

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

In the Matter of an Examination of the )  
Application of the Fuel Adjustment Clause of )  
Duke Energy Kentucky, Inc. From )  
November 1, 2012 Through October 31, )  
2014 )

Case No. 2014-00454

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**PETITION OF DUKE ENERGY KENTUCKY, INC.**  
**FOR CONFIDENTIAL TREATMENT OF INFORMATION**  
**CONTAINED IN ITS RESPONSES TO COMMISSION STAFF'S**  
**SECOND REQUESTS FOR INFORMATION**

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Duke Energy Kentucky, Inc. (Duke Energy Kentucky or Company), pursuant to 807 KAR 5:001, Section 13, respectfully requests the Commission to classify and protect certain information provided by Duke Energy Kentucky in its response to Data Request No. 13 as requested by Commission Staff (Staff) in this case on March 11, 2015. The information that Staff seeks through discovery and for which Duke Energy Kentucky now seeks confidential treatment (Confidential Information), shows the confidential banking information of PJM Settlement, Inc. (PJM), and the detailed line item billing amounts charged to or received by Duke Energy Kentucky for its monthly aggregate (native and non-native) participation in PJM.<sup>1</sup>

The attachments in response to Data Request No. 13, specifically Staff-DR-02-013 Confidential Attachments 1 and 2, contain sensitive information, the disclosure of which would injure Duke Energy Kentucky and its competitive position and business interests.

In support of this Petition, Duke Energy Kentucky states:

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<sup>1</sup> See Data Request No. 13.

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. The Commission's request in No. 13 is for a copy of the PJM invoice/statement which details the amounts billed by PJM (charges and credits) for Duke Energy Kentucky's participation in PJM (aggregate native and non-native before allocation). While this document supports the amounts recorded in the fuel adjustment clause for January and August 2014, it also details other line items that are not currently recovered through the FAC and thus are outside the scope of this proceeding. Moreover, as the amounts billed are totals for each line item, they do not show the actual amount attributed solely to native load. These invoices should be afforded confidential protection - if disclosed, this would very likely impair Duke Energy Kentucky's competitive market position in that it would show the Company's sensitive economic data. Combined with other information that is publicly available, competitors could determine the Company's competitive position and revenues and costs for both native and off-system sales. The latter of which, if made publicly available could be used to disadvantage the Company from making future sales.

3. Additionally, these invoices include PJM's highly confidential banking information. This information has been redacted and withheld in both the public (redacted) and confidentially filed versions. This information should not be submitted in any public

record as it is highly confidential, not relevant to these proceedings, and if accidentally or inadvertently released could be used to inflict dire and serious financial harm.

4. The Confidential Information in response to No. 13 is distributed within Duke Energy Kentucky and PJM, only to those who must have access for business reasons, and is generally recognized as confidential and proprietary in the energy industry.

5. The Confidential Information for which Duke Energy Kentucky is seeking confidential treatment is not known outside of Duke Energy Corporation and PJM.

6. 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.

7. 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).

8. 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 one copy without the confidential information included.

9. 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 commercially

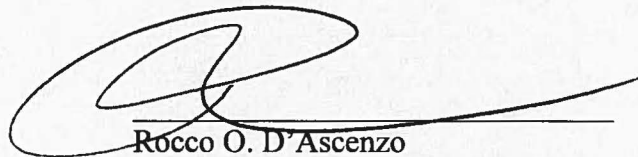
sensitive so as to likely impair the interests of the Company or its customers if publicly disclosed.

10. 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.

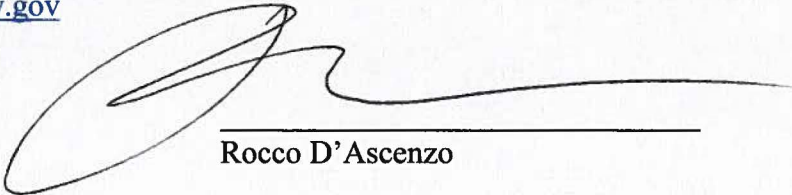


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*Counsel for Duke Energy Kentucky, Inc.*

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing filing was served on the following via  
overnight mail, this 25<sup>th</sup> day of March 2015:

Jennifer Hans  
The Office of the Attorney General  
Utility Intervention and Rate Division  
1024 Capital Center Drive, Suite 200  
Frankfort, Kentucky 40601-8204  
[Jennifer.hans@ag.ky.gov](mailto:Jennifer.hans@ag.ky.gov)



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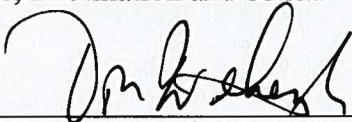
Rocco D'Ascenzo



**VERIFICATION**


**STATE OF OHIO** )  
 ) **SS:**  
**COUNTY OF HAMILTON** )

The undersigned, William Don Wathen Jr., Director of Rates & Regulatory Strategy - OH/KY, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
William Don Wathen Jr., Affiant

Subscribed and sworn to before me by William Don Wathen Jr. on this 24<sup>TH</sup> day of March, 2015.

  
**ADELE M. FRISCH**  
Notary Public, State of Ohio  
My Commission Expires 01-05-2019

  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires: 1/5/2019

**VERIFICATION**

**STATE OF OHIO** )  
 ) **SS:**  
**COUNTY OF HAMILTON** )

The undersigned, Lisa Steinkuhl, being duly sworn, deposes and says that she has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of her knowledge, information and belief.

*Lisa R Steinkuhl*  
\_\_\_\_\_  
Lisa Steinkuhl, Affiant

Subscribed and sworn to before me by Lisa Steinkuhl on this 19<sup>th</sup> day of March, 2015.

*Anita M. Schaffer*  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires:



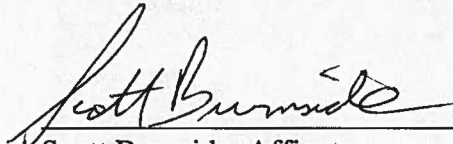
**ANITA M. SCHAFER**  
Notary Public, State of Ohio  
My Commission Expires  
November 4, 2019



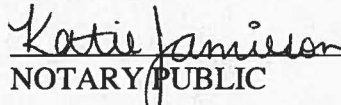
**VERIFICATION**

**STATE OF NORTH CAROLINA** )  
 ) **SS:**  
**COUNTY OF MECKLENBURG** )

The undersigned, Scott Burnside, Manager of Post Analysis & Regulatory Support, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of his knowledge, information and belief..

  
\_\_\_\_\_  
Scott Burnside, Affiant

Subscribed and sworn to before me by Scott Burnside on this 16th day of March, 2015.

  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires: June 14, 2016



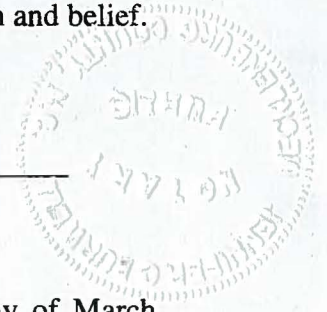
**VERIFICATION**

STATE OF NORTH CAROLINA     )  
   )     SS:  
COUNTY OF MECKLENBURG     )

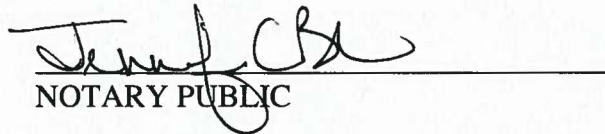
The undersigned, John Verderame, Managing Director of Power Trading & Dispatch, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests are true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_

John Verderame, Affiant



Subscribed and sworn to before me by John Verderame on this 13<sup>th</sup> day of March, 2015.

  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires: Feb 14, 2017

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**STAFF-DR-02-001**

**REQUEST:**

Refer to pages 6-7 of the Direct Testimony of John D. Swez (“Swez Testimony”). Beginning at the bottom of page 6, it states that Duke Kentucky participates in financial markets to hedge customers’ exposure to day-ahead and real-time energy prices when its generation is unavailable due to a planned maintenance outage or when the generation is “not expected to clear the PJM Energy Market in volumes sufficient to serve native load demands.” Explain whether this phrase refers solely to instances in which demand exceeds capacity. If not, explain.

**RESPONSE:**

No, the financial market transactions described in the referenced Direct Testimony, often referred to as hedges, can be entered into for either native or non-native load. In the context of the description of these transactions in the referenced testimony, the hedges described are entered for native load. Thus, these hedges could be entered into when native load is expected to be greater than the expected amount of economic generation. The distinction between “economic generation” and what the question refers to as “capacity” is in recognition of the fact that PJM conducts a security constrained economic dispatch of generation and the fact that even if the Company has sufficient

available capacity to meet its load, its generation may not be considered economic from a PJM system security constrained economic dispatch perspective.

