



139 East Fourth Street
Cincinnati, Ohio 45201-0960

o: 513-287-4320

f: 513-287-4385

Rocco.D'Ascenzo@duke-energy.com

Rocco O. D'Ascenzo

Associate General Counsel

VIA OVERNIGHT DELIVERY

March 2, 2017

Ms. Talina Rose Mathews
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

RECEIVED

MAR 3 2017

PUBLIC SERVICE
COMMISSION

**Re: Case No. 2017- 00117 _____
In the Matter of the Back-Up Power Supply Plan of Duke Energy Kentucky,
Inc.**

Dear Ms. Mathews:

Enclosed please find the original and twelve (12) copies of Duke Energy Kentucky, Inc.'s *Back-Up Power Supply Plan* to be filed with the Commission.

In addition, please find enclosed the original and six (6) copies of Duke Energy Kentucky, Inc.'s *Petition for Confidential Treatment*. Also enclosed in the white envelope is one (1) copy of the confidential document being filed under seal.

Please date-stamp the two extra copies of this letter and return to me in the enclosed returned-addressed envelope.

Respectfully submitted,

Rocco D'Ascenzo (92796)
Associate General Counsel
Duke Energy Kentucky, Inc.
139 East Fourth Street, 1313 Main
Cincinnati, Ohio 45201-0960
(513) 287-4320
(513) 287-4385 (f)
Rocco.D'Ascenzo@duke-energy.com
Counsel for Duke Energy Kentucky, Inc.

cc: Rebecca Goodman (w/enclosures)

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

MAR 3 2017

In the Matter of:

THE BACK-UP POWER SUPPLY PLAN) Case No. 2017- 00117
OF DUKE ENERGY KENTUCKY, INC.)

**BACK-UP POWER SUPPLY PLAN OF
DUKE ENERGY KENTUCKY, INC.**

Duke Energy Kentucky, Inc., (Duke Energy Kentucky or the Company) submits the following back-up power supply plan, as required pursuant to Paragraph 4 of the Kentucky Public Service Commission’s (Commission) June 15, 2015, Order in Case No. 2015-0075 (Order). A back-up power supply plan is necessary in the event Duke Energy Kentucky experiences outages with its generating facilities. On March 3, 2015, Duke Energy Kentucky filed an application to approve its back-up supply plan through the period of June 1, 2015 through May 31, 2017, thereby aligning the Company’s back-up supply plan with the PJM Interconnection LLC (PJM) planning year. Thus, the Company’s current Commission-approved back-up supply plan is set to expire on May 31, 2017.

The Commission’s Order set forth a two-step procedural process regarding future back-up power supply plan filings. First, Duke Energy Kentucky was directed to inform the Commission, in writing, of its intentions concerning future back-up power supply plans no later than 6 months prior to the expiration of the then current plan. Second, Duke Energy Kentucky is required to submit any future back-up power supply plans for

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review and approval, no later than 90 days prior to the effective date of the new plan. By letter dated on or about November 30, 2016, Duke Energy Kentucky notified the Commission of its intention to file a new back-up power supply plan.

Accordingly, Duke Energy Kentucky hereby submits its proposal for its new Back-up Power Supply Plan to extend through the next three PJM delivery years beginning June 1, 2017 through May 31, 2018, June 1, 2018 through May 31, 2019, and June 1, 2019 through May 31, 2020 (New Plan).¹

I. Summary

In connection with its realignment to PJM Interconnection LLC (PJM), effective January 1, 2012, Duke Energy Kentucky participates in PJM under the Fixed Resource Requirement (FRR) option for purposes of meeting PJM's Resource Adequacy requirement. This initial election generally required the Company to remain as an FRR entity for a minimum term of five consecutive Delivery Years.²

Under the FRR election, Duke Energy Kentucky avoids direct participation in the PJM capacity Reliability Pricing Model (RPM) Base Residual and Incremental auctions. Instead, the Company is required to submit a FRR capacity plan to satisfy the unforced capacity (UCAP) obligation for all loads in the Company's FRR Service Area, including all expected load growth in the FRR Service Area. Upon expiration of the initial five-year FRR commitment in June 2016, Duke Energy Kentucky now has the ability to exit the FRR option and, if it so chooses, participate in a future PJM base residual auction for capacity procurement in a future delivery year thereby transitioning away from the FRR self-supply. Under PJM regulations, the transition from an FRR entity to a full BRA

¹ The PJM "Delivery Year" is a twelve month period beginning June 1 through May 31.

² Duke Energy Kentucky's five year FRR commitment expired on June 1, 2016.

