



139 East Fourth Street, R. 25 At II
P.O. Box 960
Cincinnati, Ohio 45201-0960
Tel: 513-419-1837
Fax: 513-419-1846
dianne.kuhnell@duke-energy.com

Dianne B. Kuhnell
Senior Paralegal

VIA OVERNIGHT DELIVERY

March 27, 2009

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Blvd
Frankfort, KY 40601

RECEIVED

MAR 30 2009

PUBLIC SERVICE
COMMISSION

Re: Case No. 2008-00522

Dear Mr. Derouen:

Enclosed please find for filing an original and seven copies of the responses to the post hearing data requests from the Commission Staff to Duke Energy Kentucky in the above captioned case.

Please note that the attachment Supplemental Staff-DR-01-025(b) is being filed under seal as we received a letter of approval from the Commission dated March 12, 2009 addressing the same information.

Please date-stamp the extra two copies of the filing and return to me in the enclosed envelope.

Sincerely,

Dianne B. Kuhnell
Senior Paralegal

cc: Dennis Howard II

SUPPLEMENTAL STAFF-DR-01-025 EAST BEND (a)
CONFIDENTIAL (b)

REQUEST:

List each oral coal supply solicitation issued during the period May 1, 2008 to October 31, 2008.

- a. For each solicitation, state why the solicitation was not written, the date(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.

RESPONSE:

EAST BEND:

a. Two Additional Solicitations

1. August 7, 2008 (Patriot, HS10076, Addendum 2 for additional coal)
2. August 15, 2008 (Coal Network, HS10078, Addendum 1 for additional coal)

Also CORRECTION: July 11, 2008 (Patriot, HS10076, Addendum 1 for additional coal)

b. **CONFIDENTIAL AND PROPRIETARY TRADE SECRET**

Attachment Staff-Supplemental KypSC-DR-01-025 (b) is being filed under seal under Commission letter of March 20, 2009 approving Petition for Confidential Treatment of this information.

PERSON RESPONSIBLE: Vincent E. Stroud (East Bend)

Duke Energy Kentucky, Inc.
Case No. 2008-00522
First Set Staff Data Requests
Date Received: January 23, 2009

STAFF-DR-01-028 (c)Supplemental

REQUEST:

- a. During the period from May 1, 2008 to October 31, 2008, have there been any changes to Duke Kentucky's written policies and procedures regarding its fuel procurement?
- b. If yes,
 - (1) What were these changes?
 - (2) When were these changes made?
 - (3) Why were they made?
 - (4) Provide these 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 and when they were last provided to the commission.

RESPONSE:

MIAMI FORT 6 & EAST BEND:

- c. Duke Energy Kentucky's latest fuel procurement policies and procedures were published on June 12, 2005. The Company could not determine when the procurement policies were last provided to the Commission. See Attachment Staff-DR-01-028 (c)-Supplemental for a copy of these current policies and procedures being used. These policies and procedures are currently being redrafted and Duke Energy Kentucky will provide the revised policies and procedures as part of the next Fuel Adjustment Clause proceeding.

WOODSDALE:

- c. N/A

PERSON RESPONSIBLE:

Ryan D. Gentil (Miami Fort 6)
Vincent E. Stroud (East Bend)
John Swez (Woodsdale)

ENERGY PORTFOLIO STRATEGY AND MANAGEMENT

Commercial Fuels

Fuels Policy and
Procedures

COMMERCIAL RULES

Policy and Procedures

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Appendix 1: Transaction Approval Request Template

Appendix 2: Commercial Fuels Procurement Process Flow Diagrams

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

1.1 Overview

Commercial Fuels (“The Department”) of Cinergy Corp. (“The Company”), a holding company with multiple subsidiaries, provides a broad range of fuel procurement and transportation services for each of the Company’s fossil fuel generating stations. The Department is part of the Commercial Business Unit (CBU).

The Fuel Procurement and Transportation scope of services encompasses a variety of planning, projection, forecasting and budgeting functions, solicitations and evaluation of proposals for fuel and transportation contracts, selection and qualification of suppliers and shippers, contract negotiation, administration and enforcement, and ongoing transportation maintenance and operations support.

The Department is responsible for the prudent management of a significant portion of The Company’s annual operating budget. In recognition of this responsibility, the policies and procedures outlined in this Manual incorporate the common goal of achieving security of supply at the most economical cost per megawatt hour generated.

1.2 Policy and Goal Setting

The Fuel policies of The Company are determined by the Risk Policy Committee, with voting members consisting of:

- Chairman/President/Chief Executive Officer
- Chief Financial Officer
- Executive Vice President, Corporate Services
- Chief Risk Officer
- Chief Legal Officer

To keep abreast of and provide direction in an ever-changing coal market, this committee meets periodically to review and approve overall policies and objectives such as hedging strategy, inventory policy, and potential contracts for procurement of fuel.

The Department's goals and strategies are developed consistent with these policies.

1.3 Strategic Planning

The Department is responsible for establishing and implementing fuel strategy, optimum contract mix, and compliance with regulations applicable to fuel procurement.

