



139 East Fourth Street, Room 2500 AT II
P.O. Box 960
Cincinnati, Ohio 45201-0960
Tel: 513-419-1847
Fax: 513-419-1846
anita.schafer@duke-energy.com

Anita M. Schafer
Sr. Paralegal

VIA OVERNIGHT DELIVERY

May 8, 2008

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

RECEIVED

MAY 09 2008

PUBLIC SERVICE
COMMISSION

Re: Case No. 2008-00122

Dear Ms. Stumbo:

Enclosed please find an original and nine copies of the Responses of Duke Energy Kentucky to the Staff's First Set of Data Requests in the above captioned case.

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

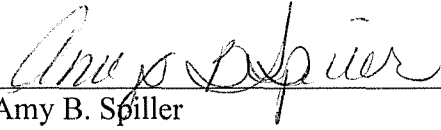
Sincerely,

Anita M. Schafer
Senior Paralegal

cc: Larry Cook

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing filing was served on the following via overnight delivery or ordinary United States mail, postage prepaid, this 8th day of May, 2008:



Amy B. Spiller

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

RECEIVED

MAY 09 2008

PUBLIC SERVICE
COMMISSION

VERIFICATION

State of Ohio)
)
County of Hamilton)

The undersigned, Burt Durstock, being duly sworn, deposes and says that I am employed by the Duke Energy Shared Services as Director, Warehouse Enterprise Field Services; that on behalf of Duke Energy Kentucky, Inc., I have supervised the preparation of the responses to the foregoing information requests and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of my knowledge, information and belief after reasonable inquiry.



Burt Durstock

Subscribed and sworn to before me by Burt Durstock on this 8th day of May 2008.



NOTARY PUBLIC

My Commission Expires:



ANITA M. SCHAFER
Notary Public, State of Ohio
My Commission Expires
November 4, 2009

VERIFICATION

State of *North Carolina*)
)
County of *Mecklenburg*)

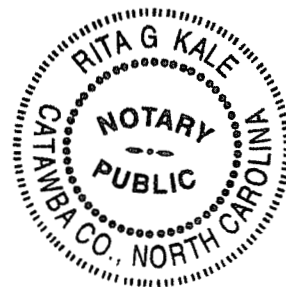
The undersigned, Michael Austin, being duly sworn, deposes and says that I am employed by the Duke Energy Shared Services as Manager, Inventory Services; that on behalf of Duke Energy Kentucky, Inc., I have supervised the preparation of the responses to the foregoing information requests and that the matters set forth in the foregoing responses to information requests are true and accurate to the best of my knowledge, information and belief after reasonable inquiry.

Michael A Austin
Michael Austin

Subscribed and sworn to before me by Michael Austin on this *8th* day of May 2008.

Rita S Kale
NOTARY PUBLIC

My Commission Expires: *6/17/12*



Duke Energy Kentucky, Inc.
Case No. 2008-00122
Kentucky Public Service Commission
First Set of Data Requests
Request Date: April 30, 2008
Response Due Date: May 9, 2008

KyPSC-DR-01-001

REQUEST:

Refer to page 1 of the Intercompany Asset Transfer Agreement (“Agreement”) which provides that the Operating Companies maintain inventory and other assets for the operation and maintenance of their respective electric utility and, as to Duke Energy Ohio (“Duke Ohio”) and Duke Kentucky, with respect to their gas utility.

- a. Describe how the Agreement applies to Duke Kentucky’s gas operations.
- b. Provide examples of the types of gas assets that may be subject to transfer.

RESPONSE:

a. The gas operations of Duke Energy Ohio and Duke Energy Kentucky would be covered by the agreement. Transfers of inventory items between Ohio and Kentucky would be considered and honored if in accordance with good utility practice.

b. As stated in the agreement, commodities (e.g. natural gas, propane, etc.) are excluded under the agreement. Pipe, fittings and meters are the more likely items subject to be transferred. Regulators would be the most significant asset subject to be transferred.

