

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY, )  
INC. FOR A CERTIFICATE OF PUBLIC ) CASE NO.  
CONVENIENCE AND NECESSITY TO ) 2007-00142  
CONSTRUCT GAS DISTRIBUTION FACILITIES )  
WITHIN ITS SERVICE TERRITORY )

O R D E R

On March 30, 2007, Duke Energy Kentucky, Inc. (“Duke Kentucky”) filed an application with the Commission requesting a Certificate of Public Convenience and Necessity (“CPCN”) to replace approximately 11.78 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 7 modules. Each module consists of approximately 2 to 5 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”),<sup>1</sup> as well as mains involved in road improvement projects. Duke Kentucky estimates that the cost of the proposed construction work for 2007 will be approximately \$13,000,000. Duke Kentucky states that there are contingencies that may arise, such as field conditions, road resurfacing

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<sup>1</sup> 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 that 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, 2008, file with the Commission a statement of the actual costs of the construction through the end of the year 2007.

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 \$13,000,000.

3. On or before April 15, 2008, Duke Kentucky shall file with the Commission a statement reflecting the actual costs of the construction performed in 2007.

Done at Frankfort, Kentucky, this 1<sup>st</sup> day of June, 2007.

By the Commission

ATTEST:

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the end.

Executive Director