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participant requires a three-year transition. This is because PJM's BRA is for a delivery year that's three years into the future. So, for example, if Duke Energy Kentucky had elected to participate in the BRA for the upcoming May 2017 auction, the delivery year being procured is for the period spanning June 1, 2020 through May 31, 2021, making that delivery year the first period under which the Company would be able to exit its FRR plan obligations. Duke Energy Kentucky regularly evaluates the merits of exiting the FRR option in light of its relative capacity position, and changing PJM, FERC, or environmental rules. To date, Duke Energy Kentucky has not determined that a move from FRR to RPM is in the best interests of customers and accordingly, has not sought Commission authorization to become a full participant in the BRA and has not decided to abandon its status as an FRR entity in PJM.

Based on the Company's installed capacity position and historical forced outage rate, Duke Energy Kentucky has secured sufficient UCAP to comply with the PJM Resource Adequacy requirements under its FRR Plan for the 2017-2018, 2018-2019, and 2019-2020 delivery years. Even though PJM accepted Duke Energy Kentucky's FRR Plan, PJM can still assess penalties to Duke Energy Kentucky if its resources, whether from generation or demand response, fail to comply with PJM's Resource Performance Assessments as outlined in Sections 8 and 9 of PJM Manual 18.

In deriving this New Plan, Duke Energy Kentucky used standard forecasting methods to calculate its back-up power supply needs. Duke Energy Kentucky considered supply options available from: (1) the PJM energy markets and (2) Request for Proposals (RFP) issued by Duke Energy Kentucky on September 2, 2016. In evaluating these

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supply options and selecting an appropriate back-up power supply plan, Duke Energy Kentucky's primary goal was to balance cost and risk mitigation.

Similar to the current plan, the New Plan consists of fixed-priced financial swap contracts to lock-in the price of power during scheduled outages and PJM energy market purchases during forced outages. In a Regional Transmission Organization (RTO) construct such as PJM the primary value of customer owned generation is to provide a physical hedge against capacity and energy prices to serve native load requirements that customers are exposed to as part of participation in the RTO. Duke Energy Kentucky has two generating stations consisting of seven generation units. East Bend Unit 2 (East Bend) is Duke Energy Kentucky's 600 MW base load coal fired unit. Woodsdale Station is Duke Energy Kentucky's 476 MW six unit peaking facility (Woodsdale). As a base load unit, East Bend provides the majority of the energy hedge to PJM energy prices, while Woodsdale station provides a hedge against very high energy prices during coincident periods of peak load in the RTO and the Duke Energy Kentucky load zone. Recognizing the concentration in the generation portfolio of reliance upon a single base load coal-fired unit, the Company is strongly considering enhancing the hedging portfolio with the addition of a business interruption insurance product specifically tailored to mitigate exposure to market prices from forced outages at East Bend. The Company proposes to implement its New Plan for the next three delivery years, 2017-2018, 2018-2019, and 2019-2020. During the three-year New Plan period, Duke Energy Kentucky will continue to evaluate its current back-up power supply plan and will make any adjustments necessary due to changing conditions.

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II. Background

A. Load Forecast

The Duke Energy's load forecasting group develops the load forecast by: (1) obtaining service area economic forecasts primarily from Moody's Analytics; (2) preparing an energy forecast by applying statistical analysis to certain variables such as number of customers, economic measures, energy prices, weather conditions, etc.; and (3) developing monthly peak demand forecasts by statistically analyzing weather data. The Company uses the same load forecasting technique to prepare its integrated resource plans. The Company updates the load forecasts on a regular basis and the updated load forecasts are used for all modeling analysis.

B. Generating Resources & Fuel Costs

Table 1 – General Description of Plants for Delivery Year 2017-2018

Plant	Fuel	Type	Winter Rating³ in MWs	Spring/ Fall Rating in MWs	Summer Rating in MWs	UCAP for Delivery Year 2017-2018 in MWs⁴
East Bend 2	Coal	Base load	600	600	600	
Woodsdale 1-6	Gas	Peaking	564	516	476	
		Total:	1,164	1,116	1,076	

Duke Energy Kentucky determined that it needed to consider back-up power supply options for East Bend because it is a relatively low cost base load unit and the Company relies upon it as its primary hedge against customer load demand energy purchases. Since the Woodsdale units have lower capacity factors, back up power supply options are not cost effective and not required for this facility. Thus the RFP and analysis focused upon East Bend back-up power supply alternatives.

³ Duke Energy Kentucky now owns 100% of East Bend.

⁴ Duke Energy Kentucky UCAP resources as of 2/3/2017.

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C. Scheduled and Forced Outages

Duke Energy Kentucky estimated the number and expected timing of forced outages, using the definition of forced outages contained in the Commission’s Fuel Adjustment Clause (FAC) regulation, 807 KAR 5:056, as follows: non-scheduled losses of generation or transmission that (1) require substitute power for a continuous period in excess of six hours; and (2) result from faulty equipment, faulty manufacture, faulty design, faulty installations, faulty operation, or faulty maintenance.

