



DUKE ENERGY CORPORATION

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Kristen Cocanougher
Sr. Paralegal
E-mail: Kristen.cocanougher@duke-energy.com

VIA OVERNIGHT DELIVERY

March 27, 2012

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Blvd
Frankfort, KY 40601

RECEIVED

MAR 28 2012

PUBLIC SERVICE
COMMISSION

Re: In the Matter of an Application of Duke Energy Kentucky, Inc. For Approval To Amend its Cogeneration and Small Power Production Sale and Purchase Tariff – Greater than 100 kW

Dear Mr. Derouen:

Enclosed please find an original and twelve copies of Duke Energy Kentucky Inc.'s Application for Approval to Amend its Cogeneration and Small Power Production Sale and Purchase Tariff – Greater than 100 kW.

Please date-stamp two copies of the letter and Application and return to me in the enclosed envelope.

Sincerely,

Kristen Cocanougher

cc: Dennis G. Howard, II.

COMMONWEALTH OF KENTUCKY

RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION

MAR 28 2012

PUBLIC SERVICE COMMISSION

In the Matter of an Application of)	
Duke Energy Kentucky, Inc. For Approval To)	Case No. 2012-_____
Amend its Cogeneration and Small Power Production)	
Sale and Purchase Tariff – Greater than 100 kW)	

APPLICATION

Now comes Duke Energy Kentucky, Inc. (Duke Energy Kentucky or the Company), and requests approval to amend its, Ky P.S.C. Electric No. 2 Second Revised Sheet No. 94, Cogeneration and Small Power Production Sale and Purchase Tariff – Greater than 100 kW (Cogen Tariff) to reflect the fact that the Company is now a member of PJM Interconnection LLC (PJM). The Company has recently discovered that the Cogen Tariff refers to day-ahead pricing in the Midwest Independent System Operator (Midwest ISO). To correctly reflect the applicable pricing available for service under this tariff, the tariff should reference pricing in PJM. This Commission approved the Company’s realignment from MISO to PJM in Case No 2010-203. As a result, Duke Energy Kentucky needs to update its Cogen Tariff to reflect day-ahead PJM pricing.

At present, there are no customers taking service under this Cogen tariff, so no customer has been prejudiced by the inadvertent and inapplicable reference to the Midwest ISO. The Company has received a recent inquiry regarding the availability of the Cogen tariff. As such, the Company needs to amend the tariff to reflect the correct Regional Transmission Organization (RTO) market references to provide this service to the interested customer.

Accordingly, Duke Energy Kentucky respectfully requests that the Commission grant the requested relief and that, pursuant to KRS 278.180, good cause exists to shorten the notice period from thirty (30) days to twenty (20) days.

In support of this Application, pursuant to Administrative Regulation 807 KAR 5:001, Duke Energy Kentucky submits the following:

1. Duke Energy Kentucky is a Kentucky corporation with its principal office and principal place of business at 139 East Fourth Street Cincinnati, Ohio, 45202. The Company's local office in Kentucky is Duke Energy Envision Center, 4580 Olympic Boulevard Erlanger, Kentucky 41018.

2. Duke Energy Kentucky is a utility engaged in the gas and electric business. Duke Energy Kentucky purchases, sells, stores and transports natural gas in Boone, Campbell, Gallatin, Grant, Kenton and Pendleton Counties, Kentucky. Duke Energy Kentucky also generates electricity, which it distributes and sells in Boone, Campbell, Grant, Kenton and Pendleton Counties.

3. A copy of Duke Energy Kentucky's Articles of Incorporation is on file with this Commission in Case Number 2009-00202 and is hereby incorporated herein by reference.

4. Duke Energy Kentucky's Cogen Tariff is a voluntary program for cogeneration and small power production facilities that provides the terms and conditions for the sale of electricity to qualifying cogeneration and small power production facilities and the purchase of electricity from such facilities in accordance with 807 KAR 5:0054.

5. Duke Energy Kentucky recently discovered the current Cogen Tariff incorrectly describes the rate for purchase as the "locational marginal price for power purchased through the Midwest ISO day-ahead energy market..." On January 25, 2011, in Case No. 2010-203, this

Commission approved Duke Energy Kentucky's realignment from Midwest ISO to PJM. As such, the tariff must be amended to reflect the correct pricing node now that the Company is in PJM and no longer in the Midwest ISO. The correct pricing for purchase from qualifying facilities should be the "PJM Real-Time Total Locational Marginal Price for power at the DEK Aggregate price node..."

6. As such, Duke Energy Kentucky seeks Commission approval to amend its Cogen Tariff to reflect the correct RTO membership, namely PJM, and the accurate pricing in PJM.

7. Attachment A is a copy of the current redlined Ky P.S.C. Electric No. 2 Second Revised Sheet No. 94, Cogeneration and Small Power Production Sale and Purchase Tariff – Greater than 100 kW.

