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Dianne B Kuhnell
Senior Paralegal

RECEIVED

OCT 27 2008

PUBLIC SERVICE
COMMISSION

VIA OVERNIGHT DELIVERY

October 24, 2008

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

Re: Case No. 2008-00248

Dear Ms. Stumbo:

Enclosed please find an original and seven copies each of the Responses to the Commission's First Request for Information in the above captioned case and a Petition for Confidential Treatment. The responses to be filed under seal are enclosed in a separate envelope.

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

Sincerely,

Dianne Kuhnell

Dianne Kuhnell
Senior Paralegal

cc: Dennis G. Howard
Gregory M. Young

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OCT 27 2008

PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

In the Matter of The 2008 Integrated Resource Plan)
of Duke Energy Kentucky, Inc.) Case No. 2008-00248

PETITION OF DUKE ENERGY KENTUCKY, INC.
FOR CONFIDENTIAL TREATMENT OF INFORMATION
CONTAINED IN ITS RESPONSES TO COMMISSION'S
SUPPLEMENTAL SET OF DATA REQUESTS

Duke Energy Kentucky, Inc. ("DE-Kentucky" or "Company"), pursuant to 807 KAR 5:001, Section 7, respectfully requests the Commission to classify and protect certain information provided by DE-Kentucky in response to data requests No. 2, No. 6 and No. 7 in the Commission's supplemental data request, as contained in the Commission's Order dated October 13, 2008. The information DE-Kentucky seeks confidential treatment ("Confidential Information") in No. 2 pertains to current balances of SO_2 and NOx bank balances and reports, manuals and other documents regarding DE-Kentucky's current effective strategy, policies and procedures for managing and utilizing these allowances. This response contains sensitive information, the disclosure of which would injure DE-Kentucky and its competitive position and business interests. The information DE-Kentucky seeks confidential treatment in No. 6 pertains to negotiated pricing terms in a contractual agreement with Eagle Energy that DE-Kentucky has agreed to not disclose to the persons outside the Company. DE-Kentucky has redacted the pricing erms and conditions contained in the response. The information DE-Kentucky seeks confidential treatment in No. 7 pertains to power production costs and Present Value Revenue Requirements ("PVRR"). In support of this Motion, DE-Kentucky notes that the Commission has already treated the same information as confidential in DE-Kentucky's Integrated Power Resource review proceeding (see Letter re Petition for Confidential Treatment, Case No. 2007-248 dated August 13, 2008 attached hereto as Attachment 1.) This information is a revision to a spreadsheet in response to Commission Staff's First Set of Data Requests for which confidential treatment was also petitioned.

In support of this Petition, DE-Kentucky states:

1. The Kentucky Open Records Act exempts from disclosure certain commercial information. KRS 61.878 (1)(c). To qualify for this exemption and, therefore, maintain the confidentiality of the information, a party must establish that disclosure of the commercial information would permit an unfair advantage to competitors of that party. Public disclosure of the information identified herein would, in fact, prompt such a result for the reasons set forth below.

2. The information that DE-Kentucky wishes to protect from public disclosure is identified in the attachment to data requests No. 2, No. 6 and No. 7. The information in No. 2 and No. 7 was developed internally by DE-Kentucky personnel, is not on file with any public agency, and is not available from any commercial or other source outside DE-Kentucky. The information redacted in No. 6 was included in a contract between the Company and an outside vendor in which the Company agreed to take all reasonable measures to secure confidential information regarding price pad for the gas and the volumes of gas purchased or sold. The aforementioned information in all three responses is distributed within DE-Kentucky only to those employees who must have access for business reasons. If publicly disclosed, this information setting forth DE-Kentucky's could give competitors an

advantage in bidding for and securing new resources and cause the Company to disclose contractual information . Similarly, disclosure of this confidential information in No. 2, No. 6 and No. 7 would afford an undue advantage to DE-Kentucky's vendors and suppliers as they would enjoy an obvious advantage in any contractual negotiations to the extent they could calculate DE-Kentucky's requirements and what DE-Kentucky anticipates those requirements to cost. Public disclosure would give DE-Kentucky's contractors, vendors and competitors access to DE-Kentucky's cost and operational parameters, as well as insight into its contracting practices. Such access would impair DE-Kentucky's ability to negotiate with prospective contractors and vendors, and could harm the DE-Kentucky's competitive position in the power market, ultimately affecting the costs to serve customers.

