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PUBLIC SERVICE
COMMISSION

Dianne B Kuhnell
Senior Paralegal

VIA OVERNIGHT DELIVERY

September 26, 2008

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

Re: Case No. 2008-00308

Dear Ms. Stumbo:

Enclosed please find an original and eight copies each of the Responses to the Second Data Requests of Commission Staff in the above captioned case.

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

Sincerely,

Dianne Kuhnell
Senior Paralegal

cc: Dennis G. Howard

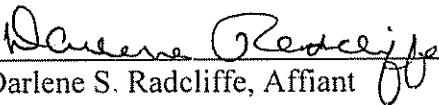
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VERIFICATION

State of Ohio)
) SS:
County of Hamilton)

The undersigned, Darlene S. Radcliffe, being duly sworn, deposes and says that I am employed by the Duke Energy Corporation affiliated companies as Environmental Technology & Fuel Policy Director; 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.



Darlene S. Radcliffe, Affiant

Subscribed and sworn to before me by Darlene S. Radcliffe on this 25th day of September 2008.



NOTARY PUBLIC

My Commission Expires:




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

VERIFICATION


State of Ohio)
) SS:
County of Hamilton)

The undersigned, Paul G. Smith, being duly sworn, deposes and says that I am employed by the Duke Energy Corporation affiliated companies as Vice President, Rates; 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.



Paul G. Smith, Affiant

Subscribed and sworn to before me by Paul G. Smith on this 24th day of September 2008.



NOTARY PUBLIC

My Commission Expires: 9-15-09

PATTY A. SELM
NOTARY PUBLIC, STATE OF OHIO
My Commission Expires 09-15-2009

VERIFICATION

State of Ohio)
) SS:
County of Hamilton)

The undersigned, John G. Bloemer, being duly sworn, deposes and says that I am employed by the Duke Energy Corporation affiliated companies as Director, Analytical Engineering; 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 response to information requests are true and accurate to the best of my knowledge, information and belief after reasonable inquiry.



John G. Bloemer, Affiant

Subscribed and sworn to before me by John G. Bloemer on this 24th day of September 2008.



NOTARY PUBLIC

My Commission Expires:



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

Duke Energy Kentucky, Inc.
Case No. 2008-00308
Kentucky Public Service Commission
Second Set of Data Requests
Request Date: September 19, 2008
Response Due Date: September 29, 2008

KyPSC-DR-02-001

REQUEST:

Refer to Duke Energy's response to Item 3(d) of the Commission Staff's first data request dated August 19, 2008 ("Staff's first request") and to the responses of Kentucky Power and KU/LG&E to the same request (responses to Items 4(d) and 5(c)).

- a. The Kentucky Power and KU/LG&E responses specifically describe those companies' intended methodologies for recovering their deferred contributions in future rate applications. State whether Duke Energy is able to specifically describe its intended recovery methodology. If yes, provide the detailed description thereof.
- b. The response to Item 3(d) refers to Duke Energy's annual cash and in-kind contributions for the project. The Joint Applicants' July 25, 2005 application made no reference to in-kind contributions. Describe in detail what Duke Energy means by in-kind contributions for this specific project and provide the amount of such contributions Duke expects to provide the project.

RESPONSE:

- a.) At the time of DE-Kentucky's next general rate case, it would propose to include in rates the annual amount of expenses incurred (or projected to be incurred) in the test year and would include an amortization of the existing balance of the regulatory asset over a period contemporaneous with the period used to amortize rate case expenses incurred for the assumed general rate case.
- b.) Examples of possible "in-kind contributions" represent costs of participating in the University of Kentucky Project ("the Project") beyond the payments made directly to University of Kentucky for membership in the Project and could include the following items:
 - Expenses including labor and/or travel related costs for direct project involvement by DE-Kentucky.
 - Any additional resources (material, documents, research data) provided by DE-Kentucky and used to enhance the Project developments and/or results .
 - If and when research results are to be field tested, any DE-Kentucky incurred costs, such as in-house material &/or labor or contracted material &/or labor used

to demonstrate the research results, either at a DE-Kentucky location, or at a Kentucky Power, Kentucky Utilities/Louisville Gas & Electric location.