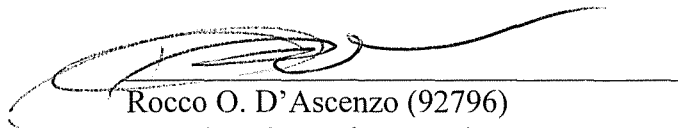
8. Attachment B is a copy of the proposed Ky P.S.C. Electric No. 2 Second Revised Sheet No. 94, Cogeneration and Small Power Production Sale and Purchase Tariff – Greater than 100 kW.

9. Attachment C is a summary description of the proposed tariff change and reasons supporting the change.

WHEREFORE, Duke Energy Kentucky prays that the Commission issue its Order approving the changes requested herein including granting the Company's request pursuant to KRS 278.180 to shorten the notice period from thirty (30) days to twenty (20) days, and directing Duke Energy Kentucky to file tariff in conformance therewith.

Respectfully submitted,

Duke Energy Kentucky, Inc.

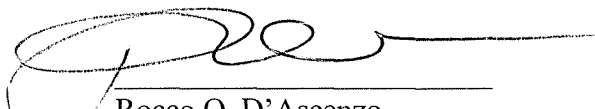


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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing filing was served on the following via overnight mail, postage prepaid, this 27 day of March, 2012:

Hon. Dennis G. Howard
Office of Attorney General
Utility Intervention and Rate Division
1024 Capital Center Drive
Frankfort, Kentucky 40601



Rocco O. D'Ascenzo

94
Duke Energy Kentucky, Inc.
4580 Olympic Blvd.
94
Erlanger, Kentucky 41018

**COGENERATION AND SMALL POWER
PRODUCTION SALE AND PURCHASE TARIFF-GREATER THAN 100 kW**

APPLICABILITY

The provisions of this tariff are applicable to qualifying cogeneration and small power production facilities as adopted by the Kentucky Public Service Commission (Ky. PSC), Regulation 807 KAR 5:054.

DEFINITIONS

Definitions of the following terms are as adopted by the Ky. PSC, 807 KAR 5:054 - Section 2:

- | | |
|-------------------------------------|--------------------------|
| (1) Qualifying Facility | (7) Interconnection Cost |
| (2) Cogeneration Facility | (8) Supplementary Power |
| (3) Small Power Production Facility | (9) Back-up Power |
| (4) Purchase | (10) Interruptible Power |
| (5) Sale | (11) Maintenance Power |
| (6) Avoided Cost | (12) System |

OBLIGATIONS

- (1) Purchases
The utility shall purchase from qualifying facilities in accordance with 807 KAR 5:054 - Sections 6 and 7.
- (2) Sales
The utility shall sell to qualifying facilities in accordance with 807 KAR 5:054 - Section 6.
- (3) Interconnections
The utility shall make interconnections with qualifying facilities as may be necessary to accomplish purchases or sales and the qualifying facility will pay for the interconnection costs in accordance with 807 KAR 5:054 - Section 6.
- (4) System Emergencies
During system emergencies the utility may discontinue purchases and sales or the qualifying facilities may be required to provide energy or capacity in accordance with 807 KAR 5:054 - Section 6.

STANDARDS FOR OPERATING RELIABILITY

The technical requirements necessary for operating reliability are set forth in the Company's procedure entitled "Guideline Technical Requirements for Parallel Operation of Customer Generation on the Transmission System."

Issued by authority of an Order of the Kentucky Public Service Commission dated December 21_____, 2006
2012_____ in Case No. 20062012-0017200_____.

Issued: ~~March 28, 2012~~September 29, 2010
~~2012~~September 30, 2010

Effective: April 17,

94
Duke Energy Kentucky, Inc.
4580 Olympic Blvd.
94
Erlanger, Kentucky 41018

RATE SCHEDULES

Rates for Purchases from qualifying facilities:

The Purchase Rate for all kilowatt-hours delivered shall be the PJM Real-Time Total Locational Marginal Price for power at the DEK Aggregate price node, purchased through the Midwest ISO day-ahead energy market, inclusive of the energy, congestion and losses charges, for each hour of the billing month, delivered to the Duke Energy Kentucky commercial price node.

Rates for Sales to qualifying facilities will be accomplished through existing tariff schedules on file with the Ky. PSC.

SERVICE REGULATIONS, TERMS AND CONDITIONS

The QF shall enter into a written contract with the Company. Such contract shall set forth any specific arrangements between the parties based on the individual circumstances so involved.

The supplying and billing for service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to Company's Service Regulations currently in effect, as filed with the Public Service Commission of Kentucky.

Issued by authority of an Order of the Kentucky Public Service Commission dated December 21_____, 2006
2012_____ in Case No. 20062012-0017200_____.

