



Mailing Address:
139 East Fourth Street
1303 Main / P.O. Box 960
Cincinnati, Ohio 45202
o. 513-287-4320
f. 513-287-4385

VIA OVERNIGHT DELIVERY

October 22, 2015

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard, P.O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

OCT 23 2015

PUBLIC SERVICE
COMMISSION

Case No. 2015-00347

Re: *Case No. 2015-xxxx
In the Matter of the Application of Duke Energy Kentucky, Inc., for
Approval of a Premier Power Service Tariff and Standard Contract.*

Dear Mr. Derouen:

Enclosed please find an original and twelve copies of the *Application of Duke Energy Kentucky, Inc. For Approval Its Premier Power Service Tariff and Standard Contract*, for filing in the above referenced matter.

Please date-stamp the two copies of the letter and filing and return to me in the enclosed envelope.

Sincerely,

Rocco D'Ascenzo
Associate General Counsel
rocco.d'ascenzo@duke-energy.com

cc: Hon. Jennifer Hans

RECEIVED

OCT 23 2015

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF)
DUKE ENERGY KENTUCKY, INC.,)
FOR APPROVAL OF A PREMIER POWER)
SERVICE TARIFF AND STANDARD)
CONTRACT)

Case No. 2015- 00347

APPLICATION OF DUKE ENERGY KENTUCKY, INC. FOR APPROVAL OF ITS
PREMIER POWER SERVICE TARIFF AND STANDARD CONTRACT

Now comes Duke Energy Kentucky, Inc. (Duke Energy Kentucky or the Company) and requests approval to implement a new and voluntary tariff offering and program for the Company's non-residential customers called the Premier Power Service (PPS). PPS provides an opportunity for commercial and industrial customers that, for business continuity or other reasons, desire to have a higher level of energy reliability through the installation of an on-site backup generator. PPS sets forth the terms under which a customer that desires this enhanced reliability may partner with the Company to install and operate this equipment.

In support of this Application, pursuant to Administrative Regulation 807 KAR 5:001, Duke Energy Kentucky submits the following:

I. INTRODUCTION

1. Duke Energy Kentucky is an investor-owned utility engaged in the business of furnishing natural gas and electric services to various municipalities and unincorporated areas in Boone, Bracken, Campbell, Gallatin, Grant, Kenton, and Pendleton Counties in the Commonwealth of Kentucky.

2. Pursuant to 807 KAR 5:001, Section 14(1), Duke Energy Kentucky states that its business address is 139 East Fourth Street, Cincinnati, Ohio 45202, and that its local office in Kentucky is located at Duke Energy Envision Center, 4580 Olympic Boulevard, Erlanger, Kentucky 41018. The Company further states that its electronic mail address for purposes of this matter is KYfilings@duke-energy.com.

3. Pursuant to 807 KAR 5:001, Section 14(2), Duke Energy Kentucky states that it was originally incorporated in the Commonwealth of Kentucky on March 20, 1901, and attests that it is currently in good standing in said Commonwealth.

II. BACKGROUND

4. PPS is a new and voluntary tariff offering available to commercial and industrial operations that find it advantageous to have on site a backup power supply to continue their operations during the periodic power outages that occur on all electric systems due to wind, ice, snow, flood, accidents, disturbances on the transmission grid, and other occurrences. PPS will offer such commercial and industrial customers the opportunity to have a higher level of energy reliability through the installation at their site of a backup generator with a name plate rating of 50kW or greater for that customer's exclusive use solely during power outages. The backup generators will be sized, detailed, and located to exclusively fit the backup generation needs of each single, participating, commercial or industrial entity. The backup generators will only provide, and will only be capable of providing, power to the single participating customer at that specific site. The backup generators will only supply electricity to a single customer when the normal distribution system power to that customer is out and for routine testing of the generator. The backup generator's Automatic Throw-Over Switch (ATO) prevents electricity from going into the utility distribution system during power outages and only allows the backup generation

electricity to flow one way -- to the participating customer. The backup generators will only be permitted for emergency back-up use and will not be dispatched into the PJM Interconnection L.L.C., (PJM) or otherwise into the Duke Energy Kentucky distribution system. As such, the backup generators will not be included in the Company's Integrated Resource Plan (IRP) analysis or eligible for demand response. And, since PPS is intended to be for emergency backup purposes, the customer will not be net metering its overall electricity consumption and will not be subject to the limitations and terms of the Company's net metering tariff.

5. The PPS service will be offered to customers through a standard tariff, KY.P.S.C. Electric No. 2, Original Sheet No. 70 (Rider PPS). Rider PPS will be charged to the specific customer enrolling in the program pursuant to a Standard Contract that will set forth the type and charges for service. The PPS rate will be calculated based on each individual customer's backup generation needs and the equipment selected. PPS will be a self-sustaining program, accounted for below the line, with no subsidization by non-participating customers. The investment in and operating costs of each backup generator will not be included in Duke Energy Kentucky's base retail electric rates, but rather will be covered in each participating customer's all inclusive, monthly PPS charge based on the investment in, and costs related to, each individual participating customer's specific backup generator. Through their individualized fixed monthly charge, each participating customer will pay their own fuel costs and no PPS fuel cost will be include in Duke Energy Kentucky's quarterly fuel adjustment charge process.

6. Participation in PPS will be voluntary. Backup generators are available from other vendors in the competitive market place for purchase or lease, so customers wishing to have this enhanced level of redundancy are not obligated to take this service from the Company. Each interested customer, who chooses Duke Energy Kentucky to provide this service, will be

presented the monthly charge that would be required for the term of the standard PPS Rider contract before they sign their contract. Qualifying customers that may have use for the PPS backup generator minimum output of 50 kW will be, sophisticated operations that have knowledgeable, professional staffs with access to engineering services and financial advisors. Such customers are able to quantify competing opportunities and determine if the fixed monthly PPS charge is preferable to competing offers for backup generation purchase or lease.

7. The Commission's approval of this Rider PPS will benefit both Duke Energy Kentucky and Duke Energy Kentucky's customers. Commercial and industrial customers will benefit by having a tailor-made backup generation offer that does not require large capital investment or large planning and construction expense and effort on their part. Rather, with PPS, such customers will enjoy the convenience and capital budget savings by paying a fixed monthly charge for this optional service through their monthly Duke Energy Kentucky electric bill. A separate PPS charge on the enrolled customer electric bill will be calculated so to include the capital and operation and maintenance expenses for the purchase, installation, testing, maintenance, fueling, and ongoing operation of each on site generator. PPS is an efficient and reasonably priced product that provides customers with a new alternative to meeting their reliability needs. Both Duke Energy Kentucky and Duke Energy Kentucky's customers will benefit by the increased customer satisfaction that will result from this customer convenience, piece of mind, and higher level of service reliability to be provided at a fixed monthly cost, without the customer allocation of capital asset resources or the time and effort of shopping for, installing, maintaining, and fueling its own backup generator. PPS will also enhance the competitive market place options for available large backup generator services by offering customers more choices and opportunities to receive this type of service.

