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 Certain Transmission Assets from the Midwest Independent Transmission System Operator to the PJM Interconnection Regional Transmission Organization and Request for Expedited Treatment	Case No. 2010-00203

Supplemental Data Requests to Duke Energy Kentucky, Inc. from the Midwest Independent Transmission System Operator, Inc.

Midwest Independent Transmission System Operator, Inc. ("Midwest ISO"), pursuant to the procedural schedule set forth in the Appendix to the Commission's 6/24/10 Order, hereby submits the attached supplemental data requests to Duke Energy Kentucky, Inc. ("DEK").

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CERTIFICATE of FILING and SERVICE

I hereby certify that on this 13th day of August 2010, the original and 10 copies of the foregoing were hand delivered to the Commission for filing, and a copy was served, via U.S. Mail, first-class, postage prepaid, on each person at the address shown on the attached Service List.

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1. In its response designated as the "MISO-DR-01-012(d) attachment," DEK provides a spreadsheet showing what are represented to be dollar values and percentages from application of DEK's profit-sharing mechanism rider (Rider PSM).

a. Are the amounts presented in the MISO-DR-01-012(d) attachment and described as "Absolute Dollar Amount of Profits from off-system sales of energy" (row "i") the entirety of the off-system sales profits to be included in the calculation of the Rider PSM Factor (*i.e.*, equal the "P" in the formula provided in KY P.S.C. Electric No. 2, 14th Rev'd Sheet No. 82 p.1/2)? If not, provide the dollar amount of profits from all off-systems sales that were included for each quarter through and including 2010 Q2.

b. Confirm that the 3rd quarter 2009 dollar amounts as to each component underlying the percentages provided in the MISO-DR-01-012(d) attachment are as follows:

Energy Sales	- $715,385
Ancillary Services Sales	- $45,749
Capacity Sales	$710,047

If one or more of these is not correct, provide the dollar value for each discrete component by quarter for each quarter shown in the MISO-DR-01-012(d) attachment.

c. With respect to the "capacity sales" for which data is given in the MISO-DR-01-012(d) attachment (2009 Q3 – 2010 Q2):

i. What changed (or began) that caused amounts for capacity sales to be included in the overall off-system sales profits?

ii. Identify and describe what is the "capacity" that is being sold, to whom, and how.

iii. Show the derivation (and provide all workpapers) of the capacity sales "profit" to be included in the Rider PSM calculation, including gross revenues and each deduction therefrom.

d. The dollar amounts provided for "Absolute Dollar Amount of Profits from off-system sales of energy" on the MISO-DR-01-012(d) attachment are of the same magnitude but do not match the amounts given as the "Off-System Sales Margin Allocated to Customers" for the respective quarter in the support documentation provided for the initial Rider PSM tariff and each revision. *Compare, e.g.*, MISO-DR-01-012(d) attachment Q1 2010 ($1,063,958) *with* TFS2010-00046, filed 1/28/10, Duke Energy Support Doc.pdf, Sch.2 line 23 ($982,429). Explain the difference in amounts shown on the MISO-DR-01-012(d) attachment and on the support documentation.

2. In the MISO-DR-01-012(a) attachment, DEK provides the Rider PSM pages from its tariff ("Rider PSM Tariff"), KY.P.S.C. Electric No. 2, 14th Rev'd Sheet No. 82, issued 4/30/10 and effective 6/2/10.

   a. How are negative profits (as reflected, for example, in the 3rd quarter 2006) treated in calculating "P" for the Rider PSM Factor?

   b. The Commission found that the "sharing" of off-system sales profits in the Rider PSM was reasonable and acceptable in the circumstances, in its12/5/03 Order pp. 19-20, Case No. 2003-00252.

      i. What is the revenue requirement impact of the profit-sharing arrangement (*see id.* p.20 n.34)?

      ii. Does DEK still acknowledge that such profit-sharing from off-system sales between ratepayers and shareholders departs from typical rate-making treatment (*see id.* p.19)? If not, explain.

