

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) CASE NO: 2014-00078
TURBINES)

ATTORNEY GENERAL'S INITIAL DATA REQUESTS

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits the Initial Data Requests for Information to Duke Energy Kentucky, Inc. ("Duke Kentucky") to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following instructions:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness (es) who will be prepared to answer questions concerning each request.

(3) Please repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for Duke Kentucky with an electronic version of these data requests, upon request.

(4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(6) If you believe any request appears confusing, please request clarification directly from Counsel for the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts

thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other

forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

(14) The Attorney General reserves the right to pose additional preliminary data requests on or before the due date specified in the Commission's procedural schedule.

Respectfully submitted,
JACK CONWAY
ATTORNEY GENERAL

/s/

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Certificate of Service and Filing

Counsel certifies that the foregoing is a true and accurate copy of the same document being filed in paper medium; that the electronic filing has been transmitted to the Commission on April 25, 2014; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that an original and one copy in paper medium of the foregoing is being filed with the Commission on April 28, 2014.

I further certify that in accordance with 807 KAR 5:001, § 4 (8), the foregoing is being contemporaneously provided via electronic mail to:

Rocco O D'Ascenzo
rocco.d'ascenzo@duke-energy.com
Duke Energy Kentucky, Inc.

this 25th day of April, 2014.

/s/

Assistant Attorney General

Attorney General's Initial Data Requests for Information
An Investigation of Duke Energy Kentucky, Inc.'s Accounting Sale of
Natural Gas not used in its Combustion Turbines
Case No. 2014-00078

1. Please reference the testimony of Lisa Steinkuhl at page 3, lines 4-6, where the witness states that: "Due to the tight gas markets and the operational restrictions in place on Texas Eastern Transmission Corporation (TETCO)" Please provide as much detail to support this assertion. The information provided should include capacity constraints on the pipeline, parties affected (including the applicant as well as other utility companies, other companies, and other entities if not defined as companies), any and all "restrictions," the definition of "tight" as interpreted by the witness, the definition of "operational restrictions," etcetera.

2. Please reference the testimony of Lisa Steinkuhl in general and at pages 5-6 specifically. Is there no remedy from or legal course of action that the applicant can take against PJM for the cost of gas purchased for Woodsdale Generating Station (Woodsdale), not burned, but subsequently sold, in lieu of requesting the ratepayers bear those costs? Regardless of the answer, please explain it in detail.
 - a. Could the applicant file a petition with the FERC seeking a partial waiver of the PJM tariff, which could authorize PJM to tender a make-whole payment to the applicant?
 - b. Describe all actions, measures and/or potential rule or tariff changes PJM has taken, announced, or any comments it has solicited regarding the incidents which are the subject of the application in the instant proceeding. Please provide copies of any documents in any way relevant to same.
 - c. Has the FERC issued any rules regarding communications and standards of conduct regarding gas-electric coordination issues? Please discuss, and provide copies of any and all relevant documents.
 - d. As a result of the problems applicant encountered, which are the subject of the instant case, has or will applicant seek changes in its tariff with PJM? Has the applicant requested any changes or modifications of any PJM rules as a result of the problems the applicant encountered which are the subject of the instant case? Please describe in detail.
 - e. Did the applicant explore the possibility of conducting a bilateral re-sale of gas it procures from TETCO to a third party in an effort to mitigate its