8. The Commission's approval of the PPS will allow Duke Energy Kentucky to effectively compete with other businesses in the free market place that offer backup generators for lease or sale at prices and terms that do not require the time and costs of obtaining regulatory reviews and approvals. Moreover, this service will allow Duke Energy Kentucky to continue to be a trusted energy advisor to its customers by allowing the Company to partner with customers who have a specific energy need that can potentially be met through a standard tariff service offering.

9. Exhibit 1 is a copy of the proposed electric tariff sheet, Rider PPS, KY.P.S.C. Electric No. 2, Original Sheet No. 70.

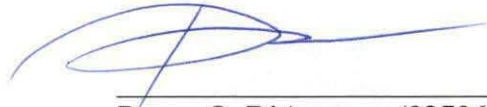
10. Exhibit 2 is copy of the proposed standard contract for PPS service.

11. Exhibit 3 is a copy of the Direct Testimony of Duke Energy Kentucky Witness Keith Dale who supports Rider PPS.

WHEREFORE, Duke Energy Kentucky respectfully requests that the Commission, issue an Order approving the Company's Premier Power Service offering, Rider PPS, the Standard Contract and all other appropriate relief necessary.

Respectfully submitted,

DUKE ENERGY KENTUCKY, INC.



Rocco O. D'Ascenzo (92796)
Associate General Counsel
Amy B. Spiller (85309)
State Regulatory General Counsel
Duke Energy Kentucky, Inc.
139 East Fourth Street – 1303 Main
Cincinnati, Ohio 45201-0960
Phone: (513) 287-4320
Fax: (513) 287-4385
E-mail: Rocco.D'Ascenzo@duke-energy.com

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing Application of Duke Energy Kentucky, Inc. has been served via overnight mail to the following party on this 28 day of October, 2015 :



Rocco D'Ascenzo

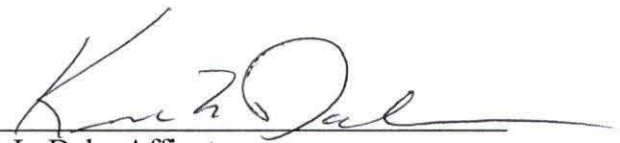
Hon. Larry Cook
Office of the Attorney General
Utility Intervention and Rate Division
1024 Capital Center Drive
Frankfort, Kentucky 40601

VERIFICATION

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

The undersigned, Keith L. Dale, being duly sworn, deposes and says that he is the Strategy & Market Effectiveness Manager, that he has personal knowledge of the matters set forth in the foregoing, and that the information contained therein is true and correct to the best of his knowledge, information and belief.

DUKE ENERGY KENTUCKY

By: 
Keith L. Dale, Affiant
Strategy & Market Effectiveness Manager

Subscribed and sworn to before me by Keith L. Dale, on this 21st day of October 2015.


NOTARY PUBLIC

My Commission Expires: 7/8/17



E. MINNA ROLFES
Notary Public, State of Ohio
My Commission Expires
July 8, 2017

Duke Energy Kentucky, Inc.
4580 Olympic Blvd.
Erlanger, Kentucky 41018

KY.P.S.C. Electric No. 2
Original Sheet No. 70
Page 1 of 2

**RIDER PPS
PREMIER POWER SERVICE**

AVAILABILITY

Applicable to qualifying non-residential Customers, on a voluntary basis, served under Rates DS, DP or Special Contracts. Customers must enter into a service agreement with Company under this rider.

PROGRAM DESCRIPTION

Under the terms of this program, the Company will own, install, operate and maintain on-site equipment such as on-site generators, fly-wheel, and Uninterruptible Power Supply (UPS) systems designed to provide a supply of electricity to the Customer's facility in the event that the primary supply of electricity is interrupted. The minimum size of on-site generators provided under this program will have a nameplate rating of 50 kW. The generator and associated business continuity support equipment will be located on the Customer's premises at a mutually agreed upon location. The generator and associated business continuity support equipment will be connected on the Company's (line) side of Company's billing meter. Customer will be billed for all usage registered on the Company's billing meter under the applicable rate schedule.

RATE

Each qualifying customer's individual monthly rate calculated for each customer for this service will be determined as follows:

Monthly Service Payment = Estimated Levelized Capital Cost + Estimated Expenses

Where:

Levelized Capital Cost is equal to the present value of all estimated capital related cash flows for a period corresponding to the time of engineering, design and installation of equipment through the term of the contract, adjusted to a pre-tax amount and converted to a uniform monthly payment for the term of the contract. The estimated capital cash flows shall include estimated installed cost of equipment, contingency allowances, salvage value, adjustment to reflect additional supporting investment of general plant nature, and income tax impacts.

Expenses shall equal the present value of estimated expenses associated with the support and maintenance of the generation and support equipment, adjusted to a pre-tax amount and converted to a uniform monthly payment for the term of the contract. The estimated expenses shall include administrative and general expenses, expenses for labor and materials related to operations and maintenance, third party expenses for operations and maintenance, warranties, insurance, annual costs associated with working capital, fuel inventory, depreciation, property tax, other costs related to the operation and support of the generator system installation, and income tax impacts..

The after tax cost of capital from the Company's most recent general rate case will be used to convert present values to uniform monthly payments.

Issued by authority of an Order by the Kentucky Public Service
Commission dated _____, 2015 in Case No. _____.

Issued: October 23, 2015
Effective: November 23, 2015
Issued by James P. Henning, President

Duke Energy Kentucky, Inc.
4580 Olympic Blvd.
Erlanger, Kentucky 41018

KY.P.S.C. Electric No. 2
Original Sheet No. 70
Page 2 of 2

MONTHLY BILL

Customer's monthly bill for all services under this rider will appear on their regular monthly electric bill as a line item.

CONTRACT

As provided in the Premier Power Service Agreement (Agreement), customer shall enter into a contract for Premier Power Service from the Company for an initial term of ten (10) years, or other term at the Company's option, and thereafter from year to year upon the condition that either party may terminate the contract by giving a minimum of ninety (90) days notice of such termination in writing. In the event of early termination of the Agreement under this program, the Customer may be required to pay the Company a termination fee as set forth in the Agreement.

Issued by authority of an Order by the Kentucky Public Service
Commission dated _____, 2015 in Case No. _____.

Issued: October 23, 2015
Effective: November 23, 2015
Issued by James P. Henning, President

Premier Power Service Agreement

THIS AGREEMENT is made and entered into this _____ day of _____, 201_ (the "Effective Date") by and between Duke Energy Kentucky, Inc. ("Duke"), and _____ ("Customer"), having a physical address at _____ (hereinafter "the Site"). Duke and the Customer are hereinafter collectively referred to as "the Parties."