The Company used the current known scheduled outages for the PJM delivery years 2017-2018, 2018-2019, and 2019-2020. Duke Energy Kentucky plans the following scheduled outages during the next three PJM delivery years are as follows:

Table 2 -- Scheduled Outages

Plant	2017-2018 DY (in weeks)	2018-2019 DY (in weeks)	2019-2020 DY (in weeks)
East Bend 2	■	■	■

The Company estimated the forced outages using the historical Equivalent Forced Outage Rates (EFOR) for East Bend. The EFOR is a measurement that takes the number of forced outage hours and equivalent forced derate hours relative to the number of service hours and forced outage hours. The EFOR forecast data is as follows:

**Table 3 -- EFOR projection for
2017/2018, 2018/2019, 2019-2020 DY**

Plant	■
East Bend 2	■

D. GenTrader Projection of Energy Needs

The Company used the GenTrader software tool to project its annual energy positions for Delivery Year 2017-2018, 2018-2019, and 2019-2020.

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[REDACTED]						
(in MWH)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Load Demand	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Available Economic Generation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net Energy Position	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

(in MWH)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Load Demand	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Available Economic Generation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net Energy Position	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]						
(in MWH)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Load Demand	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Available Economic Generation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net Energy Position	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

(in MWH)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Load Demand	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Available Economic Generation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net Energy Position	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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[REDACTED]						
(in MWH)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Load Demand	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Available Economic Generation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net Energy Position	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

(in MWH)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Load Demand	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Available Economic Generation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net Energy Position	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

III. Request for Proposals

Duke Energy Kentucky used the Power Advocate software to implement the Request for Proposal (RFP) for backup power. PowerAdvocate is a web-based platform that provides centralization of proposals and communications from RFP issuers while maintaining confidentiality among respondents. On September 2, 2016, Duke Energy Kentucky issued an RFP through a targeted bidder list of active Midwest energy providers and past back up RFP bidders on Power Advocate. The Company sought bids for the following types of supply options: (1) Back Stand Energy Call Options; (2) Daily Call Options; and (3) Insurance Products. Both back stand energy call options and insurance products are directly tied to unplanned outages at East Bend. The daily call options are independent of any outages at East Bend, and therefore are directly compared

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to the market. The RFP sought supply options to take effect on June 1, 2017 and continue for two to three years.

Duke Energy Kentucky received a total of forty-two bid alternatives from three different bidders. Three options were not compliant with the parameters specified in the RFP. The following is an overview of the bids that were submitted as a result of the RFP:

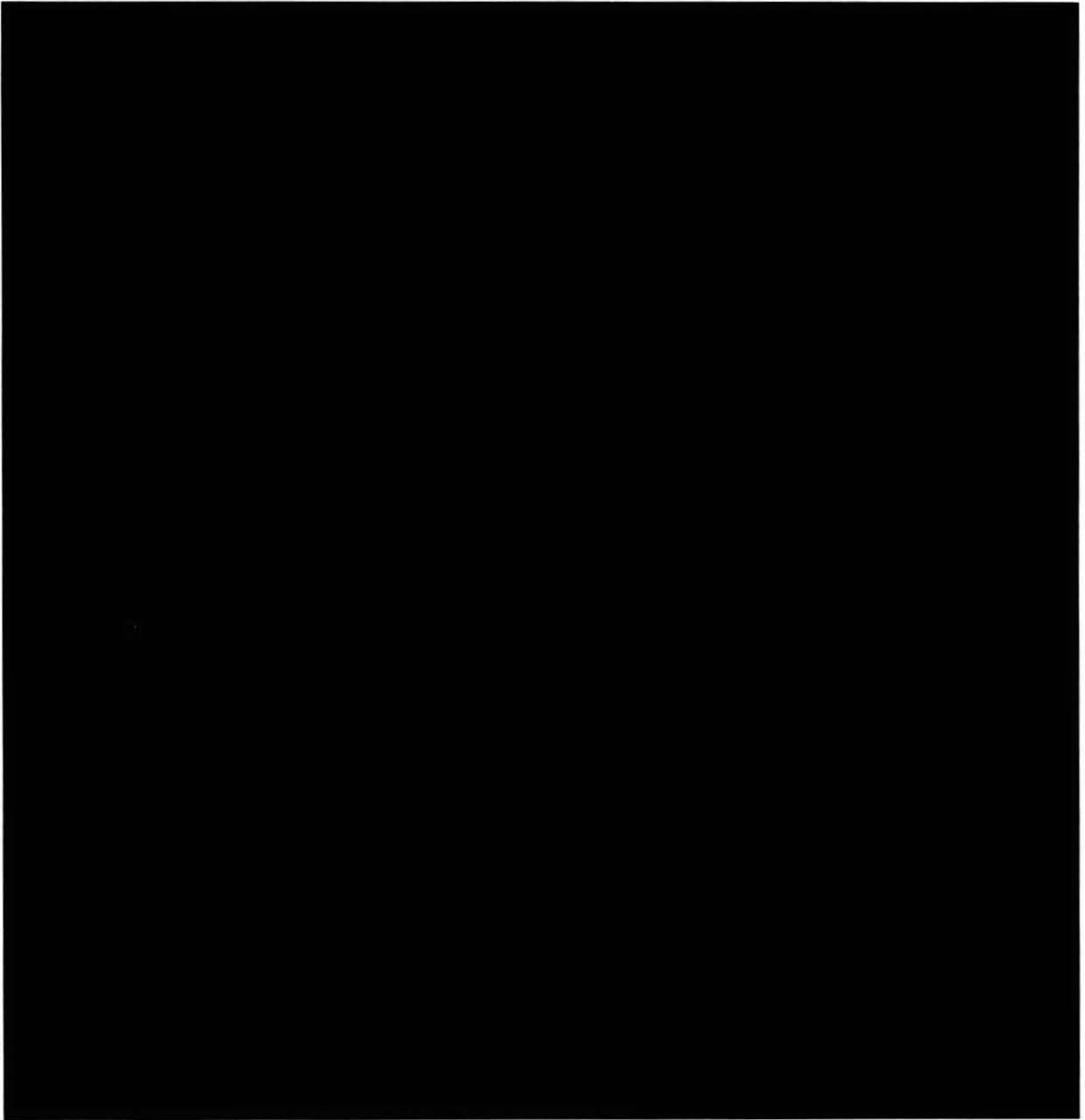
Table 5A (CONFIDENTIAL)



