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Anita M. Schafer
Sr. Paralegal

VIA OVERNIGHT DELIVERY

April 14, 2008

Ms. Stephanie Stumbo
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

RECEIVED

APR 15 2008

PUBLIC SERVICE
COMMISSION

Re: Case No. 2007-00142

Dear Ms. Stumbo:

Enclosed please find an original and twelve copies each of the AMRP Report on 2007 Construction Costs of Duke Energy Kentucky in the above captioned case.

Please date-stamp the extra two copies and return to me in the enclosed envelope.

Sincerely,

Anita M. Schafer
Senior Paralegal

cc: Certificate of Service

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

APR 15 2008

**PUBLIC SERVICE
COMMISSION**

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY, INC.)
FOR A CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY TO CONSTRUCT GAS)
DISTRIBUTION FACILITIES WITHIN ITS)
SERVICE TERRITORY)

CASE NO. 2007-00142

**DUKE ENERGY KENTUCKY'S
REPORT ON 2007 CONSTRUCTION COSTS
FOR ACCELERATED MAIN REPLACEMENT PROGRAM**

Pursuant to KRS 278.020, 807 KAR 5:001, Sections 8 and 9, and the Commission's Order dated June 1, 2007 in this proceeding, Duke Energy Kentucky (DE-Kentucky) respectfully states as follows:

1. The Commission's June 1, 2007 Order granted a certificate of Public Convenience and Necessity for DE-Kentucky to add \$13,000,000 to its gas plant for its 2007 Accelerated Main Replacement Program (AMRP). The Commission's Order also granted DE-Kentucky a deviation to exceed this amount by up to 20%. Finally, the Commission's Order required DE-Kentucky to file a report by April 15, 2008 on the actual construction costs incurred during 2007.

2. DE-Kentucky reports that the actual construction costs for new gas plant-in-service added through the AMRP in 2007 was \$12,507,699. This amount is under by 3.8% the \$13,000,000 amount approved in the Commission's Order; however, this amount is within the deviation granted in the Commission's Order, which allowed DE-Kentucky to exceed the \$13,000,000 limit by up to 20%.

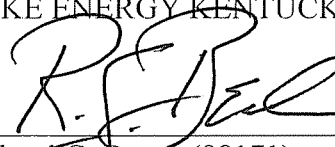
3. Attachment A is a report listing: (1) the estimated amount for each project in DE-228675

Kentucky's 2007 AMRP construction program; (2) the actual amount added to gas plant-in-service through the AMRP program in 2007 for each type of project; and (3) the reason for any variance.

WHEREFORE, Duke Energy Kentucky respectfully requests that the Commission: (1) accept this report on actual construction costs for new gas plant-in-service added through the AMRP program in 2006; and (2) enter an Order closing this proceeding.

Respectfully submitted,

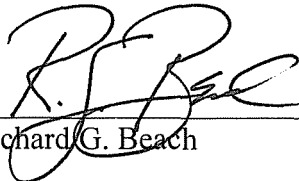
DUKE ENERGY KENTUCKY, INC.



Richard G. Beach (88171)
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing filing was served on the following via ordinary United States mail, postage prepaid, this 14th day of April, 2008:


Richard G. Beach

Larry Cook
Assistant Attorney General
The Kentucky Office of the Attorney General
1024 Capital Center Drive
Frankfort, Kentucky 40602-2000

Anita L. Mitchell
Public Service Commission
211 Bower Boulevard
Frankfort, Kentucky 40602

Duke Energy Kentucky
2007 AMRP Construction Costs
Comparison of Estimated and Actual Costs

