

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, INC. FROM MAY 1, 2015) CASE NO. 2016-00005
THROUGH OCTOBER 31, 2015)

NOTICE OF FILING

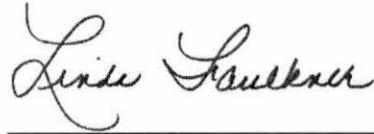
Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on April 7, 2016 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, 2016 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, 2016.

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/2016-00001-thru-00025/2016-00001-thru-00025_07Apr16_Inter.aspx. 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 20th day of April 2016.

A handwritten signature in cursive script, reading "Linda Faulkner".

Linda Faulkner
Director, Filings Division
Public Service Commission of Kentucky

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

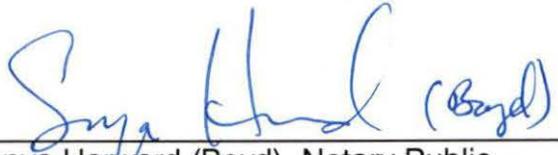
AN EXAMINATION OF THE APPLICATION OF)
THE FUEL ADJUSTMENT CLAUSE OF DUKE) CASE NO. 2016-00005
ENERGY KENTUCKY, INC. FROM MAY 1, 2015)
THROUGH OCTOBER 31, 2015)

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, 2016. Hearing Log, Exhibits, Exhibit List, and Witness List are included with the recording on April 7, 2016 (excluding confidential segments).
2. I am responsible for the preparation of the digital recording.
3. The digital recording accurately and correctly depicts the Hearing of April 7, 2016 (excluding confidential segments).
4. The Exhibit List attached to this Certificate correctly lists all Exhibits introduced at the Hearing of April 7, 2016 (excluding confidential segments).
5. The Hearing Log attached to this Certificate accurately and correctly states the events that occurred at the Hearing of April 7, 2016 (excluding confidential segments) and the time at which each occurred.

Given this 14th day of April, 2016.



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



Session Report - Detail

2016-00001thru2016-00025_7Apr2016

FAC Hearings

Date:	Type:	Location:	Department:
4/7/2016	Fuel Adjustment Clause	Public Service Commission	Hearing Room 1 (HR 1)

Judge: Jim Gardner; Dan Logsdon; Roger Thomas

Witness: Lawrence Baronowsky - Big Rivers Electric Corporation; Bob Brunner - KY Utilities/Louisville Gas & Electric; Scott Burnside - Duke Energy Kentucky; Michelle Carpenter - East Kentucky Power Cooperative; Nicholas Castlen - Big Rivers Electric Corporation; Theodore Czupik - Duke Energy Kentucky; Mike Dotson - KY Utilities/Louisville Gas & Electric; Mark Horn - East Kentucky Power Cooperative; Craig Johnson - East Kentucky Power Cooperative; Mark McAdams - Big Rivers Electric Corporation; David Mell - Kentucky Power Company; David Moyer - Kentucky Power Company; Wayne O'Bryan - Big Rivers Electric Corporation; Brett Phipps - Duke Energy Kentucky; Derek Rahn - KY Utilities/Louisville Gas & Electric; John Rogness - Kentucky Power Company; Eileen Saunders - KY Utilities/Louisville Gas & Electric; Charles Schram - KY Utilities/Louisville Gas & Electric; John Swez - Duke Energy Kentucky; Julia Tucker - East Kentucky Power Cooperative; Charles West - Kentucky Power Company; Patrick Woods - East Kentucky Power Cooperative

Clerk: Sonya Harward

Event Time	Log Event
8:52:49 AM	Session Started
8:52:52 AM	Session Paused
8:55:07 AM	Session Resumed
8:55:09 AM	CASE NO. 2016-00001, KENTUCKY POWER COMPANY
8:55:30 AM	Chairman Jim Gardner Note: Harward, Sonya Introduces Vice Chairman Dan Logsdon and Commissioner Roger Thomas.
8:55:43 AM	Atty. Mark Overstreet - Kentucky Power
8:55:57 AM	Atty. Jeb Pinney - PSC Staff Note: Harward, Sonya Introduces Staff Attys. Molly Katen and John Park, and Financial Analysis Staff Matthew Baer and Chris Whelan
8:56:19 AM	Notice was filed and there are no outstanding motions.
8:56:32 AM	No Public present for comments.
8:56:41 AM	Atty. Overstreet introduces KY Power's Witnesses Note: Harward, Sonya Charles West, John Rogness, David Moyer, and David Mell
8:57:04 AM	Chairman Gardner swears in KY Power's Witnesses
8:57:22 AM	Atty. Overstreet - Direct Exam of KY Power's Witnesses
8:58:21 AM	Witness Rogness - Correction to Testimony Note: Harward, Sonya Staff's Third Request for Information, Item 1, page 2 of 2, the witness is listed as Charles West, but it should be John Rogness.
9:00:06 AM	Atty. Pinney Cross Exam of KY Power Note: Harward, Sonya Informs the utility that he will primarily be referencing their responses to Staff's First and Third Requests for Information.
9:00:33 AM	Atty. Pinney Cross Exam and Response by Witness West Note: Harward, Sonya Asking what, if any, effect the stay of the Clean Power Plan has had on KY Power's generation fleet.
9:01:35 AM	Atty. Pinney Cross Exam and Response by Witness West Note: Harward, Sonya Referencing the response to Staff's First Request, Item 1, regarding the difference between contract and spot purchases.
9:03:41 AM	Atty. Pinney Cross Exam and Response by Witness Mell Note: Harward, Sonya Referencing the response to Staff's First Request, Item 2, regarding when the conversion of Big Sandy Unit 1 will be completed and operational. Also asks if KY Power will have firm natural gas transportation service to Big Sandy Unit 1.

9:04:50 AM Atty. Pinney Cross Exam and Response by Witness West
Note: Harward, Sonya Asking about spot or market natural gas purchases at Big Sandy Unit 1.

9:05:55 AM Atty. Pinney Cross Exam and Response by Witness West
Note: Harward, Sonya Asking if Big Sandy Unit 1 will be the highest cost unit.

9:06:06 AM Atty. Pinney Cross Exam and Response by Witness Mell
Note: Harward, Sonya Asking how Big Sandy Unit 1 will differ from a typical combustion turbine.

9:08:03 AM Atty. Pinney Cross Exam and Response by Witness West
Note: Harward, Sonya Asking whether KY power will use Big Sandy Unit 1, after it is operational, to determine its highest cost unit.

9:09:08 AM Atty. Pinney Cross Exam and Response by Witness Rogness
Note: Harward, Sonya Asking if Big Sandy Unit 1 is the lowest cost unit, then will KY Power continue using its peaking unit equivalent for its highest cost.