HR*HH = Heat Rate * Henry Hub Gas

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Table 5B (CONFIDENTIAL)



All the bids listed as “NC” were not in compliance with the RFP and were not analyzed.

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IV. Analysis Methodology

A. Initial Analysis of Call Bids

Duke Energy Kentucky analyzed the call bids by comparing their strike prices to the American Electric Power (AEP) Dayton Hub (AEP Dayton Hub) market prices. Call Bids 1-4 were back stand bids and were dependent on forced outages at East Bend. Call Bids 5-16 were Daily Calls which were not dependent on East Bend's forced outages, so the bids were compared directly to the market to determine potential value.

The call model was run for planning years 2017/2018, 2018/2019 and 2019/2020. First, a market case was run in which the market would cover all forced outages. The market case was used as the basis for comparison to all call options.

For the back stand call bid analysis, the call was exercised if there was a forced outage and bid strike price was less than the average market price for the peak hour strip. Assumed outages in the model were based on actual outage history over the past two years at East Bend and distributed in the months in which outages historically occurred. East Bend has had major preventative maintenance to address reliability going forward. The base outage case utilizes a ■■■ EFOR. Sensitivity analyses were performed for back stand call options: the entire summer months of July and August in outage, and the entire winter months of January and February in outage. If the strike price was less than the average market price, then the call is exercised for the entire 16 hour strip (All weekdays from 08:00 am -11:00 pm) and the call bidder will pay Duke Energy Kentucky the difference between market price and the strike price. Each year, the proceeds from the call exercises were summed and compared to the call premium costs. If the proceeds

