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Dianne B. Kuhnell
Senior Paralegal

VIA OVERNIGHT DELIVERY

February 16, 2010

RECEIVED

FEB 17 2010

**PUBLIC SERVICE
COMMISSION**

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

Re: Case No. 2009-509

Dear Mr. Derouen:

Enclosed please find an original and twelve copies of Duke Energy Kentucky Inc.'s Responses to Staff's First Set of Data Requests and Petition for Confidential Treatment in the above captioned case.

Please note that we have included a copy of the response for which we are requesting confidential treatment separately in the sealed white envelope stamped 'Confidential Proprietary Trade Secret'.

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

Sincerely,

Dianne B. Kuhnell
Senior Paralegal

COMMONWEALTH OF KENTUCKY

BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

In the Matter of An Examination of the Application) Case No. 2009-509
Of the Fuel Adjustment Clause of Duke Energy Kentucky, Inc.)
From May 1, 2009 through October 31, 2009)

PETITION OF DUKE ENERGY KENTUCKY, INC.
FOR CONFIDENTIAL TREATMENT OF INFORMATION
CONTAINED IN ITS RESPONSES TO COMMISSION'S
FIRST SET OF DATA REQUESTS

Duke Energy Kentucky, Inc. (Duke Energy Kentucky or Company), pursuant to 807 KAR 5:001, Section 7, respectfully requests the Commission to classify and protect certain information provided by Duke Energy Kentucky in response to data requests No. 19 (b) in the Commission's first set of data requests, as contained in the Commission's Order dated January 27, 2010. The information for which Duke Energy Kentucky seeks confidential treatment (Confidential Information) pertains to coal bid analysis information. In support of this Motion, Duke Energy Kentucky notes that the Commission has treated coal bid analysis information as confidential in other utilities' responses to the same data request such as Kentucky Utilities Cases No. 2006-509 and 2006-278 and Duke Energy Kentucky's Case No. 2009-289.

In support of this Petition, Duke Energy Kentucky states:

1. The Kentucky Open Records Act exempts from disclosure certain commercial information. KRS 61.878 (1)(c). To qualify for this exemption and, therefore, maintain the confidentiality of the information, a party must establish that disclosure of the commercial information would permit an unfair advantage to competitors of that party. Public disclosure

of the information identified herein would, in fact, prompt such a result for the reasons set forth below.

2. Disclosure of the factors underlying Duke Energy Kentucky's bid analysis/selection process would damage Duke Energy Kentucky's position and business interests and the disclosure of the bid amounts and the vendor names would allow the competing coal companies to know the value of proposals and could cause companies to tailor future proposals and artificially raise price proposals. This information reveals the business model the Company uses - the procedure it follows and the factors/inputs it considers - in evaluating bids for coal supply. If the Commission grants public access to the information requested in data request No. 19 (b), potential bidders could manipulate the bid solicitation process to the detriment of Duke Energy Kentucky and its ratepayers by tailoring bids to correspond to and comport with Duke Energy Kentucky's bidding criteria and process. As noted above, the Commission has treated such information as confidential in the past for other utilities within the same type cases regarding the Fuel Adjustment Clause.

3. The information for which Duke Energy Kentucky is seeking confidential treatment is not known outside of Duke Energy Kentucky.

4. Duke Energy Kentucky does not object to limited disclosure of the confidential information described herein, pursuant to an acceptable protective agreement, to the Attorney General or other intervenors with a legitimate interest in reviewing the same for the purpose of participating in this case.

5. In accordance with the provisions of 807 KAR 5:001 Section 7, the Company is filing with the Commission one copy of the Confidential Material highlighted and five (5) copies without the confidential information.

WHEREFORE, Duke Energy Kentucky, Inc. respectfully requests that the Commission classify and protect as confidential the specific information described herein.

Respectfully submitted,

DUKE ENERGY KENTUCKY

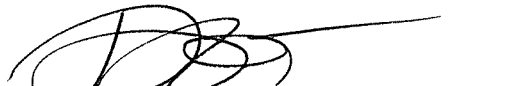


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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of Duke Energy Kentucky, Inc.'s Petition for Confidential Treatment of Information Contained in Duke Energy Kentucky, Inc.'s First Set of Data Requests was served on the following by overnight mail, this 16th day of February 2010.



Rocco D'Ascenzo

Honorable Dennis G. Howard, II
Honorable David E. Spenard
Assistant Attorneys General
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601

RECEIVED

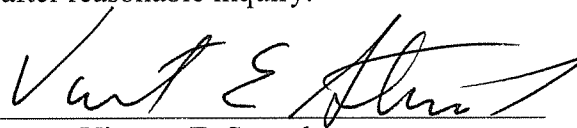
FEB 17 2010

PUBLIC SERVICE
COMMISSION

VERIFICATION

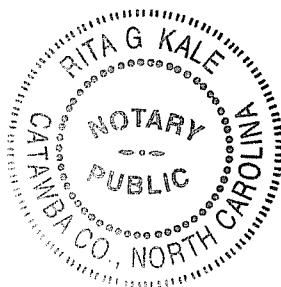
STATE OF NORTH CAROLINA)
) SS:
COUNTY OF MECKLENBURG)


The undersigned, Vincent E. Stroud, being first duly sworn, deposes and says that I am employed by Duke Energy Corporation affiliated companies as Vice President, Regulated Fuels, on behalf of Duke Energy Kentucky, Inc., I have supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing response to information requests are true and accurate to the best of my knowledge, information and belief after reasonable inquiry.



Vincent E. Stroud

Subscribed and sworn to before me by Vincent E. Stroud, on this 4 day of February, 2010.





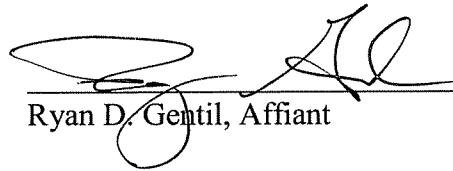
NOTARY PUBLIC

My Commission Expires: 6/17/12

VERIFICATION

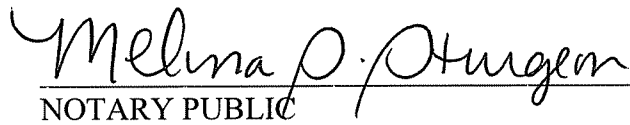
State of Ohio)
)
County of Hamilton)

The undersigned, Ryan D. Gentil, being duly sworn, deposes and says that I am employed by the Duke Energy Corporation affiliated companies as Portfolio Risk Manager; that on behalf of Duke Energy Kentucky, Inc., I have supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing response to information requests are true and accurate to the best of my knowledge, information and belief after reasonable inquiry.



Ryan D. Gentil, Affiant

Subscribed and sworn to before me by Ryan D. Gentil on this 3 day of February, 2010.



NOTARY PUBLIC


My Commission Expires:

MELISSA S. STURGEON
Notary Public, Kentucky State at Large
My Commission Expires November 15, 2011

VERIFICATION

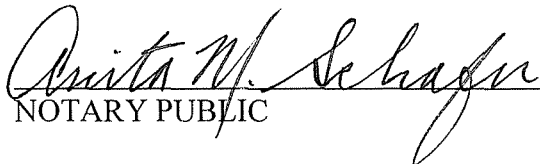
State of Ohio)
)
County of Hamilton)

The undersigned, Lisa D. Steinkuhl, being duly sworn, deposes and says that I am employed by the Duke Energy Corporation affiliated companies as Lead Rates Analyst; that on behalf of Duke Energy Kentucky, Inc., I have supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing response to information requests are true and accurate to the best of my knowledge, information and belief after reasonable inquiry.



Lisa D. Steinkuhl, Affiant

Subscribed and sworn to before me by Lisa D. Steinkuhl on this 29th day of January, 2010.



NOTARY PUBLIC

My Commission Expires:

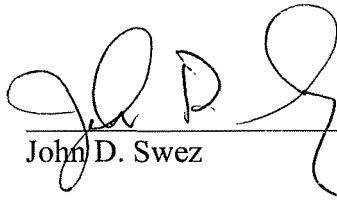


ANITA M. SCHAFER
Notary Public, State of Ohio
Commission Expires
November 4, 2014

VERIFICATION

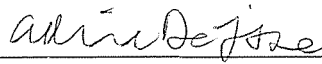
STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

The undersigned, John D. Swez, being duly sworn, deposes and says that he is employed by the Duke Energy Corporation affiliated companies as Director, Bulk Power Marketing and Trading for Duke Energy Business Services, LLC; that on behalf of Duke Energy Kentucky, Inc., he has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of his knowledge, information and belief after reasonable inquiry.



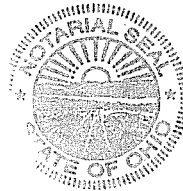
John D. Swez

Subscribed and sworn to before me by John D. Swez on this 29th day of January, 2010.



