

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) Case No. 2014-00078
Used in its Combustion Turbines)

**DUKE ENERGY KENTUCKY, INC.'S MOTION FOR LEAVE TO FILE A
CORRECTION TO THE DIRECT TESTIMONY OF JOHN D. SWEZ,
INSTANTER**

Duke Energy Kentucky, Inc., (Duke Energy Kentucky or Company) hereby respectfully moves the Kentucky Public Service Commission (Commission) pursuant to 807 KAR5:001 Section 4(5) for leave to file an errata sheet to the Direct Testimony of John D. Swez in this case, Instanter.¹

On or about March 14, 2014, the Commission established this case to investigate and address Duke Energy Kentucky's proposed accounting treatment for the cost of gas purchased for the Woodsdale station (Woodsdale), but not burned. The Commission ordered Duke Energy Kentucky to file direct testimony in support of its proposed accounting treatment within 20 days of the Order, or no later than April 3, 2014. Duke Energy Kentucky filed the direct testimonies of John D. Swez and Lisa Steinkuhl on April 2, 2014.

Duke Energy Kentucky recently discovered an inadvertent misstatement contained in the direct testimony of Mr. Swez that misstates the generation owner's obligation with

¹ Mr. Swez submitted both confidential and public versions of his testimony. This change would apply to both.

respect to the PJM Interconnection, L.L.C. (PJM) real-time energy market. Duke Energy Kentucky is now seeking to file a correction to the testimony of John D. Swez tariffs, Instanter to clarify this issue and the record in this proceeding. On Page 8, lines 15-16 of Mr. Swez's testimony, Mr. Swez describes an obligation under PJM tariffs to offer generation into "both the day-ahead and real-time energy markets." This statement was inadvertent and, as written, does not accurately describe the generator's participation in PJM's real time energy market. While the Company does offer its generation into both markets, PJM's tariffs expressly impose a must-offer obligation only with respect to the PJM day-ahead market. In the PJM real-time energy market, the generation owner updates the availability of its generation wherein it could designate the unit as unavailable if, for example, there is an outage. Thus, it is not technically accurate to describe the generator's participation in the real-time energy market as a "must-offer obligation" of generation in the real-time energy market. And unlike the day-ahead market, PJM's tariffs do not expressly state that there is a must offer obligation for the real time market. When read in context with the remainder of the paragraph, the Company did not appreciate the ambiguity created in the phrasing upon its initial submittal. However, upon further review, the Company and Mr. Swez appreciate that the statement could be interpreted as describing an obligation that while present in the real time energy market, is not expressly set forth in the PJM tariff with respect to the real-time market. The Company had intended to differentiate the real-time energy market from the day-ahead market as set forth in the next sentence that states as there being "no guarantee that if an award is granted in the day-ahead market that the unit will be called upon and/or dispatched at the same level in the real time energy market."

To fix this inadvertent error, Mr. Swez respectfully submits a corrected page 8, Lines 15-17, to his direct testimony that deletes the reference to an obligation to offer generation in the real-time energy market and states as follows:

This means that Duke Energy Kentucky has an obligation under PJM's tariffs to offer its generation into ~~both~~ the PJM day-ahead energy market and update its availability in the real-time energy market.

The Company respectfully submits that no parties have been harmed because of this inadvertent misstatement, in that parties had an opportunity through two rounds of data requests to inquire into the Company's participation in the PJM day-ahead and real time energy markets. Nonetheless, the Company would not oppose a brief extension of the current procedural schedule if a party or the Commission's Staff wishes to submit a data request on this narrow issue.

WHEREFORE, Duke Energy Kentucky respectfully requests that it be granted leave to file the correction to the direct testimony of John D. Swez.

Respectfully submitted,

DUKE ENERGY KENTUCKY, INC.

By: 

Rocco O. D'Ascenzo

Associate General Counsel

Amy B. Spiller

Deputy General Counsel

Duke Energy Business Services, LLC

139 East Fourth Street, 1303 Main

Cincinnati, Ohio 45201-0960

Phone: (513) 287-4320

Fax: (513) 287-4385

e-mail: rocco.d'ascenzo@duke-energy.com

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 20th day of June 2014:

Angela Goad
The Office of the Attorney General
Utility Intervention and Rate Division
1024 Capital Center Drive
Frankfort, Kentucky 40601
Angela.Goad@ag.ky.gov

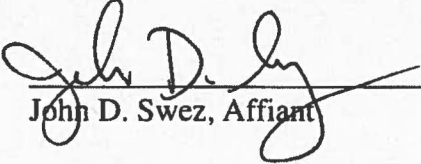


Rocco D'Ascenzo

VERIFICATION

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

The undersigned, John D. Swez, being duly sworn, deposes and says and that the matters set forth in the foregoing testimony are true and correct to the best of his information, knowledge and belief.


_____ **John D. Swez, Affiant**

Subscribed and sworn to before me by John D. Swez on this 19th day of June, 2014.


_____ **NOTARY PUBLIC – Rita G. Kale**

My Commission Expires: 6/17/2017



1 As a result, Duke Energy Kentucky found itself in the position where the
2 Woodsdale units received PJM day-ahead energy market awards, but were either
3 not picked-up in the real-time energy market or if the units were turned on, PJM
4 frequently ran the units at an output level lower than the day-ahead energy market
5 award. As such, Duke Energy Kentucky developed a substantial long natural gas
6 position on the pipeline.

7 **Q. WHY IS IT IMPORTANT TO CONTINUE TO OFFER THE**
8 **WOODSDALE UNITS INTO THE PJM MARKET WHILE THE**
9 **PIPELINE IS UNDER AN IMBALANCE POSTING?**

10 A. First, keeping Woodsdale units available in the energy market benefits the Duke
11 Energy Kentucky customer. In addition, PJM tariffs require Duke Energy
12 Kentucky (and all members) to follow PJM's must offer market rule obligations
13 for generating resources so to ensure the generating units availability as Duke
14 Energy Kentucky customer resources. This means that Duke Energy Kentucky
15 has an obligation under PJM's tariffs to offer its generation into ~~both~~ the PJM
16 day-ahead energy market and update its availability in the real-time energy
17 market. To do so, Duke Energy Kentucky must ensure that the units are capable
18 of meeting those obligations if called upon - meaning fuel must be available.
19 There is not a guarantee that if an award is granted in the day-ahead energy market
20 that the unit will actually be called upon and/or dispatched at the same level in the
21 real time energy market.

22 Offering the units to PJM in the day-ahead energy market without
23 confidence as to the ability to secure gas below the offered price exposes Duke
24 Energy Kentucky and its customers to excessive risk as to price, penalties and