

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DUKE ENERGY KENTUCKY, INC.'S APPLICATION 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)	

O R D E R

On May 20, 2010, Duke Energy Kentucky, Inc. ("Duke Kentucky") tendered its application for approval to transfer functional control of its transmission assets consisting of eighteen 138 kV connections, including breakers and switches from the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO") Regional Transmission Organization ("RTO") to the PJM Interconnection, L.L.C. ("PJM RTO"). Duke Kentucky avers that the requested transfer is appropriate because Duke Energy Ohio, Inc. ("Duke Ohio"), which owns and operates the 138 kV and above transmission system under which Duke Kentucky is currently interconnected to the Midwest ISO, plans to leave the Midwest ISO and join the PJM RTO.

In its application, Duke Kentucky cites KRS 278.020 and 278.218 as the basis for Commission jurisdiction over the proposed transfer of control of the transmission assets. Duke Kentucky requests approval of its proposal without an evidentiary hearing on the basis that the proposal is in the public interest for various reasons described in its application. Alternatively, if the Commission determines that a hearing is necessary,

Duke Kentucky requests that the Commission issue a procedural schedule in this matter.

Based on a review of Duke Kentucky's application, the Commission finds that the proposed transfer of transmission assets is subject to our jurisdiction under KRS 278.218, but not under KRS 278.020. The Commission further finds that a hearing should be conducted in this matter and that a procedural schedule should be established to commence a review of the reasonableness of the proposed transfer. That procedural schedule is attached as an Appendix to this Order and is incorporated herein.

The first step in the attached procedural schedule directs Duke Kentucky to file direct testimony in support of the proposed transfer. At a minimum, that testimony should address the following issues:

1. Duke Kentucky's commitment that it will not seek to recover through base rates any exit fees imposed by the Midwest ISO;
2. Duke Kentucky's commitment that it will not seek to recover costs of transmission expansion plans of both the Midwest ISO RTO and the PJM RTO for the same periods, even though it may incur such costs due to the proposed transfer;
3. When Duke Kentucky intends to determine which RTO's transmission expansion plan costs it will seek to recover through rates and how it will make such a determination;
4. The basis for the approximate \$11 million estimate of Duke Kentucky's share of Midwest ISO fees to be assessed upon its leaving the Midwest ISO;

5. The impact on Duke Kentucky's generation resulting from Duke Ohio's planned move from the Midwest ISO to PJM irrespective of the RTO in which Duke Kentucky may reside;

6. A detailed description of how the capacity market operates in the PJM RTO and the potential benefits of that market to Duke Kentucky and its ratepayers;

7. The amount and basis of Duke Kentucky's cost of integration into PJM; and

8. The amount and basis of Duke Kentucky's annual membership and administrative fees for PJM.

IT IS THEREFORE ORDERED that:

1. The procedural schedule for processing the review of the proposed transfer of control of transmission assets is attached hereto as an Appendix and shall be followed in this case.

2. Any document filed with the Commission shall be served on all parties of record, with 10 copies to the Commission.

3. All parties shall respond to any interrogatories or requests for production of documents that Commission Staff submits in accordance with the procedural schedule set forth in the Appendix.

4. a. Responses to requests for information shall be appropriately bound, tabbed and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided.

b. 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 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.

c. Any party 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.

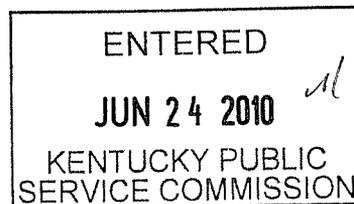
d. For any request to which a party fails or refuses to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

5. Duke Kentucky shall publish notice of the hearing in accordance with 807 KAR 5:011, Section 8(5).

6. At any public hearing in this matter, neither opening statements nor summarization of direct testimony shall be permitted.

7. Motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

By the Commission



ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2010-00203 DATED JUN 24 2010

Duke Kentucky's direct testimony, in verified prepared form, shall be filed no later than.....	07/06/10
Initial data requests to Duke Kentucky shall be filed no later than.....	07/20/10
Responses to initial data requests by Duke Kentucky shall be filed no later than.....	08/02/10
Supplemental data requests to Duke Kentucky shall be filed no later than	08/13/10
Responses to supplemental data requests by Duke Kentucky shall be filed no later than	08/25/10
Intervenor testimony, if any, in verified prepared form, shall be filed no later than.....	09/08/10
Data requests to Intervenors shall be filed no later than.....	09/22/10
Intervenors' responses to data requests shall be filed no later than	10/05/10
Public Hearing to be held in Hearing Room 1 of the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky, for the purpose of cross-examination of witnesses of Joint Applicants and Intervenors	To be scheduled

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