



DUKE ENERGY CORPORATION

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VIA OVERNIGHT DELIVERY

February 11, 2011

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Blvd
Frankfort, KY 40601

RECEIVED
FEB 14 2011
PUBLIC SERVICE
COMMISSION

Re: **Case No. 2010-00494**

Dear Mr. Derouen:

Enclosed please find an original and twelve copies of Duke Energy Kentucky Inc.'s Public response to Staff First Set of Data Requests and Petition for Confidential Treatment in the above captioned case. Also enclosed in the white envelope is one set of the confidential response to STAFF-DR-01-005, 006, 009, 024 and 029 being filed under seal.

Also, enclosed please find an original and twelve copies of the *Direct Testimony of Lisa D. Steinkuhl, Direct Testimony of Elliott Batson, Jr., and Direct Testimony of John D. Swez on Behalf of Duke Energy Kentucky* being filed in the above referenced matter.

Please date-stamp the two copies of the letter, the Data Requests, the Petition and Testimony and return to me in the enclosed envelope.

Sincerely,

Kristen Cocanougher

cc: Dennis G. Howard II

VERIFICATION

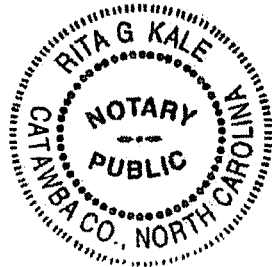
STATE OF NORTH CAROLINA))
)) SS:
COUNTY OF MECKLENBURG))

The undersigned, Elliot Batson Jr., being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing testimony, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.

Elliot Batson Jr.

Elliot Batson Jr., Affiant

Subscribed and sworn to before me by Elliot Batson Jr., on this 11 day of February, 2011.



Rita G. Kale

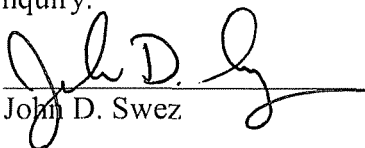
NOTARY PUBLIC

My Commission Expires: 6/17/12

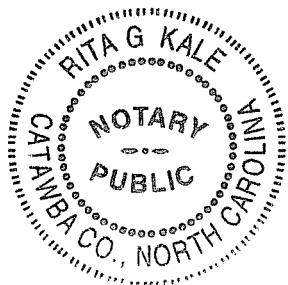
VERIFICATION

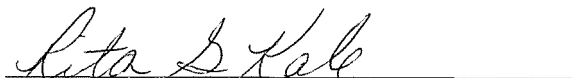
STATE OF NORTH CAROLINA)
) SS:
COUNTY OF MECKLENBERG)

The undersigned, John D. Swez, being duly sworn, deposes and says that he is employed by the Duke Energy Corporation affiliated companies as Director, Generation Dispatch and Operations for Duke Energy Business Services, LLC; that on behalf of Duke Energy Kentucky, Inc., he has supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing supplemental response to information requests are true and accurate to the best of his knowledge, information and belief after reasonable inquiry.


John D. Swez

Subscribed and sworn to before me by John D. Swez on this 2 day of February 2011.




NOTARY PUBLIC

My Commission Expires: 6/17/12

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**Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011**

STAFF-DR-01-001

REQUEST:

State the month to be used as the base period (b). Include a comprehensive, detailed explanation of the factors considered in the selection of this month as being representative of the net generating cost per kWh that Duke Kentucky will incur between November 1, 2010 and October 31, 2012 (“the next two-year period”). If no change is proposed, include a narrative explanation of the reason(s) Duke Kentucky believes the current base period fuel cost should remain unchanged.

RESPONSE:

March 2010 was selected to be the base period because it is reasonably close-in-time to the next two-year period and because the resulting fuel rate for this period was the closest to the expected fuel rate projected for the next two-year fuel adjustment period. Therefore, Duke Energy Kentucky requests that \$0.025747/kWh base fuel cost be approved for the next two year period.

The most recent fuel costs projections are \$99,901,000 for the calendar year 2011 and \$117,324,000 for the calendar year 2012. Kilowatt-hour sales projected for those same periods are 4,020,098,000 and 4,123,197,000, respectively, providing a projected fuel cost per kilowatt-hour of \$0.024850 for 2011 and \$0.028455 for 2012. The projected fuel cost per kilowatt-hour for the 2 year period of 2011 and 2012 is \$0.026675.

The cost per kWh during the proposed base month of March 2010 was calculated as follows:

<u>Fuel (b) (March 2010)</u>	<u>\$7,826,144</u>		
Sales (b) (March 2010)	303,963,440	=	\$0.025747

PERSON RESPONSIBLE: Lisa D. Steinkuhl

**Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011**

STAFF-DR-01-002

REQUEST:

Provide a calculation of the fossil fuel costs F(b) that Duke Kentucky proposes to use to calculate the base period fuel cost. This calculation shall show each component of F(b) as defined by 807 KAR 5:056. Explain why the fuel cost in the selected base period is representative of the level of fuel cost that Duke Kentucky will incur during the next two-year period.

RESPONSE:

As stated in response to item 1, the Duke Energy Kentucky proposes a base fossil Fuel cost F(b) of \$7,826,144. Attached is a copy of the fuel cost schedule for March 2010, which shows the components of F(b) as defined by 807 KAR 5:056.

PERSON RESPONSIBLE: Lisa D. Steinkuhl

**DUKE ENERGY KENTUCKY
FINAL FUEL COST SCHEDULE**

Expense Month: March 2010

Dollars (\$)

A. Company Generation		
Coal Burned	(+)	8,671,059.27
Oil Burned	(+)	216,769.00
Gas Burned	(+)	443,632.48
MISO Make Whole Payments	(-)	606,384.70
Fuel (assigned cost during Forced Outage ^(a))	(+)	178,731.96
Fuel (substitute cost during Forced Outage ^(a))	(-)	132,200.15
<u>Sub-Total</u>		<u>\$8,771,607.86</u>
B. Purchases		
Economy Purchases	(+)	286,618.07
Other Purchases	(+)	-
Other Purchases (substitute for Forced Outage ^(a))	(-)	198,309.81
<u>Less purchases above highest cost units</u>	(-)	<u>-</u>
<u>Sub-Total</u>		<u>\$88,308.26</u>
C. Non-Native Sales Fuel Costs		\$1,033,771.70
D. Total Fuel Costs (A + B - C)		<u><u>\$7,826,144.42</u></u>

Note: ^(a) Forced Outage as defined in 807 KAR 5:056.

**Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011**

STAFF-DR-01-003

REQUEST:

Provide a schedule showing each component of sales as defined by 807 KAR 5:056 in the selected base period (b). Explain why Duke Kentucky believes that the sales in the selected base period (b) are representative of the level of kWh sales that Duke Kentucky will derive from the level of fuel cost incurred during the selected base period (b).

RESPONSE:

As stated in response to item 1, the Duke Energy Kentucky proposes a base sales (b) of 303,963,440 kilowatt-hours. Attached is a copy of the Sales Schedule for March 2010, which shows the components of sales as defined by 807 KAR 5:056.

PERSON RESPONSIBLE: Lisa D. Steinkuhl

**DUKE ENERGY KENTUCKY
SALES SCHEDULE**

Expense Month: March 2010

		<u>Kilowatt-Hours Current Month</u>
A. Generation (Net)	(+)	357,426,000
<u>Purchases Including Interchange-In</u>	(+)	<u>8,787,550</u>
Sub-Total		<u>366,213,550</u>
B. Pumped Storage Energy	(+)	-
Non-Native Sales Including Interchange Out	(+)	45,577,010
<u>System Losses (320,636,540 KWH times 5.2%^(a))</u>	(+)	<u>16,673,100</u>
Sub-Total		<u>62,250,110</u>
C. Total Sales (A - B)		<u><u>303,963,440</u></u>

.....
Note: ^(a) Average of prior 12 months.

**Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011**

STAFF-DR-01-004

REQUEST:

Provide a schedule showing the calculation of Duke Kentucky's proposed increase or decrease in its base fuel cost per kWh to be incorporated into its base rate.

RESPONSE:

Current Base	\$0.033760
Proposed Base	<u>\$0.025747</u>
Decrease in Base Rates	\$0.008013

PERSON RESPONSIBLE: Lisa D. Steinkuhl

**Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011**

STAFF-DR-01-005 PUBLIC

REQUEST:

Provide Duke Kentucky's most recent projected fuel requirements for the years 2011 and 2012 in tons and dollars.

RESPONSE:

CONFIDENTIAL AND PROPRIETARY TRADE SECRET

This response has been filed with the Commission under a Petition for Confidential Treatment.

PERSON RESPONSIBLE: Lisa D. Steinkuhl

**Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011**

STAFF-DR-01-006 PUBLIC

REQUEST:

Provide Duke Kentucky's most recent sales projections for the years 2011 and 2012 in kWh and dollars.

RESPONSE:

CONFIDENTIAL AND PROPRIETARY TRADE SECRET

This response has been filed with the Commission under a Petition for Confidential Treatment.

PERSON RESPONSIBLE: Lisa D. Steinkuhl

**Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011**

STAFF-DR-01-007

REQUEST:

Provide separately the amounts of power purchases used in the calculation of sales provided in response to Item 3.

RESPONSE:

The attachment to STAFF-DR-01-003 shows power purchases of 8,787,550 kilowatt-hours all from the Midwest Independent System Operator, Inc.

PERSON RESPONSIBLE: Lisa D. Steinkuhl

**Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011**

STAFF-DR-01-008

REQUEST:

Provide separately the amounts of intersystem power sales used in the calculation of sales provided in the response to Item 3.

RESPONSE:

The attachment to STAFF-DR-01-003 shows power sales of 45,577,010 kilowatt-hours all to the Midwest Independent System Operator, Inc.

PERSON RESPONSIBLE: Lisa D. Steinkuhl

**Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011**

STAFF-DR-01-009 PUBLIC

REQUEST:

Provide the planned maintenance schedule for each of Duke Kentucky's generating units for the years 2011 and 2012.

RESPONSE:

CONFIDENTIAL PROPRIETARY TRADE SECRET

This response has been filed with the Commission under a Petition for Confidential Treatment.

PERSON RESPONSIBLE: John Swez

**Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011**

STAFF-DR-01-010

REQUEST:

For the years ending October 31, 2009 and October 31, 2010, provide:

- a. Maximum annual system demand; and
- b. Average annual demand.

RESPONSE:

- a. 2009: 808 MW on 8/10/2009 at 3 PM
2010: 892 MW on 8/4/2010 at 3 PM
- b. 2009: 481 MW
2010: 499 MW

PERSON RESPONSIBLE: John Swez

**Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011**

STAFF-DR-01-011

REQUEST:

List all firm power commitments for Duke Kentucky for the years 2011 and 2012 for (a) purchases and (b) sales. This list shall identify the other party (buyer or seller), the amount of commitment in MW, and the purpose of the commitment (e.g., peaking, emergency).

RESPONSE:

Duke Energy Kentucky has no firm power commitments during this time period.

PERSON RESPONSIBLE: John Swez

**Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011**

STAFF-DR-01-012

REQUEST:

Provide a monthly billing summary for all sales to all electric utilities for the period November 1, 2008 through October 2010.

RESPONSE:

See STAFF-DR-01-012 Attachment.

PERSON RESPONSIBLE: Lisa D. Steinkuhl

DUKE ENERGY KENTUCKY

Resource Type:

Monthly Billing Summary for

Buyer	Transaction Type	MWh	Charges (\$)			Total
			Demand	Fuel	Other	
November 30, 2008						
Midwest Independent System Operator	Econ Sales	21,649,530		329,694	697,497	1,027,181
Ameren Services Company	CRSSG	3,000			128	128
Big Rivers Electric Corporation	CRSSG	8,000			385	385
FirstEnergy Services Co.	CRSSG	5,000			193	193
LGE/KU	CRSSG	4,000			75	75
MidAmerican Energy Company	CRSSG	1,000			61	61
		<u>21,670,530</u>		<u>329,694</u>	<u>698,339</u>	<u>1,028,023</u>
December 31, 2008						
Midwest Independent System Operator	Econ Sales	9,889,840		161,837	326,813	488,650
Ameren Services Company	CRSSG	8,000			452	452
Big Rivers Electric Corporation	CRSSG	18,000			1,032	1,032
FirstEnergy Services Co.	CRSSG	5,000			284	284
LGE/KU	CRSSG	9,000			468	468
Manitoba Hydro Electric Board	CRSSG	1,000			0	0
MidAmerican Energy Company	CRSSG	3,000			237	237
Northern Indiana Public Service Company	CRSSG	3,000			146	146
Northern States Power Co.	CRSSG	2,000			51	51
Southern Minnesota Municipal Power Agency	CRSSG	1,000			60	60
		<u>9,939,840</u>		<u>161,837</u>	<u>329,543</u>	<u>491,380</u>
January 31, 2009						
Midwest Independent System Operator	Econ Sales	15,233,380		298,876	201,693	500,569
Big Rivers Electric Corporation	CRSSG	3,000			216	216
		<u>15,236,380</u>		<u>298,876</u>	<u>201,909</u>	<u>500,785</u>
February 28, 2009						
Midwest Independent System Operator	Econ Sales	42,950,600		518,757	765,905	1,284,662
		<u>42,950,600</u>		<u>518,757</u>	<u>765,905</u>	<u>1,284,662</u>
March 31, 2009						
Midwest Independent System Operator	Econ Sales	70,210,850		1,902,386	124,509	2,026,894
		<u>70,210,850</u>		<u>1,902,386</u>	<u>124,509</u>	<u>2,026,894</u>
April 30, 2009						
Midwest Independent System Operator	Econ Sales	60,996,400		1,577,965	22,879	1,600,844
		<u>60,996,400</u>		<u>1,577,965</u>	<u>22,879</u>	<u>1,600,844</u>
May 31, 2009						
Midwest Independent System Operator	Econ Sales	10,286,280		313,941	(79,697)	234,274
		<u>10,286,280</u>		<u>313,941</u>	<u>(79,697)</u>	<u>234,274</u>
June 30, 2009						
Midwest Independent System Operator	Econ Sales	16,701,420		381,624	(74,227)	307,397
		<u>16,701,420</u>		<u>381,624</u>	<u>(74,227)</u>	<u>307,397</u>
July 31, 2009						
Midwest Independent System Operator	Econ Sales	26,900,680		725,698	(204,137)	521,461
		<u>26,900,680</u>		<u>725,698</u>	<u>(204,137)</u>	<u>521,461</u>
August 30, 2009						
Midwest Independent System Operator	Econ Sales	18,859,210		474,757	(105,065)	369,692
		<u>18,859,210</u>		<u>474,757</u>	<u>(105,065)</u>	<u>369,692</u>
September 30, 2009						
Midwest Independent System Operator	Econ Sales	42,611,610		970,713	(73,754)	896,959
		<u>42,611,610</u>		<u>970,713</u>	<u>(73,754)</u>	<u>896,959</u>
October 31, 2009						
Midwest Independent System Operator	Econ Sales	88,214,770		2,062,775	305,631	2,368,405
		<u>88,214,770</u>		<u>2,062,775</u>	<u>305,631</u>	<u>2,368,405</u>

DUKE ENERGY KENTUCKY

Resource Type: Buyer Monthly Billing Summary for

Transaction Type	kWh	Charges (\$)			Total
		Demand	Fuel	Other	
November 30, 2009 Midwest Independent System Operator	66,766,480		1,737,646	(76,396)	1,661,248
December 31, 2009 Midwest Independent System Operator	23,439,950		409,614	251,633	661,247
January 31, 2010 Midwest Independent System Operator	30,353,450		620,392	232,295	852,687
February 28, 2010 Midwest Independent System Operator	30,402,450		405,092	535,422	940,515
March 31, 2010 Midwest Independent System Operator	45,361,240		1,033,772	240,530	1,274,302
April 30, 2010 Midwest Independent System Operator	85,996,700		1,752,452	618,455	2,370,907
May 31, 2010 Midwest Independent System Operator	27,055,920		606,138	153,157	759,295
June 30, 2010 Midwest Independent System Operator	17,784,770		442,909	122,580	565,489
July 31, 2010 Midwest Independent System Operator	9,559,990		214,915	132,648	347,563
August 30, 2010 Midwest Independent System Operator	12,031,450		274,127	(201)	273,926
September 30, 2010 Midwest Independent System Operator	31,643,810		617,784	71,142	688,926
October 31, 2010 Midwest Independent System Operator	49,566,480		1,163,678	159,447	1,323,125

Legend
CRSG - MISO Contingency Reserve Sharing Group Agreement

**Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011**

STAFF-DR-01-012

REQUEST:

Provide a monthly billing summary for all sales to all electric utilities for the period November 1, 2008 through October 2010.

RESPONSE:

See STAFF-DR-01-012 Attachment.

PERSON RESPONSIBLE: Lisa D. Steinkuhl

DUKE ENERGY KENTUCKY

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Buyer	Transaction Type	MWh	Charges (\$)				Total
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DUKE ENERGY KENTUCKY

Resource Type: Buyer Monthly Billing Summary for

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December 31, 2009 Midwest Independent System Operator	Econ Sales	23,439,950		409,614	251,633	661,247
January 31, 2010 Midwest Independent System Operator	Econ Sales	30,353,450		620,392	232,295	852,687
February 28, 2010 Midwest Independent System Operator	Econ Sales	30,402,450		405,092	535,422	940,515
March 31, 2010 Midwest Independent System Operator	Econ Sales	45,361,240		1,033,772	240,530	1,274,302
April 30, 2010 Midwest Independent System Operator	Econ Sales	85,996,700		1,752,452	618,465	2,370,907
May 31, 2010 Midwest Independent System Operator	Econ Sales	27,055,920		606,138	153,157	759,295
June 30, 2010 Midwest Independent System Operator	Econ Sales	17,784,770		442,909	122,580	565,489
July 31, 2010 Midwest Independent System Operator	Econ Sales	9,558,990		214,915	132,648	347,563
August 30, 2010 Midwest Independent System Operator	Econ Sales	12,031,450		274,127	(201)	273,926
September 30, 2010 Midwest Independent System Operator	Econ Sales	31,643,810		617,784	71,142	688,926
October 31, 2010 Midwest Independent System Operator	Econ Sales	49,566,480		1,163,678	159,447	1,323,125

Legend
CRSG - MISO Contingency Reserve Sharing Group Agreement

Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011

STAFF-DR-01-013

REQUEST:

- a. Provide a schedule of the calculation of the 12-month average line loss by month for November 2008 through October 2010.
- b. Describe the actions that Duke Kentucky has taken to reduce line loss during this period.

RESPONSE:

- a. See STAFF-DR-01-013 Attachment.
- b. Changes to the Duke Energy Kentucky transmission and distribution systems are based on meeting planning criteria, which are intended to provide reliable system performance in a cost-effective manner. Loss reduction is a secondary goal, which may be considered, when appropriate, in deciding between various alternatives, which serve the primary purpose of maintaining system performance. Typical system reinforcement projects do often result in reduced system losses. System projects completed by Duke Energy Kentucky from November 2008 through October 2010 which would be expected to have a loss reduction impact include the following:

Transmission System Improvements:

- There were no transmission system improvements during this time period which would be expected to have a loss reduction impact.

Distribution System Improvements:

- Installation of 2 new 12 kV distribution system supply transformers with a total capacity of 44.8 MVA

PERSON RESPONSIBLE: Lisa D. Steinkuhl

Duke Energy Kentucky
12 Month Average Line Loss
November 2008 - October 2010

(1)	(2)	(3)	(4)	(5)	(6)
Month	Total kWh Sources 12 Months Ended Current Month	Total kWh System Losses 12 Months Ended Current Month	12 Months End % Losses	Total kWh Sources Current Month	Current Month Calculates System Losses (kWh)
			(3) / (2)		(4) x (5)
Nov-08	4,241,629,560	216,915,067	5.113960%	319,908,380	16,359,987
Dec-08	4,255,667,000	213,428,750	5.015170%	372,660,000	18,689,533
Jan-09	4,259,737,910	213,367,850	5.008940%	389,633,290	19,516,498
Feb-09	4,229,655,310	206,155,985	4.874060%	322,514,210	15,719,536
Mar-09	4,206,113,370	196,074,357	4.661650%	317,663,050	14,808,340
Apr-09	4,199,863,820	210,313,277	5.007620%	295,116,880	14,778,332
May-09	4,205,264,490	213,039,385	5.066020%	310,872,190	15,748,847
Jun-09	4,192,700,510	196,977,373	4.698100%	370,555,750	17,409,080
Jul-09	4,135,221,260	203,990,878	4.933010%	360,022,890	17,759,965
Aug-09	4,117,635,260	208,192,165	5.056110%	392,172,530	19,828,675
Sep-09	4,095,667,360	193,088,330	4.714450%	328,923,150	15,506,917
Oct-09	4,080,792,330	191,980,297	4.704490%	300,750,010	14,148,754
Nov-09	4,057,464,080	189,762,320	4.676870%	296,580,130	13,870,667
Dec-09	4,047,472,680	208,119,569	5.141960%	362,668,600	18,648,274
Jan-10	4,043,501,020	199,102,699	4.924020%	385,661,630	18,990,056
Feb-10	4,065,913,220	210,369,189	5.173970%	344,926,410	17,846,389
Mar-10	4,068,512,700	191,645,098	4.710450%	320,262,530	15,085,806
Apr-10	4,056,932,910	180,501,981	4.449220%	283,537,090	12,615,189
May-10	4,073,478,820	179,484,840	4.406180%	327,418,100	14,426,631
Jun-10	4,099,242,550	175,274,221	4.275770%	396,319,480	16,945,709
Jul-10	4,172,291,290	167,851,606	4.023010%	433,071,630	17,422,515
Aug-10	4,218,429,330	162,274,434	3.846800%	438,310,570	16,860,931
Sep-10	4,236,947,590	164,348,274	3.878930%	347,441,410	13,477,009
Oct-10	4,232,720,720	151,956,283	3.590040%	296,523,140	10,645,299
Nov-10	4,240,724,260	149,614,938	3.528050%	304,583,670	10,745,864

**Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011**

STAFF-DR-01-014

REQUEST:

List Duke Kentucky's scheduled, actual, and forced outages between May 1, 2010 and October 31, 2010.

RESPONSE:

See STAFF-DR-01-014 attachment.

