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Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: *PJM Interconnection, L.L.C.*, Docket No. ER12-____ - 000
Informational Report on Readiness of the Integration of the Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc. Transmission Systems into the PJM Region

Dear Secretary Bose:

Pursuant to the Federal Energy Regulatory Commission's ("Commission") March 18, 2004 order in Docket No. ER04-375-000,¹ PJM Interconnection, L.L.C. ("PJM") submits this informational report on its readiness to integrate the Duke Energy Ohio, Inc. ("DEO") and Duke Energy Kentucky, Inc. ("DEK") (jointly, "DEOK") transmission systems into the PJM Region on January 1, 2012.

I. Background

On June 25, 2010, DEOK submitted a filing with the Commission, in Docket No. ER10-1562-000, requesting that the Commission approve, subject to the satisfaction of certain requirements, DEOK's integration into PJM effective January 1, 2012 (the "DEOK Realignment

¹ *Midwest Independent Transmission System Operator, Inc. and PJM Interconnection, L.L.C.*, 106 FERC ¶ 61,251 ("JOA Order"), *order on reh'g*, 108 FERC ¶ 61,143 (2004).

Proceeding”). On October 21, 2010, the Commission approved, subject to certain conditions, DEOK’s request to integrate into join PJM.²

On October 14, 2011, PJM submitted to FERC jointly with DEOK revisions to, among other governing documents, the PJM Tariff as needed to implement the integration of the DEOK Zone into the PJM Region on January 1, 2012, in accordance with the October 21 Order.³ The October 14 Integration filing is pending with the Commission.

In its JOA Order, the Commission accepted the Joint Operating Agreement (“JOA”) between PJM and the Midwest Independent Transmission System Operator, Inc. (“Midwest ISO”), subject to several conditions, including a requirement that PJM and the Midwest ISO file “an informational report 20 days in advance of the integration of a new transmission system or the implementation of a new JOA phase.”⁴ The Commission stated that the report should explain “any testing of data exchange and communications systems, or other measures taken to assure that systems are ready to implement any newly effective provisions of the JOA.”⁵ Pursuant to this directive, PJM has reported on each of its prior transmission-zone integrations.⁶

II. Informational Report

PJM plans to integrate the DEOK Zone on January 1, 2012, as proposed by PJM and DEOK in the Duke Realignment Proceeding filing in Docket No. ER10-1562-000. As discussed below, PJM has implemented, tested and placed or plans to place in production all technical

² *Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc.*, 133 FERC ¶ 61,058 (2010) (“Oct. 21 Order”), *reh’g denied* 134 FERC ¶ 61,235 (2011) .

³ *PJM Interconnection, L.L.C.*, Docket Nos. ER12-91-000 and ER12-92-000 (filed Oct. 14, 2011) (“October 14 Integration Filing”).

⁴ JOA Order at P 104.

⁵ *Id.*

⁶ See Informational Reports each filed in Docket No. ER04-375-000 on (i) April 26, 2004, for the integration of the Virginia Electric and Power Company Zone on May 1, 2005; (ii) September 15, 2004, for the integration of the American Electric Power system and The Dayton Power and Light Company on October 1, 2004; (iii) December 13, 2004, for the integration of the Duquesne Light Company Zone on January 1, 2005; and May 12, 2011, for the integration of American Transmission Systems, Inc and City of Cleveland, Department of Public Utilities, Division of Cleveland Public Power.

systems needed to integrate the DEOK Zone transmission facilities on January 1, 2012. The DEOK integration will occur at 12:00 Midnight on January 1, 2012

a. Transmission Service

The October 14 Integration Filing includes information and PJM Tariff revisions pertinent to the DEOK Zone including amendments to Attachment C-2 of the PJM Tariff. Attachment C-2 sets forth the principles under which transmission service reservations under the Midwest Independent Transmission System Operator (“Midwest ISO”) tariff will be converted to the most closely analogous service under the PJM Tariff.

Regarding conversion of the existing transmission service agreements under the Midwest ISO tariff, on October 21, 2011, PJM submitted for filing replacement Network Integration Transmission Service Agreements (“NITSAs”) under the PJM Tariff.⁷ As stated above, the goal was to convert such service to the most closely analogous service under the PJM Tariff. For instance, Network Integration Transmission Service (“NITS”) Customers will maintain their existing status and receive the same capacity (in megawatts) and rollover rights as exists under the Midwest ISO tariff service. The NITSAs were executed prior to September 6, 2011 to ensure they were in place prior to the FTR allocation which occurred on October 6, 2011.

The October 14 Integration Filing also included amendments to Section 7.4.2 (b) in PJM Tariff Attachment K- Appendix and PJM Operating Agreement Schedule 1. Under Section 7.4.2(b), PJM “shall specify a historical reference year for a new PJM zone corresponding to the year that the zone is integrated into the PJM Interchange Energy Markets.” Because the DEOK

⁷ *PJM Interconnection, L.L.C.*, Docket No. ER12-167-000 (Filed Oct. 21, 2011 “NITSA Filing”). On December 7, 2011, FERC accepted the NITSAs for filing. *PJM Interconnection, L.L.C.*, Letter Order, Docket No. ER12-167-000 (Dec. 7, 2011).

