

KYPSC CASE NO. 2017-00427
STAFF POST HEARING SET
TABLE OF CONTENTS

<u>DATA REQUEST</u>	<u>WITNESS</u>	<u>TAB NO.</u>
STAFF-POST HEARING- DR-01-001	Timothy Duff	1
STAFF-POST HEARING- DR-01-002	Timothy Duff	2
STAFF-POST HEARING- DR-01-003	John Verderame	3
STAFF-POST HEARING- DR-01-004	Timothy Duff / John Verderame	4
STAFF-POST HEARING- DR-01-005	John Verderame	5
STAFF-POST HEARING- DR-01-006	Cindy Givens	6

Energy Kentucky's avoided costs. More specifically, the Attachment shows detailed calculations of avoided costs information by program used by the Company in evaluating its demand side management programs. If made public, this (economically valuable) information would give the Company's vendors and competitors a distinct commercial advantage regarding Duke Energy Kentucky's operations and market capacity position in the future. This is particularly concerning if the Commission does not allow the Company's programs to continue, and the Company is forced to replace this capacity in the Company's FRR plan, counter parties would know precisely how much capacity is needed and the price that the Company had valued such capacity. This information could be used by potential counter parties that are interested in selling capacity to the Company in the future to undermine the Company's efforts to reduce costs, ultimately harming customers.

3. The Confidential Information is distributed within Duke Energy Kentucky only to those who must have access for business reasons and is generally recognized as confidential and proprietary in the energy industry.

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

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 one copy 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 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.

A handwritten signature in blue ink that reads "Rocco D'Ascenzo" followed by a horizontal line and the initials "AMF" written to the right of the line.

Rocco D'Ascenzo (92796)

Deputy General Counsel

Duke Energy Kentucky, Inc.

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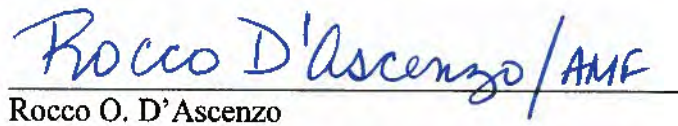
rocco.d'ascenzo@duke-energy.com

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 electronic mail, this 15th day of June 2018:

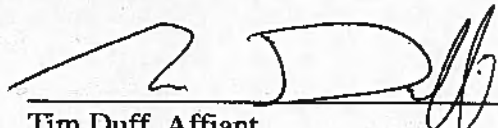
Kent Chandler
The Office of the Attorney General
Utility Intervention and Rate Division
700 Capital Avenue, Suite 20
Frankfort, Kentucky 40601-8204


Rocco O. D'Ascenzo

VERIFICATION

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

The undersigned, Tim Duff, GM Customer Reg. Strategy & Analytics, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing post hearing data requests, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.

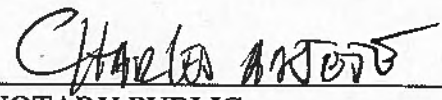


Tim Duff, Affiant

Subscribed and sworn to before me by Tim Duff on this 24th day of May,

2018.





NOTARY PUBLIC

My Commission Expires: 09/28/2019

VERIFICATION

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

The undersigned, Cindy Givens, Senior Products & Services Specialist, being duly sworn, deposes and says that she has personal knowledge of the matters set forth in the foregoing post hearing data requests, and that the answers contained therein are true and correct to the best of her knowledge, information and belief.

Cindy Givens
Cindy Givens, Affiant

Subscribed and sworn to before me by Cindy Givens on this 31ST day of MAY, 2018.

Adele M. Frisch
NOTARY PUBLIC

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

My Commission Expires: 1/5/2019

**PUBLIC STAFF-POST HEARING-DR-01-001
(As to Attachment Only)**

REQUEST:

Refer to the Direct Testimony of Timothy J. Duff ("Duff Testimony"), Attachment TJD-

1. Provide the avoided capacity costs per kW and the avoided energy costs per kWh used in calculating each of the cost-effectiveness scores. Provide a detailed explanation of how the costs were calculated and provide all documents supporting the calculations, including all assumptions such as escalation rates and source data.