NOTARY PUBLIC

My Commission Expires: 8/22/2012



Adrienne De Lisse
Notary Public, State of Ohio
My Commission Expires 08-22-2012

TABLE OF CONTENTS

<u>DATA REQUEST</u>	<u>WITNESS</u>	<u>TAB NO.</u>
STAFF-DR-01-001	Lisa D. Steinkuhl.....	1
STAFF-DR-01-002	Lisa D. Steinkuhl.....	2
STAFF-DR-01-003	John Swez.....	3
STAFF-DR-01-004	Lisa D. Steinkuhl.....	4
STAFF-DR-01-005	John Swez.....	5
STAFF-DR-01-006	Lisa D. Steinkuhl.....	6
STAFF-DR-01-007	John Swez.....	7
STAFF-DR-01-008	Ryan Gentil / Vincent Stroud / John Swez.....	8
STAFF-DR-01-09	Ryan Gentil / Vincent Stroud John Swez.....	9
STAFF-DR-01-010	Ryan Gentil / Vincent Stroud John Swez.....	10
STAFF-DR-01-011	Ryan Gentil / Vincent Stroud John Swez.....	11
STAFF-DR-01-012	Ryan Gentil / Vincent Stroud John Swez.....	12
STAFF-DR-01-013	Lisa D. Steinkuhl	13
STAFF-DR-01-014	Ryan Gentil / Vincent Stroud John Swez.....	14

STAFF-DR-01-015	Ryan Gentil / Vincent Stroud John Swez.....	15
STAFF-DR-01-016	Ryan Gentil / Vincent Stroud John Swez.....	16
STAFF-DR-01-017	Ryan Gentil / Vincent Stroud John Swez.....	17
STAFF-DR-01-018	John Swez.....	18
STAFF-DR-01-019	Ryan Gentil / Vincent Stroud John Swez.....	19
STAFF-DR-01-020	Ryan Gentil / Vincent Stroud John Swez.....	20
STAFF-DR-01-021	Lisa D. Steinkuhl.....	21
STAFF-DR-01-022	Lisa D. Steinkuhl.....	22

Duke Energy Kentucky, Inc.
Case No. 2009-00509
First Set Staff Data Requests
Date Received: January 27, 2010

STAFF-DR-01-001

REQUEST:

For the period from May 1, 2009 through October 31, 2009, list each vendor from whom coal was purchased and the quantities and the nature of each purchase (e.g., spot or contract).

RESPONSE:

See Attachment STAFF-DR-01-001.

PERSON RESPONSIBLE: Lisa D. Steinkuhl

Duke Energy Kentucky

<u>VENDOR</u>	<u>PURCHASE TONNAGE</u>	<u>PURCHASE TYPE</u>
American Coal Company	133,361	Contract
Charolais	54,728	Contract
Coal Sales	9,718	Contract
Consol Pennsylvania Coal Co.	34,518	Spot
Cumberland	42,518	Spot
Dayton Power & Light	14,119	Spot
Hopkins County Coal	514	Contract
Knight Hawk	150,854	Contract
Oxford Mining	250,257	Contract
Patriot Coal	159,953	Contract
Patriot Coal	61,623	Spot
SMCC AGF Resource Sales	241,114	Contract
SMCC AGF Resource Sales	1,504	Spot
Transfer Terminal	825	Contract
Transfer Terminal	3,932	Spot
William Penn Coal	1,436	Spot
TOTAL	<u>1,160,974</u>	

Duke Energy Kentucky, Inc.
Case No. 2009-00509
First Set Staff Data Requests
Date Received: January 27, 2010

STAFF-DR-01-002

REQUEST:

For the period from May 1, 2009 through October 31, 2009, list each vendor from whom natural gas was purchased for generation and the quantities and nature of each purchase (e.g., spot or contract).

RESPONSE:

Duke Energy Kentucky purchased the following quantities of spot natural gas from Eagle Energy Partners I, L.P. for generation at Woodsdale Station:

May 2009	186,890 MMBtu
June 2009	129,999 MMBtu
July 2009	32,050 MMBtu
August 2009	79,550 MMBtu
September 2009	19,100 MMBtu
October 2009	57,000 MMBtu

PERSON RESPONSIBLE: Lisa D. Steinkuhl

Duke Energy Kentucky, Inc.
Case No. 2009-00509
First Set Staff Data Requests
Date Received: January 27, 2010

STAFF-DR-01-003

REQUEST:

State whether Duke Kentucky engages in hedging activities for its natural gas purchase used for generation. If yes, describe the hedging activities in detail.

RESPONSE:

Duke Energy Kentucky did not engage in any hedging activity for its natural gas purchases used for generation during this time period.

PERSON RESPONSIBLE: John Swez

Duke Energy Kentucky, Inc.
Case No. 2009-00509
First Set Staff Data Requests
Date Received: January 27, 2010

STAFF-DR-01-004

REQUEST:

For each generating station or unit for which a separate coal pile is maintained, state, for the period from May 1, 2009 through October 31, 2009 the actual amount of coal burned in tons, the actual amount of coal deliveries in tons, the total kWh generated, and the actual capacity factor at which the plant operated.

RESPONSE:

Plant	Coal Burn (Tons)	Coal Receipts (Tons)	Net MWH	Capacity Factor (Net MWH) / period hrs x MW rating)
East Bend	629,587 (1)	934,698 (2)	1,397,715	76.5%
Miami Fort 6	230,392	226,275	532,536	74.0%

- (1) Duke Energy Kentucky's ownership share
- (2) 100% of coal received at the station

PERSON RESPONSIBLE: Lisa D. Steinkuhl

Duke Energy Kentucky, Inc.
Case No. 2009-00509
First Set Staff Data Requests
Date Received: January 27, 2010

STAFF-DR-01-005

REQUEST:

List all firm power commitments for Duke Kentucky from May 1, 2009 through October 31, 2009 for (a) purchases and (b) sales. This list shall identify the electric utility, the amount of commitment in MW, and the purpose of the commitment (e.g., peaking, emergency).

RESPONSE:

Duke Energy Kentucky has no firm power commitments during this time period.

PERSON RESPONSIBLE: John Swez

Duke Energy Kentucky, Inc.
Case No. 2009-00509
First Set Staff Data Requests
Date Received: January 27, 2010

STAFF-DR-01-006

REQUEST:

Provide a monthly billing summary for sales to all electric utilities for the period May 1, 2009 through October 31, 2009.

RESPONSE:

See Attachment STAFF-DR-01-006.

PERSON RESPONSIBLE: Lisa D. Steinkuhl

DUKE ENERGY KENTUCKY
POWER TRANSACTION SCHEDULE

Supplier/Buyer		Transaction Type	kWh	Charges (\$)			
				Demand	Fuel	Other	Total
Month Ended May 31, 2009							
Midwest Independent System Operator	Econ Sales	10,286,280		313,941	(79,667)	234,274	
	Total Sales	<u>10,286,280</u>	<u>0</u>	<u>313,941</u>	<u>(79,667)</u>	<u>234,274</u>	
Month Ended June 30, 2009							
Midwest Independent System Operator	Econ Sales	16,701,420		381,624	(74,227)	307,397	
	Total Sales	<u>16,701,420</u>	<u>0</u>	<u>381,624</u>	<u>(74,227)</u>	<u>307,397</u>	
Month Ended July 31, 2009							
Midwest Independent System Operator	Econ Sales	26,900,680		725,598	(204,137)	521,461	
	Total Sales	<u>26,900,680</u>	<u>0</u>	<u>725,598</u>	<u>(204,137)</u>	<u>521,461</u>	
Month Ended August 31, 2009							
Midwest Independent System Operator	Econ Sales	18,859,210		474,757	(105,065)	369,692	
	Total Sales	<u>18,859,210</u>	<u>0</u>	<u>474,757</u>	<u>(105,065)</u>	<u>369,692</u>	
Month Ended September 30, 2009							
Midwest Independent System Operator	Econ Sales	42,611,610		970,713	(73,754)	896,959	
	Total Sales	<u>42,611,610</u>	<u>0</u>	<u>970,713</u>	<u>(73,754)</u>	<u>896,959</u>	
Month Ended October 31, 2009							
Midwest Independent System Operator	Econ Sales	88,214,770		2,062,775	305,631	2,368,405	
	Total Sales	<u>88,214,770</u>	<u>0</u>	<u>2,062,775</u>	<u>305,631</u>	<u>2,368,405</u>	

Legend
Econ Sales - Economy Sales

Duke Energy Kentucky, Inc.
Case No. 2009-00509
First Set Staff Data Requests
Date Received: January 27, 2010

STAFF-DR-01-007

REQUEST:

List Duke Kentucky's scheduled, actual, and forced outages from May 1, 2009 through October 31, 2009.

