

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of an Investigation of Duke)
Energy Kentucky, Inc.'s Accounting Sale of)
Natural Gas Not Used in its Combustion)
Turbines)

Case No. 2014-00078

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

Duke Energy Kentucky, Inc. (Duke Energy Kentucky or Company), pursuant to 807 KAR 5:001, Section 13, respectfully requests the Commission to classify and protect certain information provided by Duke Energy Kentucky in its response to Data Request No. 9, as requested by the Attorney General (AG) in this case on May 23, 2014. The information that the AG seeks through discovery and for which Duke Energy Kentucky now seeks confidential treatment (Confidential Information) shows actual versus forecasted generation by capacity factor for the Woodsdale Generating Station (Woodsdale).¹ This information would allow potential competitors to have access to the Company's projected generation which they could then use to anticipate the Company's future performance. 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

¹ Data Request No. 9.

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

2. Disclosure of the information contained in AG-DR-02-009 Confidential Attachment will grant vendors and other market participants a distinct advantage in that they would be able to anticipate the economic dispatch of Duke Energy Kentucky's Woodsdale Generating station in the future and its capacity positions based upon past estimated forced outage rates (EFOR). Duke Energy Kentucky submits that the information in AG-DR-02-009 Confidential Attachment, if openly disclosed, would give its competitors, specifically other PJM participants, access to competitively sensitive, confidential information, which in turn could cause energy and capacity prices to consumers to be above competitive rates, and would permit competitors of Duke Energy Kentucky to gain an unfair competitive advantage in the marketplace.

3. The information in AG-DR-02-009 Confidential Attachment was developed internally by Duke Energy Corporation and Duke Energy Kentucky personnel, is not on file with any public agency, and is not available from any commercial or other source outside Duke Energy Kentucky. The aforementioned information in these responses is distributed within Duke Energy Kentucky only to those employees who must have access for business reasons, and is generally recognized as confidential and proprietary in the energy industry.

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

5. This information was, and remains, integral to Duke Energy Kentucky's effective execution of business decisions. And such information is generally regarded as confidential or proprietary. Indeed, as the Kentucky Supreme Court has found, "information concerning the inner workings of a corporation is 'generally accepted as confidential or proprietary.'" *Hoy v. Kentucky Industrial Revitalization Authority*, Ky., 904 S.W.2d 766, 768 (Ky. 1995).

6. In accordance with the provisions of 807 KAR 5:001, Section 13(3), the Company is filing one copy of the Confidential Information separately under seal, and one copy without the confidential information included.

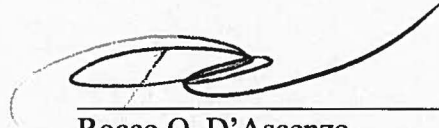
7. Duke Energy Kentucky respectfully requests that the Confidential Information be withheld from public disclosure for a period of ten years. This will assure that the Confidential Information – if disclosed after that time – will no longer be commercially sensitive so as to likely impair the interests of the Company or its customers if publicly disclosed.

8. To the extent the Confidential information becomes generally available to the public, whether through filings required by other agencies or otherwise, Duke Energy Kentucky will notify the Commission and have its confidential status removed, pursuant to 807 KAR 5:001 Section 13(10)(a).

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, INC.



Rocco O. D'Ascenzo

Associate General Counsel

Amy B. Spiller

Deputy General Counsel

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Counsel for Duke Energy Kentucky, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing filing was served on the following via electronic mail, this 10 day of June 2014:

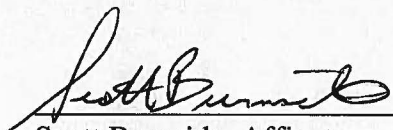
Angela Goad
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1024 Capital Center Drive
Frankfort, Kentucky 40601
Angela.Goad@ag.ky.gov


Rocco D Ascenzo

VERIFICATION

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

The undersigned, Scott Burnside, Manager of Post Analysis & Regulatory Support, 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..



Scott Burnside, Affiant

Subscribed and sworn to before me by Scott Burnside on this 28 day of May, 2014.





NOTARY PUBLIC

My Commission Expires: 6/17/2017

VERIFICATION

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

The undersigned, Joseph McCallister, Director of Natural Gas Oil & Emissions, 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.



