

Duke Energy Kentucky
Case No. 2014-00454
Staff First Set Data Requests
Date Received: February 5, 2015

STAFF-DR-01-018

REQUEST:

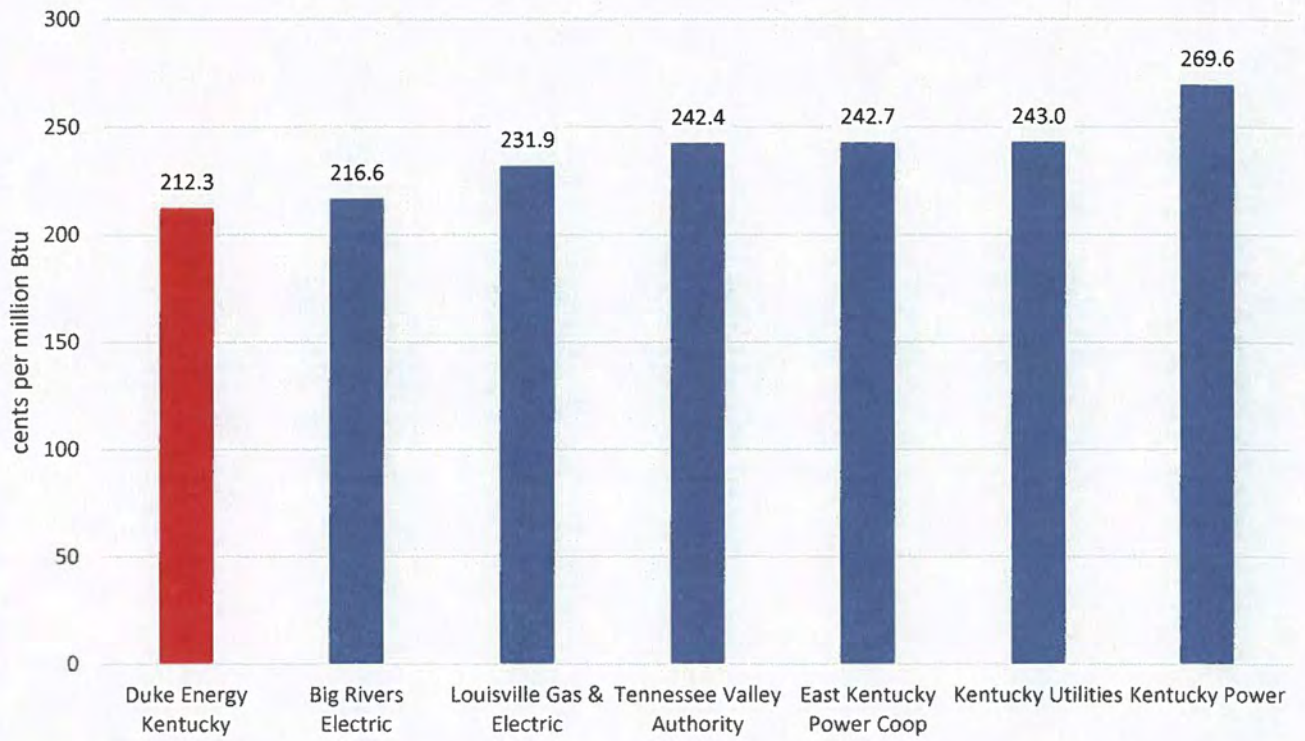
- a. State whether Duke Kentucky regularly compares the price of its coal purchases with those paid by other electric utilities.
- b. If the response is yes, state:
 1. The utilities that are included in this comparison and their locations; and
 2. How Duke Kentucky's prices compare with those of the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

RESPONSE:

- a. Duke Energy Kentucky compares its delivered coal prices to those paid by other major Kentucky electric utilities for their plants located in Kentucky as noted in Case Nos. 2013-00265, 2013-00448, and 2014-00229. Please see Staff-DR-01-018 Attachment, derived from EIA 923 data for this review period.
- b. See STAFF-DR-01-018 Attachment.

PERSON RESPONSIBLE: Brett Phipps

Delivered Coal Cost May - Oct 2014



Source: EIA Form 923

**Duke Energy Kentucky
Case No. 2014-00454
Staff First Set Data Requests
Date Received: February 5, 2015**

STAFF-DR-01-019

REQUEST:

For the period under review by generating station, list the percentages of Duke Kentucky's coal delivered by:

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

RESPONSE:

Please reference Duke Energy Kentucky Case Nos. 2013-00265, 2013-00448, and 2014-00229 for the dates of November 1, 2012 – April 30, 2014. For this review period of May 1, 2014 – October 31, 2014, below are the percentages based on delivery methods to Duke Energy Kentucky.

	Rail % (a)	Truck % (b)	Barge % (c)
East Bend	0	0	100
Miami Fort 6	0	0	100

PERSON RESPONSIBLE: Brett Phipps

**Duke Energy Kentucky
Case No. 2014-00454
Staff First Set Data Requests
Date Received: February 5, 2015**

STAFF-DR-01-020

REQUEST:

For each generating station, state the methods of coal delivery currently available.