The Department contributes to the budget and five-year business plan of the Commercial Business Unit (CBU). The business plan sets forth the methods and objectives necessary to procure fuel to meet the fuel demands of the Company.

EXECUTIVE SUMMARY

1.4 Organizational Structure

The Department is headed by the Vice President of Commercial Fuels, who reports to the President of the Commercial Business Unit (CBU). Five individuals report to the Vice President of Commercial Fuels:

EXECUTIVE SUMMARY

- Vice President - Procurement and Origination
- Vice President - Logistics and Operations
- Director - Strategy and Structuring
- Manager - Business Analysis
- Manager - Market Planning.

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

1.5 Responsibility Scope

The Department is responsible for procurement of all coal, oil, lime and limestone used at Company operated stations. The department is also responsible for ensuring quantity and quality of coal deliveries, arranging for the transportation of purchased fuel and fuel additives (lime & limestone), and determining coal capability and optimum selection. This includes preparation of records and reports for internal and external use. This external use includes information required by state regulatory agencies, Federal Energy Regulatory Commission reports and environmental compliance reports.

1.6 Practices and Procedures

The Department forecasts the usage and associated expense of coal, oil and lime and bulk transportation for generating units owned by the Company and either operated by the Company or by other utilities. All values are expressed both on a managed basis and an equity basis.

1.6 Decision Making and Control

Fuel purchases are made through a combination of long-term and spot market purchases. The optimal hedging strategy is determined by The Department and recommended for approval to the Risk Policy Committee. This optimal strategy is continually reviewed by The Department as market conditions dictate.

EXECUTIVE SUMMARY

1.8 Internal and External Communication

The Department has recognized internal customers within the Company and has identified the service standards required to meet the needs of these internal customers. The major internal customers of The Department are Power Operations and Cinergy Solutions. On a day-to-day basis, The Department must communicate with power stations to coordinate barge and train deliveries. The Department also maintains the ComTrac data processing system (Commodities Tracking System). This system allows the stations to enter all fuel data such as barge weights, coal quality, and vendor names for data base uses. This system also provides pricing mechanisms for determining proper coal payments and processing of accounting transactions.

The Department interfaces with Power Operations and Portfolio Optimization departments to determine unit operating schedules and unit dispatching calculations as related to fuel costs. Written estimates of fuel costs are submitted weekly via the Energy Cost Manual, which is a guide for unit dispatch.

CINERGY POLICIES AND PROCEDURES

2.1 Objective

The Department evaluates its fuel and transportation services Policies and Procedures on a continuing basis and updates them as needed. The objective of this self-evaluation is the continuing assurance of effective Policies and Procedures as they relate to the changing business environment of The Company and the industry.

No Policy and Procedure Manual can consider all of the circumstances and conditions that exist or may arise in the industry. Therefore, the guidelines outlined in this Manual are subject to review and modification to reflect changing circumstances or needs of The Company, the effect of state and/or federal legislation, the orders or rules of any state commission, or any other event that may impact The Company's procurement and use of fuel.

2.2 Adherence to Company Policies

From time to time, The Company issues (and updates) policies governing the conduct of employees in their business relationships with others. The Department is responsible for assuring that its personnel comply in full with these policies. In addition to this basic responsibility, The Department recognizes that its operations require extensive communication with outside sources, particularly suppliers, shippers and other vendors. It is important that such communications be conducted in accordance with accepted Company guidelines. The Department, therefore, undertakes the following additional responsibilities: (1) To assure that its standards of conduct are made known to suppliers, shippers, vendors and others who have dealings with The Department, and (2) to provide for assurance in its contracts that parties contracting with The Department acknowledge, accept and will abide by such standards. Specifically:

CINERGY POLICIES AND PROCEDURES

2.2.1 Confidentiality Documents

The Department will protect proprietary information as may be contained in documents such as contracts, proposals, audit reports, studies, task force reports, supporting work papers, etc.

2.2.2 Regulatory Requirements

The Department will provide appropriate protection in its contracts against violation of applicable regulatory requirements by any party contracting with The Department.

2.2.3 Legal Support

The Department recognizes that sound legal advice, obtained in a timely manner, can result in essential contract protection, effective resolution of disputes and commercial disagreement, and prevention of exposure to undue legal or business risk. The Department, therefore, undertakes to consult with legal counsel in areas that involve deviation to standard “approved” contract language.

2.2.4 Audits

The Department will cooperate with, and participate as necessary in, audits of its contracts and records, whether internal, external or regulatory in nature. Where suppliers’ costs or procedures affect the price or provisions of the agreement, The Department will include appropriate audit rights in the contract. Additionally, The Department will assure that The Company’s audit rights under applicable contracts are exercised and enforced.

2.2.5 Gifts, Gratuities, and Conflicts of Interest

The Department is responsible for assuring compliance with Company policies against acceptance of gifts and gratuities and the establishment of relationships by any employee of The Department which may impair that employee’s duty of primary loyalty to The Company.

CINERGY POLICIES AND PROCEDURES

2.2.6 Consultants

Where The Department secures the assistance of consultants, such services shall be contracted for in writing in standard Company format or as otherwise approved by counsel, such contracts to include, among other terms, a statement of work, a price or other form of cost estimate prescribing any applicable budgetary constraints, and The Company's standard confidentiality and other provisions.