RESPONSE:

See Attachment STAFF-DR-01-001

PERSON RESPONSIBLE: John Swez

Duke Kentucky
 Woodsdale 1
 May 2009 - Oct 2009

MONTH	MAINTENANCE		HOURS OF DURATION			REASON FOR DEVIATION FROM SCHEDULED MAINTENANCE OR REASON FOR FORCED OUTAGE AS APPROPRIATE
	FROM	TO	Scheduled	Forced	Actual	
May	5/13/2009	5/13/2009		0.1		Trip Due to Lightning Strike
Jun	6/25/2009	6/25/2009		0.55		Auxiliary Transformer Tripped
Jul						
Aug						
Sep						
Oct						

Duke Kentucky
 Wooddale 2
 May 2009 - Oct 2009

MONTH	MAINTENANCE		HOURS OF DURATION			REASON FOR DEVIATION FROM SCHEDULED MAINTENANCE OR REASON FOR FORCED OUTAGE AS APPROPRIATE
	FROM	TO	Scheduled	Forced	Actual	
May						
Jun	6/25/2009	6/25/2009		0.55		Auxiliary Transformer Tripped
Jul						
Aug						
Sep						
Oct						

Duke Kentucky
 Woodsdale 3
 May 2009 - Oct 2009

MONTH	MAINTENANCE		HOURS OF DURATION			REASON FOR DEVIATION FROM SCHEDULED MAINTENANCE OR REASON FOR FORCED OUTAGE AS APPROPRIATE
	FROM	TO	Scheduled	Forced	Actual	
May	5/13/2009	5/13/2009		1.13		Lightning Strike
Jun	6/25/2009	6/25/2009		0.55		Auxiliary Transformer Tripped
Jul	7/7/2009	9/21/2009		1825.18		Compressor Blade Failure
Aug						
Sep						
Oct	10/8/2009	10/8/2009		2.57		Startup Failure, Not Enough Time on Turning Gear

Duke Kentucky
 Wooddale 4
 May 2009 - Oct 2009

MONTH	MAINTENANCE		HOURS OF DURATION			REASON FOR DEVIATION FROM SCHEDULED MAINTENANCE OR REASON FOR FORCED OUTAGE AS APPROPRIATE
	FROM	TO	Scheduled	Forced	Actual	
May						
Jun	6/25/2009	6/25/2009		0.53		Auxiliary Transformer Tripped
Jul	7/22/2009	7/23/2009	28.15		28.15	Disconnect Transformers for U3 Outage
Aug						
Sep						
Oct						

Duke Kentucky
 Woodsdale 5
 May 2009 - Oct 2009

MONTH	MAINTENANCE		HOURS OF DURATION			REASON FOR DEVIATION FROM SCHEDULED MAINTENANCE OR REASON FOR FORCED OUTAGE AS APPROPRIATE
	FROM	TO	Scheduled	Forced	Actual	
May						
Jun	6/25/2009	6/25/2009		0.53		Auxiliary Transformer Tripped
Jul						
Aug						
Sep	9/15/2009	11/23/2009	1657.90		1657.90	Planned Outage
Oct						

Duke Kentucky
 Woodsdale 6
 May 2009 - Oct 2009

MONTH	MAINTENANCE		HOURS OF DURATION			REASON FOR DEVIATION FROM SCHEDULED MAINTENANCE OR REASON FOR FORCED OUTAGE AS APPROPRIATE
	Actual FROM	TO	Scheduled	Forced	Actual	
May						
Jun	6/25/2009	6/25/2009		0.52		Auxiliary Transformer Tripped
Jul						
Aug						
Sep	9/9/2009	9/9/2009		1.00		Brush Lift Off Device Trouble
Oct	10/28/2009	12/31/2009		1545.00		High Vibration due to Blade Problems

Duke Energy Kentucky, Inc.
Case No. 2009-00509
First Set Staff Data Requests
Date Received: January 27, 2010

STAFF-DR-01-008

REQUEST:

List all existing fuel contracts categorized as long-term (i.e., more than one year in length). Provide the following information for each contract:

- a. Supplier's name and address
- b. Name and location of production facility.
- c. Date contract was executed.
- d. Duration of contract.
- e. Date(s) of each contract revision, modification or amendment.
- f. Annual tonnage requirements.
- g. Actual annual tonnage received since the contract's inception.
- h. Percentage of annual requirements received during the contract's term.
- i. Base price in dollars per ton.
- j. Total amount of price escalations to date in dollars per ton.
- k. Current price paid for coal under the contract in dollars per ton (i + j).

RESPONSE:

MIAMI FORT 6:

- a. **Peabody COALSALES Company**
701 Market St.
St. Louis, MO 63101-1826
- b. Arclar
Saline County, IL

Somerville
Gibson Co., IN

Highland
Henderson Co., KY

- c. January 1, 2008
- d. January 2008 – December 2010.
- e. March 19, 2008
March 27, 2008
November 23, 2008
December 9, 2008
April 20, 2009
November 23, 2009
- f. 2,200,000 tons in 2008
2,500,000 tons 2009-2010
- g.

	Arclar	Highland	Somerville	Total
2008	296,351.83	650,103.00	1,197,695.10	2,144,150
2009*	294,521.14	754,650.10	1,494,008.20	2,543,179

*All Deliveries YTD 12/31/09

- h. 2008 - 97.46%
2009 - 101.73%

i.

	Arclar	Highland	Somerville
2008	\$39.40/ton	\$36.31/ton	\$31.84/ton
2009	\$40.39/ton	\$37.23/ton	\$33.50/ton
2010	\$41.23/ton	\$38.66/ton	\$34.64/ton

\$3.44/ton adder on first 3,200,000 tons delivered on the contract to compensate for removal of price escalators.

\$3.50/ton adder on all tons shipped out of Somerville.

- j. Fixed Pricing

k. See Response to (i) as there are no price escalations.

a. **The American Coal Company**
101 Prosperous Place, Suite 125
Lexington, KY 40509

b. Galatia Mine
Saline County, IL

c. June 27, 2005

d. September 1, 2005 – August 31, 2015.

e. July 14, 2006
June 1, 2008

f. 300,000 tons

g.

	Nominal	Actual
2005	100,000	92,816
2006	300,000	292,004
2007	300,000	295,509
2008	300,000	282,250
2009*	300,000	318,316

*All Deliveries YTD 12/31/09

h. 2005 - 92.8%
2006 - 97.3%
2007 - 98.6%
2008 - 94.1%
2009 - 106.11%

i. 2005 \$37.05/ton

j. 9/1/2005 – 1/31/2006 \$37.96/ton
2/1/2006 – 7/31/2006 \$38.78/ton
8/1/2006 – 11/12/2006 \$40.87/ton

11/13/2006 – 12/31/2006	\$39.56/ton
1/1/2007 – 1/31/2007	\$40.01/ton
2/1/2007 – 7/31/2007	\$40.44/ton
8/1/2007 – 1/31/2008	\$40.52/ton
2/1/2008 – 5/31/2008	\$41.48/ton
6/1/2008 – 12/31/2008	\$56.00/ton
1/1/2009 – 12/31/2009	\$56.00/ton

Price fixed thru 2012 at \$56.00/ton per June 1, 2008 amendment

k. See response to (j). Current price = \$56.00.

a. **The Dayton Power and Light Company**

1065 Woodman Drive
Dayton, OH 45432

b. Cumberland Mine
Greene County, PA

c. September 30, 2008

d. January 1, 2009 – December 31, 2009.

e. N/A

f. 500,000 tons in 2009

g.

	Nominal	Actual
2009*	500,000	499,843

*All Deliveries YTD 12/31/09

h. 2009 - 100.0%

i. 2009 - \$99.00/ton

j. N/A

k. \$99.00/ton

- a. **Hopkins County Coal, LLC**
1717 South Boulder Avenue
Tulsa, OK 74119
- b. Elk Creek Mine
near Madisonville in Hopkins County, KY
- c. January 25, 2008
- d. January 1, 2008 – December 31, 2008.
- e. February 25, 2008
July 10, 2008
December 4, 2008
- f. 300,000 tons in 2008
Revised to 315,500 tons per December 4 amendment
500,000 tons in 2009
500,000 tons in 2010
500,000 tons in 2011
- g.

	Nominal	Actual
2008	315,500	314,578
2009*	500,000	491,888

*All Deliveries YTD 12/31/09

- h. 2008 - 99.7% thru December
2009 - 98.4%
- i. 2008 - \$41.19/ton
2009 - \$44.35/ton
2010 - \$45.35/ton
2011 - \$78.00/ton
- j. \$41.19 per amendment 1
\$62.00 per amendment 3 for additional 15,500 tons in Dec. 2008
- k. \$44.35

EAST BEND:

- a. **Oxford Mining Company, Inc. (10199)**
544 Chestnut Street
Coshocton, OH 43812
- b. Various Ohio Mines
- c. July 22, 2005
- d. December 31, 2010
- e. January 1, 2009
- f. 2006 = 500,000; 2007 = 1,000,000; 2008 = 600,000; 2009 = 480,000;
2010 = 480,000.
- g. 2006 = 380,561; 2007 = 1,004,037; 2008 = 426,048; 2009 YTD 10/31 =
415,028
- h. 2006 = 76%; 2007 = 100.4%; 2008 = 64%; 2009 = 86.5%
- i. 2006 = \$33.50; 2007 = \$34.25; 2008 = \$32.16; 2009 = \$34.41
- j. 4th Qtr 2006 = 2.466; 4th Qtr 2007 = \$2.877; 3rd Qtr 2008 = \$7.545 4th Qtr
2008 = (\$0.647); 1st Qtr 2009 = (\$3.438); 2nd Qtr 2009 = (\$1.955); 3rd Qtr
2009 = \$1.014.
- k. 4th Qtr 2006 = \$35.966; 4th Qtr 2007 = \$37.127; 3rd Qtr 2008 = \$39.705;
4th Qtr 2008 = \$39.709; 1st Qtr 2009 = \$36.271; 2nd Qtr 2009 = \$34.316;
3rd Qtr \$35.33

