

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter of:

The Electronic Application of Duke Energy)
Kentucky, Inc., for: 1) An Adjustment of the)
Electric Rates; 2) Approval of an) Case No. 2017-00321
Environmental Compliance Plan and)
Surcharge Mechanism; 3) Approval of New)
Tariffs; 4) Approval of Accounting Practices to)
Establish Regulatory Assets and Liabilities;)
and 5) All Other Required Approvals and)
Relief.)

**MOTION OF DUKE ENERGY KENTUCKY, INC.
FOR CONFIDENTIAL TREATMENT FOR CERTAIN
RESPONSES TO REQUEST FOR INFORMATION**

Comes now Duke Energy Kentucky, Inc. (Duke Energy Kentucky or Company), by counsel, pursuant to 807 KAR 5:001, Section 13 and other law, and respectfully requests the Commission to classify and protect certain information provided by the Company in its Responses to Commission Staff's Post Hearing Data Requests, the Kentucky School Board Association's (KSBA) Post Hearing Data Request, and the Attorney General of Kentucky's (AG) Post Hearing Data Requests issued on March 13, 2018, respectfully stating as follows:

1. On August 2, 2017 Duke Energy Kentucky filed a Notice of Intent to File an Application seeking adjustment of its electric rates and other approvals.
2. On September 1, 2017 Duke Energy Kentucky filed an Application seeking an adjustment of its electric rates and other approvals.
3. On March 6-8, 2108 the Commission held a hearing on the merits of the Company's Application in which several Post Hearing Data Requests were identified.

4. On March 13, 2018 Commission Staff, KSBA, and the AG issued Post Hearing Data Requests.

5. In response to Commission Staff's and the AG's Post Hearing Data Requests, Duke Energy Kentucky is providing certain information for which it requests confidential treatment.

6. The information for which Duke Energy Kentucky seeks confidential treatment is contained in its Response to Commission Staff's Post Hearing Data Requests 5 and 18(e); and Response to the AG's Post Hearing Data Request 4, which is referred to herein as the "Confidential Information" and, broadly speaking, includes detailed information pertaining to the internal policies and procedures, contracts with outside vendors, and other information.

7. Request No. 4 of the AG's Post Hearing Data Requests states as follows:

Day 2, VTE 10:55: Provide the cost-benefit analysis the Company performed, including any accompanying calculations or workpapers in native electronic format, when it considered whether to bring vegetation management services in house.

8. In its response to the AG's Post Hearing Data Request No. 4, the Company is providing sensitive information regarding internal policies and decisions of Duke Energy Kentucky. Public disclosure of the information being provided by the Company would unnecessarily provide interested parties and Duke Energy Kentucky's competitors with access to exclusive information regarding internal policies, cost estimates and decision making processes. Revelation of the internal analysis undertaken by the Company would reveal the assumptions, objections and business judgment processes utilized by Duke Energy Kentucky in determining the most cost-effective way to manage its vegetation management requirements. If this information were made public, potential bidders would know Duke Energy Kentucky's

evaluation of costs and could utilize such information adjust their own pricing to respond to future bidding processes thereby undermining the integrity of bidding processes.

9. Request No. 5 of Commission Staff's Post Hearing Data Request states as follows:

Provide the calculation of the PJM reserve margin for Duke Kentucky for the historical period of 2015/2016, 2016/2017, and 2017/2018 Planning Years and the forecasted period of 2018/2019, 2019/2020, and 2020/2021 Planning Years.

10. In its response to Commission Staff's Post Hearing Data Request No. 5, Duke Energy is providing internal forecasts of its capacity positions, including needs, estimated forced outage rates, and other planning protocols and/or assumptions that are, quite obviously, highly sensitive, commercially valuable, and strictly proprietary. This information, if disclosed, will reveal Duke Energy Kentucky's underlying assumptions of the wholesale markets that are used as part of its internal planning and pricing estimation processes. The public disclosure of this information would potentially also harm Duke Energy Kentucky's competitive position in the marketplace, to the detriment of Duke Energy Kentucky and its customers in that potential counter parties would have access to Duke Energy Kentucky's underlying resource model and planning assumptions.

11. Request No. 18(e) of Commission Staff's Post Hearing Data Request states as follows:

Refer to the Rebuttal Testimony of April N. Edwards, Attachment ANE-Rebuttal-1 (Confidential), regarding Duke Kentucky's Master Agreement for Vegetation Management Services ("MAVMS").

e. Provide a copy of the request for proposals associated with the MAVMS.

12. In its response to Request No. 18(e), Duke Energy Kentucky is providing sensitive information regarding its internal processes, standards, and protocols used in

negotiating contracts with third-party vendors. This information is considered proprietary and confidential in that it details specific strategies and protocols used for managing vegetation along Duke Energy's Midwest distribution and transmission corridors. If disclosed, this information would give an unfair competitive advantage to other outside vendors or competitors when this type of RFP is issued in the future. Additionally, releasing this information could discourage future participation in Company-issued RFPs.

