VERIFICATION

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

The undersigned, Theodore H. Czupik, Jr., being duly sworn, deposes and says that he is the Rates & Regulatory Strategy Manager and 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.

Theodore H. Czupik, Jr.

Theodore H. Czupik, Jr., Affiant

Subscribed and sworn to before me by Theodore H. Czupik, Jr., on this 19th day of October, 2016.

Adele M. Frisch

NOTARY PUBLIC

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

My Commission Expires: 1/5/2019

VERIFICATION

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

The undersigned, William Don Wathen Jr, Director Rates & Regulatory Strategy – Ohio and Kentucky, 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.

Don Wathen

William Don Wathen Jr, Affiant

Subscribed and sworn to before me by William Don Wathen Jr on this 25TH day of October, 2016.

Adele M. Frisch

NOTARY PUBLIC

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

My Commission Expires: 1/5/2019

VERIFICATION

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

The undersigned, Scott Burnside, Manager Post Analyst & Regulatory Support, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests are true and correct to the best of his knowledge, information and belief.

Scott Burnside

Scott Burnside, Affiant

Subscribed and sworn to before me by Scott Burnside on this 19 day of October, 2016.

Katie Jamieson

NOTARY PUBLIC

KATIE JAMIESON
Notary Public, North Carolina
Gaston County
My Commission Expires

My Commission Expires: June 14, 2021

KYPSC CASE NO. 2016-00234
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Duke Energy Kentucky
Case No. 2016-00234
Staff Third Set Data Requests
Date Received: October 19, 2016

STAFF-DR-03-001

REQUEST:

Refer to Duke Kentucky's response to the Commission Staff's Second Request for Information ("Staffs Second Request"). Item 3, State whether the realized gain of $106,323 flowed through the fuel adjustment clause ("FAC"). If not, explain how customers received the benefit of the gain.

RESPONSE:

The realized gain flowed through the FAC in the expense month of April 2016. It is included in the "Purchases" section with "Economy Purchases".

PERSON RESPONSIBLE: Theodore H. Czupik Jr.

STAFF-DR-03-002

REQUEST:

Refer to Duke Kentucky's response to the Staff's Second Request, Item 4.b. The response states "Duke Kentucky always intended to credit any resettlement costs and credits to its customers." Despite the finality of the two-year FAC order covering the period November 1, 2012, through October 31, 2014, explain whether Duke Kentucky is willing to voluntarily refund through its FAC the erroneous PJM billings that were credited to Duke Kentucky subsequent to the Commission's closing of that two-year FAC review.

RESPONSE:

Duke Energy Kentucky is willing to share the PJM resettlement proceeds that are related to the load recalculation issue with customers equally (50/50). This equal sharing will allow the customers to receive an additional credit of approximately $2.067 million as an adjustment to the fuel adjustment clause filings beginning after the Commission issues an order in this proceeding. The Company proposes that the adjustment be spread out over a three-month period so as not to create significant volatility in utility bills for customers. Therefore, the first three fuel adjustment filings after the Commission's order in this proceeding would reflect one-third of the $2.067 million credit each month to reduce the customers' FAC rates.

The Company understands that Commission rules, Commission precedent, and Kentucky law would otherwise serve to prohibit such adjustments, positive or negative, for periods outside a defined time frame absent the Company voluntarily agreeing to do so. The Company acted in accordance with Commission rules, FAC precedent, and with Staff's guidance in calculating the FAC at the time for all PJM resettlements at issue. The revenue and cost impacts related to those PJM resettlements were appropriately accounted for in a prior fiscal year. As such, making any adjustment at this time, in a subsequent fiscal year, has a corresponding negative financial impact to Duke Energy Kentucky. The Company believes an equal sharing of the load resettlement proceeds between the Company and customers is fair and strikes a reasonable balance of interests given the situation at hand.

PERSON RESPONSIBLE: William Don Wathen Jr.