3. FUEL PROCUREMENT

3.1 Contract Mix

A judicious balancing of short-term and long-term contracts is an effective way to achieve critical procurement goals such as:

- Assurance of adequate supply from reliable suppliers
- Competitive pricing
- Market intelligence
- Continuing evaluation of suppliers
- Flexibility in responding to changing market or economic conditions
- Efficient delivery of shipments.

The Department reviews its optimal contract mix on an ongoing basis as market conditions change, and the optimal contract mix will vary with the time horizon being evaluated.

3.2 Quality

The Department will make every effort to purchase according to the requirements as identified of the boilers, gas turbines and auxiliary equipment for which it was purchased. Further, environmental regulations regarding emissions will be factored into purchasing efforts.

CINERGY POLICIES AND PROCEDURES

3.3 Specifications

Coal quality specifications may include moisture, ash, calorific value, sulfur, volatility, grindability, hydrogen, chlorine, ultimate analysis, mineral ash analysis, fusion temperature, etc. Specifications for all purchases made by The Department will include parameters required to assure compatibility with equipment operation and environmental compliance. Quality price adjustments will be made for deliveries not within specifications as outlined in contracts.

3.4 Evaluation

For longer term commitments, suppliers are generally evaluated on the basis of delivered cost, busbar evaluation, uncommitted proven reserves, reputation, managerial integrity, credit strength, proximity to transportation, and willingness to extend commercial terms. Additional evaluation is done, as needed, concerning by-product handling, disposal, and various environmental limits at the station sites. For short-term purchases, the evaluation focuses primarily on evaluated cost relative to the market. During the evaluation process, all adjustments for sulfur content shall be made based upon the market value of associated emission allowances.

3.5 Review of External Conditions

The Department continuously reviews relevant market conditions and public information related to current and projected prices in source areas and, using available data and information, determines the appropriate contract/spot mix for each time horizon.

CINERGY POLICIES AND PROCEDURES

3.6 Weighing, Sampling and Analysis

Fuel/additive shipments are sampled and analyzed according to respective agreements. In the case of coal, the stations enter this information into the computerized system. This data is monitored by The Department and compared to quality specifications per the contract. A monthly report by station and supplier, listing quantity, quality and monthly weighted averages can be produced and used by The Department to compare to contract requirements. A separate report is used to determine the premiums/penalties to be applied to the monthly invoice.

Coal shipments delivered by barge and railroad are normally weighed by both the stations and suppliers. The stations may enter both of the weights into the computerized system. These weights are reviewed by The Department personnel for variances. Depending on the respective agreements, the generating station will enter either the supplier's or station's weight into the system. Accounting uses the system's reports to compare the tons received to tons invoiced.

Coal shipments delivered by trucks are also entered into the system, but the station weights are excluded at stations where The Company does not have truck scales.

3.7 Force Majeure

When a force majeure event occurs, the party experiencing the force majeure will notify the affected party(s) according to their respective agreement. Coal supply and/or utilization related force majeure procedures are administered by the Manager of Fuel Supply.

CINERGY POLICIES AND PROCEDURES

3.8 Vendor Management

3.8.1 Supplier Complaints

The Company pursues the highest business and personal ethical standards. It also complies with all applicable laws, rules, and regulations, including insider-trading laws and applicable anti-trust laws.

To insure the above, suppliers will be notified (see “\”) of The Company’s intent to comply with ethical and legal standards; and a means to report any violations via a Compliance Services Hot Line (Exhibit 1).

All existing vendors (counterparties) will be contacted via the memo in Exhibit 1. Any new vendors will be given the memo upon initial contact.

3.8.2 Authorized Approvals

Certain individuals within The Department have the authority to negotiate and execute fuel and related agreements on behalf of The Company. All vendors will be notified of these individuals and their authority level via a memo (see Exhibit 1).

3. FUEL PROCUREMENT

4 INVENTORY MANAGEMENT

4.1 Objective

The objective of this section is to maintain coal, alternate fuels and additives inventories at the levels established collectively by the applicable generating plants, The Department, Electric Systems Operations and other departments within The Company.

4.2 General

Inventory ranges for each generating plant are established periodically by The Department after communication and interaction with the generating stations and other appropriate departments. When actual inventory levels vary from the desired levels, action is taken based on a comprehensive evaluation of all relevant operational and market factors at that time. Periodic physical inventory measurements are made for verification/reconciliation with The Company records.

4.3 Responsibility

It is the responsibility of the department managers in concert with the generating stations, to maintain the coal, alternate fuels and additives inventories at the established budgeted levels.

TRANSPORTATION ADMINISTRATION

4.4 Strategy

The Department develops optimum coal inventory strategies consistent with the generating stations' load and coal contractual requirements. The computer system reports are monitored to ensure that coal inventories are being maintained at planned levels. The generating plants monitor the inventory of alternate fuels and additives, and inform The Department when additional supply is needed.