PERSON RESPONSIBLE: John Swez

MONTH	MAINTENANCE		HOURS OF DURATION			REASON FOR DEVIATION FROM SCHEDULED MAINTENANCE OR REASON FOR FORCED OUTAGE AS APPROPRIATE
	FROM	TO	Scheduled	Forced	Actual	
May	5/30/2010	5/30/2010		3.53		2-2 Boiler Feed Pump Trip Waterwall Tube Leak Spring Outage
	5/31/2010	6/3/2010		69.90		
	5/7/2010	5/17/2010	231.62		231.62	
Jun						
Jul	7/29/2010	7/31/2010		51.53		Secondary Reheater Tube Leak
Aug						
Sep						
Oct	10/7/2010	10/17/2010	236.08		236.08	Transformer Outage

Duke Kentucky
 Miami Fort 6
 May 2010 - Oct 2010

MONTH	MAINTENANCE		HOURS OF DURATION			REASON FOR DEVIATION FROM SCHEDULED MAINTENANCE OR REASON FOR FORCED OUTAGE AS APPROPRIATE
	FROM	TO	Scheduled	Forced	Actual	
May	5/6/2010	5/10/2010		88.6		Tube Leak
	5/15/2010	5/19/2010		104.85		Tube Leak
	5/26/2010	6/2/2010		171.583		Tube Leak
Jun						
Jul	7/19/2010	7/29/2010		92.08		Tube Leak
Aug						
Sep						
Oct	10/6/2010	10/8/2010	551.73	55.57		Tube Leak
	10/29/2010	11/21/2010	551.73	551.73		Fail Boiler Outage

Duke Kentucky
 Woodsdale 1
 May 2010 - Oct 2010

MONTH	MAINTENANCE		HOURS OF DURATION			REASON FOR DEVIATION FROM SCHEDULED MAINTENANCE OR REASON FOR FORCED OUTAGE AS APPROPRIATE
	FROM	TO	Scheduled	Forced	Actual	
May						
Jun						
Jul	7/22/2010 7/29/2010	7/22/2010 7/29/2010		0.23 3.93		Low fuel flow after resetting starting device Static Frequency Converter problem
Aug						
Sep	9/16/2010 9/27/2010 9/27/2010	9/16/2010 9/27/2010 9/28/2010		10.87 0.30	24.25	EHC pressure high during start up. Hydraulic protection trip on start up due to aux lube oil pump Outage to repair aux lube oil pump
Oct	10/7/2010	10/11/2010	102.07		102.07	Install Switchyard Digital Fault Recorder

Duke Kentucky
 Wooddale 2
 May 2010 - Oct 2010

MONTH	MAINTENANCE		HOURS OF DURATION			REASON FOR DEVIATION FROM SCHEDULED MAINTENANCE OR REASON FOR FORCED OUTAGE AS APPROPRIATE
	FROM	TO	Scheduled	Forced	Actual	
May						
Jun						
Jul	7/28/2010	7/28/2010		0.07		Generator breaker opened; Generator Control fault, reset, closed breaker
Aug						
Sep						
Oct	10/7/2010	10/11/2010	102.03		102.03	Install Switchyard Digital Fault Recorder

Duke Kentucky
 Woodsdale 3
 May 2010 - Oct 2010

MONTH	MAINTENANCE		HOURS OF DURATION			REASON FOR DEVIATION FROM SCHEDULED MAINTENANCE OR REASON FOR FORCED OUTAGE AS APPROPRIATE
	FROM	TO	Scheduled	Forced	Actual	
May						
Jun						
Jul	7/27/2010	7/27/2010		0.22		Blow Off valve position trouble
Aug	8/4/2010	8/4/2010	6.00		6.00	Fuse blown on U4 Gen Prot., Bus outage to replace.
Sep	9/20/2010	9/20/2010		0.17		Trip; Blow-off valve problem.
Oct	10/7/2010	10/11/2010	101.90		101.90	Install Switchyard Digital Fault Recorder

Duke Kentucky
 Woodsdale 4
 May 2010 - Oct 2010

MONTH	MAINTENANCE		HOURS OF DURATION			REASON FOR DEVIATION FROM SCHEDULED MAINTENANCE OR REASON FOR FORCED OUTAGE AS APPROPRIATE
	FROM	TO	Scheduled	Forced	Actual	
May						
Jun						
Jul	7/10/2010	7/10/2010		0.47		Trip while switching to normal aux feed.
Aug	8/3/2010	8/4/2010	20.00		20.00	Fuse Blown on Generator Prot. Bus outage to replace.
Sep						
Oct	10/7/2010	10/11/2010	101.98		101.98	Install Switchyard Digital Fault Recorder

Duke Kentucky
 Woodsdale 5
 May 2010 - Oct 2010

MONTH	MAINTENANCE		HOURS OF DURATION			REASON FOR DEVIATION FROM SCHEDULED MAINTENANCE OR REASON FOR FORCED OUTAGE AS APPROPRIATE
	FROM	TO	Scheduled	Forced	Actual	
May						
Jun						
Jul	7/10/2010	7/17/2010		169.07		Generator Breaker Maintenance
Aug						
Sep						
Oct	10/8/2010	10/9/2010		35.00	144.00	Natural Gas line to plant leak, units unavailable.
	10/2/2010	10/8/2010	144.00			Install Switchyard Digital Fault Recorder
	10/13/2010	10/14/2010	31.83		31.83	Tagged out Bank 41 to repair Unit 6.
	10/15/2010	10/15/2010	4.03		4.03	Tagged out Bank 41 to repair Unit 6.

Duke Kentucky
 Woodsdale 6
 May 2010 - Oct 2010

MONTH	MAINTENANCE		HOURS OF DURATION			REASON FOR DEVIATION FROM SCHEDULED MAINTENANCE OR REASON FOR FORCED OUTAGE AS APPROPRIATE
	FROM	TO	Scheduled	Forced	Actual	
May						
Jun						
Jul	7/2/2010 7/10/2010	7/2/2010 7/10/2010	5.78	0.22	5.78	Trip: protective load shedding. Transformer bank 41 outage to repair Generator Breaker Solenoid
Aug						
Sep						
Oct	10/8/150 10/2/2010	10/15/2010 10/8/2010	144.00	180.15	144.00	Exciter problem following digital fault recorder installation. Install Switchyard Digital Fault Recorder.

Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011

STAFF-DR-01-015

REQUEST:

For each existing fuel contract categorized as long-term (i.e., one year or more in length), provide:

- a. Supplier's name and address;
- b. Name and location of production facility;
- c. Date when contract was executed;
- d. Duration of contract;
- e. Date(s) of each contract revision, modification, or amendment;
- f. Annual tonnage requirements;
- g. Actual annual tonnage received since the contract's inception;
- h. Percent of annual requirements received during the contract's term;
- i. Base price in dollars per ton;
- j. Total amount of price escalations to date in dollars per ton; and
- k. Current price paid for coal under the contract in dollars per ton (i + j).

RESPONSE:

WOODSDALE:

There are no long term contracts with suppliers that source and deliver gas to Woodsdale Station. The only long term contracts that extend past one year are contracts for balancing service.

EAST BEND

- a. **Oxford Mining Company, Inc. (10199)**
544 Chestnut Street
Coshocton, OH 43812
- b. Various Ohio Mines
- c. July 22, 2005
- d. December 31, 2010
- e. January 1, 2009
- f. 2006 = 500,000; 2007 = 1,000,000; 2008 = 600,000; 2009 = 480,000;
2010 = 496,447.
- g. 2006 = 380,561; 2007 = 1,004,037; 2008 = 426,048; 2009 = 478,427;
2010 YTD 10/31 = 399,903.
- h. 2006 = 76%; 2007 = 100.4%; 2008 = 64%; 2009 = 99.7%; 2010 YTD
10/31 = 96.6%.
- i. 2006 = \$33.50; 2007 = \$34.25; 2008 = \$32.16; 2009 = \$34.41; 2010 =
\$35.20
- j. 4th Qtr 2006 = 2.466; 4th Qtr 2007 = \$2.877; 3rd Qtr 2008 = \$7.545 4th Qtr
2008 = (\$0.647); 1st Qtr 2009 = \$1.861; 2nd Qtr 2009 = (\$0.094); 3rd Qtr
2009 = \$0.92; 4th Qtr 2009 = \$1.704; 1st Qtr 2010 = \$2.496; 2nd Qtr 2010 =
\$ 2.553, 3rd Qtr 2010 = \$2.921, 4th Qtr = \$2.75.
- k. 4th Qtr 2006 = \$35.966; 4th Qtr 2007 = \$37.127; 3rd Qtr 2008 = \$39.705;
4th Qtr 2008 = \$39.709; 1st Qtr 2009 = \$36.271; 2nd Qtr 2009 = \$34.316;
3rd Qtr 2009 = \$35.33; 4th Qtr 2009 = \$36.114; 1st Qtr 2010 = \$37.696; 2nd
Qtr 2010 = 37.753 3rd Qtr 2010 = 38.121, 4th Qtr 2010 = 37.95

a. **Knight Hawk Coal, LLC (10069)**

500 Cutler-Trico Road

Percy, Il. 63372

b. Prairie Eagle Mine, Perry County, Il.

c. October 6, 2008

d. December 31, 2010

e. N/A

f. 2009 = 300,000; 2010 = 300,000

g. 2009 = 303,409; 2010 YTD 10/31 = 235,318.

h. 2009 = 100.1%; 2010 YTD 10/31 = 94.1%

i. \$46.00

j. 2009 1st Qtr = (\$0.85); 2nd Qtr = (\$2.30); 3rd Qtr = (\$1.84); 4th Qtr =
(\$1.52)

2010 1st Qtr = (\$1.19); 2nd Qtr = (\$0.98); 3rd Qtr = (\$0.74); 4th Qtr (\$0.86)

k. 2009 1st Qtr = \$45.15; 2nd Qtr = \$43.70; 3rd Qtr = \$44.16; 4th Qtr \$44.48

2010 1st Qtr = \$44.81; 2nd Qtr = 45.04; 3rd Qtr \$45.26, 4th Qtr = \$45.14

a. **Patriot Coal Sales, LLC (10049)**

12312 Olive Boulevard

Suite 400

St. Louis, MO 63141

b. Highland Mine, Union County, KY

c. December 31, 2008

d. December 31, 2010

- e. N/A
- f. 2009 = 300,000; 2010 = 343,570
- g. 2009 = 256,430, 2010 YTD 10/31 = 288,561
- h. 2009 = 85.4%; 2010 YTD 10/31 = 100.7%
- i. \$48.00
- j. 2009 2nd Qtr = (\$0.899); 3rd Qtr = (\$0.071); 4th Qtr = (\$0.205)
2010 1st Qtr = \$1.935; 2nd Qtr = \$2.662; 3rd Qtr = \$3.198; 4th Qtr = \$3.084
- k. 2009 2nd Qtr = \$47.101; 3rd Qtr = \$47.30; 4th Qtr = \$47.795
2010 1st Qtr = \$49.935; 2nd Qtr = \$50.662; 3rd Qtr = \$51.198; 4th Qtr = \$51.084
- a. **Charolais Coal Co (HC 10053)**
Suite 3650
101 South Fifth Street
Louisville, KY 40202
- b. Charolais Coal Company, Muhlenberg, Hopkins and Webster Counties,

Kentucky
- c. September 5, 2007
- d. January 1, 2008 to December 31, 2012
- e. Amendment 1 = March 1, 2008; Amendment 2 = March 17, 2008;
Amendment 3 = July 15, 2008
- f. 2008 = 287,047; 2009 = 100,000; 2010 = 200,000
- g. 2008 = 287,048; 2009 = 100,142; 2010 YTD 10/31 = 161,150
- h. 2008 = 100%; 2009 = 100%; 2010 YTD 10/31 = 96.6%
- i. 2008 = \$32.00; 2009 = \$32.42; 2010 = \$32.42
- j. None
- k. 2008 = \$32.00; 2009 = \$32.42; 2010 = \$32.42

- a. **SMCC AGF Resources Sales, Inc. (10116)**
921 Cogdill Road
Suite 301
KNOXVILLE, TN 37932
- b. Allied Resources, Webster County, KY
- c. June 24, 2009
- d. December 31, 2011
- e. N/A
- f. 2009 = 150,000; 2010 = 300,000; 2011 = 300,000
- g. 2009 = 151,158; 2010 YTD 10/31 = 253,032
- h. 2009 = 100.8%; 2010 YTD 10/31 = 101.2 %
- i. 2009 = \$51.00; 2010 – 2011 = \$53.00
- j. None
- k. 2009 = \$51.00; 2010 – 2011 = \$53.00

MIAMI FORT UNIT 6:

- a. **American Coal Company (10350)**
101 Prosperous Place
Suite 125
Lexington, KY 40509
- b. Galatia Mine, Ill.
- c. June 27, 2005
- d. September 1, 2005 - August 31, 2015
- e. July 14, 2006 and June 1, 2008
- f. 300,000
- g.

	Nominal	Actual
2005	100,000	92,816
2006	300,000	292,004
2007	300,000	295,509
2008	300,000	282,250
2009	300,000	318,316
YTD 2010	300,000	212,403

h. 2005 - 92.8%

 2006 - 97.3%

 2007 - 98.6%

 2008 - 94.1%

 2009 - 106.11%

 2010 YTD = 84.9%

i. 2005 \$37.05/ton

j. 9/1/2005 – 1/31/2006 \$37.96/ton

 2/1/2006 – 7/31/2006 \$38.78/ton

 8/1/2006 – 11/12/2006 \$40.87/ton

 11/13/2006 – 12/31/2006 \$39.56/ton

 1/1/2007 – 1/31/2007 \$40.01/ton

 2/1/2007 – 7/31/2007 \$40.44/ton

 8/1/2007 – 1/31/2008 \$40.52/ton

 2/1/2008 – 5/31/2008 \$41.48/ton

 6/1/2008 – 12/31/2008 \$56.00/ton

 1/1/2009 – 12/31/2009 \$56.00/ton

Base Price fixed thru 2012 at \$56.00/ton per June 1, 2008 amendment

k. \$56.64 The Current price includes an agreed upon adjustment per ton in settlement of a claim under the Government Adjustment Clause of the Agreement (Section 7.1(D)) that is related to a claim under the Miners' Act.

- a. **Patriot Coal Sales (03241)**
12312 Olive Boulevard, Suite 400
St. Louis, MO 63141
- b. Dodge Hill Mine, Union KY
- c. December 23, 2009
- d. December 31, 2010
- e. N/A
- f. 150,000 tons in 2010
- g. 2010 YTD =132,158
- h. YTD = 105.7%
- i. \$53.00/ton
- j. \$0.00- Fixed pricing
- k. \$53.00/ton

Other Reportable Miami Fort Station (Units 6,7,8) Contracts Prior July 2010, the Effective Date of the Station Reconfiguration Change in Accounting and Procurement Responsibilities Between Duke Energy Ohio and Duke Energy Kentucky:

- a. **Peabody COALSALES Company**
701 Market St.
St. Louis, MO 63101-1826
- b. Arclar
Saline County, IL

Somerville
Gibson Co., IN

Highland
Henderson Co., KY
- c. January 1, 2008
- d. January 2008 – December 2010.

- e. March 19, 2008
March 27, 2008
November 23, 2008
December 9, 2008
April 20, 2009
November 23, 2009
- f. 2,200,000 tons in 2008
2,500,000 tons 2009-2010
- g.

	Arclar	Highland	Somerville	Total
2008	296,351.83	650,103.00	1,197,695.10	2,144,150
2009	294,521.14	754,650.10	1,494,008.20	2,543,179
2010 Jan-Jun	173,882.86	381,877.60	757,090.00	1,312,850.60

- h. 2008 - 97.46%
2009 - 101.73%
2010 - 103.97%

i.

	Arclar	Highland	Somerville
2008	\$39.40/ton	\$36.31/ton	\$31.84/ton
2009	\$40.39/ton	\$37.23/ton	\$33.50/ton
2010	\$41.23/ton	\$38.66/ton	\$34.64/ton

\$3.44/ton adder on first 3,200,000 tons delivered on the contract to compensate for removal of price escalators.

\$3.50/ton adder on all tons shipped out of Somerville.

- j. Fixed Pricing

k.

	Arclar	Highland	Somerville
2010	\$41.23/ton	\$38.66/ton	\$38.14/ton

a. **Coal Network, Inc.**
Global Trade Center
1111 Western Row Road
Cincinnati OH 45432

b. Jockey Hollow, et.al
Harrison County, OH

c. October 1, 2007

d. October 1, 2007 – December 31, 2010.

e. July 14, 2008
January 14, 2009
December 1, 2009
January 8, 2010

f. 88,388 tons October – December, 2007
505,000 for 2008
435,000 for 2009
435,000 for 2010

g.

	Nominal	Actual
2007	88,388	74,638.95
2008	505,000	352,035.63
2009	435,000	411,706.34
2010 Jan-Jun	266,883	278,793

h. 2007 - 84.44%
 2008 - 69.71%
 2009 - 94.65%
 2010 - 104.46%

i. 2007 \$34.79/ton
 2008 \$37.03/ton
 2009 Q1 \$36.78/ton
 2009 Q2 \$33.72/ton
 2009 Q3 \$34.22/ton
 2009 Q4 \$35.37/ton
 2010 Q1 \$35.92/ton
 2010 Q2 \$36.30/ton

j. See above. (price varies with price of fuel oil)

k. \$36.20/ ton

a. **Alpha Natural Resources, Inc.**
 One Alpha Place
 P.O. Box 2345
 Abingdon, VA 24212

b. Cumberland Mine
 Greene County, PA

c. October 20, 2009

d. January 1, 2010 -- December 31, 2011.

e. NA

f. 200,000 tons/year

g.

	Nominal	Actual
2010 Jan - Jun	100,000	100,306

- h. 2010 - 100.31%
- i. 2010 \$57.50/ton
2011 \$64.00/ton
- j. NA
- k. \$57.50

- a. **Hopkins County Coal, LLC**
1717 South Boulder Avenue
Tulsa, OK 74119
- b. Elk Creek Mine
near Madisonville in Hopkins County, KY
- c. January 25, 2008
- d. January 1, 2008 – December 31, 2008.
- e. February 25, 2008
July 10, 2008
December 4, 2008
- f. 300,000 tons in 2008
Revised to 315,500 tons per December 4 amendment
500,000 tons in 2009
500,000 tons in 2010
500,000 tons in 2011

g.

	Nominal	Actual
2008	315,500	314,578
2009	500,000	491,888
2010 Jan-Jun	227,509	248,480

h. 2008 - 99.7% thru December
2009 - 98.4%
2010 - 109.2%

i. 2008 - \$41.19/ton
2009 - \$44.35/ton
2010 - \$45.35/ton
2011 - \$78.00/ton

j. \$41.19 per amendment 1
\$62.00 per amendment 3 for additional 15,500 tons in Dec. 2008

k. \$45.35

PERSON RESPONSIBLE: Ryan Gentil (Miami Fort 6, Prior to July 2010)
John Swez (Woodsdale)
Elliott Batson (Miami Fort 6-post July 2010 & East Bend)

**Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011**

STAFF-DR-01-016

REQUEST:

Provide a schedule of the present and proposed rates that Duke Kentucky seeks to change pursuant to 807 KAR 5:056, shown in comparative form.

RESPONSE:

See STAFF-DR-01-016 Attachment.

PERSON RESPONSIBLE: Lisa D. Steinkuhl

Duke Energy Kentucky Revised Tariffs

Tariff		Existing	Existing	Existing	Proposed	Revised
Sheet No.	Rate Schedule	Base Rate	Fuel Component	Base Rate Excluding Fuel Base	Revised Fuel Component	Base Rates Including Fuel
		<u>Energy & Fuel</u>	<u>of Base Rates</u>	<u>Fuel Base</u>	<u>of Base Rates</u>	<u>Including Fuel</u>
30	RS	0.085379	0.03376	0.051619	0.025747	0.077366
40	DS					
	First 6000 kWh	0.091568	0.03376	0.057808	0.025747	0.083555
	Next 300 kWh/kW	0.060042	0.03376	0.026282	0.025747	0.052029
	Add'l kWh	0.050966	0.03376	0.017206	0.025747	0.042953
41	DT					
	Summer On Peak	0.054118	0.03376	0.020358	0.025747	0.046105
	Winter On Peak	0.052118	0.03376	0.018358	0.025747	0.044105
	Off Peak	0.046118	0.03376	0.012358	0.025747	0.038105
	DT-Low Load Factor					
	Summer On Peak	0.05678	0.03376	0.02302	0.025747	0.048767
	Winter On Peak	0.05478	0.03376	0.02102	0.025747	0.046767
	Off Peak	0.04878	0.03376	0.01502	0.025747	0.040767
42	EH	0.071447	0.03376	0.037687	0.025747	0.063434
43	SP	0.110521	0.03376	0.076761	0.025747	0.102508
44	GS-FL					
	540 to 720 hrs.	0.090646	0.03376	0.056886	0.025747	0.082633
	< 540 hrs.	0.10287	0.03376	0.069110	0.025747	0.094857
45	DP					
	First 300 kWh	0.060991	0.03376	0.027231	0.025747	0.052978
	Add'l kWh	0.053121	0.03376	0.019361	0.025747	0.045108
51	TT	0.052571	0.03376	0.018811	0.025747	0.044558
60	SL		0.03376		0.025747	0.025747
61	TL					
	Energy Only	0.047989	0.03376	0.014229	0.025747	0.039976
	w/Maintenance	0.069068	0.03376	0.035308	0.025747	0.061055
62	UOLS	0.047404	0.03376	0.013644	0.025747	0.039391
65	OL		0.03376		0.025747	0.025747
66	NSU		0.03376		0.025747	0.025747
67	NSP		0.03376		0.025747	0.025747
68	SC					
	Energy Only	0.047404	0.03376	0.013644	0.025747	0.039391
			0.03376		0.025747	0.025747
69	SE		0.03376		0.025747	0.025747
80	Rider FAC		0.03376		0.025747	0.025747

**Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011**

STAFF-DR-01-017

REQUEST:

Provide a statement showing by cross-outs and italicized inserts all proposed changes in rates. A copy of the current tariff may be used.

RESPONSE:

See STAFF-DR-01-017 attachment.

PERSON RESPONSIBLE: Lisa Steinkuhl

Duke Energy Kentucky, Inc.
 4580 Olympic Blvd.
 Erlanger, Kentucky 41018

KY.P.S.C. Electric No. 2
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Issued by authority of an Order of the Kentucky Public Service Commission dated January 30, 2009 in Case No. 2008-00489.

Issued: October 29, 2010

Effective: December 1, 2010

Issued by Julie Janson, President

Duke Energy Kentucky, Inc.
 4580 Olympic Blvd.
 Erlanger, Kentucky 41018

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COMMUNITIES SERVED:

Alexandria
Bellevue
Boone County
Bromley

Campbell County
Cold Spring
Covington

Crescent Park
Crescent Springs
Crestview
Crestview Hills

Crittenden
Dayton
Dry Ridge
Edgewood

Elsmere
Erlanger
Fairview
Florence
Fort Mitchell
Fort Thomas
Fort Wright
Grant County

Highland Heights
Independence
Kenton County
Kenton Vale

Lakeside Park
Latonia Lakes
Ludlow

Melbourne
Newport
Park Hills
Pendleton County

Ryland Heights
Silver Grove
Southgate
Taylor Mill

Union
Villa Hills
Walton
Wilder

Woodlawn

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RATE RS

RESIDENTIAL SERVICE

APPLICABILITY

Applicable to electric service other than three phase service, for all domestic purposes in private residences, single occupancy apartments and separately metered common use areas of multi-occupancy buildings in the entire territory of the Company where distribution lines are adjacent to the premises to be served.

Residences where not more than two rooms are used for rental purposes will also be included. Where all dwelling units in a multi-occupancy building are served through one meter and the common use area is metered separately, the kilowatt-hour rate will be applied on a "per residence" or "per apartment" basis, however, the customer charge will be based on the number of installed meters.

Where a portion of a residential service is used for purposes of a commercial or public character, Rate DS, Service At Distribution Voltage, is applicable to all service. However, if the wiring is so arranged that the service for residential purposes can be metered separately, this Rate will be applied to the residential service, if the service qualifies hereunder.

TYPE OF SERVICE

Alternating current 60 Hz, single phase at Company's standard secondary voltage.

NET MONTHLY BILL

Computed in accordance with the following charges:

- | | | | |
|---------------------|-------------------|-----------|-----|
| 1. Base Rate | | | |
| (a) Customer Charge | \$4.50 | per month | |
| (b) Energy Charge | | | |
| All kilowatt hours | \$0.085379-077366 | per kWh | (R) |

2. Applicable Riders

The following riders are applicable pursuant to the specific terms contained within each rider:
Sheet No. 78, Rider DSMR, Demand Side Management Rider
Sheet No. 80, Rider FAC, Fuel Adjustment Clause
Sheet No. 81, Rider MSR-E, Merger Savings Credit Rider – Electric
Sheet No. 82, Rider PSM, Profit Sharing Mechanism

The minimum charge shall be the Customer Charge as shown above.

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LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

TERMS AND CONDITIONS

This rate is available upon application in accordance with the Company's Service Regulations.

The supplying of, and billing for, service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to Company's Service Regulations currently in effect, as filed with the Kentucky Public Service Commission, as provided by law.

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RATE DS

SERVICE AT SECONDARY DISTRIBUTION VOLTAGE

APPLICABILITY

Applicable to electric service for usual customer load requirements where the Company specifies service at the standard secondary system voltage and the Company determines that facilities of adequate capacity are available adjacent to the premises to be served, and the customer's average monthly demand is determined by the Company to be less than 500 kilowatts. Electric service must be supplied at one point of delivery and is not applicable for resale service.

TYPE OF SERVICE

Alternating current 60 Hz, single phase or three phase at the Company's standard distribution voltage of 34,500 volts or lower.