WHEREAS, the Customer desires for Duke to provide equipment and services to allow for on-site generation at its Site in order for Customer to maintain the supply of electricity to its Site in the event the normal electric supply is interrupted;

WHEREAS, Duke is willing to provide such equipment and services to allow for on-site generation at Customer's Site in accordance with the terms of this Agreement and the Schedule attached hereto as Premier Power Service.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

- Scope of Services.** Duke shall provide the on-site generation equipment identified in **Scope Of Work** attached hereto (the "Equipment") and the labor, supervision, equipment, materials and transportation necessary for the installation of the Equipment at the Customer's Site, and maintenance and fuel acquisition to support the use of the Equipment (the "Services"). Customer shall provide, at no cost to Duke, any plans, specifications, drawings, or information that may be necessary or useful in the performance of the Services. In the event of any unforeseen difficulties in installation of the Equipment or performance of the Services due to conditions at the Site or due to the inaccuracy of information provided by Customer and relied upon by Duke, the Monthly Rate (as defined below), the scope of Services, and the Term shall be adjusted to fully compensate Duke for any additional work. The Equipment shall only be approved for use by Customer upon: (i) completion of installation, (ii) connection to the Customer's electric facilities, (iii) connection to Duke's electric facilities and (iv) testing by Duke. Duke shall test the Equipment to ensure that it is in proper working order. Upon satisfactory completion of such tests, the Services shall be deemed accepted by Customer.
- Payment.** Customer shall pay the fees set forth in Premier Power Service attached hereto (the "Monthly Rate"). Payments are due and payable on the date of the bill at the office of Duke. Bills are past due and delinquent on the fifteenth day after the date of the bill.
- Term and Termination.** This contract shall become effective upon the Effective Date and shall continue for a term of _____ years ("Initial Term") unless otherwise terminated as provided herein. If either party breaches any material provision of this Agreement, including obligations for payment, which material breach remains uncured for a period of thirty (30) days from and after receipt of written notice, the non-breaching Party may terminate this Agreement and exercise any remedies at equity or at law. In addition, the Customer shall have the right to terminate this Agreement before the Initial Term has expired by (a) providing a minimum of ninety (90) days written notice prior to termination and (b) paying a termination fee (the "Termination Fee"). The Termination Fee will be calculated by taking the net present value of the Customer's payments remaining in the Term, adding an estimated removal cost of the Equipment (including any costs incurred to restore Customer's property to a substantially equivalent condition as before the installation) as calculated by Duke, and subtracting the

difference between the current salvage value of the Equipment and the present value at the time of termination of the salvage value used in establishing a monthly rate. In the event of any termination of the Agreement before the end of the Term, Duke shall be paid for all Services provided to the Customer prior to the effective date of termination. After the expiration of the Initial Term this Agreement shall be renewed for annual terms unless either party provides a minimum of ninety (90) days written notice of termination. This Agreement shall also be terminated immediately upon the occurrence of: (i) insolvency of any of the Parties, (ii) changes in laws, regulations or governmental restrictions which would make the providing of the Services impossible or impractical for Duke, and (iii) any act which jeopardizes Duke's title to or rights in the Equipment. Upon termination of this Agreement for any reason, Duke shall be entitled, without prejudice to any other remedies that Customer may have at law or in equity, to remove immediately all of its installed Equipment.

4. **Permits and Licenses.** Duke shall be responsible for obtaining all license and permits required to enable Duke to perform the Services, provided that Customer shall provide Duke all reasonable assistance in obtaining such permits and license. Customer will be responsible for environmental registration with the appropriate authority and Duke will prepare all necessary documents for such registration. Customer shall be responsible for paying all associated costs and fees to comply with any laws, rules, regulations, or ordinances of any federal, state or local authority, or any agency thereof. Duke may upon thirty (30) days written notice to Customer terminate this Agreement without liability or penalty if Duke, after the exercise of all reasonable and diligent efforts, is unable to obtain or maintain any license, permit or other approval necessary to perform the Services or operate the Equipment.
5. **Right of Access.** Customer shall provide reasonable access to the Site at all times for Duke to perform the Services, including access for all vehicles (including, but not limited to, fuel tankers, cranes and other heavy construction vehicles), tools, materials and supplies reasonably required for maintenance of the Equipment. Customer shall provide a location on the Site for installation of Duke's Equipment, as well as reasonable lay-down area to store parts and perform the Services. Any additional efforts and costs incurred by Duke due to inadequate access to the Site shall be grounds for an equitable adjustment in the installation schedule and the Monthly Rate. Duke shall have the right to suspend services or adjust the schedule accordingly in the event that there is inadequate access to the Site, or if any other information is not promptly provided, or in the event that the safety of any person or property might be jeopardized by continuing with the Services.
6. **Preparation and Protection of Site.** In addition to the other obligations of Customer set forth in this Agreement, Customer shall be responsible for installation of any fences or other barriers to protect Equipment and third parties. Customer will also be responsible for installing any desired aesthetic screening of Equipment. Provided that the aesthetic screening must not interfere with access to or operation of Duke's Equipment. Customer shall provide Duke all reasonable assistance in removing any fence or other barrier that obstructs Duke's ability to install or remove its Equipment upon termination of this Agreement.
7. **Ownership Rights.** Duke shall retain title to all Equipment provided by Duke pursuant to this Agreement, including all enhancements and accessories thereto, and all intellectual property rights associated therewith (including without limitation, rights to copyrights, trade secrets, and know-how), notwithstanding the fact that the Equipment or any part thereof may become in any manner attached to, embedded in or resting on any real property or building of the Customer. Customer shall keep the Equipment, and all enhancements and accessions thereto, free of all liens, encumbrances, or claims of any kind. In order to protect Duke from such liens and

encumbrances, Customer shall, if requested by Duke, execute and deliver to Duke all uniform commercial code financing (UCC-1) statements, continuation statements, notices and other documents that Duke may request from time to time to maintain, protect and perfect Duke's right, title and interest in the Equipment. In order to protect Duke from such liens and encumbrances, Customer hereby irrevocably appoints Duke as Customer's true and lawful attorney-in-fact with the power to sign Customer's name on, and to deliver any document described in the immediately preceding sentence. Copyrights or patents or other intellectual property created or developed during the performance of the Services shall be the property of Duke. For all such intellectual property, Duke shall grant an irrevocable, non-exclusive royalty-free license for Customer to use any such intellectual property during the term of this Agreement. Customer shall not make any alterations, additions or improvements to the Equipment without Duke's prior written consent.

If the Customer's financial condition declines at any time during the term of the Services hereunder, such that Duke has reasonable grounds to be insecure concerning the Equipment or Customer's ability to perform any of its obligations under this Agreement, Duke may request in writing adequate assurance of performance. Customer shall have ten (10) business days to provide such adequate assurance. If Duke, in its reasonable discretion, determines that Customer has failed to provide adequate assurance within the time period set forth above, then Duke shall have the right to terminate this Agreement immediately and recover the Equipment. Without limitation, grounds for insecurity may include (i) reduction in Customer's senior, unsecured long term debt rating below BB- or equivalent, (ii) notice of any lien or encumbrance allegedly filed against the Equipment; (iii) default of any real property lease upon which the Equipment is located; or (iv) default of any promissory note or loan agreement with any financial institution. Without limitation, adequate assurance to Duke may include cash prepayments, a parental guarantee, and/or a letter of credit, all in an amount and in a form reasonably acceptable to Duke.

8. **Change Requests:**

Either Party may request a change to any of the Services provided under this Service Agreement or request new services (collectively a "***Change***") at any time.