- a. **Knight Hawk Coal, LLC (10069)**
500 Cutler-Trico Road
Percy, Il. 63372
- b. Prairie Eagle Mine, Perry County, Il.
- c. October 6, 2008
- d. December 31, 2010
- e. N/A
- f. 2009 = 300,000, 2010 = 300,000
- g. YTD 10/31 = 256,875

- h. 85.6%
- i. \$46.00
- j. 2009 1st Qtr = (\$0.85); 2nd Qtr = (\$1.45); 3rd Qtr = \$0.46
- k. 209 1st Qtr = 45.15; 2nd Qtr = \$43.70; 3rd Qtr = \$44.16

a. Patriot Coal Sales, LLC (10049)

12312 Olive Boulevard
Suite 400
St. Louis, MO 63141

- b. Highland Mine, Union County, KY
- c. December 31, 2008
- d. December 31, 2010
- e. N/A
- f. 300,000
- g. YTD 10/31 = 232,056
- h. 77.4%
- i. \$48.00
- j. 2nd Qtr = (\$0.899); 3rd Qtr = (\$0.071)
- k. 2nd Qtr = \$47.101; 3rd Qtr = \$47.03

a. Charolais Coal Co (HC 10053)

Suite 3650
101 South Fifth Street
Louisville, KY 40202

- b. Charolais Coal Company, Muhlenberg, Hopkins and Webster Counties, Kentucky
- c. September 5, 2007
- d. January 1, 2008 to December 31, 2012

- e. Amendment 1 = March 1, 2008; Amendment 2 = March 17, 2008;
Amendment 3 = July 15, 2008
- f. 2008 = 287,047; 2009 = 100,000
- g. 2008 = 287,048; YTD 10/31 2009 = 75,764
- h. 2008 = 100%; 2009 = 75.8%
- i. 2008 = \$32.00; 2009 = \$32.42
- j. None
- k. 2008 = \$32.00; 2009 = \$32.42

a. SMCC AGF Resources Sales, Inc. (10088)
921 Cogdill Road
Suite 301
KNOXVILLE, TN 37932

b. Allied Resources, Webster County, KY

c. December 19, 2008

d. December 31, 2009

e. N/A

f. 300,000

g. YTD 10/31 = 262,688

h. 87.6 %

i. \$66.75

j. None

k. \$66.75

a. SMCC AGF Resources Sales, Inc. (10116)
921 Cogdill Road
Suite 301

KNOXVILLE, TN 37932

- b. Allied Resources, Webster County, KY
- c. June 24, 2009
- d. December 31, 2011
- e. N/A
- f. 2009 = 150,000; 2010 = 300,000; 2011 = 300,000
- g. YTD 10/31 = 108,124
- h. 72.1 %
- i. 2009 = \$51.00; 2010 – 2011 = \$53.00
- j. None
- k. 2009 = \$51.00; 2010 – 2011 = \$53.00

WOODSDALE:

There are no long term contracts with suppliers that source and deliver gas to Woodsdale Station. The only long-term contracts that extend past one year are contracts for balancing service.

PERSON RESPONSIBLE: Ryan Gentil (Miami Fort 6)
Vincent Stroud (East Bend)
John Swez (Woodsdale)

Duke Energy Kentucky, Inc.
Case No. 2009-00509
First Set Staff Data Requests
Date Received: January 27, 2010

STAFF-DR-01-009

REQUEST:

- a. State whether Duke Kentucky regularly compares the price of its coal purchases with those paid by other electric utilities.
- b. If yes, state:
 - (1) How Duke Kentucky's prices compare with those of other utilities for the review period; and
 - (2) The utilities that are included in this comparison and their locations.

RESPONSE:

EAST BEND/MIAMI FORT 6

- a. Yes.
- b. See Attachment STAFF-DR-01-009 which represents coal fired units operated by these utilities located in the state of Kentucky.

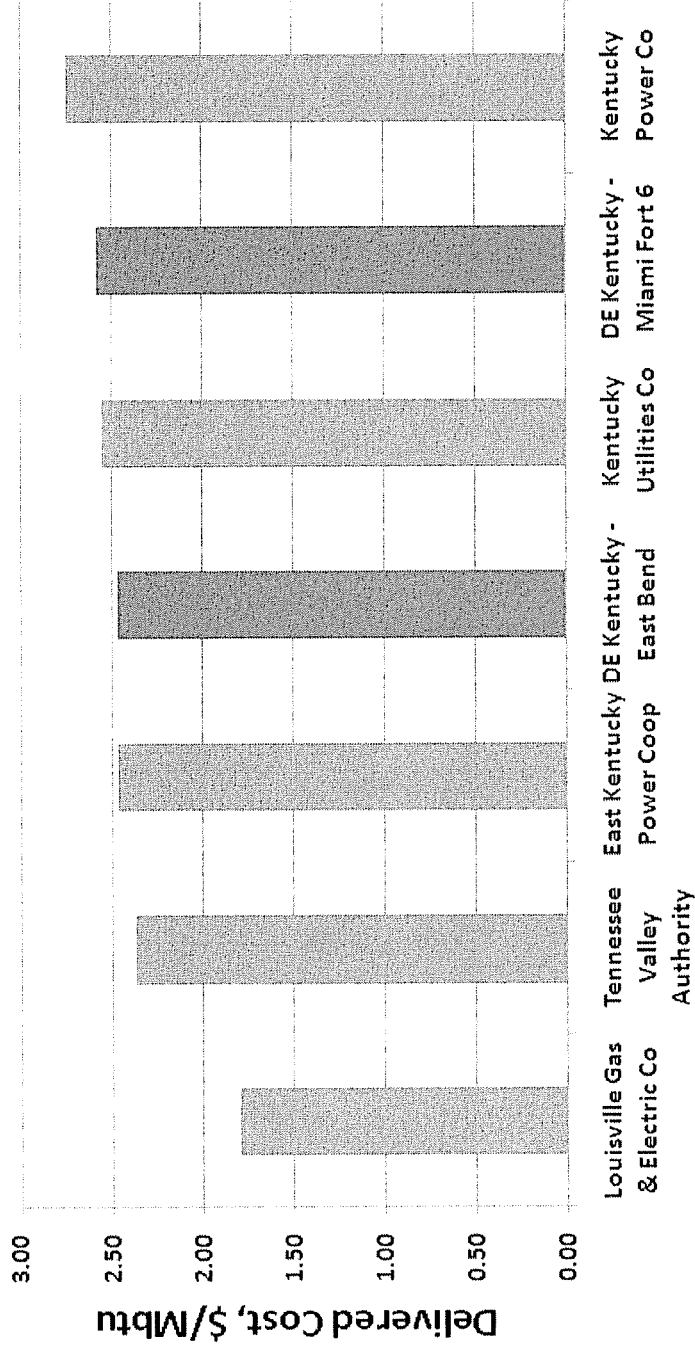
WOODSDALE: N/A

PERSON RESPONSIBLE: Ryan Gentil (Miami Fort 6)
Vincent Stroud (East Bend)
John Swez (Woodsdale)

Duke Energy Kentucky Delivered Coal Cost vs. Peer Group

(November 2008 - October 2009)

Source: EIA 923



Duke Energy Kentucky, Inc.
Case No. 2009-00509
First Set Staff Data Requests
Date Received: January 27, 2010

STAFF-DR-01-010

REQUEST:

State the percentage of Duke Kentucky's coal, as of the date of this Order that is delivered by:

- a. Rail;
- b. Truck; or
- c. Barge.

RESPONSE:

MIAMI FORT 6:

- a. 0%
- b. 0%
- c. 100%

EAST BEND:

- a. 0% rail
- b. 0% truck
- c. 100% barge.

WOODSDALE: N/A

PERSON RESPONSIBLE:

Ryan Gentil (Miami Fort 6)
Vincent Stroud (East Bend)
John Swez (Woodsdale)

Duke Energy Kentucky, Inc.
Case No. 2009-00509
First Set Staff Data Requests
Date Received: January 27, 2010

STAFF-DR-01-011

REQUEST:

- a. State Duke Kentucky's coal inventory level in tons and in number of days' supply as of October 31, 2009. Provide this information by generation station and in the aggregate.
- b. Describe the criteria used to determine number of days' supply.
- c. Compare Duke Kentucky's coal inventory as of October 31, 2009 to its inventory target for that date.
- d. If actual coal inventory exceeds inventory target by 10 days' supply, state the reasons for excessive inventory.
- e. (1) State whether Duke Kentucky expects any significant changes in its current coal inventory target within the next 12 months.

(2) If yes, state the expected change and the reasons for this change.

RESPONSE:

MIAMI FORT 6:

- a. As of 10/31/2009, MF Unit 6 inventory level was 41,125.41 tons. The MF Unit 6 maximum daily burn is reported from the operator to be 1968.7 tons/day. Based on this number, the number of days burn would be recorded as 21 days.
- b. Station management has evaluated past historical events that prevented coal from being delivered to the station by the river. Those events include lock outages, river conditions (ice, river levels, etc.), and coal mine issues. The Station management has also evaluated the economics for creating and maintaining a specific quantity for inventory including the affect of taxes. From the past history and the economics, the Station has determined that a 21-day supply based on a 1,986.7 Tons/day Full load burn is the most economical with low risk for Unit 6's coal inventory.