Joseph McCallister, Affiant

Subscribed and sworn to before me by Joseph McCallister on this 5 day of June, 2014.



NOTARY PUBLIC



My Commission Expires: 6/17/2017

VERIFICATION

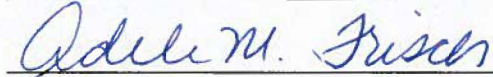
STATE OF OHIO)
) **SS:**
COUNTY OF HAMILTON)

The undersigned, Jeff L. Kern, Manager of Gas Resources, 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.



Jeff L. Kern, Affiant

Subscribed and sworn to before me by Jeff L. Kern on this 5TH day of June, 2014.



NOTARY PUBLIC

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

My Commission Expires: 1/5/2019

The undersigned, Rocco D'Ascenzo, submits the objections set forth in the responses to the Attorney General's Second Set of Data Requests, on behalf of Duke Energy Kentucky, Inc.

Respectfully submitted,

DUKE ENERGY KENTUCKY, INC.



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Duke Energy Kentucky
Case No. 2014-00078
Attorney General's Second Set of Data Requests
Date Received: May 23, 2014

AG-DR-02-001

REQUEST:

Please compare and contrast the facts and legalities of pending Case No. 2014-00078 which Duke filed with the Kentucky Public Service Commission and Case No. EL14-45-000 that Duke filed with the Federal Energy Regulatory Commission (FERC).

- a. Please explain why Duke cannot or will not request PJM to indemnify it for the purchased gas in the present case, but it is requesting PJM to indemnify it for purchased gas in the FERC case.

RESPONSE:

Objection. This request seeks information that would require Duke Energy Kentucky to engage in impermissible speculation and calls for a legal opinion. This request also seeks to elicit information protected by the attorney client privilege. Without waiving said objection and to the extent discoverable, the factual situation giving rise to the FERC Complaint is different than that relevant to the matter involving Duke Energy Kentucky. As set forth in the FERC Complaint (Case No. EL-14-45-000), Duke Energy Commercial Asset Management (DECAM) is asserting that it purchased gas in response to a PJM directive to secure the gas without regards to economics due to reliability concerns on PJM's system. After DECAM adhered to this directive, its Lee Generating Station was not dispatched.

In Duke Energy Kentucky's situation, with the exception of two days, PJM personnel did not directly contact the Company. Instead, Duke Energy Kentucky's gas procurement strategy was, for the most part, a day-by-day function of gas deliverability and market liquidity. The Company elected to manage its risk primarily through the day-ahead gas markets as opposed to waiting until the intra-day gas markets to procure fuel for Woodsdale. Although PJM rules permit gas purchases to be made in intra-day gas market, Duke Energy Kentucky did not consider such a strategy to be in the best interests of its customers. Due to the market conditions and the pipeline restrictions of which it was aware, Duke Energy Kentucky was concerned that waiting until the gas intra-day market to procure fuel for a possible real-time energy dispatch would expose the Company and its customers to additional risks of commodity availability and price that exceeded that which was available through the day-ahead gas market for purposes of offering into the Day-Ahead energy market. Accordingly, the Company determined that to manage these risks in a manner that was in the best interest of its customers, it had to procure gas in the day-ahead gas market.

PERSON RESPONSIBLE: As to Objection - Legal
John Swez

Duke Energy Kentucky
Case No. 2014-00078
Attorney General's Second Set of Data Requests
Date Received: May 23, 2014

AG-DR-02-002

REQUEST:

Please reference Duke's Response to AG 1-1. The Attorney General requested the witness Lisa Steinkuhl to provide her definition of "tight" and "operational restrictions," but only the definition of "tight" was provided. Please provide the definition of "operational restrictions" as interpreted by Lisa Steinkuhl in her testimony on page 3, lines 4-6.

RESPONSE:

The term operational restrictions was used to define and describe the TETCO Imbalance postings and operational flow orders that were issued during this time period. These postings require shippers to ensure receipts of gas supply balance with burns within tolerances. During peak demand periods, pipelines issue postings and operational flow orders, and place more stringent operating restrictions on shippers in order to maintain the operational integrity of the pipeline system.