If the Customer requests a Change, a written change request (the "***Change Request***") shall be submitted to Duke. The Change Request will describe the proposed modification(s) to the Equipment and Services, describe what is to be changed and identify the priority of the request. Duke shall review each Change Request submitted by Customer and notify Customer as soon as practicable after its receipt of the Change Request of any technical, operational, and pricing impacts of such Change Request (the "***Change Response***"). The fees, costs, and expenses associated with any Change Request, if any, shall be identified by Duke in its Change Response. Customer shall be responsible for all fees, costs, and expenses associated with a Change.

9. **Safety.** All Services performed by Duke shall comply with Duke's Safe Work Practices requirements and applicable law. Customer will ensure that all Occupational Safety and Health Act requirements are adhered to for the area of the Site where any Duke Equipment, in support of the Services, is to be stored. It shall be the responsibility of the Customer to promptly notify Duke of any events or problems, other than that of a routine nature, relating to the operation and maintenance of the Equipment which comes to the Customer's attention. Duke, in its sole discretion, may provide Customer an emergency start-up button for the Equipment. Except for the use of this emergency start-up button in accordance with Duke instructions, the Customer shall not, nor shall it permit its employees, contractors or others to, tamper with, adjust, change or

attempt to operate any of the Equipment for which Duke has responsibility pursuant to this Agreement.

10. **Warranty.** Duke warrants that services shall be performed in accordance with generally accepted industry practices, however, Duke does not guarantee the uninterrupted operation of the Equipment. Duke shall exercise reasonable efforts to complete the Services by the date agreed upon by the Parties. **EXCEPT AS EXPRESSLY PROVIDED HEREIN, DUKE MAKES NO OTHER WARRANTIES OR GUARANTEES OF ANY KIND WHATSOEVER, WHETHER EXPRESS OR IMPLIED, CONCERNING THE EQUIPMENT OR THE SERVICES PROVIDED UNDER THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.**
11. **Limitation of Liability.** Except as provided in paragraph 15, Duke shall not be responsible for any work done by third-parties or for any loss, damage, cost or expense arising out of or resulting from such work, unless authorized in advance and supervised by Duke. **DUKE SHALL COMPLY WITH THE TERMS AND CONDITIONS OF ITS SERVICE REGULATIONS ON FILE WITH COMMISSIONS HAVING JURISDICTION OVER PUBLIC UTILITIES. NOTWITHSTANDING THE FOREGOING, DUKE SHALL NOT BE LIABLE FOR ANY INDIRECT, SPECIAL, CONSEQUENTIAL, PUNITIVE, OR SPECULATIVE DAMAGES, INCLUDING BUT NOT LIMITED TO, LOST PROFITS DUE TO ANY ACT OR OMISSION UNDER THIS AGREEMENT. IN NO EVENT SHALL DUKE'S LIABILITY EXCEED THE COST TO REPAIR OR REPLACE ANY PROPERTY DAMAGED BY ITS NEGLIGENT MISCONDUCT. Customer shall indemnify and hold Duke harmless for all losses, injuries, damages and claims, including attorney fees and all costs.**
12. **Protection of Equipment.** In the event of damage to Duke Equipment that is caused by any act or omission of Customer or Customer's agents, Customer agrees to pay all repair or replacement costs associated with the damage. Customer shall protect the Equipment from and shall be liable for loss, damage, theft, fire or destruction to Equipment while Equipment is on Customer's property (less normal wear and tear), and provided such loss or damage is not the result of any act or omission of Duke, its employees, or agents or when such property damage or loss occurs while the Equipment is being serviced or operated by Duke. This paragraph shall survive the termination of this Agreement.
13. **Assignment.** This Agreement shall inure to the benefit of and be binding on the parties and their successors and assigns. Neither party shall assign all or any portion of this Agreement without the prior written consent of the other Party, except that either Party may assign the Agreement without such consent to its successor by merger, or to a person acquiring all or substantially all of business assets or to its parent or a wholly owned subsidiary.
14. **Rate Schedule and Service Regulations.** The sale, delivery, and use of electric power hereunder, and all services of whatever type to be rendered or performed in accordance with the terms of this Agreement, shall in all respects be subject to and in accordance with all of the terms and conditions of Duke's Sheet No. 70, Rider PPS Premier Power Service and its Service Regulations, all of which are now on file with the Kentucky Public Service Commission ("Commission") and are hereby incorporated by reference and made a part of this Agreement as though fully set forth herein. This Agreement and the terms and conditions of Duke Energy Kentucky's tariffs are subject to the jurisdiction of the Commission. This Agreement may require review and approval by the Commission.

15. **Amendments.** Services rendered under this Agreement are subject to the authority of the Commission and any changes or other modifications lawfully made thereto. This agreement is subject to changes or substitutions, either in whole or in part, made from time to time by a legally effective filing of Duke with, or by order of, the regulatory authority having jurisdiction. Unless specified otherwise, any such changes or substitutions shall become effective immediately and shall nullify all prior provisions in conflict therewith. Except as expressly provided herein, the terms of this Agreement may not be modified except by written agreement duly executed by both Parties. No amendments to this agreement may be accomplished verbally or through the exchange of letters.
16. **Subcontracting.** Duke shall be permitted to use subcontractors to perform the services. Notwithstanding the use of subcontractors, Duke shall continue to be primarily responsible for the quality of the Services.
17. **Waiver.** The failure of either Party to insist upon performance of any term or condition of this Agreement or to exercise any right hereunder on one or more occasions shall not constitute a waiver or relinquishment of its right to demand future performance of such term or condition, or to exercise such a right in the future.
18. **Confidentiality.** Information disclosed (either directly or by visual examination of facilities) by either party to the other during the performance of the Services may include confidential or proprietary information of such party or third parties to whom it is bound by written obligations of confidentiality ("Confidential Information"). In the event (i) any such Confidential Information is disclosed in writing and is specifically identified as proprietary or confidential in writing prior to or at the time of disclosure, or (ii) such Confidential Information is disclosed orally or by visual examination and the party claiming confidential status therefore identifies the information in writing as confidential at the time or within a reasonable time after disclosure, the party receiving such Confidential Information shall keep it in confidence and shall not voluntarily furnish or otherwise disclose it to any third party during or after completion of the Services. Neither party shall be obligated to maintain the confidentiality of any Confidential Information designated by the other party as confidential or proprietary if: (a) The information was in the receiving party's possession or was known to the receiving party prior to its receipt from the other party and the receiving party was under no legal obligation to protect the confidentiality of such information; (b) The information is independently developed by the receiving party without the utilization of the Confidential Information; (c) The information is or becomes public knowledge without the fault of the receiving party; or (d) The information is or becomes available to the receiving party from another source without breach of any legal obligation to protect such information.
19. **Delays.** In no event shall Duke be responsible for any damages arising out of any failure to perform or delay due to any cause beyond Duke's reasonable control, including but not limited to riot, war, public emergency, fire, earthquake, acts of God, governmental restrictions, labor disturbances, strikes, delays in delivery of Equipment or interference by the Customer of entry on the Site or any act or failure to act by any third party. In such an event, Duke shall be entitled to an extension of time necessary to overcome the cause of the failure to perform or delay.
20. **Independent Contractor.** The Parties are independent contractors. Neither is the agent of the other. This is not a partnership agreement. While the Parties may enter into additional agreements, no Party here commits to any other to enter into such agreement