- c. There is no set target inventory. Instead we manage the inventory to be within a 20 to 30-day supply. Based on the maximum daily burn, this would put the 20-30 day range at 39,374 tons (20 day) to 59,061 tons (30 day).
- d. N/A
- e. No.

EAST BEND:

- a. As of October 31, 2009, total inventory at East Bend was 327,752 tons or 50.4 days.
- b. The number of days supply is computed by dividing an ending daily coal inventory figure stated in tons by the Full Load Burn per day figure of 6,500 tons.
- c. Inventory target = 40 days
- d. Actual coal inventory exceeded target by 10.4 days as a result of a weak economy, milder than expected weather and lower demand for electricity.
- e.
 - 1. No
 - 2. N/A

WOODSDALE: N/A

PERSON RESPONSIBLE: Ryan Gentil (Miami Fort 6)
Vincent Stroud (East Bend)
John Swez (Woodsdale)

Duke Energy Kentucky, Inc.
Case No. 2009-00509
First Set Staff Data Requests
Date Received: January 27, 2010

STAFF-DR-01-012

REQUEST:

- a. State whether Duke Kentucky has audited any of its coal contracts during the period from May 1, 2009 through October 31, 2009.
- b. If yes, for each audited contract:
 - (1) Identify the contract;
 - (2) Identify the auditor;
 - (3) State the results of the audit; and
 - (4) Describe the actions that Duke Kentucky took as a result of the audit.

RESPONSE:

MIAMI FORT 6:

- a. No.
- b. N/A

EAST BEND:

- a. No.
- b. N/A

WOODSDALE: N/A

PERSON RESPONSIBLE:

Ryan Gentil (Miami Fort 6)
Vincent Stroud (East Bend)
John Swez (Woodsdale)

Duke Energy Kentucky, Inc.
Case No. 2009-00509
First Set Staff Data Requests
Date Received: January 27, 2010

STAFF-DR-01-013

REQUEST:

- a. State whether Duke Kentucky has received any customer complaints regarding its FAC during the period from May 1, 2009 through October 31, 2009.
- b. If yes, for each complaint, state:
 - (1) The nature of the complaint; and
 - (2) Duke Kentucky's response;

RESPONSE:

See Attachment STAFF-DR-01-013.

PERSON RESPONSIBLE: Lisa D. Steinkuhl

Duke Energy
Customer Inquiry / Complaint Report

Source: PSCKY
Complaint
How Received: E-mail
Received Date: 7/30/2009

Complainant: John Berns
Address: 667 Wayskin

Account Number: 04700163-21
Telephone:

Complaint Type: Rates
Explain Rate

Owner: Rates

Complaint:

Customer noticed increase in bill and was not notified of any rate increase.

Resolution:

Per Rates, advised that the change was an adjustment to the fuel costs, not a rate increase.
No notice was given to customers. Resulted from a fuel audit.

Resolution Date:

7/31/2009

Duke Energy Kentucky, Inc.
Case No. 2009-00509
First Set Staff Data Requests
Date Received: January 27, 2010

STAFF-DR-01-014

REQUEST:

- a. Is Duke Kentucky currently involved in any litigation with its current or former coal suppliers?
- b. If yes, for each litigation:
 - (1) Identify the coal supplier;
 - (2) Identify the coal contract involved;
 - (3) State the potential liability or recovery to Duke Kentucky;
 - (4) List the issues presented; and
 - (5) Provide a copy of the complaint or other legal pleading that initiated the litigation and any answers or counterclaims. If a copy has previously been filed with the Commission, provide the date on which it was filed and the case in which it was filed.
- c. State the current status of all litigation with coal suppliers.

RESPONSE:

MIAMI FORT 6:

- a. No.
- b. N/A
- c. N/A

EAST BEND:

- a. No.
- b. N/A
- c. N/A

PERSON RESPONSIBLE: Ryan Gentil (Miami Fort)
Vince Stroud (East Bend)

STAFF-DR-01-015

REQUEST:

- a. During the period from May 1, 2009 through October 31, 2009, have there been any changes to Duke Kentucky's written policies and procedures regarding its fuel procurement?
- b. If yes:
 - (1) Describe the changes;
 - (2) Provide the written policies and procedures as changed;
 - (3) State the date(s) the changes were made; and
 - (4) Explain why the changes were made.

RESPONSE:

MIAMI FORT 6:

- a. No.
- b. N/A

EAST BEND:

- a. Yes.
- b.
 - (1) The Regulated Fuels Group made a revision to the Regulated Fuels Procurement Policy
 - (2) See Attachment STAFF-DR-01-015
 - (3) August 25, 2009
 - (4) To better conform to Duke Energy corporate procurement and risk policy.

WOODSDALE:

- a. No.
- b. N/A

PERSON RESPONSIBLE:

Ryan Gentil (Miami Fort 6)
Vincent Stroud (East Bend)
John Swez (Woodsdale)

Regulated Fuels Procurement Policy

Applicability: Duke Energy Kentucky, Inc.

Originator: Regulated Fuels

Approval: Senior Vice President of Wholesale Customer and Regulated Commodities
Management

**Effective
Date:** 08/25/2009

Revision Date:

Reissue Date:

Statement of Purpose

This policy defines the roles, responsibilities, and requirements of negotiation, execution and administration of contracts for the purchase and transportation of fuel and related commodities within U.S. Franchised Electricity and Gas organization of the Duke Energy Corporation. Specific topics addressed include required approvals, the sourcing process, documentation, segregation of duties, and standards of business conduct.

Accountability: Roles and Responsibilities

The **Senior Vice President of Wholesale Customer and Regulated Commodities Management** is responsible for approving this policy and any exceptions to the policy.

The **Vice President of Regulated Fuels** is the owner of this policy and is also responsible for communicating this policy throughout the corporation to all persons involved in the fuels procurement processes. Any exceptions to this policy should be documented and approved in advance by the Vice President of Regulated Fuels prior to obtaining approval by the **Senior Vice President of Wholesale Customer and Regulated Commodities Management**.

The Vice President of Regulated Fuels and anyone authorized to make purchases of material governed by this policy are responsible for compliance with this policy within their areas of responsibility.

This responsibility includes ensuring the unit has adequate internal controls over the procurement process, that documentation communicating compliance with this policy on a transaction basis is maintained.

Standards/Requirements

1. Purchase Commitments

Regulated Fuels personnel are authorized to make purchase commitments consistent with their Delegation Of Authority (DOA) limits. Officers can make contractual commitments consistent with the Approval of Business Transaction Policy and this policy. The standard Delegation of Authority Policy covering other expenditures and commitments explicitly does not apply to expenditures for fuel or related commodities or transportation services for U.S. Franchised Electricity and Gas. Fuel purchases are governed by this policy, and by limits set forth in the Approval of Business Transaction Policy. Regulated Fuels personnel will be

active in the selection of qualified bidders; developing the sourcing strategy; managing the bidding process; negotiating terms and conditions; and ensuring compliance with this policy whenever fuel, fuel associated commodities, or contracts pertaining to the transportation of these commodities are concerned.

2. Sourcing

Whenever practical, competitive bids are to be used for all purchases with a contract term equal to or greater than 12 months in duration. Written Requests For Proposals (RFP) are the preferred method, although telephone solicitations are permissible when execution and delivery requires prompt action. Purchases may not be split into multiple transactions or unreasonably truncated to periods less than 12 months to avoid use of competitive bidding. All other exceptions must be documented and approved as required below.

Single Sourcing

A single source purchase occurs when a competitive bidding process is not undertaken and the decision is made to select a specific supplier based on technical, commercial, or other valid business reasons. Because a single source procurement removes the advantages of the competitive bidding process, it should be used only an exception basis. Contract extensions are considered to be single sourcing decisions unless supported by a documented solicitation of competitive bids. The business rationale for resorting to single sourcing must be documented and approved by an employee with authority granted under the Delegation of Authority Policy. For spot purchases, those contracts with duration of less than 12 months, competitive bidding is not required where market information is readily available to determine that the contract price is competitive with existing market prices. Such market indicators may include published market indices and brokerage assessments. Regardless of the source of such market data, the economic rationale and quality of any competitive assessment must be accepted by the executor of the commitment as authorized by the Delegation of Authority Policy.

Premium Over Low Bid Sourcing

Another purchasing exception is a situation in which the selected opportunity is at a price greater than the low bid, due to technical, commercial, or other business considerations. The rationale for such purchasing decisions shall be communicated to the executor of the commitment as authorized by the Delegation of Authority Policy.

Single, Sole, or Premium over Low Bid Sourcing Documentation and Approval Requirements

Any recommendation to single source or to pay a premium over lowest evaluated bid must be supported by documentation explaining the rationale for the recommendation. This recommendation requires approval by the Vice President of Regulated Fuels, even if the term and volume of the transaction delegates the authority to a role subordinate to the Vice President of Regulated Fuels.