9:09:58 AM Atty. Pinney Cross Exam and Response by Witness Moyer
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 7, the excel spreadsheet, and what is meant by 'GBIR,' which is listed for one of the outages.

9:11:09 AM Atty. Pinney Cross Exam and Response by Witness West
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 8, p. 2 of 2, regarding the current status of the Ohio Valley Resources contract.

9:12:06 AM Atty. Pinney Cross Exam and Response by Witness West
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 9, Attachment 3, and asking why there is no data for the Green and Wilson Stations.

9:13:11 AM POST-HEARING DATA REQUEST to KY Power
Note: Harward, Sonya Provide data for the response to Staff's First Request, Item 9, Attachment 3, for the Green and Wilson Stations.

9:13:39 AM Atty. Pinney Cross Exam and Response by Witness West
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 11.c. and 11.d., regarding options to reduce the level of inventory at these stations.

9:15:24 AM Atty. Pinney Cross Exam and Response by Witness Rogness
Note: Harward, Sonya Referencing the response to Staff's Third Request, Item 1, p. 1 of 2, asking for a description of account nos. 4470001 and 4470151, and whether fiscal or non-fiscal transactions are recorded in these accounts.

9:16:59 AM 2016-00001 - KY Power - PSC Staff - Exhibit 1
Note: Harward, Sonya KY Power's Response to a Post-Hearing Data Request from the FAC Hearing in CN 2015-00232, Item 2.

9:17:54 AM Atty. Pinney Cross Exam and Response by Witness Rogness
Note: Harward, Sonya Asking why account nos. 4470001 and 4470151 are not included in the list presented as Exhibit 1, and why they shouldn't have been included in the system sales calculation.

9:18:48 AM 2016-00001 - KY Power - PSC Staff - Exhibit 2
Note: Harward, Sonya Copy of KY Power's December filing for the November expense month.

9:20:01 AM Atty. Pinney Cross Exam and Response by Witness Rogness
Note: Harward, Sonya Asking where the \$3.3 million adjustment is on the filing presented as Exhibit 2.

9:20:53 AM Atty. Pinney Cross Exam and Response by Witness Rogness
Note: Harward, Sonya Referencing the response to Staff's Third Request, Item 1, the reconciled tab attachment, regarding the totals shown in the column for accounts 4470001 and 4470151 being \$3,617,665.

9:23:23 AM Vice Chairman Logsdon Cross Exam and Response by Witness Mell
Note: Harward, Sonya Asking about firm gas delivery on the pipeline.

9:23:47 AM Atty. Overstreet Re-Direct Exam to Witness Mell
Note: Harward, Sonya Asking about there being firm gas transportation to Big Sandy Unit 1. Confirming that Big Sandy Unit 1 will not burn coal. Asking how much coal was on the ground when the unit as shut down for conversion.

9:24:49 AM Atty. Overstreet Re-Direct Exam to Witness Rogness
Note: Harward, Sonya Asking about accounts 4470001 and 4470151, regarding why they had not been listed in the filing of the previous case and when the Ohio Dereg. Market became active. Asking why the reconcil tab sums for accounts 4470001 and 4470151 do not add up to the \$3.3 million adjustment.

9:28:22 AM RESPONSES TO POST-HEARING DATA REQUESTS DUE IN 5 BUSINESS DAYS

9:28:38 AM KY Power dismissed.

9:29:31 AM CASE NO. 2016-00002, EAST KENTUCKY POWER COOPERATIVE, INC.

9:29:47 AM Atty. David Samford - EKPC

9:29:55 AM Atty. Jeb Pinney - PSC Staff
Note: Harward, Sonya Introduces Staff Attys. Molly Katen and John Park, and Financial Analysis Staff Matthew Baer and Chris Whelan.

9:30:08 AM Notice was filed and there are no outstanding motions.

9:30:21 AM No Public present for comments in this case or for the distribution cooperatives of EKPC.

9:30:57 AM Chairman Gardner swears in EKPC's Witnesses

9:31:11 AM Atty. Samford - Direct Exam of EKPC's Witnesses
Note: Harward, Sonya Mark Horn, Michelle Carpenter, Julia Tucker, Craig Johnson, and Patrick Woods

9:33:31 AM Atty. Pinney Cross Exam of KY Power
Note: Harward, Sonya Informs the utility that he will primarily be referencing their responses to Staff's First and Third Requests for Information.

9:33:43 AM Atty. Pinney Cross Exam and Response by Witness Johnson
Note: Harward, Sonya Asking what, if any, effect the stay of the Clean Power Plan has had on EKPC's generation fleet.

9:34:16 AM Atty. Pinney Cross Exam and Response by Witness Horn
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 1, p. 2-3 of 7, regarding whether the percentages will change when the tie-in of Cooper Units 1 and 2 are complete.

9:35:49 AM Atty. Pinney Cross Exam and Response by Witness Johnson
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 7, p. 2 of 54, regarding Dale Units 3 and 4 about being conditioned for indefinite storage.

9:36:52 AM Atty. Pinney Cross Exam and Response by Witness Johnson
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 7, p. 3-4 of 54, regarding teh Cooper units tie-ins being completed and units being returned to service.

9:38:27 AM Atty. Pinney Cross Exam and Response by Witness Johnson
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 7, p. 9-10 of 54, regading an inspection type.

9:39:01 AM Atty. Pinney Cross Exam and Response by Witness Johnson
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 7, p. 17 of 54, regarding a forced outage.

9:39:53 AM Atty. Pinney Cross Exam and Response by Witness Johnson
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 7, p. 18-54, regarding outages due to lack of fuel and an employee having to start the units when fuel becomes available.

9:41:12 AM Atty. Pinney Cross Exam and Response by Witness Horn
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 8, p. 2 of 7, regarding the status of a contract.

9:41:48 AM Atty. Pinney Cross Exam and Response by Witness Horn
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 8, p. 6 of 7, regarding shortfalls being made up.

9:42:28 AM Atty. Pinney Cross Exam and Response by Witness Horn
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 9.

9:43:15 AM POST-HEARING DATA REQUEST TO EKPC
Note: Harward, Sonya Regarding the response to Staff's First Request, Item 9, in the future, can EKPC provide the comparisons for the entire review period. Also, the source documents were not included in this response -- provide those in excel spreadsheet format.

9:43:32 AM Atty. Pinney Cross Exam and Response by Witness Horn
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 11.c., regarding the reason for the increase.

9:44:36 AM Atty. Pinney Cross Exam and Response by Witness Horn
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 15, the red-lined Manual attached to the response, p. 23, Section 2.14, the second sentence. Asking whether the sentence is complete as written or if a change is required.

9:48:17 AM Atty. Pinney Cross Exam and Response by Witness Horn
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 15, red-lined Manual, page 150, Section 4.8.6, regarding the reason for the deletion in first sentence.

