

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION OF THE APPLICATION OF THE FUEL)
ADJUSTMENT CLAUSE OF DUKE ENERGY KENTUCKY,) CASE NO.
INC. FROM NOVEMBER 1, 2012 THROUGH OCTOBER 31,) 2014-00454
2014)

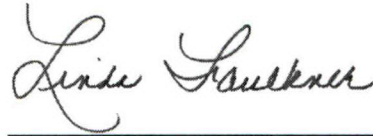
NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on April 7, 2015 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on April 7, 2015 in this proceeding;
- A written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on April 7, 2015.

A copy of this Notice, the certification of the digital video record, hearing log, and exhibits have been electronically served upon all persons listed at the end of this Notice. Parties desiring an electronic copy of the digital video recording of the hearing in Windows Media format may download a copy at: http://psc.ky.gov/av_broadcast/2014-00451-thru-00474/2014-00451-thru-00474_07Apr15_Inter.asx. Parties wishing an annotated digital video recording may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 10th day of April 2015.

A handwritten signature in cursive script that reads "Linda Faulkner". The signature is written in black ink and is positioned above a horizontal line.

Linda Faulkner
Director, Filings Division
Public Service Commission of Kentucky

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION OF THE APPLICATION OF THE)
FUEL ADJUSTMENT CLAUSE OF DUKE ENERGY) CASE NO. 2014-00454
KENTUCKY FROM NOVEMBER 1, 2012 THROUGH)
OCTOBER 31, 2014)

CERTIFICATE

I, Sonya Harward, hereby certify that:

1. The attached DVD contains a digital recording of the Hearing conducted in the above-styled proceeding on April 7, 2015. Hearing Log, Exhibits, Exhibit List, and Witness List are included with the recording on April 7, 2015.


2. I am responsible for the preparation of the digital recording.

3. The digital recording accurately and correctly depicts the Hearing of April 7, 2015.

4. The "Exhibit List" attached to this Certificate correctly lists all exhibits introduced at the Hearing of April 7, 2015.

5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the Hearing of April 7, 2015 and the time at which each occurred.

Given this 8th day of April, 2015.


Sonya Harward (Boyd), Notary Public
State at Large
My commission expires: August 27, 2017



Session Report - Detail

2014-00451 thru 2014-00454_07Apr2015

Fuel Adjustment Clause Hearings

Date:	Type:	Location:	Department:
4/7/2015	Fuel Adjustment Clause	Public Service Commission	Hearing Room 1 (HR 1)

Judge: David Armstrong; Jim Gardner; Dan Logsdon

Witness: Scott Burnside - Duke; Robert Conroy - KU/LG&E; Mike Dotson - KU/LG&E; Mark Horn - EKPC; Craig John - EKPC; Brett Phipps - Duke; Eileen Saunders - KU/LG&E; Charles Schram - KU/LG&E; Isaac Scott - EKPC; Lisa Steinkuhl - Duke; John Swez - Duke; Julia Tucker - EKPC; John Verderame - Duke; Don Wathen - Duke; Patrick Wood - EKPC
Clerk: Sonya Harward

Event Time	Log Event
9:57:38 AM	Session Started
9:57:40 AM	Session Paused
10:07:56 AM	Session Resumed
10:07:58 AM	CASE NO. 2014-00451, EAST KENTUCKY POWER COOPERATIVE, INC.
10:08:14 AM	Atty. David Samford - East Kentucky Power Cooperative, Inc.
10:08:28 AM	Public Notice has been filed.
10:08:35 AM	Outstanding Motion Note: Harward, Sonya EKPC will respond to a recent filing by a non-party.
10:08:47 AM	Atty. Jeb Pinney, Atty. Jonathan Beyer, and Comm. Staff Chris Whelan
10:09:11 AM	Public Comment - None
10:09:30 AM	Vice Chairman Gardner Swears in All EKPC Witnesses
10:09:47 AM	Witness Mark Horn Note: Harward, Sonya Manager of Fuel and Emissions
10:10:19 AM	Witness Julia Tucker Note: Harward, Sonya Director of Price Planning
10:10:48 AM	Witness Craig Johnson Note: Harward, Sonya Senior Vice President of Power Production
10:11:17 AM	Witness Isaac Scott Note: Harward, Sonya Manager of Pricing
10:11:46 AM	Witness Patrick Woods Note: Harward, Sonya Director of Regulatory and Compliance Services
10:12:14 AM	Atty. Pinney Cross Exam of EKPC
10:12:25 AM	Atty. Pinney - Answered by Witness Horn Note: Harward, Sonya Referencing Witness Horn's testimony, p. 3, regarding increase in production cost and decrease in coal costs.
10:13:37 AM	Atty. Pinney - Answered by Witness Tucker Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 11, regarding purchase agreements.
10:14:23 AM	POST HEARING DATA REQUEST by Atty. Pinney Note: Harward, Sonya Provide copies of the commitment letters for the purchase agreements.
10:14:35 AM	Atty. Pinney - Answered by Witness Scott and Witness Tucker Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 12, pp. 38-43, regarding 'non-displacement sale.'
10:16:32 AM	POST HEARING DATA REQUEST by Atty. Pinney Note: Harward, Sonya Provide response to question about the response to Comm. Staff's First Request for Information, Item 12, pp. 41-42, regarding capacity sale amounts being negative.

