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John W. Clay
Commissioner

September 25, 2008

Richard G. Beach
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Duke Energy Kentucky, Inc.
139 East Fourth Street, Rm 25 ATII
Cincinnati, OH 45201-0960

CERTIFICATE OF SERVICE

RE: Case No. 2008-00139
Duke Energy Kentucky, Inc.

I, Stephanie Stumbo, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on September 25, 2008.

Executive Director

SS/rs
Enclosure



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Cincinnati, OH 45202

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY,)	
INC. FOR A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY TO CONSTRUCT)	CASE NO.
GAS DISTRIBUTION FACILITIES WITHIN ITS)	2008-00139
SERVICE TERRITORY)	

O R D E R

On May 5, 2008, Duke Energy Kentucky, Inc. ("Duke Kentucky") filed an application with the Commission requesting a Certificate of Public Convenience and Necessity ("CPCN") to replace approximately 19.89 miles of cast iron and bare steel mains with plastic and steel pipelines of different sizes as set forth in its application.

Duke Kentucky has divided the majority of its proposed construction into 10 modules. Each module consists of approximately one to five miles of cast iron and bare steel pipe located within a particular community. Duke Kentucky is also requesting approval to perform additional replacement work on mains identified for replacement under its Cast Iron Maintenance Optimization System ("CIMOS") and its Bare Steel Maintenance Optimization System ("BSMOS"),¹ as well as mains involved in road improvement projects. Duke Kentucky estimates the cost of the proposed construction work for 2008 will be approximately \$19,670,000. Duke Kentucky states there are contingencies that may arise, such as field conditions, road resurfacing

¹ CIMOS and BSMOS are grading systems that Duke Kentucky uses to prioritize its cast iron and bare steel gas main replacements.

projects, and leaks, that may require additional work and expenditures. Therefore, Duke Kentucky requests the Commission authorize it to deviate from the proposed construction in an additional amount not to exceed 20 percent of the total projected costs of construction to address such contingencies.

Duke Kentucky has provided construction maps showing the location and route of the construction work and states that it plans to finance the construction through continuing operations and debt instruments as necessary.

After reviewing the record and being otherwise sufficiently advised, the Commission finds that Duke Kentucky's request for a CPCN for the construction proposed herein should be approved. The Commission further finds that Duke Kentucky should be permitted to deviate from the proposed construction to address the contingencies discussed above in an amount not to exceed 20 percent of the total construction costs. Duke Kentucky should, no later than April 15, 2009, file with the Commission a statement of the actual costs of the construction through the end of the year 2008.

IT IS THEREFORE ORDERED that:

1. Duke Kentucky is granted a CPCN for the construction projects set forth in the plans and specifications of record herein.
2. Duke Kentucky is permitted to deviate from the construction to address unforeseen contingencies in an amount not to exceed 20 percent of the total projected costs of \$19,670,000.

3. On or before April 15, 2009, Duke Kentucky shall file with the Commission, a statement reflecting the actual costs of the construction performed in 2008.

Done at Frankfort, Kentucky this 25th day of September, 2008.

By the Commission

ATTEST:


Executive Director