

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ELECTRONIC EXAMINATION OF THE)	
APPLICATION OF THE FUEL ADJUSTMENT)	CASE NO.
CLAUSE OF DUKE ENERGY KENTUCKY, INC.)	2023-00012
FROM NOVEMBER 1, 2020 THROUGH)	
OCTOBER 31, 2022)	

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

Duke Energy Kentucky, Inc. (Duke Kentucky), pursuant to 807 KAR 5:001, shall file with the Commission an electronic version of the following information. The information requested is due on October 20, 2023. The Commission directs Duke Kentucky to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and shall include the name of the witness responsible for responding to the 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

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

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 Duke Kentucky obtains information that indicates the response was incorrect or incomplete when made or, though correct or complete when made, is now incorrect or incomplete in any material respect.

For any request to which Duke Kentucky fails or refuses to furnish all or part of the requested information, Duke Kentucky shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied and scanned 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. Refer to the Direct Testimony of Brad Daniel (Daniel Direct Testimony), page 5, lines 5–8. Explain the nature of Duke Kentucky's security constrained unit commitments.

2. Refer to Daniel Direct Testimony, page 5, lines 9–10. Explain how each locational marginal price (LMP) is applied to specific generation units and to the utility. For example, the Day-Ahead LMP is used to select specific generation units available for

dispatch the next day and the Real-Time LMP is used to govern actual available unit dispatch and explain whether the hourly energy price paid by market participants.

3. Refer to Daniel Direct Testimony, page 7, lines 12–21. Explain both the operational timing and the economic rationale of a generation unit being dispatched, then placed into reserve shutdown for a period of time, then being dispatched again.

4. Refer to Daniel Direct Testimony, page 8, lines 11–14. If energy can be purchased in either the Day-Ahead or the Real-Time markets, explain which energy price is the final purchase price paid by the utility when there are differences in the hourly energy prices or whether there is an hourly reconciliation between the two.

5. Refer to Daniel Direct Testimony, page 9, lines 22–23 and page 10, lines 1–11. When the East Bend unit is committed as “must run”, the marginal cost of the unit is lower than the market price and the unit will run between its minimum and maximum load. Explain the circumstances governing the commitment of the unit in economic run status and whether the unit will run.

6. Refer to Daniel Direct Testimony, page 12, lines 6–7. Explain whether Duke Kentucky has filed its updated back-up supply plan with the Commission.

7. Refer to Daniel Direct Testimony, page 14, lines 6–8.

a. Explain whether the financial hedges are a PJM members-only financial product and if so, how the market for these instruments functions and whether they are zone specific.

b. Explain whether Duke Kentucky’s financial hedging plan has been filed with the Commission and provide the cite. If not, provide a copy and explain the rationale governing the length of the hedge and how the size of the hedge is determined.

8. Refer to Daniel Direct Testimony, page 14, lines 10–17. Explain whether the non-native sales to PJM, which occur when the units' dispatched generation is greater than Duke Kentucky's native load, is automatic or at Duke Kentucky's direction or discretion.

9. Refer to Daniel Direct Testimony, page 19, lines 21–23. If not already answered, when the unit is committed as "must run" and is operating at its minimum load, explain the parameters for Duke Kentucky's decision to go into reserve shutdown. Include in the response whether the decision parameters are according to PJM policy and requirements or are left up to the utilities generally.

10. Refer to the Direct Testimony of Jim McClay, (McClay Direct Testimony), page 4, lines 15–16. Explain any synchronization and market clearing timing issues between the PJM Day-Ahead energy market and the natural gas supply market. Include in the response how Duke Kentucky deals with issues, if any, and its suggestions on how to eliminate any issues between these different markets.

11. Refer to McClay Direct Testimony, page 6, lines 11–13. Explain whether the Duke Energy Ohio Kentucky (DEOK) PJM Zone is the same thing as the PJM locational delivery area. If not, explain the differences.

