

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF DUKE ENERGY)	
KENTUCKY, INC.'S ACCOUNTING SALE OF)	CASE NO.
NATURAL GAS NOT USED IN ITS COMBUSTION)	2014-00078
TURBINES)	

COMMISSION STAFF'S SECOND INFORMATION REQUEST
TO DUKE ENERGY KENTUCKY, INC.

Duke Energy Kentucky, Inc. ("Duke Kentucky"), pursuant to 807 KAR 5:001, is to file with the Commission the original of the following information, with a copy to all parties of record. The information requested herein is due on or before June 6, 2014. Responses to requests for information shall be filed in accordance with the electronic filing procedures set forth in 807 KAR 5:001, Section 8, and shall be appropriately indexed and bookmarked. Each response shall include the name of the witness who will be responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, 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.

Duke Kentucky shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though

correct when made, is now incorrect in any material respect. For any request to which Duke Kentucky fails or refuses to furnish all or part of the requested information, Duke Kentucky shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to the response to Item 1 of Commission Staff's First Request for Information ("Staff's First Request"). In response to Item 1.a. of the request, Duke Kentucky states, in relevant part, that its affiliates have experienced numerous circumstances in which natural gas was purchased to meet forecasted generation needs and subsequently sold in the spot market, and that the regulatory treatment in the jurisdictions in which the affiliates operated allowed recovery through the various fuel adjustment clauses.

a. State whether such jurisdictions had an off-system sales rider in effect. If so, identify the jurisdiction and provide a copy of the relevant tariff.

b. If the answer to Item 1.a. is affirmative, state whether the affiliate(s) have ever recovered costs through the off-system sales rider and explain the procedure used to determine the amount of the costs to be recovered.

c. Identify the jurisdictions referenced in the response which had a fuel adjustment clause and provide a copy of the relevant fuel adjustment tariffs.

d. Provide printed copies of the testimony referenced in the response to Item 1.a. of Staff's First Request.

2. Refer to the response to Item 2 of Staff's First Request wherein it states that "the customer will benefit when a loss is shared with the Company and the Company will benefit if a gain is shared with the customer."

a. State whether any of Duke Kentucky's affiliates have ever recorded a gain on the sale of natural gas which was purchased to meet forecasted generation needs and subsequently sold in the spot market.

b. If the answer to Item 2.a. is affirmative, identify and explain the circumstances in which the natural gas was sold at a gain.

3. Refer to the response to Item 3 of Staff's First Request and page 3 of the Direct Testimony of John D. Swez wherein Mr. Swez states that the Woodsdale Generating Station ("Woodsdale") has black start capability.

a. State whether Duke Kentucky receives any compensation from PJM Interconnection, LLC ("PJM") for the black start capability at Woodsdale.

b. If the response to Item 3.a. is affirmative, explain the procedure for determining the compensation for the black start capability and provide any amounts received since 2006.

c. Explain what impact, if any, the black start capability at Woodsdale has in how the units are dispatched.

d. Explain how lost opportunity payments identified in the response to Item 3.a. of Staff's First Request are handled for Duke Kentucky's other affiliates in PJM. Explain any differences.

4. Refer to the response to Item 1.b of the Attorney General's First Data Request ("AG's First Request") and footnote 5 on page 10 of Attachment 2 of the response regarding the Federal Energy Regulatory Commission's ("FERC") Order 787. Identify and explain the changes that Duke Kentucky is aware of in PJM's governing documents regarding Order 787 since the January 6-8, 2014 polar vortex.

5. Refer to the response to Item 2.c. of the AG's First Request. The FERC's Notice of Proposed Rulemaking ("NOPR") in Docket No. RM14-2-000 seeks to address coordination challenges between the natural gas and electric industries with regard to the timing of the gas day, timing of nominations on interstate pipelines, and the number of nomination cycles available. State whether the changes contemplated by the NOPR would have enabled Duke Kentucky to avoid some of the excess cost of the gas purchased but unburned and subsequently sold.

6. State whether Duke Kentucky believes its Rider PSM tariff, which currently references only sharing of profits on off-system power sales and net margins on sales of emission allowances, should be revised to explicitly provide for the sharing of losses and for the sale of natural gas purchased for generation purposes but unburned and subsequently sold.

7. State whether Rider PSM has ever been used to share anything other than profits with customers.

Jeff Derouen
Executive Director
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DATED MAY 23 2014

cc: Parties of Record

Case No. 2014-00078

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