10:17:16 AM	Atty. Pinney - Answered by Witness Johnson Note: Harward, Sonya	Referencing response to Comm. Staff's First Request for Information, Item 14, p. 8 of 53, regarding the issue with the stack emissions.
10:19:59 AM	Atty. Pinney - Answered by Witness Johnson Note: Harward, Sonya	Referencing response to Comm. Staff's First Request for Information, Item 14, p. 17-18, regarding outages for Smith Units 9 and 10.
10:21:30 AM	Atty. Pinney - Answered by Witness Horn Note: Harward, Sonya	Referencing response to Comm. Staff's First Request for Information, Item 15, B&W contract on p. 2, and asking why type of coal it is and why is it priced the highest.
10:22:44 AM	Atty. Pinney - Answered by Witness Horn Note: Harward, Sonya	Referencing response to Comm. Staff's First Request for Information, Item 18, p. 2 of 2, regarding comparison of coal prices not including Duke Kentucky.
10:24:14 AM	Atty. Samford Note: Harward, Sonya	Responding to question regarding Duke Kentucky not being included in the comparison of coal prices.
10:24:59 AM	Atty. Pinney - Answered by Witness Horn Note: Harward, Sonya	Referencing response to Comm. Staff's First Request for Information, Items 19 and 20, regarding delivery by rail and barge.
10:25:31 AM	Atty. Pinney - Answered by Witness Horn Note: Harward, Sonya	Referencing response to Comm. Staff's First Request for Information, Item 12, regarding Dale Station and its current inventory level...and Cooper Station's current inventory level.
10:26:51 AM	Atty. Pinney - Answered by Witness Horn Note: Harward, Sonya	Referencing response to Comm. Staff's First Request for Information, Item 24.c., regarding response and current status of litigation.
10:27:38 AM	Vice Chairman - Answered by Witness Horn Note: Harward, Sonya	Asking about amount agreed upon in litigation.
10:28:06 AM	POST HEARING DATA REQUEST by Vice Chairman Gardner Note: Harward, Sonya	Provide the amount agreed upon in the litigation, and the percentage of the payout.
10:28:28 AM	Atty. Pinney - Answered by Witness Horn Note: Harward, Sonya	Referencing response to Comm. Staff's First Request for Information, Item 26, regarding oral solicitation for coal and the need for immediate response.
10:29:21 AM	Atty. Pinney - Answered by Witness Horn Note: Harward, Sonya	Referencing response to Comm. Staff's First Request for Information, Item 27, p. 7 of 7, regarding differences in the percentage amounts of coal contracts and spot purchases.
10:31:00 AM	Atty. Pinney - Answered by Witness Johnson and Witness Tucker Note: Harward, Sonya	Referencing response to Comm. Staff's First Request for Information, Item 30, p. 2 of 2, regarding Dale Station not operating during last six months of the review period.
10:32:10 AM	Atty. Pinney to EKPC Note: Harward, Sonya	Referencing response to Comm. Staff's Second Request for Information, Item 2.a.
10:32:44 AM	PSC - Exhibit 1 (Case No. 2014-00451) Note: Harward, Sonya	EKPC's June 20, 2014 filing of the Fuel Adjustment Clause Schedule, Fuel Cost Schedule, Sales Schedule, Over or (Under)-Recovery Schedule, and Power Transaction Schedule.

10:33:49 AM Atty. Pinney - Answered by Witness Tucker
Note: Harward, Sonya Referencing PSC-Exhibit 1 (Case No. 2014-00451) to this Hearing, p. 2, heading PJM Day Ahead and Balancing.

10:35:22 AM POST HEARING DATA REQUEST by Atty. Pinney
Note: Harward, Sonya Provide response to why PJM Day Ahead and Balancing is recorded under the company generation portion of the FAC form.

10:35:51 AM POST HEARING DATA REQUEST by Atty. Pinney
Note: Harward, Sonya Referencing PSC - Exhibit 1 (Case No. 2014-00451) to this Hearing, last page, provide documentation supporting the calculation of the \$4,179,051.

10:37:38 AM Atty. Pinney - Answered by Witness Tucker
Note: Harward, Sonya Asking about limitations to power purchases amount being applied under the Purchases section of the FAC form.

10:39:04 AM POST HEARING DATA REQUEST by Atty. Pinney
Note: Harward, Sonya Provide response regarding the overlap in PJM Day Ahead and Balancing and the PJM Power Purchases included in the Purchases section of FAC.

10:40:25 AM Atty. Pinney - Answered by Witness Tucker
Note: Harward, Sonya Referencing response to Comm. Staff's Second Request for Information, Item 3, p. 3 of 4, regarding use of the word 'primarily' in the email.

10:41:26 AM Atty. Pinney - Answered by Witness Tucker
Note: Harward, Sonya Referencing response to Comm. Staff's Second Request for Information, Item 3, p. 4 of 4, regarding question in the email about line items in FAC and outcome of discussion.

10:42:38 AM Atty. Pinney - Answered by Witness Tucker
Note: Harward, Sonya Referencing response to Comm. Staff's Second Request for Information, Item 4.a., p. 2 of 5, regarding line items 2370 and 1370, and why they should be included.

10:45:59 AM Atty. Pinney - Answered by Witness Tucker
Note: Harward, Sonya Referencing response to Comm. Staff's Second Request for Information, Item 4.c., regarding line items 1245 and 2245.

10:47:00 AM POST HEARING DATA REQUEST by Atty. Pinney
Note: Harward, Sonya Provide the amounts for the PJM billing line items 1245 and 2245 that were included in the FAC calculation for the two-year review period.

10:47:19 AM Atty. Pinney - Answered by Witness Tucker
Note: Harward, Sonya Referencing response to Comm. Staff's Second Request for Information, Item 5, p. 3 of 17, regarding true-ups from previous months.

10:48:26 AM Atty. Pinney - Answered by Witness Tucker
Note: Harward, Sonya Referencing response to Comm. Staff's Second Request for Information, Item 6, quote in last sentence on the page, regarding billing line items that flow through.