NET MONTHLY BILL

Computed in accordance with the following charges provided, however, that the maximum monthly rate, excluding the customer charge, and all applicable riders, shall not exceed \$0.241184 per kilowatt-hour (kilowatt of demand is abbreviated as kW and kilowatt-hours are abbreviated as kWh):

1. Base Rate

(a) Customer Charge per month			
Single Phase Service		\$ 7.50	per month
Three Phase Service		\$ 15.00	per month
(b) Demand Charge			
First 15 kilowatts		\$ 0.00	per kW
Additional kilowatts		\$ 7.75	per kW
(c) Energy Charge			
First 6,000 kWh		\$0.0945680.083555	per kWh (R)
Next 300 kWh/kW		\$0.0600420.052029	per kWh (R)
Additional kWh		\$0.0600680.042953	per kWh (R)

2. Applicable Riders

The following riders are applicable pursuant to the specific terms contained within each rider:
 Sheet No. 78, Rider DSMR, Demand Side Management Rider
 Sheet No. 80, Rider FAC, Fuel Adjustment Clause
 Sheet No. 81, Rider MSR-E, Merger Savings Credit Rider – Electric
 Sheet No. 82, Rider PSM, Profit Sharing Mechanism

The minimum charge shall be the Customer Charge shown above.

For customers receiving service under the provisions of former Rate C, Optional Rate for Churches, as of June 25, 1981, the maximum monthly rate per kilowatt-hour shall not exceed \$0.148065 per kilowatt-hour plus all applicable riders.

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NET MONTHLY BILL (Cont'd)

When both single and three phase secondary voltage services are required by a customer, the monthly kilowatt-hour usage and kilowatt demands shall be the respective arithmetical sums of both services.

METERING

The Company may meter at secondary or primary voltage as circumstances warrant. If the Company elects to meter at primary voltage, the kilowatt-hours registered on the Company's meter will be reduced one and one-half percent (1.5%) for billing purposes.

DEMAND

The demand shall be the kilowatts derived from the Company's demand meter for the fifteen-minute period of customer's greatest use during the billing period, as determined by the Company, adjusted for power factor, as provided herein. At its option, the Company may not install a demand meter if the nature of the load clearly indicates the load will have a constant demand, in which case the demand will be the calculated demand.

In no event will the billing demand be taken as less than the higher of the following:

- a) 85% of the highest monthly kilowatt demand established in the summer period and effective for the next succeeding eleven (11) months; or
- b) One (1) kilowatt for single phase secondary voltage service and five (5) kilowatts for three phase secondary voltage service.

If a customer requests reconnection of an account within twelve (12) months of a disconnection order, the customer's demand record for the period of disconnection will be re-established for purposes of billing and administration of the preceding clause.

For purposes of administration of the above clause, the summer period is defined as that period represented by the Company's billing for the four (4) revenue months of June through September. The winter period is defined as that period represented by the Company's billing for the eight (8) revenue months of January through May and October through December.

POWER FACTOR ADJUSTMENT

The power factor to be maintained shall be not less than 90% lagging. If the Company determines customer's power factor to be less than 90%, the billing demand will be the number of kilowatts equal to the kilovolt amperes multiplied by 0.90.

At the Company's option, power factor may be determined by the following methods:

- a. Continuous measurement
 - the power factor, as determined during the interval in which the maximum kW demand is established, will be used for billing purposes; or

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POWER FACTOR ADJUSTMENT (Cont'd)

b. Testing

- the power factor, as determined during a period in which the customer's measured kW demand is not less than 90% of the measured maximum kW demand of the preceding billing period, will be used for billing purposes until superseded by a power factor determined by a subsequent test made at the direction of Company or request of customer.

LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

TERMS AND CONDITIONS

The initial term of contract shall be for a minimum period of three (3) years terminable thereafter by a minimum notice of either the customer or the Company as prescribed by the Company's Service Regulations.

The Company is not obligated to extend, expand or rearrange its transmission system voltage if it determines that existing distribution and/or transmission facilities are of adequate capacity to serve the customer's load.

If the Company offers to provide the necessary facilities for transmission service, in accordance with its Service Regulations, an annual facilities charge, applicable to such additional facilities, is established at twenty (20) percent of actual cost. The annual facilities charge shall be billed in twelve monthly installments to be added to the demand charge.

For purposes of administration of this rate, the Company will determine the customer's average monthly demand based upon the twelve months ending December of each year after the applicable term of service has been fulfilled by the customer. If the customer's monthly demand exceeds 500 kilowatts and the Company expects the customer's demand to remain in excess of 500 kilowatts, then the Company will notify the customer prior to May of the succeeding year that the provisions of Rate DT, Time-of-Day Rate for Distribution Service shall be applicable beginning with the June revenue month billing and shall continue until the term of service of that rate has been fulfilled. In the case where a customer's average demand is estimated by the Company to be significantly less than 500 kilowatts, the Company may, at its discretion, waive the twelve month demand history requirement in the determination of the applicability of this rate.

The supplying of, and billing for, service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to the Company's Service Regulations currently in effect, as filed with the Kentucky Public Service Commission, as provided by law.

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RATE DT

TIME-OF-DAY RATE FOR SERVICE AT DISTRIBUTION VOLTAGE

APPLICABILITY

Applicable to electric service for customers with an average monthly demand of 500 kilowatts or greater where the Company specifies service at a nominal distribution system voltage of 34,500 volts or lower, and the Company determines that facilities of adequate capacity are available and adjacent to the premises to be served. Electric service must be supplied at one point of delivery and is not applicable for resale service.

TYPE OF SERVICE

Alternating current 60 Hz, single phase or three phase at Company's standard distribution voltage of 34,500 volts or lower.

NET MONTHLY BILL

Computed in accordance with the following charges (kilowatt of demand abbreviated as kW and kilowatt-hours are abbreviated as kWh):

1. Base Rate

(a) Customer Charge			
Single Phase		\$ 7.50 per month	
Three Phase		\$ 15.00 per month	
Primary Voltage Service		\$100.00 per month	
(b) Demand Charge			
Summer			
On Peak kW		\$ 12.75 per kW	
Off Peak kW		\$ 1.15 per kW	
Winter			
On Peak kW		\$ 12.07 per kW	
Off Peak kW		\$ 1.15 per kW	
(c) Energy Charge			
Summer On Peak kWh		\$0.0641180_046105 per kWh	(R)
Winter On Peak kWh		\$0.0621180_044105 per kWh	(R)
Off Peak kWh		\$0.0464180_038105 per kWh	(R)

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Low Load Factor Optional Rate – Pilot Program

Customers with annual load factors of 45% or lower are eligible to receive service at the following rates. Annual load factor is defined as the sum of the kWh during the prior year divided by the sum of the kW during the prior year divided by 730. This pilot program low load factor optional rate will remain in effect through December 31, 2007. The Company may apply to continue this pilot program beyond December 31, 2007, subject to Commission approval.

Base Rate

(a) Customer Charge			
Single Phase		\$ 7.50 per month	
Three Phase		\$ 15.00 per month	
Primary Voltage Service		\$100.00 per month	
(b) Demand Charge			
Summer			
On Peak kW		\$ 11.90 per kW	
Off Peak kW		\$ 1.15 per kW	
Winter			
On Peak kW		\$ 10.54 per kW	
Off Peak kW		\$ 1.15 per kW	
(c) Energy Charge			
Summer On Peak kWh		\$0.0567800 <u>0.048767</u> per kWh	(R)
Winter On Peak kWh		\$0.0547800 <u>0.046767</u> per kWh	(R)
Off Peak kWh		\$0.0487800 <u>0.040767</u> per kWh	(R)

2. Applicable Riders

The following riders are applicable pursuant to the specific terms contained within each rider:
Sheet No. 78, Rider DSMR, Demand Side Management Rider
Sheet No. 80, Rider FAC, Fuel Adjustment Clause
Sheet No. 81, Rider MSR-E, Merger Savings Credit Rider – Electric
Sheet No. 82, Rider PSM, Profit Sharing Mechanism

The minimum charge shall be the Customer Charge, as stated above.

When both single and three phase secondary voltage services are required by a customer, the monthly kilowatt-hour usage and kilowatt demands shall be the respective arithmetical sums of both services.

For purposes of administration of the above Base Rate charges, the summer period is defined as that period represented by the Company's billing for the four (4) revenue months of June through September.

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The winter period is defined as that period represented by the Company's billing for the eight (8) revenue months of January through May and October through December.

RATING PERIODS

The rating periods applicable to the demand charge shall be as follows:

- a) **On Peak Period**
Summer - 11 a.m. to 8 p.m. Monday through Friday, excluding holidays.
Winter - 9 a.m. to 2 p.m. and 5 p.m. to 9 p.m., Monday through Friday, excluding holidays.
- b) **Off Peak Period** - All hours Monday through Friday not included above plus all day Saturday and Sunday, as well as New Year's Day, President's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day and Christmas Day on the day nationally designated to be celebrated as such.

METERING

The company may meter at secondary or primary voltage as circumstances warrant. If the Company elects to meter at primary voltage, kilowatt hours registered on the Company's meter will be reduced one and one-half percent (1.5%) for billing purposes.

If the customer furnishes primary voltage transformers and appurtenances, in accordance with the Company's specified design and maintenance criteria, the Demand Charge, as stated above, shall be reduced as follows:

First 1,000 kW of On Peak billing demand at \$0.65 per kW.
Additional kW of On Peak billing demand at \$0.50 per kW.

DEMAND

The On Peak billing demand shall be the kilowatts derived from the Company's demand meter for the fifteen minute period of greatest use in the on peak rating period adjusted for power factor as provided herein. The Off Peak billing demand shall be the kilowatts derived from the Company's demand meter for the fifteen minute period of greatest use in the off peak rating period adjusted for power factor minus the On Peak billing demand. In no case shall the Off Peak billing demand be less than zero.

POWER FACTOR ADJUSTMENT

The power factor to be maintained shall be not less than 90% lagging. If the Company determines the customer's power factor to be less than 90%, the on peak and off peak billing demands will be the number of kilowatts equal to the respective on peak and off peak kilovolt amperes multiplied by 0.90.

The power factor, as determined by continuous measurement, will be derived from the intervals in which the maximum on peak and off peak kW demands are established.

LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days
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from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

TERMS AND CONDITIONS

The initial term of contract shall be for a period of three (3) years for secondary voltage service and five (5) years for primary voltage service terminable thereafter by a minimum notice of either the customer or the Company as follows:

- (1) For secondary voltage service customers, as prescribed by the Company's Service Regulations.
- (2) For primary voltage service customers with a most recent twelve month average demand of less than 10,000 kVA or greater than 10,000 kVA, written notice of thirty (30) days or twelve (12) months respectively, after receipt of the written notice.

The Company is not obligated to extend, expand or rearrange its transmission system if it determines that existing distribution and/or transmission facilities are of adequate capacity to serve the customer's load.

If the Company offers to provide the necessary facilities for transmission service, in accordance with its Service Regulations, an annual facilities charge, applicable to such additional facilities, is established at twenty (20) percent of actual cost. The annual facilities charge shall be billed in twelve monthly installments to be added to the demand charge.

For purposes of the administration of this rate, the Company will determine the customer's average monthly demand based upon the twelve months ending December of each year after the applicable term of service has been fulfilled by the customer. If the customer's demand is less than 500 kilowatts and the Company expects the customer's demand to remain below 500 kilowatts, then the Company will notify the customer prior to May of the succeeding year that the provisions of Rate DS, Service at Secondary Distribution Voltage or Rate DP, Service at Primary Distribution Voltage shall be applicable initiating with the June revenue month billing and shall continue until the term of service of that rate is fulfilled. In the case where a customer's average demand is estimated by the Company to be significantly greater than 500 kilowatts, the Company may, at its discretion, waive the twelve month demand history requirement in the determination of the applicability of this rate.

The supplying of, and billing for, service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to Company's Service Regulations currently in effect, as filed with the Kentucky Public Service Commission, as provided by law.

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Issued:

Effective:

Issued by Julie Janson, President

Duke Energy Kentucky, Inc.
4580 Olympic Blvd.
Erlanger, Kentucky 41018

KY.P.S.C. Electric No. 5
Fourth Revised Sheet No. 42
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RATE EH

OPTIONAL RATE FOR ELECTRIC SPACE HEATING

APPLICABILITY

Applicable to electric service for heating when customer's wiring is so arranged that heating service can be furnished at one point of delivery and can be metered separately from all other types of service or to any public school, parochial school, private school, or church when supplied at one point of delivery, provided permanently connected and regularly used electrical equipment is installed in compliance with the Company specifications as the primary source of heating or heating and cooling the atmosphere to temperatures of human comfort; and provided all other electrical energy requirements are purchased from the Company. No single water heating unit shall be wired that the demand established by it can exceed 5.5 kilowatts unless approved by the Company.

TYPE OF SERVICE

Alternating current 60 Hz, single or three phase at Company's standard secondary voltage.

NET MONTHLY BILL

Computed in accordance with the following charges (kilowatts of demand are abbreviated as kW and kilowatt-hours are abbreviated as kWh):

A. Winter Period

1. Base Rate

(a) Customer Charge

Single Phase Service	\$ 7.50 per month
Three Phase Service	\$ 15.00 per month
Primary Voltage Service	\$ 100.00 per month

(b) Energy Charge

All kWh \$0.07144470_063434 per kWh (R)

2. Applicable Riders

The following riders are applicable pursuant to the specific terms contained within each rider:
Sheet No. 78, Rider DSMR, Demand Side Management Rider
Sheet No. 80, Rider FAC, Fuel Adjustment Clause
Sheet No. 81, Rider MSR-E, Merger Savings Credit Rider – Electric
Sheet No. 82, Rider PSM, Profit Sharing Mechanism

The minimum charge shall be the Customer Charge stated above.

B. Summer Billing Period

For energy used during the summer period, the kilowatt demand and kilowatt-hour use shall be billed in accordance with the provisions of the applicable Rate DS or Rate DP.

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NET MONTHLY BILL (Contd.)

For purposes of administration of the above charges, the summer period is defined as that period represented by the Company's billing for the four (4) revenue months of June through September. The winter period is defined as that period represented by the Company's billing for the eight (8) revenue months of January through May and October through December.

DEMAND

Customer's Demand will be the kilowatts as determined from Company's meter for the fifteen-minute period of customer's greatest use during the month or as calculated by the Company, but not less than five (5) kilowatts.

LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

TERMS AND CONDITIONS

The term of contract shall be for a minimum period of one (1) year terminable thereafter on thirty (30) days written notice by either the customer or the Company.

The supplying of, and billing for, service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to Company's Service Regulations currently in effect, as filed with the Kentucky Public Service Commission, as provided by law.

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RATE SP

SEASONAL SPORTS SERVICE

APPLICABILITY

Applicable to electric service required for sports installations, such as football and baseball fields, swimming pools, tennis courts, and recreational areas, promoted, operated and maintained by non-profit organizations, such as schools, churches, civic clubs, service clubs, community groups, and municipalities, where such service is separately metered and supplied at one point of delivery, except, not applicable to private sports installations which are not open to the general public. This rate is available only to customers to whom service was supplied in accordance with its terms on June 25, 1981.

TYPE OF SERVICE

Alternating current 60 Hz, single or three phase at the Company's standard secondary voltage.

NET MONTHLY BILL

Computed in accordance with the following charges (kilowatt hours are abbreviated as kWh):

1. Base Rate
 - (a) Customer Charge \$7.50 per month
 - (b) Energy Charge \$0-1106240.102508 per kWh (R)

2. Applicable Riders

The following riders are applicable pursuant to the specific terms contained within each rider:
Sheet No. 78, Rider DSMR, Demand Side Management Rider
Sheet No. 80, Rider FAC, Fuel Adjustment Clause
Sheet No. 81, Rider MSR-E, Merger Savings Credit Rider – Electric
Sheet No. 82, Rider PSM, Profit Sharing Mechanism

The minimum charge shall be a sum equal to 1.5% of the Company's installed cost of transformers and metering equipment required to supply and measure service, but not less than the customer charge whether service is on or disconnected.

RECONNECTION CHARGE

A charge of \$25.00 is applicable to each season to cover in part the cost of reconnection of service.

LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

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TERMS AND CONDITIONS

The term of contract shall be for a minimum period of one (1) year terminable thereafter on thirty (30) days written notice by either the customer or the Company.

The supplying of, and billing for, service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to the Company's Service Regulations currently in effect, as filed with the Kentucky Public Service Commission, as provided by law.

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RATE GS-FL

OPTIONAL UNMETERED GENERAL SERVICE RATE FOR SMALL FIXED LOADS

APPLICABILITY

Applicable to electric service in the Company's entire territory for small fixed, electric load which can be served by a standard service drop from the Company's existing secondary distribution system where it is considered by the Company to be impractical to meter, such as service locations for bus shelters, telephone booths, navigation lights and beacons, and cable television power supplies.

TYPE OF SERVICE

Alternating current 60 Hz, at nominal voltages of 120, 120/240 or 120/208 volts, single phase, unmetered. Service of other characteristics, where available, may be furnished at the option of the Company.

NET MONTHLY BILL

Computed in accordance with the following charges and based upon calculated energy use determined by the rated capacity of the connected equipment:

1. Base Rate

(a) For loads based on a range of 540 to 720 hours use per month of the rated capacity of the connected equipment

~~\$0.0908460~~ 0.082633 per kWh (R)

(b) For loads of less than 540 hours use per month of the rated capacity of the connected equipment

~~\$0.1028700~~ 0.094857 per kWh (R)

2. Applicable Riders

The following riders are applicable pursuant to the specific terms contained within each rider:

Sheet No. 78, Rider DSMR, Demand Side Management Rider
Sheet No. 80, Rider FAC, Fuel Adjustment Clause
Sheet No. 81, Rider MSR-E, Merger Savings Credit Rider – Electric
Sheet No. 82, Rider PSM, Profit Sharing Mechanism

Minimum: \$3.00 per Fixed Load Location per month.

LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

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SERVICE PROVISIONS

- (1) Each separate point of delivery of service shall be considered a Fixed Load Location.
- (2) Only one supply service will be provided to a customer under this Schedule as one Fixed Load Location.
- (3) The customer shall furnish switching equipment satisfactory to the Company.
- (4) The calculated energy use per month shall be determined by the Company taking into consideration the size and operating characteristics of the load.
- (5) The customer shall notify the Company in advance of every change in connected load or operating characteristics, and the Company reserves the right to inspect the customer's equipment at any time to verify the actual load. In the event of the customer's failure to notify the Company of any such changes, the Company reserves the right to refuse to serve the Fixed Load thereafter under this Schedule, and shall be entitled to bill the customer retroactively on the basis of the changed load and operating characteristics for the full period such load was connected.

TERM OF SERVICE

One (1) year, terminable thereafter on thirty (30) days written notice by either the customer or the Company.

SERVICE REGULATIONS

The supplying of, and billing for, service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to the Company's Service Regulations currently in effect, as filed with the Kentucky Public Service Commission, as provided by law.

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RATE DP

SERVICE AT PRIMARY DISTRIBUTION VOLTAGE

APPLICABILITY

Applicable to electric service for usual customer load requirements where the Company specifies service at nominal primary distribution system voltages of 12,500 volts or 34,500 volts, and the Company determines that facilities of adequate capacity are available and adjacent to the premises to be served, and the customer's average monthly demand is determined by the Company to be less than 500 kilowatts. Electric service must be supplied at one point of delivery and is not applicable for resale service.

When both single and three phase secondary voltage services are required by a customer, the monthly kilowatt-hour usage and kilowatt demands shall be the respective arithmetical sums of both services.

TYPE OF SERVICE

Alternating current 60 Hz, single phase or three phase at Company's standard distribution voltage of 34,500 volts or lower.

NET MONTHLY BILL

Computed in accordance with the following charges provided, however, that the maximum monthly rate, excluding the customer charge, electric fuel component charges and DSM Charge shall not exceed \$0.241184 per kilowatt-hour (Kilowatt of demand is abbreviated as kW and kilowatt-hours are abbreviated as kWh):

1. Base Rate

(a) Customer Charge			
Primary Voltage Service (12.5 or 34.5 kV)	\$	100.00	per month
(b) Demand Charge			
All kilowatts	\$	7.08	per kW
(c) Energy Charge			
First 300 kWh/kW	\$	0.0600040 0.052978	per kWh (R)
Additional kWh	\$	0.0634240 0.045108	per kWh (R)

2. Applicable Riders

The following riders are applicable pursuant to the specific terms contained within each rider:
Sheet No. 78, Rider DSMR, Demand Side Management Rider
Sheet No. 80, Rider FAC, Fuel Adjustment Clause
Sheet No. 81, Rider MSR-E, Merger Savings Credit Rider – Electric
Sheet No. 82, Rider PSM, Profit Sharing Mechanism

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NET MONTHLY BILL (Contd.)

The minimum charge shall be the Customer Charge shown above.

PRIMARY VOLTAGE METERING DISCOUNT

The Company may meter at secondary or primary voltage as circumstances warrant. If the Company elects to meter at primary voltage, the kilowatt-hours registered on the Company's meter will be reduced one and one-half percent (1.5%) for billing purposes.

DEMAND

The demand shall be the kilowatts derived from the Company's demand meter for the fifteen-minute period of customer's greatest use during the billing period, as determined by the Company, adjusted for power factor, as provided herein. At its option, the Company may not install a demand meter if the nature of the load clearly indicates the load will have a constant demand, in which case the demand will be the calculated demand.

In no event will the billing demand be taken as less than 85% of the highest monthly kilowatt demand established in the summer period and effective for the next succeeding eleven (11) months.

If a customer requests reconnection of an account within twelve (12) months of a disconnection order, the customer's demand record for the period of disconnection will be re-established for purposes of billing and administration of the preceding clause.

For purposes of administration of the above clause, the summer period is defined as that period represented by the Company's billing for the four (4) revenue months of June through September. The winter period is defined as that period represented by the Company's billing for the eight (8) revenue months of January through May and October through December.

POWER FACTOR ADJUSTMENT

The power factor to be maintained shall be not less than 90% lagging. If the Company determines customer's power factor to be less than 90%, the billing demand will be the number of kilowatts equal to the kilovolt amperes multiplied by 0.90.

At the Company's option, power factor may be determined by the following methods:

a. Continuous measurement

- the power factor, as determined during the interval in which the maximum kW demand is established, will be used for billing purposes; or

b. Testing

- the power factor, as determined during a period in which the customer's measured kW demand is not less than 90% of the measured maximum kW demand of the preceding billing period, will be used for billing purposes until superseded by a power factor determined by a subsequent test made at the direction of Company or request of customer.

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LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

TERMS AND CONDITIONS

The initial term of contract shall be for a minimum period of five (5) years terminable thereafter as prescribed by the Company's Service Regulations.

(1) For customers with a most recent twelve month average demand of less than 10,000 kVA, thirty days written notice.

(2) For customers with a most recent twelve month average demand of 10,000 kVA or greater, written notice twelve months in advance of the desired termination date.

The Company is not obligated to extend, expand or rearrange its transmission system voltage if it determines that existing distribution and/or transmission facilities are of adequate capacity to serve the customer's load.

If the Company offers to provide the necessary facilities for transmission service, in accordance with its Service Regulations, an annual facilities charge, applicable to such additional facilities, is established at twenty (20) percent of actual cost. The annual facilities charge shall be billed in twelve monthly installments to be added to the demand charge.

For purposes of administration of this rate, the Company will determine the customer's average monthly demand based upon the twelve months ending December of each year after the applicable term of service has been fulfilled by the customer. If the customer's monthly demand exceeds 500 kilowatts and the Company expects the customer's demand to remain in excess of 500 kilowatts, then the Company will notify the customer prior to May of the succeeding year that the provisions of Rate DT, Time-of-Day Rate for Distribution Service shall be applicable beginning with the June revenue month billing and shall continue until the term of service of that rate has been fulfilled. In the case where a customer's average demand is estimated by the Company to be significantly less than 500 kilowatts, the Company may, at its discretion, waive the twelve month demand history requirement in the determination of the applicability of this rate.

The supplying of, and billing for, service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to Company's Service Regulations currently in effect, as filed with the Kentucky Public Service Commission, as provided by law.

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RATE TT

TIME-OF-DAY RATE FOR SERVICE AT TRANSMISSION VOLTAGE

APPLICABILITY

Applicable to electric service for usual customer load requirements where the Company specifies service at a nominal transmission system voltage of 69,000 volts or higher, and the Company determines that facilities of adequate capacity are available and adjacent to the premises to be served. Electric service must be supplied at one point of delivery and the customer furnishes and maintains all transformation equipment and appurtenances necessary to utilize the service.

Service is applicable for ultimate use by the customer and is not applicable for standby, supplemental, emergency or resale service.

TYPE OF SERVICE

Alternating current 60 Hz, three phase at Company's standard transmission voltage of 69,000 volts or higher.