PERSON RESPONSIBLE: Michael Austin/Burt Durstock

Duke Energy Kentucky, Inc.
Case No. 2008-00122
Kentucky Public Service Commission
First Set of Data Requests
Request Date: April 30, 2008
Response Due Date: May 9, 2008

KyPSC-DR-01-002

REQUEST:

Since KRS 278.218 is applicable only to electric assets, state whether Duke Kentucky will agree to be bound by the same terms of that statute if it plans to transfer any gas assets.

RESPONSE:

Yes, DE-Kentucky will agree to be bound by the same terms if it plans to transfer any gas assets.

PERSON RESPONSIBLE: N/A

**Duke Energy Kentucky, Inc.
Case No. 2008-00122
Kentucky Public Service Commission
First Set of Data Requests
Request Date: April 30, 2008
Response Due Date: May 9, 2008**

KyPSC-DR-01-003

REQUEST:

Refer to Section 1.2 of the Agreement which defines “cost” to include “stores.” Describe in detail what is meant by the term “stores.”

RESPONSE:

The term “stores” as used in Section 1.2 of the Agreement refers to Account 163 of the FERC Uniform System of Accounts.

PERSON RESPONSIBLE: Mike Austin/ Burt Durstock

Duke Energy Kentucky, Inc.
Case No. 2008-00122
Kentucky Public Service Commission
First Set of Data Requests
Request Date: April 30, 2008
Response Due Date: May 9, 2008

KyPSC-DR-01-004

REQUEST:

Refer to Paragraph 12(b) of the Application. This paragraph refers to the transfer of “non-inventory items.” Neither the Agreement nor the Application defines “non-inventory items.” Explain the term and provide examples of potential “non-inventory items.”

RESPONSE:

Non-inventory items, principally, are items purchased for projects that we normally would not stock in inventory. Examples would include one-time purchases of regulators, or a special valve necessary to complete a project, or a pipe with diameter different from that normally maintained in inventory. There is no intent to add the stock code to our catalog.

PERSON RESPONSIBLE: Michael Austin/Burt Durstock

Duke Energy Kentucky, Inc.
Case No. 2008-00122
Kentucky Public Service Commission
First Set of Data Requests
Request Date: April 30, 2008
Response Due Date: May 9, 2008

KyPSC-DR-01-005

REQUEST:

Given that Duke Energy Carolinas, LLC may, pursuant to the conditions incorporated by Exhibit A of the Agreement, elect not to participate in the Agreement and that electric generation-related transactions with Duke Ohio much be priced in accordance with the Federal Energy Regulatory Commission's affiliate transaction pricing requirements, which are the same as the pricing requirements of KRS 278.2207(a) and (b) from which Duke Kentucky is seeking relief, explain why it is appropriate for this Commission to grant the requested relief.

RESPONSE:

While not conceding that FERC's asymmetrical pricing is identical to the pricing requirements of KRS 278.2207(a) and (b), Duke Energy Kentucky believes that there are many benefits to be gained by being able to engage in cost-based asset transfers with its affiliated utility companies. While the Commission is correct that transactions between Duke Energy Kentucky and Duke Energy Ohio involving generation-related assets will be priced in accordance with FERC's asymmetrical pricing requirements under the proposed Agreement, the proposed at-cost pricing will apply to transactions between Duke Energy Kentucky and Duke Energy Ohio's gas distribution and electric transmission and distribution businesses, as well as Duke Energy Indiana. Further, while Exhibit A permits Duke Energy Carolinas to elect not to participate in the Agreement, it is anticipated that each of Duke Energy's utility operating companies will choose to participate to realize the benefits described in Duke Energy Kentucky's application in this proceeding.

