



DUKE ENERGY CORPORATION

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VIA OVERNIGHT DELIVERY

February 17, 2011

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Blvd
Frankfort, KY 40601

RECEIVED

FEB 18 2011

PUBLIC SERVICE
COMMISSION

Re: Case No. 2010-00523

Dear Mr. Derouen:

Enclosed please find an original and twelve copies of the *Responses of Duke Energy Kentucky, Inc. to Commission Staff's First Set of Supplemental Data Requests* and Petition for Confidential Treatment in the above captioned case. Also enclosed in the white envelope is one set of the confidential response to Staff-DR-01-002 being filed under seal.

Please date-stamp the two copies of the letter, the Data Requests and the Petition and return to me in the enclosed envelope.

Sincerely,

Kristen Cocanougher

cc: Dennis Howard II

VERIFICATION

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FEB 18 2011

**PUBLIC SERVICE
COMMISSION**

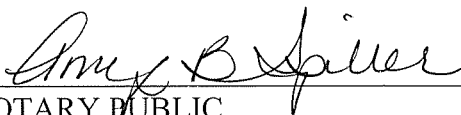
State of Ohio)
)
County of Hamilton)

The undersigned, William Don Wathen Jr., being duly sworn, deposes and says that I am employed by the Duke Energy Corporation affiliated companies as General Manager Duke Energy & Vice President Rates-Ohio & Kentucky; that on behalf of Duke Energy Kentucky, Inc., I have supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing response to information requests are true and accurate to the best of my knowledge, information and belief after reasonable inquiry.



William Don Wathen Jr., Affiant

Subscribed and sworn to before me by William Don Wathen, Jr. on this 11th day of February 2011.



NOTARY PUBLIC

**AMY BETH SPILLER, Attorney at Law
Notary Public, State of Ohio
My Commission Expires: My Commission Has No Expiration Date
Section 147.03**

TABLE OF CONTENTS

<u>DATA REQUEST</u>	<u>WITNESS</u>	<u>TAB NO.</u>
STAFF-DR-01-001 SUPPLEMENTAL	William Don Wathen Jr.....	1
STAFF-DR-01-002 SUPPLEMENTAL	William Don Wathen Jr.....	2
STAFF-DR-01-003 SUPPLEMENTAL	William Don Wathen Jr.....	3
STAFF-DR-01-004 SUPPLEMENTAL	William Don Wathen Jr.....	4

**Duke Energy Kentucky
Case No. 2010-523
Staff First Set Supplemental Data Request
Date Received: February 9, 2011**

**STAFF-DR--01-001
SUPPLEMENTAL**

REQUEST:

Refer to responses to Items 1 and 4 of Commission Staff's initial request for information ("Staff's First Request"). In its application, Duke Kentucky asked for authorization to defer amounts totaling approximately \$4.37 million. Explain whether the Commission should consider the amount in that request as being increases to \$4,502,779.

RESPONSE:

The amount in our application was an estimate. The \$4,502,779 are the actual costs incurred thru December 31, 2010. The Commission should consider the actual amount of \$4,502,779 for this request.

PERSON RESPONSIBLE: William Don Wathen, Jr.

**Duke Energy Kentucky
Case No. 2010-523
Staff First Set Supplemental Data Request
Date Received: February 9, 2011**

**STAFF-DR--01-002
SUPPLEMENTAL PUBLIC**

REQUEST:

Refer to the response to Item 3.a. of Staff's First Request and the related attachment.

- a. Explain how the specific percentage that was used in the assumption of employees electing the voluntary opportunity severance plan ("VOP") who will not be replaced or will be replaced at a lower salary was determined.
- b. Provide a breakdown of the estimated VOP savings which identifies the amounts related to the consolidation of the Midwest corporate functions separately from the remainder of the savings.

RESPONSE:

CONFIDENTIAL PROPRIETARY TRADE SECRET

This response is filed with the Commission under a Petition for Confidential Treatment.

PERSON RESPONSIBLE: William Don Wathen, Jr.

Duke Energy Kentucky
Case No. 2010-523
Staff First Set Supplemental Data Request
Date Received: February 9, 2011

STAFF-DR--01-003
SUPPLEMENTAL

REQUEST:

Refer to the response to Item 3.b. of Staff's First Request.

