

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 May 1,)
2015 Through October 31, 2015)

Case No. 2016-00005

**PETITION OF DUKE ENERGY KENTUCKY, INC.
FOR CONFIDENTIAL TREATMENT OF INFORMATION
CONTAINED IN ITS RESPONSES TO COMMISSION STAFF'S
POST HEARING DATA REQUESTS ISSUED APRIL 7, 2016**

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 responses to Post Hearing Data Request Nos. 5, 6, 7, and 8, as requested by Commission Staff (Staff) in this case on April 7, 2016. The information that Staff seeks through discovery and for which Duke Energy Kentucky now seeks confidential treatment (Confidential Information) includes Duke Energy Kentucky's confidential analysis of load and calculations regarding its dispatch and costs.

More specifically, the data contained in the Confidential responses and Attachments to Post Hearing Data Request Nos. 5, 6, 7, and 8 contains sensitive information, the disclosure of which would injure Duke Energy Kentucky and its competitive position and business interest. The responses to Post Hearing Data Requests No. 5, 6, and 7 contains confidential analysis of Woodsdale's hourly output, heat rates at various loadings, detailed costs of operation, including but not limited to periods where the Woodsdale units operated at minimum load, and analysis of purchased power costs versus the Company's highest cost generation. Releasing this information will give potential counterparties who may sell power

to Duke Energy Kentucky access to operational characteristics of Duke Energy Kentucky's generating assets for purposes of making procurement decisions. The sensitive information contained in Post Hearing Data Request No. 8 includes calculations and data for determining the amount of power purchases in excess of an average cost of the Company's Woodsdale units' costs of dispatch. Releasing this information will give potential counterparties who may sell power to Duke Energy Kentucky access to Duke Energy Kentucky's own pricing valuation of its generating assets for purposes of making procurement decisions.

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. The public disclosure of the information described in responses and Attachments to Post Hearing Data Request Nos. 5, 6, 7, and 8 would damage Duke Energy Kentucky's competitive position and business interests as well as those of its sister utilities with respect to ability to negotiate future transportation contracts. If the Commission grants public access to the information requested in Post Hearing Data Request Nos. 5, 6, 7, and 8 potential future vendors would have access to competitor pricing for transportation services and power suppliers would have access to Duke Energy Kentucky's valuation of its own generation assets, unit heat rates, operational costs, hourly dispatch data and pricing, thereby allowing them to potentially manipulate the market and undermine Duke Energy Kentucky's

ability to manage its costs. Moreover, competitors to potential power sale agreements would have access to Duke Energy Kentucky's pricing information thereby placing the Company at a commercial disadvantage in winning such bids.

3. Disclosure of the factors underlying Duke Energy Kentucky's bid analysis/selection process (Confidential Information) would damage Duke Energy Kentucky's competitive position and business interests. If the Commission grants public access to the information requested in Post Hearing Data Request Nos. 6, 7, and 8 Confidential Attachments, potential bidders could manipulate the bid solicitation process to the detriment of Duke Energy Kentucky and its ratepayers by tailoring bids to correspond to and comport with Duke Energy Kentucky's bidding criteria and process. Potential future coal suppliers could tailor their bids in the future having knowledge of how their competitors are pricing similar product thereby manipulating the market and undermining the Company's ability to manage costs. Similarly potential future power suppliers would have access to Duke Energy Kentucky's valuation of its own generation pricing thereby manipulating the market and undermining Duke Energy Kentucky's ability to manage its costs. Moreover, competitors to potential power sale agreements would have access to Duke Energy Kentucky's pricing information thereby placing the Company at a commercial disadvantage in winning such bids.

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

5. 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).

6. 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.

7. 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.