9:49:34 AM POST-HEARING DATA REQUEST TO EKPC
Note: Harward, Sonya Provide the reason for the deletion in the first sentence in red-lined Manual attached to EKPC's response to Staff's First Request, Item 15, page 150, Section 4.8.6.

9:49:47 AM POST-HEARING DATA REQUEST TO EKPC
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 19, p. 3 of 5. Provide more detailed information to expand on the reasons for not selecting the first three bidders listed.

9:50:40 AM Atty. Pinney Cross Exam and Response by Witness Carpenter
Note: Harward, Sonya Referencing the response to Staff's First Request, Items 26 and 27, regarding billing codes.

9:52:05 AM Atty. Pinney Cross Exam and Response by Witness Horn
Note: Harward, Sonya Referencing the response to Staff's Third Request, Item 1.b., regarding whether EKPC believed that FERC was requiring the use of numbers from the Mine Safety and Health Administration for the form 423.

9:54:29 AM Atty. Pinney Cross Exam and Response by Witness Horn
Note: Harward, Sonya Referencing the response to Staff's Third Request, Item 1.e., regarding use of current monthly MSHA coal district numbers.

9:55:04 AM Atty. Pinney Cross Exam and Response by Witness Johnson
Note: Harward, Sonya Referencing the response to Staff's Third Request, Item 3.e., 3.f., and 3.g., regarding how minimal level is determined.

9:56:29 AM Atty. Pinney Cross Exam and Response by Witness Carpenter
Note: Harward, Sonya Referencing the response to Staff's Third Request, Item 4, regarding the calculation of the highest cost unit.

9:57:13 AM POST-HEARING DATA RESPONSE TO EKPC
Note: Harward, Sonya Using the actual cost of gas paid while the unit operated at minimum load, provide the amount of power purchases that would have been excluded compared to the amount that was excluded.

9:57:32 AM POST-HEARING DATA REQUEST TO EKPC
Note: Harward, Sonya Provide the calculations of the power purchases that would have been excluded for recovery through the FAC compared to what was excluded if EKPC would have used as the cost of the highest cost unit for each month of the review period an average of the cost to operate the unit at minimum load and full load and using the natural gas costs that were used in response to Item 3.b. of Staff's Third Request (in excel and hardcopy formats).

9:58:55 AM POST-HEARING DATA REQUEST TO EKPC
Note: Harward, Sonya Same as the previous question, except, for the natural gas price, use the average of the highest and lowest costs of gas for each month (in excel and hardcopy formats).

9:59:34 AM Commissioner Thomas Cross Exam and Response by Witness Horn
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 1, pp. 5 and 7, regarding differences between Spurlock 1 and 2 versus Spurlock 3 and 4 and the spot purchase contracts.

10:01:20 AM Chairman Gardner Cross Exam and Response by Witness Horn
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 11, regarding inventory target changes.

10:02:06 AM RESPONSES TO POST-HEARING DATA REQUESTS DUE IN 10 BUSINESS DAYS
10:02:22 AM POST-HEARING BRIEF DUE FROM EKPC IN 20 BUSINESS DAYS
10:03:15 AM EKPC dismissed.
10:03:22 AM Session Paused
10:04:03 AM Session Resumed
10:04:04 AM CASE NO. 2016-00003, KENTUCKY UTILITIES COMPANY, AND CASE NO. 2016-00004, LOUISVILLE GAS & ELECTRIC COMPANY
10:04:15 AM Atty. Allyson Sturgeon - KU and LG&E
10:04:30 AM Atty. Jeb Pinney - PSC Staff
Note: Harward, Sonya Introduces Staff Attys. Molly Katen and John Park, and Financial Analysis Staff Matthew Baer and Chris Whelan

10:04:42 AM Notice was filed and there are no outstanding motions.
10:04:59 AM No Public present for comments.
10:05:07 AM Chairman Gardner swears in KU/LG&E's Witnesses
10:05:24 AM Atty. Sturgeon - Direct Exam of KU/LG&E's Witnesses
Note: Harward, Sonya Mike Dotson, Derek Rahn, Eileen Saunders, Charles Schram, and Bob Brunner

10:07:23 AM Atty. Pinney Cross Exam of KU/LG&E
Note: Harward, Sonya Informs the utility that he will primarily be referencing their responses to Staff's First and Third Requests for Information.

10:07:35 AM Atty. Pinney Cross Exam and Response by Witness Saunders
Note: Harward, Sonya Asking what, if any, effect the stay of the Clean Power Plan has had on KU/LG&E's generation fleet.

10:07:59 AM Atty. Pinney Cross Exam and Response by Witness Brunner
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 2, p. 1 of 2, regarding special contracts.

10:09:13 AM Atty. Pinney Cross Exam and Response by Witness Brunner
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 3, regarding the use of the word 'may' in the context of physical hedging.

10:09:52 AM Atty. Pinney Cross Exam and Response by Witness Saunders
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 7, regarding Trimble Units 5 and 8 outages labeled as generator protection upgrade.

10:10:55 AM Atty. Pinney Cross Exam and Response by Witness Dotson
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 8, page 4, regarding base price being mislabeled as 2015 instead of 2016.

10:12:22 AM Atty. Pinney Cross Exam and Response by Witness Dotson
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 8, regarding the status of the Rhino contract.

10:13:29 AM Atty. Pinney Cross Exam and Response by Witness Dotson
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 9, regarding price comparisons,

10:14:03 AM POST-HEARING DATA REQUEST TO KU/LG&E
Note: Harward, Sonya Provide a price comparison for the current review period using combined single price for all purchases regardless of the SO2 content (in excel with raw data used for each company).

10:15:02 AM POST-HEARING DATA REQUEST TO KU/LG&E
Note: Harward, Sonya Provide a price comparison for the previous review period using combined single price for all purchases regardless of the SO2 content (in excel with raw data used for each company).

10:15:50 AM Atty. Pinney Cross Exam and Response by Witness Dotson
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 12, regarding how payments made under the settlement agreements are accounted for.

10:16:31 AM Atty. Pinney Cross Exam and Response by Witness Dotson
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 19, page 3 of 6 (15-05) of the confidential attachment, just below table, regarding why lowest cost option was not accepted, and asking for an explanation of why coal was not able to be used.

10:18:21 AM Atty. Pinney Cross Exam and Response by Witness Dotson
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 20, regarding the request for midlings coal.

10:20:30 AM Atty. Pinney Cross Exam and Response by Witnesses Dotson and Rahn
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 25, regarding contracts being timely filed in the future.