PERSON RESPONSIBLE: Michael Austin/Burt Durstock

Duke Energy Kentucky, Inc.
Case No. 2008-00122
Kentucky Public Service Commission
First Set of Data Requests
Request Date: April 30, 2008
Response Due Date: May 9, 2008

KyPSC-DR-01-006

REQUEST:

Refer to Section 4.10 of the Agreement. Identify and describe "DE-Ohio's wholesale power marketing function."

RESPONSE:

Duke Energy Ohio's wholesale power marketing function is contained within Duke Energy's Commercial Asset Management organization, and engages in wholesale power transactions under its FERC-approved market-based rate authority. Duke Energy Ohio's wholesale power marketing function purchases and sells power at wholesale and interfaces with the MISO and PJM markets on behalf of Duke Energy Ohio's electric generating assets.

PERSON RESPONSIBLE: Michael Austin/Burt Durstock

Duke Energy Kentucky, Inc.
Case No. 2008-00122
Kentucky Public Service Commission
First Set of Data Requests
Request Date: April 30, 2008
Response Due Date: May 9, 2008

KyPSC-DR-01-007

REQUEST:

Refer to the last sentence of Paragraph 8 of the Application which provides in part that the requested relief will “allow DE-Kentucky to obtain needed equipment from an affiliate on an expedited basis **if** the manufacturer was unable to deliver the equipment in the timeframe needed or at a competitive price.” (Emphasis added). By this sentence is Duke Kentucky stating to the Commission that it will approach the market first to determine whether it is best to pursue a transaction under the Agreement? If no, describe how Duke Kentucky will determine a competitive price. Explain the response in detail.

RESPONSE:

DE-Kentucky is not stating that it would approach the market first. DE-Kentucky seeks to avoid the pricing risks in spot market purchases and unnecessary delays in performing country-wide equipment searches. Paragraph 8 was presented as an illustrative example of the benefits of this agreement. In general, DE-Kentucky acquires equipment through blanket contract purchase orders that are in place with various manufacturers and for specific equipment. These contract/blanket purchase orders are determined through a competitive bidding process with the winning manufacturers agreeing to provide equipment at a pre-determined price. The blanket purchase order pricing is consistent across Duke Energy’s Midwest utilities, with some agreements extending to Duke Energy Carolinas.

If DE-Kentucky needs a particular piece of equipment that is not sitting in its own inventory, it will check the manufacturer’s inventory with the relevant blanket purchase order for the particular piece of equipment to determine whether the manufacturer can provide and deliver the equipment in time. Contemporaneously, DE-Kentucky will also check the system wide inventories of the Duke Energy operating companies to determine if the needed equipment is available and whether or not it can be transferred by the other operating company.

DE-Kentucky would then assess the equipment availability, cost, and deliverability options, as well as the immediacy of the need for the equipment. DE-Kentucky will then seek to acquire the equipment in the least cost most efficient manner. Assuming price is comparable, if the

manufacturer is able to timely deliver, DE-Kentucky would purchase the piece of equipment from the manufacturer. Similarly, if DE-Kentucky could obtain the equipment sooner from one of the Duke Energy Operating Companies, it would seek to do so.

PERSON RESPONSIBLE: Michael Austin/Burt Durstock

Duke Energy Kentucky, Inc.
Case No. 2008-00122
Kentucky Public Service Commission
First Set of Data Requests
Request Date: April 30, 2008
Response Due Date: May 9, 2008

KYPSC-DR-01-008

REQUEST:

Does each of the affiliates calculate unique storage, freight, and handling rates? If yes, provide the storage, freight, and handling rates, for the most recent month available, for each of the affiliates participating in the Agreement.

RESPONSE:

Except as stated below, MW stores rate for all companies and all business units is 8%. Carolina's Nuclear is as follows:

	Rate
Catawba	15.5 %
Oconee	14 .0 %
McGuire	19.0%
Duke Energy Carolina's Fossil Hydro	9%
Duke Energy Carolina's Power Delivery	9.6%

PERSON RESPONSIBLE: Michael Austin/Burt Durstock