RESPONSE:

CONFIDENTIAL PROPRIETARY TRADE SECRET (As to Attachment Only)

Please see Confidential Attachment STAFF-POST HEARING-DR-01-001. This attachment is being provided under the seal of a Motion for Confidential Treatment and will be provided to all parties upon the execution of a Confidentiality Agreement.

PERSON RESPONSIBLE: Timothy Duff

**STAFF-POST HEARING-
DR-01-001**

**CONFIDENTIAL
ATTACHMENT
IS BEING PROVIDED
UNDER SEAL OF A
MOTION FOR
CONFIDENTIAL
TREATMENT**

STAFF-POST HEARING-DR-01-002

REQUEST:

Refer to Duke Kentucky's Petition for Confidential Treatment filed on March 6, 2018. At page 2, paragraph 2, Duke Kentucky states that, "the Attachments show detailed calculations of avoided costs information by program used by the Company in evaluating its demand side management programs."

a. Explain in detail why energy and capacity prices forecasts that are now seven years old need to be confidential.

b. Confirm whether the avoided energy costs and avoided capacity costs, that are requested to be kept confidential, are used in the Duff Testimony Attachment TJD-1 to calculate the cost effectiveness scores. If this cannot be confirmed, explain in detail why those costs need to be kept confidential.

RESPONSE:

a. While the data is somewhat dated, the energy price forecast was purchased from a third-party expert and is considered confidential due to a non-disclosure agreement.

b. Yes, the avoided energy costs and avoided capacity costs were used in Attachment TJD-1 to calculate the cost effectiveness scores. The avoided energy price forecast supporting the attachment was purchased from a third-party expert and is considered confidential due to a non-disclosure agreement.

PERSON RESPONSIBLE: Timothy Duff

STAFF-POST HEARING-DR-01-003

REQUEST:

Refer to Duke Kentucky's Petition for Confidential Treatment filed on May 3, 2018, and the publicly available version of Duke Kentucky's response to Staff's Third Data Request, Item 7.

a. Confirm whether the values shown in the column labeled "Delivery year" are publicly available.

b. Confirm whether the values shown in the column labeled "Total DR MWs" are publicly available.

c. Confirm whether the values shown in the column labeled "BRA Price (\$/MW-Year)" are publicly available.

d. Based on the publicly available portion of Duke Kentucky's response, explain whether there is information that is requested to be confidential that cannot be readily determined from publicly available information. If not, explain in detail why the request for confidentiality should be granted.

RESPONSE:

a. Yes.

b. No. PJM does not make market participant specific data such as the components of a Fixed Resource Requirement (FRR) Plan available to the public.

c. Yes.

d. As stated above, the Megawatts of Demand Response included on the Duke Energy Kentucky FRR Plans are not disclosed by PJM and cannot be readily determined from publicly available information. While certain common descriptive parameters in the table, such as “Delivery Year” and “BRA Price,” were requested by Staff and included in the confidentiality request, the entire table should be considered confidential. From the context of the question, competitive market information regarding the mere existence of Demand Response Resources in specifically identified Delivery Year FRR Plans exposes customers to potential harm if the Commission were to rule that Duke Energy Kentucky would no longer have access to these resources. Disclosing such information or more specific information such as the actual amount or included Demand Response resources, places customers at a negotiating disadvantage with market participants who could use such information in any bilateral transaction made necessary by the loss of the Demand Response resources.

PERSON RESPONSIBLE: John Verderame

STAFF-POST HEARING-DR-01-004

REQUEST:

Explain whether the projected capacity reductions of any of Duke Kentucky's demand side management programs, other than PowerShare and Power Manager, are recognized in future delivery years as increasing Duke Kentucky's supply resources or reducing Duke Kentucky's PJM load obligation.

- a. For each program, explain in detail.
- b. If no programs are so recognized, explain whether the historic load reductions achieved by the demand side management programs, other than PowerShare and Power Manager, are reflected as reductions to Duke Kentucky's PJM load obligation in future years.

