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VIA OVERNIGHT DELIVERY

June 23, 2015

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

RECEIVED

JUN 24 2015

PUBLIC SERVICE
COMMISSION

Re: Case No. 2015-00089

In the Matter of the Application of Duke Energy Kentucky Inc. for a Declaratory Order that the Construction of a New Landfill Constitutes an Ordinary Extension in the Usual Course of Business or, in the Alternative, for a Certificate of Public Convenience ad Necessity

Dear Mr. Derouen:

Enclosed please find an original and twelve copies of the *Responses of Duke Energy Kentucky, Inc. to the Commission Staff's Post-Hearing Data Requests*, for filing in the above referenced matter:

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

Sincerely,

Rocco D'Ascenzo
Associate General Counsel
rocco.d'ascenzo@duke-energy.com

cc: Gregory Dutton (w/enclosures)

VERIFICATION

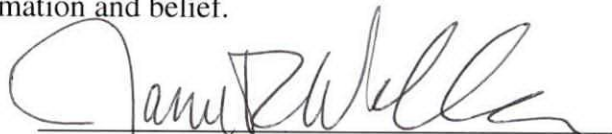
RECEIVED

JUN 24 2015

PUBLIC SERVICE
COMMISSION

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

The undersigned, James Wells, VP CCP Environmental Health & Safety, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data request titled Post Hearing-DR-01-001, and that the answer contained therein is true and correct to the best of his knowledge, information and belief.


James Wells, Affiant

Subscribed and sworn to before me by James Wells on this 19 day of June, 2015.


NOTARY PUBLIC

My Commission Expires:

MEGAN V GRAHAM
Notary Public - North Carolina
MECKLENBURG COUNTY
My Commission Expires July 25, 2016

VERIFICATION

STATE OF OHIO)
) **SS:**
COUNTY OF HAMILTON)

The undersigned, Nick Sellet, Supt Technical, 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.



Nick Sellet, Affiant

Subscribed and sworn to before me by Nick Sellet on this 16TH day of June, 2015.



NOTARY PUBLIC

ADELE M. FRISCH
Notary Public, State of Ohio
My Commission Expires 01-05-2019

My Commission Expires: 1/5/2019

VERIFICATION

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

The undersigned, David W. Wright, Director, Other Non-Income & Property Tax, 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.



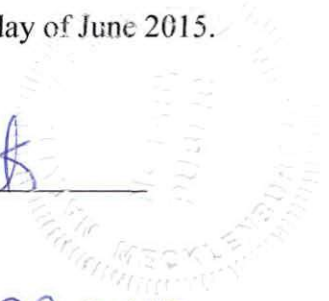
David W. Wright, Affiant

Subscribed and sworn to before me by David W. Wright on this 22 day of June 2015.



NOTARY PUBLIC

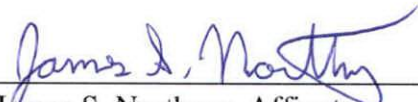
My Commission Expires: 4-29-2018



VERIFICATION

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

The undersigned, James S. Northrup, Director of Wholesale & Renewables Analytics, 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.



James S. Northrup, Affiant

Subscribed and sworn to before me by James S. Northrup on this 15 day of June 2015.





NOTARY PUBLIC

My Commission Expires: 6/17/17

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Duke Energy Kentucky
Case No. 2015-00089
Post Hearing First Set Data Requests
Date Received: June 10, 2015

POST HEARING-DR-01-001

REQUEST:

Does the language in Paragraph 7 of the May 14, 2015, Judgment in Case No. 5:15-CR-62, 67 & 68 (provided below) apply to Duke Energy Kentucky:

The defendant shall ensure that any new, expanded, or reopened coal ash wastewater impoundments at any facilities owned by the defendant are lined. At such impoundments, the defendant shall ensure that there are no unpermitted discharges of coal ash or coal ash wastewater from any engineered, channelized, or naturally occurring seeps. Coal ash and wastewater impoundments will be subject to inspection by the CAM and/or United States Probation Office at any time.

