

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BACK-UP POWER SUPPLY PLAN OF DUKE)	CASE NO.
ENERGY KENTUCKY, INC.)	2015-00075

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION
TO DUKE ENERGY KENTUCKY, INC.

Duke Energy Kentucky, Inc. ("Duke Kentucky"), pursuant to 807 KAR 5:001, is to file with the Commission the original and ten copies of the following information, with a copy to all parties of record. The information requested herein is due within 14 days of the date of this request. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Duke Kentucky shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Duke Kentucky fails or refuses to furnish all or part of the requested information, it shall

provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Duke Kentucky shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Provide the planning reserve margin that is assigned to Duke Kentucky under PJM's tariff.

2. Refer to the Application, p. 5, Table 1. For the 2015–2016 period, provide Duke Kentucky's forecasted summer and winter peak demands.

3. Refer the Application, p. 4. Duke Kentucky states that it proposes to implement its 2015 Plan for the delivery years 2015/2016 and 2016/2017, and in the interim, will continue to evaluate its current plan and make any adjustments necessary due to changing conditions. Explain whether the evaluation is periodic, ongoing, or is triggered by certain conditions, such as the economy, weather, or other factors.

4. Refer to the Application, p. 6, Table 4-1. Explain how the "Ave. Available Economic Generation" row was calculated. If it includes only the East Bend unit, explain why the Woodsdale units were not included.

5. Refer to the Application, p. 7.

a. Provide a copy of the Request for Proposals (“RFP”) that was issued on July 8, 2014.

b. Explain the process for issuing the RFP (i.e., was it advertised in a trade publication, sent directly, and if so how were recipients determined, etc.).

c. Define and describe a “Back Stand Energy Call Option.”

d. Define and describe a “Daily Call Option.”

6. Refer the Application, p. 8, which states that the RFP sought supply options through the end of 2016. State whether Duke Kentucky did not seek options through May 31, 2017, because it had not yet decided to try to align its back-up power supply plan with the PJM Interconnection, Inc. (“PJM”) delivery years at the time the RFP was issued. If not, explain why the RFP did not seek options through May 31, 2017.

7. Refer to the Application, p. 9. The middle of the page states, “Each year, the proceeds from the calls were summed and compared to the call premium costs.” Explain how the “proceeds from the calls” were calculated.

8. Refer to the application, p. 10, Table 6. Provide the supporting calculations for the amounts in the table.

9. Refer to the Application, p. 12, Table 7. Provide the supporting calculations for the amounts in the table.

10. Provide an analysis of the effectiveness of Duke Kentucky’s back-up power supply for the period 2012–2014.

11. In written testimony and at the hearing in Case No. 2014-00201,¹ Duke Kentucky witness John A. Verderame discussed concentration risk and the costs of insurance products related to mitigating that risk, which were provided in a post-hearing information request. In Duke Kentucky's pending fuel adjustment clause case, Case No. 2014-00454,² Mr. Verderame provided testimony which discussed increased risk because of proposed changes by PJM to the Capacity Performance requirements. Explain why the increased risk due to PJM's proposal was not discussed at the hearing in Case No. 2014-00201.

12. Although the proposed two-year back-up supply plan is for the PJM delivery years 2015/2016 and 2016/2017, which is prior to the planning year for PJM's proposed changes to the Capacity Performance requirements, state whether Duke Kentucky nonetheless obtained quotes for the additional exposure as a result of PJM's proposed changes.

13. In the Application, p. 14, the first full paragraph indicates that Duke Kentucky anticipates an iterative negotiation process regarding insurance products, but states that if satisfactory terms can be negotiated, its goal is to have such a "product in place for the beginning of the 2015/2016 Delivery Year."

a. Discuss the extent to which negotiations have moved forward since the filing of Duke Kentucky's Application.

¹ Case No. 2014-00201, *Application of Duke Energy Kentucky, Inc. for (1) A Certificate of Public Convenience and Necessity Authorizing the Acquisition of the Dayton Power & Light Company's 31% Interest in the East Bend Generating Station; (2) Approval of Duke Energy Kentucky, Inc.'s Assumption of Certain Liabilities in Connection with the Acquisition; (3) Deferral of Costs Incurred as Part of the Acquisition; and (4) All Other Necessary Waivers, Approvals, and Relief* (Ky. PSC Dec. 4, 2014).

² Case No. 2014-00454, *An Examination of the Application of the Fuel Adjustment Clause of Duke Energy Kentucky from November 1, 2012 through October 31, 2014*, filed Feb. 25, 2015.

b. Based on the response to part a. of this request, explain whether Duke Kentucky continues to believe that it may have an insurance product in place for the start of the 2015/2016 planning year.

14. In the Application's last paragraph, the second sentence concludes, "negotiating the most competitive transaction is essential and should take its natural course of time."

a. Explain whether this statement reflects an expectation on the part of Duke Kentucky that the amount of time needed for negotiations will preclude it from having an insurance product in place by the beginning of the 2015/2016 planning year.

b. If not contained in the response to part a. of this request, provide Duke Kentucky's current estimate of when negotiations should be concluded.

15. In the Application's last paragraph, the last sentence concludes, "but in the interim, the Company will continue to use the Alternative B plan as its back-up plan as it has done since 2006." The first paragraph of the application refers to previous Commission approvals of Duke Kentucky's back-up power supply plan; however, there appears to be no request for Commission approval of the back-up power supply plan that Duke Kentucky proposes for the 2015/2016 and 2016/2017 delivery years.

a. Confirm that Duke Kentucky understands that it must receive Commission approval of any back-up power supply plan before implementing the plan.

b. Confirm that Duke Kentucky understands that it must receive Commission approval of any revision, such as the addition of a custom insurance product, to an existing Commission-approved back-up power supply plan.



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DATED APR 20 2015

cc: Parties of Record

Case No. 2015-00075

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