VERIFICATION

State of Ohio)
)
County of Hamilton)

The undersigned, William Don Wathen Jr., being duly sworn, deposes and says that I am employed by the Duke Energy Corporation affiliated companies as General Manager Duke Energy & Vice President Rates-Ohio & Kentucky; that on behalf of Duke Energy Kentucky, Inc., I have supervised the preparation of the responses to the foregoing responses to information requests; and that the matters set forth in the foregoing response to information requests are true and accurate to the best of my knowledge, information and belief after reasonable inquiry.

William Don Wathen Jr., Affiant

Subscribed and sworn to before me by William Don Wathen Jr. on this 27th day of July 2010.

NOTARY PUBLIC

My Commission Expires:

NOTARY PUBLIC STATE OF OHIO

ANITA M. SCHAFER
Notary Public, State of Ohio
My Commission Expires
November 4, 2014

VERIFICATION

State of North Carolina)
) SS:
County of Mecklenburg)

James B. Gainer, being first duly sworn, states that he is Vice President of Federal Regulatory Policy of Duke Energy Kentucky, Inc.; that I have supervised the preparation of the responses to the foregoing responses to information requests; and that the matters set forth in the foregoing response to information requests are true and accurate to the best of my knowledge, information and belief after reasonable inquire.

James B. Gainer

Subscribed and sworn to before me, this 26th day of July, 2010.

GAYLE H. WEBBER NOTARY PUBLIC UNION COUNTY, N. C.

Notary Public

My commission expires: 09/13/11

341908

VERIFICATION

State of North Carolina)
) SS:
County of Mecklenburg)

The undersigned, John D. Swez, being duly sworn, deposes and says that I am employed by the Duke Energy Corporation affiliated companies as Director, General Dispatch and Operations, that on behalf of Duke Energy Kentucky, Inc. says that I have supervised the preparation of the responses to the foregoing responses to information requests; and that the matters set forth in the foregoing response to information requests are true and accurate to the best of my knowledge, information and belief after reasonable inquire.

John D. Swez, Affiant

Subscribed and sworn to before me by John D. Swez on this 26 day of July, 2010.

RITA G KALE
NOTARY
PUBLIC
CATAWBA CO., NORTH CAROLINA

NOTARY PUBLIC

My Commission Expires: 6/17/12

VERIFICATION

State of Ohio)
) SS:
County of Hamilton)

The undersigned, Kenneth J. Jennings, being duly sworn, deposes and says that I am employed by the Duke Energy Corporation affiliated companies as Director, Market and RTO Services that on behalf of Duke Energy Kentucky, Inc. says that I have supervised the preparation of the responses to the foregoing responses to information requests; and that the matters set forth in the foregoing response to information requests are true and accurate to the best of my knowledge, information and belief after reasonable inquire.

Kenneth J. Jennings, Affiant

Subscribed and sworn to before me by Kenneth J. Jennings on this 29th day of July, 2010.

NOTARY PUBLIC

My Commission Expires:

NOTARY PUBLIC STATE OF OHIO

ANITA M. SCHAFER
Notary Public, State of Ohio
My Commission Expires
November 4, 2014

359428

VERIFICATION

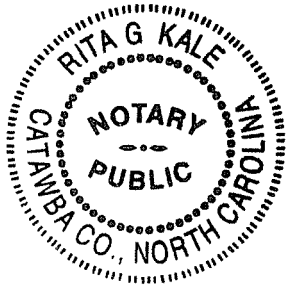
State of North Carolina)
) SS:
County of Mecklenberg)

The undersigned, G. Robert Burner Jr., being duly sworn, deposes and says that I am employed by the Duke Energy Corporation affiliated companies as Director, Transmission and Portfolio Strategy that on behalf of Duke Energy Kentucky, Inc. says that I have supervised the preparation of the responses to the foregoing responses to information request; and that the matters set forth in the foregoing response to information requests are true and accurate to the best of my knowledge, information and belief after reasonable inquire.

G. Robert Burner Jr.

G. Robert Burner Jr., Affiant

Subscribed and sworn to before me by G. Robert Burner on this 29 day of July, 2010.