RESPONSE:

The language set forth in paragraph 7 of the Judgment (and the corresponding portion of the Duke Energy Business Services Plea ("DEBS") Agreement) does not apply to coal ash basins in Kentucky as those facilities are not owned by DEBS. Other portions of the plea agreement - such as the requirement that the Companies establish a National Environmental Compliance Plan for the coal ash basins - will apply to the Kentucky facilities because those portions also include facilities "operated" by employees of DEBS.

PERSON RESPONSIBLE: James R. Wells

Duke Energy Kentucky
Case No. 2015-00089
Post Hearing First Set Data Requests
Date Received: June 10, 2015

POST HEARING-DR-01-002

REQUEST:

Please provide the incremental labor costs of construction.

RESPONSE:

The landfill will be designed by a contract engineering firm, constructed by contractors, and the quality control and assurance will be performed by a contract engineering firm. Duke Energy Kentucky will provide project management and general oversight of the project. Duke Energy Kentucky does not plan to hire any additional full time employees to construct the landfill. The incremental cost of construction are the costs that have been provided in other data requests.

The operation of the new landfill will require additional employees because the distance from the existing waste stabilization plant to the new landfill is greater than the distance from the existing waste stabilization plant to the existing landfill (the road layout is included in the Application Exhibit 5, page 2 of 3). The increased distance is approximately 1 mile and will require Duke Energy Kentucky to use additional trucks to haul the Poz-o-tec to the landfill in an 8-hour work day. Duke Energy Kentucky has not determined if the hauling will be done by contract employees or Duke Energy Kentucky employees. The incremental cost increase would be the on-site expenses that were provided in Staff-DR-01-006 (\$3.5-\$4.5 million per year) minus the existing costs which

are approximately \$1.25 million per year which equals an increase of \$2.25-\$3.25 million per year.

PERSON RESPONSIBLE: Nicholas R. Sellet

Duke Energy Kentucky
Case No. 2015-00089
Post Hearing First Set Data Requests
Date Received: June 10, 2015

POST HEARING-DR-01-003

REQUEST:

Please provide the amount of land purchased, the consideration paid and the portions of the land acquisition that came from the DP&L transaction in Case No. 2014-00201.

RESPONSE:

DP&L owned 31% undivided interest of the property upon which the station and current East landfill sit, with Duke Energy Kentucky owning the majority interest. DP&L also owned an undivided 31% interest in the surrounding land, with Duke Energy Ohio owning the majority interest. As part of the acquisition of the 31% interest of East Bend from DP&L, Duke Energy Kentucky thus acquired 100% of DP&L's interest in all land, both at and surrounding the East Bend Station. The total purchase price of \$12.4 Million paid to DP&L did not delineate what portion of the price was just for land. Rather, the total purchase price included DP&L's interest in everything related to East Bend and the surrounding property, including, but not limited to, the plant itself, a 31% interest in the surrounding land that DP&L co-owned with Duke Energy Ohio for future use, and the future revenues associated with DP&L's share of the capacity already committed to the PJM auctions.

Schedule 2.1(b), to the Purchase and Sale Agreement for East Bend, included as Exhibit A to the Company's Application in Case No. 2014-00201, contains the legal

descriptions of the property conveyed by DP&L to Duke Energy Kentucky as part of the purchase of DP&L's 31% interest, including the plant and surrounding property. The summary of this Exhibit by parcel is as follows:

| | |
|------------------|--|
| 004.00-00-002.00 | 233.95 Acres |
| 005.00-00-001.00 | 822.16 Acres (parcels 004.00-00-007.00 & 005.00-00-002.00 have been combined with parcel 005.00-00-001.00) |
| 012.00-00-026.00 | 145.03 Acres |
| 012.00-00-062.00 | 196.44 Acres |
| 012.00-00-063.0 | |
| 013.00-00-001.00 | 710.19 Acres (Plant site) |

Company witness, Michael Geers, on page 25 of his Direct Testimony, describes the nature of the land acquisition and the Company's Application to purchase DP&L's interest in East Bend in Case No. 2014-00201, fully explained on page 27, footnote 37 that: "The total area of land surrounding the East Bend site and that will be eventually transferred to Duke Energy Kentucky is approximately 940 acres. DP&L has a 31% interest with Duke Energy Ohio owning the remaining 69% interest. The balance of land is owned solely by Duke Energy Kentucky's affiliate Tri-State Improvement (Tri-State). Duke Energy Ohio and Tristate will transfer their interests to Duke Energy Kentucky through a separate transaction."