8. 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
Associate General Counsel
Amy B. Spiller
Deputy General Counsel
Duke Energy Business Services, LLC
139 East Fourth Street, 1303 Main
Cincinnati, Ohio 45201-0960
Phone: (513) 287-4359
Fax: (513) 287-4385
E-mail: rocco.d'ascenzo@duke-energy.com
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 31st day of May, 2016:

Larry Cook
The Office of the Attorney General
Utility Intervention and Rate Division
1024 Capital Center Drive
Frankfort, Kentucky 40601
larry.cook@ag.ky.gov

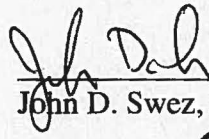


Rocco D'Ascenzo

VERIFICATION

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

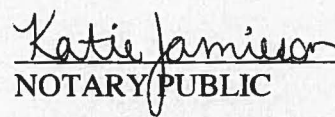
The undersigned, John D. Swez, Director of General Dispatch & Operations, Power Trading and Dispatch, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of his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



John D. Swez, Affiant

Subscribed and sworn to before me by John D. Swez on this 29th day of April, 2016.





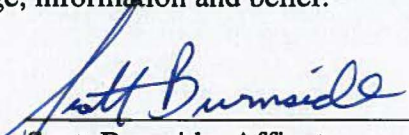
NOTARY PUBLIC

My Commission Expires: June 14, 2016

VERIFICATION

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

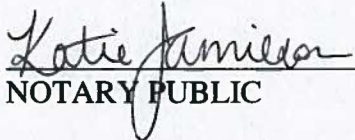
The undersigned, Scott Burnside, Manager of Post Analysis & Regulatory Support, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of his knowledge, information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



Scott Burnside, Affiant

Subscribed and sworn to before me by Scott Burnside on this 29th day of April, 2016.





NOTARY PUBLIC

My Commission Expires: June 14, 2016

VERIFICATION

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

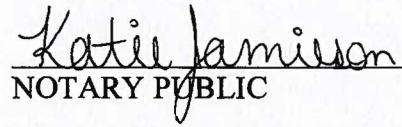
The undersigned, Brett Phipps, Managing Direct – Fuel Procurement, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.



Brett Phipps, Affiant

Subscribed and sworn to before me by Brett Phipps on this 29TH day of April, 2016.





NOTARY PUBLIC

My Commission Expires: June 14, 2016

KYPSC CASE NO. 2016-00005
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**Duke Energy Kentucky
Case No. 2016-00005
Post Hearing First Set Data Requests
Date Received: April 8, 2016**

POST HEARING-DR-01-001

REQUEST:

In reference to STAFF-DR-01-008, provide all existing fuel contracts, even if outside the scope of the hearing dates, i.e. 2016 including the percentage of total coal requirements under contract for 2016, 2017, etc.

RESPONSE:

This confirms all existing fuel contracts, even if outside the scope of the hearing dates, have been previously provided or have been provided in response to Post Hearing DR-01-004. The amount of coal currently under contract represents 100% of needs for calendar year 2016 and 73% of needs for calendar year 2017. Please note these percentages are projections and are subject to change based on changes in weather, energy markets, unexpected outages and a number of other factors that can impact future actual coal burns or receipts.

PERSON RESPONSIBLE: Brett Phipps

Duke Energy Kentucky
Case No. 2016-00005
Post Hearing First Set Data Requests
Date Received: April 7, 2016

POST HEARING-DR-01-002

REQUEST:

Provide STAFF-DR-01-009(b) attachment in the electronic excel format.

RESPONSE:

Please see POST HEARING-DR-01-002 Attachment.

PERSON RESPONSIBLE: Brett Phipps

**POST HEARING
DR-01-002
ATTACHMENT
SUBMITTED ON CD**

Duke Energy Kentucky
Case No. 2016-00005
Post Hearing First Set Data Requests
Date Received: April 7, 2016

POST HEARING-DR-01-003

REQUEST:

In reference to STAFF-DR-01-019, provide contract with fourth counterparty, in STAFF-DR-01-019 Confidential Attachment.

RESPONSE:

Please see POST HEARING-DR-01-003 Attachment. This contract was previously provided to the Commission on February 10, 2016.

PERSON RESPONSIBLE: Brett Phipps

CONFIRMATION AGREEMENT

Date: 01/05/16

Seller :

Tunnel Ridge, LLC

**1717 South Boulder Avenue, Suite 400
Tulsa, OK 74119**

Attn: Steve Perkins

Tel. 704-263-7231

Fax. 704-263-9642

Email: steve.perkins@arlp.com

Ref. #:

Buyer :

Duke Energy Kentucky, Inc.