Rita G Kale

NOTARY PUBLIC

My Commission Expires: 6/17/12

TABLE OF CONTENTS

TABLE OF CONTENTS

Duke Energy Kentucky
Case No. 2010-00203
MISO First Set Data Request
Date Received: July 20, 2010

MISO-DR-01-001

REQUEST:

In its Scheduling Order entered June 24, 2010 (p. 2, item 2), the Commission requested that DEK's testimony address, *inter alia*: "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." In its testimony (*see. e.g.*, Gainer p. 12 *ll.* I-3); Wathen p. 9 *ll.* 16-18), DEK phrases its commitment as that it will not attempt to recover a "double recovery of overlapping tansmission costs (MTEP and RTEPP) for the same time period" or "seek to double recover.

a. Is DEK excluding from its commitment the recovery of costs of transmission expansion plans of both the Midwest ISO RTO and PJM RTO for the same period if such recovery is not "double recovery" or if the costs are not "overlapping"? Explain.

b. In his testimony (p. 10 *ll.* 20-22), Wathen provides the following illustration: "If the Company files a rate case with a test year that covers both a period prior to and after the RTO realignment, it may be appropriate for some level (but not all) of both RTEPP and MTEP" to be included in base rates. Is this an example of a situation in which DEK might seek to recover costs of transmission expansion plans of both the Midwest ISO RTO and the PJM RTO for the same periods?

RESPONSE:

a. No. Duke has committed to the Kentucky Commission that it would not seek to recover from Duke's Kentucky customers those costs that would be duplicative and assessed to Kentucky customers from both RTOs.

b. Yes. The illustration demonstrates one possible test year where Duke Energy Kentucky is being assessed MTEP costs for part of the year as a Midwest ISO member and RTEPP cost for the remainder of the year as a PJM member subsequent to the realignment.

PERSON RESPONSIBLE: William Don Wathen Jr./ James B. Gainer

Duke Energy Kentucky
Case No. 2010-00203
MISO First Set Data Request
Date Received: July 20, 2010

MISO-DR-01-002

REQUEST:

In its Scheduling Order entered June 24, 2010 (p. 2, item 3), the Commission requested that DEK's testimony address, *inter alia*, how it "intends to determine which RTO's transmission expansion plan costs it will seek to recover through rates."

a. Does DEK intend to seek the higher of the two (RTEPP/MTEP) transmission expansion plan allocations for the applicable test year? The lower? Or a blend of the two plan allocations?

b. For a recent 12-month period for which the respective transmissions expansion costs are known and measurable:

   i. What is the MTEP cost allocation to DEK?

   ii. What is PJM's total RTEPP cost to be allocated to its members and what would have been the allocation to DEK if it and Duke Energy Ohio had been PJM members during that period?

c. With the period and allocations from subpart (b) as the test year, explain

   i. Which costs DEK would seek to recover in rates, including what factors would influence the decision; and

   ii. How DEK would propose to recover such transmission expansion plan costs over the next five-year period.

RESPONSE:

a. Whenever the Kentucky Commission or Duke Energy Kentucky determines that a change in base rates is appropriate, then Duke Energy Kentucky will determine the appropriate method for recovery of transmission expansion costs in accordance with Kentucky's rules and regulations for filing of a base electric rate case increase. A test year would be determined and Duke Energy Kentucky would explain its recovery methods within the context of the electric base rate case.

b. (i) Objection. This Interrogatory is intended to harass and unduly burden Duke Energy Kentucky. Notwithstanding said objection, as the Midwest ISO assesses MTEP, it can be obtained from the Midwest ISO.
(ii) Objection. This Document Request is overly broad, unduly burdensome. Duke Energy Kentucky has not performed this analysis.

c. (i) Objection. This Document Request is overly broad unduly burdensome. Duke Energy Kentucky has not performed this analysis. See response to MISO-DR-01-002(a).

(ii) See response to MISO-DR-01-002(a).

PERSON RESPONSIBLE: James B. Gainer

Duke Energy Kentucky
Case No. 2010-00203
MISO First Set Data Request
Date Received: July 20, 2010

MISO-DR-01-003

REQUEST:

Gainer (p.11 *ll.*3-6) and Swez (p.13 *ll.*6-10, p.14 *ll.*7-10) describe one-time fees and charges integration costs and minor training and certification expenses relating to entry into PJM.

a. Is the estimated fee of $3 million to cover PJM's integration costs referenced by Gainer (p.11 *ll.*3-6) included in, or in addition to, the one-time charge of an estimated integration cost of $27 million referenced by Swez (p.13 *ll.*6-10)?

b. Does DEK commit to holding its customers harmless for such entry/integration costs?

c. If not, what entry/integration costs does it plan to seek to recover and in what way?

RESPONSE:

a. In addition to.

b. Yes

c. N/A

PERSON RESPONSIBLE: John Swez

Duke Energy Kentucky
Case No. 2010-00203
MISO First Set Data Request
Date Received: July 20, 2010

MISO-DR-01-004

REQUEST:

Jennings (p.2 *ll.* 7-17) describes current and past participation in PJM by Duke Energy and on behalf of Duke Energy Ohio — including working to shape market policy and as a voting member in the stakeholder process. Swez (p.3 *ll.*15-17) states that with the addition of DEK and Duke Energy Ohio, "there will be five Duke Energy affiliates in PJM."

a. What are the three Duke Energy affiliates that are presently "in PJM"? As to each, when did that affiliate join PJM and in what capacity or capacities has it thereafter participated in PJM?

b. What has been the participation in PJM "on behalf of" Duke Energy Ohio? Has there been equivalent participation "on behalf of" DEK?