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- losses? Please discuss in detail, and provide copies of any and all documents relevant to this issue.
- f. Could TETCO have made a physical transfer of the amount of gas applicant procured on the TETCO pipeline to the Texas Gas pipeline in an effort to facilitate or expedite a bilateral sale of gas on applicant's behalf? Please discuss.
 - g. Does or did the applicant have access to other gas supplies and delivery that could have eliminated or mitigated the extent of the issues encountered which are the subject of the instant case?
 - h. Does the applicant's corporate parent have a subsidiary that focuses on gas procurement/supply issues? If so, please describe any and all efforts this subsidiary made to assist the applicant with the issues it encountered which are the subject of the instant case.
 - i. Is there a hedging product that could have either eliminated or at least mitigated the severity of the issues which are subject of the instant case? Please describe in detail.
 - j. Could the applicant procure a hedging product that could eliminate or at least mitigate the risk of a future recurrence of any or all of the issues which are the subject of the instant case? Please discuss.
 - k. Describe any and all efforts the applicant, its corporate parent and subsidiaries, PJM, and/or trade associations are making to design a hedging product that could eliminate or mitigate against the risks which are the subject of the instant case. Provide copies of any and all documents in any manner relevant.
 - l. Does the applicant believe that on a going-forward basis, the risk of a recurrence of the problems which are the subject of the instant case will increase as an increasing number of electric generators compete for more pipeline capacity? Please discuss in detail.
3. If PJM's actions or demands caused the applicant to incur greater costs or penalties than it would have, did other PJM generators experience similar penalties? If so, provide a list of those generators, together with the additional costs and penalties imposed. If no other generators incurred greater costs or were not penalized, why not?

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4. During the timeframe in the application when the company experienced long sales, were there utility companies or other generators that experienced short sales? If so, list the companies and the amount of money the companies garnered.
5. Will the applicant seek any relief from the FERC in the form of a complaint alleging discrimination/preferential treatment, or any other grounds? If not, why not? Please describe in detail, and provide any and all relevant FERC docket numbers.
6. Please reference the testimony of Lisa Steinkuhl at page 5, lines 4-7, where the witness states that: "Under normal circumstances, the gas would eventually get burned when Woodsdale was dispatched in the real-time energy market. At that time, the gas would then flow through the FAC, if allocated to native, or Rider PSM, if allocated non-native." Also reference the question and answer at page 10, lines 7 -12, where the following appears:

Q. How does the company plan to handle any future sale of unburned gas that occurs due to the same operational circumstances in this case?"

A. The Company intends to use the same accounting treatment as discussed above for any future sale of gas, including, but not limited to, limited gas availability for delivered interruptible supply, operational restrictions imposed by interstate pipeline companies on natural gas pipeline capacity, and the discrepancy in unit dispatch between the PJM day-ahead energy market awards and the PJM real-time energy market dispatch."

- a. Please confirm that the applicant seeks authorization for accounting treatment in the future for matters that did not specifically occur during the timeframe noted in this application. If so, explain the answer in detail.
- b. If the foregoing is not confirmed, what is the proper interpretation of the testimony quoted above? Please explain why not in detail.
- c. Confirm that this is the first instance in which the company has requested the filed deviation from the Fuel Adjustment Clause for the purposes stated in the application.

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7. Has the company, or any consultants on the company's behalf, performed any studies to project the likelihood of future "tight gas markets" or "operational restrictions" on TETCO? If so, please provide any and all information related to same. If not, why not?
8. Reference the testimony of Mr. Swez at page 4, lines 4-5, where the witness states that Woodsdale's simple cycle combustion turbines typically burn gas delivered from the TETCO pipeline and page 3, lines 7-9, where the applicant is connected to two separate gas transmission lines, TETCO and Texas Gas.
 - a. Explain in detail why the Texas Gas transmission line is not discussed to any length in the application.
 - b. Explain in detail what services Texas Gas provides to the applicant.
 - c. State whether the Texas Gas pipeline could have provided some assistance to the applicant during the gas procurement situation described in the application.
9. Reference the testimony of Mr. Swez at page 5. Provide the number of degree days for the timeframe in the application versus the same time period for each of the past thirty (30) years.
10. Reference the testimony of Mr. Swez at page 5. Provide the number of degree days that the applicant utilizes in its generation planning for the timeframe in the application.
11. Provide the projections for the operation for generation purposes at Woodsdale for each of the past ten (10) years.
 - a. Provide the actual hours of operation for generation at Woodsdale for each of the past ten (10) years.
12. Reference the testimony of Mr. Swez at page 6, lines 1-3, whereat the witness states: "One of the many challenges faced by utilities, including Duke Energy Kentucky during this period, has been the persistent operational restrictions in effect on natural gas pipelines." Explain in detail the restrictions, including, but not limited to, capacity constraints, contractual obligations (such as required purchased capacity obligations and prices), suppliers' names, purchase prices per Mcf for each supplier, availability of gas from each supplier, and any other relevant restrictions.