It should be noted, that because DP&L owned an undivided 31% interest in the land surrounding the East Bend Station with Duke Energy Ohio, Duke Energy Ohio was unable to transfer its 69% interest in the land without DP&L's consent. Once Duke Energy Kentucky acquired DP&L's undivided 31% interest, DP&L's consent to transfer Duke Energy Ohio's interest to Duke Energy Kentucky was not needed.

The Company's Exhibit 3 to its Application to construct the West Landfill in this proceeding contains a third party independent appraisal of the land interest acquired from Duke Energy Ohio and Tristate. Page 3 of the Exhibit contains a chart delineating the ownership of the interest in the land according to Company records.

PERSON RESPONSIBLE: David Wright

Duke Energy Kentucky
Case No. 2015-00089
Post Hearing First Set Data Requests
Date Received: June 10, 2015

POST HEARING-DR-01-004

REQUEST:

Please confirm whether the construction of the new west landfill was included in the net present value analysis for the purchase of the 31% interest of East Bend from DP&L in Case No. 2014-00201.

RESPONSE:

Duke Energy Kentucky considered multiple scenarios considering coal ash and landfill costs during its analysis of the East Bend acquisition as compared to other generating alternatives. Included in this analysis was the clean closure of the ash pond with landfill costs where coal ash was not considered a hazardous substance. The total cost NPVs of this analysis indicated that the East Bend purchase including these costs would be competitive with the next available gas options that would not be expected to incur such ash disposal costs.

The base case analysis did not include landfill costs since the landfill costs of all the coal facilities were unknown and to impute cost on only East Bend would be unfair. However, sensitivity analyses around coal ash scenarios did include landfill costs. The NPVs of cost for coal ash scenarios were analyzed. The base coal ash case, the base coal ash case plus clean closure of the pond (Scenario 1), resulted in total cost NPVs that would still keep East Bend around or below the cost of gas options.

PERSON RESPONSIBLE: Jim Northrup

Duke Energy Kentucky
Case No. 2015-00089
Post Hearing First Set Data Requests
Date Received: June 10, 2015

POST HEARING-DR-01-005

REQUEST:

Provide the pricing and how Duke Energy Kentucky models CO₂.

RESPONSE:

As stated in Staff-DR-02-008, submitted in Case No. 2014-0201, Duke Energy Kentucky evaluated CO₂ prices starting at \$17.47 per ton (nominal dollars) in 2020, increasing at a rate of 8.44% per year through 2028. The \$17.47 price is the nominal equivalent of \$15 per metric ton expressed in 2009 dollars, which is how Duke Energy Kentucky initially defined its current CO₂ price trajectory several years ago. The \$15 per metric ton price was escalated at roughly 6% per year, and when converting to nominal dollars and adding an inflation factor produced the 8.44% escalation rate. Duke Energy Kentucky considers this to be a reasonable trajectory to represent the risk of federal climate change legislation that sets a price on CO₂ emissions, given the political and practical realities and challenges of passing such legislation. Duke Energy Kentucky believes that if Congress enacts legislation that sets a price on CO₂ emissions, it will do so cautiously so as not to create a program that will have adverse economic impacts. Therefore, Duke Energy Kentucky believes the program prices will be toward the lower end of the range of prices associated with the Waxman-Markey legislation, which is why Duke Energy Kentucky set its price trajectory as it did.

PERSON RESPONSIBLE: Jim Northrup