The specific dollar amount or value of these in-kind contributions is unknown at this time. All these costs should be itemized and included in the accounting related to participation in the Project. Some of the demonstration field costs may represent "in-kind," existing non-cash items of value or existing infrastructure previously funded from other sources or projects (like the Regional Carbon Sequestration Partnerships and/or the DOE). Cash contributions made directly to the Project would not exceed the annual cost of membership. However, all other costs and/or expenses incurred by, and/or other items of value provided by DE-Kentucky as a result of participation would be considered in-kind contributions. In no case would DE-Kentucky consider recovering in rates any in-kind costs, expenses, or value provided that was previously paid for by other parties, such as the regional Carbon Sequestration Partnerships and/or the DOE.

PERSON RESPONSIBLE: Paul G. Smith (a)
John G. Bloemer (b)

Duke Energy Kentucky, Inc.
Case No. 2008-00308
Kentucky Public Service Commission
Second Set of Data Requests
Request Date: September 19, 2008
Response Due Date: September 29, 2008

KyPSC-DR-02-002

REQUEST:

Refer to Duke Energy's response to Item 7 of the Staff's first request.

- a. The third paragraph of the response states that Duke Energy is a partner in the Midwest Regional Carbon Sequestration Partnership ("MRCSP"), which includes Kentucky and seven other states. List all entities, other than Duke Energy, that are partners in the MRCSP.
- b. The last sentence in the response states that "Duke Energy is providing \$400,000 of in-kind services and \$350,000 cash to the project." What is the total budget for the carbon sequestration project at the East Bend Generating Station?
- c. Provide a description of the in-kind services, in the amount of \$400,000, that Duke Energy will be providing to the project.
- d. Identify the accounts, by name and number, in which Duke Energy is, or will be, recording its contributions, totaling \$750,000, to the East Bend project.
- e. Provide a detailed description of Duke Energy's plans for possible future rate recovery of its contributions, totaling \$750,000, to the East Bend project.

RESPONSE:

- a. The Partners in the MRCSP listed on their website as of September 23, 2008 include:

Battelle, American Electric Power, AMP Ohio, Beard Generation, Babcock and Wilcox, British Petroleum, Center for Energy and Economic Development (CEED), Chicago Climate Exchange, CONSOL Energy, Dominion, DTE Energy, FirstEnergy, Indiana Consumer Counselor, NYSERDA, Ohio Coal Development Office within the Ohio Air Quality Development Authority, Ohio Consumers' Counsel, Ohio Corn Marketing Program, Ohio Soybean Council, Praxair, Schlumberger, AJW Inc., Core Energy LLC, Indiana Geological Survey, Kentucky Geological Survey, Maryland Geological Survey, New York State Museum, Ohio Division of Geological Survey, Ohio Environmental Council, Pennsylvania Geological Survey, The Keystone Center, The Ohio State University, Stanford University, University of Maryland, West

Virginia Geological Survey, West Virginia University, and Western Michigan University.

- b. The total budget for all three of the Phase II MRCSP demonstration projects is approximately \$23 million with the total Department of Energy share being approximately \$17 million for all three projects. Total individual project costs will vary and are still being determined as the projects progress. For example, the cost of acquiring a drilling rig for the injection well will vary among projects depending on the specific timing of the activity.
- c. Examples of possible in-kind services could include the following services:
Expenses including labor and/or travel related costs for direct project involvement by Duke Energy. Additional resources such as materials and documents provided by Duke Energy and used to support the Phase II demonstration project at East Bend Generating Station could also be included.
- d. One or more of the following accounts may be used to record such costs:
 - Account 101 – Utility Plant
 - Account 154 – Materials and Supplies
 - Account 182 – Regulatory Assets
 - Account 183 – Preliminary Survey and Investigation Costs
 - Account 186 – Miscellaneous Deferred Debits
- e. The balance of regulatory assets will be recovered in a manner similar to what was described in response to KyPSC-DR-02-001. All other costs will be included in rate base and will be recovered in the form of depreciation and a return on the incremental impact on capitalization resulting from this activity.

PERSON RESPONSIBLE: Darlene S. Radcliffe (a-c)
Paul G. Smith (d-e)