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13. With regard to your response to question number 11, above, provide the same information for the past ten (10) years.
14. Reference the application in general as well as the applicant's general corporate position. Does the applicant believe that PJM operated efficiently, appropriately, and in accordance with all FERC tariffs during the time frame at issue? If yes, please explain the answer in detail. If no, answer the following.
 - a. Are the contractual obligations PJM placed on the applicant financially detrimental to the applicant's ratepayers? If not, explain the answer in detail.
 - b. With regard to your response in subpart (a), above, do the PJM contractual obligations placed upon the applicant carry any potential to be financially detrimental to the applicant's ratepayers? If not, explain the answer in detail.
 - c. Are the contractual obligations placed on the applicant by PJM potentially compromising to the reliability of the electric grid in any manner? If not, explain the answer in detail.
 - d. In general, and as a whole with all of PJM's members included, were there any deficiencies or mistakes on the part of PJM, its members, or the applicant that could have otherwise been avoided that would have eliminated the applicant's need to file this application?
 - e. In general, and as a whole with all of PJM's members included, were there any deficiencies or mistakes that could have otherwise avoided any grid reliability concerns during the period at issue? Regardless of the answer, explain it in detail.
15. Reference the application in general. Does the applicant have any concerns that going forward the natural gas necessary to run its natural gas fired units will be available based on current as well as projected infrastructure build-out and natural gas inventories?
16. Reference the application in general. Does the applicant have any concerns that going forward the natural gas necessary to run its natural gas fired units will be available at either current costs or costs that will otherwise be affordable for the end-user?

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17. Please provide data setting forth the number of times during the past two (2) years that the Woodsdale CTs were not dispatched because they did not pass PJM's economic dispatch order.
18. Please state whether the applicant agrees or disagrees with the following: The problems encountered by applicant which are the subject of the instant case occurred at the wholesale level and fall under the jurisdiction of the Federal Energy Regulatory Commission ("FERC").
 - a. If the applicant agrees, is it not true that the issues applicant encountered are not jurisdictional to the Kentucky Public Service Commission? If not, why not.
 - b. If the applicant agrees, is it not true that applicant's retail ratepayers should not be required to make applicant whole for problems occurring at the wholesale level? If not, why not.
 - c. If the applicant disagrees with the premise above, why does it disagree? Please discuss in detail.
19. Please reference page 6, lines 13-17 of John D. Swez's direct testimony where he states that "[t]here are generally two types of Imbalance Postings: 1. Shippers/Operators cannot take more gas off the system than they have coming on to the system (High system demand situations). 2. Shippers/Operators cannot put more gas onto the system than they are taking from the system (Low system demand situations). Please elaborate and explain the above in further details with specific examples of each.
20. Please reference Lisa Steinkuhl's testimony on page 5, line 23 and page 6, lines 1-6 where she testifies "When PJM decides to not run that unit for that hour in the real-time market, the Company has to buy back that amount of generation at the hourly real-time LMP. The Company may also receive a lost opportunity payment which is a component of the PJM Balancing Operating Reserve. Lost opportunity payments may be paid to generators that PJM reduced or suspended in the real-time market for reliability purposes."
 - a. Please expound on the policy of the Company having to "buy back that amount of generation at the hourly real-time LMP" when PJM decides to not run a unit in the real-time market.

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b. Please also specify the policy in place as to when PJM pays or does not pay the applicant a lost opportunity payment when PJM decides not to run the unit in the real-time market, since the testimony asserts that the Company "may" receive a lost opportunity payment. Provide specific scenarios for when PJM does pay a lost opportunity payment to the applicant, as well as when it is not paid.