**526 South Church Street,
Charlotte NC 28202**

Attn: Elliott Batson, Director Coal

Tel. 704-382-6132

Fax. 704-382-4122

Email: Elliott.Batson@duke-energy.com

Ref. #: PO 30892

This letter constitutes an agreement for the sale and purchase of coal (the "Confirmation"). This Confirmation shall be governed by the terms set forth herein and the parties hereby incorporate the provisions of that certain Master Agreement dated May 6, 2011 between the parties (the "Master Agreement") as terms and conditions to this Confirmation. The terms of this Confirmation shall prevail in the event of an inconsistency between the terms of this Confirmation and the Master Agreement. The Confirmation shall be considered as a separate agreement between the parties effective on the date of execution of this Confirmation. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement.

Quote Date: November 5, 2015

Commodity: Crushed coal, containing no synthetic fuels, and free from any extraneous materials, with no intermediate sizes added or removed and otherwise meeting the Specifications of this Confirmation.

Term: January 1, 2016 through December 31, 2017

Contract Quantity: 100,000 tons to be delivered in approximately equal monthly amounts for the period of January 1, 2016 through December 31, 2016 and

400,000 tons to be delivered in approximately equal monthly amounts for the period of January 1, 2017 through December 31, 2017

Contract Price: \$40.00 per Ton of Coal for the period of January 1, 2016 through December 31, 2016

\$41.50 per Ton of Coal for the period of January 1, 2017 through December 31, 2017

Source: Tunnel Ridge ("Mine")

Delivery Point: F.O.B Barge at Seller's loading facilities (Tunnel Ridge at Ohio River milepost 82.3).

Scheduling: Per Master Agreement

Weighing/Sampling and Analysis: Per the Master Agreement.

Billing and Payment: Per Master Agreement

Buyers Actual Cost To Scrub one ton of SO₂: N/A for this transaction

Coal Quality Price Adjustments: BTU adjustment per the Master Agreement
 No other quality adjustments to apply

Coal Quality ("As-Received" basis):

Characteristic:	Specifications (Monthly Weighted Average)	Quality Suspension Limits (Monthly Weighted Average)	Rejection Limit (Per Shipment)
Higher Heating Value (BTU/Lb)	12,600 minimum	12,550 minimum	12,400 minimum
Ash Content (%)	9.2 % maximum	> 9.5% maximum	> 10.5% maximum
*SO ₂ (Lbs./MMBTU) Content	5.2 Lbs. maximum	>5.2 Lbs. maximum	>5.5 Lbs. maximum
Moisture Content (%)	7% maximum	>7.5% maximum	>9% maximum
Volatile Matter (%)	37% minimum	<36% minimum	<34% minimum
Fusion Temp (Initial Deformation °F Reducing Atmos.)	2210°F minimum	2165°F minimum	2100°F minimum
Grindability (HGI)	50 minimum	< 49 minimum	< 48 minimum
Chlorine (ppm)	800 maximum	900 maximum	1100 maximum
Top Size	2" maximum	N/A	N/A
Fines (% By Weight Passing ¼" Screen)	55% maximum	N/A	N/A

*The pounds SO₂ per MMBtu shall be determined by the following formula:

$$(As\ Received\ Percent\ Sulfur\ x\ 20,000) / As\ Received\ Btu/Lb. = Pounds\ SO_2\ per\ MMBtu$$

Other Terms and Conditions.

Seller represents and warrants that, on the Quote Date and as of the date of this Confirmation, and, to the extent applicable, covenants for the Term of this Transaction that:

- (a) Seller presently owns or otherwise controls, and shall continue to own and control, whether directly or through an affiliate, Coal reserves in an amount sufficient to fulfill the terms of this Confirmation, the Coal contained in such reserves is mineable and of the quality called for by

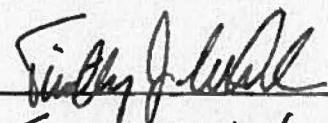
this Confirmation and Seller presently has approved governmental mining permits to fulfill the terms of this Confirmation,