PERSON RESPONSIBLE: John Swez

Duke Energy Kentucky
Case No. 2014-00078
Attorney General's Second Set of Data Requests
Date Received: May 23, 2014

AG-DR-02-003

REQUEST:

Reference Duke's Response to AG 1-2(g) where the Attorney General asked if Duke had access to other gas supplies and delivery that could have eliminated or mitigated the issues encountered in the subject case. Duke responded, "No, the Woodsdale Station is not presently capable of receiving natural gas from any other pipelines."

- a. Is it possible for Duke to obtain access to other gas supplies and delivery at the Woodsdale Station? Please identify and discuss: (i) any measures the company could take, or would have to take in order to obtain such other gas supplies and delivery; and (ii) the feasibility of doing so, including, distances between known pipelines/laterals and the Woodsdale station. Please explain your answer in detail.
- b. Please advise if it would be beneficial to the ratepayers, in instances such as the facts of the pending case, for Duke to have access to other gas supplies and delivery in the future.
- c. Is it possible that if Duke would have had access to other gas supplies and delivery at the Woodsdale Station, then the pending gas issues might or could have been mitigated or eliminated? If so, under what circumstances? Please discuss in detail.

- d. Please discuss whether storage of any type, including storage on the Woodsdale site for LNG, CNG or propane could prevent or at least mitigate against the possibility of a recurrence of the issues which gave rise to Duke's filing the instant case. Please discuss your answer in detail.

RESPONSE:

- a. The only natural gas pipeline currently available to serve Woodsdale station is the Texas Eastern Transmission Company (TETCO) pipeline. Other than the Texas Gas Transmission Company pipeline, a new pipeline would need to be constructed in order to obtain gas from another source. To date, TETCO has been a reliable provider and there have not been issues with the supply of natural gas to Woodsdale station. In addition, the station has operated at relatively low capacity factors, no specific studies have been completed for construction of a new pipeline to Woodsdale nor has an evaluation of a new pipeline been considered. Considering the low capacity factor and the fact that the available supply of natural gas was not an issue during the winter of 2013-2014, it is highly doubtful that pursuing another pipeline to deliver gas to Woodsdale would be economic.
- b. See response to part (a).
- c. Objection. This request seeks information that would require Duke Energy Kentucky to engage in impermissible speculation and assumes facts not in evidence. Without waiving said objection and to the extent discoverable, there is no way Duke Energy Kentucky can know what would have happened if a hypothetical additional pipeline existed during this time. There is no way of knowing if the additional pipeline would have had operational restrictions, but

considering so many did, it is certainly possible that the same situation may have happened.

- d. Currently, Woodsdale station has propane storage on site. With all units on-line and at full load, there is approximately 2 hours worth of propane storage available. The Company has not determined if additional storage is feasible. The low actual and forecasted capacity factors of the Woodsdale units do not support additional significant investments such as CNG or LNG storage. The issues in this case were not caused by lack of fuel availability as the Company was able to procure natural gas to meet anticipated needs at Woodsdale to operate in PJM. Rather the issues were the result of the procurement of gas in the day ahead gas market and in response to pipeline operational flow restrictions as part of the Company's management of risk associated with price and commodity availability in the intra-day gas market and in response to PJM awards and dispatch.

PERSON RESPONSIBLE: As to Objection – Legal
John Swez/Joseph McCallister

Duke Energy Kentucky
Case No. 2014-00078
Attorney General's Second Set of Data Requests
Date Received: May 23, 2014

AG-DR-02-004

REQUEST:

Reference the company's responses to: (i) AG 1-2 (a) which states, in pertinent part: "If the Company had been directed by PJM to physically procure natural gas to make the Woodsdale units available, and subsequently not compensated, then there may be grounds for a possible [FERC] complaint"; (ii) AG 1-2(i), which states in pertinent part: "As summarized previously, Duke Energy Kentucky procured physical natural gas to reliably support the day ahead unit awards for Woodsdale,..."; and (iii) PSC 1-9, which states in pertinent part, "...on the two days, January 7 and 8, when PJM specifically instructed the Company to purchase natural gas, the units did in fact clear in the Day-Ahead market as well as run to a significant extent in the Real-Time market,...".

- a. Please clarify whether the procurement of physical gas was at PJM's direction, by the company's choice, or some other reason.
- b. Did PJM fail to compensate the company for any gas Duke physically procured to make the Woodsdale units available? If so, provide such sums in both mcf and dollar terms.