13. The Kentucky Open Records Act and applicable precedent exempts the Confidential Information from disclosure. See KRS 61.878(1)(a); KRS 61.878(1)(c)(1); *Zink v. Department of Workers Claims, Labor Cabinet*, 902 S.W.2d 825 (Ky. App. 1994); *Hoy v. Kentucky Industrial Revitalization Authority*, 907 S.W.2d 766, 768 (Ky. 1995).

14. Furthermore, some of the information for which Duke Energy Kentucky is seeking confidential treatment was either developed internally, or acquired on a proprietary basis, by Duke Energy Corporation and Duke Energy Kentucky personnel, is not on file publicly with any public agency, and is not publicly available from any commercial or other source. The aforementioned information is distributed within Duke Energy Kentucky only to those employees who must have access for business reasons, and is generally recognized as confidential and proprietary in the utility industry.

15. Duke Energy Kentucky does not object to limited disclosure of the Confidential Information described herein, pursuant to an acceptable protective agreement entered into with any intervenors with a legitimate interest in reviewing the same for the sole purpose of participating in this case.

16. In accordance with the provisions of 807 KAR 5:001, Section 13(2)(e), the Company is filing one copy of the Confidential Information separately under seal, and the appropriate number of copies with the Confidential Information redacted.

17. Duke Energy Kentucky respectfully requests that the Confidential Information be withheld from public disclosure for a period of twenty 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 if publicly disclosed.

18. 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,



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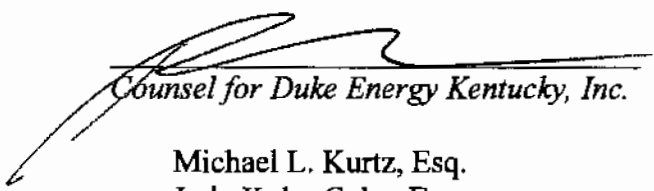
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Counsel for Duke Energy Kentucky, Inc.

CERTIFICATE OF SERVICE

This is to certify that the foregoing electronic filing is a true and accurate copy of the document being filed in paper medium; that the electronic filing was transmitted to the Commission on March 23, 2018; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that a copy of the filing in paper medium is being delivered via 2nd day delivery to the parties of record on the 23rd day of March 2018.


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KYPSC CASE NO. 2017-00321
AG POST HEARING DATA REQUESTS
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Duke Energy Kentucky
Case No. 2017-00321
Attorney General's Post Hearing Data Requests
Date Received: March 13, 2018

AG-POST HEARING-DR-01-001

REQUEST:

Day 1, VIDEO TRANSCRIPT EVIDENCE ("VTE") 11:03: Provide the basis for the \$122,230 revenue requirement increase tied to fixed bill program approval, as well as any accompanying calculations, charts, or workpapers which evidence same.

RESPONSE:

See AG-POST HEARING-DR-01-001 Attachment. As detailed in WPD-2.29a, Volume 14 of the Company's application, the \$122,230 was calculated by taking nine months of the 2018 expected annual premium and three months of the 2019 expected annual premium.

PERSON RESPONSIBLE: Sasha Weintraub

**AG-POST HEARING-DR-01-
001 ATTACHMENT
IS BEING
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DUKE ENERGY KENTUCKY
 ELECTRIC DEPARTMENT
 CASE NO. 2017-00321
 FIXED BILL PREMIUM

	<u>2018</u>		<u>2019</u>	
Incremental Customers	1,215		1,216	
Revenue 1	\$ 2,016,949	1,660	\$ 4,035,557	1,660
Std Tariff 2	\$ (1,905,120)	1,568	\$ (3,811,808)	1,568
Marketing				
Printing	\$ (5,255)		\$ (12,692)	
Postage	\$ (2,190)		\$ (5,288)	
Creative Development	\$ (3,000)		\$ (3,000)	
Labor	\$ (3,000)		\$ (6,000)	
O/H Alloc	\$ (600)		\$ (1,200)	
Expected Annual Premium	\$ 97,784		\$ 195,569	

Duke Energy Kentucky
Case No. 2017-00321
Attorney General's Post Hearing Data Requests
Date Received: March 13, 2018

AG-POST HEARING-DR-01-002

REQUEST:

Day 1, VTE 12:12: Provide the results of the 2017 Short Term Incentive compensation plan, as referenced in Silinski Direct Testimony pages 23-24.

RESPONSE:

See the table below for the results of the 2017 STI plan.