Zone will integrate into PJM during 2012, PJM proposed in the October 14 Integration Filing to revise Section 7.4.2 (b) by adding “the DEOK Zone historic reference year; 2012.”

PJM and the Midwest ISO have coordinated flowgate studies for the list of Reciprocal Coordinated Flowgates with the study assumption that PJM is the owner and managing entity for facilities located in the DEOK Zone as of January 1, 2012. PJM has also completed the update of databases, processes and analysis systems addressing the requirements of Article VI of the JOA in offline environments with testing in process. Real time production systems will be updated with the updated flowgate list and supporting data to support the January 1, 2012 integration.

Flowgate tests outlined in Section 3 of the Congestion Management Process (“CMP”) of the JOA were complete on November 30, 2011 and shared with the Midwest ISO. PJM and the Midwest ISO conducted a successful mock run on December 1, 2011 with a parallel review of data results. The first production run will occur on December 30, 2011, utilizing OATi systems to determine flowgate impacts and determine allocations utilized in the processes outlined in Section 6 of the CMP.

PJM is updating the Available Flowgate Capability (“AFC”)/Available Transfer Capability (“ATC”) processes to include flowgates in the DEOK Zone as internal to PJM. PJM has added 72 new flowgates to the AFC process. The tested case and supporting data files were loaded into the test server environment on December 7, 2011 and testing will be complete prior to January 1, 2012. Migration to production will occur on January 1, 2012 at 12:00 am EPT to determine ATC for all products for the next hour forward.

Although the DEOK Zone will be internal to PJM, the existing paths CIN-PJM and PJM-CIN must remain as those paths serve not only DEO and DEK, but also serve Duke Indiana, which is not integrating into PJM. To accommodate the integration of DEO and DEK, although

the existing paths will remain, PJM updated the flowgates associated with the ATC calculation for those paths on October 1, 2011 which will be effective on January 1, 2012.

Additional flowgates in the DEOK Zone may impact ATC and PJM is evaluating requests effective after the integration date as necessary. As stated above, PJM has worked with DEO and DEK, and the affected transmission customers to convert transmission service under the Midwest ISO tariff service to PJM Tariff service.

On December 26, 2011, the PJM OASIS will be updated by adding additional sources/sinks/aggregates to allow transmission service requests with the planned expanded market to include the DEOK Zone as of January 1, 2012. Converted reservations have been listed on both the PJM and the Midwest ISO OASIS. Please refer to the reservation conversions posted to the PJM OASIS at this address: <http://www.pjm.com/markets-and-operations/etools/oasis/market-integ-registrations.aspx>. Price Points were added to the PJM OASIS training environment on December 1, 2011. Price Points will be added to the PJM OASIS production environment on December 26, 2011 - these pricing points include DEOK, BUCK-CIN, DEK, WILLIAMSTOWN, EKPC-DEOK LOAD, and MADISON, to accommodate the PJM Day-Ahead Market.

By December 31, 2011, Non-Confirmed DEOK Zone reservations for short term transmission service requests that still exist on the Midwest ISO OASIS (in study state) will be transferred to the PJM OASIS and they will retain their current queue position. As of the date of this filing, there are no MISO reservations in study to convert for long-term. Short-term service will be reviewed periodically based on availability. On August 24, 2011, the one grandfathered transmission service in the DEOK Zone and reservation that existed on the Midwest ISO OASIS were converted to PJM reservations.

b. Operations and NERC Certification

PJM's state estimator and security analysis systems have been using DEO and DEK information to provide PJM operators with electrical network oversight since the Fall 2010. The Interchange Distribution Calculator ("IDC") model will be updated in the production environment on the night of the cutover beginning at 11:30 PM EPT. In August, 2011, PJM coordinated with the Midwest ISO and Open Access Technology, International, Inc. ("OATi"), the North American Electric Reliability Corporation's ("NERC") contractor, to outline the conversion timeline of the NERC System Data Exchange ("SDX")/IDC model on January 1, 2012. This IDC model update will change the owner of the DEOK Zone to PJM.

DEO and DEK began submitting transmission and generation outage schedules via PJM's eDart system on April 1, 2011 and September 2, 2011, respectively. From that date until the cutover on January 1, 2012, DEOK submitted dates for planned transmission outages in parallel with its present responsibilities in the Midwest ISO.

PJM updated the Energy Management System ("EMS") model for all 100 kV and above DEO and DEK stations during 2011. The final model build will occur on December 15, 2011, at which time the DEOK modeling in the PJM EMS will be complete.

PJM's ability to integrate the DEOK Zone was subject to a comprehensive "certification review" by NERC, ReliabilityFirst Corporation ("RFC") and Southeastern Electric Reliability Council ("SERC"). This certification review took place at PJM's Control Center in Norristown, PA on November 2-3, 2011.