RESPONSE:

- a. With reference to January 7 and 8, 2014, gas was procured in response to a direct instruction of PJM to take steps to ensure units were available. On those days, the

units received day-ahead or real-time awards and dispatch, respectively. Duke Energy Kentucky did not receive a directive from PJM to procure gas or take steps to ensure units were available on any other days in January, February, or March. Please see response to AG-DR-02-001.

- b. With reference to January 7 and 8, 2014 in which gas was procured in response to a direct instruction of PJM to take steps to ensure units were available. On those days, the units received day-ahead or real-time awards and dispatch, respectively and thus was fully compensated. Please see the response to part (a) above.

PERSON RESPONSIBLE: John Swez

Duke Energy Kentucky
Case No. 2014-00078
Attorney General's Second Set of Data Requests
Date Received: May 23, 2014

AG-DR-02-005

REQUEST:

Reference the company's filing in Case No. 2014-00164. Please confirm that this filing identifies five (5) pipeline owner/operators which supply gas to the company's LDC operations.

- a. Please provide the approximate distance between the city gate for Duke, Kentucky's LDC operation and the location of the Woodsdale units in Butler County, Ohio.

RESPONSE:

Objection. This request seeks to elicit information that is neither relevant nor likely to lead to the discovery of admissible evidence. Duke Energy Kentucky cannot serve Woodsdale. The Woodsdale Station is located across the Ohio river, in Butler County, Ohio and is not in the Duke Energy Kentucky service territory. Without waiving said objection and to the extent discoverable, the filing in Case No. 2014-00164 does identify five pipelines which supply gas to the Company's LDC operations. However, only KO Transmission is directly connected to Duke Energy Kentucky's natural gas distribution system. Columbia Gas Transmission and Columbia Gulf Transmission deliver gas into KO Transmission for redelivery to Duke Energy Kentucky. ANR Pipeline and Texas

Gas Transmission deliver gas into Duke Energy Ohio, which redelivers it to Duke Energy Kentucky at one of three river crossing between the two companies.

- a. The approximate distance between Woodsdale and the closest gate stations for KO Transmission, ANR Pipeline and Texas Gas Transmission are 32, 13, and 5 miles, respectively. Please note that these interconnections are all between Duke Energy Ohio and the pipeline.

PERSON RESPONSIBLE: As to Objection – Legal
Jeff Kern

Duke Energy Kentucky
Case No. 2014-00078
Attorney General's Second Set of Data Requests
Date Received: May 23, 2014

AG-DR-02-006

REQUEST:

Reference Duke's Response to AG 1-2(h) where Duke responded that, "Duke Energy Corporation does not have a subsidiary with the sole responsibility to focus on gas procurement/supply issues. Duke Energy Kentucky is ultimately responsible for procuring its own natural gas for its generation. The centralized fuels group procures gas on Duke Energy Kentucky's behalf, and is highly experienced and knowledgeable. The fuels personnel coordinate closely with the generation dispatch personnel to ensure gas supply is procured and scheduled as needed to meet the needs of the committed and awarded gas facilities. Additionally, the fuels personnel coordinate with the various pipelines to manage deliveries and imbalances as needed."

- a. Please clarify whether the "centralized fuels group" and "generation dispatch personnel" work for Duke Energy Corporation, Duke Energy Kentucky, or any other affiliate or subsidiary.
- b. Please clarify whether Duke Energy, Kentucky personnel are responsible for actual decisions to procure gas for the Woodsdale units.

RESPONSE:

Objection. This request seeks to elicit information that is neither relevant nor likely to lead to the discovery of admissible evidence. Without waiving said objection and to the

extent discoverable, the personnel within the centralized fuel group and within generation dispatch are employees of affiliate service companies such as Duke Energy Business Services LLC or regulated utilities such as Duke Energy Carolinas or Duke Energy Progress and provide services to Duke Energy Kentucky pursuant to affiliate service agreements filed with the Commission.

PERSON RESPONSIBLE: As to Objection - Legal

Duke Energy Kentucky
Case No. 2014-00078
Attorney General's Second Set of Data Requests
Date Received: May 23, 2014

AG-DR-02-007

REQUEST:

Please reference Duke's Response to AG 1-3. In response to the Attorney General's question of whether PJM's actions or demands concerning the facts of the pending case caused Duke to incur costs or penalties, Duke responded, in pertinent part that, "Duke Energy Kentucky's customers were not harmed by the financial mechanics of the PJM market during this time period. In fact, overall, for these months in question, the customer benefited from the operation of the Woodsdale units with the PJM market. The PJM market provided enough credits to cover the cost of running the Woodsdale unit, per the offer made to PJM for each generating unit, to at least keep the unit financially whole in the market as being proposed."