21. **Survival; Severability.** All Sections of this Agreement providing for indemnification, confidentiality or limitation of liability shall survive termination, cancellation or expiration of this Agreement. If any provision, or part thereof, of this Agreement shall be held to be invalid or unenforceable for any reason, the invalid provision or part thereof shall be stricken from the Agreement, and the remainder of the Agreement or provision shall be valid and enforceable to the fullest extent permitted by law.
22. **No Publication.** Customer shall not use Duke's name or the fact that Duke is performing Services for Customer in any press releases, media statements or public communications or otherwise publicize this Agreement without Duke's prior written consent. Customer shall not use Duke's (including its subsidiaries and affiliates) name, logos, trademarks, service marks, trade names or trade secrets in any way without Duke's prior written consent, and Duke shall not be deemed to have granted Customer a license of, or granted Customer any rights in, any of the foregoing by entering into this Agreement.
23. **Entire Agreement.** The Parties acknowledge that this Agreement constitutes the entire agreement between the parties and supercedes all previous agreements and understandings concerning the work. In the event of any conflict between the terms and conditions of this Agreement, the terms of **Scope of Work** or the terms of the Rate Schedule, **Premier Power Service** and Service Regulations, the terms of the Rate Schedule, **Premier Power Service Schedule** and Service Regulations shall govern and control. The terms of the Agreement shall control over the terms of **Scope of Work**. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky, without reference to any conflict of law principles.
24. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

Duke Energy Kentucky, Inc.	Customer: _____
By: _____	By: _____
Title: _____	Title: _____
Date: _____	Date: _____

**COMMONWEALTH OF KENTUCKY
BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION**

In the Matter of:

The Application of Duke Energy Kentucky,)
Inc., for Approval of a Premier Power) Case No. 2015-_____
Service Tariff and Standard Contract.)

**DIRECT TESTIMONY OF
KEITH L. DALE
ON BEHALF OF
DUKE ENERGY KENTUCKY, INC.**

October 22, 2015

TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION AND PURPOSE	1
II. OVERVIEW OF PREMIER POWER SERVICE	2
III. PREMIER POWER SERVICE PRICING AND CONTRACT	6
IV. PREMIER POWER SERVICE BENEFITS.....	9
V. PREMIER POWER GENERATOR IS EXCLUSIVELY AVAILABLE TO ITS ASSIGNED CUSTOMER.....	14
VI. CONCLUSION	19

I. INTRODUCTION AND PURPOSE

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Keith L. Dale. My business address is 1262 Cox Road Erlanger, KY
3 41018.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am Strategy & Market Effectiveness Manager in the Energy Services group for
6 Duke Business Services, Inc., the service company affiliate of Duke Energy
7 Kentucky, Inc. (Duke Energy Kentucky or Company).

8 **Q. PLEASE BRIEFLY SUMMARIZE YOUR EDUCATIONAL
9 BACKGROUND AND PROFESSIONAL EXPERIENCE.**

10 A. I have a Bachelor of Science in Electrical Engineering from the University of
11 Kentucky, a Master of Science in Electrical Engineering from the University of
12 South Carolina and a Master of Business Administration from Western Carolina
13 University. I joined Duke Power Company in 1981 in the Retail Services group.
14 I have held numerous positions in Distribution Engineering, Marketing and
15 Account Management. I have been a manager in the Energy Services group for
16 the Midwest service area of Kentucky, Ohio and Indiana and recently have moved
17 into the position Strategy and Market Effectiveness manager for the Energy
18 Services group covering all service jurisdictions.

19 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS MANAGER OF
20 STRATEGY DEVELOPMENT AND MARKET EFFICIENCY
21 MANAGEMENT FOR THE MIDWEST SERVICE AREA.**

1 A. As Manager of Strategy & Market Effectiveness, I am responsible for
2 development and delivery of new products and services involving electrical
3 infrastructure expansions, emergency backup generation and energy efficiency
4 projects for our large commercial and industrial customer in Florida, North and
5 South Carolina, Indiana, Ohio and Kentucky. This position supports the
6 Company's customer satisfaction efforts and produces revenue growth.

7 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KENTUCKY**
8 **PUBLIC SERVICE COMMISSION?**

9 A. No.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
11 **PROCEEDING?**

12 A. My testimony describes and supports approval the Company's proposed Premier
13 Power Service tariff offering (Rider PPS) a new and voluntary program for non-
14 residential customers who desire an enhanced level of reliability through on-site
15 back-up generation. I will describe the Premier Power Service program, its
16 purpose, function, and operations and explain why the Commission should
17 approve the program. Finally, I sponsor Exhibits 1 and 2 to the Application filed
18 in this proceeding. .

II. OVERVIEW OF PREMIER POWER SERVICE

19 **Q. WHAT IS PREMIERE POWER SERVICE?.**

20 A. Premier Power Service (PPS) is a voluntary and regulated tariffed product that
21 provides interested customers with an opportunity to invest in an enhanced level
22 of reliability through onsite equipment such as a back-up generator, fly-wheel,

1 and uninterruptible Power Supply (UPS) system. Some large commercial and
2 industrial operations (hospitals, data centers, manufacturing, etc.,) find it
3 financially advantageous to have on site a backup power supply to allow
4 continuation of their operations during the periodic power outages or momentary
5 voltage disruptions that occur on all electric systems due to wind, ice, snow,
6 flood, accidents, disturbances on the transmission grid, and other occurrences.
7 For some large manufacturing customers and technology intensive customers,
8 down time associated with loss of power or deviations in power quality equates to
9 large revenue losses or loss of digital information. Investing in this equipment
10 requires a significant upfront capital cost that most customers are not able to
11 incur. Premier Power Services will offer such large commercial and industrial
12 customers the opportunity to have a higher level of electricity reliability through
13 the installation at their business site of a backup generator that is delivered as a
14 service over a minimum 10 year term.

15 **Q. WHAT IS THE HISTORY OF PREMIER POWER SERVICE?**

16 A. Duke Energy has offered Premier Power Service backup generation for the past
17 fourteen years in many of its other regulated utility jurisdictions. Customers in
18 Florida, South Carolina, North Carolina, and recently, Indiana, have found value
19 in the program by achieving their desired level of high service reliability during
20 power outages through the hassle free convenience of paying a fixed, monthly
21 charge on their electric bill. Those states have a total of 67 backup power
22 installations with a total installed capacity of 73,000 kW.

1 **Q. PLEASE DESCRIBE YOUR FAMILIARITY WITH THE PREMIER**
2 **POWER SERVICE PROGRAM.**

3 A. Within my responsibilities, I oversee that the development of new product and
4 services for our commercial and industrial customers including backup generation
5 projects. I am familiar with the components, activities, and operation of these
6 projects from my work experience in North Carolina and South Carolina as an
7 Account Executive for Duke Energy Corporation (Duke Energy). I was recently
8 involved in the preparation and approval of a premier power service program in
9 Indiana.