RESPONSE:

a. Please see Attachment STAFF-POST HEARING-DR-01-004(a) which shows the verified cumulative KW peak energy savings by program that were recognized and reported for each EE program from July 2012 – June 2017. Specific annual peak energy reductions by program were reported in the Company's Annual DSM Status report filings. Only the Power Share and Power Manager Program megawatts dedicated to the Duke Energy Kentucky FRR plan are explicitly recognized as capacity resources. The impact of Energy Efficiency programs is implicit in the actual peaks.

b. As an input to PJM's load obligation determination process, Duke Energy Kentucky provides actual load data and actual Demand Response data to PJM during

defined peak periods. The actual load during these periods reflects the impact of both Demand Response and Energy Efficiency programs. While PJM is responsible for forecasting future load expectations, the KW reductions associated with the Energy Efficiency programs are reflected in the historical actual loads and subsequently, to the extent that they are sustainable savings, translate into future expected load reductions. These load reductions represent obligations that PJM does not assign to Duke Energy Kentucky and which can be considered analogous to actual capacity resources. Without these EE programs, which demonstrate verifiable load reduction, Duke Energy Kentucky would be required to provide actual resource side capacity in future years.

PERSON RESPONSIBLE: Timothy Duff
John Verderame

**STAFF-POST HEARING-
DR-01-004 (a)
ATTACHMENT
IS BEING PROVIDED
ELECTRONICALLY IN
EXCEL FORMAT
AND A COPY ON CD**

Fiscal Years 2012-2013 thru 2016-2017

Residential Programs		kW
Appliance Recycling Program		348
Energy Efficiency Education Program for Schools		412
Low Income Neighborhood		481
Low Income Services		324
My Home Energy Report	1	3,301
Residential Energy Assessments		471
Residential Smart Saver®		8,527
Total Residential		13,864
Non-Residential Programs		kW
Smart Saver® Non-Residential Performance Incentive Program		-
Smart Saver® Prescriptive - Energy Star Food Service Products		102
Smart Saver® Prescriptive - HVAC		826
Smart Saver® Prescriptive - Lighting		6,203
Smart Saver® Prescriptive - Motors/Pumps/VFD		149
Smart Saver® Prescriptive - Process Equipment		86
Smart Saver® Prescriptive - IT		-
Smart Saver® Custom		1,419
Small Business Energy Saver		1,828
Total Non-Residential		10,613
Total		24,477

1 - reflect annual capacity capability of most recent year 2016-2017

STAFF-POST HEARING-DR-01-005

REQUEST:

Confirm that PJM does not reduce Duke Kentucky's projected kW value of the PowerShare and Power Manager Programs to reflect a forced outage rate. If this cannot be confirmed, provide the forced outage rate and the basis for its derivation.

RESPONSE:

PJM does not definitionally reduce the kW value of Power Share and Power Manager Programs, but it does adjust Demand Response ICAP values to determine UCAP values based on three parameters; Installed Reserve Margin (IRM), Forecast Pool Requirement (FPR), and the Demand Response Factor (DR Factor). This manipulation typically *increases* the UCAP value.

Installed Reserve Margin:

The Installed Reserve Margin for the Delivery Year is a measure calculated to establish the level of installed capacity resources that will provide an acceptable level of Pool wide reliability consistent with the PJM Reliability Principles and Standards. The IRM is determined by PJM in accordance with the PJM Reserve Requirements Manual (M-20).

Forecast Pool Requirement:

The Forecast Pool Requirement is a measure determined for the specified Delivery Year to establish the level of unforced capacity (UCAP) that will provide an acceptable level of reliability consistent with PJM Reliability Principles and Standards.

The IRM multiplied by peak load forecasts provides the installed capacity required to meet the reliability criterion. The FPR multiplied by peak load forecasts provides UCAP values required to meet the reliability criterion. Therefore, to express the IRM as a UCAP value, the calculation of the FPR must also consider the forced outage rates of all generating units, or the Pool-wide Average EFORD.