3. The information for which DE-Kentucky is seeking confidential treatment is not known outside of DE-Kentucky.

4. DE-Kentucky filed a Petition for Confidential Treatment with its IRP on July 1, 2008, Case No. 2008-127[1]. The Commission granted DE-Kentucky's request to keep information related to power production costs and PVRR confidential pursuant to a letter dated August 13, 2008. The information requested in the Commission's request for information No. 7 directly relates to this information already granted confidential protection.

5. DE-Kentucky does not object to limited disclosure of the confidential information described herein, pursuant to an acceptable protective agreement, to the Attorney General or other intervenors with a legitimate interest in reviewing the same for the purpose of participating in this case.

6. In accordance with the provisions of 807 KAR 5:001 Section 7, the Company is filing with the Commission one copy of the Confidential Material highlighted and five (5)

[1] The Commission subsequently renumbered the IRP case as Case No. 2008-248.

copies without the confidential information. DE-Kentucky has taken steps to only seek confidential treatment of the sensitive information contained in the responses, and in the interest of disclosure is only seeking confidential treatment of specifically identified information.

WHEREFORE, Duke Energy Kentucky, Inc. respectfully requests that the Commission classify and protect as confidential the specific information described herein.

Respectfully submitted,

DUKE ENERGY KENTUCKY

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<u>CERTIFICATE OF SERVICE</u>

The undersigned hereby certifies that a copy of Duke Energy Kentucky, Inc.'s Petition for Confidential Treatment of Information Contained in Its Responses to Supplemental Data Request of Commission Staff was served on the following by overnight mail, this 24 day of October 2008.

Amy B. Spiller

Honorable Dennis G. Howard, II
Honorable David E. Spenard
Assistant Attorneys General
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601

TABLE OF CONTENTS

VERIFICATION

State of Ohio)
) SS:
County of Hamilton)

The undersigned, Richard G. Stevie, being duly sworn, deposes and says that I am employed by the Duke Energy Corporation affiliated companies as Managing Director, Customer Market Analysis; that on behalf of Duke Energy Kentucky, Inc., I have supervised the preparation of the responses to the foregoing responses to information requests; and that the matters set forth in the foregoing response to information requests are true and accurate to the best of my knowledge, information and belief after reasonable inquire.

Richard G. Stevie, Affiant

Subscribed and sworn to before me by Richard Stevie on this 23RD day of October 2008.

Anita M. Schafer
NOTARY PUBLIC

My Commission Expires:

NOTARY PUBLIC STATE OF OHIO

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

243436

REQUEST:

Refer to Duke Energy Kentucky's response to Item 5 of the Commission Staff's ("Staff") September 15, 2008 data request ("Staff's initial request"). When does Duke Energy anticipate it will complete its screening of the new demand-side management ("DSM") programs and measures?

RESPONSE:

The Company anticipates filing this information with the Commission in November with an application to implement the new programs.

PERSON RESPONSIBLE: Richard G. Stevie

KyPSC-SUPP-01-002PUBLIC

REQUEST:

Refer to Duke Kentucky's response to Item 8 of Staff's initial request and page 1-24 of its Integrated Resource Plan ("IRP").

a. Provide the current balances of SO_2 and NOx allowances carried in Duke Kentucky's allowance bank.

b. Provide the report, manual or other document which contains Duke Kentucky's currently effective strategy, policies, and procedures for managing and utilizing SO_2 and NOx allowances in order to comply with emissions regulations.

RESPONSE:

CONFIDENTIAL PROPRIETARY TRADE SECRET

All information regarding current balance of SO_2 and NOx allowances and reports, manuals and other documents containing Duke Kentucky's currently effective strategy, policies, and procedures for managing and utilizing SO_2 and NOx allowances presented on Attachment KyPSC-SUPP-01-002 is confidential and proprietary information and is being filed with the Commission under seal pursuant to a Motion for Confidential Treatment.

PERSON RESPONSIBLE: John Griffith
David Freeman

KyPSC-SUPP-01-003

REQUEST:

Refer to Duke Kentucky's response to Item 9 of Staff's initial request.

a. Explain why the company expects that it will become increasingly difficult to acquire participants in the Power Manager program.

b. Describe how the assumption that 10 years is the appropriate length of time to allow for growth in conservation programs was developed. What is the basis for 10 years as opposed to some other period of time?