10 **Q. PLEASE BRIEFLY DESCRIBE THE TYPES OF SERVICES THAT WILL**
11 **BE OFFERED UNDER THE PPS PROGRAM TARIFF.**

12 A. The services provided will be set forth in Duke Energy Kentucky's tariff, Premier
13 Power Service Rider KY.P.S.C. Electric No., 2, Sheet No., 70 (Rider PPS). A
14 copy of the proposed tariff Rider PPS is included as Exhibit 1 to the Application.
15 Rider PPS will be available to any Duke Energy Kentucky non-residential
16 customer desiring enhanced reliability for business continuity. The Company
17 intends to target market this program to prospective large sophisticated,
18 commercial or industrial customers who have either previously indicated or are
19 likely to desire back-up generation solutions. The services offered under Rider
20 PPS will be primarily through on-site generation (natural gas, diesel, etc.,) and
21 associated equipment that will be used in tandem so to provide the desired lever
22 of continuity of service to customers who enroll in the program. The backup
23 generators will have a minimum name plate rating of 50kW or greater, thus

1 meeting the needs of large, sophisticated, energy intensive customers. While
2 other customers on this same circuit will experience downtime during power
3 interruptions, customers paying for the PPS will continue to operate as if
4 conditions were normal. As new technologies continue to emerge and become
5 cost effective, such as on-site storage and batteries, such products may be
6 included in future offerings.

7 **Q. PLEASE DESCRIBE THE OWNERSHIP, DESIGN, INSTALLATION**
8 **AND MAINTENANCE OF THE PREMIER POWER BACKUP**
9 **GENERATORS.**

10 A. Duke Energy Kentucky will have sole responsibility for all those functions. Duke
11 Energy Kentucky will own the backup generators and the costs of each specific
12 installation will be charged directly to the customer enrolling in the program
13 through a levelized fixed charge over the life of the PPS agreement. Duke Energy
14 Kentucky will work with each individual customer to design a system that will
15 meet their specific business continuity needs, including, but not limited to, size
16 and fuel-type. Installation will be performed by Duke Energy Kentucky personnel
17 or contractors. The installation will be on the utility's side of the meter to avoid
18 directly interfacing with the customer's internal electrical system. This will also
19 insulate the customer from having to reconfigure or upgrade their internal wiring
20 that may be necessary for behind-the-meter back-up generation. Maintenance of
21 the PPS generators will also be performed by Duke Energy Kentucky in
22 conformity with a maintenance schedule and requirements that exceed

1 manufacturer's recommendations. Maintenance also includes maintenance of the
2 generator's fuel supply.

III. PREMIER POWER SERVICE PRICING AND CONTRACT

3 **Q. PLEASE DESCRIBE HOW THE PREMIER POWER SERVICE**
4 **PROGRAM WILL OPERATE.**

5 A. Customers desiring to take service under Rider PPS will enter into a service
6 agreement with Duke Energy Kentucky that will include a scope of work detailing
7 the design of the PPS system they are requesting and the services the customer
8 wishes to engage Duke Energy Kentucky (Standard Contract). A copy of the
9 proposed standard contract is included as Exhibit 2 to the Application.

10 The Standard Contract is intended to be uniform for all customers
11 enrolling in the program. And this Standard Contract form will be on file with the
12 Commission as part of the Company's PPS tariff. Only the Scope of Work and the
13 Payment Schedules will be individualized for each customer installation. Because
14 this information will be customer-specific, contain sensitive competitive
15 information regarding load characteristics, processes, and vendor pricing, the
16 scope of work and payment schedule are considered highly confidential.

17 As I said, each PPS system will be individually designed to meet the
18 specific needs of the customer wishing to take service under the tariff. The costs
19 for each system will be directly charged to that customer and determined based
20 upon the individual system design costs and a formula set forth in Rider PPS.
21 Each voluntary participant's monthly service fee will be calculated and agreed to
22 prior to the Rider PPS Standard Contract being executed. Each customer who

1 enrolls in the program will have full disclosure of the monthly cost and the terms
2 of the Standard Contract prior to entering into the agreement.

3 The monthly charge will be all inclusive including the cost of fuel and all
4 maintenance. The customer pricing utilizes the current weighted cost of capital
5 assuming the most recent rate case-established rate of return on equity at the time
6 of the contract to determine the levelized monthly charge. The customer pricing
7 utilizes the current approved weighted cost of capital assuming a return on equity
8 as approved in the immediately preceding rate case to determine the levelized
9 monthly fixed charge. The monthly charge will remain the same through the term
10 of the contract and will appear as a line item on the customer's monthly bill.
11 Each customer's unique requirements for backup generation and installation are
12 considered and included in Premier Power Service pricing.

13 By enrolling in the program, the customer agrees that the costs for this
14 program will appear on their monthly Duke Energy Kentucky electric bill.

15 **Q. WHAT WILL BE THE PROCESS FOR CUSTOMERS TO SIGN UP FOR**
16 **PREMIER POWER SERVICE?**

17 A. The process is simple. To qualify, customers will have to pass an initial credit
18 evaluation and have a minimum credit rating of BBB+. Obviously the financial
19 integrity / reliability of the customer is a necessary requirement for Duke Energy
20 Kentucky to consider bearing the purchase and installation costs of a large backup
21 generator and the ongoing risk of this stand alone, below the line program. The
22 customer will then be required to sign a letter of initial intent and pay a nominal
23 amount to cover the cost of a site evaluation. The Company will evaluate the site

1 and the cost for each site and generation need identified. The Company will
2 determine the monthly service charge. The Premier Power pricing and the PPS
3 Rider contract will be presented to the customer. The customer will evaluate the
4 proposed contract and perform its own due diligence and cost benefit analysis.
5 With agreement to price and terms, the installation will proceed. Without
6 agreement the process is ended.

7 **Q. IF THE CHARGE IS APPEARING ON THE CUSTOMER'S BILL, WILL**
8 **DUKE ENERGY KENTUCKY DISCONNECT THE CUSTOMER FOR**
9 **NON-PAYMENT OF THE PPS SERVICE?**

10 A. No. Duke Energy Kentucky will prioritize any partial payments made by a PPS
11 customer to a balance attributed to its regulated electric rates first, and then apply
12 any additional funds to the PPS charges. The terms and conditions of the Standard
13 Contract set forth Duke Energy Kentucky's ability to discontinue the PPS service,
14 terminate the agreement and remove the equipment in the event the customer
15 breaches the contract. Duke Energy Kentucky will perform a thorough
16 creditworthiness evaluation for every customer interested in the service prior to
17 entering into the Standard Contract.

18 **Q. WHAT IS THE TERM OF THE PPS STANDARD CONTRACT?**

19 A. The length of the Standard Contract will be 10 years. The capital costs of the
20 back-up equipment will be recovered during that term. After the initial 1- years of
21 the program, the customer will be offered an option to continue the PPS service
22 through maintenance/ service only contract on the equipment or to remove the
23 equipment and discontinue the service.

1 **Q. DOES DUKE ENERGY KENTUCKY HAVE ANY SIMILAR RATE**
2 **STRUCTURES CURRENTLY AVAILABLE IN ITS TARIFFS?**

3 A. Yes. Duke Energy Kentucky's outdoor lighting tariffs have a similar structure. In
4 those tariffs, a customer will pay for the equipment costs through a levelized fixed
5 charge for a period up to ten years. After that ten year time, the customer will
6 switch to an energy only rate with an option to enter into a service agreement for
7 maintenance.