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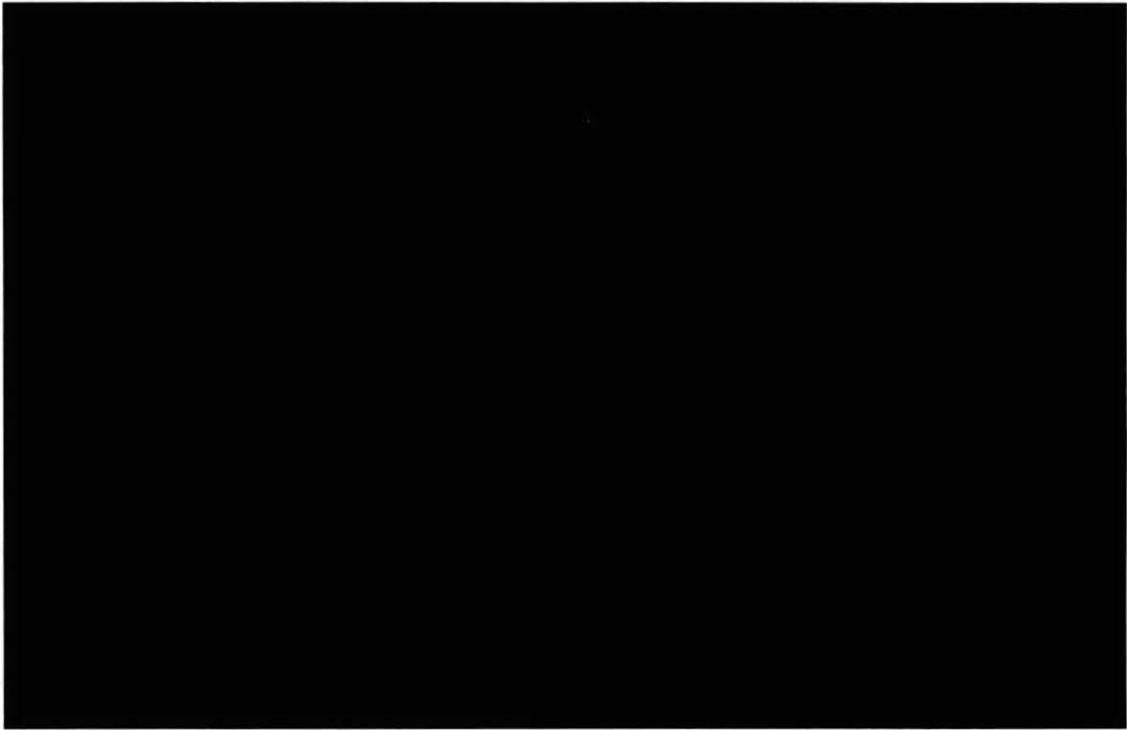
exceed the call costs, then the call has value in that year. If the call costs plus the option premium exceed the call proceeds, then the call did not have value. Strike limits were considered when included in the bid. For the four back stand bid options that were analyzed, none of the daily call options were found to have value as compared to the market case. In other words, the least cost modeled solution was to purchase energy directly from the RTO rather than pay a premium to purchase a financial hedge from a third party. The back stand call results became more favorable in the sensitivity instances; however, they still did not provide more value than the market only case. In general, these market based call options are included in the RFP to provide an analytical reference case against the contingent options; and, by the independence of the optionality from a forced outage at East Bend, are not likely to be consistent with the primary goals of the backup power supply plan.

The model was also run for the daily calls options (bids 5-16) that had no dependency on the East Bend outages. These calls were compared directly to the market case and were used anytime the peak weekday strip average price was less than the market price. If the proceeds exceed the call costs plus call premium cost, then the call has value in that year. In all cases, the call options did not provide value once the premiums were considered.

In summary, the analysis of the call bids shows no value for the call bids over the market only case as is seen the Table 6 below.

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Table 6 (CONFIDENTIAL)



B. Initial Analysis of Insurance Bid

Back stand insurance proposals were analyzed to evaluate possible benefits of reducing the Company's exposure to higher energy costs due to loss of East Bend's 600 MWs as a result of unplanned outages and/or derates.

The cost of exposure to outages covered by the insurance policy are calculated by comparing the forecasted hourly settlement energy prices at the Power Price Index to the contract strike prices during unplanned outages and/or derates.

Insurance products vary widely depending upon the specific policy parameters. Typical insurance parameters include the following:

- Term - length of time of coverage;
- Premium - cost of insurance coverage for each term;
- Policy Limit - maximum amount of payments from policy;