10:22:04 AM Atty. Pinney Cross Exam and Response by Witness Dotson
Note: Harward, Sonya Referencing the response to Staff's Third Request, Item 1.b., regarding whether the Companies believed that FERC was requiring the use of numbers from the Mine Safety and Health Administration for the form 423.

10:24:15 AM Atty. Pinney Cross Exam and Response by Witness Schram
Note: Harward, Sonya Referencing the response to Staff's Third Request, Item 4.d., regarding amounts being forecasted, when actual costs are known.

10:25:51 AM POST-HEARING DATA REQUEST TO KU/LG&E
Note: Harward, Sonya Referencing the response to Staff's Third Request, Item 4.b., provide for each company a breakdown showing the natural gas price and the cost of delivery for each month of the review period.

10:26:07 AM POST-HEARING DATA REQUEST TO KU/LG&E
Note: Harward, Sonya Referencing the response to Staff's Third Request, Item 4.e., for each company, provide the highest generating cost actually incurred for May and July 2015 for both units in \$/mwh.

10:26:39 AM POST-HEARING DATA REQUEST TO KU/LG&E
Note: Harward, Sonya Each company, using the \$/mwh from the previous question, provide the amount of effect it would have on power purchases excluded from recovery during those two months if that \$/mwh had been used rather than what the Companies used (in hardcopy and excel format).

10:27:22 AM POST-HEARING DATA REQUEST TO KU/LG&E
Note: Harward, Sonya Provide the calculations of the power purchases that would have been excluded for recovery through the FAC compared to what was excluded if the Companies would have used as the cost of the highest cost unit for each month of the review period an average of the cost to operate the unit at minimum load and full load and using the natural gas costs that were used in the responses to Item 4.b. of Staff's Third Request (in excel and hardcopy formats).

10:27:54 AM POST-HEARING DATA REQUEST TO KU/LG&E
Note: Harward, Sonya Same as the previous question, except, for the natural gas price, use the average of the highest and lowest costs of gas for each month (in excel and hardcopy formats).

10:28:33 AM CASE NO. 2016-00003, KENTUCKY UTILITIES COMPANY ONLY
10:28:50 AM POST-HEARING DATA REQUEST TO KU
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 7, p. 1 of 5, regarding outages for installation of the mercury monitors in October at Brown Units 1 and 2. Provide a response to whether this was performed as a result of the MATS.

10:30:14 AM Atty. Pinney Cross Exam and Response by Witnesses Saunders and Schram
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 7, regarding definite plans for the future of these units.

10:30:37 AM Atty. Pinney Cross Exam and Response by Witness Dotson
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 8, p. 16 of 25, regarding status of contract.

10:31:49 AM Atty. Pinney Cross Exam and Response by Witness Dotson
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 8, p. 24 of 25, Section I, regarding whether the last two years listed should be 2016 and 2017.

10:32:38 AM Atty. Pinney Cross Exam and Response by Witness Dotson
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 19.b., p. 2 of 3, regarding issue with railway.

10:34:05 AM CASE NO. 2016-00004, LOUISVILLE GAS & ELECTRIC COMPANY ONLY
10:34:06 AM Atty. Pinney Cross Exam and Response by Witnesses Saunders and Schram
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 7, p. 4 of 4, regarding outages at Zorn Unit 1.

10:34:56 AM Atty. Sturgeon Re-Direct Exam to Witness Brunner
Note: Harward, Sonya Follow-up question about gas special contracts.

10:35:59 AM Atty. Sturgeon Re-Direct Exam to Witness Dotson
Note: Harward, Sonya Follow-up question related to Item 20.

10:36:19 AM POST-HEARING DUE IN 10 BUSINESS DAYS
Note: Harward, Sonya Reviewed all DRs.I

10:40:25 AM POST-HEARING BRIEF DUE IN 20 BUSINESS DAYS
10:40:40 AM KU/LG&E dismissed.
10:40:47 AM Session Paused
10:41:38 AM Session Resumed

10:41:43 AM CASE NO. 2016-00006, BIG RIVERS ELECTRIC CORPORATION
10:41:54 AM Atty. Tyson Kamuf - Big Rivers
10:42:04 AM Atty. Jeb Pinney - PSC Staff
Note: Harward, Sonya Introduces Staff Attys. Molly Katen and John Park, and Financial Analysis Staff Matthew Baer and Chris Whelan

10:42:18 AM Notice was filed and there are outstanding confidential motions only.
10:42:44 AM No Public present for comments in this case or for the distribution cooperatives of Big Rivers.
10:43:02 AM Chairman Gardner swears in Big Rivers' Witnesses

10:43:15 AM Atty. Kamuf - Direct Exam of Big Rivers' Witnesses
Note: Harward, Sonya Mark McAdams, Lawrence Baronowsky, Wayne O'Bryan, Nicholas Castlen

10:43:42 AM Witness McAdams - Correction to Testimony
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 11, p. 3 of 5, line 4, should be "through Dec. 15, 2015," not December 5, 2015.

10:45:39 AM Atty. Pinney Cross Exam of Big Rivers
Note: Harward, Sonya Informs the utility that he will primarily be referencing their responses to Staff's First and Third Requests for Information.

10:45:52 AM Atty. Pinney Cross Exam and Response by Witness Baronowsky
Note: Harward, Sonya Asking what, if any, effect the stay of the Clean Power Plan has had on Big Rivers' generation fleet.

10:46:17 AM Atty. Pinney Cross Exam and Response by Witness McAdams
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 4, regarding reason for petroleum coke amount being doubled.

10:47:19 AM Atty. Pinney Cross Exam and Response by Witness O'Bryan
Note: Harward, Sonya Referencing the response to Staff's First Request, Item Item 5, p. 1 of 4, regarding contact with Southeastern Power Administration.

10:47:59 AM Atty. Pinney Cross Exam and Response by Witness Baronowsky
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 7, p. 2-4 of 14, regarding an outage at a unit from September to April.

10:49:39 AM Atty. Pinney Cross Exam and Response by Witness McAdams
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 11, p. 3 of 5, regarding idling Reed stations.

10:50:50 AM Atty. Pinney Cross Exam and Response by Witness Baronowsky
Note: Harward, Sonya Asking about conversion of the Reed unit.

10:51:16 AM Atty. Pinney Cross Exam and Response by Witness McAdams
Note: Harward, Sonya Asking about indefinite idling of a station.

10:52:37 AM Atty. Pinney Cross Exam and Response by Witness McAdams
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 11, p. 3-4 of 5, regarding Big Rivers ceasing to issue solititions for coal.

10:53:57 AM Atty. Pinney Cross Exam and Response by Witness O'Bryan
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 16, regarding a violation by an ACES trader.

10:56:32 AM Atty. Pinney Cross Exam and Response by Witness McAdams
Note: Harward, Sonya Referencing the response to Staff's Third Request, Item 3, regarding filing all short-term spot fuel contracts.