8 **Q. WILL THE PPS PROGRAM AND TARIFF HAVE ANY FINANCIAL**
9 **IMPACT ON NON-PARTICIPATING CUSTOMERS?**

10 A. No. Although it is a tariffed offering, Premier Power will be a self-sustaining
11 program, accounted for below the line. Only those customers who enroll in the
12 program will be charged, and those customers will only pay for the cost of their
13 individual system. None of its investments in plant or operating costs will appear
14 in the formulation of retail electric rates for non-participants. Even fuel expense
15 will be separately accounted for and charged to the individual customer taking
16 service. With revenues and expenses below the line, the Company is left at risk to
17 recover all of the costs of each Premier Power Service installation from the
18 individual customer who enrolls in the program. The below the line accounting
19 eliminates any concern that voluntary participation in Premier Power Service may
20 be subsidized by non-participating customers.

IV. PREMIER POWER SERVICE BENEFITS

21 **Q. WHAT ARE THE BENEFITS ASSOCIATED WITH THE PREMIER**
22 **POWER SERVICE?**

1 A. The Commission's approval of the Premier Power Service will benefit both Duke
2 Energy Kentucky and Duke Energy Kentucky's customers. Large commercial
3 and industrial customers will benefit by having a tailor made backup generation
4 offer that does not require large capital investment or large planning and
5 construction expense and effort on their part. Rather, with Premier Power such
6 customers will enjoy the convenience and capital budget savings by paying a
7 fixed monthly PPS service charge. The PPS program bears the capital and
8 operational responsible for the purchase, installation, testing, maintenance,
9 fueling, and ongoing expenses of each on site generator. PPS is efficient and can
10 be offered to customers at a reasonable cost. Both Duke Energy Kentucky and
11 Duke Energy Kentucky's large customers will benefit by the increased customer
12 satisfaction that will result from this customer convenience, piece of mind, and
13 higher level of service reliability to be provided at a fixed monthly cost, without
14 the customer allocation of capital asset resources or the time and effort of
15 shopping for, installing, maintaining, and fueling its own backup generator. PPS
16 will also enhance the competitive market place options for available large backup
17 generator services.

18 **Q. HOW DOES THE CUSTOMER DIRECTLY BENEFIT BY DUKE**
19 **ENERGY KENTUCKY BEING RESPONSIBLE FOR OWNERSHIP,**
20 **INSTALLATION AND MAINTENANCE OF THE BACKUP**
21 **GENERATORS?**

22 A. The Company shouldering those responsibilities is of huge benefit to Premier
23 Power Service customers. The backup generator costs will vary with each

1 customer's electricity needs and with each individual installation's details, but can
2 easily be around \$800,000 per installation. Premier Power allows the customer to
3 not have to allocate limited capital budget funds to an expensive generator that
4 will only be used during power outages. Instead Premier Power offers the
5 customer the benefits of obtaining this high level of reliability through the
6 convenience of a fixed monthly charge on their electric bill for the entire contract
7 term that can then be easily budgeted for and expensed in their normal operations.

8 With Duke Energy Kentucky being responsible for installation,
9 participating customers avoid the installation expense, personnel allocation, and
10 distraction that otherwise would occur if they purchased their own on site backup
11 generator. Similarly, with Duke Energy Kentucky being responsible for
12 maintenance activities, the customer avoids the distraction and personnel time
13 allocation associated with scheduling and performing periodic maintenance. With
14 Duke Energy Kentucky being responsible for the maintenance of the generators,
15 customers can be assured the Company owned generators will be thoroughly
16 maintained. The Company has an obvious incentive to have these costly onsite
17 generators in fine condition not only to serve the customer's needs but also to be
18 in excellent condition at the end of the Premier Power customer's contract, and be
19 available on site for a customer contract extension, or if not extended, then to be
20 relocated to serve another customer.

21 **Q. WHY DO CUSTOMERS REQUEST PREMIER POWER SERVICE FROM**
22 **DUKE ENERGY?**

1 A. Based on Duke Energy's experience over fourteen years with this program in
2 other jurisdictions, these are the reasons customers have partnered with us:

- 3 ▪ Avoid impact of outages.
- 4 ▪ Improved reliability of operations. In addition to loss of
5 production revenues, some operations that stop midstream due to
6 power outages can damage the manufacturing equipment as well as
7 leave paid workers standing idle.
- 8 ▪ Protect Critical Loads. Police call centers, hospitals, medical
9 service centers, data centers, internet servers, waste water/water
10 treatment facilities, refrigerated warehouses, and the like prefer
11 highly reliable electric power.
- 12 ▪ Focus on core business. Premier Power makes what otherwise is a
13 continuing, time intensive distraction from the actual operations of
14 the customer's business, a simple cost benefit analysis of the up-
15 front offer of the fixed monthly Premier Power charge against the
16 customers costs of lost operations due to power outages. The
17 customer does not have to deal with searching for the right
18 generator, overseeing its installation, being responsible for
19 administration of periodic generator testing, performing inspection,
20 maintenance, fueling etc. Once it decides Premier Power is a
21 solution they want, all the customer needs to do is pay the monthly
22 service charge.

- 1 ▪ Desire for a design, build, and maintain service. The one stop
2 shopping of Premier Power offers a time proven total package
3 pathway of efficiently obtaining high electricity reliability without
4 distracting the customer's staff from meeting the obligations and
5 goals of their ongoing business operations.
- 6 ▪ Desire for a trusted partner with experience with this type of work.
7 Duke Energy has a proven track record in this area of operations.
- 8 ▪ Free-up Capital & Personnel. Once the customer has conducted
9 their own cost benefit analysis and decides this higher level of
10 electricity, reliability makes financial sense for their business, they
11 can apply their capital and personnel to other business operations.
12 Once the unit is installed, the customer's obligation is to just pay
13 the monthly bill.
- 14 ▪ Avoid maintenance and fuel procurement responsibilities. Duke
15 Energy Kentucky assumes those responsibilities.
- 16 ▪ Take advantage of Duke Energy Kentucky's economies of scale.
17 Duke Energy has ongoing relationships with generator vendors and
18 contractors that may result in pricing better than a single customer
19 could find on their own in the competitive generator sales and
20 maintenance markets.
- 21 ▪ Avoid upgrading customers' old electrical systems. With the
22 backup generator connected on the utility's side of the meter, the

1 customer may avoid engineering and electric system upgrade costs
2 that otherwise would occur from its own installation of a generator.

