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December 17, 2014

Mr. James P. Henning
President
Duke Energy Kentucky, Inc.
139 East Fourth Street
Cincinnati, OH 45202

RE: Duke Energy Kentucky Article in Platt's Megawatt Daily

Dear Mr. Henning:

The Commission would like to bring your attention to a statement made by a Duke Energy Kentucky, Inc. ("Duke Kentucky") spokesperson in an article concerning the Commission's recent approval, in Case No. 2014-00201,¹ of Duke Kentucky's request to acquire the East Bend Generating Station ("East Bend"). The article was published in the December 9, 2014 issue of Platt's Megawatt Daily. The article, entitled "Duke Kentucky gets OK on East Bend coal plant", is attached hereto for your convenience. Specifically, the article states that Duke Kentucky has not determined "how it will replace any capacity that may be lost in the event Miami Fort 6 is closed".

As you know, the Commission authorized Duke Kentucky's request to purchase the remaining interest in East Bend based in part, on testimony and discovery responses submitted on behalf of Duke Kentucky. This evidence provided that, if Miami Fort 6 is retired, the capacity associated with Miami Fort 6 could not continue to be used as part of the company's FRR plan, but instead Duke Kentucky could utilize the capacity associated with the East Bend purchase to remedy any deficiencies in its FRR plan beginning with the PJM 2018/2019 delivery year.

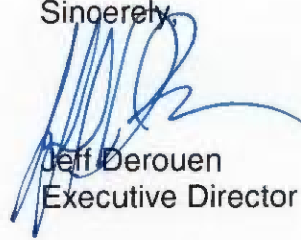
The statements attributed to Duke Kentucky's spokesperson in the Megawatt Daily article appear to be in conflict with the position presented by Duke Kentucky in Case No. 2014-00201 with regards to how the company envisioned replacing the capacity loss associated with the expected retirement of Miami Fort 6. The Commission

¹ Application of Duke Energy Kentucky, Inc. for (1) a Certificate of Public Convenience and Necessity Authorizing the Acquisition of the Dayton Power & Light Company's 31% Interest in the East Bend Generating Station; (2) Approval of Duke Energy Kentucky, Inc.'s Assumption of Certain Liabilities in Connection with the Acquisition; (3) Deferral of Costs Incurred as Part of the Acquisition; and (4) All Other Necessary Waivers, Approvals, and Relief (Ky. PSC December 4, 2014).

Mr. Jennings
December 17, 2014
Page 2

requests that Duke Kentucky provide, within 14 days from the date of this letter, written clarification regarding how it intends to replace any capacity lost due to a retirement of Miami Fort 6.

Sincerely,



Jeff Derouen
Executive Director

QDN/ph

cc: Parties of record

NEWS

Duke Kentucky gets OK on East Bend coal plant

Duke Energy Kentucky is the sole owner of the 600-MW East Bend coal-fired power plant after the Kentucky Public Service Commission approved the utility's \$12.4 million purchase of Dayton Power & Light's remaining 31%, or 186 MW, stake in the baseload facility.

The sale, scheduled to close by the end of December, has already been approved by the Federal Energy Regulatory Commission and the Ohio Public Utilities Commission.

The PSC said Monday the deal is expected to result in the retirement next June of a 163-MW coal unit, Miami Fort Unit 6, at a baseload plant near North Bend, Ohio.

However, Duke spokeswoman Christine Alvarez Pulley said a final decision has not been made to shutter Miami Fort 6 to comply with the Environmental Protection Agency's new Mercury and Air Toxics Standards rule.

Nor has Duke determined how it will replace any capacity that may be lost in the event Miami Fort 6 is closed, she added.

The sale means DEK will have most of its current 1,069 MW of generation capacity, including all of its baseload plants, in Kentucky.

East Bend, along the Ohio River near Rabbit Hash, Kentucky, went into commercial operation in 1981 and has modern pollution controls that are expected to allow it to comply with MATS. But Miami Fort is 21 years older than East Bend and would require a costly upgrade to meet new environmental standards, DEK said.

Earlier this year, DEK and Kentucky attorney general Jack Conway negotiated a settlement that paved the way for the East Bend purchase.

In endorsing that settlement, the PSC found "that the proposed East Bend acquisition is reasonable and should be

approved." The acquisition "represents the most reasonable least-cost resource to meet Duke Kentucky's capacity and energy needs" upon retirement of Miami Fort 6.

Unlike Miami Fort 6, East Bend is designed to burn both low-sulfur and/or high-sulfur Eastern bituminous coal. East Bend is scrubbed to reduce sulfur dioxide emissions and mercury and is equipped with a mechanical draft cooling tower and a high-efficiency hot-side electrostatic precipitator with dry fly ash collection, among other modern controls.

East Bend burned more than 1.8 million st of coal in 2013, while Miami Fort 6 burned 489,094 st.

— Bob Matyi

Second NC muni signs PPA with NTE Energy

NTE Energy has lined up buyers for about half the output of its planned 475-MW, natural gas-fired power plant in Kings Mountain, North Carolina, and hopes to sign up an additional power buyer or two "in the next month or so," an executive at NTE Energy said Monday.

Mike Green, NTE Energy's vice president for development, said the municipal utility in Concord, North Carolina is the latest to enter into a full-requirements power purchase agreement with the developer from its Kings Mountain combined-cycle project.

Power deliveries to the Concord Electric System, whose peak demand is about 200 MW, will begin on January 1, 2019. The Concord muni currently purchases its power from Duke Energy Carolinas under a long-term deal that runs through the end of 2018.

Green said that under the new, 20-year PPA, NTE Energy will typically secure all or most of Concord Electric System's daily and hourly power needs from the new Kings Mountain facility, but the developer "will have the option to make market purchases when more economic power is available."

Concord and the city of Kings Mountain in 2010 "began

Subscriber note: Upcoming holiday price collection and publication schedule

Based on the feedback received from market participants, Platts will be making Friday, December 26, 2014 a holiday for both daily and bidweek natural gas trading as well as all Platts services and publications.

The treatment of December 26 as a holiday has several implications as listed below:

Natural Gas Pricing:

1. Gas Daily trades transacted on Wednesday, December 24 will be for flow Thursday, December 25-Monday, December 29.
2. December 26 is a bidweek holiday. Therefore January 2015 bidweek trading will encompass Tuesday, December 23; Wednesday, December 24; Monday, December 29; Tuesday, December 30; and Wednesday, December 31.

Power Pricing:

1. West power markets are trading on December 26. On Tuesday, December 23, they are trading for flow on December 24-26. On Friday, December 26, they are trading for flow on December 27-29. Platts will not deviate from this schedule. However, no assessments will be done on December 26. Instead, the data gathered on December 26 will be reviewed and assessments will be made for those flow dates on December 29.
2. Retroactive assessments will also be made for the East power markets.

Services and Publications:

1. No Platts services or publications for December 26.

If you have any questions, please contact Mark Callahan, Editorial Director, at mark.callahan@platts.com or 713-658-3211.