4.5 Physical Inventory

As a part of the overall internal control process related to the management and accounting for fuel inventories, The Company periodically conducts coal stockpile surveys. These surveys provide substantiation of the inventory balances on a periodic basis and account for material differences between book and actual inventories.

There are other primary controls in place to ensure that day-to-day measuring and reporting for coal stocks is accurately performed. However, due to the magnitude of coal processed, the impact of moisture as coal is stockpiled and the errors which can occur in the weighing process; periodic physical inventories are necessary to maintain proper control.

The survey is done annually (usually in August) with adjustments made to Book and Operational inventories in December of the same year. An aerial survey is used along with density testing and moisture analysis to determine the physical quantity on-hand. The actual adjustment calculation is governed by separate rules for each operating company. Final Book and Operational adjustments are made to the Fuels Management System (ComTrac) for generation of journal entries to adjust the Income and Balance Sheets of the Corporation.

5. TRANSPORTATION ADMINISTRATION

Transportation and Administration Overview

Alternative transportation proposals are evaluated in conjunction with projected fuel or SO₂ sorbent supplies to determine the optimum delivered price.

For trucks, a list is maintained of trucking companies with the capability to service the station requirements. The Transportation Manager updates this list periodically based upon performance, price competitiveness, safety records, and general market intelligence available through a number of resources. As agreements are entered into for fuel or SO₂ sorbents to be delivered by truck, open purchase orders or individual trucking contracts may be issued to one or more trucking companies who can supply the service and provide the optimum delivered price.

5.3.1 Objective

The objective of this section is to develop, negotiate and execute transportation contracts that provide for control and operating flexibility with optimum economic benefits. The contracts may be for any mode (rail, truck, barge, gas pipeline) of transport.

5.3.2 General

In order to administer the provisions outlined in the Transportation Contracts and to enforce compliance among the appropriate parties, it is necessary to perform regular, periodic reviews of the terms and conditions contained in each executed contract. The specific performance requirements should be reviewed and administered on a regular basis.

TRANSPORTATION ADMINISTRATION

5.3.3 Responsibility

The Manager of Transportation develops and negotiates transportation contracts.

5.3.4 Procedures

The Department's Field Managers/Representatives or Analysts are responsible for verifying that origin, destination, volume requirements and other terms and conditions follow the respective agreements.

Performance standards, loading/unloading constraints and other operational considerations are covered in the agreement or under a published tariff which is referenced by the respective agreement. Compliance with these standards is verified by The Department's Field Managers/Representatives or Analysts.

5.4 Transportation Railcar Maintenance

5.4.1 Objective

The objective of this section is to develop the strategies and coordinate the research necessary to maintain an economically competitive railcar maintenance program.

5.4.2 General

Regular communication combined with the efficient consolidation of industry knowledge obtained from railcar manufacturers, carrying railroads, railcar repair facilities, the ICC and AAR is vital in the development of a cost competitive railcar maintenance program. Short-term and long-term strategies focusing on the procedures necessary to test new railcar components, as well as the procedures necessary to evaluate the efficient utilization of railcar repair shops located at designated power plants, should be researched.

TRANSPORTATION ADMINISTRATION

5.4.3 Responsibility

The Manager of Transportation develops the strategies and coordinates the research necessary to maintain an economically competitive railcar maintenance program.

5.4.4 Procedures

Outside contractors are used for railcar maintenance and repair work. Such contractor(s) must possess a thorough knowledge and understanding of AAR and specifications, proper repair facilities and mobile equipment and the necessary AAR licenses. Thus, arrangements must be made with a qualified and reputable rail equipment maintenance company to handle the routine inspection and repair of the equipment, as well as any extraordinary repair work. Inherent to the successful accomplishment of this policy is a good working knowledge of AAR rules and regulations by the Transportation Logistics Analyst. Additionally, related AAR reference material must be maintained by The Department.

6. COMTRAC FUEL MANAGEMENT SYSTEM

6.1 ComTrac System Description

6.1.1 General

ComTrac is a purchased software package. FusionSoft LLC in partnership with The Company, developed the application.

ComTrac manages the life-cycle of procuring, shipping, distributing, analyzing, and accounting for fuel related commodities. It is a web-based application that runs in a browser. It is presented in a familiar tree-view style with object nodes in the left pane and detail presented in the right.

There are six (6) primary modules: Budgeting, Contract, Shipment, Quality, Inventory, and Accounting. There is also an Administration function that allows for the maintenance of supporting data.

There is a detailed procedure manual included as a Help System document that is available in hard copy and through the on-line system.

6.1.2 Responsibility

The ComTrac Administrator is responsible for managing product upgrades, interaction with clients and management regarding system operation and information requests.

COMTRAC FUEL MANAGEMENT SYSTEM

6.1.3 System Overview

The system provides the following functions:

6.1.3.1 Budget

The budgeting process tracks commodity inventory levels (forecast and actual) for all storage locations for an operating company on an annual basis. It estimates inventory levels based on: Current inventory balances, expected receipts from contracts, consumption, and accounting transactions. It forecasts consumptions based on historical consumption and allows manual overrides as conditions dictate. Budgets can be generated automatically with key components editable.

A shipment planning tool allows for the scheduling of actual shipments. Reports are available to review budget and planning data.