**V. PREMIER POWER GENERATOR IS EXCLUSIVELY AVAILABLE
TO ITS ASSIGNED CUSTOMER**

3 **Q. WILL THE PREMIER POWER BACKUP GENERATORS BE**
4 **AVAILABLE TO TRANSMIT POWER TO THE DISTRIBUTION**
5 **SYSTEM?**

6 A. No. Each generator will be for its assigned customer's exclusive use solely
7 during distribution system power outages. They are configured in a way that only
8 allows their operation if the distribution system power is out and they can only
9 send power one way - to the customer's facility. The backup generators will be
10 sized, detailed, and located to exclusively fit the backup generation needs of each
11 individual, participating, commercial or industrial entity. The backup generators
12 will only provide, and will only be capable of providing, power to the single
13 participating customer. The backup generator will only supply electricity to that
14 single customer when the normal distribution system power to that customer is
15 out. The backup generator's Automatic Throw-Over Switch (ATO) prevents
16 electricity from going into the distribution system during power outages and only
17 allows the backup generation electricity to flow one way -- to the participating
18 customer. The backup generators will not be dispatched into PJM Interconnection
19 LLC., (PJM) or otherwise into the Duke Energy Kentucky system. As such, the
20 backup generators will not be included in Duke Energy Kentucky's Integrated
21 Resource Plan analysis IRP.

1 **Q. WILL THE PPS CUSTOMER BE ABLE TO USE ITS BACK-UP**
2 **GENERATION AS PART OF ANY LOAD CONTROL, DEMAND**
3 **RESPONSE, OR PJM CAPACITY-RELATED PROGRAMS?**

4 A. No. PPS is designed solely for emergency back-up service. The generator's air
5 permits will only be sited for emergency back-up operation. Additional air
6 permitting would be required if the generators would be used for other purposes
7 (load control, demand response, etc.). Based upon the Company's experience, this
8 additional permitting would come at an additional cost that is not likely to make
9 the program cost effective for any customers.

10 **Q. WHY IS IT APPROPRIATE THAT PREMIER POWER BE APPROVED?**

11 A. Premier Power Service is reasonable and in the public interest for several reasons.
12 This is a program that will be available to and paid for by customers who have a
13 business need for enhanced reliability. Residential customers and customers not
14 interested in the service will not be impacted. As noted above, the generators
15 installed under the program are for the exclusive use of the customer to which
16 they are assigned and will not be dispatched to provide electricity to the grid.
17 They will not be included in IRP analysis. Their cost and operating expense will
18 not be included in base retail electric rates.

19 **Q. WILL CUSTOMERS WHO WANT TO INSTALL BACK-UP**
20 **GENERATION BE LIMITED TO THE COMPANY'S PREMIER POWER**
21 **PRODUCT?**

22 A. No. Customers interested in the enhanced level or reliability provided under the
23 Premier Power Service has choices. Duke Energy Kentucky, in an effort to

1 continually find new and better ways to serve its customers, simply wishes to
2 offer this service as a regulated tariffed offering with transparent terms and
3 conditions that are available on a comparable basis to any customer interested in
4 the program. There is a competitive, free open public market for the sale or lease
5 of backup generators of the size and type to be used in Premier Power Services.
6 Thus, a customer is free to explore other competitive offers of similar products. If
7 the Company's Premier Power Service pricing is found to be unreasonable by the
8 sophisticated large commercial and industrial entities that may desire backup
9 generation, they are free to obtain backup generation from some other vendor for
10 installation on their side of the electric meter. Qualifying customers that may
11 have use for the Premier Power Services backup generator will be large,
12 sophisticated operations that have knowledgeable, professional staffs with access
13 to engineering services and financial advisors. They are able to quantify
14 competing opportunities and determine if the fixed monthly Premier Power
15 Services charge is preferable to competing offers for backup generation purchase
16 or lease.

17 **Q. WHY DOESN'T THE RIDER PPS CONTAIN SPECIFIC COSTS FOR**
18 **THE SERVICE?**

19 A. The Premier Power Service is customized for each customer to suit their
20 reliability needs. Rider PPS simply sets forth the standard terms and conditions
21 for the service. Similarly, just as vendors of backup generators are able to adjust
22 their ancillary costs such as maintenance, so too Premier Power must have the
23 ability to price its offerings based on customer individualized needs and the

1 market price of backup generators and ancillary services such as maintenance and
2 fuel cost. This pricing flexibility will be exercised at the time each individual
3 customer's monthly charge is determined, prior to contract delivery and
4 execution.

5 Participation in Premier Power Services will be voluntary. Each interested
6 customer will be told the monthly charge that would be required for the term of
7 the contract before they sign their contract. Backup generators are available from
8 other vendors in the competitive market place for purchase or lease.

9 **Q. WILL DUKE ENERGY KENTUCKY PROVIDE ANNUAL REPORTING**
10 **TO THE COMMISSION REGARDING THE PREMIER POWER**
11 **PROGRAM?**

12 A. Yes. Many of the other jurisdictions that have already implemented the PPS
13 service require some annual reporting. For program consistency, Duke Energy
14 Kentucky proposes to provide an annual report to the Commission that will
15 indicate the following:

- 16 • The total number of PPS customers;
- 17 • The number of PPS customers added within the last 12 months;
- 18 • The number of times the PPS back-up generation has operated
19 during a service outage during the last 12 months;
- 20 • Duration of each power outage at each PPS customer service
21 location;

- 1 • The number and size(s) (i.e. nameplate rating) of any new
2 generators supplied to each PPS customer during the last 12
3 months;
- 4 • The type of back-up power equipment supplied to each PPS
5 customer;
- 6 • The effective date and term (i.e., number of years) of each PPS
7 agreement signed during the last 12 months;
- 8 • Confirmation that all PPS related revenues and expenses are being
9 accurately tracked for “below-the-line;”
- 10 • The number and nature of any PPS customer complaints reported
11 during the last 12 months and a description of any resolution; and
- 12 • Any positive customer feedback Duke Energy Kentucky receives
13 from a PPS customer during the preceding 12 months.

14 Duke Energy Kentucky proposes to file the above information in a summary form
15 rather than submit and file the separate and individual contracts. The Commission
16 will have the Standard Contract on file. The only unique sections of the Standard
17 Contract will be the confidential Scope of Work and Pricing. Because customers
18 who want to have back-up generation service have multiple options available in
19 the market, are not limited to taking Duke Energy Kentucky’s PPS service, and
20 those other vendors do not publicly file their contracts, Duke Energy Kentucky
21 believes the summary annual reporting is a reasonable compromise of maintain
22 customer confidence and keeping the Commission informed.

VI. CONCLUSION

1 **Q. WERE EXHIBITS 1 AND 2 TO THE APPLICATION PREPARED BY**
2 **YOU OR UNDER YOUR DIRECTION AND CONTROL?**

3 **A. Yes.**

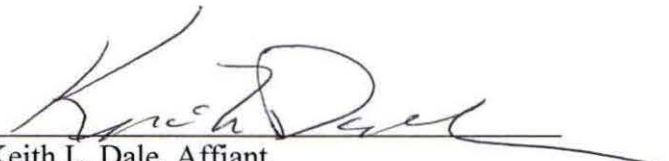
4 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

5 **A. Yes.**

VERIFICATION

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

The undersigned, Keith L. Dale, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing testimony, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.


Keith L. Dale, Affiant

Subscribed and sworn to before me by Keith L. Dale on this 21st day of October 2015.


NOTARY PUBLIC

My Commission Expires: 7/8/17



E. MINNA ROLFES
Notary Public, State of Ohio
My Commission Expires
July 8, 2017