      iii. Does DEK take the position that the Rider PSM applies to any off-system sales other than from the facilities transferred in the transactions consider-ed in Case No. 2003-00252? If so, explain.

      iv. Is it DEK's intention to share any capacity profits received under the PJM RPM with ratepayers?

v. Does DEK take the position that shareholders' receiving a portion or all of capacity revenue is critical from an economic perspective to the "business decision" to realign with PJM? Explain.

c. Confirm that ratepayers are credited with 100% of the net margins on sales of emission allowance (*see* Rider PSM Tariff (page 1/2)). If this is not correct, state how and with whom the ratepayers share the net margin on sales of emission allowances.

d. In Case No. 2008-00489, DEK sought and obtained approval to modify Rider PSM to include as an "eligible profit" the net revenues related to its provision of ancillary services in the Midwest ISO Ancillary Services Market (ASM). *See* 1/30/09 Order.

i. Confirm that, as part of its request and the resulting calculations under Rider PSM, DEK agreed to absorb any net costs (when costs exceed revenues for ancillary market transactions in any given month) and hold ratepayers harmless.

ii. Explain the mechanics of how ASM net costs are reflected in the Rider PSM Tariff and then show how they are reflected in the calculation of the Rider PSM Factor.

3. The support documentation provided with each Rider PSM Tariff revision lists categories of "Off-System Sales Revenue" and "Variable Costs Allocable to Off-System Sales." *See, e.g.*, TFS2010-00417, filed 7/23/10, Duke Energy Support.pdf, Sch.2.

a. The support documentation lists categories of "Off-System Sales Revenue" other than the three components listed on the MISO-DR-01-012(d) attachment, namely: Bilateral Sales; Hedges; and MISO RSG Make Whole Payments. *See, e.g.*, TFS2010-00417, filed 7/23/10, Duke Energy Support.pdf, Sch.2 lines 4-6. As to each of these three identified categories:

i. Describe what revenues are included in that category and any related costs included in the "Variable Costs Allocable to Off-System Sales."

ii. State with which component it was included on the MISO-DR-01-012(d) attachment and why.

iii. State whether a negative value has ever occurred in a given month and, if so, how that occurred and whether that negative value reduces the overall "Off-System Sales Margin" (*see, e.g., id.* line 18).

b. There are also "Capacity" revenues listed in the support documentation. *See, e.g.*, TFS2010-00417, filed 7/23/10, Duke Energy Support.pdf, Sch.2 line 7.

i. Describe what revenues are included in that category.

ii. Are the amounts listed for "Capacity" gross or net? If net, what has been excluded? Describe any related costs that are included in the "Variable Costs Allocable to Off-System Sales" (*see, e.g., id.* lines 10-17).

c. The support documentation lists "MISO and Other Costs" as a category of "Variable Costs Allocable to Off-System Sales." *See, e.g.*, TFS2010-00417, filed 7/23/10, Duke Energy Support.pdf, Sch.2 line 14.

i. What are "Other Costs"? Are there any "Other Costs" associated with Bilateral Sales?

ii. For each month of the first two quarters of 2010, describe and state the amount of each "Other Cost" included among "Variable Costs Allocable to Off-System Sales" and with which category or categories of Off-System Sales Revenues it is associated.

iii. What "MISO ... Costs" are included among "Variable Costs Allocable to Off-System Sales" (*see, e.g., id.* line 14)? As to each, state with which category or categories of Off-System Sales Revenues it is associated, and the PJM equivalent for that cost, if any. What other PJM costs will be included in this category if DEK realigns?