6.1.3.2 Contract

ComTrac tracks coal, fuel oil, lime, limestone, propane, natural gas, and transportation contracts. Contract related information maintained, includes: General terms, commodity description, commodity characteristics (e.g. sulfur content of coal), prices, and pricing formulas. The text of the agreement is not maintained.

Each contract may include multiple commodities within a fuel type. For example, the contract may include a low sulfur coal shipped and priced from a particular mine; and another low sulfur coal from another mine with different specifications and pricing.

All quality and pricing is maintained at a commodity (e.g. Ajax mine low sulfur coal) level. Each commodity may have multiple quality characteristics (e.g. sulfur, moisture, ash), with the ability to change the characteristic value over time. Each commodity may also include multiple price components. A price component may be a base price, pricing formula, a formula component or a value representing different types of pricing (e.g. index pricing, volume pricing, refund, flat rate).

COMTRAC FUEL MANAGEMENT SYSTEM

A Transportation contract defines a service performed by a carrier to transport a commodity for one or more specified route segments (origin/destination). Multiple rates may be maintained for each route segment based on effective date.

6.1.3.3 Shipment

A shipment represents a quantity of a commodity shipped by a supplier to a destination in accordance with contract requirements. The shipment is assigned to a contracted commodity for pricing and quality specifications. Each shipment is assigned a route segment that is defined in a carrier contract. A shipment can be defined as a single train, a single barge, or a group of trucks for a given day.

The shipment can go through a life-cycle consisting of "Shipped," "Arrived," "Partially Unloaded," and "Unloaded." The shipment can also take on a status of "Void" if the shipment has been overridden with new information.

Shipments may be manually entered or automatically created through an electronic interface program that downloads a carrier's shipping file to ComTrac. A shipment is created in "Shipped" status, verified, and may be assigned quality specifications as measured by the supplier or carrier.

6.1.3.4 Quality

An analysis can be recorded for any type of test required on a commodity. Each type of analysis has a set of analysis characteristics defined. When the analysis type is selected, the appropriate analysis characteristics are displayed and the values may be entered. For example, the short-proximate analysis includes analysis for sulfur, moisture, ash, and BTU content of coal received.

Sample and analysis information can be provided by either a supplier, the client's (station) lab, or a third party lab. The data may be manually entered or electronically sent through an interface that transfers analysis results to ComTrac.

Multiple samples and associated results can be stored as well as multiple analysis for a sample. This will allow:

COMTRAC FUEL MANAGEMENT SYSTEM

- Recording multiple coal sample analyses from a shipment unloaded over more than one day.
- Recording multiple analyses for samples from coal distributed to a bunker and separately to units.
- Recording results from station, supplier or third-party laboratories.

6.1.3.5 Inventory

6.1.3.6

Field	Value
Inventory	295 377 51
Receipt	14 386 42
Consumption	Operational 0 00
Receipt	7 791 70
Transfer	1 000
Consumption	1 000
Inventory	217 406 81
Receipt	8 117 71
Consumption	17 000 00
Inventory	238 524 52

The Inventory Module maintains the inventory levels for a fuel item in an inventory location (e.g. station bunker or coal pile). It allows one to create and edit Reclaim (transfer from storage location to bunker), Transfer and Adjust quantities; and for selected stations, create and edit consumption levels. It also displays all the transactions (receipts, consumed, reclaim, and adjustments) that were generated to calculate an inventory level for a specific time period. Inventory levels are maintained on a monthly basis.

The sample screen (above) calculates the operational inventory level for a specified time frame for a storage location.

When a shipment distribution is unloaded to a storage location, two inventory transactions are generated: Shipment Receipt and Consumption. The quantity unloaded is added to inventory as a receipt and subtracted from inventory as a consumption. Stations may record this consumption directly from equipment that measures fuel use directly -

COMTRAC FUEL MANAGEMENT SYSTEM

these stations are identified in the database and manually record Consumption through the Inventory Module.

Inventory Adjustments are input manually through the Inventory module on an as needed basis. Inventory Transfers are handled like reclaims but represent a movement of fuel from one station/location to another station/location; reclaims are within a station. Intransits represent shipments paid for but not necessarily received - for example if payment is based on shipped date (defined in contract), the tonnage supplied by the supplier is considered a part of operational and accounting inventory.

6.1.3.6 Accounting

Accounting processes and records the payment of fuel and fuel transportation vendors. It determines accounting inventory values, generates supporting transactions, rolls up transactions to General Journal entries for monthly closing, and calculates joint owner share of fuel costs. Accounting also creates a file from the journal entries to the corporate accounting system. It provides transactions by company, fuel type, vendor, station, commodity, and time period.

The primary Accounting processes include:

6.1.3.6.1 Generate Transportation Costs

This process records the transportation cost liability associated with a fuel shipment. This transaction will credit a carrier liability account (payable) and debit (increase) the inventory value of coal by the transportation cost (rate times quantity). The process may also generate a Payment Voucher to authorize payment to the carrier. A report is generated to document the calculation.

