

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Transmission Rates)
Contained in the Rate Schedules of Duke) Case No. 05-727-EL-UNC
Energy Ohio and Related Matters.)

In the Matter of the Application of Duke Energy)
Ohio for Authority to Modify Current) Case No. 05-728-EL-AAM
Accounting Procedures for Certain)
Transmission Costs.)

ENTRY

The Commission finds:

- (1) *In In the Matter of the Application of The Cincinnati Gas & Electric Company to Modify its Nonresidential Generation Rates to Provide for Market-Based Standard Service Offer Pricing and to Establish an Alternative Competitive-Bid Service Rate Option Subsequent to the Market Development Period, Case Nos. 03-93-EL-ATA et al., the Commission authorized Duke Energy Ohio, Inc., (Duke) to establish a transmission cost rider (rider TCR), pursuant to the terms of a stipulation.*
- (2) In its November 28, 2006, entry, the Commission, *inter alia*, directed staff to perform a biennial review of certain controllable costs that are included in rider TCR.
- (3) On November 27, 2007, staff of the Commission filed a report on its biennial review of controllable costs in rider TCR (staff report).
- (4) In the staff report, staff reported on each of the costs that had been identified as being controllable by Duke.
 - (a) Revenue sufficiency guarantee (RSG) costs include day-ahead RSG charges and real-time RSG charges. With regard to the day-ahead RSG charges, staff believes that Duke's strategy to clear its generation and load day-ahead is in the best interest of its ratepayers and, therefore, the day-ahead RSG costs assessed by the Midwest Independent System Operator (MISO) are appropriately included in the TCR rider.

- (b) With regard to real-time RSG charges, staff explains that such charges are based on deviations in real time from what was scheduled ahead of time. Staff states that it has no reason at this time to find that the deviation percentage levels are unreasonable. However, it recommends that Duke continue to monitor and report on its load deviations between day-ahead and real-time. If Duke's strategy for scheduling 100 percent of its forecasted load for the next day changes, resulting in higher deviation percentages, Duke should provide its rationale for those changes, including the RSG cost impacts. (Staff report at 1-3.)
- (c) RSG charges are also assessed as a result of generation deviations. Such deviations occur mainly as a result of Duke's commitment to maintain reliability under North America Electric Reliability Control (NERC) standards, but also result from generation derates and ramp limitations. Staff finds that, while Duke may have control over its generation and could follow MISO dispatch instructions rather than comply with NERC standards, such actions could result in reliability issues as well as substantial financial penalties. Staff also discusses other aspects of Duke's control over these charges, including its typical inability to control generation derates and ramp rate limitations and the operation of its generation. Staff notes that the independent market monitor for MISO is continuously evaluating Duke's actions to ensure that it is not engaging in unacceptable market behavior. Given all of the factors it discusses, staff believes that Duke has appropriately included real-time RSG costs in the TCR. However, staff recommends that the Commission order the Company to collect data on all events that result in generation deviations and an allocation of RSG costs. Staff suggests that the data should be provided to staff as part of Duke's next biennial review filing. (Staff report at 3-4.)
- (d) Uninstructed deviation (UD) charges occur, according to staff, when Duke dispatches its generation at a

level that is 25 megawatts different than the target sent by MISO or dispatches its generation at a level that is plus or minus ten percent from the MISO target, whichever is less. The UD charge is assessed when Duke must deviate from MISO instruction in order to stay compliant with NERC standards or as a result of generation derates or ramp rate limitations. Staff notes that this charge has been minimal since April 2005. As in the case of real-time RSG charges, staff concludes that UD costs are appropriately included in the TCR but recommends that the Commission order Duke to collect data on all events that result in generation deviations and an allocation of UD costs, which data should be provided to staff as part of Duke's next biennial review filing. (Staff report at 5-6.)

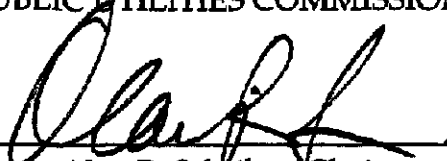
- (5) The Commission, after reviewing the discussion in the staff report, concludes that all staff conclusions and recommendations should be adopted. Therefore, Duke shall take the following actions:
 - (a) Duke shall continue to monitor and report on its load deviations between day-ahead and real-time. If Duke's strategy for scheduling 100 percent of its forecasted load for the next day changes, resulting in higher deviation percentages, Duke should provide its rationale for the changes, including the RSG cost impacts.
 - (b) Duke shall collect data on all events that resulting generation deviations and an allocation of RSG costs. The data should be provided to staff as part of Duke's next biennial review filing.
 - (c) Duke shall collect data on all events that result in generation deviations and an allocation of UD costs. The data should be provided to staff as part of Duke's next biennial review filing.

It is, therefore,

ORDERED, That Duke comply with the provisions of finding 5. It is, further,

ORDERED, That a copy of this entry be served upon all parties of record in this proceeding.


THE PUBLIC UTILITIES COMMISSION OF OHIO


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Entered in the Journal

MAY 28 2008



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