RESPONSE:

Please reference Duke Energy Kentucky Case Nos. 2013-00265, 2013-00448, and 2014-00229 for the dates of November 1, 2012 – April 30, 2014. For this review period of May 1, 2014 – October 31, 2014, the current methods available for delivery to East Bend and Miami Fort 6 are by barge and on limited basis truck delivery.

PERSON RESPONSIBLE: Brett Phipps

Duke Energy Kentucky
Case No. 2014-00454
Staff First Set Data Requests
Date Received: February 5, 2015

STAFF-DR-01-021

REQUEST:

- a. State Duke Kentucky's coal inventory level in tons and in number of days' supply as of October 31, 2014. Provide this information by generating station and in the aggregate.
- b. Describe the criteria used to determine the number of days' supply.
- c. Compare Duke Kentucky's coal inventory as of October 31, 2014 to its inventory target for that date for each plant and for total inventory.
- d. If actual coal inventory exceeds inventory target by 10 days' supply, state the reasons for the additional inventory.
- e. (1) State whether Duke Kentucky expects any significant changes in its current coal inventory target within the next 12 months.
(2) If the response is yes, state the expected change and the reasons for this change.

RESPONSE:

Duke Energy Kentucky's total aggregate inventory across the system as of October 31, 2014 was 331,796 tons, or 41.47 days.

EAST BEND:

- a. As of October 31, 2014, total station inventory at East Bend was 276,169 tons or 42.49 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 is approximately 40 days compared to actual days inventory on October 31, 2014 of 42.49 days.
- d. N/A
- e. 1. No
2. N/A

MIAMI FORT #6:

- a. As of October 31, 2014, total Station inventory at Miami Fort #6 was 55,627 tons or 37.08 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 1,500 tons.
- c. Inventory target is approximately 40 days compared to the 37.08 days inventory the station had as of October 31, 2014.
- d. N/A
- e. 1. Yes.
2. Duke Energy Kentucky expects inventories to reach a zero balance within the next twelve months as Miami Fort Unit 6 will be retiring.

PERSON RESPONSIBLE: Brett Phipps

**Duke Energy Kentucky
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STAFF-DR-01-022

REQUEST:

- a. State whether Duke Kentucky has audited any of its coal contracts during the period from May 1, 2014 to October 31, 2014.
- b. If the response is 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:

East Bend:

- a. Duke Energy Kentucky has not audited any of its contracts during the period from May 1, 2014 through October 31, 2014.
- b. N/A

Miami Fort #6

- a. Duke Energy Kentucky has not audited any of its contracts during the period from May 1, 2014 through October 31, 2014.
- b. N/A

PERSON RESPONSIBLE: Brett Phipps

**Duke Energy Kentucky
Case No. 2014-00454
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STAFF-DR-01-023

REQUEST:

- a. State whether Duke Kentucky has received any customer complaints regarding its FAC during the period from May 1, 2014 to October 31, 2014.
- b. If the response is yes, for each complaint, state:
 1. The nature of the complaint; and
 2. Duke Kentucky's response.

RESPONSE:

Duke Energy Kentucky has not received any customer complaints regarding its FAC during the period from May 1, 2014 through October 31, 2014.

PERSON RESPONSIBLE: Lisa Steinkuhl

**Duke Energy Kentucky
Case No. 2014-00454
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STAFF-DR-01-024

REQUEST:

- a. State whether Duke Kentucky is currently involved in any litigation with its current or former coal suppliers
- b. If the response is 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:

East Bend and Miami Fort 6:

Please reference Duke Energy Kentucky Case Nos. 2013-00265, 2013-00448, and 2014-00229 for the dates of November 1, 2012 – April 30, 2014. For this review period of May 1, 2014 – October 31, 2014, Duke Energy Kentucky is not currently involved in any litigation with its current or former suppliers.

PERSON RESPONSIBLE: Brett Phipps

STAFF-DR-01-025 PUBLIC

REQUEST:

List each written coal supply solicitation issued during the period May 1, 2014 to October 31, 2014.

- a. For each solicitation, provide the date of the 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 ranks the proposals. (This document shall identify all vendors who made offers.) State the reasons for each selection. For each lowest-cost bid not selected, explain why the bid was not selected.

RESPONSE:

CONFIDENTIAL PROPRIETARY TRADE SECRET (As to Attachment Only)

This response has been filed with the Commission under a Petition for Confidential Treatment.

- a. Duke Energy Kentucky sent out a written coal RFP on September 8, 2014. This was the only coal RFP during the review period. See STAFF-DR-01-025 Confidential Attachment (a) for guidelines and specification related to the RFP, filed with the Commission under a Petition for Confidential Treatment.
- b. The RFP was sent to over 75 coal producers and sellers. See STAFF-DR-01-025 Confidential Attachment (b and c) for a summary of all offers for the period 2014 -

2016, filed with the Commission under a Petition for Confidential Treatment. The only coal purchased from the RFP was for coal in 2016 and is under contract development. The Company expects to complete the contract within the next few months.