RESPONSE:

a. There are four Duke Energy Affiliates presently in PJM, they are Duke Energy Business Services, LLC, Duke Energy Ohio, Inc., Duke Energy Retail Sales, LLC, and Duke Energy Carolinas, LLC. These are all affiliates that have been members of PJM for several years. The first three were originally Cinergy Affiliates that had name changes since the Duke acquisition of Cinergy. Duke Energy Business Services, LLC, was originally the affiliate named Cinergy Services, LLC, Duke Energy Ohio, Inc., was originally named Cincinnati Gas & Electric, and Duke Energy Retail Sales, LLC, was originally called Cinergy Retail Sales, LLC. Duke Energy Business Services, LLC, participates in the Generation Owner Sector, Duke Energy Ohio, Inc., Duke Energy Retail Sales, LLC, and Duke Energy Carolinas, LLC participate in the Other Supplier Sector as well. Duke Energy Business Services, LLC, is the primary voting member in PJM.

b. Duke Energy Ohio currently participates in the Other Suppliers Sector. Duke Energy Kentucky is not currently a member of PJM.

T**PERSON RESPONSIBLE:** Ken Jennings

Duke Energy Kentucky
Case No. 2010-00203
MISO First Set Data Request
Date Received: July 20, 2010

MISO-DR-01-005

REQUEST:

Jennings (p.2 *l.*17 – p.3 *l.*3; p.5 *l.*21 – p.6 *l.*8) describes an RPM capacity market opt-out alternative available to a PJM-member LSE — the Fixed Resource Requirement (FRR).

a. Is it DEK's intent and proposal to integrate its load into PJM's RPM process and to commit its load into the May 2011 Base Residual Auction, and thus not to be an FRR LSE?

b. Are the benefits alleged for participation in PJM's capacity market (*see, e.g.,* Jennings p.6 *ll.*14-21) available to DEK if it elects the FRR option? Explain.

c. Are all or part of the benefits alleged for capacity-market participation available to an LSE or generation owner who either (1) elects the FRR option or (2) is not a PJM member? If so, (1) describe the benefits available and (2) explain any difference in benefit availability as to PJM membership.

d. Identify or explain the prohibition or impediment on participating in RPM on an FRR basis.

RESPONSE:

a. That determination has not been made.

b. Yes – All benefits available to a non – FRR entity are available to an FRR entity. An FRR entity is only limited by the amount of excess capacity resources that it can sell into RPM. FRR entities can only sell the lower of 25% of its FRR reliability requirement or 1,300 MWs. An entity must be a PJM member to transact in its markets.

c. See response to MISO-DR-01-005 (b).

d. FRR entities must commit to be an FRR entity for five consecutive years. FRR entities are only permitted to sell a quantity of excess capacity which is equal to the lesser of 25% of the entity reliability requirement or 1,300 MWs.

Under Schedule 8.1 of the PJM Reliability Assurance Agreement eligibility is defined as an IOU, Electric Cooperative, or Public Power Entity; and (b) demonstrates the capability to satisfy the Unforced Capacity obligation for all load in an FRR Service Area, including all expected load growth in such area, for the term of such Party's participation in the FRR Alternative.

PERSON RESPONSIBLE: a) Bob Burner/ b)-d) Ken Jennings

Duke Energy Kentucky
Case No. 2010-00203
MISO First Set Data Request
Date Received: July 20, 2010

MISO-DR-01-006

REQUEST:

In its *Analysis of the 2013/2014 RPM Base Residual Auction*, released 7/14/10, the independent market monitor (IMM) for PJM finds (p.2) that "there are significant issues with the RPM market design which have significant consequences for market outcomes." The IMM recommends (p.2): (a) immediate termination of the 2.5% demand adjustment (Short-Term Resource Procurement Target); (b) addressing the definition of demand side resources to ensure that those resources provide the same value in the capacity market as generation resources; and (c) using the most current Handy-Whitman Index be used to calculate the Avoidable Cost Rate (ACR) for the applicable year, and updating and using the 10-year annual Handy-Whitman Index value to recalculate the subsequent default ACR values.

a. As to each individually, and all three collectively, does DEK think that adoption of the IMM's recommendations would have a positive or negative effect on the benefits anticipated for DEK — planning and off-system sales revenues (*see* Swez pp. 8-10)? Explain, and provide any estimate of the magnitude of any anticipated effect.

b. Are the anticipated or estimated effects as to the three Duke Energy affiliates that are currently PJM members (*see* Swez p.13 *ll.*15-17), similarly positive or negative as for DEK?

c. In its participation within PJM (including as a voting member), described in the Jennings Testimony (p.2 *ll.*7-17), has DEK voted or taken a position on the issues raised by the IMM's recommendations in the 7/14/10 *Analysis*? If so, please state the date (or time period) and vote or position taken.

