

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. EC11-60-004
April 10, 2012

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

Reference: *Revised Compliance Filing of Duke Energy Corporation and Progress Energy, Inc.*, Docket No. EC11-60-004 (March 26, 2012)

Dear Mr. Naeve:

On March 26, 2012, you filed a revised compliance filing¹ on behalf of Duke Energy Corporation (Duke Energy) and Progress Energy, Inc. (Progress Energy) (together, with their public utility subsidiaries, Applicants) pursuant to two Commission orders regarding the proposed merger of Duke Energy and Progress Energy.² In the March 26 Compliance Filing, Applicants propose seven transmission expansion projects to address the concerns raised by the Commission in the Merger Order (Transmission Expansion Projects). Please be advised that to process the filing, the Commission requires additional information, as described below.

¹ *Revised Compliance Filing of Duke Energy Corporation and Progress Energy, Inc.*, Docket No. EC11-60-004 (March 26, 2012) (March 26 Compliance Filing).

² *See Duke Energy Corporation*, 137 FERC ¶ 61,210 (2011) (Merger Order), *rehearing pending*, *Duke Energy Corporation*, 136 FERC ¶ 61,245 (2011), *rehearing pending*.

I. Transmission models

1. In their original merger application,³ Applicants provided three seasonal benchmark models⁴ for the 2011/2012 seasons (Winter 2011, Spring 2012, and Summer 2012) for the balancing authority areas (BAA) of Carolina Power & Light-East (CPL E or PEC-East), Carolina Power & Light-West (CPLW), and Duke Energy (Duke).⁵ These models were used to conduct energy transfer analyses for determining Duke Energy Carolinas, LLC's (Duke Energy Carolinas) and Progress Energy Carolinas, Inc.'s (Progress Energy Carolinas) import capabilities.

The transmission models Applicants submitted in the March 26 Compliance Filing are different than the seasonal benchmark models filed in support of the original Merger Application. Although Applicants are proposing to mitigate the competitive harms identified in the Merger Order through the seven proposed Transmission Expansion Projects,⁶ Applicants do not provide seasonal benchmark models that include the seven proposed Transmission Expansion Projects and the Greenville-Kinston Dupont 230 kV Line. Furthermore, although Applicants applied the seasonal benchmark models provided with the Merger Application to each of the three BAAs, in the March 26 Compliance Filing Applicants provided different types of supporting analyses for Duke Energy Carolinas and Progress

³ *Application for Authorization of Disposition of Jurisdictional Assets and Merger under Sections 203(a)(1) and 203(a)(2) of the Federal Power Act*, Docket No. EC11-60-000 (April 4, 2011) (Merger Application).

⁴ Applicants used the 2010 Eastern Interconnection Reliability Assessment Group (ERAG) series models (2010 ERAG). Applicants provided the models in .sav file format.

⁵ Applicants used each seasonal benchmark model to study the CPL E, CPLW, and Duke BAAs.

⁶ In the March 26 Compliance Filing, Applicants note that they are accelerating the in-service date of Progress Energy Carolina's already-planned Greenville-Kinston Dupont 230 kV Line from 2017 to 2015. March 26 Compliance Filing at 9. Applicants state that although this line "does not by itself provide any increase in the Duke Energy Carolinas or Progress Energy Carolinas-East [simultaneous transmission import limits (SILs)]," it is "necessary for the line to be in service by 2015" in order for four of the seven proposed Transmission Expansion Projects to increase the SIL of the Progress Energy Carolinas-East BAA in the manner described by Applicants. March 26 Compliance Filing at n.8.