Under this certification review, conducted under the Section 500 of the NERC's Rule of Procedures, NERC is to provide PJM with certification as the entity with primary responsibility for becoming the Reliability Coordinator, Balancing Authority, Transmission Planner and Transmission Operator for the DEO and DEK transmission facilities 100 kV and above. NERC

is to certify PJM's ability to meet the minimum requirements established by the NERC reliability standards for each function.

On November 9, 2011, PJM received a draft Certification report with its review to be completed by December 1, 2011. A final NERC Certification Team report will be issued prior to January 1, 2012. Any outstanding follow up items are to be closed and RFC registration changes to be completed by January 1, 2012. PJM is optimistic that the NERC Certification for the DEOK integration will be granted.

c. Markets

In order to support market integration for the DEOK Zone, Day-Ahead Market trials are being conducted to provide participants with exposure to the PJM market user interface and to provide sample market solution data for participant review so that they will become familiar with the mechanics of market participation. The day-ahead market trials started in November 2011 and they are scheduled to conclude on or about December 16, 2011. The details of the Day-Ahead Market trials are included in a document posted on the PJM website entitled "PJM Day Ahead Energy Market Trials for Market Integration." This document can be found at the following website address: <http://www.pjm.com/markets-and-operations/energy/lmp-model-info/~media/markets-ops/energy/lmp-model-info/duke-day-ahead-market-trials/duke-market-trials-whitepaper.ashx>

In order for the PJM capacity market to be expanded to include the DEOK Zone, the DEOK Zone was included in the May 2011 BRA for the 2014/2015 Delivery Year. All market rules effective as of that time will apply to the DEOK Zone.

For the remainder of the 2011/2012 Delivery Year (1/1/2012 – 5/31/2012) and the 2012/2013 and 2013/2014 Delivery Years, a transition plan was required for the DEOK Zone. To fulfill its capacity requirements for these two and a half transition years, DEOK submitted to

PJM an out-of-time FRR plan for each of the referenced of the Delivery Years by no later than December 15, 2011, in accordance with their proposal as approved by the Commission in the October 21, 2010 Order.

Additional details on, DEOK's FRR plan and other integration related subjects are found in the "Duke Integration Whitepaper" posted on the PJM website at:

<http://www.pjm.com/markets-and-operations/market-integration/~//media/markets-ops/duke-integration/duke-integration-white-paper.ashx>

In accordance with Section 5.2.2 of Attachment K – Appendix of the PJM Tariff and Schedule 1 of the PJM Operating Agreement, the initial allocation of Financial Transmission Rights ("FTRs") for the DEOK Zone were made on October 6, 2011, to be effective January 1, 2012. PJM filed these initial FTR allocations on October 29, 2011, in Commission Docket No. ER12-241-000, which filing was accepted by FERC on December 7, 2011.⁸

d. Planning

PJM has responsibility for the development of a Regional Transmission Expansion Plan ("RTEP") for the PJM system that will meet the needs of the PJM Region in a reliable, economic and environmentally acceptable manner. PJM also is responsible for recommending the assignment of any transmission expansion costs to the appropriate parties. In order to carry out these responsibilities, it is necessary to establish a starting point or baseline from which the need and responsibility for enhancements can be determined.

In order to establish the DEOK Zone baseline, PJM defined the period from 2012 through 2014 as the initial DEOK baseline planning period. PJM issued the DEOK Baseline RTEP Report on July 18, 2011 which is posted on the PJM website at the following link:

⁸ *PJM Interconnection, L.L.C.*, Letter Order, Docket No. ER12-241-000 (Dec. 7, 2011).

<http://www.pjm.com/markets-and-operations/market-integration/~//media/planning/rtep-dev/baseline-reports/duke-oh-ky-baseline-rtep-report.ashx>

In addition, PJM, DEOK and generator interconnection customers have worked together to migrate existing generator interconnection agreements under the Midwest ISO tariff to interconnection service under the PJM Tariff. PJM will file such agreements to be effective January 1, 2012.

III. Correspondence and Communications

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IV. Service

PJM has served a copy of this filing on all PJM Members, all state utility regulatory commissions in the PJM Region and on all persons on the Commission's official service list for Docket the DEOK Realignment Proceeding (Docket No. ER10-1562-000) by posting this filing electronically. In accordance with the Commission's regulations,⁹ PJM will post a copy of this filing to the FERC filings section of its internet site, located at the following link: <http://www.pjm.com/documents/ferc-manuals/ferc-filings.aspx> with a specific link to the newly-filed document, and will send an e-mail on the same date as this filing to all PJM Members and all state utility regulatory commissions in the PJM Region¹⁰ alerting them that this filing has been made by PJM and is available by following such link. If the document is not immediately

⁹ See 18C.F.R §§ 35.2(e) and 385.2010(f)(3).

¹⁰ PJM already maintains, updates and regularly uses e-mail lists for all PJM Members and affected state commissions.

available by using the referenced link, the document will be available through the referenced link within 24 hours of the filing. Also, a copy of this filing will be available on the FERC's eLibrary website located at the following link: <http://www.ferc.gov/docs-filing/elibrary.asp> in accordance with the Commission's regulations and Order No. 714.

Respectfully submitted,



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Cc: Jignasa Gadani
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