4. In MISO-DR-01-004, DEK provides more information about past and present Duke Energy participation in PJM.

   a. What is the current annual Membership fee for PJM for the four Duke Energy entities presently in PJM? Would the fee be the same regardless of whether DEK becomes a member? Explain.

   b. With the requested realignment of Duke Energy Ohio and DEK into PJM and DEK's becoming a member:

      i. In what sector(s) would DEK participate?

      ii. What change, if any, would there be in the sector(s) in which Duke Energy Ohio participates or in which the other current-member Duke Energy affiliates participate?

      iii. Who would be the primary voting member?

   c. In its participation within PJM, has a Duke Energy entity taken a position on the issued raised by the IMM's recommendations in the 7/14/10 *Analysis*? If so, state each vote or other position taken, by which Duke Energy entity (or entities), and the date (or time period).

5. Appendix A to the STAFF-DR-01-006 Attachment — an Interconnection Agreement between Duke Energy Business Services, LLC acting as agent for Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc. and East Kentucky Power Cooperative, Inc. (Midwest ISO FERC Electric Tariff, 4th Rev'd Vol. No.1, Orig. Service Agmt No.2168) — contains facility schedules listing "Duke Energy-Owned Interconnection Facilities" for points of interconnection.

   a. As to each such interconnection facility listed:

      i. Which Duke Energy entity owns (or in the case of to-be-installed/ constructed facilities, <u>will</u> own) the facility?

      ii. Identify where (if at all) that facility is listed on Attachment 1 to the DEK Application in this case.

b. Are any of the to-be-installed/constructed facilities included in the Midwest ISO's MTEP or PJM's RTEPP? If not, why? If so, identify each such facility and provide details regarding its inclusion in MTEP or RTEPP (or both).

c. As to each listed interconnection point with EKP:

i. Which Duke Energy entity's transmission or generation facilities are being (or will be) interconnected with EKP?

ii. Identify where (if at all) that interconnected facility is listed on Attachment 1 to the DEK Application in this case.

iii. Is a Duke Energy entity served (or to be served) through that interconnection point and, if so, which Duke Energy entity?

d. To the extent not already done in response to subparts (a) or (c), identify which of the transmission facilities listed on Attachment 1 to the DEK application are DEK transmission assets.

6. DEK describes in STAFF DR-01-004(e) the basis (daily; not one lump sum) on which it would be assessed RTEPP costs. Provide the information requested as to:

a. an estimate of the number of years that payments will be made for the RTEPP costs of projects currently underway; and

b. an estimate of the amount of the payment in each year.

7. In its responses to the Midwest ISO and Commission Staff data requests, DEK (a) claims that it is DEK's choice or "business decision" to realign with PJM, *see, e.g.*, MISO-DR-01-020, -021; and (b) states that it "believes" or "anticipates" that moving to PJM (relative to remaining in the Midwest ISO) will or has the potential to be beneficial, *see, e.g.*, MISO-DR-01-013(a), STAFF-DR-01-009; but (c) has not performed various analyses or made determinations about the risks, costs, or other effects of that move, *see, e.g.*, MISO-DR-01-013(b), STAFF-DR-01-010.

a. Did DEK make an independent decision to realign on its own analysis that realignment was in its best interest? If so, identify the person(s) within DEK whose decision it was. If not, who made the decision and on consideration of whose interests?

b. There is a reference in MISO-DR-01-021 to "Duke Energy Kentucky's analysis of the situation." Provide any writing or document constituting, memorializing, or reflecting DEK's "analysis of the situation" — whether a study, calculations, memo, summary of results, or description of an analysis made. As to each unwritten or undocumented analysis, identify by whom and when performed and describe the analysis.

c. Other than those provided in subpart (b), provide all written or documented analyses by or on behalf of DEK about realigning with PJM, not realigning if Duke Energy Ohio realigns, or the effects of either action.

d. Other than those provided in subparts (b) and (c), provide all written or documented analyses that consider DEK's realigning with PJM, not realigning if Duke Energy Ohio realigns, or the effects of either action — even if the analysis is not specific to DEK.

8. In MISO-DR-01-011(b), DEK states that its load would be fully hedged with DEK resources, such that there would be $0 paid to acquire capacity. Describe how that result (full hedging; $0 payment) would be accomplished.