Energy Carolinas,⁷ and neither analysis appears to examine all seven of the proposed Transmission Expansion Projects and the Greenville-Kinston Dupont 230 kV Line. In addition, many of the models provided for Progress Energy Carolinas in the March 26 Compliance Filing do not appear to “solve.” To address these issues, please respond to the following:

- a. Please modify the three seasonal benchmark models used in Applicants’ Merger Application by including the seven proposed Transmission Expansion Projects and the Greenville-Kinston Dupont 230 kV Line.
 - b. Please provide the three solved, modified seasonal benchmark models requested in 1(a) in Power System Simulator Engineering (PSSE) ver. 32 or 33 .sav file format.
 - c. If in producing the modified seasonal benchmark models requested in 1(a) Applicants have included any changes to the seasonal benchmark models provided in the Merger Application other than the seven proposed Transmission Expansion Projects and the Greenville-Kinston Dupont 230 kV Line, please provide:
 - i. a detailed narrative description of any such changes; and
 - ii. an electronic copy of the .idv file used to produce those changes.
 - d. Please provide the data support files (SUB, CON, and MON) for the modified seasonal benchmark models requested in 1(a).
2. In the March 26 Compliance Filing, Managing and Utilizing System Transmission (MUST) study results were not provided for all three of the BAAs using modified seasonal models with all seven proposed Transmission Expansion Projects and the Greenville-Kinston Dupont 230 kV Line. Using the modified seasonal benchmark models requested in 1(a):
- a. Please provide in spreadsheet format, the MUST study results for each of the following study areas:
 - i. the Duke BAA.
 - ii. the CPLE BAA.

⁷ For example, Applicants filed modified seasonal benchmark models for Progress Energy Carolinas, but no such models were provided for Duke Energy Carolinas.

- iii. the CPLW BAA.
- b. In selecting the study area seasonal energy transfer limits that produced the MUST study results in their March 26 Compliance Filing, Applicants did not identify each operating guide necessary to mitigate all lower energy transfer limits. To address this, for each seasonal MUST study requested in 2(a), please:
- i. identify any operating guide that was used to mitigate all lower energy transfer limits; and
 - ii. provide a copy of any operating guide that was used to mitigate all lower energy transfer limits; and
 - iii. provide a detailed description of all operating guides used.
- c. Please provide a detailed explanation for any differences between the data support files (SUB, CON, MON) used in Applicants' Merger Application MUST studies and the data support files used in the MUST studies requested in 2(a).
- d. When conducting the MUST studies using the modified seasonal benchmark models requested in 1(a), use the same SUB file that was used in Applicants' Merger Application MUST studies. Scale up available generation in the exporting areas (aggregated first tier) and scale down generation in the study area according to the same methods used historically in assessing available transmission for non-affiliate resources.

II. DPT Results

3. If the SIL values resulting from the modified seasonal benchmark models requested in questions 1 and 2 for the CPLE and Duke BAAs differ from the SIL values used in the DPT studies provided in the March 26 Compliance Filing, provide new DPT studies incorporating these new SIL values.
4. The DPT results provided in the March 26 Compliance Filing list suppliers by acronym in each of the "Supplier.csv" files. Please provide an electronic file that provides the full name of the suppliers currently identified by acronyms, and the corresponding acronym.
5. In the March 26 Compliance Filing, Mr. Samuel S. Waters states in his testimony that the increase in transmission capability for the Summer of 2015 from PJM to PEC-East BAA will be 2,328 MW. March 26 Compliance Filing, Ex. No. PEC-1 at 20, line 9. He also states that the implementation of the proposed Transmission

Expansion Projects results in an expected increase of 2,225 MW to the First Contingency Incremental Transfer Capability (FCITC) into the PEC-East BAA. March 26 Compliance Filing, Ex. No. PEC-1 at 9, lines 5-7.

- a. Is the proposed increase in the FCITC for the PEC-East BAA from *all* adjacent balancing authority areas *less* than the increase in the transmission capability from PJM to PEC-East BAA?
- b. Is the proposed increase in transmission values of 2,328 from PJM to PEC-East a point-to-point non-simultaneous estimate?
- c. Is the proposed increase in transmission values of 2,328 from PJM to PEC-East *an additional* 2,328 MW of power that can flow into PEC-East in *all* four summer DPT periods?

The information requested in this letter will constitute an amendment to the March 26 Compliance Filing. 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.

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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

The seventh copy and seven copies 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

Sincerely,

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

Document Content(s)

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