10:57:47 AM POST-HEARING DATA REQUEST TO BIG RIVERS
Note: Harward, Sonya Provide, on a flashdrive, all spot fuel agreements that have not been previously submitted since July 2009.

10:58:27 AM Atty. Pinney Cross Exam and Response by Witness O'Bryan
Note: Harward, Sonya Referencing the response to Staff's Third Request, Item 6.e., p. 4 of 7, regarding MISO dispatching the Reed unit at minimum load strictly for generation.

10:59:43 AM POST-HEARING DATA REQUEST TO BIG RIVERS
Note: Harward, Sonya Provide the calculations of the power purchases that would have been excluded for recovery through the FAC compared to what was excluded if Big Rivers would have used as the cost of the highest cost unit for each month of the review period an average of the cost to operate the unit at minimum load and full load and using the natural gas costs that were used in the response to Item 6 of Staff's Third Request (in excel and hardcopy formats).

11:00:30 AM POST-HEARING DATA REQUEST TO BIG RIVERS
Note: Harward, Sonya Same as the previous question, except, for the natural gas price, use the average of the highest and lowest costs of gas for each month (in excel and hardcopy formats).

11:00:52 AM Atty. Kamuf Re-Direct to Witnesses McAdams and Baronowsky
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 11, regarding idling Reed 1 only.

11:01:45 AM RESPONSES TO POST-HEARING DATA REQUESTS DUE IN 10 BUSINESS DAYS
11:01:55 AM FILING TO EXPAND ON QUESTIONS DUE WITHIN 10 BUSINESS DAYS
11:02:11 AM Big Rivers dismissed.
11:02:14 AM Session Paused
11:09:12 AM Session Resumed
11:09:18 AM CASE NO. 2016-00005, DUKE ENERGY KENTUCKY, INC.
11:09:34 AM Atty. Rocco D'Ascenzo - Duke Kentucky
11:09:48 AM Atty. Jeb Pinney - PSC Staff
Note: Harward, Sonya Introduces Staff Attys. Molly Katen and John Park, and Financial Analysis Staff Matthew Baer and Chris Whelan

11:10:00 AM Notice was filed and there are outstanding confidential motions only.
11:10:17 AM No Public present for comments in this case.
11:10:27 AM Chairman Gardner swears in Duke Kentucky's Witnesses
11:10:39 AM Atty. D'Ascenzo - Direct Exam of Duke Kentucky's Witnesses
Note: Harward, Sonya Brett Phipps, Scott Burnside, John Swez, and Theodore Czupik

11:11:45 AM Witness Burnside - Correction to Testimony
Note: Harward, Sonya Referencing the response to Staff's Third Request, confidential attachment titled Staff-DR-03-003 B1, "2016" should be replaced everywhere with "2015."

11:13:50 AM Atty. Pinney Cross Exam of Duke Kentucky
Note: Harward, Sonya Informs the utility that he will primarily be referencing their responses to Staff's First and Third Requests for Information.

11:14:03 AM Atty. Pinney Cross Exam and Response by Witness Phipps
Note: Harward, Sonya Asking what, if any, effect the stay of the Clean Power Plan has had on Duke Kentucky's generation fleet.

11:14:28 AM Atty. Pinney Cross Exam and Response by Witness Burnside
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 7, Attachment 2, regarding purchase of power from market when East Bend had an outage and Miami Fort 6 was retired.

11:15:06 AM Atty. Pinney Cross Exam and Response by Witness Swez
Note: Harward, Sonya Asking how long it takes East Bend to ramp up to its operating level when being restarted after an outage.

11:15:36 AM Atty. Pinney Cross Exam and Response by Witness Swez
Note: Harward, Sonya Asking about Smart Gen modifications.

11:16:07 AM Atty. Pinney Cross Exam and Response by Witness Phipps
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 8, regarding long-term contracts for coal purchases after Jan. 31, 2016.

11:17:09 AM POST-HEARING DATA REQUEST TO DUKE ENERGY KENTUCKY
Note: Harward, Sonya Provide the percentage under the contract for the 2016 year.

11:17:31 AM 2016-00005 - Duke - PSC Staff - Exhibit 1
Note: Harward, Sonya Coal agreement filed in 2015 pertaining to coal purchases for 2016, for River View Coal

11:17:36 AM 2016-00005 - Duke - PSC Staff - Exhibit 2
Note: Harward, Sonya Coal agreement filed in 2015 pertaining to coal purchases for 2016, for Foresight Coal Sales

11:18:29 AM Atty. Pinney Cross Exam and Response by Witness Phipps
Note: Harward, Sonya Asking if either of the contracts (presented as Exhibits) were included in the agreement filed in response to Staff's First Request, Item 8.

11:20:01 AM POST HEARING DATA REQUEST TO DUKE ENERGY KENTUCKY
Note: Harward, Sonya Provide a copy of the response to Staff's First Request, Item 9.b., in excel spreadsheet format.

11:20:35 AM POST-HEARING DATA REQUEST TO DUKE ENERGY KENTUCKY
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 19, confidential attachment, the fourth counter party, file this contract with the Commission.

11:22:25 AM Atty. Pinney Cross Exam and Response by Witness Swez
Note: Harward, Sonya Asking about Duke owning 100 percent of the East Bend unit.

11:23:16 AM Atty. Pinney Cross Exam and Response by Witness Phipps
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 20.a., attachment, regarding the first bid.

11:25:08 AM Atty. Pinney Cross Exam and Response by Witness Phipps
Note: Harward, Sonya Referencing the response to Staff's Third Request, Item 1.b., regarding coal district numbers.

11:26:17 AM Atty. Pinney Cross Exam and Response by Witness Phipps
Note: Harward, Sonya Asking whether Duke Kentucky believes that FERC was requiring the use of numbers from the Mine Safety and Health Administration for the form 423.

11:26:55 AM Atty. Pinney Cross Exam and Response by Witness Phipps
Note: Harward, Sonya Referencing the response to Staff's First Request, Item 1.c., regarding a FERC map of coal districts.

11:27:37 AM Atty. Pinney Cross Exam and Response by Witness Phipps
Note: Harward, Sonya Referencing the response to Staff's Third Request, Item 2, regarding timely filing of future coal contracts.

11:29:03 AM POST-HEARING DATA REQUEST TO DUKE ENERGY KENTUCKY
Note: Harward, Sonya Provide, on a flashdrive, all spot fuel agreements that have not been previously submitted since January 2007.

11:30:13 AM Atty. Pinney Cross Exam and Response by Witness Burnside
Note: Harward, Sonya Asking about Woodsdale's minimum load.