9. Refer to DEK response MISO-DR-01-017(g)(i). Confirm that "ATC" is an acronym for "available transfer capability." How does the proposed realignment into PJM address or resolve the lack of firm ATC?

10. Duke Energy Ohio's Vermillion plant (located in Indiana) will remain in the Midwest ISO (*see* MISO-DR-01-016(c)) even if Duke Energy Ohio realigns with PJM.

a. How would that be accomplished?

b. Identify what transmission facilities listed on Exhibit 1 to the DEK Application in this case are associated with the Vermillion plant and as to each, by whom it is owned and whether it will remain in the Midwest ISO with the Vermillion plant.

c. Other than as identified in subpart (c), which of Duke Energy Ohio's transmission facilities listed on Exhibit 1 to the DEK Application will remain in the Midwest ISO?

11. In MISO-DR-01-016, DEK provides some information requested regarding use of the pseudo-tying setup described by Swez (p.11 *l*.4 – p.12 *ll*.13).

a. Is the pseudo-tying setup described the same as 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 not, describe the difference(s) between the setups.

b. Does DEK now allocate any resources "to monitor the nuances and potential conflicting signals" between the Midwest ISO and other RTOs/ISOs? If not, why? If so, what resources? Is this function handled for DEK by any Duke Energy affiliate and, if so, which one(s) and will that cease upon a realignment of Duke Energy Ohio with PJM?

c. What is "Regulated Portfolio Optimization" (*see* MISO-DR-01-016(d)(ii)), is it provided to DEK by an affiliate (and, if so, which one), and what is the associated cost borne by DEK's ratepayers?

d. Which Duke Energy entity currently employs "the groups responsible for energy scheduling and transmission operations" (*see* MISO-DR-01-016(e)) for DEK?

e. Identify each Duke Energy affiliate that is handling energy sales for DEK and whether it is doing so in the Midwest ISO market, the PJM market, or both; as to each, state whether the affiliate will cease to do so upon a realignment of Duke Energy Ohio with PJM.

f. In MISO-DR-01-016(f)(ii), DEK states that with a pseudo-tying setup, it "would require resources to manage and operate all load, generation, transmission, energy scheduling, and system operations." How does DEK currently manage and operate its load, generation, transmission, energy scheduling, and system operations? To the extent that a Duke Energy affiliate performs all or part of these functions for DEK, identify the affiliate, the functions performed, the cost to DEK, and whether (and how much) of that cost is borne by DEK ratepayers.

12. With respect to DEK's East Bend Generating Station, which Swez (p.9 *ll*.11-15) describes as currently "operated fully" by DEK, jointly-owned with PJM member Dayton Power and Light Company (DP&L), and receiving signals from both the Midwest ISO and PJM:

    a. Is East Bend presently attached to and dependent on transmission facilities jointly-owned by Duke Energy Ohio, DP&L, and AEP? If so, identify the relevant facilities on Attachment 1 to the DEK Application in this case. If not, list the transmission delivery facilities for East Bend and their ownership, and identify those facilities, if any, which are listed on Attachment 1 to the DEK Application.

    b. Is it optional for East Bend to now be "in" both PJM and the Midwest ISO, or is it required?

        i. On what does that option or requirement depend (*e.g.*, the split of its ownership between Midwest ISO and PJM members, the split membership of the owners of the attached transmission facilities, etc.)?

        ii. How does that option or requirement change (if at all) if Duke Energy Ohio realigns with PJM? Explain.

        iii. How does that option or requirement change (if at all) if DEK realigns with PJM? Explain.

    c. Is East Bend presently pseudo-tied to either PJM or the Midwest ISO? Explain.

    d. Is East Bend split between PJM and the Midwest ISO, or is it "in" each RTO to a variable and possibly overlapping amount?

    e. How is the load associated with East Bend now treated? Is it "in" PJM and the Midwest ISO in proportion to its ownership or some other fixed factor?