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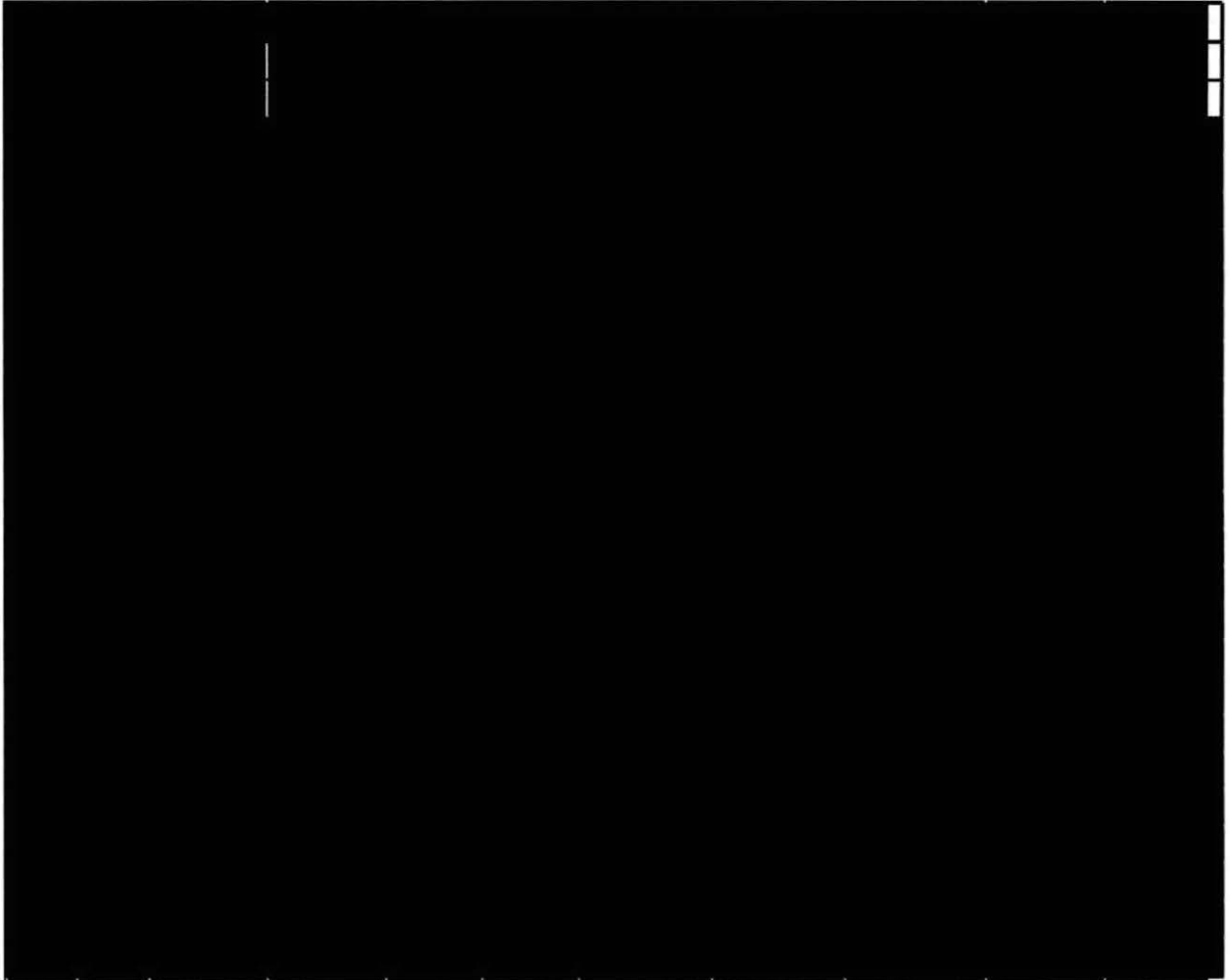
- Policy Deductible - amount of losses that must be accumulated prior to insurance coverage payments;
- Strike Price - the underlying price (or insured price) to form a basis of comparison against the actual market energy prices during the time of the unplanned outage;
- Delivery Days/hours -applicable time periods during the week of insurance coverage;
- Power Price Index - Energy delivery point to measure actual real time settlement energy prices during the time of the unplanned outage;
- Event Duration - maximum duration of the unplanned outage that can be covered and
- Time Deductible - period of time that the outage must continue until insurance coverage begins;

Duke Energy Kentucky's high level deterministic screening analysis of insurance bids was made by comparing strike prices to the AEP Dayton Hub market prices only during simulated forced outages at East Bend. The simulated forced outages considered historical forced outage rates (■), and extreme scenarios with extensive summer and extensive winter outages. When the bid strike price was in the money (or when the underlying price was lower than expected market energy prices), the insurance product was exercised for the 16 hour on-peak time period. Any insurance proceeds (value over the market prices) were added for the entire year. Then the respective policy limit, deductibles, and other proposed insurance guidelines were also taken into consideration. Insurance premium costs and the insurance deductible were subtracted from the proceeds

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to determine the value of the insurance product. The Table 7 below shows insurance results for the three outage scenarios.

Table 7 (CONFIDENTIAL)



Under high level screening, the base historical outage case of ■ showed some insurance bids provided value as compared to the market case. In the major summer and winter outage cases, most of the insurance bids provided value. The initial high level screening results showed that insurance protection could provide value in certain tail risk, or very unlikely, outage scenarios.

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The Company felt that, the call options would provide no value during outages, but under some outage scenarios the insurance bids could provide value. Therefore, more detailed modeling of the [REDACTED] insurance bids was warranted. The [REDACTED] bids provided the same product at a higher premium, so they were not shortlisted.

V. Non-RFP Supply Options Evaluated

As in the past back-up power supply plans, Duke Energy Kentucky evaluated various back-up power supply alternatives consisting of market energy purchases. One alternative considered energy purchases through the PJM energy markets for all outages (Alternative A). A second alternative considered fixed-priced financial swap contracts to lock-in the price of power during scheduled outages and PJM energy market purchases short term financial hedges for the duration of forced outages (Alternative B). This is consistent with previous practice.

The Company considered Alternative A, relying solely on the PJM daily energy markets for back-up power needs for both planned and forced outages. Alternative A has the potential to expose the Company to possible price spikes during scheduled outage periods. The Company determined that it would not be feasible to make fixed forward price purchases for forced outages because the Company would not know in advance when such outages would occur. These outages would not align with the standard monthly unit of fixed forward power products, and as it would not be economical to purchase power at fixed forward prices for the entire peak month period, these purchases would increase rather than decrease risk. After a forced outage occurs, the Company considers short term fixed forward price purchases and swaps and swap futures contracts, to manage energy price exposure for the remaining duration of the outage.