PERSON RESPONSIBLE: N/A

**Duke Energy Kentucky
Case No. 2014-00454
Staff First Set Data Requests
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STAFF-DR-01-026 PUBLIC

REQUEST:

List each oral solicitation for coal supplies issued during the period May 1, 2014 to October 31, 2014.

- a. For each solicitation, state why the solicitation was not written, the dates(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 bid tabulation sheet or other document that ranks the proposals. (This document shall identify all vendors who made offers.) State the reasons for each selection. For each lowest-cost bid not selected, explain why the bid was not selected.

RESPONSE:

CONFIDENTIAL PROPRIETARY TRADE SECRET

This response is submitted under a petition for confidential treatment.

Miami Fort #6:

- a. From May 1, 2014 to October 31, 2014, Duke Energy Kentucky, Inc. solicited oral bids for coal in July 2014 by engaging [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] The reason these companies were contacted was due to them being past suppliers for Miami Fort #6. The offer received from [REDACTED].

The solicitation was not written due to the short term need for spot purchases for inventory replenishment.

As outlined in Staff-DR-01-026 Confidential Attachment, submitted under a petition for confidential treatment, bids were evaluated and selected based on economics, location, term, and supply requirements. Additionally, attached documents include coal quality and deliverable time periods.

- b. See Staff-DR-01-026 Confidential Attachment, submitted under a petition for confidential treatment.

PERSON RESPONSIBLE: N/A

CONFIDENTIAL PROPRIETARY TRADE SECRET

TRANSACTION APPROVAL REQUEST
Duke Energy Kentucky, Inc- Coal Supply

Date:	August 22, 2014	Exp. Close Date:	August 25, 2014
Originator:	Shawn Shultz	GRM:	L. F. Camp
Counterparty:	Vitol, Inc.	Region:	ILB
Deal Type:	Spot ILB 11800btu, 4.5#SO2	Deal Size:	\$5,960,250
Term:	The Term for this Transaction is August 16, 2014 to Dec 31, 2014.	DEK Contract Number:	

DOA Approval: DOA Requires Approval and Signature of the Director of Coal

Summary: Spot purchase of 135,000 tons through ICAP Dan Vaughn on July 15, 2014. The counterparty is Vitol, Inc and the term is August through December 2014 for inventory replenishment at Miami Fort 6. This was the lowest delivered product based on the offers below:

Counterparty	Mine Source	Frt District	River/MP	Btu/lb	SO2/mmBtu	Ash %	Mine Price	Delivered	
								\$/ton	\$/mmBtu
Vitol - UPI	Galatia	Ohio River/Empire	OR MP 896	11,800	4.49	9.00	\$ 44.15	\$ 5.72	\$ 2.11
Peabody Coal Sales	Sommerville & Wild Boar	Ohio River	OR MP 772	11,000	6.00	10.00	\$ 43.50	\$ 4.04	\$ 2.16
Rhino	Pennyrille	Green River	GR MP 36	11,300	5.00	9.00	\$ 44.25	\$ 5.37	\$ 2.20
American	Galatia	Ohio River/Empire	OR MP 896	11,800	4.49	9.00	\$ 52.00	\$ 5.72	\$ 2.45

Delivery Method: River Barge

Delivery Point: FOB Barge MP 896.3 Ohio River, Empire Dock or Cook Terminal MP847

Coal Quality: 4.50#SO2, 11800 btu

Contract Price: \$44.15 per ton

Quantity: 135,000 tons

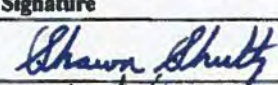
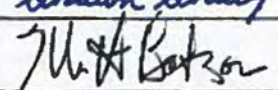
Term: August 16, 2014 through December 31, 2014

Legal Review: Outside counsel has approved (email attached)

Credit Review: N/A - Spot

Recommendation: Fuels & Systems Optimization recommends proceeding with this transaction.

Approvals:

Position	Name	Signature	Date
Fuel Originator	Shawn Shultz		8/22/14
Director Coal	M. E. Batson		8/25/14

**Duke Energy Kentucky
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STAFF-DR-01-027

REQUEST:

For the period from May 1, 2014, to October 31, 2014, list each vendor from whom coal was purchased and the quantity and nature of each purchase (e.g., spot or contract). For the period under review in total, provide the percentage of purchases that were spot versus contract. For contract purchases, state whether the contract has been filed with Commission. If the response is no, explain why it has not been filed.

RESPONSE:

Please see Staff-DR-01-027 Attachment.

