

REQUEST:

Reference the Swez testimony at 36:22 – 37:9.

- a. Explain whether there could be some PJM billings in which PJM BLI 1600 could be greater than revenues received in PJM BLI 2600. If so: (i) explain whether the Company has conducted any analyses regarding the potential frequency of such occurrences; and (ii) explain whether a hedging product may be necessary to mitigate this risk exposure.
- b. Reference further the Swez testimony at 45:22 through 46:4. If due to any unforeseen developments the costs of RPM participation should exceed benefits, explain whether DEK would consider altering the sharing mechanism so that ratepayers receive 100% of all benefits.

RESPONSE:

- a. Since the Company uses the IRP planning process to maintain adequate resources to serve the Duke Energy Kentucky customer load, and since all of the Duke Energy Kentucky resources are located in the same DEOK Zone as is a majority of its customer demand, absent a sudden change such as the addition of a large load into the Duke Energy Kentucky service territory or a PJM change similar to the ELCC construct or a change in reserve margin, at higher capacity prices the Company does not anticipate a situation where the charges in BLI 1610-1600 are greater than the revenues in BLI 2600. However, if the clearing were to clear at an extremely low

price, such as nearer to zero, then the revenue received in BLI 2600 would likely be less than the charge in BLI ~~1610~~1600. This is due to the fact that the Company doesn't offer generators at a zero price, since there is a non-zero chance of a Capacity Performance charge. The Company employs the use of an "indifference curve" to offer the excess capacity into the BRA today. Thus, in the future under RPM, the Company would typically not offer its generators at a zero price in the BRA since this could be detrimental to customers. For example, suppose that the indifference curve calculates a breakeven price of \$10/MW-Day, meaning that at this cleared capacity price, the cost of a capacity performance charge costs the customer *more* than the value received from selling capacity into the PJM auction and receiving the \$10/MW-Day revenue. Thus, selling at a low price is detrimental to the customer since they could pay more in capacity performance charges than receive in capacity market revenue, and thus the Company would not employ this strategy in this case the charges received under BLI ~~1610~~1600 could be greater than the revenues received under BLI 2600.

- i. Yes. This is precisely what the "Heat Map" represents since the Company's long or short position is shown on the Y-Axis. As this analysis showed, there were 190 different scenarios calculated. The 190 scenarios represent the different combinations of 10 different capacity clearing prices and 19 different Company positions (9 long positions, 9 short positions, and one flat position). Thus, 10 x 19 yields 190 scenarios. If each cell were to be examined, 136 out of 190 scenarios, or

72%, yield an annual savings for the customer from a change to RPM away from FRR.

- ii. Since the Company is planning to procure resources as determined by the IRP process, these resources are already a hedge for customers against energy and capacity prices. However, in the event that a large customer were to be added faster than a resource could be acquired or constructed, or do to a sudden change in PJM rules such as the recent change in ELCC or a change in reserve margin, or any other reason, the purchase of bilateral capacity could be needed in the future.
- b. This question is interpreted as meaning that ratepayers would receive 100% of all benefits of RPM participation but pay no costs of RPM participation. The Company would not consider altering the sharing mechanism so that the rate payer receives 100% of all benefits and 0% of the costs. If the Company is an RPM participant, the total capacity of the Company's generating resources is offered into PJM and the total capacity requirement is purchased from PJM. If the customer receives all the revenues (benefits) and none of the costs (charges), the customer has not paid for the capacity to fulfill its PJM capacity demand requirements. Therefore, the revenues must be offset by the costs incurred. This is analogous to participation in the PJM energy market, where the total energy generated by the generating resources are sold into PJM and the total load buy is purchased from PJM. If the total generation sold is more than the total load buy, these off-system sales are included in Rider PSM. If the total generation sold is less than the load buy, the difference is a purchase of energy included in Rider FAC.

PERSON RESPONSIBLE:

Matthew Kalemba – a.

John Swez – a.

Alan Mok – a.

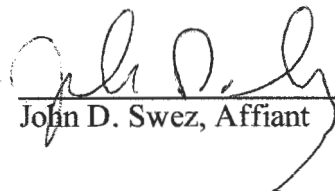
John Swez – b.

Lisa Steinkuhl – b.

VERIFICATION

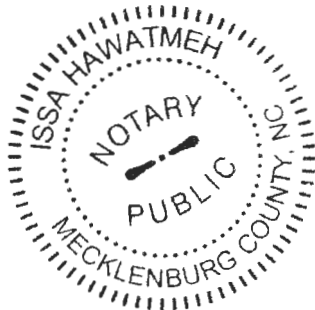
STATE OF NORTH CAROLINA)
)
COUNTY OF MECKLENBURG) SS:

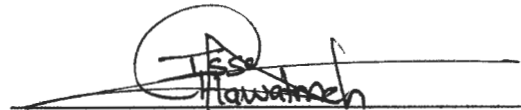
The undersigned, John D. Swez, Managing Director Trading & Dispatch, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing revised testimony and data request, and that the information contained therein is true and correct to the best of his knowledge, information, and belief.



John D. Swez, Affiant

Subscribed and sworn to before me by John Swez on this 21 day of March,
2025.





NOTARY PUBLIC

My Commission Expires: 02/26/2028