RESPONSE: .

a. (1) Teminate 2.5% demand adjustment – this would have the effect of correcting the IMM perceived eerrors in the RPM clearing price since more resources would be required to serve the increased demand. Since Duke Energy Kentucky load is fully hedged by Duke Energy Kentucky resources, it would have no impact on Duke Energy Kentucky customers. It could represent increased revenue to Duke Energy Kentucky and therefore beneficial to customers due the sharing mechanism if Duke Energy Kentucky offered excess capacity into RPM.

(2) Demand side resources provide same value as generation resources. The impact of this change is indeterminate since it could result in less DR offered or change in price which DR offers which could have countervailing impacts in RPM auction. In any case, Duke Energy Kentucky load is fully hedged and therefore insulated from such changes in the RPM auction.

(3) Handy-Whitman Index – MMU proposal to use most recent HWI value has effect of lowering ACR values in RPM auction. This could have the effect of lowering the clearing price in the RPM auction however in the most recent (2013/2014) RPM auction it would have had no impact on Duke Energy Kentucky customers Duke Energy Kentucky load is fully hedged and therefore insulated from such changes in the RPM auction.

b. Duke Energy sees the recommendations overall having a positive effect on the RPM Capacity Market competitiveness.

c. No – Duke Energy Kentucky is not currently a member of PJM

PERSON RESPONSIBLE: Bob Burner (a) and (c). Ken Jennings (b)

Duke Energy Kentucky
Case No. 2010-00203
MISO First Set Data Request
Date Received: July 20, 2010

MISO-DR-01-007

REQUEST:

With respect to the RPM market, do the market rules require that loads purchase their share of the system capacity requirement? If so:

a. At what price?

b. Does DEK commit to hold Kentucky ratepayers harmless from paying PJM capacity market costs, up to the capacity of generation assets that are in the DEK rate base?

c. If so, how? If not, why not?

RESPONSE:

Duke Energy Kentucky as the Load Serving Entity for its customers can satisfy its capacity obligation in PJM by either participation in the RPM auction or by electing the Fixed Resource Requirement (FRR) alternative.

a. If participating in the RPM auction the LSE would be charged the Locational Reliability Charge for its load obligation and credited the RPM clearing price for resources which cleared in the auction. If selecting FRR alternative the LSE would be responsible for providing sufficient capacity resources to meet its load obligation outside the RPM auction.

b. At this time, Duke Energy Kentucky's objective is to fully hedge its customers with its own resources. As such, Duke Energy Kentucky plans to offset its load obligation in PJM with Duke Energy Kentucky resources and additionally offer any excess resources into the PJM capacity market to the benefit of Duke Energy Kentucky customers and the Company per the Profit Sharing Mechanism for such capacity revenues.

c. Duke Energy Kentucky can satisfy the objective by either electing the FRR alternative or participating in the RPM auction.

PERSON RESPONSIBLE: *Bob Burner*

Duke Energy Kentucky
Case No. 2010-00203
MISO First Set Data Request
Date Received: July 20, 2010

MISO-DR-01-008

REQUEST:

With respect to capacity from DEK's generation capacity needed to serve DEK's native load, will DEK either (1) reduce its rate base by the amount of capacity in excess of that needed for DEK native load, or (2) credit to ratepayers 100% of the revenues received from the capacity auction? Given that the amount will change periodically or over time, would these adjustments be made through DEK's FAC or only through base rate changes?

RESPONSE:

Duke Energy Kentucky's uses its existing Rider PSM ("Profit Sharing Mechanism") to share all or a portion of any net profits on capacity sales for the Company. Rider FAC is not impacted by any capacity sale.

PERSON RESPONSIBLE: William Don Wathen Jr.

Duke Energy Kentucky
Case No. 2010-00203
MISO First Set Data Request
Date Received: July 20, 2010

MISO-DR-01-009

REQUEST:

Swez (p.8 *l.*22 – p.9 *l.*1) states that DEK "currently has sufficient capacity to satisfy its load, with surplus to provide the ability to engage in off-system sales for several years."

a. Where in DEK's 2008 Integrated Resource Plan (or provide a pinpoint citation to another long range planning and load forecast) does it indicate that DEK will have generation capacity in excess of that needed to serve its native load for several years?

b. At what future date does DEK anticipate that it will no longer have sufficient capacity to satisfy its native load and will need to purchase additional capacity?

RESPONSE:

a. See page 1-35 of Duke Energy Kentucky's 2008 Integrated Resource Plan filed on July 1, 2008, in Case No. 2008-00248.

b. See response to MISO-DR-01-009(a).