10:49:28 AM POST HEARING DATA REQUEST by Atty. Pinney
Note: Harward, Sonya Provide the specific billing item line numbers for question regarding response to Comm. Staff's Second Request for Information, Item 6.

10:49:39 AM Atty. Pinney - Answered by Witness Tucker
Note: Harward, Sonya Referencing response to Comm. Staff's Second Request for Information, Item 8, asking if EKPC receives compensation when one or more of the generating units in not dispatched by PJM.

10:52:00 AM Commissioner Dan Logsdon Cross Exam of EKPC (Witness Tucker)
Note: Harward, Sonya Asking if all PJM billing codes have been identified.

10:53:37 AM Vice Chairman Gardner Cross Exam of EKPC (Witness Horn)
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 5, regarding projected fuel requirements being based on increased demand.

10:54:16 AM Vice Chairman Gardner - Answered by Witness Scott
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 7, regarding purchases outside of PJM.

10:55:34 AM Vice Chairman Gardner - Answered by Witness Tucker
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 10.a., regarding maximum annual system demand being higher due to polar vortex.

10:56:06 AM Vice Chairman Gardner - Answered by Witness Tucker
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 39, regarding economic dispatch, lowest to highest cost.

10:56:56 AM Atty. Samford Re-Direct Exam (Witness Tucker)
Note: Harward, Sonya Referencing Exhibit JJ T-2, regarding PJM billing codes.

10:57:33 AM Atty. Pinney Re-Cross Exam of EKPC (Witness Tucker)
Note: Harward, Sonya Follow up question about response to Comm. Staff's Second Request for Information, Item 3, regarding email to Mr. Cruz and which costs are included in the FAC.

10:58:46 AM Atty. Samford Re-Direct Exam (Witness Tucker)
Note: Harward, Sonya Follow-up question about response to Comm. Staff's Second Request for Information, Item 3, email referring to the up lift and deviation charges.

11:00:22 AM Reviewed the Post Hearing Data Requests

11:03:25 AM Post Hearing Data Requests due in 7 days

11:03:35 AM Hearing Adjourned

11:03:42 AM Session Paused

11:04:21 AM Session Resumed

11:04:25 AM CASE NO. 2014-00452, KENTUCKY UTILITIES COMPANY, and CASE NO. 2014-00453, LOUISVILLE GAS & ELECTRIC COMPANY

11:04:51 AM Atty. Allyson Sturgeon - Kentucky Utilities Company and Louisville Gas & Electric Company

11:05:01 AM Public Notice has been filed.

11:05:12 AM Atty. Jonathan Beyer, Atty. Jeb Pinney, and Comm. Staff Chris Whelan

11:05:28 AM Public Comment - None

11:05:35 AM Vice Chairman Gardner Swears in All KU/LG&E Witnesses

11:05:45 AM Witness Mike Dotson
Note: Harward, Sonya Manager of Fuels

11:06:17 AM Witness Robert Conroy
Note: Harward, Sonya Director of Rates

11:06:43 AM Witness Eilieen Saunders
Note: Harward, Sonya Director of Generation Services

11:07:04 AM Witness Charles Schram
Note: Harward, Sonya Director of Energy Planning, Analysis, and Forecasting

11:07:30 AM Atty. Beyer Cross Exam of KU/LG&E

11:07:47 AM Atty. Beyer - Answered by Witness Schram
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 12, regarding how off-system sales are initiated for the companies.

11:09:01 AM Atty. Beyer - Answered by Witness Conroy
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 13, last sentence, regarding difference between no-load, load, and auxiliary losses.

11:10:19 AM POST HEARING DATA REQUEST by Atty. Beyer
Note: Harward, Sonya Provide meaning of auxillary losses. listed in the response to Comm. Staff's First Request for Information, Item 13.

11:10:33 AM Atty. Beyer - Answered by Witness Saunders
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 14, p. 3 of 5, regarding Trimble Co. Unit 2 outages.

11:11:35 AM Atty. Beyer - Answered by Witness Saunders
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 14, regarding Trimble Co. Unit 7 outages.

11:12:19 AM Atty. Beyer - Answered by Witness Dotson
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 15, p. 2, regarding coal escalations.

11:13:42 AM Atty. Beyer - Answered by Witness Dotson
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 15, p. 7, regarding difference in price between quality 1 and quality 2 coal and if both types of coal are purchased.

11:14:28 AM Vice Chairman Gardner to Witness Dotson
Note: Harward, Sonya Asking about difference in price between quality 1 and quality 2 coal.

11:14:56 AM Atty. Beyer - Answered by Witness Conroy
Note: Harward, Sonya Asking about comment at an IC about the next megawatt being more expensive than the current megawatt.

11:16:24 AM Atty. Beyer - Answered by Witness Dotson
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 15, p. 14 (KU) or p. 13 (LG&E), regarding 65 percent annual requirement and the shortfall being made up.

11:17:08 AM Atty. Beyer - Answered by Witness Dotson
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 15, p. 15 (KU) or p. 14 (LG&E), regarding contract annual requirement being 59 percent...and when the shortfall will be made up.

11:17:52 AM Atty. Beyer - Answered by Witness Dotson
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 15, p. 18 (KU) or p. 17 (LG&E), regarding annual requirement of 60 percent and shortfall being made up.

11:18:40 AM Atty. Beyer - Answered by Witness Dotson
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 18, p. 1 of 3, regarding why Duke Indiana is included but not Duke Kentucky.

11:20:32 AM Atty. Beyer - Answered by Witness Dotson
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 18, p. 3 of 3, regarding price difference paid for low-sulfur coal by LG&E and KU.