RESPONSE:

a. Over time, as the number of participants increases, the number of interested customers not participating will shrink. It will become increasingly more difficult and expensive to find additional participants.

b. This was assumed to be the time period that the existing programs would continue to be operational before technological changes required the programs to be re-tooled.

PERSON RESPONSIBLE: Richard G. Stevie

KyPSC-SUPP-01-004

REQUEST:

Refer to Duke Kentucky's response to Item 12 of Staff's initial request.

a. For the period 2003 – 2007, the difference between forecasted energy sales and weather-normalized energy sales for the industrial class increased annually, from roughly 45,000 mWh in 2003 to nearly 110,000 mWh in 2007. Explain why these differences have increased in this manner.

b. For the period 2003 – 2007, the difference between forecasted energy sales and weather-normalized energy sales for the lighting class increased annually, from roughly 1.7 mWh in 2003 to over 5.8 mWh in 2007. Explain why these differences have increased in this manner.

c. For the period 2003 – 2005, actual lost and unaccounted-for energy greatly exceeded Duke Kentucky's annual forecasts of lost and unaccounted-for energy. For 2006 and 2007, however, actual lost and unaccounted-for energy levels decreased significantly and were more in line with the company's forecast levels. Explain why the actual levels were so much greater than the forecasts in the former period and describe the actions taken that resulted in the decreases during the latter period.

RESPONSE:

a. The table in Item 12 reflects the forecast used in the 2003 IRP. It is a long-term forecast prepared at a single point in time for the years going forward. The difference in forecasted and actual values tend to be larger, the further out the forecast is from the base year. Also, the industrial class has been impacted by changing economics and rising energy costs which were not anticipated in the forecast.

b. In 2002, actual street lighting sales were 19,493. Having increased from a value of 17,163 in 2001, a forecast of 20,708 would seem reasonable. Again, the difference in forecasted and actual values tend to be larger, the further out the forecast is from the base year. As concerns street lighting, the actual values show that sales have reversed a long-term historical trend of growth.

c. The table in Item 12 reflects the forecast used in the 2003 IRP. It is a long-term forecast prepared at a single point in time for the years going forward. Keep in mind that "losses and unaccounted for" are based on a mathematical calculation to account for differences in billed sales and the total energy delivered on a calendar basis. This calculation can be influenced by colder or warmer weather at the end of the year. The formula is:

Losses and Unaccounted for = Total Energy delivered – Billed consumption

The average actual "losses and Unaccounted for" over the five years prior to 2003 was 154,241 Mwh but it fluctuated from a low of 20,458 Mwh to a high of 284,130 Mwh. This shows that the historical data can fluctuate widely, whereas the forecast tends towards the average.

As mentioned earlier, the forecast was locked in at a single point in time, therefore, no actions were taken which resulted in the decrease during the latter period. It is just the actual values tending toward the average.

PERSON RESPONSIBLE: James Riddle

Duke Energy Kentucky, Inc.
Case No. 2008-00248
Kentucky Public Service Commission
Supplemental Data Requests
Request Date: October 13, 2008
Response Due Date: October 27, 2008

KyPSC-SUPP-01-005

REQUEST:

Refer to Duke Kentucky's response to Item 13 of Staff's initial request.

a. For three of the five years 2003 through 2007, Duke Kentucky's forecast and weather-normalized summer peak demands matched very closely (seven MW or less and less than 0.8 percent variance). However, in both 2004 and 2007, the variances between the weather-normalized and forecast summer peak demands exceeded 34 MW and 4.1 percent. What accounts for differences of this magnitude in the variances in some years?

b. For three of the five years 2003 through 2007, Duke Kentucky's forecast and weather-normalized winter peak demands matched very closely (13 MW or less and less than 1.7 percent variance). However, in 2003 and 2005, the variances between the weather-normalized and forecast winter peak demands were 39 and 65 MW and 5.5. and 8.8 percent, respectively. What accounts for differences of this magnitude in the variances in some years?

RESPONSE:

a. The table in Item 13 reflects the forecast used in the 2003 IRP. It is a long-term forecast prepared at a single point in time for the years going forward. One would expect some differences in the level of variance from year to year.