NET MONTHLY BILL

Computed in accordance with the following charges (kilowatts of demand are abbreviated as kW and kilowatt-hours are abbreviated as kWh):

1. Base Rate			
(a) Customer Charge		\$ 500.00	per month
(b) Demand Charge			
Summer			
On Peak kW		\$ 7.60	per kW
Off Peak kW		\$ 1.15	per kW
Winter			
On Peak kW		\$ 6.24	per kW
Off Peak kW		\$ 1.15	per kW
(c) Energy Charge			
All kWh		\$0.0525740.044558	per kWh (R)

2. Applicable Riders

The following riders are applicable pursuant to the specific terms contained within each rider:
Sheet No. 78, Rider DSMR, Demand Side Management Rider
Sheet No. 80, Rider FAC, Fuel Adjustment Clause
Sheet No. 81, Rider MSR-E, Merger Savings Credit Rider – Electric
Sheet No. 82, Rider PSM, Profit Sharing Mechanism

The minimum charge shall be not less than fifty percent (50%) of the highest demand charge established during the preceding eleven (11) months.

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NET MONTHLY BILL (Contd.)

For purposes of administration of the above charges, the summer is defined as that period represented by the Company's billing for the four (4) revenue months of June through September. The winter period is defined as that period represented by the Company's billing for the eight (8) revenue months of January through May and October through December.

RATING PERIODS

The rating periods applicable to the demand charge shall be as follows:

- a) On Peak Period
Summer - 11 a.m. to 8 p.m. Monday through Friday, excluding holidays.
Winter - 9 a.m. to 2 p.m. and 5 p.m. to 9 p.m., Monday through Friday, excluding holidays.
- b) Off Peak Period - all hours Monday through Friday not included above plus all day Saturday and Sunday as well as New Year's Day, President's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, and Christmas Day on the day nationally designated to be celebrated as such.

METERING

The Company may meter at secondary or primary voltage as circumstances warrant. If the Company elects to meter at secondary voltage, the kilowatt-hours registered on the Company's meter will be increased one and one-half percent (1.5%) for billing purposes.

DEMAND

The On Peak billing demand shall be the kilowatts derived from the Company's demand meter for the fifteen minute period of greatest use in the on peak rating period adjusted for power factor as provided herein. The Off Peak billing demand shall be the kilowatts derived from the Company's demand meter for the fifteen minute period of greatest use in the off peak rating period adjusted for power factor minus the On Peak billing demand. In no case shall the Off Peak billing demand be less than zero.

POWER FACTOR ADJUSTMENT

The power factor to be maintained shall be not less than 90% lagging. If the Company determines the customer's power factor to be less than 90%, the on peak and off peak billing demands will be the number of kilowatts equal to the respective on peak and off peak kilovolt amperes multiplied by 0.90.

The power factor, as determined by continuous measurement, will be derived from the intervals in which the maximum on peak and off peak kW demands are established.

LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

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TERMS AND CONDITIONS

The initial term of contract shall be for a minimum period of five (5) years terminable thereafter by either the customer or the Company as follows:

- (1) Thirty (30) days after receipt of written notice for customers with a most recent twelve (12) months average on peak demand of less than 10,000 kW.
- (2) Twelve (12) months after receipt of written notice for customers with a most recent twelve (12) months average on peak demand of greater than 10,000 kW.

The Company is not obligated to extend, expand or rearrange its transmission system if it determines that existing distribution and/or transmission facilities are of adequate capacity to serve the customer's load.

If the Company offers to provide the necessary facilities for transmission voltage, in accordance with its Service Regulations, an annual facilities charge, applicable to such additional facilities, is established at twenty (20) percent of actual cost. The annual facilities charge shall be billed in twelve monthly installments to be added to the demand charge.

The supplying of, and billing for, service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to Company's Service Regulations currently in effect, as filed with the Kentucky Public Service Commission, as provided by law.

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RATE SL

STREET LIGHTING SERVICE

APPLICABILITY

Applicable to municipal, county, state and Federal governments, including divisions thereof, and incorporated homeowners associations, for the lighting of public streets and roads with Company-owned lighting fixtures.

Mercury Vapor lighting fixtures will not be installed by the Company after June 1, 2003. As currently installed Mercury Vapor fixtures are retired and/or replaced, they may be replaced with either Metal Halide or Sodium Vapor fixtures as the customer chooses.

This rate schedule is no longer available after December 31, 2006. Potential lighting customers wanting a lighting system installed and maintained by Company can do so via the Outdoor Lighting Equipment agreement (OLE). Potential customers should contact a Company account representative for further information concerning OLE options. This rate schedule terminates December 31, 2026. Customers currently being provided service under this rate schedule can continue being provided service under this rate schedule for the remaining useful life of the facilities, or this rate schedule terminates, whichever occurs first.

TYPE OF SERVICE

All equipment owned by the Company will be installed and maintained by the Company. All lamps will burn from dusk to dawn, approximately 4,160 hours per annum. The Company will endeavor to replace burned-out lamps within 48 hours after notification by the customer. The Company does not guarantee continuous lighting or electric service and shall not be liable to the customer or anyone else for any damage, loss or injury due to any cause.

NET MONTHLY BILL

The following monthly charge for each unit with lamp and luminaire, controlled automatically, will be assessed:

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NET MONTHLY BILL (Contd.)

1. Base Rate

<u>OVERHEAD DISTRIBUTION AREA</u> Fixture Description	<u>Lamp Watt</u>	<u>kW/Unit</u>	<u>Annual kWh</u>	<u>Rate/Unit</u>
Standard Fixture (Cobra Head)				
Mercury Vapor				
7,000 lumen	175	0.193	803	\$ 7.77
7,000 lumen (Open Refractor)	175	0.205	853	\$ 6.65
10,000 lumen	250	0.275	1,144	\$ 9.16
21,000 lumen	400	0.430	1,789	\$12.47
Metal Halide				
14,000 lumen	175	0.193	803	\$ 7.77
20,500 lumen	250	0.275	1,144	\$ 9.16
36,000 lumen	400	0.430	1,789	\$12.47
Sodium Vapor				
9,500 lumen	100	0.117	487	\$ 8.27
9,500 lumen (Open Refractor)	100	0.117	487	\$ 6.31
16,000 lumen	150	0.171	711	\$ 9.17
22,000 lumen	200	0.228	948	\$11.91
27,500 lumen	250	0.275	948	\$11.91
50,000 lumen	400	0.471	1,959	\$16.57
Decorative Fixtures				
Sodium Vapor				
9,500 lumen (Rectilinear)	100	0.117	487	\$ 10.18
22,000 lumen (Rectilinear)	200	0.248	1,023	\$12.94
50,000 lumen (Rectilinear)	400	0.471	1,959	\$17.62
50,000 lumen (Setback)	400	0.471	1,959	\$25.41

Where a street lighting fixture served overhead is to be installed on another utility's pole on which the Company does not have a contact, a monthly pole charge will be assessed.

Spans of Secondary Wiring:

For each increment of 50 feet of secondary wiring beyond the first 150 feet from the pole, the following price per month shall be added to the price per month per street lighting unit: \$0.52.

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NET MONTHLY BILL (Contd.)

<u>Fixtura Description</u>	<u>Lamp Watt</u>	<u>kW/Unit</u>	<u>Annual kWh</u>	<u>Rate/Unit</u>
UNDERGROUND DISTRIBUTION AREA				
Standard Fixture (Cobra Head)				
Mercury Vapor				
7,000 lumen	175	0.210	874	\$ 7.96
7,000 lumen (Open Refractor)	175	0.205	853	\$ 6.65
10,000 lumen	250	0.292	1,215	\$ 9.36
21,000 lumen	400	0.460	1,914	\$12.83
Metal Halide				
14,000 lumen	175	0.210	874	\$ 7.96
20,500 lumen	250	0.292	1,215	\$ 9.36
36,000 lumen	400	0.460	1,914	\$12.83
Sodium Vapor				
9,500 lumen	100	0.117	487	\$ 8.27
9,500 lumen (Open Refractor)	100	0.117	487	\$ 6.39
	150		711	\$ 9.14
16,000 lumen		0.171		
22,000 lumen	200	0.228	948	\$11.91
50,000 lumen	400	0.471	1,959	\$16.57
Decorative Fixtures				
Mercury Vapor				
7,000 lumen (Town & Country)	175	0.205	853	\$ 8.19
7,000 lumen (Holophane)	175	0.210	874	\$10.12
7,000 lumen (Gas Replica)	175	0.210	874	\$22.20
7,000 lumen (Granville)	175	0.205	853	\$ 8.27
7,000 lumen (Aspen)	175	0.210	874	\$14.33
Metal Halide				
14,000 lumen (Traditionaire)	175	0.205	853	\$ 8.19
14,000 lumen (Granville Acom)	175	0.210	874	\$14.33
14,000 lumen (Gas Replica)	175	0.210	874	\$22.29
Sodium Vapor				
9,500 lumen (Town & Country)	100	0.117	487	\$11.33
9,500 lumen (Holophane)	100	0.128	532	\$12.28
9,500 lumen (Rectilinear)	100	0.117	487	\$ 9.23
9,500 lumen (Gas Replica)	100	0.128	532	\$22.70
9,500 lumen (Aspen)	100	0.128	532	\$14.23
9,500 lumen (Traditionaire)	100	0.117	487	\$11.33
9,500 lumen (Granville Acom)	100	0.128	532	\$14.23
22,000 lumen (Rectilinear)	200	0.246	1,023	\$13.00
50,000 lumen (Rectilinear)	400	0.471	1,959	\$17.68
50,000 lumen (Setback)	400	0.471	1,959	\$25.41

Issued by authority of an Order of the Kentucky Public Service Commission dated _____ in Case No. 2010-00494.

Issued:

Effective:

Issued by Julie Janson, President

Duke Energy Kentucky, Inc.
 4580 Olympic Blvd.
 Erlanger, KY 41018

KY.P.S.C. Electric No. 2
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NET MONTHLY BILL (Contd.)

<u>POLE CHARGES</u>	<u>Pole Type</u>	<u>Rate/Pole</u>
Pole Description		
Wood		
17 foot (Wood Laminated) (a)	W17	\$ 4.40
30 foot	W30	\$ 4.34
35 foot	W35	\$ 4.40
40 foot	W40	\$ 5.27
Aluminum		
12 foot (decorative)	A12	\$11.97
28 foot	A28	\$ 6.94
28 foot (heavy duty)	A28H	\$ 7.01
30 foot (anchor base)	A30	\$13.86
Fiberglass		
17 foot	F17	\$ 4.40
12 foot (decorative)	F12	\$12.87
30 foot (bronze)	F30	\$ 8.38
35 foot (bronze)	F35	\$ 8.60
Steel		
27 foot (11 gauge)	S27	\$11.31
27 foot (3 gauge)	S27H	\$17.05

Spans of Secondary Wiring:
 For each increment of 25 feet of secondary wiring beyond the first 25 feet from the pole, the following price per month shall be added to the price per month per street lighting unit: \$0.75.

Additional facilities, other than specified above, if required, will be billed at the time of installation.

(a) Note: New or replacement poles no longer available.

2. Base Fuel Cost
 The rates per unit shown above include a charge of ~~\$0.0337600~~ 0.025747 per kilowatt-hour reflecting the base cost of fuel. (R)

3. Applicable Riders
 The following riders are applicable pursuant to the specific terms contained within each rider:
 Sheet No. 80, Rider FAC, Fuel Adjustment Clause
 Sheet No. 81, Rider MSR-E, Merger Savings Credit Rider – Electric
 Sheet No. 82, Rider PSM, Profit Sharing Mechanism

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LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

TERM OF SERVICE

The street lighting units are installed for the life of the unit, and then its terminable on one hundred twenty (120) days written notice by either customer or Company subject to Paragraph 4 or 6 under General Conditions.

GENERAL CONDITIONS

- (1) If the customer requires the installation of a unit at a location which requires the extension, relocation, or rearrangement of the Company's distribution system, the customer shall, in addition to the monthly charge, pay the Company on a time and material basis, plus overhead charges, the cost of such extension, relocation, or rearrangement, unless in the judgment of the Company no charge should be made. An estimate of the cost will be submitted for approval before work is carried out.
- (2) Installation of street lighting units will be predicated on the ability of the Company to obtain, without cost to itself or the payment or other consideration, all easements and rights-of-way which, in the opinion of the Company, are necessary for the construction, maintenance and operation of the street lights, standards, anchors and/or service wires. If such easements and rights-of-way cannot be so obtained, the Company shall have no obligation hereunder to install such units.
- (3) The time within which the Company will be able to commence or to complete the services to be performed is dependent on the Company's ability to secure the materials required, and the Company shall not be responsible for failure to install these street light units for such reason.
- (4) If an installed street lighting unit is required to be relocated, removed, or replaced with another unit of the same or less rated lamp wattage, the ordering Authority shall pay the Company the sacrifice value of the unit, plus labor and overhead charges, unless in the judgment of the Company no charge should be made. An estimate of the cost will be submitted for approval before work is carried out.
- (5) Lamps and refractors which are maintained by the Company shall be kept in good operating condition by and at the expense of the Company.

In cases of vandalism, the Company will repair the damaged property and the customer shall pay for such repair on a time and material basis, plus overhead charges, unless in the judgment of the Company no charge should be made. An estimate of the cost will be submitted for approval before work is carried out.

- (6) When a street lighting unit reaches end of life or becomes obsolete and parts cannot be reasonably obtained, the Company can remove the unit at no expense to the customer after notifying the customer. The customer shall be given the opportunity to arrange for another type lighting unit provided by the Company.

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SERVICE REGULATIONS

The supplying of, and billing for, service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to Company's Service Regulations currently in effect, as filed with the Kentucky Public Service Commission, as provided by law.

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RATE TL
TRAFFIC LIGHTING SERVICE

APPLICABILITY

Applicable to the supplying of energy for traffic signals or other traffic control lighting on public streets and roads. After April 2, 1990, this tariff schedule shall only be applicable to municipal, county, state and local governments. In the application of this tariff, each point of delivery shall be considered as a separate customer.

TYPE OF SERVICE

Alternating current 60 Hz, single phase at the Company's standard secondary voltage.

NET MONTHLY BILL

Computed in accordance with the following charges:

1. Base Rate

- (a) Where the Company supplies energy only, all kilowatt-hours shall be billed at ~~\$0.0479890~~ **(R)**
\$0.039976 per kilowatt-hour;
- (b) Where the Company supplies energy from a separately metered source and the Company has agreed to provide limited maintenance for traffic signal equipment, all kilowatt-hours shall be billed at \$0.021078 per kilowatt-hour.
- (c) Where the Company supplies energy and has agreed to provide limited maintenance for traffic signal equipment, all kilowatt-hours shall be billed at ~~\$0.0690680~~ **(R)**
0.061055 per kilowatt-hour.

2. Applicable Riders

The following riders are applicable pursuant to the specific terms contained within each rider:
Sheet No. 80, Rider FAC, Fuel Adjustment Clause
Sheet No. 81, Rider MSR-E, Merger Savings Credit Rider – Electric
Sheet No. 82, Rider PSM, Profit Sharing Mechanism

LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

TERM OF SERVICE

One year, terminable thereafter on thirty (30) days written notice by either customer or Company.

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GENERAL CONDITIONS

- (1) Billing will be based on the calculated kilowatt-hour consumption taking into consideration the size and characteristics of the load.
- (2) Where the average monthly usage is less than 110 kWh per point of delivery, the customer shall pay the Company, in addition to the monthly charge, the cost of providing the electric service on the basis of time and material plus overhead charges. An estimate of the cost will be submitted for approval before the work is carried out.
- (3) The location of each point of delivery shall be mutually agreed upon by the Company and the customer. In overhead distribution areas, the point of delivery shall be within 150 feet of existing secondary wiring. In underground distribution areas, the point of delivery shall be at an existing secondary wiring service point.
- (4) If the customer requires a point of delivery which requires the extension, relocation, or rearrangement of Company's distribution system, the customer shall pay the Company, in addition to the monthly charge, the cost of such extension, relocation, or rearrangement on the basis of time and material plus overhead charges unless, in the judgment of the Company, no payment shall be made. An estimate of the cost will be submitted for approval before work is carried out.

LIMITED MAINTENANCE

Limited maintenance for traffic signals is defined as cleaning and replacing lamps, and repairing connections in wiring which are of a minor nature. Limited maintenance for traffic controllers is defined as cleaning, oiling, adjusting and replacing contacts which are provided by customer, time-setting when requested, and minor repairs to defective wiring.

SERVICE REGULATIONS

The supplying of, and billing for, service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to Company's Service Regulations currently in effect, as filed with the Kentucky Public Service Commission, as provided by law.

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**RATE UOLS
UNMETERED OUTDOOR LIGHTING ELECTRIC SERVICE**

APPLICABILITY

Applicable for electric energy usage only for any street or outdoor area lighting system (System), operating during the dusk to dawn time period, on private or public property and owned by the customer or the Company. The customer must be adjacent to an electric power line of the Company that is adequate and suitable for supplying the necessary electric service.

Service under this tariff schedule shall require a written agreement between the customer and the Company specifying the calculated lighting kilowatt-hours. The System shall comply with the connection requirements in the Company's Electric Service Regulations, Section III, Customer's and Company's Installations.

CONTRACT FOR SERVICE

The customer will enter into an Agreement for Electric Service for Outdoor Lighting for a minimum of one year and renewable annually, automatically, thereafter.

The Company will provide unmetered electric service based on the calculated annual energy usage for each luminaire's lamp wattage plus ballast usage (impact wattage). The System kilowatt-hour usage shall be determined by the number of lamps and other System particulars as defined in the written agreement between the customer and Company. The monthly kilowatt-hour amount will be billed at the rate contained in the NET MONTHLY BILL section below.

LIGHTING HOURS

The unmetered lighting System will be operated automatically by either individual photoelectric controllers or System controller(s) set to operate on either dusk-to-dawn lighting levels or on pre-set timers for any hours between dusk-to-dawn. The hours of operation will be agreed upon between the customer and the Company and set out in the Agreement. Dusk-to-dawn lighting typically turns on and off approximately one-half (1/2) hour after sunset and one-half (1/2) hour before sunrise which is approximately 4160 hours annually.

NET MONTHLY BILL

Computed in accordance with the following charge:

- | | | | |
|----|---|-----------------------------|-----|
| 1. | Base Rate
All kWh | \$0.047404-0.039391 per kWh | (R) |
| 2. | Applicable Riders
The following riders are applicable pursuant to the specific terms contained within each rider:
Sheet No. 80, Rider FAC, Fuel Adjustment Clause
Sheet No. 81, Rider MSR-E, Merger Savings Credit Rider – Electric
Sheet No. 82, Rider PSM, Profit Sharing Mechanism | | |

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LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill which is the Net Monthly Bill plus 5%, is due and payable.

OWNERSHIP OF SERVICE LINES

Company will provide, install, own, operate and maintain the necessary facilities for furnishing electric service to the System defined in the agreement. If the customer requires the installation of a System at a location which requires the extension, relocation, or rearrangement of the Company's distribution system, the customer shall, in addition to the monthly charge, pay the Company on a time and material basis, plus overhead charges, the cost of such extension, relocation, or rearrangement, unless in the judgment of the Company no charge should be made. An estimate of the cost will be submitted for approval before work is carried out.

The Company shall erect the service lines necessary to supply electric energy to the System within the limits of the public streets and highways or on private property as mutually agreed upon by the Company and the customer. The customer shall assist the Company, if necessary, in obtaining adequate written easements covering permission to install and maintain any service lines required to serve the System.

The Company shall not be required to pay for obtaining permission to trim or re-trim trees where such trees interfere with lighting output or with service lines or wires of the Company used for supplying electric energy to the System. The customer shall assist the Company, if necessary, in obtaining permission to trim trees where the Company is unable to obtain such permission through its own best efforts.

SERVICE REGULATIONS

The supplying of, and billing for, service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to Company's Service Regulations currently in effect, as filed with the Kentucky Public Service Commission.

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RATE OL

OUTDOOR LIGHTING SERVICE

APPLICABILITY

Applicable for outdoor lighting services on private property with Company owned fixtures in the Company's entire service area where secondary distribution lines are adjacent to the premises to be served. Not applicable for lighting public roadways which are dedicated, or anticipated to be dedicated, except to meet the occasional singular need of a customer who has obtained written approval from the proper governmental authority.

Mercury Vapor lighting fixtures will not be installed by the Company after June 1, 2003. As currently installed Mercury Vapor fixtures are retired and/or replaced, they may be replaced with either Metal Halide or Sodium Vapor fixtures as the customer chooses.

This rate schedule is no longer available after December 31, 2006. Potential lighting customers wanting a lighting system installed and maintained by Company can do so via the Outdoor Lighting Equipment agreement (OLE). Potential customers should contact a Company account representative for further information concerning OLE options. This rate schedule terminates December 31, 2016. Customers currently being provided service under this rate schedule can continue being provided service under this rate schedule for the remaining useful life of the facilities or this rate schedule terminates, whichever occurs first.

TYPE OF SERVICE

All equipment will be installed, owned and maintained by the Company on rights-of-ways provided by the customer. The Company will perform maintenance only during regularly scheduled working hours and will endeavor to replace burned-out lamps within 48 hours after notification by the customer. The Company does not guarantee continuous lighting and shall not be liable to the customer or anyone else for damage, loss or injury resulting from any interruption in such lighting due to any cause. All lamps will burn from dusk to dawn, approximately 4,160 hours per annum.

NET MONTHLY BILL

1. Base Rate

A. Private outdoor lighting units:

The following monthly charge for each fixture, which includes lamp and luminaire, controlled automatically, mounted on a utility pole, as specified by the Company, with a maximum mast arm of 10 feet for overhead units will be assessed:

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NET MONTHLY BILL (Contd.)

	<u>Lamp Watts</u>	<u>kW/ Luminaire</u>	<u>Annual kWh</u>	<u>Rate/Unit</u>
Standard Fixtures (Cobra Head)				
Mercury Vapor				
7,000 lumen (Open Refractor)	175	0.205	853	\$ 9.44
7,000 lumen	175	0.210	874	\$11.89
10,000 lumen	250	0.292	1,215	\$14.04
21,000 lumen	400	0.460	1,914	\$18.33
Metal Halide				
14,000 lumen	175	0.210	874	\$11.89
20,500 lumen	250	0.307	1,215	\$14.06
36,000 lumen	400	0.460	1,914	\$18.33
Sodium Vapor				
9,500 lumen (Open Refractor)	100	0.117	487	\$ 8.08
9,500 lumen	100	0.117	487	\$10.39
16,000 lumen	150	0.171	711	\$11.66
22,000 lumen	200	0.228	948	\$13.25
27,500 lumen	250	0.228	948	\$13.25
50,000 lumen	400	0.471	1,959	\$18.15
Decorative Fixtures (a)				
Mercury Vapor				
7,000 lumen (Town & Country)	175	0.205	853	\$14.09
7,000 lumen (Holophane)	175	0.210	874	\$17.96
7,000 lumen (Gas Replica)	175	0.210	874	\$42.38
7,000 lumen (Aspen)	175	0.210	874	\$26.49
Sodium Vapor				
9,500 lumen (Town & Country)	100	0.117	487	\$21.50
9,500 lumen (Holophane)	100	0.128	532	\$23.30
9,500 lumen (Rectilinear)	100	0.117	487	\$19.19
9,500 lumen (Gas Replica)	100	0.128	532	\$44.38
9,500 lumen (Aspen)	100	0.128	532	\$27.07
9,500 lumen (Traditionaire)	100	0.117	487	\$21.50
9,500 lumen (Granville Acorn)	100	0.128	532	\$27.07
22,000 lumen (Rectilinear)	200	0.246	1,023	\$23.22
50,000 lumen (Rectilinear)	400	0.471	1,959	\$30.00
50,000 lumen (Setback)	400	0.471	1,959	\$45.77

(a) When requesting installation of a decorative unit, the customer may elect to make an additional contribution to obtain the monthly rate per unit charge for the same size standard (cobra head) outdoor lighting fixture.

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NET MONTHLY BILL (Contd.)

B. Flood lighting units served in overhead distribution areas (FL):

The following monthly charge for each fixture, which includes lamp and luminaire, controlled automatically, mounted on a utility pole, as specified by the Company, will be assessed:

	Lamp Watts	kW/ Luminaire	Annual kWh	Rate/Unit
Mercury Vapor 21,000 lumen	400	0.460	1,914	\$18.34
Metal Halide 20,500 lumen	250	0.307	1,215	\$14.04
36,000 lumen	400	0.460	1,914	\$18.34
Sodium Vapor 22,000 lumen	200	0.246	1,023	\$13.23
30,000 lumen	250	0.312	1,023	\$13.23
50,000 lumen	400	0.480	1,997	\$17.00

Additional facilities, if needed will be billed at the time of installation.