3. Contract Formation

Without exception, any agreement to purchase fuel, fuel oil, lime, limestone, fuel-associated commodities, services, or transportation must be memorialized in a written and fully executed contract. No Transaction shall be captured as executed in a formal accounting or recordkeeping system, including but not limited to ComTrac, CXL, or other accounting, scheduling or planning documentation system prior to the execution of such agreements by both parties. Prior to execution:

- a. All contracts must be reviewed by the Legal Department.
- b. All Term Contracts, or contracts whose complete fulfillment from the date of execution exceeds 12 months, or contracts exceeding a volume commitment of 250,000 tons shall first be reviewed by the Credit Department and
- c. All associated credit risks, departures from standard contract language, or other concerns of the legal or credit department shall be documented and communicated to the executor determined by the Delegation of Authority policy.
- d. All contracts and associated commitment shall be entered into the system of record, currently ComTrac, as executed transactions no earlier than the execution day of the transaction and no later than two business days following the execution of the contract.
- e. Under no circumstances shall any fuels employee authorize receipt, either into Duke's transportation services or Duke's stations, fuel, associated commodities, or any associated services prior to the execution of a contract.

A contract contains the terms and conditions needed to cover risks, qualities, delivery schedule, duration, pricing and pricing adjustments, dispute and settlement mechanisms, payment terms, insurance requirements, suspension and termination rights, etc. Wherever possible, Regulated Fuels will attempt to use Duke Energy's standard contract forms for the associated commodity or associated service.

4. Purchasing Process Guidelines

The purchasing process and related documentation should reflect the complexity and materiality of the commodities or services being purchased. The steps identified below should be considered and included in the process as appropriate to support compliance with this policy or to meet specific operational requirements.

- a. Documentation of test burns or modeled estimates of boiler performance for new fuel supplies or supplies for which guaranteed qualities are inconsistent with guidelines for acceptable fuels.
- b. Documentation of the projected consumption that the purchase satisfies.
- c. Documentation of steps taken to mitigate any credit or legal risks identified by reviews by the Credit or Legal Departments.
- d. Compliance with a standard set of terms and conditions with any legal exceptions approved by Legal.
- e. Commercial and risk assessment including insurance and credit considerations and appropriate hedges against identified risks.
- f. Reviews by Accounting and Corporate Tax for any sales or property tax implications (e.g., inventory tax, property tax implications) or accounting considerations (e.g., lease obligations).

g. Other analyses and functional coordination as appropriate.

Documentation of the purchase process should support that the appropriate steps were taken and provide an audit trail. Documentation should be maintained in accordance with the Records Management Policy and the Duke Energy Records Retention Schedule (DERRS) and may be attached to the request in the purchasing system.

Purchasing Guidelines for Long-Term Contracts

Whenever possible and economically feasible, Fuels will attempt to maintain the following targets, e.g. at midyear, Duke's level of purchased coal will fall within the associated ranges detailed below.

Year	Prompt	+1	+2	+3	+4
Kentucky	75% - 95%	55% - 75%	25% - 45%	0 - 25%	0

These ranges are intended as a guideline, and will be periodically reexamined and as appropriate communicated to other stakeholders within the organization in view of factors including but not limited to changing constraints on the coal market, power market, market for associated emissions or emission allowances, or station-level operational needs.

5. Changes in any Contract Terms, Requirements, or Work Scope

Any Amendments to contracts shall be treated as separate transactions for the purpose of determining appropriate legal, credit review, documentation, and delegation of authority requirements.

6. Confidentiality

Supplier quotations should always be maintained as confidential information. Quotations of one supplier are not to be divulged to another. This information should not be made available within the Company except to individuals with a business need to know. The number of bidders, who is bidding, how much is in the budget, the past performance of bidders, and future business potential are topics that should **not** be discussed with suppliers unless Supply Chain personnel or Designated Sourcing personnel authorize the discussion.

7. Segregation of Duties

The following functions should be segregated between at least two people:

- Requisitioning and/or specifying
- Vendor File Maintenance
- Procurement/contracting
- Contract administration
- Receipt of goods or services
- Invoice approval
- Check signing or disbursements

Weaker segregation structures should be accompanied by additional management review. If anyone performs both the procurement and invoice approval processes, an additional level of management must review the approval of the invoice.

8. Standard of Business Conduct and Ethics

Duke Energy complies with all applicable governmental laws, rules and regulations and maintains the highest standard of business ethics and conduct. Employees should refer to the Duke Energy Code of Business Ethics for an explanation of the Company's policies pertaining to topics such as gifts and entertainment; conflicts of interest; and bribery, kickbacks and other improper payments. Employees or contractors who are concerned about unethical behavior can anonymously report their concerns on the EthicsLine by calling 1-800-525-3783 or visiting <http://www.dukeenergy-ethicsline.com/>. Employees should also consult and follow policies, procedures, and guidelines for complying with applicable Affiliate Codes of Conduct for any transactions between the regulated and non-regulated businesses.

9. Sourcing Requirements Summary

Category	Requirements
Purchases > 1 year in term	Competitive bid process will be required unless exceptions are documented and approved by the Vice President of Regulated Fuels.
Purchases <1 year in term	Approval at appropriate DOA limits.
Single source recommendation	Approval at appropriate DOA limits. Competitive bidding and/or documentation of contemporary index pricing should be used where practical. Vice President of Regulated Fuels shall confirm any such single source recommendations.
Premium over low bid	Documentation and approval by the Vice President of Regulated Fuels or their designee. Approval in accordance with DOA limits.

Duke Energy Kentucky, Inc.
Case No. 2009-00509
First Set Staff Data Requests
Date Received: January 27, 2010

STAFF-DR-01-016

REQUEST:

- a. State whether Duke Kentucky is aware of any violations of its policies and procedures regarding fuel procurement that occurred prior to or during the period from May 1, 2009 through October 31, 2009.
- b. If yes, for each violation
 - (1) Describe the violation;
 - (2) Describe the action(s) that Duke Kentucky took upon discovering the violation; and
 - (3) Identify the person(s) who committed the violation.

RESPONSE:

MIAMI FORT 6:

- a. No.
- b. N/A

EAST BEND:

- a. No
- b. N/A

WOODSDALE:

- a. No
- b. N/A

PERSON RESPONSIBLE:

Ryan Gentil (Miami Fort 6)
Vincent Stroud (East Bend)
John Swez (Woodsdale)

Duke Energy Kentucky, Inc.
Case No. 2009-00509
First Set Staff Data Requests
Date Received: January 27, 2010

STAFF-DR-01-017

REQUEST:

Identify and explain the reasons for all changes that occurred during the period from May 1, 2009 through October 31, 2009 in the organizational structure and personnel of the departments or divisions that are responsible for Duke Kentucky's fuel procurement activities.

RESPONSE:

MIAMI FORT 6: No changes occurred during this time period

EAST BEND: On September 1, 2009, Aaron Kitzmiller, who had primary responsibility for fuel procurement at East Bend Station was assigned to a different position elsewhere in the Company. His duties were assigned to Christopher Coffman on that same day.

WOODSDALE: No changes occurred during this time period

PERSON RESPONSIBLE: Ryan Gentil (Miami Fort 6)
Vincent Stroud (East Bend)
John Swez (Woodsdale)

Duke Energy Kentucky, Inc.
Case No. 2009-00509
First Set Staff Data Requests
Date Received: January 27, 2010

STAFF-DR-01-018

REQUEST:

- a. Identify all changes that Duke Kentucky has made during the period under review to its maintenance and operation practices that also affect fuel usage at Duke Kentucky's generation facilities.
- b. Describe the impact of these changes on Duke Kentucky's fuel usage.

RESPONSE:

- a. No changes occurred during this time period
- b. N/A

PERSON RESPONSIBLE: John Swez

Duke Energy Kentucky, Inc.
Case No. 2009-00509
First Set Staff Data Requests
Date Received: January 27, 2010

STAFF-DR-01-019 PUBLIC

REQUEST:

List each written coal supply solicitation issued during the period from May 1, 2009 through October 31, 2009.

- a. For each solicitation, provide the date of the solicitation, the type of solicitation (contract or spot), the quantities solicited, a general description of the quality of coal solicited, the time period over which deliveries were requested, and the generating unit(s) for which the coal was intended.
- b. For each solicitation, state the number of vendors to whom the solicitation was sent, the number of vendors who responded, and the selected vendor. Provide the bid tabulation sheet or corresponding document that ranked the proposals. (This document should identify all vendors who made offers.) State the reasons for each selection.

RESPONSE:

MIAMI FORT 6:

- a. No solicitations.
- b. N/A

EAST BEND:

- a. See STAFF-DR-01-019 (a) Duke 2009 Fall Coal RFP Solicitation
- b. Number of vendors that received the solicitation: 90
Number of vendors who responded: 16
Selected vendor: Consolidation Coal Company ("Consol")

CONFIDENTIAL PROPRIETARY TRADE SECRET

This response is being provided to the Commission under a Motion for Confidential Treatment.