   The average percent difference between the forecast and weather normal actual summer peak over the five year period was -0.1%, which is very small.

b. See response to KyPSC-SUPP-01-005 (a). One would expect some differences in the level of variance between years.

   Likewise, the average percent difference between the forecast and weather normal actual winter peak over the five year period was -0.1%, which is very small.

PERSON RESPONSIBLE: James Riddle

KyPSC-SUPP-01-006(b)PUBLIC

REQUEST:

Refer to Duke Kentucky's response to Item 15 of Staff's initial request.

a. Provide a detailed description of the Lebanon Lateral "congregation of pipelines," including its specific location and the number, ownership and size of the pipelines.

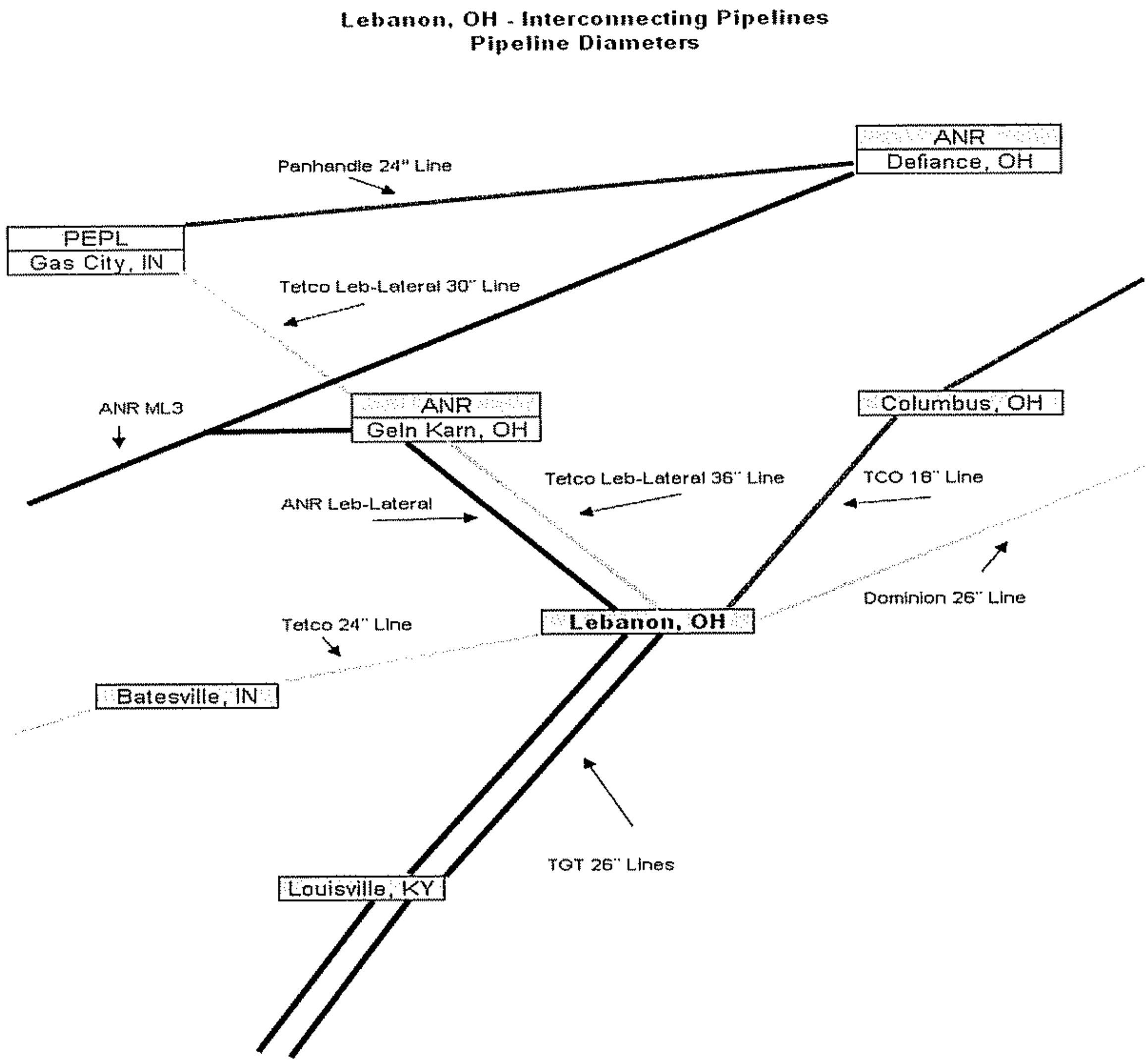
b. Provide a general description of Eagle Energy Partners plus the terms – length of contract and pricing terms – of its business arrangement with Duke Kentucky.