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Duke Energy Kentucky evaluated the merits of Alternative B, fixed-priced purchases during scheduled outages, to mitigate the risk of potential price spikes. Duke Energy Kentucky would use the Intercontinental Exchange (ICE) or bilateral over the counter (OTC) broker market to make these fixed-priced financial swap or future contract purchases. The ICE is a well-established electronic marketplace for trading energy-related products. Among other product types, ICE offers trading in bilateral contracts for energy at fixed forward prices. The contract terms (such as hours of the day covered, the index price, credit, and liquidated damages provisions) are clearly defined, to enable trading in standardized products.

VI. Conclusion

Based upon its analysis, the Company finds the call bid responses to the RFP do not offer incremental economic value compared to expected market priced energy. Simply put, the high risk premiums assigned to these options compared to the expected utility of the actual energy calls are too high of an economic hurdle to exceed. In addition, most of the call responses were Daily Calls. The very nature of forced outages is its unpredictability but the daily call bids cover the entire duration of the plan regardless of whether East Bend is in outage or not. The product does not align well with forced outage risk exposure. The Company continues to believe that PJM energy market products will continue to play an effective role in the overall back up power supply hedging strategy. Both Alternative A and Alternative B plans involve purchasing power through the PJM daily energy markets and are the least-cost supply plans based upon current projections for energy markets. Based on prior analysis, the Alternative A Plan is less costly than the Alternative B plan but presents greater risk. Alternative A calls for

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the Company to obtain its full back-up power requirements (planned and forced outages) from the PJM daily energy markets; however, it provides no protection against possible price spikes. The Duke Energy Kentucky model forecasts future power prices based on observable forward wholesale market prices. If the forward power market curve is underrepresenting actual real time future prices, then this plan may prove more costly than the other plans.

Alternative B plan provides that Duke Energy Kentucky will obtain back-up power through the PJM daily energy market during forced outages and use fixed forward contract purchases during scheduled outages. This mitigates the risk of price spikes during scheduled outages because the price for back-up power would be fixed.

Alternative B Plan provides the flexibility to optimize the actual outage schedule under changing power market and unit availability conditions. Since the ICE and/or OTC markets are liquid, Duke Energy Kentucky can make its forward contract purchase a few months in advance of the scheduled outages, without paying a premium to lock in the prices now for a three-year time period. If prices appear to be increasing, the plan provides the flexibility to make the forward contract purchases for long-term periods. If prices are flat or falling, the Company can postpone these purchases. Alternative B plan provides flexibility to modify executed forward contract positions if scheduled outage dates are modified, by utilizing the liquidity of the ICE to unwind existing contracts and purchase new contract to match new scheduled outage dates.

Finally, while still under analysis, the Company believes that a well-designed insurance product can complement the historical strategy the Company has employed. The RFP insurance responses are indicative, and will require further negotiation on

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specific terms and conditions. Duke Energy Kentucky believes that crafting the product correctly and negotiating the most competitive transaction is essential, and should take its natural course of time. The Company believes it is possible that a cost effective relationship between insurance premium and payout can be found, particularly in light of the diminished diversity of the generation portfolio; but in the interim, the Company will continue to use the Alternative B plan as its back-up plan as it has done since 2006.

Respectfully submitted,



Rocco D'Ascenzo
Associate General Counsel
Amy B. Spiller
Deputy General Counsel
Duke Energy Kentucky, Inc.
139 East Fourth Street
1303-Main
Cincinnati Ohio 45202
513-287-4320 (telephone)
513-287-4385 (facsimile)
Email: rocco.d'ascenzo@duke-energy.com

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on the following parties of record by first class, U.S. mail; postage prepaid this 2nd day of March 2017.



Rocco D'Ascenzo

Hon. Rebecca Goodman
The Office of the Attorney General
Utility Intervention and Rate Division
700 Capital Ave. Ste 20
Frankfort, Kentucky 40601

RECEIVED

COMMONWEALTH OF KENTUCKY
BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION

MAR 3 2017

PUBLIC SERVICE
COMMISSION

In the Matter of:

THE BACK-UP POWER SUPPLY PLAN) Case No. 2017- 00117
OF DUKE ENERGY KENTUCKY, INC.)

**PETITION OF
DUKE ENERGY KENTUCKY, INC.
FOR CONFIDENTIAL TREATMENT OF INFORMATION**

Duke Energy Kentucky, Inc. (Duke Energy Kentucky or Company), pursuant to 807 KAR 5:001, Section 13, requests the Commission to protect as confidential certain information contained in the Back-Up Power Supply Plan of Duke Energy Kentucky, Inc. This filing contains projections of Duke Energy Kentucky's forecasted future energy positions and needs, estimated costs, forecasted forced outage rates, unforced capacity ratings, future planned outages, ongoing risk hedging strategies being evaluated, and the cost of various back-up power supply alternatives (calls, options, insurance, etc.,) submitted in response to a confidential request for proposal (RFP) for 2017-2018.