WOODSDALE: N/A

PERSON RESPONSIBLE: Ryan Gentil (Miami Fort 6)
Vince Stroud (East Bend)
John Swez (Woodsdale)

**DUKE ENERGY
REQUEST FOR COAL SUPPLY PROPOSAL
DATED AUGUST 21, 2009
GUIDELINES AND SPECIFICATIONS**

1. General Information

- 1.1 Duke Energy (hereafter “Duke”) is requesting proposals for a supply of crushed bituminous coal from the Northern Appalachian Basin, Illinois Basin or Central Appalachian Basin, for delivery to Duke’s Regulated Utility in Kentucky.
- 1.2 Proposals are to be submitted to Duke pursuant to the terms and conditions set forth in this Request for Proposal 2009- #2 (“RFP”) and in accordance with the terms and conditions set forth in the Agreements for the Sale and Purchase of Coal included in this request for coal.
- 1.3 Proposals should be fully completed by using the enclosed RFP Forms and executed by someone having the authority to obligate the Seller, and received by Duke no later than **Noon (EDT) on September 11, 2009**. Proposals that are received after the required submittal date and time will be rejected without evaluation.
- 1.4 Proposals should be submitted via e-mail to: coal@duke-energy.com. If Seller is unable to e-mail its proposal, it may be faxed to (704) 382-4568. Any questions pertaining to this Request for Proposal should be directed to:

Walt Coleman (704) 382-9310

- 1.5 Seller shall submit within its proposal(s):
- (a). Copies of audited or officer certified financial statements for year ending December 31, 2008 and the most recent quarterly financial statements. (If fiscal year is not on a calendar basis, please provide such financial statements that correlate with your designated fiscal year). These statements should include; Balance Sheets, Income Statements, Cash Flow Statements or other pertinent financial documentation related to changes in financial reporting methods.
- (b). Organizational flow of Parent Company and related subsidiaries.
- (c). All proposals and financial information submitted under this solicitation will be kept in strict confidence by Duke and shall not be disclosed to any third party, unless required by any regulatory agency or applicable court of law.

- 1.6 Duke reserves the right to audit any proposal and financial data submitted prior to award of any contract resulting from this RFP.
- 1.7 Seller shall clearly indicate all of its coal supply producers that it plans to utilize to meet the requirements of this RFP. The enclosed Duke Bid Request Date Forms must be completed for each producer proposed. If Seller is proposing coal from multiple producers, the percentage of total from each producer must be provided. Also, any proposal submitted by Seller on behalf of a producer must include a written statement by the producing company giving the Seller the sole and exclusive right to offer coal on the producer's behalf. Please note that all coal proposed should come from the sources listed in your proposal.
- 1.8 All coal loading information needs to be included such as; railroad to be utilized, rail district, shipping point, tipple, rail mine number, and milepost. Loading capabilities/parameters must be clearly specified within proposal(s).
- 1.9 Pleased be advised that your initial offer will be the basis of Duke's evaluation. Duke does not intend to entertain offers or revisions to initial offers submitted and received after the required submittal date listed above. Based on Duke's initial evaluation of all proposals, it reserves the right to open contract negotiations, which includes but is not limited to (price, terms and conditions), with the Seller(s) that offers the most advantageous price, terms and conditions, where all cost impacts to Duke are considered.
- 1.10 Proposals will be evaluated on, but not limited to, the following:
 - Total delivered cost (per million Btu)
 - Total generating cost as evaluated by Duke based on analysis of the coal quality submitted
 - Tonnage offered and volume flexibility of coal shipments
 - Reliability of coal supply and availability of proven reserves with the ability to mine and produce offered amounts, including having mining permits in place
 - Fuel quality/specification
 - Supplier's financial strength and stability
- 1.11 Duke reserves the right to request any additional information pertaining to any proposal at any time after receipt of a proposal.
- 1.12 If Seller's coal has not been extensively utilized/burned by Duke, detailed evaluation and a successful test burn at a Duke power plant(s) may be required prior to final acceptance of any contract resulting from this RFP.
- 1.13 Duke shall have the right to send a representative(s) to Seller's mines, properties, operating facilities and coal loading points, for the purpose of inspecting Seller's operations and mining plans, prior to any contract award resulting from this RFP.

- 1.14 **By replying to this proposal, Seller is implying its agreement with the terms of this RFP as well as the terms and conditions set forth in the Agreement for the Sale and Purchase of Coal included in this RFP. If Seller has any exceptions to the terms and conditions set forth in the Agreement for the Sale and Purchase of Coal included in this RFP, those exceptions must clearly be identified in Seller's proposal.**
- 1.15 Seller shall indicate in its proposal that it presently owns or otherwise controls, whether directly or through and affiliate, the coal reserves identified in an amount sufficient to fulfill the term proposal proposed.
- 1.16 Seller shall indicate in its proposal the status of the governmental regulatory mining permits, licenses and approvals that are required at the mining operation that it proposes to supply the volume and term of coal set forth in the proposal (i.e. are permits in place to fulfill the term and quantity proposed?).
- 1.17 Duke reserves the right to modify or withdraw this request, to reject any or all proposals and/or to terminate negotiations at any time.

2. Proposal Term(s)

- 2.1 Seller should submit a proposal(s) in which coal deliveries begin and end under one or more of the following:

January 1, 2010 Start Date:

- Term No. 1: Six Months: January 1, 2010 through June 30, 2010.
- Term No. 2: 1 Year: January 1, 2010 through December 31, 2010.
- Term No. 3 2 Years: January 1, 2010 through December 31, 2011.

July 1, 2010 Start Date:

- Term No. 1: Six Months: July1, 2010 through December 31, 2010.
- Term No. 2: 1 Year: July 1, 2010 through June 30, 2011.
- Term No. 3 18 months: July 1, 2010 through December 31, 2011.

3. **QUANTITY:**

- 3.1 The monthly and/or annual quantity offered is at the discretion of Seller. Shipments are expected to be in approximate equal monthly quantities. Duke reserves the right to determine the contract quantity and delivery schedule that is in its best interest.

4. **PRICING:**

- 4.1 The Contract Price(s) quoted shall be fixed per ton F.O.B. Barge at the loading point or at the delivery point, inclusive of any harbor and terminal service fees. Depending upon the term, Duke reserves the right to incorporate a contract price re-opener/renegotiation structure prior to award of any contract resulting from this RFP. Duke will also consider other pricing options or pricing re-openers proposed by Seller depending upon term offered.

- 4.2 The price(s) quoted must be quoted in US Dollars and shall include all costs of compliance by Seller with all federal, state or local government taxes, fees, laws, rules regulations and/or other levies which are the responsibility of the Seller.

- 4.3 Contract Price Adjustments:

A. Duke will apply a pricing adjustment increasing or decreasing the Contract Base Price to compensate for variances in the actual "as received" Btu content from the guaranteed Btu for coal shipped to Duke.

B. Other coal quality pricing adjustments based on coal actual "as received" qualities, such as SO₂ per MMBtu content and ash content will be negotiated.

(See Agreement for the Sale and Purchase of Coal attached as a part of this RFP for more detailed information on price adjustment methodologies). Duke reserves the right to modify any of the pricing adjustments set forth in the Agreement for the Sale and Purchase of Coal included in this RFP.

- 4.4 Unless coal is being delivered by barge or truck, Duke shall weigh, using its certified scales, and analyze the coal at the receiving station for the purpose of governing payments and pricing adjustments/settlements. All coal sampling and coal quality analyses shall be performed in accordance with applicable ASTM Standards.

5. QUALITY

5.1 Duke will evaluate proposal(s) based on actual coal qualities represented within proposal(s) listed on the Duke Bid Request Data Forms. Consequently, Seller should completely fill out both Attachment A and Attachment B as provided (or provide such data in a similar form) and the data should accurately reflect all qualities of coal to be provided to Duke.

Attachment A - (Short Proximate Analysis - Btu, moisture, ash, and sulfur, additionally chlorine, grind, volatile matter, ash fusion temperature, etc.) and

Attachment B - (Proximate Analysis, Ultimate Analysis, Ash Fusion Temperature, Ash Elemental Oxides Analysis, Forms of Sulfur, Miscellaneous Properties including free swelling index, Trace Metals, Halogens, Size Consist).

Seller's coal quality data submitted as a part of this RFP should be analyzed by a certified laboratory and the analysis of the data should not be older than 6 months. In addition, Duke reserves the right to require Seller to supply up to a thirty pound representative sample to one of its Coal Quality Laboratories for the purposes of analysis by Duke.

5.2 All Coal offered should be processed or quality controlled as necessary such that it meets the following quality specifications.

