AM	Atty. Pinney to Witness Horn Note: Harward, Sonya	Asking about general state of the coal market.

10:47:48 AM	Atty. Pinney to Witness Horn Note: Harward, Sonya	Referencing response to Staff's Initial Request, Item 4, page 2 of 2, regarding capacity factor of Cooper Station. And referencing Item 7, pages 4-5.
10:48:48 AM	Atty. Pinney to Witness Tucker Note: Harward, Sonya	Asking if PJM prices were higher in Jan. due to the polar vortex.
10:49:40 AM	Atty. Pinney to Witness Johnson Note: Harward, Sonya	Referencing response to Staff's Initial Request, Item 7, pages 2-3, regarding no outage report for units 1-2.
10:50:41 AM	Atty. Pinney to Witness Johnson Note: Harward, Sonya	Referencing response to Staff's Initial Request, Item 7, page 6, regarding outage for Spurlock.
10:52:28 AM	Atty. Pinney to Witness Johnson Note: Harward, Sonya	Referencing response to Staff's Initial Request, Item 7, page 10, regarding Smith Unit 1 outages during review period related to Knox emmissions.
10:53:53 AM	Atty. Pinney to Witness Johnson Note: Harward, Sonya	Referencing response to Staff's Initial Request, Item 7, page 16, regarding Smith Unit 7 and the pre-mix steady state issue.
10:55:06 AM	Atty. Pinney to Witness Johnson Note: Harward, Sonya	Referencing response to Staff's Initial Request, Item 7, pages 16-18, regarding Smith Units 7, 9, and 10 outages and the cause for low-gas pressure and why other units weren't effected.
10:56:46 AM	POST HEARING DATA REQUEST per Atty. Pinney Note: Harward, Sonya	Provide cause for low-gas pressure and why other Smith Units were not effected.
10:57:01 AM	Atty. Pinney to Witness Johnson Note: Harward, Sonya	Referencing response to Staff's Initial Request, Item 7, page 19, regarding engine shut down being a fuel issue.
10:58:24 AM	Atty. Pinney to Witness Horn Note: Harward, Sonya	Referencing response to Staff's Initial Request, Item 8, page 2, regarding contracts.
10:58:55 AM	Atty. Pinney to Witness Horn Note: Harward, Sonya	Referencing response to Staff's Initial Request, Item 11, page 1, inventory of 8 days.
10:59:44 AM	Atty. Pinney to Witness Horn Note: Harward, Sonya	Referencing response to Staff's Initial Request, Item 14, page 3, regarding deadline for claims objection.
11:00:10 AM	POST HEARING DATA REQUEST per Vice Chairman Gardner Note: Harward, Sonya	Provide and update on the Oct. 3, 2014 deadline for claims objection.
11:00:51 AM	Atty. Pinney to Witness Horn Note: Harward, Sonya	Referencing response to Staff's Initial Request, Item 15, regarding Fuel and Lime Procurement Manual.
11:01:17 AM	POST HEARING DATA REQUEST per Atty. Pinney Note: Harward, Sonya	Provide an updated Fuel and Lime Procurement Manual with tracked changes.
11:01:34 AM	Atty. Pinney to Witness Tucker Note: Harward, Sonya	Referencing response to Staff's 2nd Request, Item 1.a., regading Dale Station.
11:02:27 AM	POST HEARING DATA REQUEST per Atty. Pinney Note: Harward, Sonya	Provide the adjustment period, from what and to what.
11:02:39 AM	Atty. Pinney to Witness Tucker Note: Harward, Sonya	Referencing response to Staff's 2nd Request, Item 5.b., regarding use of highest cost unit methodology through Dec. 2013.