11:22:08 AM Atty. Beyer - Answered by Witness Dotson
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 25, p. 4 of 4, confidential attachment, regarding why no purchases were made for this solicitation.

11:23:18 AM Atty. Beyer - Answered by Witness Conroy
Note: Harward, Sonya Asking about presentation at IC that discussed the minimum blocks of megawatts and not fuel costs being assigned to native load customers through the after-the-fact billing process.

11:24:12 AM CASE NO. 2014-00452, KENTUCKY UTILITIES ONLY

11:24:26 AM Atty. Beyer - Answered by Witness Saunders
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 14, p. 1 of 5, regarding need for planned extension.

11:25:24 AM Atty. Beyer - Answered by Witness Saunders
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 14, p. 2 of 5, regarding outage at Gent Unit 4.

11:26:29 AM Atty. Beyer - Answered by Witness Saunders
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 14, p. 2 of 5, status of Green River Unit 4 that had a leak.

11:27:34 AM POST HEARING DATA REQUEST by Atty. Beyer
Note: Harward, Sonya Provide response to question from response to Comm. Staff's First Request for Information, Item 14, p. 4 of 5, regarding Hafling Units 1 and 2 operating in last six months of the period

11:29:00 AM Atty. Beyer - Answered by Witness Dotson
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 15, p. 11 of 21, regarding percentage of annual requirement and shortfall being made up.

11:30:09 AM Atty. Beyer - Answered by Witness Dotson
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 15, Section I, regarding difference in prices given for base price in columns 1 and 2.

11:31:35 AM POST HEARING DATA REQUEST by Atty. Beyer
Note: Harward, Sonya Provide, in response to Comm. Staff's First Request for Information, Item 20, the breakdown by percentage of coal delivered by rail and truck for the two-year review period for the Brown Station.

11:32:18 AM CASE NO. 2014-00453, LOUISVILLE GAS & ELECTRIC ONLY

11:32:20 AM Atty. Beyer - Answered by Witness Saunders
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 14, p. 2 of 5, regarding outage at Cane Run Unit 6.

11:33:12 AM POST HEARING DATA REQUEST by Atty. Beyer
Note: Harward, Sonya Provide, in response to Comm. Staff's First Request for Information, Item 14, p. 4 of 5, if Cane Run Unit 11 was operated in last 6 months.

11:34:11 AM Atty. Beyer - Answered by Witness Saunders and Witness Conroy
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 14, p. 5 of 5, regarding maintenance at Zorn Unit.

11:35:47 AM POST HEARING DATA REQUEST by Atty. Beyer
Note: Harward, Sonya Provide, in response to Comm. Staff's First Request for Information, Item 20, provide breakdown of coal delivered to Mill Creek by barge and rail for two-year review period.

11:36:18 AM Atty. Beyer - Answered by Witness Dotson
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 21, p. 2 of 2, last paragraph, regarding Cane Run Unit and what will happen to the coal when it is retired.

11:37:49 AM Commissioner Logsdon Cross Exam of KU/LG&E (Witness Saunders)
Note: Harward, Sonya Asking about outages being exclusive to coal generating units.

11:38:59 AM POST HEARING DATA REQUEST by Commissioner Logsdon
Note: Harward, Sonya Provide a summary of the difference between sub-critical and super-critical units.

11:39:15 AM Vice Chairman Gardner Cross Exam of KU/LG&E (Witness Conroy)
Note: Harward, Sonya Asking if the per-unit fuel cost has anything to do with the combined cycle at Cane Run being fully operational going forward.

11:41:47 AM Vice Chairman Gardner - Answered by Witness Conroy
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 6, regarding anticipation of increase in sales from 2015 to 2016.

11:42:27 AM Vice Chairman Gardner - Answered by Witness Dotson
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 5, regarding LG&E's coal projection increasing and KU's coal projection decreasing.

11:43:20 AM Vice Chairman Gardner - Answered by Witness Schram
Note: Harward, Sonya For LG&E: Referencing response to Comm. Staff's First Request for Information, Item 10, regarding why peak demand dropped from 2013 to 2014.

11:44:29 AM Vice Chairman Gardner - Answered by Witness Conroy
Note: Harward, Sonya For LG&E: Referencing response to Comm. Staff's First Request for Information, Item 28, regarding the sentence about natural gas purchases being purchased solely on an as-needed spot market basis.

11:46:00 AM Atty. Sturgeon Comment
Note: Harward, Sonya Company will request an IC at some point to talk about strategy and how they plan to bring Cane Run Unit 7 online.

11:46:19 AM Reviewed the Post Hearing Data Requests

11:47:37 AM Post Hearing Data Requests due in 10 business days

11:47:48 AM Hearing Adjourned

11:47:56 AM Session Paused

11:53:03 AM Session Resumed

11:53:09 AM CASE NO. 2014-00454, DUKE ENERGY KENTUCKY

11:53:26 AM Atty. Rocco D'Ascenzo - Duke Energy Kentucky

11:53:36 AM Public Notice has been filed.

11:53:43 AM Outstanding Motions
Note: Harward, Sonya PSC will respond to previously filed Motions for Confidentiality at a later time.