- a. Provide a summary of both losses the company incurred and profits it earned in sales from its Woodsdale units into the PJM market for the period of January 1, 2014 through March 31, 2014.
- b. With regard to the company's statement, "The PJM market provided enough credits to cover the cost of running the Woodsdale unit...to at least keep the unit financially whole...": (i) explain if this in net of any and all fuel costs Duke incurred for the Woodsdale units during the period at issue; and (ii) if Duke sustained a substantial loss on gas due to the PJM market, and PJM is not indemnifying or reimbursing for this loss, how is the unit financially whole?

- c. Please expound on Duke's assertion that the customers were not harmed from the financial mechanics of the PJM market. According to Duke's testimony filed herein, in the months of January and February 2014 there were substantial non-native gas financial losses in direct correlation with PJM's actions.
- i. Please confirm that: (1) pursuant to Duke's recommended solution in this case, and in accordance with its response to PSC 1-2, the costs that are the subject of the instant case would be included in costs under Rider PSM, and then all such costs would be set-off against off-system sales revenues in accordance with all other provisions of Rider PSM, thus diminishing any potential revenues that would inure to ratepayers' benefit; and (2) ratepayers will in fact be harmed to their detriment if the Commission approves the substantial loss of money to pass through the Rider PSM.

RESPONSE:

- a. The table below shows the net profit from off-system sales related to the Woodsdale units for the period January 1, 2014 through March 31, 2014.

	Woodsdale Units		
	Jan-14	Feb-14	Mar-14
Asset Energy	\$2,080,897	\$230,337	\$58
PJM Bal & DA Oper Reserve Credits	\$92,564	\$68,337	\$0
Ancillary Services Market	\$2,110,521	\$0	\$0
Total Revenues	\$4,283,982	\$298,674	\$58
Non-Native Fuel Cost Consumed	\$764,069	\$73,556	\$93
Variable O&M Cost	\$30,139	\$2,315	\$4
SO ₂ Cost	\$0	\$0	\$0
NO _x Cost	\$14	\$3	\$0
Total Costs	\$794,222	\$75,874	\$98
Net Margin	\$3,489,760	\$222,800	(\$40)

- b. (i) Yes, the Company's actions in the PJM market provided enough credits to cover the cost of running the Woodsdale units which includes the total fuel costs and the sale of gas incurred by Woodsdale.
- (ii) The PJM market and the Company's actions therein provided enough revenue to offset the costs resulting in a net positive credit to customers. These revenues have been included in the FAC or PSM. Therefore, the ratepayer has received the benefit of these revenues but total cost associated with generating these revenues is not being included in the calculation of the net profits from off-system sales if the loss on the sale of gas is not included.
- c. (i)(1) Duke Energy Kentucky proposes to include the costs that are the subject of this instant case in Rider PSM. As demonstrated in the response to part (a), Woodsdale contributed significantly to net margin included in Rider PSM. The costs that are subject to the instant case were necessary costs of doing business with PJM. Although these costs reduce net margin, had the costs not been incurred, and natural gas procured, asset energy revenues and ASM revenues would have been forfeited.
- c. (i)(2) The Company disagrees with the premise that ratepayers will be harmed. Rate payers have received a net benefit through the credits received during this period through the Company's ability and strategy to engage in off-system sales in PJM, which included the purchase of fuel in the intra-day gas market. Under the facts of this situation and given the operational flow restrictions from the

natural gas pipeline and the need to sell gas volumes so to continue to engage in the off system sales, overall the Company's strategy in this regard was to the benefit of rate payers and resulted in a net positive revenue accruing through the Rider PSM. Not including the cost of the sale of gas as part of the calculation of net revenues under Rider PSM results in substantial harm to the Company and its shareholders.

PERSON RESPONSIBLE: John Swez/Scott Burnside

Duke Energy Kentucky
Case No. 2014-00078
Attorney General's Second Set of Data Requests
Date Received: May 23, 2014

AG-DR-02-008

REQUEST:

Please reference Duke's Response to AG 1-8.