**PERSON RESPONSIBLE:** John Swez

**STAFF-DR-02-002**

**REQUEST:**

Refer to page 7 of the Swez Testimony, lines 6-7, wherein it states that “[a]n RTO such as PJM performs a security constrained economic commitment and least-cost security constrained economic dispatch process....” Explain what is meant by “security constrained economic commitment” and how it differs from “security constrained economic dispatch.”

**RESPONSE:**

Although the term dispatch is sometimes used to describe both the dispatch and commitment processes, for the purpose of this response, commitment is defined as the process by which individual generating units are determined to be run, or committed, for a given time period. Thus, if a unit is committed, it has been determined that that unit would be run for a certain time, but the actual output could vary between the minimum and maximum loading of the generating unit. Once a unit has been committed, dispatch is the process by which a generating unit is moved to a specific output between the unit’s minimum and maximum output. The commitment and dispatch processes are security constrained, meaning that both the commitment and dispatch of a generation facility produce energy and ancillary services at the lowest cost and most efficient manner from a

total system perspective to reliably serve consumers, recognizing any operational limits of generation and transmission facilities.

**PERSON RESPONSIBLE:** John Swez

**STAFF-DR-02-003**

**REQUEST:**

Refer to page 9 of the Swez Testimony.

- a. Refer to lines 2-3, which mention the following designations: Must Run, Economic, Emergency, and Unavailable.
  1. Explain what is meant by each of the designations.
  2. State whether PJM Interconnection, Inc. ("PJM") or Duke Kentucky makes the designation.
  3. Provide the criteria used to make the designation.
- b. Refer to lines 3-7. Explain what is meant by "dispatched up" as used in the sentence.
- c. Refer to lines 19-21. Explain what is meant by "[u]nit status" as used in the sentence.

**RESPONSE:**

- a. (1) Please see below:
  - A commitment status of Must Run means that the generating unit was committed in the day-ahead market.
  - A commitment status of Economic means that the generating unit was available to be committed by PJM in the day-ahead market.



- A commitment status of Emergency means that the generating unit was available to be committed by PJM in the day-ahead market in the case of an emergency.
- A commitment status of Unavailable means that the generating unit is not available to be committed in the day-ahead market.

(2) The market participant, in this case Duke Energy Kentucky, makes the commitment status determination of the generating unit in the day-ahead market. Thus, the Company enters the commitment status in the day-ahead offer as either Must Run, Economic, Emergency, or Unavailable.

(3) In making the decision regarding an individual unit's offer status, the Company considers various factors such as unit availability, forecasted locational marginal prices, unit generation production cost, PJM impacts (Day-Ahead Operating Reserve credits, balancing operating reserve changes, etc.), and the capability and economic impact from cycling the generating unit off-line and/or on-line. Before making any generation unit offer, Company personnel engage in a daily planning process designed to minimize the total customer cost by maximizing each unit's economic value.

- b. "Dispatched up" means to increase output on a generating facility. As used in the context of this testimony, PJM is dispatching up the generating unit.
- c. "Unit status" means the commitment status of a generating units offer in the day-ahead market.

**PERSON RESPONSIBLE:** John Swez

**Duke Energy Kentucky  
Case No. 2014-00454  
Staff Second Set Data Requests  
Date Received: March 11, 2015**

**STAFF-DR-02-004**

**REQUEST:**

Refer to page 11 of the Swez Testimony, lines 7-9, which states that “[t]he Company continued to make economic power purchases for both planned and forced outages during the audit period to mitigate exposure to market prices.”

- a. Explain what is meant by “economic power purchases” as used in the sentence.
- b. Explain how making these purchases mitigated exposure to market prices.

**RESPONSE:**

- a. These “economic power purchases” are forward financial, *non-physical*, native load hedge transactions. These hedges are entered into when native load is expected to be greater than the expected amount of economic generation and any other financial hedges.
- b. These hedges mitigate exposure to market prices by effectively locking in a purchase power cost prior to the applicable time period.

**PERSON RESPONSIBLE:** John Swez