11:54:19 AM Public Comment - None

11:54:28 AM Vice Chairman Gardner Swears in All Duke Witnesses

11:54:44 AM Witness Brett Phipps
Note: Harward, Sonya Managing Director of Fuel Procurement

11:55:30 AM Witness Lisa Steinkuhl
Note: Harward, Sonya Rates and Regulatory Strategy Manager

11:56:14 AM Witness John Swez
Note: Harward, Sonya Director of Generation Dispatch and Operations

11:56:54 AM Witness Scott Burnside
Note: Harward, Sonya Manager of Post Analysis and Regulatory Support

11:57:32 AM Witness John Verderame
Note: Harward, Sonya Managing Director of Power Trading and Dispatch

11:58:08 AM Witness Don Wathen
Note: Harward, Sonya Director of Rates and Regulatory Strategy

11:58:52 AM Atty. Pinney Cross Exam of Duke KY (Witness Phipps)
Note: Harward, Sonya Referencing Phipps Testimony, p. 7, lines 2-5, regarding volatile power prices.

11:59:46 AM Atty. Pinney - Answered by Witness Steinkuhl and Witness Swez
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 13, Attachment 1, Column 4 in the table, regarding 12-month line-loss increase.

12:02:17 PM Vice Chairman Gardner - Answered by Witness Steinkuhl
Note: Harward, Sonya Asking if Duke KY keeps track of the 'true line loss.'

12:02:52 PM POST HEARING DATA REQUEST by Vice Chairman Gardner
Note: Harward, Sonya Provide the true line loss study.

12:03:16 PM Atty. Pinney - Answered by Witness Swez
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 14, first line of the Attachment, regarding outage listed as about 85 days vs. 741 hours (31 days).

12:04:27 PM Atty. Pinney - Answered by Witness Phipps
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 15.f., p. 2, regarding requirements for 2015.

12:05:42 PM Atty. Pinney - Answered by Witness Phipps
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 15.h., regarding both contracts and how the 99 percent and 127 percent amounts are calculated.

12:06:54 PM Atty. Pinney - Answered by Witness Phipps
Note: Harward, Sonya Item 15, regarding securing coal for Miami Fort 6

12:07:29 PM POST HEARING DATA REQUEST by Atty. Pinney
Note: Harward, Sonya Provide, in excel format, the response to Comm. Staff's First Request for Information, Item 16.

12:07:50 PM Atty. Pinney - Answered by Witness Swez
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 21, bottom of p. 2, regarding retirement of Miami Fort 6.

12:08:29 PM Atty. Pinney - Answered by Witness Phipps and Witness Swez
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 28, regarding Woodsdale not operating during the time frame.

12:09:44 PM POST HEARING DATA REQUEST by Atty. Pinney
Note: Harward, Sonya Provide how often the Woodsdale Unit was self committed for the two-year period, and the reasons why.

12:11:01 PM POST HEARING DATA REQUEST by Atty. Pinney
Note: Harward, Sonya Provide, in response to Comm. Staff's First Request for Information, Item 33, a revised organization chart showing the change of the vice president.

12:11:33 PM Atty. Pinney - Answered by Witness Verderame
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 34, regarding the 27 megawatt planned derate.

12:12:15 PM Atty. Pinney - Answered by Witness Steinkuhl
Note: Harward, Sonya Referencing response to Comm. Staff's Second Request for Information, Item 1, regarding how the financial market transactions effect the calculation of the FAC.

12:13:23 PM POST HEARING DATA REQUEST by Atty. Pinney
Note: Harward, Sonya Provide, for each hedge transaction, the effect of the hedge on the FAC for two-year review period.

12:15:06 PM Atty. Pinney - Answered by Witness Swez
Note: Harward, Sonya Referencing response to Comm. Staff's Second Request for Information, Item 4.b., regarding how the financial hedges can be used in the case of forced outages when it is not known that a forced outage will occur.

12:16:07 PM Atty. Pinney - Answered by Witness Swez

12:18:50 PM Atty. Pinney - Answered by Witness Steinkuhl
Note: Harward, Sonya Referencing response to Comm. Staff's Second Request for Information, Item 12.d., regarding billing items being recovered through base rates.

12:20:21 PM POST HEARING DATA REQUEST by Atty. Pinney
Note: Harward, Sonya Referencing response to Comm. Staff's Second Request for Information, Item 7.a., provide definition of the action items bulleted in this response.

12:21:06 PM Atty. Pinney - Answered by Witness Verderame
Note: Harward, Sonya Referencing response to Comm. Staff's Second Request for Information, Item 9.a., regarding why East Bend Station base load pole unit would be impacted by PJM's proposed capacity performance plan.

12:22:47 PM Vice Chairman Gardner - Answered by Witness Verderame
Note: Harward, Sonya Asking when PJM came up with the proposal.

12:24:17 PM Vice Chairman Gardner - Answered by Atty. D'Ascenzo
Note: Harward, Sonya Asking when this Commission heard the proposal with respect to Miami Fort 6 and the purchase of additional capacity from East Bend.

12:25:15 PM Vice Chairman Gardner - Answered by Witness Verderame

12:28:40 PM Vice Chairman Gardner - Answered by Witness Verderame
Note: Harward, Sonya Asking what Duke KY will do differently to manage the increased financial risk PJM may be successful in getting approved by FERC.

12:31:04 PM Vice Chairman Gardner - Answered by Witness Verderame
Note: Harward, Sonya Asking about eligibility to go RPM.

12:32:57 PM Vice Chairman Gardner - Answered by Witness Verderame
Note: Harward, Sonya Asking if PJM is reconsidering the dates.

12:34:06 PM Vice Chairman Gardner - Answered by Witness Steinkuhl
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 30, regarding capacity factor for East Bend and Miami Fort 6.

12:35:41 PM Atty. Pinney - Answered by Witness Verderame
Note: Harward, Sonya Referencing response to Comm. Staff's Second Request for Information, Item 10, p. 2, regarding filing with FERC. Reconcile this with the response to Comm. Staff's Second Request for Information, Item 7.a., regarding base capacity.