11:04:08 AM	Witness Carpenter Note: Harward, Sonya	Adds to response regarding use of highest cost unit methodology from June - Dec. 2013.
11:04:43 AM	Atty. Pinney to Witness Tucker Note: Harward, Sonya	Referencing response to Staff's 2nd Request, Item 5.b., page 3, regarding \$8.5M figure.
11:08:44 AM	Atty. Samford - Clarifying Question to Atty. Pinney	
11:08:56 AM	Atty. Pinney Clarifies Note: Harward, Sonya	Asking about non-economic energy costs.
11:09:26 AM	Atty. Pinney to Witness Tucker Note: Harward, Sonya	Referencing Staff's 2nd Request, Item 2, regarding language in the request, not the response.
11:12:08 AM	Atty. Samford Note: Harward, Sonya	Asking if question could be addressed in a brief.
11:12:36 AM	Atty. Samford Note: Harward, Sonya	Clarifying about non-economy energy costs in question.
11:13:47 AM	Atty. Pinney to Witness Tucker Note: Harward, Sonya	Referencing response to Staff's 2nd Request, Items 7.a. and 7.b., regarding PJM codes.
11:15:42 AM	Witness Carpenter Note: Harward, Sonya	Adds to response about costs in PJM codes.
11:16:51 AM	Atty. Pinney to Witness Tucker Note: Harward, Sonya	Referencing response to Staff's 2nd Request, Item 8.a., page 2, regarding replacement energy during outages.
11:19:37 AM	POST HEARING DATA REQUEST per Atty. Pinney Note: Harward, Sonya	Would the period in which the fuel cost is disallowed make a difference to EKCP?
11:19:48 AM	Atty. Pinney to Witness Carpenter Note: Harward, Sonya	If a disallowance is needed, what is the latest date in 2015 that EKPC can close its 2014 books.
11:20:30 AM	Atty. Pinney to Witness Carpenter Note: Harward, Sonya	Asking about EKPC running entire cost of power purchases through its FAC or is it limiting the purchases to its highest cost units.
11:21:14 AM	Atty. Scott - Clarification of Response	
11:22:07 AM	Atty. Scott Re-Cross Exam of EKPC Note: Harward, Sonya	Asking how EKPC does an application for base rates.
11:22:38 AM	Atty. Samford - Objection Note: Harward, Sonya	Preparing base-rate application is not relevant to this proceeding.
11:23:00 AM	Witness Scott Note: Harward, Sonya	Answers about base-rate application.
11:23:39 AM	Responses to Post Hearing Requests due in 2 weeks	
11:23:55 AM	Simultaneous Briefs due in 4 weeks.	
11:25:01 AM	Hearing Adjourned	
11:25:04 AM	Session Paused	
11:26:06 AM	Session Resumed	
11:26:08 AM	2014-00227 - KENTUCKY UTILITIES COMPANY, AND 2014-00228 - LOUISVILLE GAS AND ELECTRIC COMPANY	
11:26:20 AM	Atty. Allyson Sturgeon for KU/LG&E	
11:26:32 AM	Attys. Jeb Pinney and Quang Nguyen, and Staff Chris Whelan, Leah Faulkner, and Matthew Baer for PSC	
11:26:47 AM	Public notice filed Nov7	
11:26:58 AM	No Outstanding Motions	
11:27:00 AM	Public Comment Note: Harward, Sonya	No comments given.
11:27:18 AM	Chairman Armstrong joins the proceedings.	



11:27:25 AM Introduction of Witnesses for KU and LG&E  
Note: Harward, Sonya Mike Dotson, Robert Conroy, Eileen Saunders, Charles Schram

11:28:00 AM Witnesses Sworn in as a Panel

11:28:12 AM Atty. Sturgeon Direct Exam of KU/LG&E's Panel of Witnesses  
Note: Harward, Sonya Confirm that testimonies are still accurate and have no changes.

11:29:18 AM Atty. Pinney Cross Exam of KU/LG&E's Panel of Witnesses

11:29:30 AM Atty. Pinney to Witness Dotson  
Note: Harward, Sonya Asking about the general state of the coal market.

11:29:47 AM Atty. Pinney to Witness Conroy  
Note: Harward, Sonya Referencing response to Staff's 1st Request, Item 2, regarding master agreements.

11:30:38 AM Atty. Pinney to Witness Saunders  
Note: Harward, Sonya Referencing response to Staff's 1st Request, Item 7, regarding Trimble Co. Unit 2's burner replacement

11:32:14 AM Atty. Pinney to Witness Conroy  
Note: Harward, Sonya Asking who bore the cost to replace the burners.

11:32:37 AM Atty. Pinney to Witness Saunders  
Note: Harward, Sonya Referencing response to Staff's 1st Request, Item 7, regarding items labeled Starting System.

11:33:54 AM Atty. Pinney to Witness Dotson  
Note: Harward, Sonya Referencing response to Staff's 1st Request, Item 8, regarding mode of transportation used for delivery.

11:34:24 AM Atty. Pinney to Witness Dotson  
Note: Harward, Sonya Referencing response to Staff's 1st Request, Item 8, regarding annual requirement of 81 percent.

11:34:44 AM Atty. Pinney to Witness Dotson  
Note: Harward, Sonya Referencing response to Staff's 1st Request, Item 8, regarding status of contract.

11:36:00 AM Atty. Pinney to Witness Dotson  
Note: Harward, Sonya Referencing response to Staff's 1st Request, Item 8, last page, regarding status of contract.

11:36:46 AM Atty. Pinney to Witness Dotson  
Note: Harward, Sonya Referencing response to Staff's 1st Request, Item 19, regarding high sulfur spot coal.

11:38:48 AM POST HEARING DATA REQUEST per Atty. Pinney  
Note: Harward, Sonya Provide the reason that American Coal offered more than was purchased on spot.

11:39:08 AM 2014-00227-KENTUCKY UTILITIES COMPANY ONLY

11:39:10 AM Atty. Pinney to Witness Conroy  
Note: Harward, Sonya Referencing response to Staff's 1st Request, Item 6, regarding decline in number of sales.

11:39:51 AM POST HEARING DATA REQUEST per Atty. Pinney  
Note: Harward, Sonya Provide reason for decline in sales.

11:40:01 AM Atty. Pinney to Witness Saunders  
Note: Harward, Sonya Referencing response to Staff's 1st Request, Item 7, page 3, regarding Brown Unit being brought back online.

11:40:56 AM POST HEARING DATA REQUEST per Atty. Pinney  
Note: Harward, Sonya Provide date when was Brown Unit brought back online.

11:41:06 AM Atty. Pinney to Witness Saunders  
Note: Harward, Sonya Referencing response to Staff's 1st Request, Item 7, page 6, regarding outages due to induced draft fans.

11:43:31 AM Atty. Pinney to Witness Saunders  
Note: Harward, Sonya Referencing response to Staff's 1st Request, Item 7, page 9, regarding Green River Unit being out of service.

11:44:28 AM Atty. Pinney to Witness Dotson  
Note: Harward, Sonya Referencing response to Staff's 1st Request, Item 19, regarding vendors receiving bids.

11:48:17 AM 2014-00228-LOUISVILLE GAS AND ELECTRIC COMPANY ONLY

11:48:32 AM Atty. Pinney to Witness Saunders  
Note: Harward, Sonya Referencing response to Staff's 1st Request, Item 7, page 8, regarding Mill Creek 2 outage.

11:49:24 AM Atty. Pinney to Witness Dotson  
Note: Harward, Sonya Referencing response to Staff's 1st Request, Item 8, pages 19-20, regarding contracts.

11:50:29 AM 2014-00227 and 2014-00228 - KU AND LG&E JOINTLY

11:50:35 AM Atty. Pinney to Witness Conroy  
Note: Harward, Sonya Asking about knowledge of Case No. 2014-00225, regarding no-load costs and response of Witness Pearce.

11:51:59 AM PSC - Exhibit 1  
Note: Harward, Sonya Excerpt from Pearce Response in Case No. 2014-00225, pages 17 and 18.

11:53:24 AM Atty. Pinney to Witness Conroy  
Note: Harward, Sonya Asking if it is correct that KU and LG&E do not allocate 100 percent of no-load costs to native-load customers.

11:57:11 AM Atty. Pinney to Witness Conroy  
Note: Harward, Sonya Continuing to question about no-load costs being allocated to native-load customers.

11:58:47 AM Commissioner Breathitt - Clarifying Question

11:59:43 AM Commissioner Breathitt Cross Exam of KU/LG&E - Witness Saunders  
Note: Harward, Sonya Asking about burner replacement for Trimble 2, regarding age of burners that needed to be replaced.

12:02:13 PM Vice Chairman Gardner Cross Exam of KU/LG&E - Witness Conroy  
Note: Harward, Sonya Asking about off-system sales including cost to put unit online.

12:03:54 PM Atty. Nguyen Re-Cross Exam of KU/LG&E - Witness Conroy  
Note: Harward, Sonya Asking about "no-load cost" being the same as "the cost to maintain a unit."

12:04:30 PM Atty. Sturgeon - Clarification  
Note: Harward, Sonya KU/LG&E do not use the term "no-load."

12:05:49 PM Atty. Nguyen to Witness Conroy  
Note: Harward, Sonya Asking about additional costs.

12:06:50 PM Responses to Post Hearing Requests due in 2 weeks.

12:07:06 PM Hearing Adjourned

12:07:10 PM Session Paused

12:18:22 PM Session Resumed

12:18:27 PM 2014-00229 - DUKE ENERGY KENTUCKY

12:18:34 PM Atty. Rocco D'Ascenzo for Duke Kentucky

12:18:45 PM Attys. Jeb Pinney and Quang Nguyen, and Staff Chris Whelan, Leah Faulkner, and Matthew Baer for PSC

12:18:58 PM Public Notice filed on Oct. 31

12:19:10 PM Public Comment  
Note: Harward, Sonya No comments given.

12:19:22 PM Outstanding Motion - confidential treatment pending

12:19:43 PM Introduction of Witnesses for Duke Energy Kentucky  
Note: Harward, Sonya Brett Phipps, John Swez, Scott Burnside, Lisa Steinkuhl

12:20:27 PM Witness Sworn in as a Panel

12:20:39 PM Atty. D'Ascenzo Direct Exam of Duke Kentucky's Panel of Witnesses

12:21:09 PM Atty. Swez - Change to Testimony  
Note: Harward, Sonya Change to response to Staff's 2nd Request, Item 1, page 3, inserted some language to clarify the responses.

12:23:36 PM	Atty. Pinney Cross Exam of Duke Kentucky - Witness Phipps Note: Harward, Sonya	Asking about the general state of the coal market.
12:24:00 PM	Atty. Pinney to Witness Phipps Note: Harward, Sonya	Referencing response to Staff's 1st Request, Item 1, regarding percentage of coal purchased.
12:25:02 PM	Atty. Pinney to Witness Phipps Note: Harward, Sonya	Referencing response to Staff's 1st Request, Item 2.
12:26:07 PM	Atty. Pinney to Witness Steinkuhl Note: Harward, Sonya	Referencing response to Staff's 1st Request, Item 6, regarding billing summary of sales.
12:26:49 PM	Atty. Pinney to Witnesses Steinkuhl and Swez Note: Harward, Sonya	Asking if there is a way to track energy after sold to PJM.
12:27:05 PM	Atty. Pinney to Witness Phipps Note: Harward, Sonya	Referencing response to Staff's 1st Request, Item 8, Attachment A.
12:28:47 PM	Atty. Pinney to Witness Phipps Note: Harward, Sonya	Referencing response to Staff's 1st Request, Item 19.b., regarding negotiations.
12:29:12 PM	POST HEARING DATA REQUEST per Atty. Pinney Note: Harward, Sonya	Provide the bidders that were selected.
12:29:37 PM	Atty. Pinney to Witness Phipps Note: Harward, Sonya	Referencing response to Staff's 1st Request, Item 20.b., regarding how the bids did meet the fuel requirements of East Bend.
12:30:32 PM	Atty. Pinney to Witness Swez Note: Harward, Sonya	Referencing response to Staff's 4th Request, Item 1.a., regarding purchase power.
12:31:33 PM	Atty. Pinney Note: Harward, Sonya	Reading from CN 2000-00496-B.
12:34:06 PM	Atty. Pinney to Witness Swez Note: Harward, Sonya	Asking if Duke is requesting that the Commission issue an order expanding the definition of economy purchases.
12:34:46 PM	Atty. Pinney to Witness Swez Note: Harward, Sonya	Referencing response to Staff's 4th Request, Item 1.b., at the bottom of the page, regarding economy purchases.
12:37:25 PM	Atty. Pinney to Witness Steinkuhl Note: Harward, Sonya	Asking about unrecovered costs.
12:38:10 PM	Atty. Pinney to Witness Swez Note: Harward, Sonya	Asking about utility incentives to keep unit outages to a minimum.
12:39:12 PM	Atty. Pinney to Witness Swez Note: Harward, Sonya	Referencing response to Staff's 4th Request, Item 1.c., regarding purchases made outside PJM's security constraint economic dispatch market.
12:39:57 PM	Atty. Pinney to Witness Burnside Note: Harward, Sonya	Referencing response to Staff's 3rd and 4th Requests, Item 2.c., regarding calculations of amounts.
12:41:04 PM	POST HEARING DATA REQUEST per Atty. Pinney Note: Harward, Sonya	Provide supporting calculations for the two amounts in response to Staff's 3rd and 4th Requests, Item 1.c.
12:41:16 PM	Atty. Pinney to Witness Swez Note: Harward, Sonya	Asking if Duke believes that neither amount should be disallowed for recovery through the FACs.
12:41:57 PM	Atty. Pinney to Witness Burnside Note: Harward, Sonya	If the Commission feels that one amount should be disallowed, which is the most appropriate to be disallowed.

12:42:20 PM	Atty. Pinney to Witness Steinkuhl Note: Harward, Sonya	Asking what Duke does when it must purchase power to meet its load -- does it run the entire amount through its FAC or does it limit its purchases to the highest cost unit.
12:42:58 PM	Atty. Pinney to Witness Burnside Note: Harward, Sonya	Asking about no-load costs being allocated in both off-system sales and native-load customers, or just native-load customers.
12:43:57 PM	Atty. D'Ascenzo Re-Direct Exam of Duke Kentucky	
12:44:16 PM	Atty. D'Ascenzo to Witness Swez Note: Harward, Sonya	Asking if Duke Kentucky sells its energy into PJM.
12:44:53 PM	Atty. D'Ascenzo to Witness Swez Note: Harward, Sonya	Asking Witness to explain how the company's generation is allocated to native-load customers.
12:46:19 PM	Responses to Post Hearing Requests due in 2 weeks.	
12:46:31 PM	Atty. D'Ascnezo Note: Harward, Sonya	Brief necessary?
12:47:00 PM	Brief due in 4 weeks	
12:47:17 PM	Hearing Adjourned	
12:47:21 PM	Session Paused	
12:48:11 PM	Session Resumed	
12:48:15 PM	Camera Lock Deactivated	
12:48:18 PM	2014-00230-BIG RIVERS ELECTRIC COMPANY	
12:48:24 PM	Atty. Tyson Kamuf for Big Rivers	
12:48:33 PM	Attys. Mike Kurtz, Kurt Boehm, and Jody Cohn for Kentucky Industrial Utility Customers	
12:48:42 PM	Attys. Jeb Pinney and Quang Nguyen, and Staff Chris Whelan, Leah Faulkner, and Matthew Baer for PSC	
12:49:00 PM	No Outstanding Motions	
12:49:09 PM	Public Notice - Owensboro failed to run on time	
12:49:44 PM	Big Rivers Must File Deviation Motion Regarding Late Public Notice within 7 days	
12:50:07 PM	Public Comments Note: Harward, Sonya	No comments given.
12:50:20 PM	Introduction of Witnesses for Big Rivers Electric Company Note: Harward, Sonya	Mark McAdams, Lindsey Baron, Lawrence Baronowsky, Wayne O'Bryan, Nicholas Castlen
12:51:12 PM	Witnesses Sworn in as a Panel	
12:51:16 PM	Camera Lock Camera 8 Activated	
12:51:19 PM	Camera Lock Deactivated	
12:51:24 PM	Atty. Kamuf Direct Exam of Big Rivers' Panel of Witnesses Note: Harward, Sonya	Confirm that testimonies are still accurate and have no changes.
12:52:27 PM	Atty. Kurtz Cross Exam of Big Rivers' Panel of Witnesses	
12:52:37 PM	Atty. Kurtz to Witness Castlen Note: Harward, Sonya	Referencing response to KIUC's Request, Item 8.
12:52:58 PM	KIUC - Exhibit 1 Note: Harward, Sonya	Response to KIUC Initial Request, Item 8 (3 pages).
12:56:28 PM	Atty. Kurtz to Witness Baron Note: Harward, Sonya	Referencing response to Staff's 3rd Request, Item 1.
1:00:49 PM	Atty. Kurtz to Witness Baron Note: Harward, Sonya	Referencing response to Staff's 3rd Request, Item 1, page 4 of 6, line 18.
1:04:13 PM	Atty. Kurtz to Witness Baron Note: Harward, Sonya	Referencing CN 2013-00199 that Witness referenced in response.
1:05:16 PM	KIUC - Exhibit 2 Note: Harward, Sonya	Financial and Operating Report Electric Power Supply, Cover Letter to RUS dated May 19, 2014

1:05:40 PM	Atty. Kamuf - Objection Note: Harward, Sonya	Unsure of what this Exhibit has to do with the FAC case.
1:05:59 PM	Atty. Kurtz to Witness Baron Note: Harward, Sonya	Asking about Exhibit being the Financial and Operating Report.
1:07:16 PM	Witness Castlen Note: Harward, Sonya	Responds to question asked of Witness Baron.
1:08:07 PM	Atty. Kurtz to Witness Baron Note: Harward, Sonya	Referencing response to Staff's 3rd Request, Item 1.c.
1:10:54 PM	Atty. Kurtz to Witness Baron Note: Harward, Sonya	Referencing KIUC - Exhibit 2, for April.
1:12:15 PM	KIUC - Exhibit 3 Note: Harward, Sonya	3 pages of calculations
1:12:43 PM	Atty. Kurtz to Witness Baron Note: Harward, Sonya	Referencing KIUC - Exhibit 3.
1:13:47 PM	Witness Castlen Note: Harward, Sonya	Responds to question by Atty. Kurtz concerning allocation method.
1:16:20 PM	Atty. Pinney Cross Exam of Big Rivers' Panel of Witnesses	
1:16:29 PM	Atty. Pinney to Witness McAdams Note: Harward, Sonya	Referencing response to Staff's 1st Request, Item 1, regarding spot and contract purchases.
1:17:49 PM	Atty. Pinney to Witness Baron Note: Harward, Sonya	Referencing response to Staff's 1st Request, Item 4, page 2, regarding capacity factor for Reid Station.
1:18:23 PM	Atty. Pinney to Witness Baronowsky Note: Harward, Sonya	Asking how long Reid Station will be out of service to complete the conversion.
1:18:40 PM	Atty. Pinney to Witness O'Bryan Note: Harward, Sonya	Referencing response to Staff's 1st Request, Item 5, page 1, regarding the right to refuse.
1:19:21 PM	Atty. Pinney to Witness McAdams Note: Harward, Sonya	Referencing response to Staff's 1st Request, Item 11, page 2, regarding inventory.
1:20:23 PM	Atty. Pinney to Witness Baron Note: Harward, Sonya	Asking if there is an official idle date for Wilson.
1:21:11 PM	Atty. Pinney to Witness McAdams Note: Harward, Sonya	Asking how Big Rivers calculates amount of inventory it needs for Wilson.
1:21:43 PM	Atty. Pinney to Witness McAdams Note: Harward, Sonya	Asking about target ranges for Wilson.
1:22:33 PM	Atty. Pinney to Witness McAdams Note: Harward, Sonya	Referencing response to Staff's 1st Request, Item 11, page 4, footnote 6, regarding supply of inventory being moved to Green Station.
1:23:12 PM	Atty. Pinney to Witness Baron Note: Harward, Sonya	Referencing response to Staff's 3rd Request, Item 1, page 4, regarding Wison being first in the dispatch order.
1:25:45 PM	Atty. Pinney to Witness Baron Note: Harward, Sonya	Referencing response to Staff's 3rd Request, Item 1.b., regarding fuel cost allocations.
1:28:05 PM	Commissioner Breathitt Cross Exam of Big Rivers' Panel of Witnesses	
1:28:18 PM	Commissioner Breathitt to Witness Baronowsky Note: Harward, Sonya	Asking about Reid Station being out for 6 weeks.
1:30:14 PM	Vice Chairman Gardner Cross Exam of Big Rivers' Panel of Witnesses	

1:30:16 PM	Vice Chairman Gardner to Witness Baron Note: Harward, Sonya	Asking about use of "no-load" and "start up" costs as being the same.
1:32:00 PM	Witness O'Bryan Note: Harward, Sonya	Adds to response about no-load costs.
1:33:00 PM	Vice Chairman Gardner to Witness O'Bryan Note: Harward, Sonya	Asking if Witness knows what the no-load costs are.
1:34:11 PM	Vice Chairman Gardner to Witness Baron Note: Harward, Sonya	Asking about calculation of net off-system sales in past rate cases.
1:35:48 PM	Commissioner Breathitt to Witness Baron Note: Harward, Sonya	Asking about sales made from Wilson going through MISO; and how much notice MISO needs before idling a unit.
1:36:53 PM	Commissioner Breathitt to Witness Baron Note: Harward, Sonya	Asking about billing codes that MISO uses.
1:37:40 PM	Atty. Kurtz - Provides Location of Information for Vice Chairman Gardner Note: Harward, Sonya	2013-00199 Order, regarding off-system sales, pages 12 and 13.
1:38:28 PM	Atty. Kamuf - Briefs Note: Harward, Sonya	If so, due within 28 days and let KIUC know if one will be submitted.
1:39:38 PM	Hearing Adjourned	
1:39:40 PM	Session Paused	
2:38:14 PM	Session Ended	



## Exhibit List Report

2014-00226-2014-  
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FAC Cases

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<b>Name:</b>	<b>Description:</b>
KIUC - Exhibit 1	Response to KIUC Initial Request, Item 8 (3 pages).
KIUC - Exhibit 2	Financial and Operating Report Electric Power Supply, Cover Letter to RUS dated May 19, 2014
KIUC - Exhibit 3	3 pages of calculations
PSC - Exhibit 1	Excerpt from Pearce Response in Case No. 2014-00225, pages 17 and 18.



1 cost between internal load and OSS. Mr. Kollen then argues that Kentucky Power must be  
2 doing this allocation incorrectly since other utilities do it different than the Company.

3 **Q. DO ANY OTHER AEP AFFILIATED COMPANY'S ALLOCATE NO LOAD COST**  
4 **IN A SIMILAR FASHIO TO THE COMPANY?**

5 A. Yes. I have already made mention of the other former AEP Pool Agreement member  
6 companies, which used this same method before and after the termination of the AEP Pool  
7 Agreement. In addition, the former Central and South West ("CSW") operating companies,  
8 which included four separate operating companies operating in portions of Arkansas,  
9 Louisiana, Oklahoma and Texas, were using a similar methodology when it comes to no  
10 load cost allocation both before and after CSW's merger with AEP in 2000. Specifically,  
11 these CSW operating companies performed an incremental cost allocation to OSS similar to  
12 the method used in the east. No load costs were and are assigned to internal load for the  
13 former CSW companies as they are for Kentucky Power and its eastern affiliates.

14 **Q. WHAT ABOUT OTHER UTILITIES WITHIN THE COMMONWEALTH OF**  
15 **KENTUCKY?**

16 A. LG&E and KU use an incremental methodology for allocation of resources to OSS. LG&E  
17 and KU use their "After-The-Fact" ("AFB") model to determine the joint dispatch savings  
18 and then payments are made between LG&E and KU that "split-the-difference". The  
19 LG&E/KU model determines the incremental cost of the additional dispatch -- above that  
20 needed to serve internal load -- to make off system sales. It is then this incremental cost that  
21 is allocated to OSS. LG&E and KU "stack" incremental, *not* total average, cost of each  
22 generator in each hour for their off system sales cost allocation. As a result, the LG&E/KU  
23 computations appropriately consider the dispatch of their system for purposes of identifying

1 which resources supplied off system sales on an incremental basis. This means, based upon  
2 my review and current understanding of the LG&E and KU allocation method, that it is not  
3 far afield from the Company's method.

#### VII. ROCKPORT CONSIDERATIONS

4 **Q. DO YOU AGREE WITH MR. KOLLEN'S CHARACTERIZATION OF**  
5 **ROCKPORT PURCHASES AS IT RELATES TO THE COMPANY'S**  
6 **ALLOCATION OF THESE PURCHASES?**

7 A. No. Mr. Kollen simply provides a monthly billing invoice for the Company's 15% purchase  
8 from these units which includes as a line item the total fuel cost for the month (Exhibit LK-  
9 2). Mr. Kollen then argues that since these invoices do not segregate no load fuel cost that  
10 Kentucky Power is somehow "marking up" Rockport fuel allocated to native load (Kollen  
11 page 11, line 22 through page 12, line 6).

12 In regards to the Rockport invoice, there is not much difference between such an  
13 invoice for the Company's fuel expense at Rockport and a fuel invoice the Company could  
14 receive for fuel acquired for its own plants, the latter of which would also be expensed once  
15 it is consumed in the boiler. The Company obtains its portion of the Rockport units from  
16 affiliates. The actual cost data for these units is developed and offered into the PJM market  
17 via the same methods and by the very same group within AEP that dispatches the  
18 Company's own units. As a result, the entire heat input and all of the costing information is  
19 just as known for Rockport as it is for the Company's other units.