COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY, INC. FOR AN ADJUSTMENT OF RATES	))	CASE NO. 2009-00202

THIRD DATA REQUEST OF COMMISSION STAFF
TO DUKE ENERGY KENTUCKY, INC.

Duke Energy Kentucky, Inc. ("Duke Kentucky" formerly The Union Light, Heat and Power Company "ULH&P"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due no later than September 28, 2009. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Duke Kentucky shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which

Duke Kentucky fails or refuses to furnish all or part of the requested information, it 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 2.d. of Commission Staff's Second Data Request ("Staff's Second Request"). Some schedules were provided on a total basis as requested; however, Schedules 13 and 13.2 were not. Provide Schedules 13 and 13.2 on a total basis or explain why they cannot be provided.

2. Refer to the attachment to the response to Item 6 of Staff's Second Request which includes the customer charges and volumetric charges that would be required if the customer charges fully recovered all fixed costs necessary to serve customers. For all four rate classes, the volumetric charge is zero. Explain whether it is Duke Kentucky's contention that it incurs no variable costs, other than the cost of gas, in the provision of service to its customers.

3. Refer to the response to Item 9.a. of Staff's Second Request.

a. For the meter pulse installation charge and the meter index charge, explain why the truck cost of $7.00 per hour would be charged for the installation time (i.e., the non-travel time).

b. For the meter index charge, materials are listed at $90. Identify the specific materials that make up this amount.

c. For the additional trip charge, provide itemized cost information as was provided for the meter pulse installation and meter index charges.

4. Refer to the response to Item 14 of Staff's Second Request, which describes the process used by J.D. Power and Associates ("J.D. Power") to rate customer satisfaction by residential customers for the country's 60 largest gas utilities.

a. Explain how the size of gas utilities is measured by J.D. Power for purposes of its study of residential customer satisfaction.

b. Explain whether Duke Kentucky is one of the 60 largest gas utilities in the U.S., as measured by J.D. Power, and where it ranks among those 60 utilities.

c. If it is not one of the 60 largest gas utilities in the U.S., explain how the results of the J.D. Power study are specifically applicable to Duke Kentucky.

5. Refer to the response to Item 20 of Staff's Second Request and Schedule D-2.11 of Duke Kentucky's application.

a. Describe in detail the type of activities that gave rise to the jobbing expense incurred during the base period, as described in Schedule D-2.11.

b. Explain what caused Duke Kentucky to incur negative amortization expense of $362,672 during the base period.

6. Refer to the response to Item 21 of Staff's Second Request concerning the adjustment to property tax expense in December 2008 due to the final "Property Valuation" from the Kentucky Department of Revenue (formerly Kentucky Revenue Cabinet).

a. Since 2000, identify each calendar year in which Duke Kentucky received a final "Property Valuation" from the Kentucky Department of Revenue which resulted in lowering property tax expense from the level based on an earlier property valuation from the Kentucky Department of Revenue.

b. For each year identified in responding to part a. of this request, provide the amounts of both the initial and final property valuations and the amounts of both the initial and final property tax expense due pursuant to those valuations.

7. Refer to the response to Item 24 of Staff's Second Request in which Duke Kentucky provided revised schedules in the event the Commission does not approve its proposed treatment of uncollectible expense. Provide a revised Schedule M-2.3, showing revised revenues and rates.

8. Refer to the responses to Items 25 and 38.a. of Staff's Second Request and to Item 30 of Staff's First Request.

a. The response to Item 25 demonstrates that, over the last five years, the company's actual uncollectible expense was roughly $6.1 million and it experienced a net over-recovery over that period of slightly less than $123,000, roughly two percent of its total uncollectible expense. Explain how this type of result warrants removing uncollectible expense from base rate recovery.

b. The response to Item 38.a. states that "[b]ad debt constitutes over 1% of the Company's expenses." Explain how Duke Kentucky determined that one percent of its expenses is the threshold for determining that a given expense warrants treatment other than being recovered through base rates.

c. Given that, for 2008, the most recent calendar year for which data is available, the level of uncollectible expense of $1,196,497 shown in the response to Item 25 is less than one percent of the company's 2008 total utility operating expenses as shown in the response to Item 30 of Staff's First Data Request, what is the basis for the statement in the response to Item 38.a. of Staff's Second Request?

9. Refer to the response to Item 26 of Staff's Second Request in which Duke Kentucky provided revised schedules in the event the Commission does not approve its proposed treatment of carrying costs of gas stored underground. Provide a revised Schedule M-2.3, showing revised revenues and rates.