- a. Provide the retirement date of the first employee(s) retiring under the VOP whose time, either in whole or in part, is allocated to Duke Kentucky.
- b. Identify and describe in detail any considerations or issues that will prevent Duke Kentucky from tracking the specific savings it realizes under the VOP until the filing of its next base rate case, either electric or gas.

RESPONSE:

- a. The first date that employees terminated their employment due to the VOP was March 31, 2010. Employees who left under the VOP were not always considered to have retired from the company. Employees who retire receive other benefits in addition to the VOP benefits.
- b. The majority of the savings come from reduced labor from the service company. It can be difficult to determine if the change in service company labor is due to change in allocation factors versus reduction of employees. It is also difficult to quantify the change in labor due to employees who were replaced at lower salary levels.

PERSON RESPONSIBLE: William Don Wathen, Jr.

**Duke Energy Kentucky
Case No. 2010-523
Staff First Set Supplemental Data Request
Date Received: February 9, 2011**

**STAFF-DR--01-004
SUPPLEMENTAL**

REQUEST:

Refer to the attachment to the response to Item 6 of Staff's First Request. Provide the allocation of each of the following between Duke Kentucky's electric and gas operations: (1) "Other VOP Costs" and (2) the costs related to "Midwest Office Relocation."

RESPONSE:

See Staff-DR-SUPP-01-004 Attachment. This is an update of Staff-DR-01-006 Attachment and includes sub-totals for gas and electric. Please note that there is an indication on the individual lines which state if the costs on that line are gas or electric.

PERSON RESPONSIBLE: William Don Wathen, Jr.

**Duke Energy Kentucky
Actual VOP Costs
Year to Date 2010**

	<u>Other VOP Costs</u>	<u>Midwest Office Relocation</u>	<u>Total VOP Costs</u>
Separation Expense- Electric (1)	1,857,846	426,535	2,284,381
Separation Expense- Gas	714,222	63,329	777,551
COBRA- Electric	66,817	17,320	84,137
COBRA- Gas	18,726	2,654	21,380
Outplacement-Electric	24,086	10,365	34,451
Outplacement-Gas	7,332	1,527	8,859
Pension Costs-Electric	311,351	64,962	376,313
Pension Costs-Gas	96,392	19,068	115,460
Relocation-Electric		324,968	324,968
Relocation-Gas		53,420	53,420
Facilities Integration-Electric		229,895	229,895
Retention-Electric		50,370	50,370
Retention-Gas		15,157	15,157
Work Simplification-Electric	112,865		112,865
Employee Travel & Misc-Electric		13,541	13,541
Employee Travel-Gas		212	212
Total	<u>3,209,637</u>	<u>1,293,323</u>	<u>4,502,960</u>
Total Gas	836,672	155,367	992,039
Total Electric	2,372,965	1,137,956	3,510,921

(1) Net of Joint Owner Reimbursement

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COMMONWEALTH OF KENTUCKY

FEB 18 2011

BEFORE THE PUBLIC SERVICE COMMISSION

PUBLIC SERVICE COMMISSION

In the Matter of an Application of)	
Duke Energy Kentucky, Inc. For an Order Approving)	Case No. 2010-523
The Establishment of a Regulatory Asset)	
Related to Voluntary Opportunity and Other)	
Post-Retirement Expenses)	

**PETITION OF DUKE ENERGY KENTUCKY, INC.
FOR CONFIDENTIAL TREATMENT OF INFORMATION CONTAINED IN
ITS RESPONSES TO COMMISSION STAFF'S FIRST SET OF
SUPPLEMENTAL DATA REQUESTS**

Duke Energy Kentucky, Inc. (Duke Energy Kentucky or Company), pursuant to 807 KAR 5:001, Section 7, respectfully requests the Commission to classify and protect certain information provided by Duke Energy Kentucky in its response to supplemental data request No. 2, as requested by Commission Staff (Staff) in this case on February 9, 2011. Specifically, this request asks:

2. Refer to the response to Item 3.a. of Staff's First Request and the related attachment.
 - a. Explain how the specific percentage that was used in the assumption of employees electing the voluntary opportunity severance plan ("VOP") who will not be replaced or will be replaced at a lower salary was determined.
 - b. Provide a breakdown of the estimated VOP savings which identifies the amounts related to the consolidation of the Midwest corporate functions separately from the remainder of the savings.