- (b) There are no existing contractual commitments with respect to Coal reserves that would prevent delivery of the quantities of Coal specified in this Confirmation and Seller will not enter into contractual commitments during the Term of this Confirmation that will prevent such delivery,
- (c) Seller owns and has in operation, and shall continue to own and operate, whether directly or through an affiliate, mining facilities and equipment sufficient to produce the quantities of Coal to be delivered under this Confirmation and has obtained all necessary governmental and other third party permits (excluding unforeseen events as set forth in Section 12 of the Master Agreement), approvals and licenses, and shall continue to retain or take all prudent and timely steps necessary for submission and application for renewal of governmental or third party permits, approvals and licenses, required in connection with the execution, delivery and performance of this Confirmation, and
- (d) Seller, directly or through an affiliate, will at all times conduct its mining operations in a prudent manner consistent with good and acceptable practice in the coal mining industry, and Buyer shall have the right, upon reasonable notice, at its own expense and risk, to have its representatives and/or qualified consultants observe and inspect Seller's facilities and operations, provided that such representatives and/or consultants shall comply with all applicable safety requirements and check-in procedures and shall not interfere with such operations.

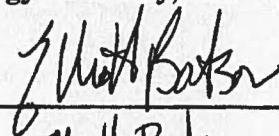
This constitutes a "Confirmation" as referred to in the Master Agreement specified below. This Confirmation supplements, forms part of, and is subject to, the Master Agreement dated May 6, 2011, as it has been or may be amended and supplemented from time to time between the Seller and Buyer. All provisions contained in the Master Agreement govern this Confirmation to the extent not in conflict with the terms hereof. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement.

Please confirm that the foregoing correctly sets forth the terms of the agreement between Buyer and Seller as to this Transaction by timely returning an executed copy of this letter by facsimile or email at the fax number or email address specified on the Confirmation.

Seller :
Tunnel Ridge, LLC

By: 
Name: Timothy J. Whelan
Title: SUP. Sales. & Marketing
Date: 1/5/16

Buyer :
Duke Energy Kentucky, Inc.

By: 
Name: Elliott Bakon
Title: Director, Coal
Date: 1/8/16

**Duke Energy Kentucky
Case No. 2016-00005
Post Hearing First Set Data Requests
Date Received: April 8, 2016**

POST HEARING-DR-01-004

REQUEST:

Provide on a flash drive, all spot fuel agreements, as available, not submitted with the Commission back through 2007.

RESPONSE:

Please see the flash drive containing Coal, Natural Gas and Fuel Oil documentation for all spot fuel agreements and transactions from 2007 to present.

PERSON RESPONSIBLE: Brett Phipps

**POST HEARING
DR-01-004
ATTACHMENT
SUBMITTED ON
FLASH DRIVE**

Duke Energy Kentucky
Case No. 2016-00005
Post Hearing First Set Data Requests
Date Received: April 7, 2016

PUBLIC POST HEARING-DR-01-005

REQUEST:

In the response to STAFF-DR03-005(a), in the first full paragraph on page 3, should the reference to June 13, 2015 be June 3, 2015?

RESPONSE:

CONFIDENTIAL PROPRIETARY TRADE SECRET

Yes. The first full paragraph on page 3 should have referenced June 3, 2015 and the as-delivered gas price of \$3.05 on June 3, 2015 rather than June 13, 2015 and the as-delivered gas price of \$3.20 on June 13, 2015. The corrected paragraph reads as follows with corrections underlined:

“Duke Energy Kentucky’s response to Staff’s Second Request, Item 2.e stated that the highest cost unit operated during the month of June 2015 was Woodsdale 3 which operated at minimum, on average, for a one hour period on 6/3/15 HE 9:00 EST. The gas price for delivery to Woodsdale on 6/3/15 was \$3.05/MMBtu. The heat rate at minimum load was [REDACTED] Btu/kWh. The average cost of a Woodsdale unit at minimum load on 6/3/15 was ([REDACTED]/1000)*3.05 = [REDACTED]/MWh.

PERSON RESPONSIBLE: Scott Burnside

**Duke Energy Kentucky
Case No. 2016-00005
Post Hearing First Set Data Requests
Date Received: April 7, 2016**

**PUBLIC POST HEARING-DR-01-006
(As to Attachment only)**

REQUEST:

Revise STAFF-DR03-007 Confidential Attachment using for the entire month, each month, the \$/MWh that was calculated in STAFF-DR03-005(a) sub 2 and (b), corrected as necessary.