11:31:15 AM Atty. Pinney Cross Exam and Response by Witness Swez
Note: Harward, Sonya Asking whether there is a reason why Woodsdale's minimum load is significantly lower than EKPCs.

11:32:12 AM Atty. Pinney Cross Exam and Response by Witness Swez
Note: Harward, Sonya Asking about Woodsdale units being black start units.

11:32:40 AM Atty. Pinney Cross Exam and Response by Witness Swez
Note: Harward, Sonya Referencing the response to Staff's Third Request, Item 3.b., p. 4, regarding Woodsdale's fast-start and ramp-up rates.

11:34:02 AM Atty. Pinney Cross Exam and Response by Witness Burnside
Note: Harward, Sonya Referencing the response to Staff's Third Request, Item 5.a., p. 3, regarding what a reasonable threshold is for determining that a unit operated at minimal load.

11:36:38 AM Atty. Pinney Cross Exam and Response by Witness Burnside
Note: Harward, Sonya Asking about 5-minute increments at Woodsdale and whether the unit was ramping up or ramping down.

11:40:15 AM Discussion Regarding Confidential Session
Note: Harward, Sonya Those not covered by confidential agreement left the room.

11:41:08 AM Private Recording Activated

11:58:18 AM Public Recording Activated

11:58:29 AM Hearing Resumes in Public Session

11:59:36 AM Atty. D'Ascenzo Re-Direct to Witness Swez
Note: Harward, Sonya Asking follow-up questions about the Woodsdale units.

12:02:27 PM POST-HEARING DATA REQUEST TO DUKE ENERGY KENTUCKY
Note: Harward, Sonya Provide the calculations of the power purchases that would have been excluded for recovery through the FAC compared to what was excluded if Duke Kentucky would have used as the cost of the highest cost unit for each month of the review period an average of the cost to operate the unit at minimum load and full load and using the natural gas costs that were used in the response to Item 27 of Staff's First Request (in excel and hardcopy formats).

12:03:31 PM POST-HEARING DATA REQUEST TO DUKE ENERGY KENTUCKY
Note: Harward, Sonya Same as the previous question, except, for the natural gas price, use the average of the highest and lowest costs of gas for each month (in excel and hardcopy formats).

12:04:18 PM RESPONSES TO POST-HEARING DATA REQUESTS DUE IN 10 BUSINESS DAYS

12:04:32 PM BRIEF DUE 10 DAYS AFTER RECORDING IS RECIEVED ON DISC

12:06:21 PM Hearings adjourned.

12:06:25 PM Session Paused

12:08:00 PM Session Ended



Exhibit List Report

2016-00001thru2016-00025_7Apr2016
FAC Hearings

Judge: Jim Gardner; Dan Logsdon; Roger Thomas

Witness: Lawrence Baronowsky - Big Rivers Electric Corporation; Bob Brunner - KY Utilities/Louisville Gas & Electric; Scott Burnside - Duke Energy Kentucky; Michelle Carpenter - East Kentucky Power Cooperative; Nicholas Castlen - Big Rivers Electric Corporation; Theodore Czupik - Duke Energy Kentucky; Mike Dotson - KY Utilities/Louisville Gas & Electric; Mark Horn - East Kentucky Power Cooperative; Craig Johnson - East Kentucky Power Cooperative; Mark McAdams - Big Rivers Electric Corporation; David Mell - Kentucky Power Company; David Moyer - Kentucky Power Company; Wayne O'Bryan - Big Rivers Electric Corporation; Brett Phipps - Duke Energy Kentucky; Derek Rahn - KY Utilities/Louisville Gas & Electric; John Rogness - Kentucky Power Company; Eileen Saunders - KY Utilities/Louisville Gas & Electric; Charles Schram - KY Utilities/Louisville Gas & Electric; John Swez - Duke Energy Kentucky; Julia Tucker - East Kentucky Power Cooperative; Charles West - Kentucky Power Company; Patrick Woods - East Kentucky Power Cooperative

Clerk: Sonya Harward

Name:	Description:
2016-00001 - KY Power - PSC Staff - Exhibit 1	KY Power's Response to a Post-Hearing Data Request from the FAC Hearing in CN 2015-00232, Item 2.
2016-00001 - KY Power - PSC Staff - Exhibit 2	Copy of KY Power's December filing for the November expense month.
2016-00005 - Duke - PSC Staff - Exhibit 1	Coal agreement filed in 2015 pertaining to coal purchases for 2016, for River View Coal
2016-00005 - Duke - PSC Staff - Exhibit 2	Coal agreement filed in 2015 pertaining to coal purchases for 2016, for Foresight Coal Sales

CONFIRMATION

Date: July 2, 2014

Seller :

**River View Coal, LLC
1717 South Boulder Avenue, Suite 400
Tulsa, OK 74119**

Buyer :

**Duke Energy Kentucky, Inc.
526 South Church Street,
Charlotte NC 28202**

Attn: Steve Perkins, General Manager - Sales
Tel. 704-263-7231 Fax. 704-263-9642
Email: steve.perkins@arlp.com
Ref. # :

Attn: Director, Coal
Tel. 704-382-7149 Fax. 704-382-4568
Email: Elliott.Batson@duke-energy.com
Ref. # :

This letter constitutes a Confirmation ("Confirmation") and sets forth the binding agreement entered into between the Parties as to a transaction ("Transaction") regarding the sale/purchase of Coal under the terms of the Master Agreement for the Sale and Purchase of Coal ("Master Agreement") dated February 4, 2011. This Confirmation supplements, forms part of, and is subject to, the Master Agreement as it has been or may be amended from time to time. In the event of any conflict or inconsistencies between the Master Agreement and this Confirmation, the terms and conditions of this Confirmation will prevail. All provisions contained in the Master Agreement govern this Confirmation to the extent not in conflict with the terms hereof. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement.

Quote Date: April 23, 2014

**Quote Acceptance
Date:** July 2, 2014

Commodity: Crushed bituminous coal, containing no synthetic fuels, and free from any extraneous materials, and otherwise meeting the Specifications of this Confirmation.

Term: January 1, 2016 - December 31, 2016

Quantity: 600,000 tons shipped ratably during the period January 1, 2016 through December 31, 2016.

Contract Price: \$47.50 - F.O.B. barge at the Delivery Point.

Source: River View Mine

Delivery Point: FOB Barge Milepost 843 (Ohio)

**Fleeting and
Shifting:** Seller's River View Dock is a closed harbor and Seller has contracted with a third party contractor to perform the barge fleeting, shifting and other barge loading services for the loading of coal into barges at the River View Dock. The cost of shifting barges from the line boat to the fleeting area and from the fleeting area to the line boat and the cost of fleeting barges in the fleeting area as assessed by Seller's third party contractor shall be paid by Seller.

Scheduling: Per the Master Agreement.