12. Refer to McClay Direct Testimony, page 7, lines 1–19. Explain the reasons for the DEOK Zone being constrained and the actions that Duke Kentucky are taking or plan to take to alleviate the constraint(s).

13. Refer to the Direct Testimony of Libbie S. Miller, (Miller Direct Testimony), page 4, lines 14–23 and page 5, line 1. The 2023 and 2024 projected average fuel prices

are much higher than the proposed base fuel rate. Explain how the economic conditions and outlook today are different than they were at the time of the October 2022 forecast.

14. Refer to Duke Kentucky's response to Commission Staff's First Request for Information (Staff's First Request), Item 2f. Explain whether the coal price is the delivered price of coal and provide the equivalent price in \$/MMBtu.

15. Refer to Duke Kentucky's response to Staff's First Request, Items 1 and 2.

a. Explain why Duke Kentucky would enter into a long term contract with Case Coal Sales, LLC (Case Coal Sales) for such a small amount of coal.

b. Explain why the coal purchase price from Case Coal Sales is far out of line with other long term contract prices.

c. Explain when the other listed long term contracts expire.

16. Refer to Duke Kentucky's response to Staff's First Request, Item 4. Item 4b states that only one bid was selected for term purchase and the attachment shows that two bids were selected. Explain whether one or two bids were selected and the length of the contract(s).

17. Refer to Duke Kentucky's response to Staff's First Request, Item 4 attachment and Item 5 Attachment. Explain the rationale of purchasing Alliance coal on the basis of an oral solicitation at a higher price when a greater amount of Alliance coal from the same location was not purchased at a lower price as a result of the long term contract solicitation.

18. Refer to Duke Kentucky's response to Staff's First Request, Item 25 Attachment. To the extent that Duke Kentucky forecasts customer growth and increases

in energy demand over the next two years per its Integrated Resource Plan, explain how those forecasts and any more recent forecasts compare to the static total sales number.

19. State whether any PJM costs were included in Duke Kentucky's monthly Fuel Adjustment Clause (FAC) filings during the period under review. If yes, provide the amount of the costs by month and by type of cost.

20. Explain how Duke Kentucky's generating units are bid into PJM's energy market and the implications for the manner in which the units are run when the unit's bid in price is greater than the hourly locational marginal pricing (LMP). For example, if the unit is bid in as "must run" and its bid in price is greater than the hourly LMP, explain whether the unit is ramped down to its economic minimum output level or whether it is run at some level greater than that for some other reason such as balancing or voltage support.

21. In an Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible, for the period under review and when the units are available to run,

a. Provide the bid status (i.e. economic dispatch, must-run, etc.), by day, of Duke Kentucky's generating units into PJM's day ahead market. Explain the reason for each bid status.

b. Provide the price per MWH, by day, of Duke Kentucky's generating units bid into PJM's day ahead market and the corresponding LMP indicating whether or not the unit cleared the market.

c. In a separate spreadsheet Tab, provide a graphical representation of the information in part b. above.

22. Explain how often PJM denies a request made by Duke Kentucky to place a generating unit in maintenance outage. Also provide a general description for how often PJM denies other entities request to place a generating unit in maintenance outage in the Duke Kentucky's region.

23. For the two-year period under review, provide each instance an error or misreport was made by Duke Kentucky on its FAC form A rate sheet filing. For each instance provide:

a. An explanation on the error that occurred and why the error was made.

b. Duke Kentucky's actions taken to correct for the error and to ensure future similar errors do not occur.

c. Revised FAC form A rate sheets showing the actual fuel related expenses and sales as correctly calculated pursuant to 807 KAR 5:056.

24. For each month of the review period, provide the total amount of fuel related cost that occurred during a forced outage that was disallowed pursuant to 807 KAR 5:056, or that Duke Kentucky was unable to collect via any other means.



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DATED OCT 05 2023

cc: Parties of Record

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