12:37:45 PM Atty. Pinney - Answered by Witness Burnside and Witness Swez
Note: Harward, Sonya Referencing response to Comm. Staff's Second Request for Information, Item 14, pp. 2-3.

12:44:15 PM Atty. Pinney - Answered by Witness Steinkuhl
Note: Harward, Sonya Referencing response to Comm. Staff's Second Request for Information, Item 13, p. 1, regarding what the correct dollar amount should be here.

12:46:41 PM Atty. Pinney - Answered by Witness Steinkuhl
Note: Harward, Sonya Asking if it is the intention of Duke KY to only include the approx. \$945,000 to be credited through the FAC.

12:48:28 PM PSC - Exhibit 1 (Case No. 2014-00454)
Note: Harward, Sonya Duke Kentucky's Aug. 20, 2014 filing with cover letter of Schedules 1 through 7.

12:49:07 PM Atty. Pinney - Answered by Witness Steinkuhl
Note: Harward, Sonya Referencing PSC - Exhibit 1 (Case No. 2014-00454) to this Hearing, Schedule 7, regarding corrected number for January.

12:50:32 PM Atty. Pinney - Answered by Witness Swez
Note: Harward, Sonya Referencing response to Comm. Staff's Second Request for Information, Item 15, regarding compensation to Duke KY by PJM when Woodsdale is not dispatched and Duke KY purchases energy at a higher cost than it would have if Woodsdale was dispatched.

12:53:23 PM Atty. Pinney - Answered by Witness Steinkuhl
Note: Harward, Sonya Referencing response to Comm. Staff's Second Request for Information, Item 12.a., and PSC - Exhibit 1 (Case No. 2014-00454) to this Hearing, Schedule 4, regarding PJM line items included.

12:54:28 PM Atty. Pinney - Answered by Witness Steinkuhl
Note: Harward, Sonya Referencing response to Comm. Staff's Second Request for Information, Item 12.a., regarding where the amounts of purchased power would be recorded.

12:55:21 PM PSC - Exhibit 2 (Case No. 2014-00454)
Note: Harward, Sonya Duke Kentucky, Purchased Power & Sales, June 30, 2014

12:56:13 PM POST HEARING DATA REQUEST by Atty. Pinney
Note: Harward, Sonya Provide how PJM purchase of \$11, 821, 217 was determined.

12:56:45 PM Atty. Pinney - Answered by Witness Steinkuhl
Note: Harward, Sonya Referencing response to Comm. Staff's Initial Request for Information, Item 5, p. 2 of 2, regarding how price per mcf was determined for Jan. 2015 through May 2016.

12:57:52 PM Atty. Pinney - Answered by Witness Phipps
Note: Harward, Sonya Referencing response to Comm. Staff's Initial Request for Information, Item 25, confidential response, p. 4 of 5, and asking for purpose of Section 6.4.

12:59:24 PM Vice Chairman Gardner Cross Exam of Duke KY (Witness Phipps)
Note: Harward, Sonya Referencing response to Comm. Staff's First Request for Information, Item 29, regarding storage.

1:00:20 PM Vice Chairman Gardner - Answered by Witness Verderame
Note: Harward, Sonya Referencing Verderame Testimony, p. 5, lines 6-7, regarding strategy with respect to the capacity markets.

1:02:07 PM Atty. D'Ascenzo Re-Direct Exam (Witness Verderame)
Note: Harward, Sonya Follow-up question about 5-year requirement to stay an FRR has expired and when Duke KY realigned with PJM.

1:04:13 PM Reviewed the Post Hearing Data Requests

1:06:22 PM Post Hearing Data Requests due in 10 business days

1:06:38 PM Session Paused

1:06:54 PM Session Resumed

1:07:01 PM Case Nos. 2014-00456 through 2014-00474, Distribution Cooperatives of EKPC and Big Rivers Electric
Note: Harward, Sonya No requests for hearing in these cases.

1:07:25 PM Public Comment - None

1:07:31 PM Hearing Adjourned

1:07:36 PM Session Paused

2:10:42 PM Session Ended



Exhibit List Report

2014-00451 thru 2014-00454_07Apr2015

Fuel Adjustment Clause Hearings

Name:	Description:
PSC - Exhibit 1 (Case No. 2014-00451)	EKPC's June 20, 2014 filing of the Fuel Adjustment Clause Schedule, Fuel Cost Schedule, Sales Schedule, Over or (Under)-Recovery Schedule, and Power Transaction Schedule.
PSC - Exhibit 1 (Case No. 2014-00454)	Duke Kentucky's Aug. 20, 2014 filing with cover letter of Schedules 1 through 7.
PSC - Exhibit 2 (Case No. 2014-00454)	Duke Kentucky, Purchased Power & Sales, June 30, 2014



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Theodore H. Czupik Jr.
Rates & Regulatory Strategy Manager

VIA OVERNIGHT DELIVERY

August 18, 2014

Mr. Jeff Derouen, Executive Director
Attention: Chris Whelan

Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

Dear Mr. Derouen and Ms. Whelan:

In compliance with KAR 807 5:056, enclosed for filing are the fuel adjustment clause schedules with supporting sales and fuel cost schedules supporting Duke Energy Kentucky's fuel adjustment factor applicable to billings for retail sales in September 2014.

Please note that on Schedule 2 the amount of the May deferred purchased power costs included in the filing is \$2,050,000 which causes the FAC rate to be below 0.81 ¢/kWh as explained in the July rates transmittal letter.