2. Base Fuel Cost

The rates per unit shown above include ~~\$0.0337600~~ 0.025747 per kilowatt-hour reflecting the base cost of fuel. (R)

3. Applicable Riders

The following riders are applicable pursuant to the specific terms contained within each rider:

- Sheet No. 80, Rider FAC, Fuel Adjustment Clause
- Sheet No. 81, Rider MSR-E, Merger Savings Credit Rider – Electric
- Sheet No. 82, Rider PSM, Profit Sharing Mechanism

LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

GENERAL CONDITIONS

1. In cases of repeated vandalism, the Company at its option will repair or remove its damaged equipment and the customer shall pay for repairs on a time and material basis, plus overhead charges. If the equipment is removed the customer will be billed for the unexpired term of the contract.
2. If the customer requires the extension, relocation or rearrangement of the Company's system, the customer will pay, in addition to the monthly charge, the Company on a time and materials basis, plus overhead charges, for such extension, relocation or rearrangement unless in the judgment of the Company no charge should be made. An estimate of the cost will be submitted for customer approval before work is carried out.

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GENERAL CONDITIONS (Contd.)

3. If any Company owned lighting unit is required to be relocated, removed or replaced with another unit of the same or lower lamp wattage, the customer ordering this shall pay the Company the sacrifice value of the unit, plus labor and overhead charges, unless in the judgment of the Company no charges should be made. An estimate of the cost will be submitted for customer approval before work is carried out.
4. Installation of lighting units will be predicated on the ability of the Company to obtain, without cost to itself or the payment or consideration, all easements and rights-of-way which, in the opinion of the Company, are necessary for the construction, maintenance and operation of the lights, standards, anchors and/or service wires. If such easements and rights-of-way cannot be so obtained, the Company shall have no obligation hereunder to install such units.
5. The time within which the Company will be able to commence or to complete the services to be performed is dependent on the Company's ability to secure the materials required, and the Company shall not be responsible for failure to install these light units for such reason.
6. When a lighting unit reaches end of life or becomes obsolete and parts cannot be reasonably obtained, the Company can remove the unit at no expense to the customer after notifying the customer. The customer shall be given the opportunity to arrange for another type lighting unit provided by the Company.

TERM OF SERVICE

Three (3) years for a new and/or succeeding customer until the initial period is fulfilled. The service is terminable thereafter on ten (10) days written notice by the customer or the Company.

At the Company's option, a longer contract may be required for large installations.

SERVICE REGULATIONS

The supplying of, and billing for, service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to Company's Service Regulations, currently in effect, as filed with the Kentucky Public Service Commission, as provided by law.

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RATE NSU

**STREET LIGHTING SERVICE
 NON-STANDARD UNITS**

APPLICABILITY

Applicable to municipal, county, state and Federal governments, including divisions thereof, hereinafter referred to as customer for the lighting of public streets and roads with existing Company and Customer owned lighting fixtures. This service is not available for units installed after January 1, 1985.

Mercury Vapor lighting fixtures will not be installed by the Company after June 1, 2003. As currently installed Mercury Vapor fixtures are retired and/or replaced, they may be replaced with either Metal Halide or Sodium Vapor fixtures as the customer chooses.

This rate schedule is no longer available after December 31, 2006. Potential lighting customers wanting a lighting system installed and maintained by Company can do so via the Outdoor Lighting Equipment agreement (OLE). Potential customers should contact a Company account representative for further information concerning OLE options. This rate schedule terminates December 31, 2026. Customers currently being provided service under this rate schedule can continue being provided service under this rate schedule for the remaining useful life of the facilities or this rate schedule terminates, whichever occurs first.

TYPE OF SERVICE

All equipment owned by the Company will be maintained by the Company. All lamps will burn from dusk to dawn, approximately 4,160 hours per annum. The Company will endeavor to replace burned-out lamps maintained by the Company within 48 hours after notification by the customer. The Company does not guarantee continuous lighting or electric service and shall not be liable to the customer or anyone else for any damage, loss or injury due to any cause.

NET MONTHLY BILL

The following monthly charge for each unit with lamp and luminaire, controlled automatically, will be assessed.

1. Base Rate

A. Company owned

	<u>Lamp Watt</u>	<u>kW/Unit</u>	<u>Annual kWh</u>	<u>Rate/Unit</u>
1. Boulevard units served underground				
a. 2,500 lumen Incandescent - Series	148	0.148	616	\$ 9.73
b. 2,500 lumen Incandescent - Multiple	189	0.189	786	\$ 7.81
2. Holophane Decorative fixture on 17 foot fiberglass pole served underground with direct buried cable				
a. 10,000 lumen Mercury Vapor	250	0.292	1,215	\$17.79

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NET MONTHLY BILL (Contd.)

The cable span charge of \$0.75 per each increment of 25 feet of secondary wiring shall be added to the Rate/unit charge for each increment of secondary wiring beyond the first 25 feet from the pole base.

	<u>Lamp Watt</u>	<u>kW/Unit</u>	<u>Annual kWh</u>	<u>Rate/Unit</u>
3. Street light units served overhead distribution				
a. 2,500 lumen Incandescent	189	0.189	786	\$ 7.75
b. 2,500 lumen Mercury Vapor	100	0.109	453	\$ 7.09
c. 21,000 lumen Mercury Vapor	400	0.460	1,914	\$12.24

B. Customer owned

	<u>Lamp Watt</u>	<u>kW/Unit</u>	<u>Annual kWh</u>	<u>Rate/Unit</u>
1. Steel boulevard units served underground with limited maintenance by Company				
a. 2,500 lumen Incandescent – Series	148	0.148	616	\$ 5.95
b. 2,500 lumen Incandescent – Multiple	189	0.189	786	\$ 7.57

2. Base Fuel Cost

The rates per unit shown above include ~~\$0.0337600~~ \$0.025747 per kilowatt-hour reflecting the base cost of fuel. (R)

3. Applicable Riders

The following riders are applicable pursuant to the specific terms contained within each rider:
 Sheet No. 80, Rider FAC, Fuel Adjustment Clause
 Sheet No. 81, Rider MSR-E, Merger Savings Credit Rider – Electric
 Sheet No. 82, Rider PSM, Profit Sharing Mechanism

LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

TERM OF SERVICE

The street lighting units are installed for the life of the unit, terminable on one hundred twenty (120) days written notice by either customer or Company subject to Paragraph 1 or 3 under General Conditions.

GENERAL CONDITIONS

(1) If an installed street lighting unit is required to be relocated, removed, or replaced with another unit of the same or less rated lamp wattage, the ordering Authority shall pay the Company the sacrifice value of the unit, plus labor and overhead charges, unless in the judgment of the Company no charge should be made. An estimate of the cost will be submitted for approval before work is carried out.

(2) Lamps and refractors which are maintained by the Company shall be kept in good operating condition

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Effective:

Issued by Julie Janson, President

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by, and at the expense of, the Company.

GENERAL CONDITIONS (Contd.)

In case of vandalism, the Company will repair the damaged property and the customer shall pay for such repair on a time and material basis, plus overhead charges, unless in the judgment of the Company no charge should be made. An estimate of the cost will be submitted for approval before work is carried out.

- (3) When a Company owned street lighting unit reaches end of life or becomes obsolete and parts cannot be reasonably obtained, the Company can remove the unit at no expense to the customer after notifying the customer. The customer shall be given the opportunity to arrange for another type lighting unit provided by the Company.
- (4) When a customer owned lighting unit becomes inoperative, the cost of repair or replacement of the unit will be at the customer's expense. The replacement unit shall be an approved Company fixture.
- (5) Limited maintenance by the Company includes only fixture cleaning, relamping, and glassware and photo cell replacement.

SERVICE REGULATIONS

The supplying of, and billing for, service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to Company's Service Regulations currently in effect, as filed with the Kentucky Public Service Commission, as provided by law.

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RATE NSP

PRIVATE OUTDOOR LIGHTING FOR NON-STANDARD UNITS

APPLICABILITY

Applicable to service for outdoor lighting on private property with Company-owned lighting fixtures in the Company's entire territory where secondary distribution lines are adjacent to the premise to be served. Not applicable to service for lighting of dedicated or undedicated public thoroughfares.

Mercury Vapor lighting fixtures will not be installed by the Company after June 1, 2003. As currently installed Mercury Vapor fixtures are retired and/or replaced, they may be replaced with either Metal Halide or Sodium Vapor fixtures as the customer chooses.

This rate schedule is no longer available after December 31, 2006. Potential lighting customers wanting a lighting system installed and maintained by Company can do so via the Outdoor Lighting Equipment agreement (OLE). Potential customers should contact a Company account representative for further information concerning OLE options. This rate schedule terminates December 31, 2016. Customers currently being provided service under this rate schedule can continue being provided service under this rate schedule for the remaining useful life of the facilities or this rate schedule terminates, whichever occurs first.

TYPE OF SERVICE

All equipment will be installed, owned and maintained by the Company on rights-of-way provided by the customer. The Company will perform maintenance only during regularly scheduled working hours and will endeavor to replace burned-out lamps within 48 hours after notification by the customer. The Company does not guarantee continuous lighting and shall not be liable to the customer or anyone else for damage, loss or injury resulting from any interruption in such lighting due to any cause. All lamps will burn from dusk to dawn, approximately 4,160 hours per annum.

NET MONTHLY BILL

1. Base Rate
 - A. Private outdoor lighting units:

The following monthly charge will be assessed for existing facilities, but this unit will not be available to any new customers after May 15, 1973:

	<u>Lamp Watt</u>	<u>kW/Unit</u>	<u>Annual kWh</u>	<u>Rate/Unit</u>
2,500 lumen Mercury, Open Refractor.....	100	0.115	478	\$ 8.19
2,500 lumen Mercury, Enclosed Refractor.....	100	0.115	478	\$11.08

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NET MONTHLY BILL (Contd.)

B. Outdoor lighting units served in underground residential distribution areas:

The following monthly charge will be assessed for existing fixtures which include lamp and luminaire, controlled automatically, with an underground service wire not to exceed 35 feet from the service point, but these units will not be available to new customers after May 5, 1992:

	<u>Lamp Watt</u>	<u>kW/Unit</u>	<u>Annual kWh</u>	<u>Rate/Unit</u>
7,000 lumens Mercury, Mounted on a 17-foot Fiberglass Pole	175	0.205	853	\$15.25
7,000 lumen Mercury, Mounted on a 17-foot Wood Laminated Pole (a)	175	0.205	853	\$15.25
7,000 lumen Mercury, Mounted on a 30-foot Wood Pole	175	0.205	853	\$14.15
9,500 lumen Sodium Vapor, TC 100 R.	100	0.117	487	\$11.62

(a) Note: New or replacement poles are not available.

C. Flood lighting units served in overhead distribution areas:

The following monthly charge will be assessed for each existing fixture, which includes lamp and luminaire, controlled automatically, mounted on a utility pole, as specified by the Company, with a span of wire not to exceed 120 feet, but these units will not be available after May 5, 1992:

	<u>Lamp Watt</u>	<u>kW/Fixture</u>	<u>Annual kWh</u>	<u>Rate/Unit</u>
52,000 lumen Mercury (35-foot Wood Pole) . .	1,000	1.102	4,584	\$32.34
52,000 lumen Mercury (50-foot Wood Pole) . .	1,000	1.102	4,584	\$35.95
50,000 lumen Sodium Vapor.	400	0.471	1,959	\$21.41

2. Base Fuel Cost

The rates per unit shown above include ~~\$0.033760~~ 0.025747 per kilowatt-hour reflecting the base cost of fuel. (R)

3. Applicable Riders

The following riders are applicable to the specific terms contained within each rider:
 Sheet No. 80, Rider FAC, Fuel Adjustment Clause
 Sheet No. 81, Rider MSR-E, Merger Savings Credit Rider – Electric
 Sheet No. 82, Rider PSM, Profit Sharing Mechanism

LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

TERM OF SERVICE

Three (3) years, terminable thereafter on ten (10) days written notice by either customer or Company.

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GENERAL CONDITIONS

1. In cases of repeated vandalism, the Company at its option will repair or remove its damaged equipment and the customer shall pay for repairs on a time and material basis, plus overhead charges. If the equipment is removed the customer will be billed for the unexpired term of the contract.
2. If any Company owned lighting unit is required to be relocated, removed or replaced with another unit of the same or lower lamp wattage, the customer ordering this shall pay the Company the sacrifice value of the unit, plus labor and overhead charges, unless in the judgment of the Company no charges should be made. An estimate of the cost will be submitted for customer approval before work is carried out.
3. When a lighting unit reaches end of life or becomes obsolete and parts cannot be reasonably obtained, the Company can remove the unit at no expense to the customer after notifying the customer. The customer shall be given the opportunity to arrange for another type lighting unit provided by the Company.

SERVICE REGULATIONS

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RATE SC

STREET LIGHTING SERVICE - CUSTOMER OWNED

APPLICABILITY

Applicable to municipal, county, state and Federal governments, including divisions thereof, and incorporated homeowner's associations for the lighting of public streets and roads when the total investment and installation costs of the fixtures are borne by the customer. The fixture shall be a Company approved unit used in overhead and underground distribution areas.

Mercury Vapor lighting fixtures will not be installed by the Company after June 1, 2003. As currently installed Mercury Vapor fixtures are retired and/or replaced, they may be replaced with either Metal Halide or Sodium Vapor fixtures as the customer chooses.

This rate schedule is no longer available after December 31, 2008. Potential lighting customers wanting a lighting system installed and maintained by Company can do so via the Outdoor Lighting Equipment agreement (OLE). Potential customers should contact a Company account representative for further information concerning OLE options. This rate schedule terminates December 31, 2028. Customers currently being provided service under this rate schedule can continue being provided service under this rate schedule for the remaining useful life of the facilities or this rate schedule terminates, whichever occurs first.

TYPE OF SERVICE

All equipment will be owned by the customer but may be installed by customer or Company with limited maintenance performed by the Company. Limited maintenance includes only fixture cleaning, relamping, and glassware and photo cell replacement. All lamps will burn from dusk to dawn, approximately 4,160 hours per annum. The Company will endeavor to replace burned-out lamps within 48 hours after notification by the customer. The Company does not guarantee continuous lighting and shall not be liable to the customer or anyone else for any damage, loss or injury due to any cause.

NET MONTHLY BILL

The following monthly charge for each lamp with luminaire, controlled automatically, will be assessed:

1. Base Rate	Lamp Watts	kW/Unit	Annual kWh	Rate/Unit
Fixture Description				
Standard Fixture (Cobra Head)				
Mercury Vapor				
7,000 lumen	175	0.193	803	\$ 4.85
10,000 lumen	250	0.275	1,144	\$ 6.28
21,000 lumen	400	0.430	1,789	\$ 8.88
Metal Halide				
14,000 lumen	175	0.193	803	\$ 4.85
20,500 lumen	250	0.275	1,144	\$ 6.28
36,000 lumen	400	0.430	1,789	\$ 8.88

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NET MONTHLY BILL (Contd.)

	<u>Lamp Watt</u>	<u>kW/Unit</u>	<u>Annual kWh</u>	<u>Rate/Unit</u>
Sodium Vapor				
9,500 lumen	100	0.117	487	\$ 5.44
16,000 lumen	150	0.171	711	\$ 6.21
22,000 lumen	200	0.228	948	\$ 6.95
27,500 lumen	250	0.228	948	\$ 6.95
50,000 lumen	400	0.471	1,959	\$ 9.89
Decorative Fixture				
Mercury Vapor				
7,000 lumen (Holophane)	175	0.210	874	\$ 6.04
7,000 lumen (Town & Country)	175	0.205	853	\$ 5.98
7,000 lumen (Gas Replica)	175	0.210	874	\$ 6.04
7,000 lumen (Aspen)	175	0.210	874	\$ 6.04
Metal Halide				
14,000 lumen (Traditionaire)	175	0.205	853	\$ 5.98
14,000 lumen (Granville Acorn)	175	0.210	874	\$ 6.04
14,000 lumen (Gas Replica)	175	0.210	874	\$ 6.04
Sodium Vapor				
9,500 lumen (Town & Country)	100	0.117	487	\$ 5.36
9,500 lumen (Traditionaire)	100	0.117	487	\$ 5.36
9,500 lumen (Granville Acorn)	100	0.128	532	\$ 5.62
9,500 lumen (Rectilinear)	100	0.117	487	\$ 5.36
9,500 lumen (Aspen)	100	0.128	532	\$ 5.62
9,500 lumen (Holophane)	100	0.128	532	\$ 5.62
9,500 lumen (Gas Replica)	100	0.128	532	\$ 5.62
22,000 lumen (Rectilinear)	200	0.246	1,023	\$ 7.39
50,000 lumen (Rectilinear)	400	0.471	1,959	\$10.27

Where a street lighting fixture served overhead is to be installed on another utility's pole on which the Company does not have a contact, a monthly pole charge will be assessed.

<u>Pole Description</u>	<u>Pole Type</u>	<u>Rate/Pole</u>
Wood		
30 foot	W30	\$ 4.34
35 foot	W35	\$ 4.40
40 foot	W40	\$ 5.27

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NET MONTHLY BILL (Contd.)

Customer Owned and Maintained Units

The rate for energy used for this type street lighting will be ~~\$0.047404~~ 0.039391 per kilowatt-hour which includes the base fuel cost rate stated below. The monthly kilowatt-hour usage will be mutually agreed upon between the Company and the customer. Where the average monthly usage is less than 150 kWh per point of delivery, the customer shall pay the Company, in addition to the monthly charge, the cost of providing electric service on the basis of time and material plus overhead charges. An estimate of the cost will be submitted for approval before work is carried out.

(R)

2. Base Fuel Cost

The rates per unit shown above include ~~\$0.033760~~ 0.025747 per kilowatt-hour reflecting the base cost of fuel.

(R)

3. Applicable Riders

The following riders are applicable to the specific terms contained within each rider:
Sheet No. 80, Rider FAC, Fuel Adjustment Clause
Sheet No. 81, Rider MSR-E, Merger Savings Credit Rider – Electric
Sheet No. 82, Rider PSM, Profit Sharing Mechanism

LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

TERM OF SERVICE

The street lighting units are installed for the life of the unit, terminable on one hundred twenty (120) days written notice by either customer or Company subject to Paragraph 4 or 6 under General Conditions.

GENERAL CONDITIONS

- (1) If the customer requires the installation of a unit at a location which requires the extension, relocation, or rearrangement of the Company's distribution system, the customer shall, in addition to the monthly charge, pay the Company on a time and material basis, plus overhead charges, the cost of such extension, relocation, or rearrangement, unless in the judgment of the Company no charge should be made. An estimate of the cost will be submitted for approval before work is carried out.
- (2) Installation of street lighting units will be predicated on the ability of the Company to obtain, without cost to itself or the payment or other consideration, all easements and rights-of-way which, in the opinion of the Company, are necessary for the construction, maintenance and operation of the street lights, standards, anchors and/or service wires. If such easements and rights-of-way cannot be so obtained, the Company shall have no obligation hereunder to install such units.

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GENERAL CONDITIONS (Contd.)

- (3) The time within which the Company will be able to commence or to complete the services to be performed is dependent on the Company's ability to secure the materials required, and the Company shall not be responsible for failure to install these street light units for such reason.
- (4) If an installed street lighting unit is required to be relocated, removed, or replaced by the Company, the ordering Authority shall pay the Company the cost agreed upon under a separate contract.
- (5) Lamps and refractors which are maintained by the Company shall be kept in good operating condition by and at the expense of the Company.

In cases of vandalism, the Company will repair the damaged property and the customer shall pay for such repair on a time and material basis, plus overhead charges, unless in the judgment of the Company no charge should be made. An estimate of the cost will be submitted for approval before work is carried out.

- (6) When a customer owned lighting unit becomes inoperative the cost of repair, replacement or removal of the unit will be at the customer's expense.
- (7) All lights installed on an overhead distribution system will be installed by Company under a separate contract with customer.

SERVICE REGULATIONS

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RATE SE

STREET LIGHTING SERVICE - OVERHEAD EQUIVALENT

APPLICABILITY

Applicable to municipal, county, state and Federal governments, including divisions thereof and incorporated homeowners associations for the lighting of public streets and roads with Company lighting fixtures in underground distribution areas, where the customer elects to make a contribution for the installation of the fixture, mounting, pole and secondary wiring to obtain the rate/unit for the same size standard fixture (cobra head) in an overhead distribution area.

Mercury Vapor lighting fixtures will not be installed by the Company after June 1, 2003. As currently installed Mercury Vapor fixtures are retired and/or replaced, they may be replaced with either Metal Halide or Sodium Vapor fixtures as the customer chooses.

This rate schedule is no longer available after December 31, 2006. Potential lighting customers wanting a lighting system installed and maintained by Company can do so via the Outdoor Lighting Equipment agreement (OLE). Potential customers should contact a Company account representative for further information concerning OLE options. This rate schedule terminates December 31, 2026. Customers currently being provided service under this rate schedule can continue being provided service under this rate schedule for the remaining useful life of the facilities or this rate schedule terminates, whichever occurs first.

TYPE OF SERVICE

All equipment will be installed, owned and maintained by the Company. All lamps will burn from dusk to dawn, approximately 4,160 hours per annum. The Company will endeavor to replace burned-out lamps within 48 hours after notification by the customer. The Company does not guarantee continuous lighting and shall not be liable to the customer or anyone else for any damage, loss or injury due to any cause.

NET MONTHLY BILL

The following monthly charge for each lamp with luminaire, controlled automatically, will be assessed:

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NET MONTHLY BILL (Contd.)

1. Base Rate

Fixture Description	Lamp Watt	kW/Unit	Annual kWh	Rate/Unit
Decorative Fixtures				
<u>Mercury Vapor</u>				
7,000 lumen (Town & Country)	175	0.205	853	\$ 7.99
7,000 lumen (Holophane)	175	0.210	874	\$ 8.04
7,000 lumen (Gas Replica)	175	0.210	874	\$ 8.04
7,000 lumen (Aspen)	175	0.210	874	\$ 8.04
<u>Metal Halide</u>				
14,000 lumen (Traditionaire)	175	0.205	853	\$ 7.99
14,000 lumen (Granville Acom)	175	0.210	874	\$ 8.04
14,000 lumen (Gas Replica)	175	0.210	874	\$ 8.04
<u>Sodium Vapor</u>				
9,500 lumen (Town & Country)	100	0.117	487	\$ 8.35
9,500 lumen (Holophane)	100	0.128	532	\$ 8.49
9,500 lumen (Rectilinear)	100	0.117	487	\$ 8.35
9,500 lumen (Gas Replica)	100	0.128	532	\$ 8.48
9,500 lumen (Aspen)	100	0.128	532	\$ 8.48
9,500 lumen (Traditionaire)	100	0.117	487	\$ 8.35
9,500 lumen (Granville Acom)	100	0.128	532	\$ 8.48
22,000 lumen (Rectilinear)	200	0.248	1,023	\$12.27
50,000 lumen (Rectilinear)	400	0.471	1,959	\$18.73
50,000 lumen (Setback)	400	0.471	1,959	\$18.73

Additional facilities, other than specified above, if required, will be billed at the time of installation.

2. Base Fuel Cost

The rates per unit shown above include \$0.033760-0.025747 per kilowatt-hour reflecting the base cost of fuel. (R)

3. Applicable Riders

The following riders are applicable pursuant to the specific terms contained within each rider:
 Sheet No. 80, Rider FAC, Fuel Adjustment Clause
 Sheet No. 81, Rider MSR-E, Merger Savings Credit Rider – Electric
 Sheet No. 82, Rider PSM, Profit Sharing Mechanism

LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

TERM OF SERVICE

The street lighting units are installed for the life of the unit, terminable on one hundred twenty (120) days written notice by either customer or Company subject to Paragraph 4 or 6 under General Conditions.