RESPONSE:

a. The Lebanon Lateral is comprised of the following pipelines:

Pipeline	**Owner**
ANR Pipeline (ANR)	TransCanada Corporation
Texas Eastern Transmission (TETCO)	Spectra Energy
Texas Gas Transmission (TGT)	Boardwalk Pipeline Partners, LP
Columbia Gas Transmission (TCO)	NiSource
Dominion Transmission	Dominion Resources
Panhandle Eastern *	Panhandle Energy – Southern Union Gas Company
Rockies Express (REX) **	Partnership between Kinder Morgan Energy Partners, ConocoPhillips, and Sempra Energy
* This pipeline is one leg from the Lebanon Lateral	** Future construction

Please see below for location, configuration, and size of pipelines.



b. The gas supply contract between Duke Energy Kentucky and Eagle Energy Partners I, L.P. ("Eagle") is for the term April 1, 2008 until March 31, 2010. Duke Energy Kentucky pays [redacted] for all gas delivered. There are no monthly demand charges or other charges for the contract with Eagle.

Eagle Energy Partners manages over 1 Bcf/day of firm transportation capacity, with the focus of those assets in the Midwest/Ohio Valley regions. Eagle utilizes its firm capacity on ANR, Midwestern, Texas Gas, Columbia Gulf, Panhandle, Texas Eastern Pipelines to ensure deliverability into Duke Energy Kentucky's assets on a firm basis. Eagle has relationships with Texas Eastern (Woodsdale's interconnecting pipeline) due to the fact that Eagle owns firm transportation and firm storage on Spectra Energy's system (parent company of Texas Eastern). Eagle's annual deal flow with Texas Eastern allows for competitive rate negotiations and daily flexibility on the system's operational balancing agreements.

Eagle Energy Partners manages over 50 Bcf of Firm Storage Capacity, with the focus of those assets in the Midwest/Ohio Valley regions. Eagle's storage capacity strategically allows it to serve markets on ANR, Midwestern, Texas Gas, Columbia Gulf, Panhandle, and Texas Eastern Pipelines (among many other pipelines in the Southeast and Northeast). Eagle's storage position serves as a backstop to Duke Energy Kentucky's fuel supply on an intraday basis. This fact helps serve the frequent intraday dispatches, which are prevalent in the Midwest ISO for combustion turbine commitment.

PERSON RESPONSIBLE: John Swez

Duke Energy Kentucky, Inc.
Case No. 2008-00248
Kentucky Public Service Commission
Supplemental Data Requests
Request Date: October 13, 2008
Response Due Date: October 27, 2008

KyPSC-SUPP-01-007PUBLIC

REQUEST:

Refer to Duke Kentucky's response to Item 19 of Staff's initial request. Explain whether the Total Costs for the "No DSM" portfolio in the NPV column on page 2 of 2 should match the amount at the bottom of the NPV column on the "No DSM" line on page 1 of 2 of the response. If they should not match, explain why. If they should match, provide a revised page 2 of 2.

RESPONSE:

CONFIDENTIAL AND PROPRIETARY TRADE SECRET

All calculation and analysis information provided on a revised page 2 of 2 on Attachment KyPSC-SUPP-01-007 is confidential and proprietary information and is being filed with the Commission under seal pursuant to a Motion for Confidential Treatment.

PERSON RESPONSIBLE: David Freeman

KyPSC-SUPP-01-008

REQUEST:

Refer to tab 11 of Duke's answers to Staff's initial request. What caused the load factors indicated to be originally filed incorrectly?

RESPONSE:

When putting together the text for the IRP, similar text from an IRP filing in another state was used. Inadvertently, the load factors from the other filing were included in the Kentucky IRP original filing.

PERSON RESPONSIBLE: James Riddle