The following parameters are values used in the determination of Forecast Pool Requirement:

- Installed Reserve Margin (IRM)
- Pool-wide Average EFORD
- The Forecast Pool Requirement (FPR) for the Delivery Year is calculated by PJM and is equal to (1 + Installed Reserve Margin) times (1-Pool-wide Average EFORD)

$$FPR = (1 + \text{Installed Reserve Margin}) * (1 - \text{Pool-wide Average EFORD})$$

Demand Response Factor:

The value of load management and energy efficiency in the RPM construct is determined by calculating the DR Factor. This factor is used to determine the reliability benefit of load management and energy efficiency programs and to assign an appropriate value under RPM. The DR Factor is typically less than 1.0 where 1.0 indicates a 100% reliability benefit for load management and energy efficiency. Note that the DR Factor is eliminated with the introduction of the Capacity Performance product to RPM in the 2018/2019 Delivery Year.

ICAP to UCAP Conversion of Demand Responses:

Prior to the 2018/2019 Delivery Year, the UCAP value of a Load Management product (such as demand response) was equal to the Nominated Value (ICAP) of that product multiplied by the DR Factor and the FPR. Effective with the 2018/2019 Delivery Year, the UCAP value of a Load Management product is equal to the ICAP of that product multiplied by the FPR.

$$UCAP = ICAP * DR Factor * FPR$$

The table below describes the historic impact of the pre and post Capacity Performance ICAP to UCAP conversions.

Historic and preliminary value of FPR and DR Factor

Delivery Year	Forecast Pool Requirement (FPR)	DR Factor for FRR Entities	DR Factor for RPM Entities	Conversion Factor from ICAP to UCAP for DRs (FRR Entities)	Conversion Factor from ICAP to UCAP for DRs (RPM Entities)
2014/2015	1.0906	0.954	0.954	1.0423	1.0423
2015/2016	1.0913	0.951	0.951	1.0378	1.0378
2016/2017	1.0952	0.951	0.951	1.0415	1.0415
2017/2018	1.0967	0.947	0.947	1.0386	1.0386
2018/2019	1.0905	0.951	N/A	1.0371	1.0905
2019/2020	1.0881	N/A	N/A	1.0881	1.0881
2020/2021	1.0892	N/A	N/A	1.0892	1.0892
2021/2022	1.0898	N/A	N/A	1.0898	1.0898

For 2019/2020 and beyond, the FPR data is preliminary and PJM will revise it prior to the 3rd incremental auction of every Delivery Year

PERSON RESPONSIBLE: John Verderame

Duke Energy Kentucky
Case No. 2017-00427
Staff's Post Hearing Data Requests
Date Received: May 25, 2018

STAFF-POST HEARING-DR-01-006

REQUEST:

Explain in detail why Duke Kentucky allows 15 percent of the Home Energy Assistance Program collections to be used for administrative expenses, rather than a 10 percent fee as agreed to by Kentucky Utilities Company and Louisville Gas and Electric Company in Case No. 2016-00370.¹

RESPONSE:

Administrative costs include determining the eligibility and the assessment of the client's needs for the appropriate services and to distribute the funds. With respect to the 15 percent administration cost, Duke Energy Kentucky asserts that this level of cost is associated with state and federal funding guidelines that prevent NKCAC from using federal dollars to operate programs other than the respective state or federally funded programs. Therefore, the administrative costs for HEA cannot be shared with other programs. Duke Energy Kentucky further states that NKCAC is required to be ever mindful of proper allocation of cost in administering various programs in order to maintain its funding. NKCAC echoed that sentiment, stating that it closely monitors and controls program costs to ensure that its staffing and office operational costs are held to the minimum amount possible to administer the LIHEAP, Wintercare, and HEA programs.

PERSON RESPONSIBLE: Cindy Givens

¹ Case No. 2016-00370, *Electronic Application of Kentucky Utilities Company for an Adjustment of its Electric Rates and for Certificates of Public Convenience and Necessity*. (Ky. PSC June 22, 2017), at 10.