PERSON RESPONSIBLE: Brett Phipps

Duke Energy Kentucky

<u>VENDOR</u>	<u>PURCHASE TONNAGE</u>	<u>PURCHASE TYPE</u>	<u>Contract #</u>	<u>Filed with Commission</u>	<u>If no, Explain why</u>
American Coal Co C	146,738	Spot			*
Foresight Coal Sales, LLC	100,745	Contract	28584	10/11/2013	
River View	280,146	Contract	28376	1/2/2013	
River View	340,386	Spot			*
Vitol, Inc.	57,645	Spot			*
	<u>925,660</u>				
	41.15%	Contract			
	58.85%	Spot			

* Spot Contracts are not filed with the Commission

**Duke Energy Kentucky
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STAFF-DR-01-028

REQUEST:

For the period from May 1, 2014, to October 31, 2014, list each vendor from whom natural gas was purchased for generation and the quantity and nature of each purchase (e.g., spot or contract). For the period under review in total, provide the percentage of purchases that were spot versus contract. For contract purchases, state whether the contract has been filed with the Commission. If the response is no, explain why it has not been filed.

RESPONSE:

For the period from May 1, 2014, to October 31, 2014, there were no Duke Energy Kentucky gas purchases.

PERSON RESPONSIBLE: Brett Phipps

**Duke Energy Kentucky
Case No. 2014-00454
Staff First Set Data Requests
Date Received: February 5, 2015**

STAFF-DR-01-029

REQUEST:

State whether Duke Kentucky engages in hedging activities for its coal or natural gas purchases used for generation. If the response is yes, describe the hedging activities in detail.

RESPONSE:

Coal:

Duke Energy Kentucky does not engage in hedging transactions with respect to coal purchases. Duke Energy Kentucky contracts for physical deliveries of coal through fixed term coal transactions within a balanced portfolio of purchases. The Company also maintains a portfolio with multiple suppliers to mitigate potential supply interruption risk.

Natural Gas:

To date, Duke Energy Kentucky has not engaged in any forward natural gas price hedging activities. Duke Energy Kentucky engages in the physical procurement of physical natural gas to support its gas generation.

PERSON RESPONSIBLE: Brett Phipps

Duke Energy Kentucky
Case No. 2014-00454
Staff First Set Data Requests
Date Received: February 5, 2015

STAFF-DR-01-030

REQUEST:

For each generating station or unit for which a separate coal pile is maintained, state for the period from May 1, 2014, to October 31, 2014 the actual amount of coal burned in tons, actual amount of coal deliveries in tons, total kWh generated, and actual capacity factor at which the plant operated.

RESPONSE:

Plant	Coal Burn (Tons) ⁽¹⁾	Coal Receipts (Tons) ⁽²⁾	Net MWH	Capacity Factor (Net MWH) / period hrs x MW rating)
East Bend	469,504	721,277	973,157	53.2%
Miami Fort 6	202,995	313,818	448,656	62.3%

⁽¹⁾ Duke Energy Kentucky's ownership share.

⁽²⁾ 100% of coal received at the station.

PERSON RESPONSIBLE: Lisa Steinkuhl

Duke Energy Kentucky
Case No. 2014-00454
Staff First Set Data Requests
Date Received: February 5, 2015

STAFF-DR-01-031

REQUEST:

- a. During the period from May 1, 2014, to October 31, 2014, 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. State the date(s) the changes were made;
 3. Explain why the changes were made; and
 4. Provide the written policies and procedures as changed.
- c. If no, provide the date when Duke Kentucky's current fuel procurement policies and procedures were last changed, when they were last provided to the Commission, and identify the proceeding in which they were provided.

RESPONSE:

Coal

- a. Duke Energy Kentucky fuel procurement policies or procedures have not been changed during the period from May 1, 2014 through October 31, 2014.
- b. N/A

- c. The procurement policy was last updated on 12/01/10. The updated fuel policy was provided to the Commission in Case No. 2011-249 in September 2011 in Staff-DR-01-015.

Natural Gas

- a. Duke Energy Kentucky fuel procurement policies or procedures have not been changed during the period from May 1, 2014 through October 31, 2014.
- b. N/A
- c. The procurement policy was last updated February 2012. The updated fuel policy was provided to the Commission in Case No. 2011-486 in February 2012.

PERSON RESPONSIBLE: Brett Phipps

Duke Energy Kentucky
Case No. 2014-00454
Staff First Set Data Requests
Date Received: February 5, 2015

STAFF-DR-01-032

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 of May 1, 2014, to October 31, 2014.
- b. If the response is 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:

EAST BEND:

- a. Duke Energy Kentucky is not aware of any violations of its policies and procedures.
- b. N/A

MIAMI FORT #6:

- a. Duke Energy Kentucky is not aware of any violations of its policies and procedures.
- b. N/A

PERSON RESPONSIBLE: Brett Phipps

**Duke Energy Kentucky
Case No. 2014-00454
Staff First Set Data Requests
Date Received: February 5, 2015**

STAFF-DR-01-033

REQUEST:

Identify and explain the reasons for all changes in the organizational structure and personnel of the departments or divisions that are responsible for Duke Kentucky's fuel procurement activities that occurred during the period from May 1, 2014, to October 31, 2014.

RESPONSE:

Please reference Duke Energy Kentucky Case Nos. 2013-00265, 2013-00448, and 2014-00229 for the dates of November 1, 2012 – April 30, 2014. For this review period of May 1, 2014 – October 31, 2014, the Vice President of Fuel and System Optimization, Sasha Weintraub, was promoted to another role within Duke Energy. His replacement is Senior Vice President of Fuel and System Optimization Swati Daji. There were no additional changes in the organizational structure.