PERSON RESPONSIBLE: John Swez

Duke Energy Kentucky
Case No. 2010-00203
MISO First Set Data Request
Date Received: July 20, 2010

MISO-DR-01-010

REQUEST:

Do DEK's customers pay separately stated capacity charges under Module E of the Midwest ISO tariff?

RESPONSE:

No.

PERSON RESPONSIBLE: William Don Wathen Jr.

Duke Energy Kentucky
Case No. 2010-00203
MISO First Set Data Request
Date Received: July 20, 2010

MISO-DR-01-011

REQUEST:

State, and provide all assumptions, calculations, and other workpapers used to derive:

a. the amount of revenue DEK would have received if it had offered its capacity in the last RPM Base Rate Auction at the clearing prices for the 2011-12 and 2012-13 delivery years; and

b. the amount of capacity payments DEK load would pay if required to acquired capacity at the price established in that last RPM Base Rate Auction.

RESPONSE:

a. Objection. Unduly burdensome. Duke Energy Kentucky has not performed this calculation as it is not possible since Duke Energy Kentucky's participation in the previous RPM auctions would have changed the outcome of the auction. It is possible to perform a hypothetical exercise by assuming nothing would have changed with Duke Energy Kentucky participation and that *"...the amount of revenue DEK would have received..."* is based on that excess Duke Energy Kentucky capacity above its hypothetical load obligation in PJM and assume that all such capacity would have cleared the auctions.

Auction	Hypothetical Excess Capacity	RPM BRA Clearing Price	Revenue
2011/2012	50 MW	$110/MW-Day	$836,500
	100 MW		$1,673,000
2012/2013	50 MW	$16.46/MW-Day	$300,395
	100 MW		$600,790

b. $0, Duke Energy Kentucky's load would have been fully hedged with Duke Energy Kentucky resources.

PERSON RESPONSIBLE: Bob Burner

Duke Energy Kentucky
Case No. 2010-00203
MISO First Set Data Request
Date Received: July 20, 2010

MISO-DR-01-012

REQUEST:

Wathen (p.5 *l.*17 – p.6 *l.*11) describes the inclusion of off-system sales profits in DEK's quarterly profit sharing mechanism rider (Rider PSM).

a. Provide a copy of the currently-effective tariff for Rider PSM.

b. Will profits from the PJM capacity market be part of the overall off-system sales profits included in Rider PSM? Explain.

c. If off-system capacity-market sales are to be included, what (if any) costs would be deducted from capacity sales revenues? Provide data from the most recent time period available about the amount or relative magnitude of any such costs to be deducted.

d. For each quarter since Rider PSM was established, state:

   i. the absolute dollar amount of profits from off-system sales of energy that were included; and

   ii. the percentage of the overall off-system sales profits from each component (energy sales, ancillary services sales, etc.).

RESPONSE:

a. See Attachment MISO-DR-01-012(a).

b. Yes.

c. Any costs directly attributable to such sale (e.g., brokerage fees, transaction fees, etc.) would be deducted for computing the 'profit' to be included in Rider PSM.

d. See Attachment MISO-DR-01-012(d).

PERSON RESPONSIBLE: William Don Wathen Jr.

Duke Energy Kentucky
Case No. 2010-00203
MISO First Set Data Request
Date Received: July 20, 2010

MISO-DR-01-013

REQUEST:

Swez (p.10 *ll.*21-22) states that DEK "customers would actually be better off in PJM, partially due to increased opportunity in the off-peak period."

a. What is the basis for this statement?

b. For each increased opportunity, quantify the associated enhanced revenue stream or cost reduction and the participation of DEK's native load in such revenue stream or cost-reduction.

RESPONSE:

a. Duke Energy Kentucky anticipates more opportunities to sell energy in PJM market coupled with Kentucky sharing mechanism produces more revenue for Duke Energy Kentucky customers.

b. Objection. Unduly burdensome. Without waiving said objection,Duke Energy Kentucky has not performed such analysis. See response to MISO-DR-01-013(a).

PERSON RESPONSIBLE: John Swez

Duke Energy Kentucky
Case No. 2010-00203
MISO First Set Data Request
Date Received: July 20, 2010

MISO-DR-01-014

REQUEST:

The DEK Woodsdale plant "is qualified as a black start resource in the Midwest ISO." (Swez p.7 *l.*11). Identify and explain any differences— financial or operational — between Midwest ISO PJM black start payments.

RESPONSE:

Objection. Unduly burdensome. Duke Energy Kentucky has not performed this analysis. Without waiving said objection, PJM Black Start Business Rules are located at the following link:

http://www.pjm.com/~/media/committees-groups/working-groups/cwg/blackstart_buss_rules.ashx

Midwest ISO should be familiar with Midwest ISO black start rules.