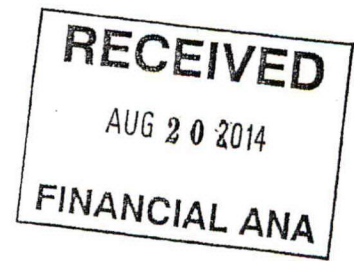
Please note on Schedule 7 of the filing a correction for the months of January and February 2014. The January correction of \$2,857.78 was needed because of a correction to costs originally reported on Schedule 6 of the May expense month FAC filing. The February correction was needed due to the fact that on Schedule 6, Line E, for the June 2014 expense month filing, Duke Energy Kentucky inadvertently reported \$10,267,367.89 from Schedule 4, Line D, of the March expense month FAC filing rather than the revised amount of \$10,277,792.54 as reported on Schedule 7, Line D, of the April expense month FAC filing.

Please contact me if you have any questions.

Sincerely,

Theodore H. Czupik Jr.

Enclosure



**DUKE ENERGY KENTUCKY
FUEL ADJUSTMENT CLAUSE SCHEDULE**

Expense Month: July 2014

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Rate (¢/kWh)</u>
1	Fuel F_m (Schedule 2, Line L)	\$ 12,538,114.81	
2	Sales S_m (Schedule 3, Line C)	+ 352,678,810	3.5551
3	Base Fuel Rate (F_b/S_b) per PSC Order in Case No. 2012-00554	(-)	2.7466
4	Fuel Adjustment Clause Rate (Line 2 - Line 3)		<u>0.8085</u>

Effective Date for Billing:

August 29, 2014

Submitted by:

Theodore H. Gypch

Title:

Rates & Regulatory Strategy Manager

Date Submitted:

August 18, 2014

**DUKE ENERGY KENTUCKY
FUEL COST SCHEDULE**

Expense Month: July 2014

	<u>Dollars (\$)</u>
A. Company Generation	
Coal Burned	(+)
Oil Burned	(+)
Gas Burned	(+)
PJM Balancing & Day Ahead Operating Reserve Credit	(-)
Fuel (assigned cost during Forced Outage ^(a))	(+)
Fuel (substitute cost during Forced Outage ^(a))	(-)
Sub-Total	<u>\$ 9,303,799.04</u>
B. Purchases	
Economy Purchases	(+)
Other Purchases	(+)
Other Purchases (substitute for Forced Outage ^(a))	(-)
Less purchases above highest cost units	(-)
Sub-Total	<u>\$ 1,081,795.66</u>
C. Non-Native Sales Fuel Costs	<u>189,696.68</u>
D. Total Fuel Costs (A + B - C)	(+)
E. Total Company Over or (Under) Recovery from Schedule 5, Line 14	(-)
F. Adjustment indicating the difference in actual fuel cost for the month of June 2014 and the estimated cost originally reported \$14,116,761.89 - \$14,334,857.19	(+)
(actual) (estimate)	\$ (218,095.30)
G. RTO Resettlements for prior periods from Schedule 6, Line G	(+)
H. Prior Period Correction for January and February 2014 from Schedule 7, Line J	(+)
I. Deferral of Current Purchased Power Costs	(-)
J. Amount of March Deferred Purchased Power Costs included in the filing	(+)
K. Amount of April Deferred Purchased Power Costs included in the filing	(+)
L. Amount of May Deferred Purchased Power Costs included in the filing	(+)
M. Grand Total Fuel Cost (D - E + F + G + H - I + J + K + L)	<u><u>\$ 12,538,114.81</u></u>

Note: ^(a) Forced Outage as defined in 807 KAR 5:056.

^(b) Estimated - to be trued up in the filing next month

**DUKE ENERGY KENTUCKY
SALES SCHEDULE****Expense Month: July 2014**

		Kilowatt-Hours Current Month
A. Generation (Net)	(+)	339,553,010
<u>Purchases Including Interchange-In</u>	(+)	<u>55,327,620</u>
Sub-Total		<u>394,880,630</u>
B. Pumped Storage Energy	(+)	-
Non-Native Sales Including Interchange Out	(+)	7,746,920
<u>System Losses (387,133,710 KWH times 8.9% ^(a))</u>	(+)	<u>34,454,900</u>
Sub-Total		<u>42,201,820</u>
C. Total Sales (A - B)		<u><u>352,678,810</u></u>

Note: ^(a) Average of prior 12 months.

**DUKE ENERGY KENTUCKY
FINAL FUEL COST SCHEDULE**

Expense Month: June 2014

	<u>Dollars (\$)</u>
A. Company Generation	
Coal Burned	
Oil Burned	(+ \$ 3,128,194.26
Gas Burned	(+ 641,144.00
PJM Balancing & Day Ahead Operating Reserve Credit	(+ 22,500.92
Fuel (assigned cost during Forced Outage ^(a))	(-) 85,789.91
Fuel (substitute cost during Forced Outage ^(a))	(+ 3,341,380.14
<u>Sub-Total</u>	(-) 133,258.39
	<u>\$ 6,914,171.02</u>
B. Purchases	
Economy Purchases	(+ \$ 11,891,918.38
Other Purchases	(+ -
Other Purchases (substitute for Forced Outage ^(a))	(-) 4,686,605.79
<u>Less purchases above highest cost units</u>	(-) -
<u>Sub-Total</u>	<u>\$ 7,205,312.59</u>
C. Non-Native Sales Fuel Costs	\$ 2,721.72
D. Total Fuel Costs (A + B - C)	<u>\$ 14,116,761.89</u>

Note: ^(a) Forced Outage as defined in 807 KAR 5:056.