6.1.3.6.2 Generate Base Cost

This process creates the initial liability to the vendor for selected shipments. It generates transactions to record a fuel liability (payable - credit) and an associated inventory transaction (debit); for the base cost times the weight of record. This process sets the stage to issue a Payment Voucher for the initial payment for the month to the coal vendor. It also generates a confirmation report.

COMTRAC FUEL MANAGEMENT SYSTEM

6.1.3.6.3 Issue Payment Voucher

This process eliminates the liability (payable) that was created and authorizes payment to the supplier for the base cost of the coal for a selection of shipments.

6.1.3.6.4 Generate Base and Adjustment Costs

This process calculates or re-calculates if there has been a price change, the base cost for each shipment meeting the selection criteria. It records a liability transaction for the base cost of the commodity and increases Fuel Inventory (debits). It also calculates any price adjustment transactions based on contract formulas.

6.1.3.6.5 Generate Consumption Costs

Generate Consumption costs generates transactions to reflect the quantity and value of fuel consumed. The value is determined by a weighted average cost of available inventory. Transactions are generated for shipment distributions, manual consumptions, reclaims, or adjustments to bunkers.

6.1.3.6.6 Generate Journal Entries

Generate Journal Entries groups Fuel Accounting Transactions and ties them to specific General Journal Line Items. The General Journal Line Items represent individual entries in a specific Fuel Journal (e.g. "FJ127" - Coal Purchase) tying fuel costs to certain areas (for example, station and commodity). These entries are then posted to the corporate accounting system.

COMTRAC FUEL MANAGEMENT SYSTEM

6.2 ComTrac Security

System Security is established at the Application, Module, and Menu Item level for each client. Each module uses a Selection Criteria process to filter the data presented in the tree-view. This criteria might include:
Time period, vendor, station, commodity

I N D E X

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Risk Policy
 Committee,
 2
Sampling, 2, 13
Shipment
 Life-cycle, 22
Transportation, 2, 3,
 1, 17, 18, 19,
 22, 24

A P P E N D I C E S



Purchase from American Coal Company for CGE

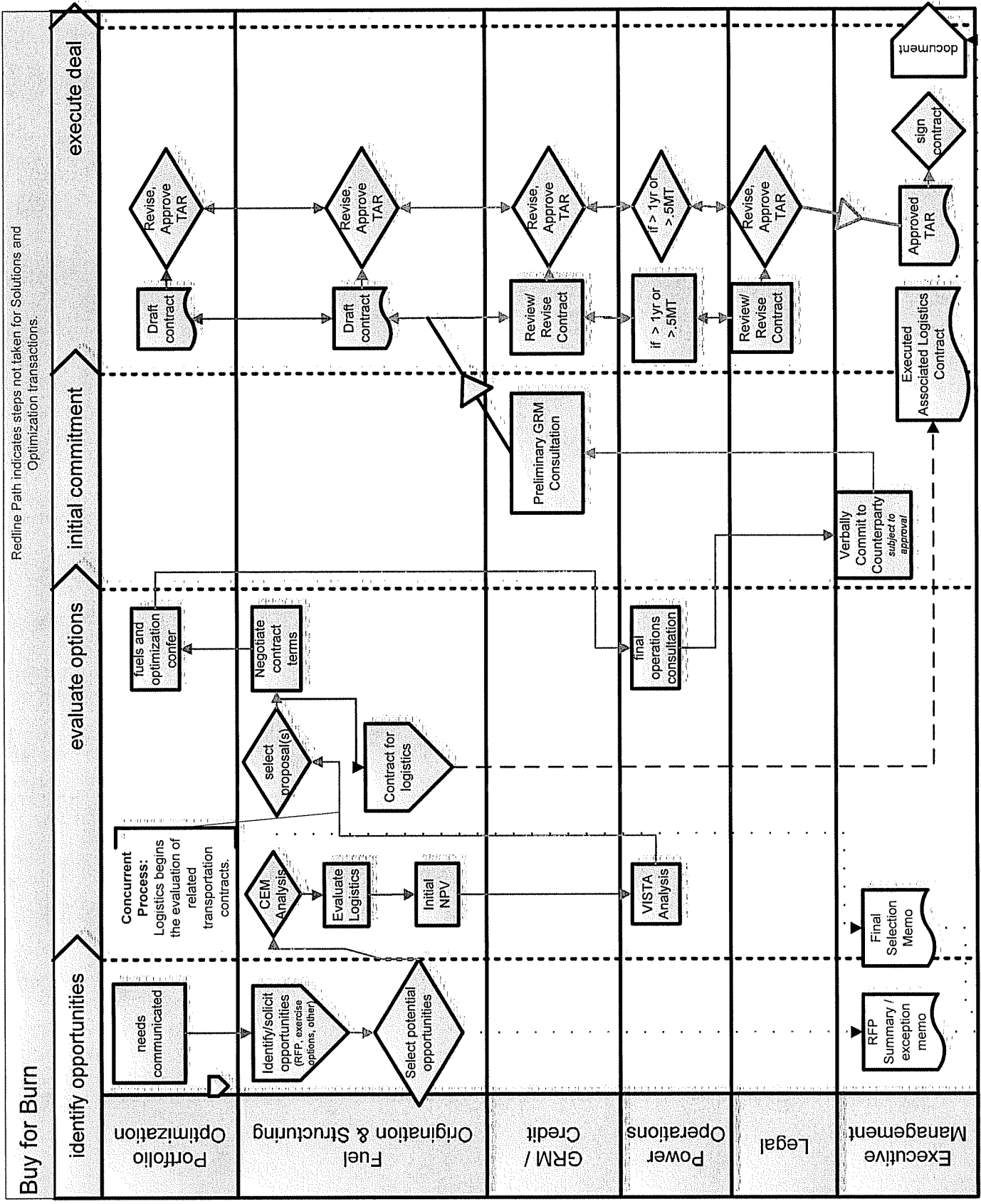
ORIGINATOR:	Brian Aug	Initial: _____	GRM:	John Gatto	Initial: _____
COUNTERPARTY:	Other Other:				REGION: PRB
DEAL SOURCE	<input type="checkbox"/> RFP Date		<input type="checkbox"/> RFP EXCEPTION (EXCEPTION MEMO ATTACHED)		
PRICE	Index		QUANTITY:	tons <input type="checkbox"/> per year other:	
TERM:	Start: End:		EXP. CLOSE		
EXPENDITURE/	\$		DATE:		
COMMITMENT:			PROJECTED	\$	Date: Structurer:
			NPV:		