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GENERAL CONDITIONS

- (1) If the customer requires the installation of a unit at a location which requires the extension, relocation, or rearrangement of the Company's distribution system, the customer shall, in addition to the monthly charge, pay the Company on a time and material basis, plus overhead charges, the cost of such extension, relocation, or rearrangement, unless in the judgment of the Company no charge should be made. An estimate of the cost will be submitted for approval before work is carried out.
- (2) Installation of street lighting units will be predicated on the ability of the Company to obtain, without cost to itself or the payment or other consideration, all easements and rights-of-way which, in the opinion of the Company, are necessary for the construction, maintenance and operation of the street lights, standards, anchors and/or service wires. If such easements and rights-of-way cannot be so obtained, the Company shall have no obligation hereunder to install such units.
- (3) The time within which the Company will be able to commence or to complete the services to be performed is dependent on the Company's ability to secure the materials required, and the Company shall not be responsible for failure to install these street light units for such reason.
- (4) If an installed street lighting unit is required to be relocated, removed, or replaced with another unit of the same or less rated lamp wattage, the ordering Authority shall pay the Company the sacrifice value of the unit, plus labor and overhead charges, unless in the judgment of the Company no charge should be made. An estimate of the cost will be submitted for approval before work is carried out.
- (5) Lamps and refractors which are maintained by the Company shall be kept in good operating condition by and at the expense of the Company.

In cases of vandalism, the Company will repair the damaged property and the customer shall pay for such repair on a time and material basis, plus overhead charges, unless in the judgment of the Company no charge should be made. An estimate of the cost will be submitted for approval before work is carried out.
- (6) When a street lighting unit reaches end of life or becomes obsolete and parts cannot be reasonably obtained, the Company can remove the unit at no expense to the customer after notifying the customer. The customer shall be given the opportunity to arrange for another type lighting unit provided by the Company.
- (7) The contribution only provides for replacement of these facilities due to occasional damage or premature malfunction. It does not cover replacement at end of life.

SERVICE REGULATIONS

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**RIDER FAC
FUEL ADJUSTMENT CLAUSE**

APPLICABLE

In all territory service.

AVAILABILITY OF SERVICE

This schedule is a mandatory rider to all electric rate schedules.

- (1) The monthly amount computed under each of the rate schedules to which this fuel clause is applicable shall be increased or (decreased) at a rate per kilowatt-hour of monthly consumption in accordance with the following formula:

$$\text{Fuel Cost Adjustment} = \frac{F(m)}{S(m)} - \$0.025747 \text{ per kWh} \quad \text{(R)}$$

Where F is the expense of fuel in the second preceding month and S is the sales in the second preceding month, as defined below:

- (2) Fuel costs (F) shall be the cost of:
- (a) Fossil fuel consumed in the Company's plants plus the cost of fuel which would have been used in plants suffering forced generation or transmission outages, but less the cost of fuel related to substitute generation, plus
 - (b) The actual identifiable fossil and nuclear fuel costs associated with energy purchased for reasons other than identified in paragraph (c) of this subsection, but excluding the cost of fuel related to purchases to substitute for the forced outages; plus
 - (c) The net energy cost of energy purchases, exclusive of capacity or demand charges (irrespective of the designation assigned to such transaction) when such energy is purchased on an economic dispatch basis. Included therein are such costs as the charges for economy energy purchases and the charges as a result of scheduled outage, all such kinds of energy being purchased by the Company to substitute for its own higher cost energy, and less
 - (d) The cost of fossil fuel recovered through inter-system sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.
 - (e) All fuel costs shall be based on a weighted-average inventory costing. The cost of fossil fuel shall include no items other than the invoice price of fuel less any cash or other discounts. The invoice price of fuel includes the cost of fuel itself and necessary charges for transportation of fuel from the point of acquisition to the unloading point, as listed in Account 151 of the FERC Uniform System of Accounts for Public Utilities and Licensees.

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AVAILABILITY OF SERVICE (Contd.)

(f) As used herein, the term "forced outages" means all non-scheduled losses of generation or transmission which require substitute power for a continuous period in excess of six (6) hours. Where forced outages are not as a result of faulty equipment, faulty manufacture, faulty design, faulty installations, faulty operation, or faulty maintenance, but are Acts of God, riot, insurrection, or acts of the public enemy, then the Company may, upon proper showing, with the approval of the Commission, include the fuel cost of substitute energy in the adjustment.

(3) Sales (S) shall be determined in kilowatt-hours as follows:

Add:

- (a) net generation
- (b) purchases
- (c) interchange in

Subtract:

- (d) inter-system sales including economy energy and other energy sold on an economic dispatch basis.
- (e) total system losses

Issued by authority of an Order of the Kentucky Public Service Commission dated _____ in Case No. 2010-00494.

Issued:

Effective:

Issued by Julie Janson, President

Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011

STAFF-DR-01-018

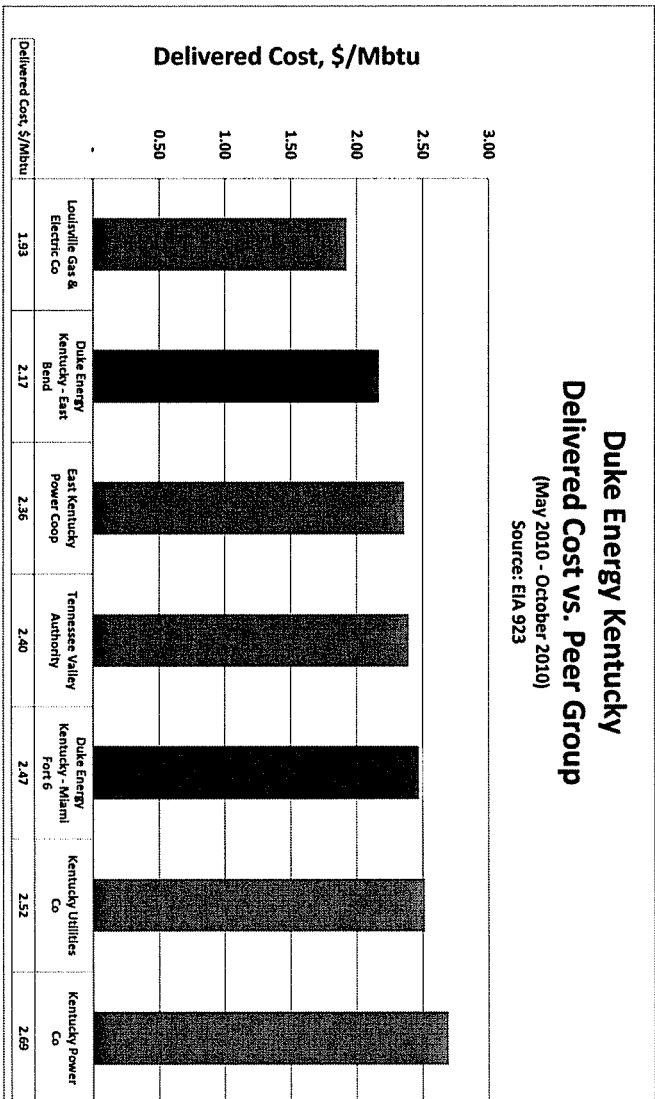
REQUEST:

- a. State whether Duke Kentucky regularly compares the price of its coal purchases with those paid by other electric utilities.
- b. If yes, state:
 1. The utilities that are included in this comparison and their locations; and
 2. How Duke Kentucky's prices compare with those of the other utilities for the review period. Include all prices used in the comparison.

RESPONSE:

- a. See Attachment STAFF-DR-01-018.

PERSON RESPONSIBLE: Elliott Batson



Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011

STAFF-DR-01-019

REQUEST:

List the percentage of Duke Kentucky's coal, as of the date of this Order, that is delivered by:

- a. Rail;
- b. Truck; or
- c. Barge.

RESPONSE:

EAST BEND:

- a. 0% rail
- b. 0% truck
- c. 100% barge.

MIAMI FORT #6:

- a. 0% rail
- b. 0% truck
- c. 100% barge.

WOODSDALE: N/A

PERSON RESPONSIBLE:

John Swez (Woodsdale)
Ryan Gentil (Miami Fort 6 prior to July 1, 2010)
Elliott Batson (Miami Fort 6 after July 1, 2010 & East Bend)

Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011

STAFF-DR-01-020

REQUEST:

- a. State Duke Kentucky's coal inventory level in tons and in number of days' supply as of October 31, 2010
- b. Describe the criteria used to determine the number of days' supply.
- c. Compare Duke Kentucky's coal inventory as of October 31, 2010 to its inventory target for that date for each plant and for total inventory.
- d. If actual coal inventory exceeds inventory target by 10 days' supply, state the reasons for the additional inventory.
- e. (1) State whether Duke Kentucky expects any significant changes in its current coal inventory target within the next 12 months.

(2) If yes, state the expected change and the reasons for this change.

RESPONSE:

EAST BEND:

- a. As of October 31, 2010, total inventory at East Bend was 319,618 tons or 49.2 days.
- b. The number of days supply is computed by dividing an ending daily coal inventory figure stated in tons by the Full Load Burn per day figure of 6,500 tons.
- c. Inventory target is approximately 40 days. The station continued to reduce inventory from its July 2010 high of 54.4 days.
- d. N/A
- e. 1. No
2. N/A

MIAMI FORT #6:

- a. As of October 31, 2010, total inventory at Miami Fort #6 was 35,622 tons or 29.7 days.
- b. The number of days supply is computed by dividing an ending daily coal inventory figure stated in tons by the Full Load Burn per day figure of 1,200 tons.
- c. Inventory target is approximately 40 days.
- d. N/A
- e. 1. No
2. N/A

PERSON RESPONSIBLE: Elliott Batson

Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011

STAFF-DR-01-021

REQUEST:

- a. State whether Duke Kentucky has audited any of its coal contracts during the period from May 1, 2010 to October 31, 2010.
- b. If yes, for each audited contract:
 - (1) Identify the contract;
 - (2) Identify the auditor;
 - (3) State the results of the audits; and
 - (4) Describe the actions that Duke Kentucky took as a result of the audit.

RESPONSE:

EAST BEND:

- a. No.
- b. N/A

MIAMI FORT #6:

- a. No.
- b. N/A

WOODSDALE: N/A

PERSON RESPONSIBLE:

Elliott Batson (East Bend & Miami Fort 6 after July 1, 2010)
Ryan Gentil (Miami Fort 6 prior to July 1, 2010)
John Swez (Woodsdale)

**Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011**

STAFF-DR-01-022

REQUEST:

- a. State whether Duke Kentucky has received any customer complaints regarding its FAC during the period from May 1, 2010 to October 31, 2010.
- b. If yes, for each complaint; state:
 - (1) The nature of complaint; and
 - (2) Duke Kentucky's response.

RESPONSE:

Duke Energy Kentucky has not received any customer complaints regarding its FAC during the period May 1, 2010 to October 31, 2010.

PERSON RESPONSIBLE: Lisa D. Steinkuhl

Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011

STAFF-DR-01-023

REQUEST:

- a. State whether Duke Kentucky is currently involved in any litigation with its current or former coal suppliers.
- b. If yes, for each litigation:
 - (1) Identify the coal supplier;
 - (2) Identify the coal contract involved;
 - (3) State the potential liability or recovery to Duke Kentucky;
 - (4) List the issues presented; and
 - (5) Provide a copy of the complaint or other legal pleading that initiated the litigation and any answers or counterclaims. If a copy has previously been filed with the Commission, provide the date on which it was filed and the case in which it was filed .
- c. State the current status of all litigation with coal suppliers.

RESPONSE:

EAST BEND:

- a. No.
- b. N/A
- c. N/A

MIAMI FORT #6:

- a. No.
- b. N/A
- c. N/A

WOODSDALE: N/A

PERSON RESPONSIBLE: Elliott Batson (Miami Fort 6 & East Bend)
Ryan Gentil (Miami Fort 6)
John Swez (Woodsdale)

Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011

STAFF-DR-01-024 PUBLIC

REQUEST:

List each written coal supply solicitation issued during the period May 1, 2010 to October 31, 2010.

- a. For each solicitation, provide the date of the solicitation (contract or spot), the quantities solicited, a general description of the quality of coal solicited, the time period over which deliveries were requested, and the generating units(s) for which the coal was intended.
- b. For each solicitation, state the number of vendors to whom the solicitation was sent, the number of vendors who responded, and the selected vendor. Provide the bid tabulation sheet or corresponding document that ranks the proposals. (This document shall identify all vendors who made offers.) State the reasons for each selection. For each lowest cost bid not selected, explain why the bid was not selected.

RESPONSE:

EAST BEND:

CONFIDENTIAL PROPRIETARY TRADE SECRET

- a. See Attachment STAFF-DR-01-024 (a). Duke Energy Kentucky Inc. issued a joint RFP with Duke Energy Indiana Inc. and Duke Energy Carolinas, LLC in order to leverage the buying power of all three utilities. All of the contracts were executed individually by the specific utilities.
- b. Number of vendors that received the solicitation: 134
Number of vendors who responded: Duke Energy received numerous responses for coal to be supplied to all three utilities; however we received only 19 responses from vendors with coal that was compatible with East Bend Steam Station.

The confidential attachment to this response has been filed with the Commission under a Petition for Confidential Treatment.

MIAMI FORT #6:

- a. No written solicitations were issued during this period.
- b. No written solicitations were issued during this period.

WOODSDALE: N/A

PERSON RESPONSIBLE: Elliott Batson (Miami Fort 6 & East Bend)
Ryan Gentil (Miami Fort 6)
John Swez (Woodsdale)

DUKE ENERGY
REQUEST FOR COAL SUPPLY PROPOSAL
DATED May 26, 2010
GUIDELINES AND SPECIFICATIONS

1. General Information

- 1.1. Duke Energy (hereafter "Duke") is soliciting proposals for a supply of crushed bituminous steam coal from the Central Appalachian Basin, Northern Appalachian Basin, Illinois Basin, Colorado / Utah and International sources as well as sub-bituminous steam coal from the Powder River Basin for delivery to Duke's Regulated Utilities in North and South Carolina, Indiana and Kentucky. All Coal offered should be processed or quality controlled as necessary such that it meets the quality specifications set forth in Attachment C.
- 1.2. Proposals are to be submitted to Duke pursuant to the terms and conditions set forth in this Request for Proposal 2010 - #1 ("RFP") document and in accordance with the terms and conditions set forth in the Master Agreement for the Sale and Purchase of Coal included as a part of this RFP.
- 1.3. Seller shall fully complete the attached Duke Energy offer sheet and coal quality data forms which must be signed by an authorized representative of the Seller, also showing their printed name and title. Please also include Seller's current primary contact information including; e-mail address, telephone number and mailing address with your proposal.
- 1.4. All Proposals shall be received by Duke no later than noon (EDT) on Friday June 11, 2010 and shall remain valid for thirty (30) days. Proposals that are received after the required submittal date and time will be rejected without evaluation.
- 1.5. **For Central Appalachia coal supply only.** Seller shall clearly identify in its proposal if the Seller can guarantee the coal to be supplied will be produced using 100% Non-Mountaintop Removal mining methods (see Non-MTR Coal definition below). If the Seller cannot guarantee the coal to be supplied will be 100% Non-MTR Coal, Seller shall identify the approximate percentage of coal to be supplied that will be Non-MTR Coal and the approximate percentage of coal that will be Mountaintop Removal Coal (see MTR Coal definition below). If capable, Seller shall offer proposals for coal supply from either non-MTR sources, MTR sources or both. Duke shall have the right to inspect and audit Seller's coal production and facilities to ensure the coal to be delivered to Duke complies with the obligation to deliver Non-MTR Coal.
- 1.6. **Definition of MTR Coal (For Central Appalachia coal only):** the surface mining of coal where the mining operation will remove an entire coal seam or seams running through the upper fraction of a mountain, ridge, or hill by removing all of the overburden with no highwalls remaining.
- 1.7. **Definition of Non-MTR Coal (For Central Appalachia coal only):** coal that can be produced using mining methods that are not described in the MTR Coal definition.
- 1.8. If International coal is being offered, Seller shall supply all relevant shipping information pertaining to such supply (i.e. debarkation point, etc.). The destination point for all international coal shall be F.O.B. railcar Shipyard River Terminal located in Charleston, South Carolina.
- 1.9. Proposals should be submitted via e-mail to: coal@dukeenergy.com. If Seller is unable to e-mail its proposal, it may be faxed to (704) 382-4568.

- 1.10. Please contact one of the following individuals for questions pertaining to this RFP for coal intended to be supplied to:
 - Duke Energy Carolinas NS served stations - Ted Patterson at (704) 382-7022
 - Duke Energy Carolinas CSX served stations - Nathan Rogers at (704) 382-0167
 - Duke Energy's Gallagher and East Bend stations - Chris Coffman at (704) 382-3788
 - Duke Energy Indiana Inland stations - Tim McSherry at (704) 382-2244
- 1.11. By replying to this request, Seller warrants that it has sufficient reserves and/or supply sources of steam coal to fulfill the coal quantity(ies) and quality(ies) stated in its proposal(s).
- 1.12. All coal loading information needs to be included in the proposal such as; railroad to be utilized, rail district, shipping point, tipple, rail mine number, and milepost. Loading capabilities/parameters must be clearly specified within proposal(s).
- 1.13. Please be advised that your initial offer will be the basis of Duke's evaluation. Duke does not intend to entertain offers or revisions to initial offers submitted and received after the required submittal date listed above. Based on Duke's initial evaluation of all proposals, it reserves the right to open contract negotiations, which includes, but is not limited to, price, terms and conditions, with the Seller(s) that offers the most advantageous price, terms and conditions, where all cost impacts to Duke are considered.
- 1.14. Proposals will be evaluated on, but not limited to, the following:
 - Suitability of the fuel for Duke Stations
 - Total delivered cost (per million Btu)
 - Total generating cost as evaluated by Duke based on analysis of the coal quality submitted
 - Tonnage offered and volume flexibility of coal shipments
 - Reliability of coal supply and availability of proven reserves with the ability to mine and produce offered amounts, including having mining permits in place to meet it tonnage commitments
 - Fuel quality/specification
 - Types of mining methods
 - Supplier's financial strength, stability and creditworthiness
- 1.15. Seller shall clearly identify all of the coal supply producers that it plans to utilize to meet the requirements of this RFP. The enclosed Duke Energy offer sheet and coal quality data forms must be fully completed for each producer proposed. If Seller is proposing coal from multiple producers, the percentage of the total from each producer must be provided. Also, any proposal submitted by Seller on behalf of a producer must include a written statement by the producing company giving the Seller the sole and exclusive right to offer coal on the producer's behalf. Please note that all coal proposed shall come from the sources listed in your proposal.
- 1.16. Duke reserves the right to request any additional information pertaining to any proposal at any time after receipt of a proposal.
- 1.17. If Seller's coal has not been extensively utilized/burned by Duke at the plant(s) for which it is being considered, detailed evaluation and a successful test burn may be required prior to final acceptance of any contract resulting from this RFP.

- 1.18. By replying to this proposal, Seller is implying its agreement with the terms of this RFP as well as the terms and conditions set forth in the Master Agreement for the Sale and Purchase of Coal included as a part of this RFP. If Seller has any exceptions to the terms and conditions set forth in the Master Agreement for the Sale and Purchase of Coal included as a part of this RFP, those exceptions must clearly be identified in Seller's proposal.
- 1.19. Seller shall indicate in its proposal that it presently owns or otherwise controls, whether directly or through and affiliate, the coal reserves identified in an amount sufficient to fulfill the term proposal proposed.
- 1.20. Duke requires that Seller indicate in its proposal the status of mining permits for coal to be supplied to fulfill the term, quantity and quality being proposed.
- 1.21. Duke reserves the right to send a representative(s) to Seller's mines, properties, operating facilities and coal loading points, for the purpose of inspecting Seller's operations (including sampling, weighing and loading systems), coal reserves, mining plans, mining permits, and quality control operations reasonably necessary to ensure Seller has the fuel of the quantity and quality offered prior to any contract award resulting from this RFP.
- 1.22. Duke reserves the right to modify or withdraw this request, to reject any or all proposals and/or to terminate negotiations at any time.
- 1.23. Duke Energy is not liable for any costs incurred by Seller in connection with any response to this RFP.
- 1.24. All proposals and financial information submitted under this RFP will be kept in strict confidence by Duke Energy and shall not be disclosed to any third party, unless required by any regulatory agency or applicable court of law. Seller shall not disclose, nor publicize the details of their invitation to participate in, or their actual participation in this RFP to any third party.
- 1.25. Any final agreement between Duke Energy and the Seller is subject to reviews and approvals from Duke Energy's fuel, plant operations, credit, legal and senior management groups.

2. Financial Information

- 2.1 Seller shall submit within its proposal(s):
 - (a). Copies of audited or officer certified financial statements for year ending December 31, 2009 and the most recent quarterly financial statements. (If fiscal year is not on a calendar basis, please provide such financial statements that correlate with your most recent designated fiscal year). These statements should include Balance Sheets, Income Statements, Cash Flow Statements or other pertinent financial documentation related to changes in financial reporting methods.
 - (b). Organizational flow of Parent Company and related subsidiaries.
- 2.2 Duke reserves the right to audit any financial data submitted prior to award of any contract resulting from this RFP to determine if Seller is a creditworthy counterparty.

3. Proposal Term Length(s)

- 3.1 Seller should submit a proposal(s) in which coal deliveries begin and end under one or more of the following:

January 1, 2011 Start Date:

Term No. 1: 1 Year: January 1, 2011 through December 31, 2011.

Term No. 2: 2 Years: January 1, 2011 through December 31, 2012.

Term No. 3: 3 Years: January 1, 2011 through December 31, 2013.

Term No. 4: 4 Years: January 1, 2011 through December 31, 2014.

4. QUANTITY:

- 4.1 The monthly and/or annual quantity offered is at the discretion of Seller. Shipments are expected to be in approximate equal monthly quantities over a calendar year. Duke reserves the right to determine the contract quantity and delivery schedule that is in its best interest.

- 4.2 Please specify in your proposal if you are offering short tons or metric tons.

5. PRICING:

- 5.1 The Contract Price(s) quoted shall be in US dollars and be inclusive of any and all costs that Seller shall be responsible for, including but not limited to taxes, fees, insurance requirements, on-site haulage, on-site blending, loading charges fixed per ton F.O.B. railroad car, F.O.B. Barge (F.O.B. Barge shall be inclusive of harbor and/or fleeting service fees) or F.O.B. truck at the loading point or at the delivery point. Depending upon the term, Duke reserves the right to incorporate a contract price re-opener/renegotiation structure prior to award of any contract resulting from this RFP. Duke will also consider other pricing options or pricing re-openers proposed by Seller, depending upon term offered.

- 5.2 The price(s) quoted must be quoted in US Dollars and shall include all costs of compliance by Seller with all federal, state or local government taxes, fees, laws, rules regulations and/or other levies which are the responsibility of the Seller.

- 5.3 Contract Price Adjustments:

A. Duke will apply a pricing adjustment increasing or decreasing the Contract Base Price to compensate for variances in the actual "as received" Btu content from the guaranteed Btu for coal shipped to Duke.

B. Other coal quality pricing adjustments based on coal actual "as received" qualities, such as SO₂ per MMBtu content and ash content will be negotiated.

(See Master Agreement for the Sale and Purchase of Coal as a part of this RFP for more detailed information on price adjustment methodologies). Duke reserves the right to modify any of the pricing adjustments set forth in the Agreement for the Sale and Purchase of Coal included in this RFP.

- 5.4 Unless coal is being delivered by barge or truck, Duke shall weigh, using its certified scales, sample and analyze the coal received the station for the purpose of governing payments and pricing adjustments/settlements. All coal sampling and coal quality analyses shall be performed in accordance with the most recent version of the applicable ASTM Standards.

6. COAL QUALITY

- 6.1 Duke will evaluate proposal(s) based on actual coal qualities represented within proposal(s) listed on the Duke Energy offer sheet and coal quality data forms. Consequently, Seller should completely fill out both Attachment A and Attachment B as provided (or provide such data in a similar form) and the data should accurately reflect all qualities of coal to be provided to Duke.

Attachment A - (Short Proximate Analysis - Btu, moisture, ash, sulfur, grind, volatile matter, ash fusion temperature, etc.) and

Attachment B - (Proximate Analysis, Ultimate Analysis, Ash Fusion Temperature, Ash Elemental Oxides Analysis, Forms of Sulfur, Miscellaneous Properties including free swelling index, Trace Metals, Halogens, Size Consist).