2016-00005 - Duke
PSC Staff - Exhibit 1

Weighing/Sampling and Analysis:

Per the Master Agreement.

Billing and Payment:

Per the Master Agreement.

Market Price:

The market price will be the "Prompt" price under the category "ILB Coal subcategory L. Ohio river 11,500 BTU and 5.2#SO2", as the case be, published by Coaldesk, LLC

Coal Quality

Price Adjustments:

BTU contract price adjustment per Section 8.1.1 of the Master Agreement shall apply. Adjustments for ash and SO2 shall not apply.

Coal Quality Specifications:

Characteristic:	<u>Quality Specifications</u> (Monthly Weighted Average)	<u>Quality Suspension Limits</u> (Monthly Weighted)	Rejection Limit (Per Shipment)
BTU/Lb. (Minimum)	11,500	11,400	11,200
Ash (%) (Maximum)	8.30	8.50	8.80
*SO2 (lbs./MMBTU) (Maximum)	5.39	5.53	5.67
Moisture (%) (Maximum)	12.7	13.7	14.7
Volatile Matter (%) (Minimum)	34	33	32
Reducing Atmosphere Ash Softening (Minimum)	2090	2040	1990
Chlorine (%) (Dry) (Maximum)	0.09	0.11	0.12
Grindability (HGI) (Minimum)	57-54		54-51
Sizing (Maximum)	2" x 0"		2" x 0"
Fines (Maximum)	55%		60%

*The pounds SO2 per MMBtu shall be determined by the following formula:

$(\text{As Received Percent Sulfur} \times 20,000) / \text{As Received Btu/Lb.} = \text{Pounds SO2 per MMBtu}$

Alternate Source Coal: Seller may offer to supply an alternate source coal with Chlorine (Dry) (Maximum) 0.30% monthly weighted average, 0.35% monthly weighted average suspension and 0.37% rejection limit per shipment at a price which is \$5.00 per ton below the Contract Price set forth above. All other quality specifications and terms and conditions shall be established by mutual agreement. Buyer, in its sole discretion, may accept Seller's offer by providing written notice to Seller at any time and from time to time during the term of this Agreement. It shall be presumed that Buyer has rejected its rights under this paragraph unless it provides written notice to Seller at any time or from time to time under this Agreement. The delivery of any alternate source coal shall count towards delivery of the Contract Quantity

Representations and Warranties. Subject to Section 12 of the Master Agreement, Seller represents and warrants that, on the Quote Date and throughout the Term of this Transaction: (a) Seller owns or otherwise controls, whether directly or through an affiliate, mineable Coal

BVS
202

reserves in an amount sufficient to fulfill the terms of this Confirmation, and (b) there are no existing contractual commitments with respect to the Coal reserves that would prevent delivery of the quantities of Coal specified in this Confirmation and Seller will not enter into contractual commitments during the Term of this Confirmation that will prevent such delivery; and (c) Seller has obtained all necessary governmental and other third party permits, approvals and licenses that, to Seller's knowledge, are presently required to operate the Source for the term of this Confirmation in accordance with Seller's current plans for operation thereof.

No Precedent. The terms and conditions set forth in this Confirmation are for the purposes of this Confirmation and the Transaction contemplated herein only and will not set or be construed or deemed to set a precedent for any future Transaction and/or Confirmation, if any, that may be entered into between Buyer and Seller.

Please confirm that the foregoing correctly sets forth the terms of the agreement between Buyer and Seller as to this Transaction by timely returning an executed copy of this Confirmation by facsimile or email at the fax number or email address specified on the Confirmation.

Seller :
River View Coal, LLC

By: Timothy J. Whelan

Name: Timothy J. Whelan

Title: SVP. Sales & Marketing

Execution Date: 12/19/14

Buyer :
Duke Energy Kentucky, Inc.

By: Brett J. Phipps

Name: BRETT J. PHIPPS

Title: DIRECTOR - FUEL PROCUREMENT

Execution Date: 1/2/2015

Handwritten initials/signature

CONFIRMATION

Date: November 21, 2014

Seller :

**Foresight Coal Sales LLC, as agent for
Macoupin Energy LLC and
and Hillsboro Energy LLC
46226 National Road
St. Clairsville, Ohio 43950**

Buyer :

Duke Energy Kentucky, LLC

**526 South Church Street,
Charlotte NC 28202**

Attn: Andy Cox
Tel. 434-409-5208 Fax. 740-338-3409
Email: andycox@coalsource.com
Ref. #:

Attn: Director, Coal
Tel. 704-382-6132 Fax. 704-382-9769
Email: Elliott.Batson@duke-energy.com
Ref. #: PO

This Confirmation ("Confirmation") sets forth the binding agreement entered into between the Parties as to a transaction ("Transaction") regarding the sale/purchase of Coal under the terms of the Master Agreement for the Sale and Purchase of Coal ("Master Agreement") dated August 3, 2011. This Confirmation supplements, forms part of, and is subject to, the Master Agreement as it has been or may be amended from time to time. All provisions contained in the Master Agreement govern this Confirmation to the extent not in conflict with the terms hereof. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement.

- Quote Date:** 10/30/2014
- Commodity:** Crushed bituminous coal, containing no synthetic fuels, and substantially free from any extraneous materials, with no intermediate sizes added or removed and otherwise meeting the Specifications of this Confirmation.
- Term:** January 1, 2016, - December 31, 2016
- Contract Quantity:** 2016: 150,000 Tons, shipped in approximately equal monthly shipments plus or minus ten (10) percent at Buyer's discretion on an annual basis.
- Contract Price:** 2016: \$40.50/Ton FOB Barge at the Delivery Point
- Source:** Shay # 1 Mine, Deer Run Mine, and the Sugar Camp Mining Complex, subject to testing and approval by Buyer.
- Test Burn:** Buyer, in its sole discretion, shall require a test burn of the coal set forth herein ("Coal") as a standalone burn and/or a blend with other coals to determine if such Coal is acceptable for use or causes operational or handling difficulties at one or more of Buyer's destination Station(s). This test burn shall be completed within sixty (60) days of unloading the test Coal at the Station. At its sole risk and expense, Seller shall be entitled to have a third-party consultant on site to observe the test burn. If, within this sixty (60) day period, Buyer determines, in its sole discretion reasonably exercised, that the test burn proves the Coal set forth herein causes adverse plant performance or operational difficulties including, but not limited to: boiler slagging, boiler fouling, boiler tube leaks, forced outages, corrosion, unusual wear to equipment or tubing, receiving and/or handling difficulties in which Buyer is unable to unload to dispense the Coal as required by station personnel, Buyer shall give Seller notice of such plant performance or operational difficulties and Buyer shall have the right to suspend all further deliveries of Coal by giving notice thereof to Seller. Promptly after such notice is delivered, the parties shall meet and attempt in good faith to reach a mutually agreeable solution to resolve such issues. If the parties are unable to reach a mutually agreeable solution within sixty (60) days after delivery of Buyer's notice to Seller, then Buyer may terminate all or a portion of this Confirmation and the associated tons of Coal by providing written notice thereof to Seller or assign all or a