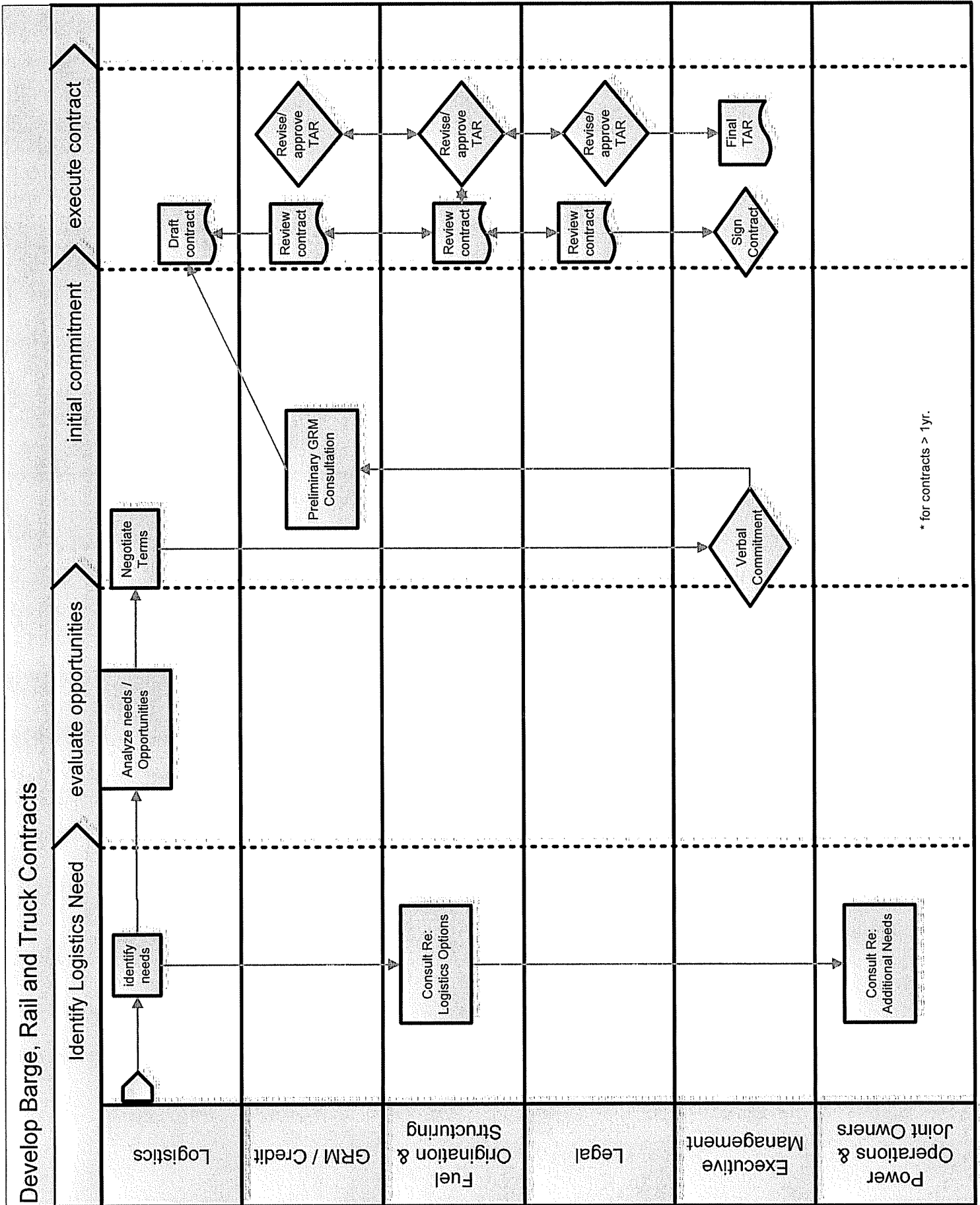
DEAL SUMMARY	Commercial Fuels is seeking to execute the following contract on behalf of Cincinnati Gas and Electric:	
	•	
QUANTITY	•	
PRICING	•	
QUALITY GUARANTEE		
BACKGROUND INFORMATION		
BENEFITS OF PURSUING THE DEAL:	•	
DEVIATIONS FROM STANDARD CONTRACT LANGUAGE	•	
SO2 ADJUSTMENT PROVISIONS	•	
RISK CONSIDERATIONS		GRM CREDIT RATING:
CONCLUSION / RECOMMENDATION	•	