	Leadership Weight	Non Leadership Weight	Payout range	2017 Results
EPS	50%	30%	0-200%	94%
Operational Excellence	20%	15%	0-150%	127.2%
CSAT	10%	5%	0-150%	70%
Team	N/A	50%	0-150%	Varies
Individual	20%	N/A	0-150%	Varies
Safety	± 5%	+ 5%	N/A	-5% Safety Penalty for Leadership

PERSON RESPONSIBLE: Thomas Silinski

AG-POST HEARING-DR-01-003

REQUEST:

Day 2, VTE 9:10: Provide the studies and/or calculations referenced by Mr. DeMay regarding the effects on capitalization as a result of the Tax Cuts and Jobs Act, assuming a 20 year amortization of excess accumulated deferred income taxes ("ADIT"). If available, provide the effects broken out between protected and unprotected excess ADITs. If available, provide in native electronic format with all formulas intact and all cells unprotected.

RESPONSE:

See AG-Post Hearing DR-01-003 Attachment. The attachment summarizes the impacts to capitalization of three hypothetical scenarios, as summarized below:

- Scenario A assumes that both protected and unprotected excess ADITs for the electric jurisdiction are refunded to customers effective with new electric base rates in 2018 using a 20 year amortization period. Furthermore, Scenario A also assumes that both protected and unprotected excess ADITs for the gas jurisdiction are refunded to customers effective with new gas base rates in 2019 using a 20 year amortization period.
- Scenario B assumes that both protected and unprotected excess ADITs for the gas jurisdiction are refunded to customers effective with new gas base rates in 2019 using a 20 year amortization period. In addition, Scenario B assumes that

protected excess ADITs for the electric jurisdiction are refunded to customers effective with new electric base rates in 2018 using a 20 year amortization period; however, the unprotected excess ADITs for the electric jurisdiction are not refunded in Scenario B.

- Scenario C assumes that both protected and unprotected excess ADITs for the gas jurisdiction are refunded to customers effective with new gas base rates in 2019 using a 20 year amortization period. In addition, Scenario C assumes that neither protected nor unprotected excess ADITs for the electric jurisdiction are refunded to customers.

The attachment also provides variances between the Scenarios in an effort to isolate the respective impacts of protected excess ADITs and unprotected excess ADITs on capitalization.

The impacts on capitalization reflected in the attachment are theoretical in nature because final financing decisions, in practice, are likely to vary from the assumptions used for purposes of creating the three hypothetical scenarios referenced in the attachment.

PERSON RESPONSIBLE: Beau Pratt/Lisa Bellucci

DE Kentucky
 Effect of ADIT Amortization on Capitalization
 \$M

Scenario	To refund to customers	DEK retain	Period	Total DEK Capitalization (Electric & Gas)				
				2018	2019	2020	2021	2022
Scenario A - 12&0 Forecast	Protected & Unprotected - Electric & Gas	N/A	20 yrs	1,309	1,368	1,447	1,493	1,520
Scenario B	Electric Protected, Gas Protected & Unprotected	Electric Unprotected	20 yrs	1,308	1,365	1,443	1,487	1,512
Scenario C	N/A	All	N/A	1,306	1,362	1,438	1,480	1,503
				Deltas vs. Scenario A				
Scenario B	Protected only			(1)	(3)	(4)	(6)	(8)
Scenario C	Neither			(2)	(6)	(9)	(13)	(16)
	Impact of amort on Capitalization							
	Protected			(1)	(3)	(4)	(6)	(8)
	Unprotected			(1)	(3)	(5)	(7)	(9)
				(2)	(6)	(9)	(13)	(16)

- amortization of Electric excess DITs assumed to coincide with new electric base rates
 - amortization of excess ADITs (as assumed in 12&0) results in less revenue/cash collection, which drives higher capitalization as borrowings increase and dividends to parent decrease
 - in scenarios B and C, revenue/cash collection is higher as compared to the 12&0, resulting in lower capitalization

**AG-POST HEARING-DR-01-
003 ATTACHMENT
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**Duke Energy Kentucky
Case No. 2017-00321
Attorney General's Post Hearing Data Requests
Date Received: March 13, 2018**

**PUBLIC AG-POST HEARING-DR-01-004
(As to Attachment only)**

REQUEST:

Day 2, VTE 10:55: Provide the cost-benefit analysis the Company performed, including any accompanying calculations or workpapers in native electronic format, when it considered whether to bring vegetation management services in house.

RESPONSE:

CONFIDENTIAL PROPRIETARY TRADE SECRET (As to Attachment only)

Please see Confidential Attachment AG-POST HEARING-DR-01-004, which is being provided under the seal of a Petition for Confidential Treatment and will be provided to all parties upon the execution of a Confidentiality Agreement.

PERSON RESPONSIBLE: April Edwards

**AG-POST HEARING-DR-01-
004 CONFIDENTIAL
ATTACHMENT
IS BEING PROVIDED ON
CD AND UNDER SEAL OF
A PETITION FOR
CONFIDENTIAL
TREATMENT**