portion of this Confirmation and associated tons of Coal to any affiliate or subsidiary of Buyer. Buyer shall document such difficulties that are believed to be caused by Seller's Coal and shall make such documentation available to Seller for review in a timely manner. If Buyer determines that it must terminate the entire Confirmation and provides notice thereof, then after the effective date of any such termination notice by Buyer, neither party shall have any further obligation to the other party hereunder except for (a) Buyer's obligation to pay for any Coal delivered and received, or any shipments of Coal that are in transit to Buyer (provided that such Coal is not above or below, as applicable, any of the rejection limits) prior to the effective date of such termination and (b) each party's obligation to remit or credit any Coal quality price adjustments for Coal delivered and received or any shipments of Coal that are in transit to Buyer (provided that such Coal is not above or below, as applicable, any of the rejection limits) prior to the effective date of such termination. Nothing in this Confirmation and/or the testing of the Coal purchased hereunder will be construed to obligate Buyer to enter into any agreement with Seller. Furthermore, in no event shall Buyer terminate this Confirmation under this Test Burn provision for commercial convenience or based upon the prevailing price for Coal.

If, within the initial sixty (60) day period, Buyer determines, in its sole discretion reasonably exercised, that the test burn for the Coal is successful and does not cause adverse plant performance or operational difficulties as outlined above, this Confirmation shall remain in effect and shall be fully enforceable in accordance with its terms.

Delivery Point: F.O.B. Barge, Sitran River Terminal at MP 817.5 on the Ohio River

Scheduling: Per the Master Agreement.

Weighing/Sampling and Analysis: Per the Master Agreement, Seller's weights and analyses govern.

Billing and Payment: Per the Master Agreement.

Coal Quality

Price Adjustments: Per the Master Agreement except there will not be any SO2 or ash adjustments under this Confirmation.

Buyer's Actual Cost To Scrub: \$116.15

Coal Quality ("As Received"):

Characteristic:	Quality Specifications (Monthly Weighted Average)	Rejection Limit (Per Shipment)
Calorific Value (BTU/Lb.)	11,000 minimum	10,800 minimum
Ash Content (%)	8.5 maximum	9.5 maximum
*SO2 (Lbs./MMBTU) Content	6.25 maximum	6.50 maximum
Moisture Content (%)	15.5 maximum	18.5 maximum
Volatile Matter (%)	34 % minimum	<32 %
Fusion Temp (Softening °F, Reducing Atmos.)	2,050 minimum	<2000
Grindability (HGI)	55 minimum	<50
Chlorine Content (%)	.08 maximum	.15 maximum

Top Size	2" maximum	N/A
Fines (% By Weight Passing ¼" Screen)	55 maximum	55 maximum

*The pounds SO2 per MMBtu shall be determined by the following formula:

(As Received Percent Sulfur x 20,000) / As Received Btu/Lb. = Pounds SO2 per MMBtu

Representations and Warranties. Seller represents and warrants that, on the Quote Date and throughout the Term of this Transaction, and under present mining laws and regulatory rules and guidelines:

- (a) Seller presently owns or otherwise controls Coal reserves in an amount sufficient to fulfill the terms of this Confirmation, the Coal contained in such reserves is mineable and of the quality called for by this Confirmation and Seller presently has approved governmental mining permits to fulfill the terms of this Confirmation,
- (b) There are no existing contractual commitments with respect to Coal reserves that would prevent delivery of the quantities of Coal specified in this Confirmation and Seller will not enter into contractual commitments during the Term of this Confirmation that will prevent such delivery,
- (c) Seller owns and has in operation mining facilities and equipment sufficient to produce the quantities of Coal to be delivered under this Confirmation and has obtained all necessary governmental and other third party permits (excluding unforeseen events as set forth in Section 11 of the Master Agreement), approvals and licenses required in connection with the execution, delivery and performance of this Confirmation, and
- (d) Buyer shall have the right, upon reasonable notice, at its own expense and risk and in full compliance with Seller's check-in and safety programs, to have its representatives and/or qualified consultants observe and inspect Seller's facilities and operations without interfering with such operations.

Dodd-Frank. This Transaction contains embedded volumetric optionality. The parties agree, however, that this Transaction falls within the "forward contract exclusion" for Dodd-Frank purposes for reasons including but not limited to the following:

- (a) The embedded optionality does not undermine the overall nature of this Confirmation as a forward contract;
- (b) The predominant feature of this Confirmation is actual delivery of the nonfinancial product;
- (c) The embedded optionality cannot be severed and marketed separately from the Confirmation;
- (d) Seller, at the time this Confirmation is entered into, intends to deliver the nonfinancial product if the embedded volumetric optionality is exercised;
- (e) Buyer, at the time this Confirmation is entered into, intends to take delivery of the nonfinancial product if the embedded volumetric optionality is exercised;
- (f) Buyer and Seller are each commercial parties; and
- (g) At the time this Confirmation is entered into, the embedded volumetric optionality is primarily intended to address physical factors or regulatory requirements that reasonably influence the demand for, or the supply of, the nonfinancial commodity.

No Precedent. The terms and conditions set forth in this Confirmation are for the purposes of this Confirmation and the Transaction contemplated herein only and will not set or be construed or deemed to set a precedent for any future Transaction and/or Confirmation, if any, that may be entered into between Buyer and Seller.

Please confirm that the foregoing correctly sets forth the terms of the agreement between Buyer and Seller as to this Transaction by timely returning an executed copy of this letter by facsimile or email at the fax number or email address specified on the Confirmation.

Seller :
Foresight Coal Sales LLC, as agent for
Macoupin Energy LLC and Hillsboro Energy LLC

Buyer :
Duke Energy Kentucky, LLC

By: Michael J. Beyer *pc 5/28/15*
Name: Michael J. Beyer
Title: CEO
Date: 5/28/15

By: Elliott Batson
Name: Elliott Batson
Title: Director Coal
Date: 6/4/15

*Kristen Ryan
Senior Paralegal
Duke Energy Kentucky, Inc.
139 East Fourth Street
P. O. Box 960
Cincinnati, OH 45201

*Duke Energy Kentucky, Inc.
139 East Fourth Street
Cincinnati, OH 45202

*Rocco O D'Ascenzo
Duke Energy Kentucky, Inc.
139 East Fourth Street
P. O. Box 960
Cincinnati, OH 45201