

# Confidential Release

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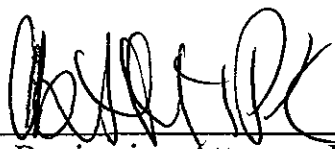
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Pages 9 & 18 of Revised Section IV-Duke Energy Ohio 2010 Resource Plan

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Reviewing Attorney Examiner's Signature

Date Reviewed 5/21/15

## C. PLANNING ASSUMPTIONS

Preparing a resource plan requires the utility to develop planning assumptions for a variety of inputs including a forecast of future energy usage, current generation resource portfolio operating assumption, future environmental regulation impacts and the expectations to meet future legislative requirements such as the comprehensive SB 221 legislation. The major planning assumptions used for the development of this Plan include:

- The customer load forecast is based on all Duke Energy Ohio distribution customers load forecast beginning 2012. Prior to 2012, the Plan only addresses non-switched customers that have elected to continue with Duke Energy Ohio as their generation provider.
- Installed net summer generation capability owned by Duke Energy Ohio is 3,891 Megawatts (MW) consisting of 3,511 MW of coal-fired steam capacity, 136 MW of natural gas summer peaking capacity and 244 MW of oil-fired peaking capacity.
- Retirements of existing supply side assets include the Beckjord Coal Station units 1-3 at the end of 2014 (316 MWs) and Beckjord units 4-6 at end of 2021 (593 MWs).
- SB 221 energy efficiency and peak load reduction goals will be met over the next ten years.
- SB 221 renewable energy requirements for solar and non-solar will be met through a balanced combination of RECs and new wind, solar, and biomass resources.
- Duke Energy Ohio will operate within PJM consistent with its recent announcement to transfer the Duke Energy Ohio transmission assets from the MISO to the PJM regional transmission organization effective January 1, 2012.
- Carbon legislation will be enacted with projected carbon emission allowance costs beginning in 2015 to accomplish expected national carbon reduction goals.

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lower of the posted Oil Price Information Service (OPSI) price or the Marathon Ashland price. Duke Energy Ohio monitors oil pricing and makes purchases based on a combination of inventory levels and expected prices.

## **2. Fuel Prices**

The fuel price assumptions utilized to develop the Plan represent a combination of observed market prices and the long term fundamental outlook developed for Duke Energy Corporation (Duke Energy) by Wood McKenzie. Duke Energy utilizes its internal subject matter experts to review and validate the assumptions and study results provided by Wood McKenzie. The Company typically uses current market prices where there is an observable market to represent the near term (first 3 to 5 years) and then transitions to the long term fundamentals for the balance of the study period. The prices used for natural gas and fuel oil are also based on a combination of the New York Mercantile Exchange (NYMEX) forward curve and the Wood McKenzie long term fundamental outlook.

## **3. Retirement Assessment**

The retirement of generating units depends on a number of factors including environmental regulations, unit operating performance, and the economics of continued operation. To recognize these factors and specifically how they may impact older, less efficient coal generating plants, this Plan assumes that the entire Beckjord plant will retire by 2021. Specifically, Beckjord units 1-3 (316 MWs) are assumed to be retired at the end of 2014 and Beckjord 4-6 (593 MWs) at the end of 2021. These retirement assumptions are used for planning purposes to recognize potential new environmental regulations rather than specific unit firm commitments and will continue to be evaluated to reassess generation equipment operations along with current and future compliance with all state and federal environmental regulations.