PERSON RESPONSIBLE: Brett Phipps

STAFF-DR-01-034

REQUEST:

- a. Identify all changes that Duke Kentucky made during the period from May 1, 2014, to October 31, 2014 to its maintenance and operation practices that affect fuel usage at Duke Kentucky's generation facilities.
- b. Describe the impact of these changes on Duke Kentucky's fuel usage.

RESPONSE:

- a. Starting in the summer of 2014, an analysis was completed and the decision was made to operate Miami Fort 6 at a reduced main steam pressure. Due to the unit approaching the end of its useful life, it was experiencing frequent boiler wall tube leaks when operating at full pressure operation. Once reduced pressure operation began, a significant reduction in boiler tube leaks occurred. The reduced pressure operation has resulted in the unit operating with an approximate 27 MW planned derate. However, the unit's EFOR has dropped from 20%+ to near 0%. Consequently, the reduction in pressure has actually allowed more energy to be generated, reduced maintenance expenses for repairs to critical boiler components, reduced unit downtime, and improved cyclic operation of equipment. The Company's strategy has had the overall effect of a more predictable base load operation.

- b. The major impact on this change is to the unit's capability. The impact to the unit's individual heat rate is minimal.

PERSON RESPONSIBLE: John Swez

Duke Energy Kentucky
Case No. 2014-00454
Staff First Set Data Requests
Date Received: February 5, 2015

STAFF-DR-01-035

REQUEST:

- a. List all intersystem sales during the period from May 1, 2014, to October 31, 2014 in which Duke Kentucky used a third party's transmission system.
- b. For each sale listed above:
 1. Described 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; and
 2. State the line-loss factor used for each transaction and describe how such line-loss factor was determined.

RESPONSE:

- a. Duke Energy Kentucky sells 100% of its generation to PJM Interconnection, L.L.C. These sales are made at the generating station; consequently, no third party transmission was used.
- b. N/A

PERSON RESPONSIBLE: Lisa Steinkuhl

**Duke Energy Kentucky
Case No. 2014-00454
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Date Received: February 5, 2015**

STAFF-DR-01-036

REQUEST:

Describe each change that Duke Kentucky made to its methodology for calculating intersystem sales line losses during the period from May 1, 2014, to October 31, 2014.

RESPONSE:

N/A. See response to Staff-DR-01-035.

PERSON RESPONSIBLE: Lisa Steinkuhl

**Duke Energy Kentucky
Case No. 2014-00454
Staff First Set Data Requests
Date Received: February 5, 2015**

STAFF-DR-01-037

REQUEST:

State whether Duke Kentucky has solicited bids for coal with the restriction that it was not mined through strip mining or mountain top removal. If the response is yes, explain the reasons for the restriction on the solicitation, the quantity in tons and price per ton of the coal purchased as a result of this solicitation, and the difference between the price of this coal and the price it could have obtained for the coal if the solicitation had not been restricted.

RESPONSE:

EAST BEND & MIAMI FORT #6:

Please reference Duke Energy Kentucky Case Nos. 2013-00265, 2013-00448, and 2014-00229 for the dates of November 1, 2012 – April 30, 2014. For this review period of May 1, 2014 – October 31, 2014, Duke Energy Kentucky did not solicit bids with a restriction to exclude bids mined through strip mining or mountain top removal.

PERSON RESPONSIBLE: Brett Phipps

Duke Energy Kentucky
Case No. 2014-00454
Staff First Set Data Requests
Date Received: February 5, 2015

STAFF-DR-01-038

REQUEST:

By month, provide the specific PJM Interconnection, Inc. codes and amounts for each code that were included in Duke Kentucky's monthly FAC filings during the period from November 1, 2012, to October 31, 2014.

RESPONSE:

Month/Year (1)	Energy Costs (2)	PJM Codes 2370 & 2375 Total Balancing and Day Ahead Operating Reserve Credit (3)	PJM Codes 2370 & 2375 Non-Native Balancing and Day Ahead Operating Reserve Credit (4)	PJM Codes 2370 & 2375 Native Balancing and Day Ahead Operating Reserve Credit (3) - (4) = (5)	Total PJM Costs in FAC Filings (2) - (5)
November 2012	\$1,881,944	\$0	\$0	\$0	\$1,881,944
December 2012	\$2,004,844	\$21,513	\$0	\$21,513	\$1,983,331
January 2013	\$1,871,033	\$0	\$0	\$0	\$1,871,033
February 2013	\$2,475,513	\$0	\$0	\$0	\$2,475,513
March 2013	\$1,381,109	\$48,698	\$19,982	\$28,716	\$1,352,393
April 2013	\$6,069,286	\$34,901	\$943	\$33,958	\$6,035,328
May 2013	\$1,717,059	\$34,502	\$0	\$34,502	\$1,682,557
June 2013	\$4,023,905	\$0	\$0	\$0	\$4,023,905
July 2013	\$6,016,477	\$349,972	\$105,697	\$244,275	\$5,772,202
August 2013	\$2,927,144	\$157	\$0	\$157	\$2,926,987
September 2013	\$1,585,380	\$185,588	\$5,072	\$180,516	\$1,404,864
October 2013	\$452,876	\$0	\$0	\$0	\$452,876
November 2013	\$1,489,374	\$13,248	\$13,248	\$0	\$1,489,374
December 2013	\$3,238,365	\$253,237	\$281	\$252,956	\$2,985,409
January 2014	\$13,292,404	\$1,039,244	\$94,101	\$945,143	\$12,347,261