RESPONSE:

CONFIDENTIAL PROPRIETARY TRADE SECRET (As to Attachment only)

Please see POST HEARING-DR-01-006 Confidential Attachment for the requested calculation revision. This document was submitted under seal with a Petition for Confidential Treatment.

Duke Energy Kentucky submits that this analysis that uses a gas price less than the highest price available during the month and a MW loading in some months greater than minimum load is not appropriate, reasonable or consistent given that the analysis does not comport with the Commission's May 2, 2002 Order in Case No. 2000-00495-B1 and May 2, 2002 Order in Case No. 2000-00496-B2 and does not reflect Duke Energy Kentucky's highest cost unit available to be dispatched during a reporting month. A Woodsdale unit at minimum load at the highest gas price is, in fact, the Company's highest cost unit available to be dispatched.

PERSON RESPONSIBLE: Scott Burnside

**POST HEARING
DR-01-006
CONFIDENTIAL
ATTACHMENT
SUBMITTED IN
PAPER FORMAT
AND ON CD FILED
UNDER SEAL**

**Duke Energy Kentucky
Case No. 2016-00005
Post Hearing First Set Data Requests
Date Received: April 7, 2016**

**PUBLIC POST HEARING-DR-01-007
(As to Attachment only)**

REQUEST:

Calculate the power purchases that would have been excluded from recovery in the current FAC period if you used the average cost to operate a Woodsdale CT at minimum and full load using the natural gas cost referred to in STAFF-DR-01-027. Provide in hard copy and electronic excel format.

RESPONSE:

CONFIDENTIAL PROPRIETARY TRADE SECRET (As to Attachment only)

Please see POST HEARING-DR-01-007 Confidential Attachment for revised calculations using the average \$/MWh fuel cost to operate a Woodsdale CT using the natural gas cost referred to in STAFF-DR-01-027. This document was submitted under seal with a Petition for Confidential Treatment.

Duke Energy Kentucky submits that this analysis using the average of \$/MWh fuel cost at minimum and maximum load is not appropriate, reasonable or consistent given that the analysis does not comport with the Commission's May 2, 2002 Order in Case No. 2000-00495-B1 and May 2, 2002 Order in Case No. 2000-00496-B2 and does not reflect Duke Energy Kentucky's highest cost unit available to be dispatched.

PERSON RESPONSIBLE: Scott Burnside
John Swez

**POST HEARING
DR-01-007
CONFIDENTIAL
ATTACHMENT
SUBMITTED IN
PAPER FORMAT
AND ON CD FILED
UNDER SEAL**

**Duke Energy Kentucky
Case No. 2016-00005
Post Hearing First Set Data Requests
Date Received: April 8, 2016**

**PUBLIC POST HEARING-DR-01-008
(As to Attachment only)**

REQUEST:

Calculate the power purchases that would have been excluded from recovery in the current FAC period if you used the average cost to operate at minimum and full load and using the average of the lowest and highest gas cost of each month. Provide in hard copy and electronic excel format.

RESPONSE:

CONFIDENTIAL PROPRIETARY TRADE SECRET (As to Attachment Only)

Please see POST HEARING-DR-01-008 Confidential Attachment for revised calculations using the average \$/MWh fuel cost to operate a Woodsdale CT at minimum at maximum load and utilizing the average of the minimum and maximum natural gas prices. This document was submitted under seal with a Petition for Confidential Treatment.

Duke Energy Kentucky submits that this analysis using the average of \$/MWh fuel cost at minimum and maximum load and utilizing the average of the minimum and maximum natural gas prices is not appropriate, reasonable or consistent given that the analysis does not comport with the Commission's May 2, 2002 Order in Case No. 2000-00495-B1 and May 2, 2002 Order in Case No. 2000-00496-B2 and does not reflect Duke Energy Kentucky's highest cost unit available to be dispatched during a reporting month. A

Woodsdale unit at minimum load at the highest gas price is, in fact, the Company's highest cost unit available to be dispatched.

PERSON RESPONSIBLE: Scott Burnside
John Swez

**POST HEARING
DR-01-008
CONFIDENTIAL
ATTACHMENT
SUBMITTED IN
PAPER FORMAT
AND ON CD FILED
UNDER SEAL**