The information that Staff seeks through discovery and for which Duke Energy Kentucky now seeks confidential treatment (Confidential Information) pertains to the Company's internal analysis and financial projections of costs and future savings related

to its voluntary opportunity plan (VOP). The analysis contains sensitive data related to savings to be obtained from reduction in employee overhead through one-time severance payments on a company-wide basis and replacing only those necessary positions at a lower cost. As the activities under the VOP have not yet been completed, the anticipated savings have not yet been realized. And, achieving the anticipated savings levels is dependent upon Duke Energy Kentucky and Duke Energy Corporation being able to negotiate new positions at a lower cost level.

Furthermore, if made public, the information provided herein could be used by third parties, including competitors of Duke Energy Kentucky, to ascertain the compensation of its employees, thereby undermining the Company's bargaining position vis-à-vis said third parties.

In support of this Petition, Duke Energy Kentucky states:

1. The Kentucky Open Records Act exempts from disclosure certain Commercial information. KRS 61.878(1)(c). Significantly, this rule applies to those records that are generally recognized as confidential or proprietary. And provided the records at issue satisfy this general characterization, they are subject to protection where the disclosure of such information would otherwise result in an unfair advantage to competitors of the party seeking non-disclosure. Public disclosure of the information identified herein would, in fact, prompt such a result for the reasons set forth below.

2. The information for which Duke Energy Kentucky seeks protection concerns its internal analysis and financial projections of costs and future savings. Furthermore, the Confidential Information at issue herein also relates to Duke Energy Kentucky's sensitive data related to severance payments on a corporate-wide basis that

have not yet occurred. This information was, and remains, integral to Duke Energy Kentucky's effective execution of business decisions. And such information is generally regarded as confidential or proprietary. Indeed, as the Kentucky Supreme Court has found, "information concerning the inner workings of a corporation is 'generally accepted as confidential or proprietary.'" *Hoy v. Kentucky Industrial Revitalization Authority*, Ky., 904 S.W.2d 766, 768.

3. Disclosure of the Confidential Information, which includes individual factors underlying Duke Energy Kentucky's ability to obtain the anticipated savings in negotiations would damage Duke Energy Kentucky's position and business interests. This information reveals sensitive information of Duke Energy Kentucky. If the Commission grants public access to the Confidential Information contained in data request No. 2, the Company could be placed at a competitive disadvantage in negotiating with potential parties who could provide services at a lower cost.

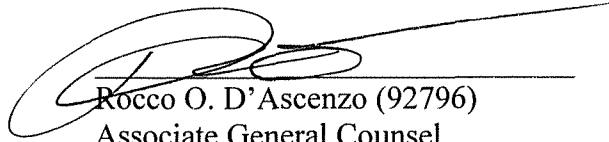
4. The information for which Duke Energy Kentucky is seeking confidential treatment is not known outside of Duke Energy Kentucky.

5. In accordance with the provisions of 807 KAR 5:001 Section 7, the Company is filing with the Commission one copy of the Confidential Material highlighted and ten (10) copies without the confidential information.

WHEREFORE, Duke Energy Kentucky, Inc. respectfully requests that the Commission classify and protect as confidential the specific information described herein.

Respectfully submitted,

DUKE ENERGY KENTUCKY, INC.



Rocco O. D'Ascenzo (92796)

Associate General Counsel

Amy B. Spiller (85309)

Deputy General Counsel

Duke Energy Business Services, LLC

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Cincinnati, Ohio 45201-0960

Phone: (513) 287-4320

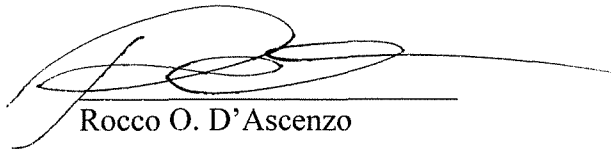
Fax: (513) 287-4385

e-mail: rocco.d'ascenzo@duke-energy.com

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing filing was served on the following via overnight mail, postage prepaid, this 17th day of February 2011:

Dennis G. Howard II
Assistant Attorney General
The Kentucky Office of the Attorney General
1024 Capital Center Drive
Frankfort, Kentucky 40602-2000



Rocco O. D'Ascenzo