PERSON RESPONSIBLE: John Swez

Duke Energy Kentucky
Case No. 2010-00203
MISO First Set Data Request
Date Received: July 20, 2010

MISO-DR-01-015

REQUEST:

Wathen (p.3 *ll.*11-15) states that in Case No. 2006-00172, DEK included a total of "approximately $1.5 million" of projected Midwest ISO administrative costs under Schedule 10, Schedule 10-FERC, Schedule 16, and Schedule 17 in its forecasted test year revenue requirement. Wathen (p.5 *ll.*14-15) further states: "Since the time electric rates were set in the last electric rate case, Duke Energy Kentucky's charges from the Midwest ISO have increased from about $1.5 million to more than $1.8 million, annually."

a. Break down by Midwest ISO Schedule the "approximately $1.5 million" of Midwest ISO administrative costs DEK included in the forecasted test year.

b. Break down by Midwest ISO Schedule the claimed total of "more than $1.8 million annually" of administrative costs.

c. As to each Midwest ISO Schedule, state the differential with the comparable PJM cost.

RESPONSE:

a.

FERC Schedule	Amount in 2007 Test Year
10-FERC	$212,304
10	824,732
16	174,939
17	320,107
Total	$1,532,082

b.

FERC Schedule	2009 Actual
10-FERC	$221,322
10	672,273
16	94,651
17	864,314
Total	$1,852,560

c. Objection. Overbroad, unduly burdensome. Duke Energy Kentucky has not performed the analysis required to make such a comparison. Without waiving said objection:

The Midwest ISO and PJM have implemented different billing determinants for recovering their administrative fees. Developing a schedule by schedule comparison would require making significant assumptions on future market behavior such as FTR offers and energy market bid/offer segments. The Midwest ISO has access to the same data, namely its own billing determinants as well as the publicly filed PJM tariffs and could perform its own such analysis.

A more comprehensive approach is to compare the estimated amount of the respective RTO budgets that would be recovered through both the transmission and market schedules and then compare the relative budgets to the anticipated peak demand of the two RTOs.

A review of the Midwest ISO and PJM administrative budgets for 2010-11 indicates the PJM administrative budget is lower than the Midwest ISO budget for years 2010-12 and is similar in magnitude in 2013 and 2014. After the move of ATSI (FirstEnergy) to PJM, the peak load for the PJM system will be higher than the Midwest ISO peak by at least 50%. Assuming the energy consumption in the two RTOs differs by a similar amount, there will be higher overall cost allocated to Midwest ISO load on a dollar per MWH basis.

PERSON RESPONSIBLE: a,b, - William Don Wathen, Jr.

c - Ken Jennings/ Jim Gainer

Duke Energy Kentucky
Case No. 2010-00203
MISO First Set Data Request
Date Received: July 20, 2010

MISO-DR-01-016

REQUEST:

Swez (p.11 *l.*4 – p.12 *ll.*13) describes a setup (involving "pseudo-tying" the load and generation to the Midwest ISO) by which it would be possible for DEK to keep load/generation resource under the dispatch control of the Midwest ISO despite a realignment of Duke Energy Ohio with PJM.

a. Swez (p.10 *ll.*18-20) states that being "pseudo-tied" into the Midwest ISO "will add unnecessary complexity and cost to how Duke Energy Kentucky would operate on a day-to-day basis." Explain.

b. Under what arrangements for such a setup would there be a need "to allocate additional labor resources to monitor the nuances and potential conflicting signals between the two RTOs ... as well as to complete the additional scheduling functions" (Swez p.11 *ll.*21-22)?

c. Identify each Duke Energy affiliate (1) already handling energy sales in both the Midwest ISO and PJM markets or (2) handling the services referenced in subpart (b) for the three regional Duke Energy operating utilities, and state whether that affiliate will cease doing so upon a realignment of Duke Energy Ohio with PJM.

d. What resources does DEK now allocate and are borne by its ratepayers:

   i. "to monitor the nuances and potential conflicting signals" between the Midwest ISO and other RTOs/ISOs?

   ii. for scheduling functions?

e. What additional personnel (or labor resources) would be needed to accomplish the services referenced in subpart (b) beyond those presently devoted to such tasks and what, specifically, would they do on a day-to-day basis that is not currently assigned to PJM or the Midwest ISO as the NERC-registered Balancing Authorities?

f. Is the pseudo-tying setup described that proposed to be used for Duke Energy Indiana generation or load that is now connected to the Midwest ISO only through Duke Energy Ohio, *e.g.*, the Madison generating facility? If so:

i. Are there efficiencies of scale or scope in having the possible additional monitoring or scheduling functions performed on behalf of DEK as well as Duke Energy Indiana?

ii. Are there any relevant differences between Duke Energy Indiana and DEK in the possible need for allocating additional resources?

iii. What is Duke Energy's assessment of the amount or magnitude of such possibly-needed additional labor resources? What is the basis for that assessment?