February 2014	\$5,078,063	\$203,027	\$79,466	\$123,561	\$4,954,502
March 2014	\$12,709,481	\$79,852	\$0	\$79,852	\$12,629,629
April 2014	\$8,000,068	\$0	\$0	\$0	\$8,000,068
May 2014	\$12,796,465	\$13,232	\$0	\$13,232	\$12,783,233
June 2014	\$11,815,701	\$85,790	\$0	\$85,790	\$11,729,911
July 2014	\$2,545,003	\$15,904	\$0	\$15,904	\$2,529,099
August 2014	\$3,952,574	\$0	\$0	\$0	\$3,952,574
September 2014	\$4,559,479	\$0	\$0	\$0	\$4,559,479
October 2014	\$258,324	\$15,587	\$0	\$15,587	\$242,737
Total	\$112,141,871	\$2,394,452	\$318,790	\$2,075,662	\$110,066,209

The energy costs are purchases made from PJM on a security constrained economic dispatch basis. It is based on a calculation from the after-the-fact generation model used to economically dispatch on an hourly basis the demand (load) with available supply resources (i.e. generation or purchased power) which are economically stacked.

Based on the calculation, the PJM costs which correlate to this process are:

1200 / 1400 – Day-ahead Spot Market Energy - Day-ahead energy market net hourly PJM Interchange MWh are calculated for cleared day-ahead generation and increment offers, demand, decrement and load response bids and day-ahead energy transactions.

1205 – Balancing Spot Market Energy - Real-time energy market net hourly PJM Interchange MWh are calculated for cleared real-time energy transactions, load (without losses), generation, and metered tie flows, as applicable.

1210 / 1410 / 2210 – Day-ahead Transmission Congestion - The change in energy costs due to redispatch in the day-ahead market during hours when PJM

transmission system is constrained are assessed to mark participants based on the congestion price component of LMPs.

1215 – Balancing Transmission Congestion - The change in energy costs due to redispatch in the balancing market during hours when PJM transmission system is constrained are assessed to mark participants based on the congestion price component of LMPs.

1220 / 1420 / 2220 /2420 – Day-ahead Transmission Losses - The change of energy costs due to transmission losses in the day-ahead market represented in the PJM network model are assessed to market participants based on the loss component of LMPs.

1225 – Balancing Transmission Losses - The change in costs of energy due to transmission losses in the balancing market represented in the PJM network model are assessed to market participants based on the loss component of LMPs.

The only PJM costs/credits taken directly from the invoice and included in the fuel adjustment clause calculation are the native portion of 2370 - Day-Ahead Operating Reserve Credit and 2375 - Balancing Operating Reserve Credit. Pool-scheduled generation and demand resources that operate as requested by PJM are guaranteed to fully recover their daily offer amounts. The credits are the portion of the company's offer amounts in excess of their scheduled MWh times LMP. They are being credited to fuel costs because of the nexus between receiving the payment from PJM and incurring fuel costs to run the plants.

PERSON RESPONSIBLE: Lisa Steinkuhl / Scott Burnside

STAFF-DR-01-039 PUBLIC

REQUEST:

List Duke Kentucky's generating units in economic dispatch order. State whether Duke Kentucky's generating units were operated in economic dispatch order during the period under review. If the response is no, explain.

RESPONSE:

CONFIDENTIAL PROPRIETARY TRADE SECRET

This response has been filed with the Commission under a Petition for Confidential Treatment.

[REDACTED]

[REDACTED]

PERSON RESPONSIBLE: N/A

**Duke Energy Kentucky
Case No. 2014-00454
Staff First Set Data Requests
Date Received: February 5, 2015**

STAFF-DR-01-040

REQUEST:

By month, provide the \$/MWh of fuel costs allocated each to native load and off-system sales for November 2012 through the most recent month available. Include in the response the calculations supporting the \$/MWh amounts.

RESPONSE:

Please see STAFF-DR-01-040 Attachment.

The Company has shown the calculation of native \$/MWh of fuel costs in components consistent with 807 KAR 5:056. The first calculation (Column E) is based on the fossil fuel consumed; the second calculation (Column H) includes fossil fuel consumed and purchased power expense; the third calculation (Column K) includes the fossil fuel consumed, purchased power expense, and disallowance for forced outages which equals the total fuel expense recovered in the FAC.

The comparable \$/MWh calculations between native and non-native are Column E and Column N because purchased power and the forced outage elimination are not related to non-native sales.

