

Duke Kentucky fails or refuses to furnish all or part of the requested information, Duke Kentucky shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to the response to item 1 of the Commission's First Request for Information. This response states that Duke Kentucky has selected April 2008 as the month to be used as the base period for its fuel adjustment clause ("FAC"). According to the response to item 5 in Case No. 2008-00287,<sup>1</sup> Duke Kentucky's East Bend unit experienced a planned outage from April 4, 2008 through May 1, 2008. As a result, Duke Kentucky purchased a large amount of replacement power.

a. Explain why Duke Kentucky believes a month in which the East Bend unit was offline is representative of the net generating cost per kWh that Duke Kentucky will incur between November 1, 2008 and October 31, 2010.

b. Because of the high cost of the replacement power for April 2008, Duke Kentucky amortized the replacement power over six months in its FAC filings to mitigate the impact on customers. Explain why Duke Kentucky now finds it reasonable

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<sup>1</sup> Case No. 2008-00287, An Examination of the Application of the Fuel Adjustment Clause of Duke Energy Kentucky from November 1, 2007 Through April 30, 2008 (filed Sept. 12, 2008).

to base the increase in its base fuel rate for the next two years on a fuel factor not actually charged to customers during the two-year review period and one in which the East Bend unit was offline.

c. This response states that, based on Duke Kentucky's most recent fuel cost projections, the projected fuel cost per kWh for 2009 is \$.038406 and \$.037691 for 2010. The base fuel rate requested by Duke Kentucky is \$.039186. Explain why the Commission should approve a base fuel rate greater than Duke Kentucky's 2009 and 2010 projections.

2. If the Commission finds that April 2008 is not a reasonably representative month, state the month in which the total fuel costs were actually charged to customers during the two-year review period that Duke Kentucky would choose as a representative month. Using this alternate month, provide updated responses to Items 1 through 4, 7, 8, 16, and 17 of the Commission's First Request for Information.

  
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DATED: FEBRUARY 26, 2009

cc: All Parties