

FEDERAL ENERGY REGULATORY COMMISSION
Washington, D.C. 20426

OFFICE OF ENERGY MARKET REGULATION

In Reply Refer To:
Duke Energy Corporation
Progress Energy, Inc.
Docket No. EC11-60-000
August 22, 2011

Mr. Mike Naeve
Skadden, Arps, Slate, Meagher & Flom LLP
1440 New York Avenue, N.W.
Washington, D.C. 20005

Reference: Application For Authorization Of Disposition Of Jurisdictional Assets And
Merger Under Sections 203(A)(1) And 203(A)(2) Of The Federal Power
Act

Dear Mr. Naeve:

On April 4, 2011, you filed an application on behalf of Duke Energy Corporation and Progress Energy, Inc., pursuant to section 203(a)(2) of the Federal Power Act¹ for authorization of a disposition of jurisdictional assets and merger. Please be advised that to process your filing, the Commission requires additional information, as described below.

The Commission's analysis when considering mergers focuses on the relevant market areas of the merging utilities. You have identified three relevant markets areas, the balancing authority areas of Carolina Light & Power – East (CPL E), Carolina Light & Power – West (CPL W) and Duke Energy Corporation (Duke).

1. Provide a table of your price sensitivity results for a system price of plus 10 percent for each of the three balancing authority areas studied (CPL E, CPL W, and DUKE) showing the level of Herfindahl-Hirschman Index (HHI) and the change in HHI post merger for each of the ten season/load condition periods.
 - a. Identify all screen failures and explain any results that differ from the base case results submitted with the April 4, 2011 filing.

¹ 16 U.S.C. § 824 (2006).

2. Produce a set of prices for each of the 10 season/load periods using short-term energy prices from Electric Quarterly Reports (EQR) data² for each of the three balancing authority areas and re-run the base case and sensitivity case studies.
 - a. Provide the results for each study and explain any failures.
 - b. Provide all EQR data and explain your methodology.
3. For each of the “supplier.xls” spreadsheets in the base case for CPLE, CPLW and DUKE, please describe the source (i.e., the balancing authority area) of the units that comprise the top 10 sellers in each season. In other words, when the supplier “KGEN” is one of the top ten sellers in a season, include in the seller spreadsheet for KGEN the location of the units that supplied KGEN’s energy.
 - a. Conduct this analysis for each of the sensitivity study runs in question number 1.
4. Explain why the Simultaneous Transmission Import Limit (SIL) values in the spreadsheet “WKP – SILs in DPT.XLS” (public filing) differ from the SIL values included in the “Nomogram.dat” files of privileged material.

The information requested in this letter will constitute an amendment to the application. A notice of amendment will be issued upon receipt of your response. Accordingly, you are directed to submit a form of notice of amendment to the filing pursuant to §33.6 of the Commission’s regulations.

This letter is issued pursuant to the authority delegated to the Director, Division of Electric Power Regulation – West, under 18 C.F.R. § 375.307(n)(2) and is interlocutory. This order is not subject to rehearing pursuant to 18 C.F.R. § 385.713. Please file the requested information within seven days of this letter. Documents filed with the Commission for which confidentiality is sought may be filed under the provisions of 18 C.F.R. § 388.112.

Please submit seven copies of your response. Six copies should be sent to:

Office of the Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

² *Duke Power, a Division of Duke Energy Corporation*, 111 FERC ¶ 61,506 (2005) at P 30-31.

Docket No. EC11-60-000

- 3 -

The seventh copy and a copy of any discs with privileged material should be directed to:

Federal Energy Regulatory Commission
Attn: Andrew P. Mosier, Jr.
Office Number: 91-13
Office of Energy Market Regulation
888 First Street, N.E.
Washington, D.C. 20426

Please be advised that the statutory time period under which the Commission must act on section 203 applications does not commence until the Commission has been provided with a completed application. Your application will not be considered complete until you submit the information that you are directed to file by this letter.

Sincerely,

Steve P. Rodgers, Director
Division of Electric Power
Regulation – West

Document Content(s)

EC11-60-000.DOC.....1-3