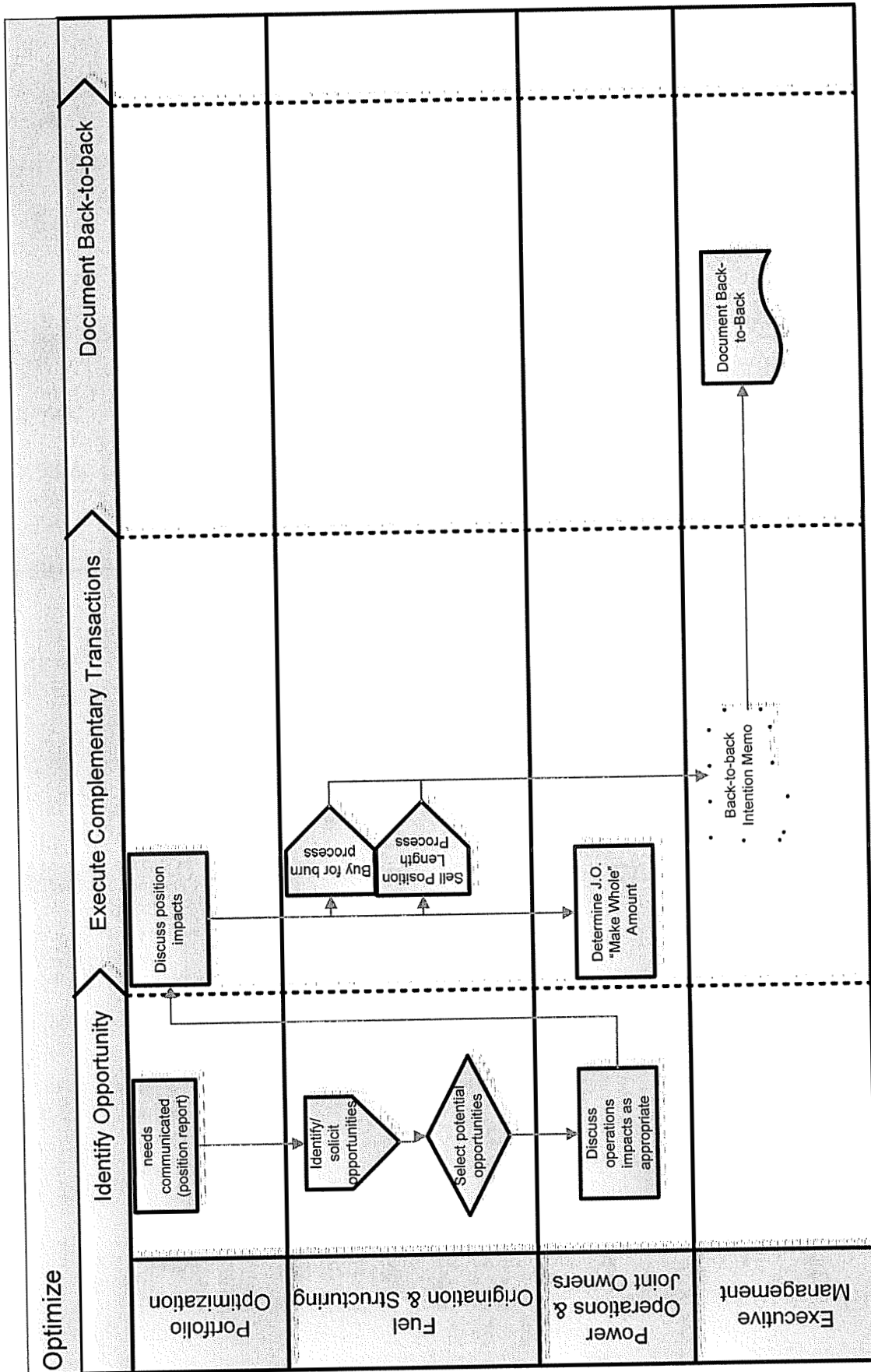
APPROVALS:

POSITION	NAME	SIGNATURE	DATE
Commercial Fuels	Vince Stroud (<=\$100MM)		
Portfolio Optimization	Ryan Gentil(<=60,000T, <=3mos.)		
Legal	Michael Pahutski		
GRM / Credit	Ted Murphy		
Power Operations	Barry Pulskamp (deals longer than 1-year)		

*****sample background text appears below*****
GRM / Credit Notes:







Identification / Solicitation of Coal Opportunities