- a. Explain why the equipment for Texas Gas Transmission ("TGT") has not been utilized for several years.
- b. Why does Duke not have a current agreement with TGT?
- c. Duke states that it investigated the possibility of utilizing the TGT pipeline during the time in question, but determined it was not a feasible option. Please explain why Duke concluded that using the TGT pipeline was not feasible during the time in question. Please provide copies of any and all reports, memoranda and/or other documents regarding this investigation.
- d. Following the occurrence of the events which are the subject of the instant case, did Duke Energy Kentucky, its parent company(ies), and/or any other affiliates or subsidiaries of Duke's ultimate parent entity, investigate whether utilizing the TGT pipeline could have proven beneficial to the applicant and/or to its ratepayers either during the time periods relevant to the instant case, or at any time in the future? If so, please provide copies of any and all reports, memoranda and/or other documents regarding any and all such investigations.
- e. Please explain why TETCO has historically been a better option for the customer in detail.

- f. Please explain why according to Duke the TGT pipeline is not a good option as opposed to TETCO.
- g. Please explain whether having access to both TETCO and the TGT pipelines, during the time in question, could or would have been beneficial for Duke concerning the gas procurement issues/financial losses.

RESPONSE:

- a. Please see response to AG-DR-02-003. To date, there has not been a need for deliveries from Texas Gas as Duke Energy Kentucky has not experienced issues with TETCO. The Company has previously experienced pressure issues with respect to Texas Gas Pipeline delivery due to the Woodsdale Stations' geographic location along the Texas Gas Pipeline. The Texas Gas pipeline would hold Woodsdale to 1/16 and 1/24 flow rates due to drawing down pressure, being located on the north end of the Texas Gas pipeline. TETCO pipeline is able to serve Woodsdale without those issues.
- b. TETCO has provided the needed flexibility and supply access to run the stations. TETCO has historically provided the needed flexibility in hourly and daily burns, and provides for daily and monthly operational balancing. That was unavailable with Texas Gas. Additionally, TETCO is able to service Woodsdale without the pressure issues that have been experienced on the Texas Gas pipeline. In summary, TETCO has been a reliable and flexible supply source to serve Woodsdale without the pressure issues that were experienced with Texas Gas.
- c. See response to part a) above. It is possible that Texas Gas could be a potential option in the event of a significant pipeline delivery issue on TETCO. To do so

would require inspections and facility upgrades. Such upgrades would not resolve the pressure issues experienced historically because of the station's geographic location in relation on the Texas Gas pipeline. Based on previous experience and the availability of TETCO as outlined in part a), the pressure issues prevented Texas Gas from being a viable and reliable option. Duke Energy Kentucky could have further discussions with Texas Gas and evaluate in the event of a significant delivery issue on TETCO what actions would be needed to put in place an interruptible transportation agreement.

- d. Please see response to part a), b), and c) above.
- e. Please see response to part a), b), and c) above.
- f. Please see response to part a), b), and c) above.
- g. Please see response to part a), b), and c) above. See also response to AG-DR-02-003.

PERSON RESPONSIBLE: John Swez/Joe McCallister

Duke Energy Kentucky
Case No. 2014-00078
Attorney General's Second Set of Data Requests
Date Received: May 23, 2014

AG-DR-02-009 PUBLIC

REQUEST:

Please reference the company's responses to AG 1-11, and the attachment thereto, page 1 of 1. For each month set forth in the attached document entitled "Woodsdale Units 1-6 Service Hours – January 2012 through March 2014," provide the variance between actual service hours and the hours of operation which the company had projected for each month prior to the occurrence of each operating month.

RESPONSE:

CONFIDENTIAL PROPRIETARY TRADE SECRET

Objection. This request is vague, overbroad and unduly burdensome in its reference to "projected for each month prior to the occurrence of each operating month." The Company has not performed the calculation as requested as it does not maintain data in the format requested. Without waiving said objections and to the extent discoverable, this response will be provided to all parties in this case upon the execution of a Confidentiality Agreement.