Seller may submit proposals for any or all of the following quality scenarios:

Coal Quality #1 (Northern Appalachia Coal – FOB Barge):

Heating Value	12,000 Btu/lb.	Minimum
Ash Content	13%	Maximum
Moisture Content	10%	Maximum
*Sulfur Level Content	6.90 Lbs SO ₂ /MMBtu	Maximum
	3.50 Lbs SO ₂ /MMBtu	Minimum
Ash Softening Temperature in		
Reducing Atmosphere	2,050 F	Minimum
Volatile Matter	30%	Minimum
Grindability	40 HGI	Minimum
**Chlorine	0.07 Lbs Cl/MMBtu	Maximum
Arsenic	(Content must be provided in Proposal)	
Mercury	(Content must be provided in Proposal)	
Calcium	(Content must be provided in Proposal)	
Size	2 x 0"	Maximum
Fines	No more than 55% (-1/4 inch)	

Coal Quality #2 (Illinois Basin -- FOB Barge):

Heating Value	11,500 Btu/lb.	Minimum
Ash Content	12.5%	Maximum
Moisture Content	8.0 %	Maximum
*Sulfur Level Content	6.90 Lbs SO2/MMBtu	Maximum
	3.50 Lbs SO2/MMBtu	Minimum
Ash Softening Temperature in Reducing Atmosphere (H=W)	2,100 °F	Minimum
Volatile Matter	30%	Minimum
Grindability	50 HGI	Minimum
**Chlorine	0.10 Lbs Cl/MMBtu	Maximum
Arsenic	(Content must be provide in Proposal)	
Mercury	(Content must be provide in Proposal)	
Calcium	(Content must be provide in Proposal)	
Size	2 x 0"	Maximum
Fines	No more than 55% (-1/4 inch)	

Coal Quality #3 (Illinois Basin -- FOB Barge):

Heating Value	11,300 Btu/lb.	Minimum
Ash Content	12%	Maximum
Moisture Content	14%	Maximum
*Sulfur Level Content	6.90 Lbs SO2/MMBtu	Maximum
	3.50 Lbs SO2/MMBtu	Minimum
Ash Softening Temperature in Reducing Atmosphere	2,150 F	Minimum
Volatile Matter	30%	Minimum
Grindability	50 HGI	Minimum
**Chlorine	0.09 Lbs Cl/MMBtu	Maximum
Arsenic	(Content must be provided in Proposal)	
Mercury	(Content must be provided in Proposal)	
Calcium	(Content must be provided in Proposal)	
Size	2 x 0"	Maximum
Fines	No more than 55% (-1/4 inch)	

Coal Quality #4 (Central Appalachia Coal – FOB Barge):

Heating Value	12,000 Btu/lb.	Minimum
Ash Content	13%	Maximum
Moisture Content	7%	Maximum
*Sulfur Level Content	6.90 Lbs SO2/MMBtu	Maximum
	2.50 Lbs SO2/MMBtu	Minimum
Ash Softening Temperature in Reducing Atmosphere	2,400 F	Minimum
Volatile Matter	30%	Minimum
Grindability	45 HGI	Minimum
**Chlorine	0.04 Lbs Cl/MMBtu	Maximum
Arsenic	(Content must be provided in Proposal)	
Mercury	(Content must be provided in Proposal)	
Calcium	(Content must be provided in Proposal)	
Size	2 x 0"	Maximum
Fines	No more than 55% (-1/4 inch)	

* Sulfur Content shall be calculated as follows:

$$\text{Lbs SO}_2 \text{ per MMBtu} = \frac{(\text{"As Received"} \% \text{ Sulfur} \times 20,000)}{\text{"As Received"} \text{ Btu Per Pound}}$$

**Chlorine Content shall be calculated as follows:

$$\text{Lbs Cl per MMBtu} = \frac{(\text{"As Received"} \% \text{ Chlorine} \times 10,000)}{\text{"As Received"} \text{ Btu Per Pound}}$$

6. General

- 6.1 By replying to this request, Seller warrants that it has sufficient reserves and/or supply sources of steam coal to fulfill the coal quantity(ies) and quality(ies) stated in its proposal(s).
- 6.2 Please specify in your proposal if you are offering short tons or metric tons.
- 6.3 Compliance with Laws. Unless Seller is exempted by the applicable rules, regulations or orders, Seller shall comply fully at all times relevant to this to any agreement entered into as a result of this RFP with all applicable laws, rules, regulations and court orders, including, but not limited to: (a) Executive Order 11246 issued by the President of the United States on September 24, 1965; (b) the Vietnam Era Veterans Readjustment Assistance Act of 1974 and applicable sections of 41 CFR and 48 CFR 52.222.35 relating to the employment of veterans; (c) Section 503 of the Rehabilitation Act of 1973 and 48 CFR 52.222-36; (d) regulations of the United States Occupational Safety and Health Act; (e) 15 U.S.C. 637(d)(3) and 48 CFR 52.219 (Aid to Small Business); (f) 48 CFR 52.202-1 (Definitions); (g) 48 CFR 52.203-3 (Gratuities); (h) 48 CFR 52.203-5 (Covenant Against Contingent Fees); (i) 48 CFR 52.203-6 (Restrictions on Subcontractor Sales to the Government); (j) 48 CFR 52.203-7 (Anti-Kickback Procedures); (k) 48 CFR 52.203-8 (Cancellation, Rescission, and Recovery of Funds for Illegal or Improper Activity); (l) 48 CFR 52.209-6 (Protecting the Government's Interest When Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment); (m) 48 CFR 52.212-5 (Contract Terms and Conditions Required to Implement Statutes or Executive Orders- Commercial Items); (n) 48 CFR 52.215-19 (Notification of Ownership Changes); (o) 48 CFR 52.222-21 (Prohibition of Segregated Facilities); (p) 48 CFR 52.222-26 (Equal Opportunity); (q) 48 CFR 52.223-13 (Certification of Toxic Chemical Release Reporting); (r) 48 CFR 52.223-14 (Toxic Chemical Release Reporting); (s) 48 CFR 52.229-1 (State and Local Taxes); (t) 48 CFR 52.232-23 (Assignment of Claims); (u) all applicable rules, regulations and orders issued by the United States Secretary of Labor under any of the foregoing; and (v) all amendments of the foregoing that may be made from time to time. "CFR" is the Code of Federal Regulations.
- 6.4 Please include your current primary contact information including; e-mail address, telephone number and mailing address with your proposal.

Duke Energy Kentucky, Inc.
Case No. 2009-00509
First Set Staff Data Requests
Date Received: January 27, 2010

STAFF-DR-01-020

REQUEST:

List each oral coal supply solicitation issued during the period from May 1, 2009 through October 31, 2009.

- a. For each solicitation, state why the solicitation was not written, the date(s) of the solicitation, the quantities solicited, a general description of the quality of coal solicited, the time period over which deliveries were requested, and the generating unit(s) for which the coal was intended.
- b. For each solicitation, identify all vendors solicited and the vendor selected. Provide the tabulation sheet or other document that ranks the proposals. (This document should identify all vendors who made offers.) State the reason for each selection.

RESPONSE:

MIAMI FORT 6:

To balance its position, Duke Energy Ohio occasionally makes purchases of spot coal. In addition to using the OTC markets, Duke Energy Ohio has an originator assigned to each of the high sulfur basins. The focus on each of these basins keeps the company current on pricing, transportation, and coal production issues.

The coal quality sought for these small balancing transactions is the following:

Btu/lb	11,500 min	>11,750 preferred
Lb SO ₂ /MMBtu	2.0 min	4.5 max
% Ash	<12.0 preferred	15.0 max
% Moisture	8.0 – 11.0 typical	

Duke Energy made 3 spot balancing purchases for the period. Purchased 46,500 tons from Louis Dreyfus for delivery in Jan thru Mar, 2009, purchased 7,750 tons from Coal Network for delivery in January 2009 and purchased 30,000 tons from Patriot coal for delivery in the period April thru Jun, 2009. Purchased 15,000 tons (7,750 tons/month) of

spot coal from COALSALES for delivery in November and December, 2009. Purchased 30,000 tons (15,000 tons/month) of spot coal from Coal Network for delivery in November and December, 2009.

In addition, Duke Energy did a phone solicitation for deliveries for 2010. Based on that solicitation, Duke Energy entered into negotiations to purchase 15,000 tons/month for calendar year 2010.

These purchases were in conformance to our forward curves and reflected what was made available to our originators.

EAST BEND:

- a. Duke Energy Kentucky had no oral coal solicitations during the period May 2009 through October 2009.
- b. N/A

WOODSDALE: N/A

PERSON RESPONSIBLE:

Ryan Gentil (Miami Fort 6)
Vincent Stroud (East Bend)
John Swez (Woodsdale)

Duke Energy Kentucky, Inc.
Case No. 2009-00509
First Set Staff Data Requests
Date Received: January 27, 2010

STAFF-DR-01-021

REQUEST:

- a. List all inner-system sales during the period under review in which Duke Kentucky used a third party's transmission systems.
- b. For each sale listed above:
 - (1) Describe how Duke Kentucky addressed for FAC reporting purposes the cost of fuel expended to cover any line losses incurred to transmit its power across the third party's transmission system.
 - (2) State the line loss factor used for each transaction and describe how that line loss factor was determined.

RESPONSE:

- a. Duke Energy Kentucky sells 100% of its generation to the Midwest Independent System Operator, Inc. ("MISO"). These sales are made at the generating station; consequently, no third party transmission was used.
- b. Not applicable.

PERSON RESPONSIBLE: Lisa D. Steinkuhl

Duke Energy Kentucky, Inc.
Case No. 2009-00509
First Set Staff Data Requests
Date Received: January 27, 2010

STAFF-DR-01-022

REQUEST:

Describe each change that Duke Kentucky made during the period under review to its methodology for calculating inter-systems sales line losses.

RESPONSE:

Not Applicable. See response to STAFF-DR-01-021.

PERSON RESPONSIBLE: Lisa D. Steinkuhl