Seller's coal quality data submitted as a part of this RFP shall be representative of the proposed coal sources and should be analyzed by a certified laboratory, and the analysis of the data should not be older than 6 months. In addition, Duke reserves the right to require Seller to supply up to a thirty pound representative sample to one of its Coal Quality Laboratories for the purposes of analysis by Duke.

Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011

STAFF-DR-01-025

REQUEST:

List each oral coal supply solicitation issued during the period from May 1, 2010 to October 31, 2010.

- a. For each solicitation, state why the solicitation was not written, the date(s) of the solicitation, the quantities solicited, a general description of the quality of coal solicited, the time period over which deliveries were requested, and the generating unit(s) for which the coal was intended.
- b. For each solicitation, identify all vendors solicited and the vendor selected. Provide the bid tabulation sheet or other document that ranks the proposals. (This document shall identify all vendors who made offers.) State the reasons for each selection. For each lowest cost bid not selected, explain why the bid was not selected.

RESPONSE:

EAST BEND:

- a. No oral solicitations were occurred during this period.
- b. No oral solicitations were occurred during this period.

MIAMI FORT #6:

- a. No oral solicitations occurred during this period.
- b. N/A

WOODSDALE: N/A

PERSON RESPONSIBLE: Elliott Batson (Miami Fort 6 & East Bend)
Ryan Gentil (Miami Fort 6)
John Swez (Woodsdale)

**Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011**

STAFF-DR-01-026

REQUEST:

For the period from May 1, 2010 to October 31, 2010, list each vendor from whom coal was purchased and the quantity and nature of each purchase (e.g., spot or contract). Provide the percentage of purchases that were spot versus contract.

RESPONSE:

See STAFF-DR-01-026 Attachment.

PERSON RESPONSIBLE: Lisa D. Steinkuhl

Duke Energy Kentucky

<u>VENDOR</u>	<u>PURCHASE TONNAGE</u>	<u>PURCHASE TYPE</u>
American Coal Company	126,039	Contract
Charolais	94,765	Contract
Consol Pennsylvania Coal Co.	94,967	Spot
Duke Energy Ohio	535	Spot
Knight Hawk	133,852	Contract
Oxford Mining	236,484	Contract
Patriot Coal	161,784	Contract
Patriot Coal	89,447	Spot
Rhino Energy, LLC	16,305	Spot
River View Coal LLC	16,037	Spot
SMCC AGF Resource Sales	149,618	Contract
Total	<u>1,119,833</u>	
Percentage of Contract Purchases	80.60%	
Percentage of Spot Purchases	19.40%	

**Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011**

STAFF-DR-01-027

REQUEST:

For the period from May 1, 2010 to October 31, 2010, list each vendor from whom natural gas was purchased for generation and the quantity and nature of each purchase (e.g., spot or contract). Provide the percentage of purchases that were spot versus contract.

RESPONSE:

Duke Energy Kentucky purchased the following quantities of natural gas from Sequent Energy Management, L.P. for generation at Woodsdale Station:

May 2010	75,659 MMBtu
June 2010	232,000 MMBtu
July 2010	365,000 MMBtu
August 2010	226,000 MMBtu
September 2010	89,000 MMBtu
October 2010	6,602 MMBtu

100% of these purchases were spot.

PERSON RESPONSIBLE: Lisa D. Steinkuhl

Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011

STAFF-DR-01-028

REQUEST:

For each generating station or unit for which a separate coal pile is maintained, state for the period from May 1, 2010 to October 31, 2010 the actual amount of coal burned in tons, actual amount of coal deliveries in tons, total kWh generated, and actual capacity factor at which the plant operated.

RESPONSE:

Plant	Coal Burn (Tons)	Coal Receipts (Tons)	Net MWH	Capacity Factor (Net MWH) / period hrs x MW rating)
East Bend	641,979 ⁽¹⁾	905,391 ⁽²⁾	1,426,935	78.1%
Miami Fort 6	218,851	214,444	516,692	71.8%

(1) Duke Energy Kentucky's ownership share

(2) 100% of coal received at the station

PERSON RESPONSIBLE: Lisa D. Steinkuhl

STAFF-DR-01-029 PUBLIC

REQUEST:

- a. During the period from May 1, 2010 to October 31, 2010, have there been any changes to Duke Kentucky's written policies and procedures regarding its fuel procurement?
- b. If yes,
 - 1) Describe the changes;
 - 2) State the date(s) the changes were made;
 - 3) Explain why the changes were made ; and
 - 4) Provide the written policies and procedures as changed.
- c. If no, provide the date when Duke Kentucky's current fuel procurement policies and procedures were last changed, when they were last provided to the Commission, and identify the proceeding in which they were provided.

RESPONSE:

CONFIDENTIAL AND PROPRIETARY TRADE SECRET

Miami Fort 6

Yes.

- a. (1),(2),(3),(4)

Beginning July 1, 2010, Duke Energy Kentucky's Regulated Fuel procurement group assumed the responsibility for purchasing the coal for its Miami Fort Unit 6. Historically, and prior to July 1, 2010, the fuel procurement responsibility for Miami Fort unit 6 was managed by Duke Energy Ohio under a FERC-approved

operation agreement. Duke Energy Ohio also owns and operates Miami Fort Units 7&8 and operates unit 6. In early 2010, Duke Energy Ohio reconfigured the station coal yard at the Miami Fort station that allowed maintenance of separate piles for the three units and additional conveyer equipment to allow separation of the coal procurement responsibility. This did not involve a change in the written procedures, in that Duke Energy Kentucky's procedures for the procurement of coal already in place for Eastbend were now applicable to Miami fort 6. The change was made so to eliminate the accounting allocations occurring between Duke Energy Ohio and Duke Energy Kentucky related to the coal procurement costs. The changes in the coal yard and handling equipment purchased by Duke Energy Ohio, gave Duke Energy Kentucky the opportunity to take over the responsibility of coal procurement for that unit rather, than continuing to rely upon Duke Energy Ohio to make those decisions.

EAST BEND:

- a. No
- b. N/A
- c. The procurement policy was last updated on 12/01/10 from a previous version in effect as of 8/25/09. We are not aware that a copy of this policy has previously been provided to the commission for review.
- d. This response has been filed with the Commission under a Petition for Confidential Treatment.

WOODSDALE:

- a. No
- b. n/a

PERSON RESPONSIBLE: Elliott Batson (Miami Fort 6 and East Bend)
John Swez (Woodsdale)

Regulated Fuels Procurement Policy

Applicability: Duke Energy Corporation
Originator: Regulated Fuels
Approval: Senior Vice President of Strategy, Rates, Wholesale Customers,
Commodities and Analytics

Effective Date: 12/01/2010
Revision Date: 12/01/2010
Reissue Date:

Statement of Purpose

This policy defines the roles, responsibilities, and requirements of negotiation, execution and administration of contracts for the purchase and transportation of fuel (e.g., coal, fuel oil and biomass¹) and related commodities and services (e.g., lime, limestone, trona, freeze-proofing, railcar lease and maintenance, etc.) within the U.S. Franchised Electric and Gas organization of Duke Energy Corporation ("Duke Energy" or the "Corporation" or the "Company"). Specific topics addressed include required approvals, the sourcing process, documentation, segregation of duties, and standards of business conduct.

Accountability: Roles and Responsibilities

The **Senior Vice President of Strategy, Rates, Wholesale Customers, Commodities and Analytics** is responsible for approving this policy and any exceptions to the policy.

The **Vice President of Regulated Fuels** is the owner of this policy and is also responsible for communicating this policy throughout the Corporation and to all persons involved in the fuels procurement processes. Any exceptions to this policy should be documented and approved in advance by the Vice President of Regulated Fuels prior to obtaining approval by the **Senior Vice President of Strategy, Rates, Wholesale Customers, Commodities and Analytics. The Vice President of Regulated Fuels and anyone authorized to make purchases of material governed by this policy** are responsible for compliance with this policy within their areas of responsibility. This responsibility includes ensuring the business unit has adequate internal controls over the procurement process and that documentation communicating compliance with this policy on a transaction basis is maintained.

¹See Natural Gas Procurement Policy under separate cover.

Standards/Requirements

1. Consumption Requirements

Near-term coal requirements are estimated on a weekly and monthly basis by projecting usage for each fossil generating station by week and by month. Longer term needs are projected on a monthly basis for several years into the future. These requirements estimates are based upon:

- A. KWH load forecasts/requirements
- B. Unit generation capability reflecting:
 - 1. Forced outage rates
 - 2. Operating schedules
 - 3. Capacity levels
 - 4. Heat rate
 - 5. Nuclear re-fueling outages
 - 6. Maintenance schedules
 - 7. Environmental permits and limitations
- C. Coal quality
- D. Interchange sales and purchases

2. Inventory Requirements

In order for Duke to provide a reliable source of electricity, an adequate inventory must be maintained to protect against the uncertainties associated with fuel supply. Inventory target levels for each electric generating station are established by appropriate management and are based upon a forecast of fuel consumption requirements, an evaluation of the relative economics of various inventory levels and a review of operational concerns. Other factors that are considered when establishing target inventory levels:

- A. Changes in supply and demand for fossil fuels.
- B. Specific coal industry factors such as: coal mining conditions, availability of transportation service, labor interruptions for both mining and transportation industries, financial stability of suppliers, and environmental regulations impacting production and delivery of coal.
- C. Seasonal production and consumption cycles for Duke's power plants and mine sources.

The target level for coal inventories is noted in full load burn days (the amount of coal consumed by a plant operating at full load for 24 hours). The approved number of full load burn days on an annual basis for each utility is 40 days for Duke Energy Carolinas, 40 days for Duke Energy Kentucky and 45 days for Duke Energy Indiana. Seasonal factors may cause the target level to change over the course of the year but should average the approved target number of days over

the calendar year. Actual and projected inventory levels are monitored each week to provide the appropriate level of fuel supply.

3. Purchase Commitments

Regulated Fuels personnel are authorized to make purchase commitments to meet the consumption and inventory requirements consistent with their Delegation of Authority (DOA) limits. Officers can make contractual commitments consistent with the Approval of Business Transaction Policy and this policy. The standard Delegation of Authority Policy covering other expenditures and commitments explicitly does not apply to expenditures for fuel or related commodities or transportation services for U.S. Franchised Electric and Gas. Fuel purchases are governed by this policy, and by limits set forth in the Approval of Business Transaction Policy. Regulated Fuels personnel will be responsible for the selection of qualified bidders; managing the bidding process; negotiating terms and conditions; and ensuring compliance with this policy whenever fuel, fuel associated commodities, or contracts pertaining to the transportation of these commodities are concerned.

4. Sourcing

Whenever practical competitive bids are to be used for all purchases with a contract term equal to or greater than 12 months in duration. Written Requests For Proposals (RFP) are the preferred method, although telephone solicitations are permissible when execution and delivery requires prompt action. Purchases may not be split into multiple transactions or unreasonably truncated to periods less than 12 months to avoid use of competitive bidding. For spot purchases, those contracts with duration of less than 12 months, competitive bidding is not required where market information is readily available to determine that the contract price is competitive with existing market prices. Such market indicators may include published market indices and brokerage assessments. Regardless of the source of such market data, the economic rationale and quality of any competitive assessment must be accepted by the executor of the commitment as authorized by the Delegation of Authority Policy. All other exceptions must be documented and approved as required below.

Single Sourcing

A single source purchase occurs when a competitive bidding process is not undertaken and the decision is made to select a specific supplier based on technical, commercial, or other valid business reasons. Because single source procurement removes the advantages of the competitive bidding process, it should be used only on an exception basis. Contract extensions are considered to be single sourcing decisions unless supported by a documented solicitation of competitive bids. The business rationale for resorting to single sourcing must be documented and approved by an employee with authority granted under the Delegation of Authority Policy.

Premium Over Low Bid Sourcing

Another purchasing exception is a situation in which the selected opportunity is at a price greater than the low bid, due to technical, commercial, or other business considerations. The rationale for

such purchasing decisions shall be communicated to the executor of the commitment as authorized by the Delegation of Authority Policy.

Single, Sole, or Premium over Low Bid Sourcing Documentation and Approval Requirements

Any recommendation to single source or to pay a premium over lowest evaluated bid must be supported by documentation explaining the rationale for the recommendation. This recommendation requires approval by the Vice President of Regulated Fuels, even if the term and volume of the transaction delegates the authority to a role subordinate to the Vice President of Regulated Fuels.

5. Contract Formation

Without exception, any agreement to purchase fuel or transportation and/or related commodities and services must be memorialized in a written and fully executed contract. No transaction shall be captured as executed in a formal accounting or recordkeeping system, including but not limited to ComTrac, CXL, or other accounting, scheduling or planning documentation system prior to the execution of such agreements by both parties. Prior to execution:

- a. All contracts must be reviewed by the Legal Department.
- b. All Term Contracts, or contracts whose complete fulfillment from the date of execution exceeds 12 months, or contracts exceeding a volume commitment of 250,000 tons shall first be reviewed by the Credit Department and
- c. All associated credit risks, departures from standard contract language, or other concerns of the legal or credit department shall be documented and communicated to the executor determined by the Delegation of Authority policy.
- d. All contracts and associated commitments shall be entered into the system of record, currently ComTrac, as executed transactions no earlier than the execution day of the transaction and no later than two business days following the execution of the contract.
- e. Under no circumstances shall any fuels employee authorize receipt, either into Duke's transportation services or Duke's stations, fuel, associated commodities, or any associated services prior to the execution of a contract.

A contract contains the terms and conditions needed to cover risks, qualities, delivery schedule, duration, pricing and pricing adjustments, dispute and settlement mechanisms, payment terms, insurance requirements, suspension and termination rights, etc. Wherever possible, Regulated Fuels will attempt to use Duke Energy's standard contract forms for the associated commodity or associated service.

6. Purchasing Process Guidelines

The purchasing process and related documentation should reflect the complexity and materiality of the commodities or services being purchased. The steps identified below should be considered and included in the process as appropriate to support compliance with this policy or to meet specific operational requirements.

- a. Documentation of test burns or modeled estimates of boiler performance for new fuel supplies or supplies for which guaranteed qualities are inconsistent with guidelines for acceptable fuels.
- b. Documentation of the projected consumption that the purchase satisfies.
- c. Documentation of steps taken to mitigate any credit or legal risks identified by reviews by the Credit or Legal Departments.
- d. Compliance with a standard set of terms and conditions with any legal exceptions approved by Legal.
- e. Commercial and risk assessment including insurance and credit considerations and appropriate hedges against identified risks.
- f. Reviews by Accounting and Corporate Tax for any sales and/or tax implications (e.g., inventory tax, property tax) or accounting considerations (e.g., lease obligations).
- g. Other analyses and functional coordination as appropriate.

Documentation of the purchase process should support that the appropriate steps were taken and provide an audit trail. Documentation should be maintained in accordance with the Records Management Policy and the Duke Energy Records Retention Schedule (DERRS) and may be attached to the request in the purchasing system.

Purchasing Guidelines for Long-Term Contract Coverages

[BEGIN CONFIDENTIAL] [REDACTED]
 [REDACTED]
 [REDACTED]

Year	Prompt	+1	+2	+3	+4
DE Carolinas	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
DE Kentucky	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
DE Indiana	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] [END CONFIDENTIAL]

7. Changes in any Contract Terms, Requirements, or Work Scope

Any Amendments to contracts shall be treated as separate transactions for the purpose of determining appropriate legal and credit reviews, documentation, and delegation of authority requirements.

8. Confidentiality

Supplier quotations should always be maintained as confidential information. Quotations of one supplier are not to be divulged to another. This information should not be made available within the Company except to individuals with a business need to know. The number of bidders, who is bidding, how much is in the budget, the past performance of bidders, and future business potential are topics that should **not** be discussed with suppliers unless appropriate Regulated Fuels management authorizes the discussion.

Confidential data is not made available to external persons/organizations without justification such as state regulations and require; 1) supplier authorization, and 2) an executed confidentiality agreement.

9. Segregation of Duties

The following functions should be segregated between at least two people:

- Requisitioning and/or specifying
- Vendor File Maintenance
- Procurement/contracting
- Contract administration
- Receipt of goods or services
- Invoice approval
- Check signing or disbursements

Weaker segregation structures should be accompanied by additional management review. If any employee performs both the procurement and invoice approval processes, an additional level of management must review the approval of the invoice.

10. Standard of Business Conduct and Ethics

Duke Energy complies with all applicable governmental laws, rules and regulations and maintains the highest standard of business ethics and conduct. Employees should refer to the Duke Energy Code of Business Ethics for an explanation of the Company's policies pertaining to topics such as gifts and entertainment; conflicts of interest; and bribery, kickbacks and other improper payments. Employees or contractors who are concerned about unethical behavior can anonymously report their

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concerns on the EthicsLine by calling 1-800-525-3783 or visiting <http://www.dukeenergy-ethicsline.com/>. Employees should also consult and follow policies, procedures, and guidelines for complying with applicable Affiliate Codes of Conduct for any transactions between the regulated and non-regulated businesses.

11. Sourcing Requirements Summary

Category	Requirements
Purchases > 1 year in term	Competitive bid process will be required unless exceptions are documented and approved by the Vice President of Regulated Fuels.
Purchases <1 year in term	Approval at appropriate DOA limits.
Single source recommendation	Approval at appropriate DOA limits. Competitive bidding and/or documentation of contemporary index pricing should be used where practical. Vice President of Regulated Fuels shall confirm any such single source recommendations.
Premium over low bid	Documentation and approval by the Vice President of Regulated Fuels. Approval in accordance with DOA limits.

12. Other Pollution Control Chemicals

Other pollution control chemicals or reagent products such as ammonia, urea and organic acid (DBA) are purchased utilizing a like process initiated and authorized through the corporate purchasing department following DOA authorities appropriate to that group.

**Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011**

STAFF-DR-01-030

REQUEST:

- a. State whether Duke Kentucky is aware of any violations of its policies and procedures regarding fuel procurement that occurred prior to or during the period from May 1, 2010 to October 31, 2010.
- b. If yes, for each violation:
 - 1) Describe the violation;
 - 2) Describe the action(s) that Duke Kentucky took upon discovering the violation; and
 - 3) Identify the person(s) who committed the violation.

RESPONSE:

EAST BEND:

- a. No
- b. N/A

MIAMI FORT #6:

- a. No
- b. N/A

WOODSALE:

- a. No violations of fuel procurement policies and procedures occurred.
- b. n/a

PERSON RESPONSIBLE: Elliott Batson (East Bend & Miami Fort 6)
Ryan Gentil (Miami Fort 6)
John Swez (Woodsdale)

Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011

STAFF-DR-01-031

REQUEST:

Identify and explain the reasons for all changes in the organizational structure and personnel of the departments or divisions that responsible for Duke Kentucky's fuel procurement activities that occurred during the period from May 1, 2010 to October 31, 2010.

RESPONSE:

EAST BEND:

On July 1, 2010, Julie Price joined the Regulated Fuels group as the Transportation & Logistics Coordinator for all regulated barged served stations in the Midwest. Julie replaced Mike Meyer who retired on June 30, 2010.

MIAMI FORT #6:

Beginning July 1, 2010, Duke Energy Kentucky's Regulated Fuel procurement group assumed the responsibility for purchasing the coal for its Miami Fort Unit 6. Prior to July 1, 2010, the fuel procurement responsibility for Miami Fort unit 6 was managed by Duke Energy Ohio under a FERC-approved operation agreement. Duke Energy Ohio continues to own and operate Miami Fort Units 7&8 and operate unit 6. Duke Energy Ohio reconfigured the Miami Fort station coal yard in early 2010 and purchased additional coal handling equipment and conveyers that allowed maintenance of separate piles for the three units and for the separation of the coal procurement responsibility. This did not involve a change in the written procedures, in that Duke Energy Kentucky's procedures for the procurement of coal already in place for Eastbend were now applicable to Miami Fort 6. The change was made so to eliminate the accounting allocations occurring between Duke Energy Ohio and Duke Energy Kentucky related to the coal procurement costs. The changes in the coal yard and handling equipment purchased by Duke Energy Ohio provided Duke Energy Kentucky the opportunity to take over the responsibility of coal procurement for that unit rather than continuing to rely upon Duke Energy Ohio to make those decisions.

WOODSDALE:

No changes occurred during this period.

PERSON RESPONSIBLE: John Swez (Woodsdale)
Elliott Batson (East Bend & Miami Fort 6)

**Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011**

STAFF-DR-01-032

REQUEST:

- a. Identify all changes that Duke Kentucky made during the period from May 1, 2010 to October 31, 2010 to its maintenance and operation practices that affect fuel usage at Duke Kentucky's generation facilities.
- b. Describe the impact of these changes on Duke Kentucky's fuel usage.

RESPONSE:

- a. No changes occurred during this time period.
- b. n/a

PERSON RESPONSIBLE: John Swez

Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011

STAFF-DR-01-033

REQUEST:

- a. List all intersystem sales during the period from May 1, 2010 to October 31, 2010 in which Duke Kentucky used a third party's transmission system.
- b. For each sale listed above:
 - 1) Describe how Duke Kentucky addressed, FAC reporting purposes, the cost of fuel expended to cover any line losses incurred to transmit its power across the third party's transmission system; and
 - 2) State the line loss factor used for each transaction and describe how such line loss factor was determined.

RESPONSE:

- a. Duke Energy Kentucky sells 100% of its generation to the Midwest Independent System Operator, Inc. ("MISO"). These sales are made at the generating station; consequently, no third party transmission was used.
- b. Not applicable.

PERSON RESPONSIBLE: Lisa D. Steinkuhl

Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011

STAFF-DR-01-034

REQUEST:

Describe each change that Duke Kentucky made to its methodology for calculating intersystem sales line losses during the period May 1, 2010 to October 31, 2010.

RESPONSE:

Not Applicable. See response to STAFF-DR-01-033.

PERSON RESPONSIBLE: Lisa D. Steinkuhl

**Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011**

STAFF-DR-01-035

REQUEST:

State whether Duke Kentucky has solicited bids for coal with the restriction that it was not mined through strip mining or mountain top removal. If yes, explain the reasons for the restriction on the solicitation, the quantity in tons and price per ton of the coal purchased as a result of this solicitation, and the difference between the price of this coal and the price it could have obtained for the coal if the solicitation had not been restricted.

RESPONSE:

EAST BEND:

In May 2010, Duke Energy Kentucky issued a joint Request for Proposal (RFP) with Duke Energy Indiana Inc. and Duke Energy Carolinas, LLC. This RFP requested bidders to distinguish between coal that was mined by mountain top removal or underground mining methods. The issue of mountain top mining is one that affects the Central Appalachian basin producers. All of the coal suppliers evaluated in response to the RFP were either Ill. Basin or NAPP Suppliers, where no MTR suppliers exist. Therefore, the issue of MTR had no impact on fuel procurement decisions for East Bend Steam Station.

MIAMI FORT #6:

An RFP was not issued for Miami Fort #6 during the period May 2010 through October 2010.

PERSON RESPONSIBLE: Elliott Batson (East Bend & Miami Fort 6)
Ryan Gentil (Miami Fort 6)

Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011

STAFF-DR-01-036

REQUEST:

State whether any MISO costs were included in Duke Kentucky's monthly FAC filing during the period from May 1, 2010 to October 31, 2010. If yes, state the type and amount of the costs.

RESPONSE:

Yes. The total MISO costs/revenues included in Duke Energy Kentucky's monthly FAC filing for the six month period May 1, 2010 to October 31, 2010 was \$10,910,836. The energy costs are purchases made from MISO on an economic dispatch basis. The make whole payments are payments made to Duke Energy Kentucky because MISO committed the Duke Energy Kentucky's assets and Duke Energy Kentucky did not receive adequate revenue from the LMP to cover the offered costs.

Month/Year (1)	Energy Costs (2)	Make Whole Payments (3)	Total MISO Costs in FAC Filings (2) less (3)
May 2010	\$3,704,508	\$495,991	\$3,208,517
June 2010	\$2,645,622	\$1,152,308	\$1,493,314
July 2010	\$4,104,699	\$1,656,781	\$2,447,918
August 2010	\$2,936,271	\$1,363,765	\$1,572,506
September 2010	\$792,113	\$674,483	\$117,630
October 2010	\$2,146,573	\$75,622	\$2,070,951
Total	\$16,329,786	\$5,418,950	\$10,910,836

PERSON RESPONSIBLE: Lisa D. Steinkuhl

Duke Energy Kentucky
Case No. 2010-00494
Staff First Set Data Requests
Date Received: January 27, 2011

STAFF-DR-01-037

REQUEST:

In its most recent two-year case, Case No. 2008-00522, the roll-in of fuel costs into Duke Kentucky's base rates was approved using a "flash cut" approach, which resulted in an immediate change from its then-existing base fuel cost to its new base fuel cost, rather than a "transitional approach" in which the first month's fuel cost is an average of the old and new base fuel cost. Duke Kentucky also indicated its preference that any change in base rates be approved on a "bills rendered" basis rather than a "service rendered" basis. If the current FAC review results in changes to its base rates, does Duke Kentucky continue to prefer the same "flash cut" approach on a "bills rendered" basis as authorized in the previous two-year case? Explain.