Duke Energy Kentucky
Case No. 2016-00234
Staff Third Set Data Requests
Date Received: October 19, 2016

STAFF-DR-03-003

REQUEST:

Refer to Duke Kentucky's response to the Staff's Second Request, Item 4.b., page 6.

a. The response states "(h)owever, no adjustment was made to the PSM to increase the non-native fuel costs associated with the increased MWh available for off-system sales since the fuel had already been collected through the FAC..." Explain the adjustment referred to and how it would have affected the Profit Sharing Mechanism ("PSM").

b. The response states "[t]his gave the customers back more off-system sales margin in the PSM than what would otherwise be due if both the FAC and PSM were adjusted for the entire period." Provide the amount of additional sales margin that customers received through the PSM because the FAC was not adjusted and explain how it was calculated.

RESPONSE:

a. The stacking calculation that is used to allocate fuel cost between native load (FAC) and off-system sales (PSM) is conducted on an hour by hour basis. Suppose in a given hour that East Bend is the only generating unit online and is producing 600 MW with a fuel cost of $15,000. Suppose also that native load is 500 MW. In this example native load would be allocated 500 MW of East Bend fuel cost [(500 MW/600 MW) * $15,000 = $12,500]. The remaining 100 MW of

East Bend production would be an off-system sale and the PSM would be allocated the remaining $2,500 of fuel cost. The PSM would also receive 100 MW of LMP revenue from East Bend. Suppose the LMP is $30/MWh resulting in revenue of $3,000.

Now suppose that native load is reduced by 5 MW to adjust for Long Branch. Native load would now be allocated *495* MW of East Bend fuel cost [(495 MW/600 MW) * $15,000 = $12,375]. The remaining *105* MW of East Bend production would now be classified as an off-system sale and the PSM would be allocated the remaining $2,625 of fuel cost along with 105 MW of LMP revenue (105 MW * $30/MWh = $3,150).

The impact of restacking, based on corrected Long Branch load for each hour of every month, is an estimated $904,000 reduction in fossil fuel cost allocated to native load (STAFF-DR-02-004e, table p.6). As described in the example above, fuel dollars removed from the FAC should then be added to the PSM. In actuality the Company did not add $904,000 of non-native fuel cost to the PSM since the Company was not allowed to remove $904,000 of native fuel cost from the FAC.

b. Had the Company been permitted to remove $904,000 of native fossil fuel cost from the FAC then the Company would have added the same amount of fuel cost to the PSM using the methodology described in the response to STAFF-DR-03-003(a). In actuality, the PSM was credited with generation revenues without also receiving corresponding fossil fuel costs. The amount of additional sales margin that the PSM received because the FAC was not adjusted is equal to $904,000.

The customer share of this additional sales margin is $678,000 ($904,000 * 75% sharing).

PERSON RESPONSIBLE: Scott Burnside

STAFF-DR-03-004

REQUEST:

Refer to Duke Kentucky's response to the Staff's Second Request, Item 4.e., pages 8-9. Page 8 of the response states that the calculations included in the table (on page 9 of the response) do not include the corresponding adjustments that would be made to the PSM. The response states "If the $904,000 of fossil fuel expense had been a reduction to the FAC then the same amount would have been a cost to the PSM. Also, if the FAC adjustments were made, then the aggregate cost of $256,737 for Lost Opportunity Cost should have been made to the FAC." Provide a revised table which reflects the remaining credits if the items referenced in the above quote were taken into consideration.

RESPONSE:

a. The total ratepayer impact is $4,103,263 which consists of an FAC component of $4,781,263 as calculated in part b and ($678,000) as calculated in part c.

b. The following table includes both the estimated credits to the FAC for fuel and purchased power and the adjustments for lost opportunity costs:

	Estimated FAC Charges & Credits			
Month	Purchased Power	Fossil Fuel	Lost Opportunity Cost	Net FAC Charges & Credits
Jun-13	$ 197,000	$ 29,000		$ 226,000
Jul-13	$ 276,000	$ 48,000	$ (18,250)	$ 305,750
Aug-13	$ 226,000	$ 43,000		$ 269,000
Sep-13	$ 148,000	$ 78,000		$ 226,000
Oct-13	$ 24,000	$ 127,000		$ 151,000
Nov-13	$ 79,000	$ 93,000		$ 172,000
Dec-13	$ 148,000	$ 79,000		$ 227,000
Jan-14	$ 724,000	$ 83,000	$ (237,044)	$ 569,956
Feb-14	$ 318,000	$ 77,000	$ (1,443)	$ 393,557
Mar-14	$ 392,000	$ 2,000		$ 394,000
Apr-14	$ 253,000	$ -		$ 253,000
May-14	$ 312,000	$ -		$ 312,000
Jun-14	$ 334,000	$ 1,000		$ 335,000
Jul-14	$ 235,000	$ 42,000		$ 277,000
Aug-14	$ 271,000	$ 24,000		$ 295,000
Sep-14	$ 169,000	$ 52,000		$ 221,000
Oct-14	$ 28,000	$ 126,000		$ 154,000
	$ 4,134,000	$ 904,000	$ (256,737)	$ **4,781,263**

c. The following table shows the adjustments that should be made to the PSM if the above fossil fuel credits are made to the FAC:

	Actual Credits Flowed Through PSM					Estimated Adjustment to PSM		
Month	PJM LMP Revenue	Fossil Fuel	Ancillary Services	Total	Customer Share @ 75%	Fossil Fuel	Customer Share @ 75%	Adjusted PSM
Jun-13	$ (34,114)	$ -	$ -	$ (34,114)	$ (25,586)	$ 29,000	$ 21,750	$ (3,836)
Jul-13	$ (55,881)	$ -	$ (9,156)	$ (65,037)	$ (48,778)	$ 48,000	$ 36,000	$ (12,778)
Aug-13	$ (44,684)	$ -	$ -	$ (44,684)	$ (33,513)	$ 43,000	$ 32,250	$ (1,263)
Sep-13	$ (89,683)	$ -	$ (3,667)	$ (93,350)	$ (70,012)	$ 78,000	$ 58,500	$ (11,512)
Oct-13	$ (157,712)	$ -	$ -	$ (157,712)	$ (118,284)	$ 127,000	$ 95,250	$ (23,034)
Nov-13	$ (93,060)	$ -	$ -	$ (93,060)	$ (69,795)	$ 93,000	$ 69,750	$ (45)
Dec-13	$ (89,552)	$ -	$ -	$ (89,552)	$ (67,164)	$ 79,000	$ 59,250	$ (7,914)
Jan-14	$ (66,233)	$ -	$ (17,878)	$ (84,111)	$ (63,083)	$ 83,000	$ 62,250	$ (833)
Feb-14	$ (117,447)	$ -	$ -	$ (117,447)	$ (88,085)	$ 77,000	$ 57,750	$ (30,335)
Mar-14	$ (1,682)	$ -	$ -	$ (1,682)	$ (1,262)	$ 2,000	$ 1,500	$ 238
Apr-14	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
May-14	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Jun-14	$ (605)	$ -	$ -	$ (605)	$ (454)	$ 1,000	$ 750	$ 296
Jul-14	$ (46,219)	$ -	$ -	$ (46,219)	$ (34,664)	$ 42,000	$ 31,500	$ (3,164)
Aug-14	$ (26,082)	$ -	$ (1,424)	$ (27,506)	$ (20,630)	$ 24,000	$ 18,000	$ (2,630)
Sep-14	$ (66,381)	$ -	$ (144)	$ (66,525)	$ (49,893)	$ 52,000	$ 39,000	$ (10,893)
Oct-14	$ (175,461)	$ -	$ -	$ (175,461)	$ (131,596)	$ 126,000	$ 94,500	$ (37,096)
	$ (1,064,796)	$ -	$ (32,269)	$ (1,097,065)	$ (822,799)	$ 904,000	$ 678,000	$ (144,799)
Nov-14	$ (175,878)	$ 142,739	$ (1,779)	$ (34,918)	$ (26,188)	$ -	$ -	$ (26,188)
Dec-14	$ (106,653)	$ 92,649	$ (1,767)	$ (15,771)	$ (11,828)	$ -	$ -	$ (11,828)
	$ (1,347,327)	$ 235,388	$ (35,815)	$ (1,147,754)	$ (860,815)[1]	$ 904,000	**$ 678,000**	$ (182,815)

PERSON RESPONSIBLE: Scott Burnside

[1] See STAFF-DR-02-004(b)