PERSON RESPONSIBLE: As to Objection – Legal
John Swez

Woodsdale Station Actual Net Capacity Factor (%) vs. Forecasted Net Capacity Factor (%)

	Actual Net Capacity Factor, %	Forecasted Station Net Capacity Factor from end of prior year forecast, %
January 2012	0%	
February 2012	0%	
March 2012	0%	
April 2012	0%	
May 2012	1%	
June 2012	1%	
July 2012	1%	
August 2012	1%	
September 2012	0%	
October 2012	0%	
November 2012	0%	
December 2012	0%	
January 2013	0%	
February 2013	0%	
March 2013	0%	
April 2013	0%	
May 2013	0%	
June 2013	0%	
July 2013	1%	
August 2013	0%	
September 2013	0%	
October 2013	0%	
November 2013	0%	
December 2013	0%	
January 2014	4%	
February 2014	0%	
March 2014	0%	

Duke Energy Kentucky
Case No. 2014-00078
Attorney General's Second Set of Data Requests
Date Received: May 23, 2014

AG-DR-02-010

REQUEST:

Reference Duke's Response to AG 1-16 where the Attorney General asks if he has any concerns going forward regarding natural gas availability and costs. Duke responds that, "The natural gas market is a dynamic market and Duke Energy Kentucky cannot predict prices going forward or if natural gas will be available at current costs. Natural gas prices are forecasted to remain in the range of current prices for the foreseeable future given the increase in domestic gas supply. Duke Energy Kentucky does not have concerns over the procurement of the needed natural gas supply for its generation needs. Duke Energy Kentucky buys competitively priced natural gas supply at the prevailing spot market price that exists at the time of the purchase." Please answer the original question posed. Does the applicant have any concerns that the cost of natural gas necessary to run its gas fired units, after the large increase in price over the winter of 2013-2014, will be affordable for the end-user?

RESPONSE:

Objection. This request seeks information that would require Duke Energy Kentucky to engage in impermissible speculation. Without waiving said objection and to the extent discoverable, Duke Energy Kentucky is providing some further background and clarification to its previous response. With respect to price and costs, as summarized

previously, Duke Energy Kentucky cannot predict what the cost of natural gas necessary to run the gas fired units will be in the future. However, as summarized previously, forward natural gas prices today are in a lower price range than experienced in January, February and March 2014. For reference, future prices per MMBtu utilizing May 29, 2014 NYMEX settlements as illustrative purposes only for the balance of 2014, calendar period 2015, calendar period 2016 and calendar period 2017 were approximately \$4.54, \$4.26, \$4.24 and \$4.40, respectively. As provided previously, the natural gas market is dynamic and can change day to day.

With respect to costs and affordability for the customer, these units are a small part of larger generation mix and the overall generation called upon to serve the requirements of PJM. However, unit dispatch will be done in a manner that provides the most value to the customer in any price environment.

PERSON RESPONSIBLE: Joseph McCallister

Duke Energy Kentucky
Case No. 2014-00078
Attorney General's Second Set of Data Requests
Date Received: May 23, 2014

AG-DR-02-011

REQUEST:

Reference Duke's Response to AG 1-20(b) in which Duke refers the Attorney General to the company's response to PSC 1-3.

- a. Duke asserts that the amount of lost opportunity payments was \$554,531.66 in January, \$79,001.36 in February, and \$0 in March. Please provide the lost opportunity payment data for April and May (to date) if available.
- b. Duke asserts that the lost opportunity payments are not being used to offset the gas loss due to the fact that the lost opportunity payments are going to flow through the Rider PSM or FAC. Please confirm that in this case since the gas loss stemmed from the non-native load that the credit of the lost opportunity payments will flow through Rider PSM; hence, offsetting the actual gas loss sustained.

RESPONSE:

- a. Duke Energy Kentucky has not received any lost opportunity payments for April and May.
- b. The lost opportunity payments flowed through the FAC & PSM as follows:

	January	February	March
FAC	\$547,211.55	\$24,532.98	\$0.00
PSM	\$7,320.11	\$54,468.38	\$0.00
	<u>\$554,531.66</u>	<u>\$79,001.36</u>	<u>\$0.00</u>

The lost opportunity payments are allocated on a daily basis proportional to the native/non-native allocation of day-ahead energy. Based on the normal processing of the after-the-fact generation cost model, the lost opportunity payments were allocated to the FAC and PSM based on the table above.

PERSON RESPONSIBLE: Scott Burnside