RESPONSE:

Duke Energy Kentucky prefers the "flash cut" approach and on a "bills rendered" basis as was authorized in the previous two-year case. The "flash cut" approach to implementing a new base fuel cost simplifies the logistics of implementation by allowing the base rates to be revised only once. The "bills rendered" basis simplifies the implementation of the new base fuel rate in the billing system.

PERSON RESPONSIBLE: Lisa D. Steinkuhl

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of an Examination Of The)
Application Of The Fuel Adjustment Clause) Case No. 2010-00494
Of Duke Energy Kentucky From November)
1, 2008 Through October 31, 2010)

DIRECT TESTIMONY OF
ELLIOTT BATSON, JR.
ON BEHALF OF
DUKE ENERGY KENTUCKY

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February 14, 2011

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I. INTRODUCTION AND PURPOSE

1 **Q. STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Elliot Batson Jr., and my business address is 526 Church Street,
3 Charlotte, North Carolina 28202.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed as Vice President, Regulated Fuels, by Duke Energy Business
6 Services, LLC, a service company subsidiary of Duke Energy Corporation and a
7 non-utility affiliate of Duke Energy Kentucky, Inc. Duke Energy Kentucky, or
8 Company.

9 **Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND**
10 **AND BUSINESS EXPERIENCE.**

11 A. I am a 1985 graduate of the University of South Carolina with a Bachelor of
12 Science in Business Administration. I have been employed with Duke Energy
13 since 1986 and have worked in various fossil fuel procurement functions and
14 leadership roles since 1990. I am a member of the North Carolina Coal Institute. I
15 assumed my current role as Vice President, Regulated Fuels in December, 2010.

16 **Q. PLEASE BRIEFLY DESCRIBE YOUR DUTIES AND**
17 **RESPONSIBILITIES AS VICE PRESIDENT, REGULATED FUELS.**

18 A. As Vice President, Regulated Fuels, I participate in all aspects of the purchase and
19 delivery of fuel that the Duke Energy regulated utilities use for the generation of
20 electricity. As part of this activity, I monitor and participate in the development of
21 forecasts of various fuels of current or potential interest, including forecasts of

1 supply and demand, price, quality, availability, economics and deliverability.
2 These fuel forecasts cover both existing supply sources and potential supply
3 sources that may be economically developed. I also supervise the Company's fuel
4 procurement activity, including the negotiation and administration of fuel
5 purchase contracts.

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. The purpose of my testimony is to respond to the Commission's January 26, 2011
8 Order and discuss Duke Energy Kentucky's fuel procurement practices from
9 November 1, 2008 through October 31, 2010. I also sponsor certain of the
10 Company's responses to the Commission Data Requests.

11 **II. DISCUSSION**

12 **Q. PLEASE COMMENT GENERALLY ON THE REASONABLENESS OF**
13 **DUKE ENERGY KENTUCKY'S FUEL PROCUREMENT PRACTICES**
14 **DURING THE REVIEW PERIOD.**

15 A. Duke Energy Kentucky's coal procurement policy is designed to assure that we
16 procure a reliable and consistent supply of appropriate quality coal for our coal
17 generating stations at a competitive price. Coal is generally purchased under
18 long-term contracts of one to three years in length. The Company secures both its
19 spot (less than one year) and long-term coal supply from producers through a
20 competitive bid process, which are evaluated thoroughly, taking into account coal
21 quality, quantity, transportation alternatives and price, among other factors. The
22 producer (or producers) whose coal offers the best value, particularly with regard
23 to overall utilization costs, is selected for further negotiations to produce

1 contracts. The Company's long-term contracts may contain provisions for
2 periodic price adjustments or a mechanism to adjust prices based upon published
3 market price indices. The Company has established guidelines for the amounts of
4 coal to be placed under contract during a specific period of time, and the
5 Regulated Fuels Department follows these guidelines.

6 The Company's Regulated Fuel Department stays continually informed as
7 to the current market for spot and contract coal and specific opportunities for the
8 purchase of such coal. Coal supply needs are determined by an ongoing review of
9 generating station stockpiles, consumption projections, and current coal supply
10 quantities already contracted. A current record of relevant information for each
11 producer throughout much of the Illinois Coal Basin and other coal supply basins
12 is maintained within the Department. In addition, Duke Energy's Regulated Fuel
13 Department personnel visit each of the Company's contract producers and mining
14 operations regularly and any potential new spot producers as well, gathering
15 information which assists in our analysis of spot coal needs. This information,
16 coupled with constant monitoring of pricing information published in various
17 places (e.g. industry newsletters, trade publications, regulatory filings, etc.), as
18 well as a close review by the Department of the weekly spot market pricing
19 indices published by brokers and traders provides a thorough understanding of the
20 various spot coal and long-term alternatives. Accordingly, when a coal
21 requirement exists, proposals are sought from potential suppliers, and the
22 resulting commitment or commitments are based on the suppliers having the
23 lowest delivered cost and best overall utilization characteristics of a given unit or

1 units. Usually, spot coal commitments are made for small quantities of coal, over
2 short durations, as compared to long-term contracts of one year or more.

3 **Q. PLEASE DESCRIBE THE COAL SUPPLIER'S ADHERENCE TO**
4 **CONTRACT DELIVERY SCHEDULES DURING THE REVIEW**
5 **PERIOD?**

6 A. During the review period, the Company received over 95% of all contracted coal
7 during the agreed upon delivery schedule. The Company incurred only two
8 notable contract shortfalls during the review period. One shortfall incurred in
9 2008 and was attributable to supplier production problems at the mine. The
10 Company and supplier agreed to extend the term of the contract to allow delivery
11 of the missed tons ratably in the years of 2010, 2011 and 2012. As of October 31,
12 2010, the supplier was on track to ship all tons to fulfill its contract commitment.
13 The second shortfall occurred in 2009 and was attributable to geological
14 conditions at a supplier's mine. The Company and supplier agreed to allow
15 supplier to add these tons to the delivery schedule for 2010, and as of October 31,
16 2010 the supplier was on-track to ship all tons to fulfill its contract commitment.
17 The Company did not face any inventory problems during the review period as a
18 result of these two contract delivery shortfalls. The shortfalls were not of a
19 sufficient amount to cause a significant increase in spot tons purchased by the
20 Company.

21 **Q. PLEASE DESCRIBE DUKE ENERGY KENTUCKY'S EFFORTS TO**
22 **ENSURE COAL SUPPLIERS ADHERENCE TO CONTRACT DELIVERY**
23 **SCHEDULES DURING THE REVIEW PERIOD.**

1 A. Duke Energy Kentucky constantly monitors and enforces the provisions of our
2 coal contracts with respect to quantities and qualities of coal due the Company.
3 The Company monitors supplier performance monthly and determines the causes
4 of any supplier under-performance for quantity or quality. If our review
5 determines that the supply shortages were not the result of a Force Majeure event,
6 we will either work with the particular supplier to determine a new alternate
7 delivery schedule or seek damage provisions per the terms of the contract. In
8 either case, we preserve as much of the market value as possible. All coal
9 contracts contain quality adjustment provisions to account for the differences
10 between the actual coal quality shipped and the contracted quality. Monthly
11 quality pricing adjustments are made per the terms of the contract which include
12 penalties for non-conforming shipments of coal. Contracts also contain terms
13 stating if shipments are not in compliance with contract specifications, the
14 Company has the ability to suspend deliveries and terminate the contract if quality
15 deficiencies cannot be corrected.

16 **Q. PLEASE DESCRIBE DUKE ENERGY KENTUCKY'S EFFORTS TO**
17 **MAINTAIN THE ADEQUACY OF ITS COAL SUPPLIES IN LIGHT OF**
18 **ANY SUPPLIER'S INABILITY OR UNWILLINGNESS TO MAKE**
19 **CONTRACT DELIVERIES.**

20 A. As mentioned earlier, the Company monitors supplier delivery performance
21 monthly as part of a strong adherence to contract administration. The Company
22 also closely monitors actual coal burns, actual coal inventories and projected coal
23 burns and inventories. If a supplier fails to make contracted deliveries per the

1 agreed upon schedule, the Company immediately notifies the supplier and
2 discusses the reasons and nature of the shortfall. Depending upon the nature of
3 the failure to perform, the parties either agree to reschedule the missed shipments
4 or the Company enforces the legal terms of the contracts for non-performance.
5 The Company then factors any shortfall or agreed upon make up schedule for
6 missed tons into the forward plans for projected inventories. If the missed
7 shipments will lead to a situation where the Company's coal inventories will fall
8 below established inventory guidelines, the Company will purchase replacement
9 coal through a competitive bid process.

10 **Q. WERE THERE ANY CHANGES IN COAL MARKET CONDITIONS**
11 **THAT OCCURRED DURING THE REVIEW PERIOD OR THAT DUKE**
12 **ENERGY KENTUCKY EXPECTS TO OCCUR IN THE NEXT TWO**
13 **YEARS THAT SIGNIFICANTLY AFFECTED OR WILL**
14 **SIGNIFICANTLY AFFECT DUKE ENERGY KENTUCKY'S COAL**
15 **PROCUREMENT PRACTICES?**

16 A. The Company currently sources a majority of its coal for Duke Energy Kentucky
17 from either the Illinois Basin or from the Upper Ohio River near Pennsylvania /
18 Ohio. Between late 2008 and late 2010, published coal market prices have
19 declined from approximately \$75 - \$80 per ton for high sulfur Illinois Basin coal
20 loaded on the Ohio River and high sulfur Ohio River coal loaded near
21 Pennsylvania / Ohio to approximately \$45-50 per ton currently. Coal market
22 prices in 2008 were higher due to strong domestic demand for coal as well as
23 strong international demand for U.S. coal. Coal market prices decreased sharply in

1 early 2009 as domestic demand declined due to deteriorating economic conditions
2 and lessening world demand for coal. Since late 2009, published Illinois Basin
3 high sulfur (barge) and Upper Ohio River high sulfur (barge) coal market prices
4 have increased from about \$40 per ton to the current range of \$45-\$50.

5 2010 brought several near term changes to US coal markets as well as the
6 potential to create many long term fundamental changes. Eastern US coal
7 production (Central and Northern Appalachia coal basins) declined approximately
8 3.5% in 2010 compared to 2009 while interior US (Illinois Basin) production
9 increased approximately 1% in 2010 compared to 2009. Declining eastern
10 production can be attributed to many factors including a declining reserve base in
11 Central Appalachia, increasing safety regulations and inspections that reduce
12 productivity and production, increasingly stringent permitting requirements for the
13 remaining reserves and a relatively low domestic demand for coal. Future coal
14 production from Central Appalachia will be difficult and challenging due to these
15 many issues and industry projections indicate continued declining production
16 from this key coal basin. In addition, growing global demand for coal has
17 increased coal exports from both eastern sources and Illinois Basin sources.
18 Production and market concerns for eastern US coal have started increasing the
19 interest and demand for Illinois Basin coal. Several eastern utilities that typically
20 consume eastern US coal are currently evaluating its use. Several Illinois Basin
21 producers have developed and implemented international marketing plans as a
22 result of the strong global demand for coal. Both mines and ports are developing
23 infrastructure to increase exports. Uncertainty exists around how much Illinois

1 Basin coal can be utilized beyond normal markets due to differences in coal
2 quality that impacts boiler or plant performance, how much can be transported to
3 new markets, and how much and how quickly port infrastructure is developed.
4 Overall, these issues create upward pressure on coal prices with the biggest
5 deterrent being the uncertainty around domestic demand for coal and low natural
6 gas prices. Because of all the uncertainties, the Company anticipates coal pricing
7 volatility in 2011 and 2012. Recent history has shown small imbalances in coal
8 supply and demand can cause large changes in coal market prices.

9 The Company expects to continue to employ many of the same
10 procurement practices over the next two years as it has in the past to maintain a
11 competitive cost for coal. This includes the use of staggered terms on long term
12 contracts, seeking to maintain a diversified mix of suppliers, using a mixture of
13 fixed price contracts and variable price contracts tied to changes in certain indices,
14 enforcement of all contract provisions and continuing compliance with Company
15 coal contracting coverage guidelines.

16 **Q. PLEASE IDENTIFY THE RESPONSES TO COMMISSION DATA**
17 **REQUESTS YOU ARE SPONSORING?**

18 A. I sponsor the Company's responses to Data Request Numbers 15, 18, 19, 20, 21,
19 23, 24, 25, 29, 30, 31 and 35. These responses were prepared by me and under
20 my direction and control and are true and accurate.

VERIFICATION

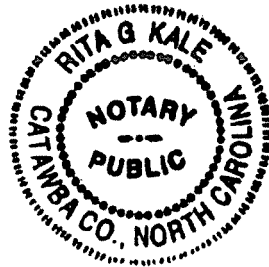
STATE OF NORTH CAROLINA)
) SS:
COUNTY OF MECKLENBURG)

The undersigned, Elliot Batson Jr., being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing testimony, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.

Elliot Batson Jr.

Elliot Batson Jr., Affiant

Subscribed and sworn to before me by Elliot Batson Jr., on this 11 day of February, 2011.



Rita G. Kale

NOTARY PUBLIC

My Commission Expires: 6/17/12

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of an Examination Of The)
Application Of The Fuel Adjustment Clause) Case No. 2010-00494
Of Duke Energy Kentucky From November)
1, 2008 Through October 31, 2010)

DIRECT TESTIMONY OF

JOHN D. SWEZ

ON BEHALF OF

DUKE ENERGY KENTUCKY

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February 14, 2011

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I. INTRODUCTION AND PURPOSE

1 **Q. STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is John D. Swez, and my business address is 526 Church Street,
3 Charlotte, North Carolina 28202.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed as Director, Regulated Portfolio Optimization, by Duke Energy
6 Business Services, LLC, a service company subsidiary of Duke Energy
7 Corporation and a non-utility affiliate of Duke Energy Kentucky, Inc. (Duke
8 Energy Kentucky, or Company).

9 **Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND**
10 **AND BUSINESS EXPERIENCE.**

11 A. I received a Bachelor of Science degree in Mechanical Engineering from Purdue
12 University in 1992. I received a Masters of Business Administration degree from
13 the University of Indianapolis in 1995. I joined PSI Energy, Inc. in 1992 and have
14 held various engineering positions with the Company or its affiliates in the Power
15 Services and Power Trading departments. In 2003, I assumed the position of
16 Manager, Real-Time Operations. Though my title has changed on several
17 occasions, I assumed my current role on January 1, 2006.

18 **Q. PLEASE BRIEFLY DESCRIBE YOUR DUTIES AS DIRECTOR,**
19 **REGULATED PORTFOLIO OPTIMIZATION.**

20 A. I am responsible for the Company's: (i) generating dispatch; (ii) unit
21 commitment; (iii) 24-hour real-time operations; (iv) plant communications related

1 to short-term generating maintenance planning; and (v) gas procurement. I am
2 also responsible for the submission of the Company's supply offers to the
3 Midwest Independent Transmission System Operator, Inc. (Midwest ISO) for the
4 Midwest ISO's Day-Ahead and Real-Time electric energy markets in the Midwest
5 ISO region (Day 2 Markets), as well as managing the Company's short term
6 supply position to ensure that the Company has adequate resources committed to
7 serve its retail customers' electricity needs.

8 **Q. WHAT IS THE PURPOSE OF YOUR PREFILED TESTIMONY?**

9 A. The purpose of my testimony is to respond to the Commission's January 26, 2011
10 Order and address the changes in the wholesale electric power market and how
11 those changes have impacted or will impact Duke Energy Kentucky's power
12 procurement. I also sponsor certain of the Company's responses to the
13 Commission's Data Requests.

14 **II. DISCUSSION**

15 **Q. PLEASE GENERALLY DESCRIBE DUKE ENERGY KENTUCKY'S**
16 **POWER PROCUREMENT PRACTICES.**

17 A. Duke Energy Kentucky is currently a market participant of the Midwest ISO.
18 Through the day-ahead market, market participants can mitigate their exposure to
19 price risk in the real-time markets. Demand bids and supply offers are submitted
20 to the Midwest ISO by market participants, including both generator owners (as
21 sellers) and load serving entities (as buyers). Thus, the Company functions as
22 both a seller and buyer to serve its retail electric customers. Duke Energy
23 Kentucky has the ability to self-schedule certain resources to ensure that those

1 resources are committed and dispatched. Additionally, Duke Energy Kentucky
2 operates under a back-up power supply plan consisting of capacity purchases
3 through bilateral contracts and energy purchases through the Midwest ISO daily
4 energy markets with forward contracts purchased through Intercontinental
5 Exchange (ICE) and Over The Counter (OTC) brokers for scheduled outages.
6 Duke Energy Kentucky may purchase capacity during times when Duke Energy
7 Kentucky does not have adequate capacity to meet the Midwest ISO module E
8 reserve margin requirement. Duke Energy Kentucky's current back-up supply
9 plan, approved in Case No. 2009-429, expires at the end of 2012.

10 The Midwest ISO launched its Ancillary Services Market (ASM) on
11 January 6, 2009. As expected, the ASM functioned smoothly without any major
12 issues to date. Duke Energy Kentucky's generators have been able to follow real-
13 time signals from the Midwest ISO with minimal issues. Day-ahead and real-time
14 Market Clearing Prices (MCP) for Regulating, Spinning, and Supplemental
15 Reserves appear to be at reasonable price levels consistent with market conditions.
16 In addition, Duke Energy Kentucky's generating units appear to be appropriately
17 receiving day-ahead and real-time awards for Regulating, Spinning, and
18 Supplemental Reserves.

19 **Q. PLEASE DESCRIBE ANY CHANGES THAT OCCURRED IN THE**
20 **WHOLESALE ELECTRIC POWER MARKET BETWEEN NOVEMBER**
21 **1, 2008 THROUGH OCTOBER 31, 2010, AND THAT SIGNIFICANTLY**
22 **AFFECTED DUKE ENERGY KENTUCKY'S ELECTRIC POWER**
23 **PROCUREMENT PRACTICES.**

1 A. Duke Energy Kentucky witnessed downward pressure on wholesale power market
2 prices during the audit period. This was due primarily to the economic recession
3 and its impact on demand as well as steadily dropping commodity prices,
4 especially natural gas, during the period. For example, natural gas was
5 approximately \$12 per million BTU at the start of 2008, but declined steadily to
6 the \$4 per million BTU to \$5 per million BTU level for much of 2009 and 2010.
7 This downward pressure, however, did not significantly impact Duke Energy
8 Kentucky's power procurement practices. The Company continued to make
9 economic power purchases for both planned and forced outages during the audit
10 period to mitigate exposure to market prices. In addition, Duke Energy Kentucky
11 made economic purchases from the Midwest ISO when the purchases are more
12 economic than dispatching its own generation for the benefit of the Company's
13 native load.

14 **Q. WHAT CHANGES DOES DUKE ENERGY KENTUCKY EXPECT TO**
15 **OCCUR IN THE WHOLESALE POWER MARKET WITHIN THE NEXT**
16 **TWO YEARS THAT MAY SIGNIFICANTLY AFFECT DUKE ENERGY**
17 **KENTUCKY'S ELECTRIC POWER PROCUREMENT PRACTICES?**

18 A. Duke Energy Kentucky does not expect any changes to the wholesale power
19 market in the next two years that will cause any significant impact to the
20 Company's power procurement practices. As was approved in Case No 2010-
21 00203, Duke Energy Kentucky anticipates realigning its RTO membership from
22 the Midwest ISO to PJM Interconnection LLC., (PJM) effective January 1, 2012.
23 This realignment is based upon and contingent upon the realignment of the bulk

1 transmission system of Duke Energy Ohio, Inc., (Duke Energy Ohio). Duke
2 Energy Kentucky owns very little bulk transmission facilities and is a
3 transmission dependent utility, relying upon Duke Energy Ohio transmission
4 system to serve its Kentucky load. Because of the nature of the connection of
5 Duke Energy Kentucky's generation resources, to the bulk transmission facilities
6 of Duke Energy Ohio, it is necessary for Duke Energy Kentucky to be in the same
7 RTO as its parent, Duke Energy Ohio.

8 Duke Energy Kentucky will operate in PJM in much the same manner as it
9 does today in the Midwest ISO. The Company will continue to offer its
10 generation into the market and bid its load. PJM operates both a day-ahead
11 market and real-time (balancing) market for energy. For the Duke Energy
12 Kentucky generating capacity, the Company will offer its resources in a Fixed
13 Resource Requirement (FRR) capacity plan. The generating resources that are
14 committed in the FRR plan will have a must-offer obligation for their energy in
15 the day-ahead energy market. PJM will commit and dispatch these resources via
16 their security constrained unit commitment and economic dispatch software by
17 modeling the Duke Energy Kentucky generating resources with all other
18 generating resources in the PJM area. If not committed day-ahead, the units may
19 still be called on in real-time. There are separate LMPs calculated for day-ahead
20 versus real-time that are paid to the generators or charged to the load. PJM also
21 operates an ancillary service market for regulation and synchronized reserves,
22 each of which is cleared separately with different prices for each product. Duke
23 Energy Kentucky participates in these ancillary service markets in the Midwest

1 ISO and intends to do the same in the PJM ancillary service markets. In addition,
2 PJM reimburses service providers such as Duke Energy Kentucky for blackstart
3 and reactive services. The Duke Energy Kentucky Woodsdale gas-fired
4 combustion turbine plant is currently a blackstart unit in the applicable Duke
5 Energy blackstart plan. Woodsdale will likely choose to offer such service in
6 PJM. Duke Energy Kentucky will operate its generating resources to optimize
7 revenues available in the PJM capacity market, energy market, ancillary services,
8 black start, and reactive service in a reliable manner for the benefit of customers
9 and shareholders.

10 **Q. PLEASE IDENTIFY THE RESPONSES TO COMMISSION DATA**
11 **REQUESTS YOU ARE SPONSORING?**

12 A. I sponsor the Company's responses to Data Request Numbers 9, 10, 11, 14, 15,
13 19, 21, 23, 24, 25, 29, 30, 31 and 32. These responses were prepared by me and
14 under my direction and control and are true and accurate.

15 **III. CONCLUSION**

16 **Q. IN YOUR OPINION, WERE DUKE ENERGY KENTUCKY'S POWER**
17 **PROCUREMENT PRACTICES REASONABLE DURING THE AUDIT**
18 **PERIOD?**

19 A. Yes.

20 **Q. DOES THIS CONCLUDE YOUR PREPARED TESTIMONY?**

21 A. Yes, it does.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of an Examination Of The Application Of The Fuel Adjustment Clause Of Duke Energy Kentucky From November 1, 2008 Through October 31, 2010))))	Case No. 2010-00494
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DIRECT TESTIMONY OF

LISA STEINKUHL

ON BEHALF OF

DUKE ENERGY KENTUCKY, INC

RECEIVED

FEB 14 2011

PUBLIC SERVICE
COMMISSION

February 14, 2011

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I. INTRODUCTION AND PURPOSE

1 **Q.** My name is Lisa Steinkuhl, and my business address is 139 E. Fourth Street,
2 Cincinnati, Ohio 45201.

3 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

4 **A.** I am employed as Lead Rates Analyst by Duke Energy Business Services, LLC, a
5 service company subsidiary of Duke Energy Corporation and a non-utility affiliate of
6 Duke Energy Kentucky, Inc. (Duke Energy Kentucky, or Company).

7 **Q. PLEASE DESCRIBE BRIEFLY YOUR EDUCATIONAL AND**
8 **PROFESSIONAL BACKGROUNDS.**

9 **A.** I received a Bachelor Degree in Mathematics from Western Kentucky University
10 in Bowling Green, Kentucky. After completing my Bachelor Degree, I received a
11 Post Baccalaureate Certificate in Professional Accountancy from the University of
12 Southern Indiana in Evansville, