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RECEIVED

SEP 18 2014

PUBLIC SERVICE
COMMISSION

Rocco O. D'Ascenzo@duke-energy.com
Rocco O. D'Ascenzo
Associate General Counsel

VIA OVERNIGHT DELIVERY

September 17, 2014

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

Case No. 2014-00334

Re: Case No. 2014-XXX
In the Matter of The Back-Up Power Supply Plan of Duke Energy Kentucky, Inc.

Dear Mr. Derouen:

Enclosed please find an original and twelve copies each of the *Application of Duke Energy Kentucky, Inc. to Extend the Filing Deadline for the Filing of its Back-Up Supply Plan, and to Continue its Current Plan Through May 31, 2015 and Request for Expedited Ruling* in the above captioned case.

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

Sincerely,

Rocco D'Ascenzo

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

SEP 18 2014

THE BACK-UP POWER SUPPLY PLAN)
OF DUKE ENERGY KENTUCKY, INC.)

Case No. 2014-00334

PUBLIC SERVICE
COMMISSION

**APPLICATION OF DUKE ENERGY KENTUCKY, INC. TO EXTEND THE FILING
DEADLINE FOR THE FILING OF ITS BACK-UP SUPPLY PLAN, AND TO CONTINUE
ITS CURRENT PLAN THROUGH MAY 31, 2015 AND REQUEST
FOR EXPEDITED RULING.**

Comes now Duke Energy Kentucky, Inc., (Duke Energy Kentucky or the Company) and respectfully requests the Public Service Commission (Commission) to extend the deadline for the filing of Duke Energy Kentucky's next back-up power supply plan (BPS) to March 31, 2015 and for authority to continue its current plan through May 31, 2015. Duke Energy Kentucky respectfully requests expedited consideration of this request as the current filing deadline is October 3, 2014. In support of this Application, Duke Energy Kentucky states as follows:

I. INTRODUCTION:

1. Duke Energy Kentucky is an investor-owned utility engaged in the business of furnishing natural gas and electric services to various municipalities and unincorporated areas in Boone, Bracken, Campbell, Gallatin, Grant, Kenton, and Pendleton Counties in the Commonwealth of Kentucky.

2. Pursuant to 807 KAR 5:001, Section 14(1), Duke Energy Kentucky states that its business address is 139 East Fourth Street, Cincinnati, Ohio 45202, and that its local office in Kentucky is located at Duke Energy Envision Center, 4580 Olympic Boulevard, Erlanger,

Kentucky 41018. The Company further states that its electronic mail address for purposes of this matter is KYfilings@duke-energy.com.

3. Pursuant to 807 KAR 5:001, Section 14(2), Duke Energy Kentucky states that it was originally incorporated in the Commonwealth of Kentucky on March 20, 1901, and attests that it is currently in good standing in said Commonwealth.

II. BACKGROUND:

4. A BSP is necessary in the event Duke Energy Kentucky experiences outages with its generating facilities. On October 2, 2012, Duke Energy Kentucky filed an application to approve its current BSP. By Order dated December 18, 2012, in Case No. 2012-00220 (Order), the Commission approved the Company's current BSP through December 31, 2014.

5. The Commission's Order set forth a two-step procedural process regarding future BSP filings. First, Duke Energy Kentucky was required to inform the Commission, in writing, of its intentions concerning future back-up power supply plans no later than 6 months prior to the expiration of the then current plan. Second, Duke Energy Kentucky is required to submit any future BSPs for review and approval, no later than 90 days prior to the effective date of the new plan. By letter dated on or about May 27, 2014, Duke Energy Kentucky notified the Commission of its intention to file a new BSP.

6. Duke Energy Kentucky's current BPS consists of obtaining back-up power through the PJM daily energy market during forced outages and using fixed forward contract purchases during scheduled outages. The current BPS mitigates the risk of price spikes during scheduled outages because the price for back-up power would be fixed. The current BPS was the result of a thorough analysis following a request for proposal (RFP) of various supply alternatives, and it appropriately addresses the forced outage risks of the existing portfolio of

generators. Duke Energy Kentucky believes that should that generator mix change, it is possible that an alternative back up supply plan could provide the best risk mitigation.

III. REQUESTS FOR EXTENSION

7. Duke Energy Kentucky is currently in the process of evaluating various strategies to determine the most cost-effective and reasonable BSP. To assist in this evaluation, Duke Energy Kentucky recently issued a RFP seeking various products which the Company considered to be possible and viable procurement strategies.

8. As part of this initial evaluation, it has become apparent that the Company's current BPS evaluation process is fundamentally different than that of the past due to uncertainty surrounding which generating assets need to be included in the plan for analysis. The Company's BPS strategy going forward is highly dependent upon and will be impacted by two events that have not yet reached resolution, namely the Commission's decision in Case No. 2014-00201 involving the Company's application to purchase the remaining 31% interest in the East Bend Unit 2 Generating Station (East Bend), and, the potential retirement of the Miami Fort Unit 6 Generating station (MF6).

9. Duke Energy Kentucky filed its Application in Case No. 2014-00201 (East Bend Purchase Application) on June 13, 2014, after the Company notified the Commission of its intent to develop and file a new BPS. The East Bend Purchase Application is currently under consideration by the Commission and the Company has requested an Order as soon as practicable. If the East Bend Purchase Application is approved as filed, the Company would then be in a position to decide to retire MF6 as it would have sufficient generation, albeit through a single source, to meet its Kentucky load requirements. But this shift in the portfolio make-up may change the analysis of BPS solutions.

10. At present, Duke Energy Kentucky's ability to evaluate possible BSP strategies is extremely complicated because the Company does not have a resolution to those two events. Clarity is needed regarding the East Bend purchase and Miami Fort 6 retirement decisions before the Company can effectively evaluate its BSP needs and what the best strategy may be to satisfy those needs. For example, the Company's analysis will vary depending upon whether the Company is satisfying 100% of its base load generation through a single asset (East Bend) or through two assets (East Bend and MF6). The Company's analysis will be impacted by the timing of the closing of the East Bend transaction, estimated to be on or before December 31, 2014, and the MF6 compliance or retirement deadline for the Mercury Air Toxics Standard (MATS) on May 31, 2015. If the Company's East Bend Purchase application is approved on or before December 31, 2014 and MF6 is then retired by May 31, 2015, the Company's generation profile will be different on January 1, 2015, versus what it will be on June 1, 2015. Similarly, if the Company's application is not ultimately approved and Duke Energy Kentucky must then bring its MF6 into compliance by May 31, 2015, then, again, the BSP strategy will be different beginning June 1, 2015. The obvious impact of prematurely selecting a backup supply plan under conditions of uncertainty regarding the makeup and diversity of the generation portfolio would be on the ultimate effectiveness of the plan as a hedge vehicle against the overall portfolio outage risk.

11. Further, the Company believes the ability to analyze and evaluate supply alternatives should be aligned with the PJM planning year, spanning June 1 to May 31st annually as opposed to the current plan which expires at the end of the calendar year. This timing discrepancy between the supply plan and the PJM planning year results in the Company's current BSP expiring approximately five months prior to the end of the PJM planning year. Aligning the

BSP with the PJM planning year provides a logical nexus between all aspects of the Company's resource planning as a PJM member.

12. To address this ambiguity and uncertainty, the Commission should extend the deadline for the filing of Duke Energy Kentucky's next BSP to March 31, 2015 and allow the current BPS strategy to continue through May 31, 2015. In reality, if the Commission should not approve the Company's request to acquire East Bend 2, the backup power supply plan currently in place remains an appropriate choice through May 31 2015. If the Commission should approve the acquisition of East Bend and the May 31, 2015 retirement of Miami Fort 6, the availability of both units to provide generation to meet load demands will provide a natural hedge against forced outages at either facility. This extension should also give the Company adequate time to evaluate its BSP needs once a decision is made with respect to the purchase of the additional interest in East Bend and the decision as to whether or not MF6 will be retired or brought into compliance with MATS. The extension will allow the Company to avoid having to analyze multiple BPS strategies for multiple capacity scenarios that ultimately will not even come to fruition once the Commission issues an order in Case No. 2014-00201. Moreover, absent this extension, it is possible that the Commission could issue a decision in Case No. 2014-00201 while the Company's BPS proposal is pending that could impact the Company's BPS analysis.

VI. CONCLUSION

Wherefore, Duke Energy Kentucky respectfully requests that the Commission grant its request to extend the current BPS plan through May 31, 2015 and extend the filing deadline for its new BPS plan so to allow the Company sufficient time to evaluate its BPS strategy once the Commission rules on the Company's application in Case No. 2014-00201.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on the following parties of record by first class, U.S. mail; postage prepaid this 17th day of September 2014.



Rocco D'Ascenzo

Hon. Jennifer Hans
Office of Attorney General
Utility Intervention and Rate Division
1024 Capital Center Drive
Frankfort, Kentucky 40601