Attachment A

	<u>Estimated Costs (1)</u>	<u>Actual Costs (2)</u>	<u>Difference</u>	<u>Variance Explanation (3)</u>
<u>Module Jobs</u>				
Module 305	2,008,120	2,219,032	210,912	
Module 309	1,250,796	1,099,699	(151,097)	
Module 317	2,237,433	2,165,538	(71,895)	
Module 320	352,772	427,273	74,501	
Module 349	2,122,695	1,820,359	(302,336)	
Module 351	299,274	347,645	48,371	
Module 387		753,009	753,009	
Module 469	1,123,650	1,379,360	255,710	
Module 569		347,759	347,759	
Module 574		654,950	654,950	
	<u>9,394,740</u>	<u>11,214,624</u>	<u>1,819,884</u>	
<u>CIMOS Jobs</u>				
Altavia	480,700	276,800	(203,900)	
Washington		199,558	199,558	
Floral		58,991	58,991	
Pershing		57,112	57,112	
Projected (4)	746,443	0	(746,443)	
	<u>1,227,143</u>	<u>592,461</u>	<u>(634,682)</u>	
<u>Street Improvement Jobs</u>				
Locust		86,694	86,694	
St Elizabeth		126,064	126,064	
Johnson		103,634	103,634	
Projected (4)	678,117	0	(678,117)	
	<u>678,117</u>	<u>316,392</u>	<u>(361,725)</u>	
2006 Carry-over	<u>1,700,000</u>	<u>384,222</u>	<u>(1,315,778)</u>	
Total for 2007	<u><u>13,000,000</u></u>	<u><u>12,507,699</u></u>	<u><u>(492,301)</u></u>	

Notes:

- (1) Includes contractor labor, materials, company labor, other and loadings.
- (2) Actual costs through December 31, 2007.
- (3) See 2007 Kentucky Variance Explanations.
- (4) Specific jobs were not known at the time the projection was made.

2007 Kentucky Variance Explanations

Module 305

This project variance is due to unanticipated permit requirements. The governmental agency changed the shift requirements. All work had to be performed at night. This work schedule was not contemplated at the time the work order was written.

Module 309

This project is bid and installed by a unit cost price structure. The 2007 actual unit quantities installed were less than anticipated. Hermes Avenue was installed under a previous project. This reduction in work was not contemplated at the time the work order was written.

Module 317

This project variance is due to unanticipated utilities. The proposed gas facilities were installed more efficiently once all the utilities were field located. This reduction in work was not contemplated at the time the work order was written.

Module 320

This project variance is due to unanticipated field conditions. The soil conditions contained more rock than was anticipated. In addition, unanticipated utility conflicts resulted in moving the proposed main into the pavement. These items were not contemplated at the time the work order was written.

Module 349

This project variance is due to unanticipated field conditions. Less company labor was needed to perform company activities, i.e. tie-ins. These favorable field conditions were not contemplated at the time the work order was written.

Module 351

This project variance is due to the unanticipated field conditions. The soil conditions contained more rock than anticipated and required the construction method to be changed from directional drill to direct bury. This change caused the use of CLSM. This change was not contemplated at the time the work order was written.

Module 387

This project involving a module was added after the report was submitted. The original dollars were accounted for in the CIMOS/Street Improvement/Carry-over section of the report. Therefore, there was no original estimate provided on the construction report for this project.

Module 469

This project variance is due to unanticipated field conditions. The poor condition of the road required additional backfilling and pavement restoration. These conditions were not contemplated at the time the work order was written.

Module 569

This project involving a module was added after the report was submitted. The original dollars were accounted for in the CIMOS/Street Improvement/Carry-over section of the report. Therefore, there was no original estimate provided on the construction report for this project.

Module 574

This project involving a module was added after the report was submitted. The original dollars were accounted for in the CIMOS/Street Improvement/Carry-over section of the report. Therefore, there was no original estimate provided on the construction report for this project.

Altavia

This project was bid and installed by a unit cost price structure. The 2007 actual unit quantities installed were less than anticipated at the time the work order was written.

CIMOS Projects – Washington, Floral, Pershing

The actual individual projects were added after the report was submitted. These projects as a whole were accounted for in the CIMOS section of the report. These projects were bid and installed by a unit cost price structure. The 2007 actual unit quantities installed were less or more than estimated. The additional dollars not used in on CIMOS projects were incorporated into module work (see comments for modules 387, 569 and 574).

Street Improvement Projects – Locust, St Elizabeth, Johnson

The actual individual projects were added after the report was submitted. These projects as a whole were accounted for in the Street Improvement section of the report. These projects were bid and installed by a unit cost price structure. The 2007 actual unit quantities installed were less or more than estimated. The additional dollars not used on Street Improvement projects were incorporated into module work (see comments for modules 387, 569 and 574).

2006 Carry-Over

All the projects in 2006 under this category were bid and installed by a unit cost price structure. The units installed in 2006 had other units associated with the project that were installed and paid in 2007. The 2006 actual unit quantities installed to be carried over to 2007 were less than anticipated.