PERSON RESPONSIBLE: Scott Burnside / Lisa Steinkuhl

Duke Energy Kentucky

Month	Native										Non-Native			
	[A]	[B]	[C]	[D] = [B]+[C]	[E] = [D]/[A]	[F]	[G] = [D]+[F]	[H] = [G]/[A]	[I]	[J] = [G]+[I]	[K] = [J]/[A]	[L]	[M]	[N] = [M] / [L]
	Native MWh	Native Fossil Fuel Cost	PJM Bal Opr Rsrv Crd	Native Fossil Fuel Cost Less PJM Bal Opr Rsrv Crd	\$/MWh	Purchased Power	Native Fossil Fuel Cost Less PJM Bal Opr Rsrv Crd plus Purchased Power	\$/MWh	Disallowance for Forced Outages	Amount (\$) (Line D of FAC filing)	\$/MWh	Non-Native Sales MWh	Non-Native Sales Fuel Costs of FAC filing (Line C)	\$/MWh
Nov-12	322,983	\$ 7,434,657	\$ -	\$ 7,434,657	\$ 23.02	\$ 1,884,344	\$ 9,319,001	\$ 28.85	\$ (578,161)	\$ 8,740,840	\$ 27.06	50,366	\$ 1,353,202	\$ 26.87
Dec-12	351,482	\$ 6,269,970	\$ (21,513)	\$ 6,248,457	\$ 17.78	\$ 2,007,244	\$ 8,255,701	\$ 23.49	\$ (213,824)	\$ 8,041,877	\$ 22.88	22,575	\$ 514,743	\$ 22.80
Jan-13	377,967	\$ 8,545,586	\$ -	\$ 8,545,586	\$ 22.61	\$ 1,873,440	\$ 10,419,026	\$ 27.57	\$ (311,179)	\$ 10,107,847	\$ 26.74	9,066	\$ 253,520	\$ 27.96
Feb-13	339,725	\$ 7,086,114	\$ -	\$ 7,086,114	\$ 20.86	\$ 2,477,921	\$ 9,564,035	\$ 28.15	\$ (294,817)	\$ 9,269,219	\$ 27.28	15,211	\$ 412,459	\$ 27.12
Mar-13	359,118	\$ 8,256,090	\$ (28,717)	\$ 8,227,373	\$ 22.91	\$ 1,383,509	\$ 9,610,882	\$ 26.76	\$ (335,489)	\$ 9,275,393	\$ 25.83	26,204	\$ 686,059	\$ 26.18
Apr-13	306,469	\$ 3,928,368	\$ (33,958)	\$ 3,894,409	\$ 12.71	\$ 6,066,933	\$ 9,961,342	\$ 32.50	\$ (317,573)	\$ 9,643,770	\$ 31.47	7,055	\$ 184,993	\$ 26.22
May-13	339,722	\$ 7,783,249	\$ (34,502)	\$ 7,748,746	\$ 22.81	\$ 1,720,659	\$ 9,469,406	\$ 27.87	\$ (377,218)	\$ 9,092,188	\$ 26.76	37,437	\$ 972,972	\$ 25.99
Jun-13	380,628	\$ 7,079,330	\$ -	\$ 7,079,330	\$ 18.60	\$ 4,024,387	\$ 11,103,716	\$ 29.17	\$ (597,681)	\$ 10,506,035	\$ 27.60	8,108	\$ 215,727	\$ 26.61
Jul-13	417,935	\$ 7,262,240	\$ (244,275)	\$ 7,017,965	\$ 16.79	\$ 6,018,857	\$ 13,036,822	\$ 31.19	\$ (516,810)	\$ 12,520,012	\$ 29.96	9,201	\$ 172,477	\$ 18.75
Aug-13	421,723	\$ 8,349,756	\$ (157)	\$ 8,349,599	\$ 19.80	\$ 2,929,328	\$ 11,278,928	\$ 26.74	\$ (137,545)	\$ 11,141,383	\$ 26.42	7,682	\$ 201,111	\$ 26.18
Sep-13	363,796	\$ 8,180,075	\$ (180,516)	\$ 7,999,559	\$ 21.99	\$ 1,580,106	\$ 9,579,665	\$ 26.33	\$ (75,458)	\$ 9,504,207	\$ 26.13	22,358	\$ 586,114	\$ 26.21
Oct-13	334,969	\$ 7,892,601	\$ -	\$ 7,892,601	\$ 23.56	\$ 455,274	\$ 8,347,876	\$ 24.92	\$ (136,571)	\$ 8,211,305	\$ 24.51	67,347	\$ 1,675,347	\$ 24.88
Nov-13	339,423	\$ 7,469,286	\$ -	\$ 7,469,286	\$ 22.01	\$ 1,491,756	\$ 8,961,042	\$ 26.40	\$ (379,855)	\$ 8,581,187	\$ 25.28	31,399	\$ 782,406	\$ 24.92
Dec-13	382,938	\$ 7,518,608	\$ (252,956)	\$ 7,265,652	\$ 18.97	\$ 3,248,435	\$ 10,514,087	\$ 27.46	\$ (197,665)	\$ 10,316,422	\$ 26.94	16,323	\$ 491,236	\$ 30.09
Jan-14	439,807	\$ 9,956,141	\$ (945,143)	\$ 9,010,998	\$ 20.49	\$ 13,294,766	\$ 22,305,764	\$ 50.72	\$ (6,174,444)	\$ 16,131,320	\$ 36.68	15,384	\$ 890,590	\$ 57.89
Feb-14	372,791	\$ 7,373,149	\$ (123,763)	\$ 7,249,386	\$ 19.45	\$ 5,037,316	\$ 12,286,702	\$ 32.96	\$ (2,035,106)	\$ 10,251,597	\$ 27.50	17,023	\$ 412,544	\$ 24.23
Mar-14	365,261	\$ 3,315,675	\$ (79,852)	\$ 3,235,824	\$ 8.86	\$ 12,666,034	\$ 15,901,858	\$ 43.54	\$ (2,143,959)	\$ 13,757,898	\$ 37.67	236	\$ 6,042	\$ 25.57
Apr-14	309,084	\$ 2,297,381	\$ -	\$ 2,297,381	\$ 7.43	\$ 7,838,376	\$ 10,135,757	\$ 32.79	\$ (11)	\$ 10,135,746	\$ 32.79	0	\$ -	\$ -
May-14	351,106	\$ 1,809,201	\$ (13,232)	\$ 1,795,969	\$ 5.12	\$ 12,816,092	\$ 14,612,061	\$ 41.62	\$ (1,366,035)	\$ 13,246,027	\$ 37.73	0	\$ -	\$ -
Jun-14	400,160	\$ 3,789,090	\$ (85,790)	\$ 3,703,300	\$ 9.25	\$ 11,891,259	\$ 15,594,559	\$ 38.97	\$ (1,478,504)	\$ 14,116,055	\$ 35.28	98	\$ 2,749	\$ 28.07
Jul-14	393,908	\$ 8,138,824	\$ (15,904)	\$ 8,122,920	\$ 20.62	\$ 2,715,013	\$ 10,837,933	\$ 27.51	\$ (396,393)	\$ 10,441,540	\$ 26.51	6,416	\$ 156,984	\$ 24.47
Aug-14	421,788	\$ 7,622,644	\$ -	\$ 7,622,644	\$ 18.07	\$ 3,999,582	\$ 11,622,226	\$ 27.55	\$ (78,795)	\$ 11,543,431	\$ 27.37	2,985	\$ 88,848	\$ 29.77
Sep-14	352,658	\$ 5,817,924	\$ -	\$ 5,817,924	\$ 16.50	\$ 4,560,098	\$ 10,378,022	\$ 29.43	\$ (730,989)	\$ 9,647,034	\$ 27.36	15,074	\$ 377,279	\$ 25.03
Oct-14	321,031	\$ 7,453,484	\$ -	\$ 7,453,484	\$ 23.22	\$ 256,652	\$ 7,710,136	\$ 24.02	\$ (77,796)	\$ 7,632,339	\$ 23.77	49,463	\$ 1,178,361	\$ 23.82
Nov-14	349,535	\$ 7,915,565	\$ (8,881)	\$ 7,906,684	\$ 22.62	\$ 311,620	\$ 8,218,305	\$ 23.51	\$ (2)	\$ 8,218,302	\$ 23.51	36,609	\$ 876,127	\$ 23.93
Dec-14	378,677	\$ 7,170,340	\$ -	\$ 7,170,340	\$ 18.94	\$ 1,719,350	\$ 8,889,690	\$ 23.48	\$ (47,172)	\$ 8,842,518	\$ 23.35	17,360	\$ 402,248	\$ 23.17