10. Refer to the response to Item 27 of Staff's Second Request, which states that Duke Kentucky sells all of its accounts receivable at a discount. Does this mean that Duke Kentucky sells its accounts receivable before any portion becomes uncollectible? If yes, explain why Duke Kentucky records any uncollectible expense on its books since, once they are sold, it no longer owns the accounts receivable. If no, identify and describe the time frame in which the accounts receivable are sold.

11. Refer to the response to Item 30 of Staff's Second Request.

a. Confirm that Schedules M-2.2 and M-2.3 attached to this response are the same schedules filed in the application and not revised schedules.

b. Refer to the revised schedules filed in the electronic version of this response. The change in Mcfs sold in these schedules results in revised revenues. Provide the revised rates, based on the change in Mcfs, that are needed to collect the revenue requirement proposed in the application.

12. Refer to the response to Item 31 of Staff's Second Request. The change in Mcfs sold in these schedules results in revised revenues. Provide the revised rates, based on the change in Mcfs, that are needed to collect the revenue requirement proposed in the application.

13. Refer to the response to Item 32.b. of Staff's Second Request.

a. Explain whether the response means Mr. Spanos' consideration of "estimates for other gas companies" in developing estimated net salvage percentages, as per page 12 of his direct testimony, extended to all of the 51 studies identified in the attachment to the response or just to selected studies among those identified.

b. If Mr. Spanos considered selected studies among those identified in the attachment, identify which of the 51 studies were considered. If his consideration of the "estimates for other gas companies" included the results of all 51 studies, explain in detail how he gave consideration to each individual study.

14. The response to Item 34.a. of Staff's Second Request, which indicates that attempting to calculate depreciation rates based on actual experience is not realistic "because outlier data could skew results for the future estimate", is not acceptable. Provide the information requested in Item 34.a., along with any explanation, caveat, etc. that is necessary to explain how the results might be skewed by the outlier data.

15. Refer to the response to Item 36.a. of Staff's Second Request. Based on the information being provided in response to the request item immediately preceding this item, which concerns Item 34.a. of Staff's Second Request, provide a revised response to Item 36.a. of Staff's Second Request.

16. Refer to the response to Item 39 of Staff's Second Request. Provide Duke Energy Ohio's tariffs for its uncollectible expense recovery mechanisms and a description of any differences between what was authorized and what it had proposed.

17. Refer to the response to Item 41 of Staff's Second Request. The request asked for the monthly value of Duke Kentucky's gas stored underground for the years 2004 through 2008 plus the first six months of 2009. However, the response includes monthly values only for 2009. Provide the information originally requested.

18. Refer to the response to Item 42 of Staff's Second Request. Explain whether the approved rates and the phase-in of the shift to MSFV rate design were proposed by Duke Energy Ohio or if they were imposed by the Ohio Commission.

19. Mr. Ziolkowski's testimony, on page 8, states that a larger customer charge will, among other things, mitigate the erosion of recovery of fixed costs due to energy efficiency. Explain whether shifting costs from the volumetric rate will also minimize the incentive for residential customers to participate in energy efficiency during a period of lower gas prices such as that currently being experienced.

20. Refer to the attachment to the response to Item 53 of Staff's Second Request, which shows the maintenance expenditures and savings, since the inception of the Accelerated Main Replacement Program ("AMRP") through 2008.

a. Provide the level of maintenance expenditures included in the base and forecasted periods.

b. Although the AMRP will continue through 2010, it appears that no adjustment has been proposed for the forecasted test period to reflect the continued decline in annual maintenance expenditures that has occurred consistently since 2001. Explain why no further savings are anticipated.

21. Refer to response 54.a. of Staff's Second Request. Although each year following 2002 showed fewer leaks than the 2002 level which was described by Mr. Hebbeler as the "peak", the number of leaks increased in 2007 and again in 2008 following what appeared to be the trough in 2006. Provide an explanation of the increase in leaks and whether this trend is expected to continue.

22. Refer to response 54.b. of Staff's Second Request. Customer outage per 1,000 customers, which Mr. Hebbeler calls the "most accepted reliability standard utilized within the gas industry", is at the highest level (.07) in both 2002 and 2005, and is higher in both 2007 and 2008 than in both of the immediately preceding years. Provide an explanation of the varying outage levels from 2002 to 2008, whether the trend of increasing outages is expected to continue, and whether the experience of Duke Energy's Gas Operations is considered representative of that of Duke Kentucky.

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cc: All parties

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