RESPONSE:

a/b. With the Duke Energy Ohio transfer to PJM and the fact Duke Energy Kentucky is connected to the Duke Energy Ohio transmission system, Duke Energy Kentucky would physically reside in PJM. Additional undesirable coordination, scheduling, and metering would be required to move Duke Energy Kentucky load and resources from PJM to MISO which would not be required if Duke Energy Kentucky simply moves to PJM with Duke Energy Ohio.

c. Duke Energy Ohio operates generation resources in both PJM and MISO. With this realignment, all of Duke Energy Ohio's generating resources except Vermillion will be in PJM.

d. i. none

ii. Regulated Portfolio Optimization performs the scheduling function for Duke Energy Kentucky.

e. There could potentially be increased personnel required in the groups responsible for energy scheduling and transmission operations.

f. i. No.

ii. Yes, Duke Energy Kentucky would require resources to manage and operate all load, generation, transmission, energy scheduling, and system operations as compared to Duke Energy Indiana which only involves the Madison plant.

iii. Duke Energy Kentucky has not performed such an analysis. Duke Energy Kentucky's plan and preference is to move to PJM with Duke Energy Ohio.

PERSON RESPONSIBLE: John Swez

Duke Energy Kentucky
Case No. 2010-00203
MISO First Set Data Request
Date Received: July 20, 2010

MISO-DR-01-017

REQUEST:

Swez (p.12 *ll.*3-8) states that DEK "is concerned that ... there is a greater potential for a differential between the price Duke Energy Kentucky is paid for the power it generates in one RTO and the price the load pays for the power it consumes in the other...."

a. Why does DEK think the potential for price differential is greater if it stays in the Midwest ISO, Duke Energy Ohio realigns with PJM, and DEK's load and generation is pseudo-tied to the Midwest ISO? Please provide any analysis, calculations, or projections made.

b. Under DEK's current retail tariffs, how do ratepayers bear or benefit from such a price differential?

c. Does DEK have any basis for concern that any such greater potential would be for disadvantageous price differentials or for wider price differentials? If so, please provide that basis.

d. If DEK remains in the Midwest ISO, would DEK be forced to sell power it generates in one RTO and pay for consumed load in another RTO? Explain.

e. If a price differential arises that is disadvantageous to DEK, would it not be possible to have the load consume the power it generates? Conversely, if a price differential arises that is advantageous to DEK, would it not be possible to sell the generated power in the higher-priced market and supply the load with power from the lower-priced market? Explain.

f. If both DEK load and DEK generation were pseudo-tied to the Midwest ISO, would "a greater potential for a differential" be a concern? Explain.

g. Assuming that generation in the Midwest ISO could be offered into the PJM capacity market:

    i. Could DEK then offer its capacity (in excess of that needed for DEK native load) into the PJM auction without transferring its generation, load and transmission assets into PJM?

ii. Would this strategy avoid the potential exposure of DEK load to future capacity market charges under the PJM market rules?

RESPONSE:

a. The basis of the statement is simply the possibility and likelihood for LMP calculation differences between zonal or individual pricing nodes by two different RTOs.

b. The price paid by Duke Energy Kentucky's retail ratepayers for fuel is dictated by the Kentucky Administrative Regulations, 807 KAR 5:056. The fuel costs recoverable from retail customers is based on an after-the-fact dispatch methodology and uses the actual cost of fuel consumed and the actual cost of economy purchases made by the load. The economy power purchased for load would be at the LMP prices available in the RTO associated with the load.

Because Duke Energy Kentucky shares its profits on off-system sales, including capacity sales, any such profits would be based on the LMP prices available in the RTO associated with the generation.

The fact that load and generation would be in different RTOs could create price differential that may be positive in one hour and negative in the next.

c. Yes, LMP differences for pricing nodes on the PJM/MISO seam.

d. Possibly, since Duke Energy Kentucky load would be connected to the subtransmission system, presumably in MISO, and Duke Energy Kentucky generation would be connected to the Duke Energy Ohio transmission system, presumably in PJM.

e. Neither Duke Energy Kentucky nor any other market participant has the right to flip-flop membership between which RTO it resides on an hourly or instantaneous basis to take advantage of LMP calculation differences for its load or gen by MISO and PJM.

f. It is preferable to have load and generation resources in the same RTO for price consistency.

g. i. No, one of the requirements to offer external capacity into the PJM capacity auction is firm transmission service to the PJM interface and into PJM. There is presently no firm ATC available in PJM.

ii. NA

PERSON RESPONSIBLE: John Swez (a,c,d,e,f,g) Don Wathen (b)

Duke Energy Kentucky
Case No. 2010-00203
MISO First Set Data Request
Date Received: July 20, 2010

MISO-DR-01-018

REQUEST:

Is it DEK's position that the Midwest ISO is generally well-suited to be the RTO for a vertically integrated utility (like DEK) that does not have retail access? Explain.