Duke Energy Kentucky
Case No. 2014-00454
Staff First Set Data Requests
Date Received: February 5, 2015

STAFF-DR-01-041

REQUEST:

By month, for the period of May 1, 2014, through October 31, 2014, provide the amount of power purchases in excess of Duke Kentucky's highest-cost generating unit available to be dispatched to serve native load during the reporting expense month that was included in Duke Kentucky's FAC calculation.

RESPONSE:

There were no months during the period of May 1, 2014 through October 31, 2014 where the cost of purchased power exceeded the cost of Duke Energy Kentucky's highest-cost generating unit available to be dispatched to serve native load during the reporting expense month that was included in Duke Energy Kentucky's FAC calculation.

	Purchased Power Included in FAC	FAC Purchases Using Highest Cost Methodology	Difference
May-14	\$ 12,816,092	\$ 12,816,092	\$ -
Jun-14	\$ 11,891,259	\$ 11,891,259	\$ -
Jul-14	\$ 2,715,013	\$ 2,715,013	\$ -
Aug-14	\$ 3,999,582	\$ 3,999,582	\$ -
Sep-14	\$ 4,560,098	\$ 4,560,098	\$ -
Oct-14	\$ 256,652	\$ 256,652	\$ -

PERSON RESPONSIBLE: Scott Burnside