**DUKE ENERGY KENTUCKY
OVER OR (UNDER) RECOVERY SCHEDULE**

Expense Month: May 2014

Line No.	Description		
1	FAC Rate Billed (¢/kWh)	(+)	0.8095
2	Retail kWh Billed at Above Rate	(x)	373,416,760
3	FAC Revenue/(Refund) (Line 1 * Line 2)		<u>\$ 3,022,808.67</u>
4	kWh Used to Determine Last FAC Rate Billed	(+)	317,731,710
5	Non-Jurisdictional kWh included in Line 4	(-)	<u>-</u>
6	Kentucky Jurisdictional kWh Included in Line 4 (Line 4- Line 5)		<u>317,731,710</u>
7	Recoverable FAC Revenue/(Refund) (Line 1 * Line 6)	\$	2,572,038.19
8	Over or (Under) (Line 3 - Line 7)	\$	450,770.48
9	Total Sales (Schedule 3 Line C)	(-)	352,678,810
10	Kentucky Jurisdictional Sales	(+)	<u>352,678,810</u>
11	Ratio of Total Sales to KY Jurisdictional Sales (Line 9 + Line 10)		1.00000
12	Total Company Over or (Under) Recovery (Line 8 * Line 11)	(+) \$	450,770.48
13	Amount Over or (Under) Recovered in prior filings	(-) \$	-
14	Total Company Over or (Under) Recovery		<u><u>\$ 450,770.48</u></u>

DUKE ENERGY KENTUCKY
REGIONAL TRANSMISSION ORGANIZATION RESETTLEMENTS
FUEL COST SCHEDULE

Expense Month:	March 2014
	<u>Dollars (\$)</u>
A. Company Generation	
Coal Burned	(+)
Oil Burned	(+)
Gas Burned	(+)
PJM Balancing & Day Ahead Operating Reserve Credit	(-)
Fuel (assigned cost during Forced Outage ^(a))	(+)
Fuel (substitute cost during Forced Outage ^(a))	(-)
Sub-Total	\$ 4,089,211.77
B. Purchases	
Economy Purchases	(+)
Other Purchases	(+)
Other Purchases (substitute for Forced Outage ^(a))	(-)
Less purchases above highest cost units	(-)
Sub-Total	\$ 9,742,727.39
C. Non-Native Sales Fuel Costs	\$ 6,042.32
D. Total Fuel Costs (A + B - C)	\$ 13,825,896.84
E. Total Fuel Costs Previously Reported	\$ 13,773,913.73
F. Prior Period Adjustment	\$ -
G. Adjustment due to PJM Resettlements	\$ 51,983.11

Note: ^(a) Forced Outage as defined in 807 KAR 5:056.

**DUKE ENERGY KENTUCKY
PRIOR PERIOD CORRECTIONS
FUEL COST SCHEDULE**

Expense Month:		January 2014 Dollars (\$)	February 2014 Dollars (\$)	Total Dollars (\$)
A. Company Generation				
Coal Burned				
Oil Burned	(+)	\$8,553,615.03	\$7,452,079.95	
Gas Burned	(+)	\$272,504.00	215,758.00	
PJM Balancing & Day Ahead Operating Reserve Credit	(-)	\$1,039,243.40	203,026.88	
Fuel (assigned cost during Forced Outage ^(a))	(+)	\$1,810,003.08	1,445,611.85	
Fuel (substitute cost during Forced Outage ^(a))	(-)	\$436,734.15	122,111.08	
Sub-Total		<u>\$11,274,857.21</u>	<u>\$8,985,430.76</u>	
B. Purchases				
Economy Purchases	(+)	13,294,765.57	5,037,316.38	
Other Purchases	(+)	-	-	
Other Purchases (substitute for Forced Outage ^(a))	(-)	7,547,712.45	3,358,606.56	
Less purchases above highest cost units	(-)	-	-	
Sub-Total		<u>\$5,747,053.12</u>	<u>\$1,678,709.82</u>	
C. Non-Native Sales Fuel Costs		\$890,590.26	\$412,544.00	
D. Total Fuel Costs (A + B - C)		<u>\$16,131,320.07</u>	<u>\$10,251,596.58</u>	
E. Total Fuel Costs Previously Reported		\$16,128,462.29	\$10,251,596.58	
F. Adjustment Due to Prior Period Correction (D - E)		<u>\$2,857.78</u>	<u>\$0.00</u>	
G. Original Amount January Deferral of Costs	(+)	-	-	
H. Amount of Deferral included in Rates for March through May	(-)	-	-	
I. Adjustment Due to Misstatement of Sch. 6, Ln. E (June Exp Month)	(+)	\$0.00	(\$10,424.65)	
J. Adjustment due to Prior Period Correction (F + G - H)		<u>\$2,857.78</u>	<u>(\$10,424.65)</u>	<u>(\$7,566.87)</u>

Note: ^(a) Forced Outage as defined in 807 KAR 5:056.

DUKE ENERGY KENTUCKY

Resource Type:
Month Ended:

Purchased Power & Sales
June 30, 2014

Supplier/Buyer	Transaction Type	kWh	Charges (\$)			
			Demand	Fuel	Other	Total
PJM Interconnection, LLC	Econ Purch	274,490,022			11,821,217	11,821,217
IntercontinentalExchange, L.L.C. (intercont Exchng B)	Financial Hedges				2,284	2,284
Jefferies Bache, LLC (Jefferies Bache B)	Financial Hedges				173	173
Jefferies Bache, LLC (Jefferies Bache B)	Financial Hedges				68,244	68,244
	Total Purchases	<u>274,490,022</u>	<u>0</u>	<u>0</u>	<u>11,891,918</u>	<u>11,891,918</u>
PJM Interconnection, LLC	Econ Sales	96,930		2,722	(234)	2,488
	Total Sales	<u>96,930</u>	<u>0</u>	<u>2,722</u>	<u>(234)</u>	<u>2,488</u>

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