

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY, INC. FOR )	
APPROVAL TO TRANSFER FUNCTIONAL CONTROL OF )	
ITS TRANSMISSION ASSETS FROM THE MIDWEST )	CASE NO.
INDEPENDENT TRANSMISSION SYSTEM OPERATOR )	2010-00203
TO THE PJM INTERCONNECTION REGIONAL )	
TRANSMISSION ORGANIZATION AND REQUEST FOR )	
EXPEDITED TREATMENT )	

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION  
TO DUKE ENERGY KENTUCKY, INC.

Duke Energy Kentucky, Inc. ("Duke Kentucky") pursuant to 807 KAR 5:001 is to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due no later than August 2, 2010. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Duke Kentucky shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though

correct when made, is now incorrect in any material respect. For any request to which Duke Kentucky fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to page 15, Item 23, of the application. Provide a comparison of the annual membership fees of the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO") and PJM Interconnection, L.L.C. ("PJM").

2. Refer to page 6, starting on line 7 and ending on page 7, line 1, of the Direct Testimony of James B. Gainer ("Gainer Testimony"). Mr. Gainer identifies three reasons for Duke Energy Ohio, Inc.'s ("Duke Ohio") decision to withdraw from the Midwest ISO and join PJM.

a. Ohio utilities have been in the Midwest ISO and PJM for several years. Explain the importance to the Public Utilities Commission of Ohio and Duke Ohio for the entire state to be in a single Regional Transmission Operator ("RTO") footprint.

b. Explain whether Duke Ohio would have chosen to join PJM absent the decision by FirstEnergy Company to withdraw from the Midwest ISO and join PJM.

c. Explain whether, upon realignment with PJM, all of Duke Ohio's generation will be located within PJM.

d. The final reason identified by Mr. Gainer is that “[b]ased upon current PJM and Midwest ISO tariffs, PJM currently has lower RTO administration fees.” Provide the difference in the administration fees of the two RTOs and indicate for how long this difference has existed.

3. Refer to page 5, lines 5–6, of the Gainer testimony, which indicates that Duke Energy Indiana, Inc. (“Duke Indiana”) will remain in the Midwest ISO. The footprints of both the Midwest ISO and PJM include portions of, and utilities based in, Indiana. If PJM’s administration fees are lower than those of the Midwest ISO, explain why the decision has been made for Duke Indiana to remain in the Midwest ISO.

4. Refer to page 9, lines 9–11, and page 11, lines 15–17, of the Gainer Testimony. Refer also to page 9, lines 12–15, of the Direct Testimony of William Don Wathen, Jr. (“Wathen Testimony”). Page 9 of the Gainer Testimony indicates that Duke Kentucky will be responsible for Midwest ISO Transmission Expansion Plan (“MTEP”) costs of projects currently underway and for those that will be approved by the time Duke Kentucky leaves the Midwest ISO. Page 11 of the Gainer Testimony indicates that Duke Kentucky will be assessed PJM regional transmission expansion planning process (“RTEPP”) costs for “[p]rojects currently underway.” Page 9 of the Wathen Testimony states that “[w]hen Duke Energy Kentucky joins PJM, it will be allocated a portion of the RTEPP costs for projects currently underway and going forward.”

a. If Duke Kentucky leaves the Midwest ISO, explain whether it will be obligated to pay MTEP costs each year until the projects approved prior to exit are completed. If yes, include an estimate of the number of years such costs will be paid

and the amounts to be paid each year. If no, estimate the year that all MTEP costs will be paid and the total amount of the payment.

b. If Duke Kentucky leaves the Midwest ISO, explain whether it will receive any benefit, including any credit against the future cost to transmit power, in return for its payment of MTEP costs.

c. Provide the "start date" for RTEPP projects for which costs will be assessed to Duke Kentucky and explain how the date was determined.

d. Identify the rules or regulations which require that a utility be responsible for RTEPP costs of projects underway prior to when it joins PJM, or any other RTO.

e. If Duke Kentucky joins PJM, explain whether it will be obligated to make a single, lump sum payment for the RTEPP costs of projects currently underway. If yes, provide an estimate of the amount of that payment. If no, provide an estimate of the number of years payments will be made for the RTEPP costs of projects currently underway and an estimate of the amount of the payment in each year.

5. Refer to the Gainer Testimony at page 11, line 5 and the Direct Testimony of John D. Swez at page 13, line 7. Provide the current estimate of the cost of Duke Kentucky's integration into PJM.

6. Refer to the June 25, 2010 Federal Energy Regulatory Commission ("FERC") filing of Duke Ohio and Duke Kentucky at page 12, paragraph vi. Identify and describe any changes in the way grandfathered agreements will be treated as a result of Duke Kentucky joining PJM, including the impact on affected Kentucky customers.

7. Refer to the FERC filing, the second full paragraph on page 14. Describe the impact changing to transmission pricing based on a 1 Coincident Peak (CP) by PJM from the 12 CP method used by the Midwest ISO will have on Kentucky customers.

8. Refer to the FERC filing at page 19. Identify the Midwest ISO ASM Tariff and describe the impacts on Kentucky customers that will have to change from it to the PJM OATT.

9. Explain how Duke Kentucky's transmission operating procedures will change once PJM takes functional control of its transmission assets.

10. Describe the impacts, if any, of the move from the Midwest ISO to PJM on other Kentucky transmission owners.



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DATED JUL 20 2010

cc: Parties of Record

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