In support of this Petition, Duke Energy Kentucky states:

1. The Kentucky Open Records Act exempts from disclosure certain commercial information. KRS 61.878(1)(c). To qualify for this exemption and, therefore, maintain the confidentiality of the information, a party must establish that disclosure of the commercial information would permit an unfair advantage to competitors of that party. Public disclosure of the information identified herein would, in fact, prompt such a result for the reasons set forth below.

2. If Duke Energy Kentucky is forced to disclose its future forecasted energy needs, estimated costs, future forced outage rates, unforced capacity ratings, and planned outages, this would unfairly advantage Duke Energy Kentucky's competitors and counterparties in the energy markets. These counterparties would know the Company's energy positions and needs and thus could demand higher prices from Duke Energy Kentucky than they otherwise might be able to charge in the absence of this information, because the counterparties would know how much energy Duke Energy Kentucky needs to purchase and when those purchases would be made as well as what the Company is anticipating as costs thereof. Competing purchasers of energy would thus have access to the lower cost supplies. Duke Energy Kentucky also seeks confidential treatment for the prices of various back-up power supply alternatives because these prices resulted from a confidential RFP. The proposals, summarized and compared in charts in the accompanying filing, show the value of these various products. If the prices are publicly disclosed, this would deter bidders from submitting bids in response to future RFPs. Additionally, these prices could be used as a floor for future bids, resulting in higher prices than would be the case if the information is not publicly disclosed. Once again, this would cause competing purchasers of energy to have access to the lower cost supplies. Finally, the Company is in the process of evaluating potential insurance products to determine whether such products provide value to the Company or its customers. The Company has detailed the various products being evaluated including costs thereof. This information is confidential, and if released, would limit the Company's ability to negotiate with competing vendors and ultimately receive the best price. Competing insurance vendors would have access to what the Company is considering in terms of

products and could use this information could tailor their own competing proposals at higher prices than what they otherwise would have offered.

3. The information for which Duke Energy Kentucky is seeking confidential treatment is not known outside of Duke Energy Corporation.

4. The Commission has treated the same information described herein as confidential in prior filings provided by Duke Energy Kentucky.¹

5. Duke Energy Kentucky does not object to limited disclosure of the confidential information described herein, pursuant to an acceptable protective agreement, with the Attorney General or other intervenors with a legitimate interest in reviewing the same for the purpose of participating in this case.

6. This information was, and remains, integral to Duke Energy Kentucky's effective execution of business decisions. And such information is generally regarded as confidential or proprietary. Indeed, as the Kentucky Supreme Court has found, "information concerning the inner workings of a corporation is 'generally accepted as confidential or proprietary.'" *Hoy v. Kentucky Industrial Revitalization Authority*, 904 S.W.2d 766, 768 (Ky. 1995).

7. In accordance with the provisions of 807 KAR 5:001, Section 13(3), the Company is filing one copy of the Confidential Information separately under seal, and ten copies without the confidential information included.

8. Duke Energy Kentucky respectfully requests that the Confidential Information be withheld from public disclosure for a period of ten years. This will assure that the Confidential Information – if disclosed after that time – will no longer be

¹ Case No. 2015-00075, Order granting confidential treatment, March 28, 2016.

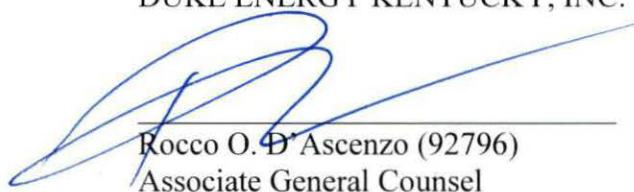
commercially sensitive so as to likely impair the interests of the Company or its customers if publicly disclosed.

9. To the extent the Confidential information becomes generally available to the public, whether through filings required by other agencies or otherwise, Duke Energy Kentucky will notify the Commission and have its confidential status removed, pursuant to 807 KAR 5:001 Section 13(10)(a).

WHEREFORE, Duke Energy Kentucky, Inc., respectfully requests that the Commission classify and protect as confidential the specific information described herein.

Respectfully submitted,

DUKE ENERGY KENTUCKY, INC.



Rocco O. D'Ascenzo (92796)
Associate General Counsel
Amy B. Spiller (85309)
Deputy General Counsel
Duke Energy Business Services, LLC
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

I hereby certify that a copy of the foregoing filing was served on the following via
overnight mail, this 2nd day of March 2017:

Rebecca Goodman
The Office of the Attorney General
Utility Intervention and Rate Division
700 Capital Ave. Ste 20
Frankfort, Kentucky 40601



Rocco D'Ascenzo