Issued: March 28, 2012~~September 29, 2010~~
2012~~September 30, 2010~~

Effective: April 17,

Duke Energy Kentucky, Inc.
4580 Olympic Blvd.
Erlanger, Kentucky 41018

KY.P.S.C. Electric No. 2
Third Revised Sheet No. 94
Cancels and Supersedes
Second Revised Sheet No. 94
Page 1 of 2

**COGENERATION AND SMALL POWER
PRODUCTION SALE AND PURCHASE TARIFF-GREATER THAN 100 KW**

APPLICABILITY

The provisions of this tariff are applicable to qualifying cogeneration and small power production facilities as adopted by the Kentucky Public Service Commission (Ky. PSC), Regulation 807 KAR 5:054.

DEFINITIONS

Definitions of the following terms are as adopted by the Ky. PSC, 807 KAR 5:054 - Section 2:

- | | |
|-------------------------------------|--------------------------|
| (1) Qualifying Facility | (7) Interconnection Cost |
| (2) Cogeneration Facility | (8) Supplementary Power |
| (3) Small Power Production Facility | (9) Back-up Power |
| (4) Purchase | (10) Interruptible Power |
| (5) Sale | (11) Maintenance Power |
| (6) Avoided Cost | (12) System |

OBLIGATIONS

- (1) Purchases
The utility shall purchase from qualifying facilities in accordance with 807 KAR 5:054 - Sections 6 and 7.
- (2) Sales
The utility shall sell to qualifying facilities in accordance with 807 KAR 5:054 - Section 6.
- (3) Interconnections
The utility shall make interconnections with qualifying facilities as may be necessary to accomplish purchases or sales and the qualifying facility will pay for the interconnection costs in accordance with 807 KAR 5:054 - Section 6.
- (4) System Emergencies
During system emergencies the utility may discontinue purchases and sales or the qualifying facilities may be required to provide energy or capacity in accordance with 807 KAR 5:054 - Section 6.

STANDARDS FOR OPERATING RELIABILITY

The technical requirements necessary for operating reliability are set forth in the Company's procedure entitled "Guideline Technical Requirements for Parallel Operation of Customer Generation on the Transmission System."

Issued by authority of an Order of the Kentucky Public Service Commission dated _____, 2012 in Case No. 2012-00 _____.

Issued: March 28, 2012


Issued by Julie Janson, President

Effective: April 17, 2012

Duke Energy Kentucky, Inc.
4580 Olympic Blvd.
Erlanger, Kentucky 41018

KY.P.S.C. Electric No. 2
Third Revised Sheet No. 94
Cancels and Supersedes
Second Revised Sheet No. 94
Page 2 of 2

RATE SCHEDULES

Rates for Purchases from qualifying facilities:

The Purchase Rate for all kilowatt-hours delivered shall be the PJM Real-Time Total Locational Marginal Price for power at the DEK Aggregate price node, inclusive of the energy, congestion and losses charges, for each hour of the billing month.

Rates for Sales to qualifying facilities will be accomplished through existing tariff schedules on file with the Ky. PSC.

SERVICE REGULATIONS, TERMS AND CONDITIONS

The QF shall enter into a written contract with the Company. Such contract shall set forth any specific arrangements between the parties based on the individual circumstances so involved.

The supplying and billing for service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to Company's Service Regulations currently in effect, as filed with the Public Service Commission of Kentucky.

Issued by authority of an Order of the Kentucky Public Service Commission dated _____, 2012 in
Case No. 2012-00_____.

Issued: March 28, 2012


Issued by Julie Janson, President

Effective: April 17, 2012

SUMMARY DESCRIPTION OF PROPOSED TARIFF CHANGE

Cogeneration and Small Power Production Sale and Purchase Tariff – Greater than 100 kW

Description of the Proposed Tariff Change

Ky P.S.C. Electric No. 2 Second Revised Sheet No. 94, Cogeneration and Small Power Production Sale and Purchase Tariff – Greater than 100 kW (Cogen Tariff) to reflect the fact that the Company is now a member of PJM Interconnection LLC (PJM). The section of the aforementioned tariff entitled Rate Schedules contained in page 2 of 2 will be changed to delete the pricing references previously applicable when the Company was a member of the Midwest ISO and amend the same to reflect the applicable pricing in PJM. Specifically, the amended section will state as follows:

Rates for Purchases from qualifying facilities:

The Purchase Rate for all kilowatt-hours delivered shall be the PJM Real-Time Total Locational Marginal Price for power at the DEK Aggregate price node, inclusive of the energy, congestion and losses charges, for each hour of the billing month.

Rates for sales to qualifying facilities will be accomplished through existing tariff schedules on file with the Ky. PSC.

The change is necessary due to the fact that the Company is no longer a member of the Midwest ISO and the references to pricing structures in the Midwest ISO are no longer applicable.