

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) CASE NO.
THE MIDWEST INDEPENDENT TRANSMISSION) 2010-00203
SYSTEM OPERATOR TO THE PJM INTERCONNECTION)
REGIONAL TRANSMISSION ORGANIZATION AND)
REQUEST FOR EXPEDITED TREATMENT)

COMMISSION STAFF'S SECOND 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 25, 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 the response to item 2.a. of the Commission Staff's First Request for Information ("Staff's First Request") which discusses the benefits of all Ohio electric utilities belonging to one Regional Transmission Organization ("RTO"). In the pending Federal Energy Regulatory Commission ("FERC") proceeding involving the proposed RTO realignment of Duke Kentucky and its parent, Duke Energy Ohio, Inc. ("Duke Ohio"), Docket ER-10-1562-000, the Public Utilities Commission of Ohio ("PUCO"), filed comments on July 26, 2010, which make no mention of the benefits of all Ohio electric utilities belonging to a single RTO that are identified in Duke Kentucky's response. Has the PUCO publicly expressed support for having all its jurisdictional electric utilities in one RTO? If yes, identify where, how and in what context.

2. Refer to the response to item 4.c. of Staff's First Request. Confirm that this should be interpreted as clarifying that Duke Kentucky will be allocated regional transmission expansion planning process costs by PJM Interconnection, L.L.C. ("PJM") only when it becomes a member of PJM.

3. Refer to the response to item 5 of the Staff's First Request. The response indicates Duke Kentucky's share of the combined transmission revenue requirement would decrease from 16.8 percent to 13.7 percent due to the change from a 12 Coincident Peak ("12 CP") to a 1 Coincident Peak ("1 CP") methodology.

a. Explain whether there is an advantage or benefit to Duke Kentucky from using a 1 CP methodology versus a 12 CP methodology for transmission pricing.

b. In general, what effect, if any, is this change expected to have on Duke Kentucky's next retail rate case?

4. Refer to the response to item 8 of the Staff's First Request. The response failed to identify Midwest ISO ASM tariff. Identify what the acronym ASM represents and provide a general description of the tariff.

5. Refer to the response to item 10 of Staff's First Request, which indicates that Duke Kentucky believes that there will be no significant impacts on other Kentucky transmission owners due to its move from the Midwest ISO to PJM. On page 34 of its July 26, 2010 comments filed in FERC Docket ER-10-1562-000, the Midwest ISO states that the Miami Fort substation provides the physical link between East Kentucky Power Cooperative, Inc. ("EKPC") and the Midwest ISO. It also states that EKPC is evaluating Midwest ISO membership and that the move to PJM will effectively block a physical path to the Midwest ISO for EKPC, which will eliminate any voluntary choice by EKPC to join the Midwest ISO.

a. Explain in detail how this outcome is not considered by Duke Kentucky to be a "significant impact" for EKPC, a Kentucky transmission owner.

b. If the Duke companies were to move to PJM, the Midwest ISO goes on to identify what it describes as expensive and unattractive options for EKPC to be a Midwest ISO member, absent a direct physical path. Explain whether Duke agrees with the existence and the Midwest ISO's characterization of those options.

6. Refer to the response to item 5 of the Midwest Independent System Operator's ("Midwest ISO") first data request. Explain the financial costs and benefits that will likely result under Duke Kentucky's alternative options of integrating its load into the PJM Reliability Pricing Model ("RPM") process or electing the Fixed Resource Requirement status, and state when a decision on those options will be made.

7. The Indiana Utility Regulatory Commission ("IURC"), on pages 10-11 of its July 26, 2010 comments filed in FERC Docket ER-10-1562-000, states that "[i]t is the IURC's understanding that there are no market impediments to Duke's ability to sell in the PJM's RPM as members of the Midwest ISO." State whether IURC's understanding is correct and whether there are any benefits or detriments to selling into the PJM RPM as a Midwest ISO member versus as a PJM member.

8. In March 2010, the Midwest ISO filed two complaints (EL 10-45 and EL 10-46) asking FERC to intercede in disputes with PJM related to the management of congestion at the border between the two RTOs. PJM subsequently filed a complaint requesting that FERC order refunds of overpayments PJM allegedly made due to the Midwest ISO's improper use of the two RTOs' market-to-market settlement process. On June 29, 2010, FERC consolidated the dockets and set them for an evidentiary hearing.

a. Describe any potential impacts the outcome of this proceeding may have on Duke Kentucky, either in the near term or in the future, if it becomes a member of PJM.

b. Will the pending FERC proceeding have any effect on the timeline that has been set for joining PJM? If yes, what are those effects?

9. The August 2, 2010 edition of *Electric Utility Week*, at page 14, reported that the Midwest ISO estimated that the generation capacity of Duke Kentucky and Duke Ohio could earn more than \$353 million annually in capacity payments in PJM. It also reported that the Midwest ISO estimated that, over the 10 years between 2014 and 2024, Duke could earn nearly \$8 billion for its combined Duke Ohio and Duke Kentucky assets in the RPM auctions.

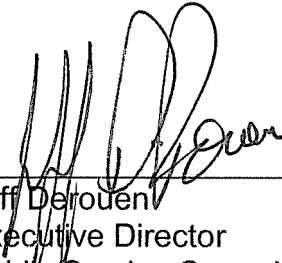
a. Explain whether the Duke companies have performed or reviewed any analyses to determine what Duke Kentucky and Duke Ohio could earn annually on capacity payments in PJM and, if yes, provide a summary of the analyses' results.

b. Have the Duke companies performed or reviewed any analyses of what could be earned over the 10 years between 2014 and 2024 for the combined Ohio and Kentucky assets in the RPM auctions?

c. If the answer part b. of this request is yes, provide the estimated amount that could be earned over the 10 years between 2014 and 2024 for the combined Ohio and Kentucky assets in the RPM auctions and for the Kentucky assets separately.

10. Explain whether the Duke companies have performed any analyses of PJM's recent scarcity-pricing proposal. If approved as proposed, explain how Duke

Kentucky intends to meet the requirements of the proposal and minimize the impact on its retail customers.



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cc: Parties of Record

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