RESPONSE:

It is Duke Energy Kentucky's position that MISO and PJM are generally well-suited RTOs for vertically integrated utilities that do not have retail access.

PERSON RESPONSIBLE: James B. Gainer

Duke Energy Kentucky
Case No. 2010-00203
MISO First Set Data Request
Date Received: July 20, 2010

MISO-DR-01-019

REQUEST:

If DEK had a transmission connection to the Midwest ISO other than through Duke Energy Ohio would it be reasonable to remain in the Midwest ISO even though Duke Energy Ohio realigns with PJM? Explain.

RESPONSE:

Objection. Irrelevant. Without waiving said objection, neither Duke Energy Kentucky's generation nor its load is directly connected to the Midwest ISO, but is connected to the Midwest ISO only through Duke Energy Ohio's transmission.

PERSON RESPONSIBLE: John Swez

Duke Energy Kentucky
Case No. 2010-00203
MISO First Set Data Request
Date Received: July 20, 2010

MISO-DR-01-020

REQUEST:

The costs or risks anticipated for DEK's remaining in the Midwest ISO would be caused by Duke Energy Ohio's moving to PJM; if such costs or risks are incurred, is it DEK's position that they be borne by Duke Energy Ohio or the Duke Energy parent? Explain.

RESPONSE:

No. If Duke Energy Kentucky were to choose to remain integrated with the Midwest ISO after Duke Energy Ohio's transmission assets are transferred to PJM, any cost or risks incurred would be the result of Duke Energy Kentucky's business decision.

PERSON RESPONSIBLE: James B.Gainer

Duke Energy Kentucky
Case No. 2010-00203
MISO First Set Data Request
Date Received: July 20, 2010

MISO-DR-01-021

REQUEST:

Gainer testifies (p.5 *ll.*11-13) that the request to realign DEK with PJM is due to "PJM becoming a better fit for Duke Energy Ohio and the need for Duke Energy Kentucky to follow Duke Energy Ohio to maintain operational efficiencies." (*See also* Gainer p.14 *l.*13 – p.15 *l.*4). Duke Energy Ohio perceives various benefits to itself and specific to Ohio from realignment. (Gainer p.6 *ll.*6-21). Thus the but-for cause of the change for DEK is anticipated to provide significant benefits to an affiliate and externalities inuring in Ohio, to regulators, competitive retail and wholesale markets, and utilities co-owning generating units with Duke Energy Ohio, among others. How does DEK propose to have its Kentucky ratepayers share in those benefits?

RESPONSE:

Duke Energy Kentucky's actions are based on Duke Energy Kentucky's analysis of the situation and resulting business decision. In this proceeding, Duke Energy Kentucky has demonstrated that there are benefits to the transfer of Duke Energy Kentucky to PJM. Duke Energy Kentucky has shown how such benefits will accrue to Duke Energy Kentucky customers. It would not be proper for Duke Energy Kentucky to subsidize another business or for an affiliate to subsidize Duke Energy Kentucky be they affiliated or not.

PERSON RESPONSIBLE: James B. Gainer

Duke Energy Kentucky
Case No. 2010-00203
MISO First Set Data Request
Date Received: July 20, 2010

MISO-DR-01-022

REQUEST:

To the extent that Duke Energy in general or DEK in particular has considered the effects of moving the CIN trading hub from the Midwest ISO into PJM:

a. What are those effects?

b. Were any internal studies performed? If so, (1) what did they show and (2) who performed them and when?

c. If negative effects on DEK are anticipated, what mitigation measures were (or are being / will be) taken to protect DEK load or generation from the negative effects?

RESPONSE:

Objection. Calls for speculation. Without waiving said objection;
The Cinergy Hub is both a physical and a financial trading point. From a physical standpoint, the movement of Duke Energy Ohio and Duke Energy Kentucky to PJM does not change the ability of power to be delivered and would have no impact on reliability. From a financial trading standpoint, the Hub is composed as a price produced from the weighted average prices of numerous buses that are both generation and load buses and is intended to provide regional price transparency. Impacts to the Cinergy Hub as a result of the proposed move of Duke Energy Ohio and Duke Energy Kentucky to PJM are still unclear; however, it is Duke Energy's position that the Cinergy Hub pricing point is for the Midwest ISO to decide and not Duke Energy, and thus the future of the Hub is at the discretion of the Midwest ISO and / or its stakeholders.

PERSON RESPONSIBLE: James B. Gainer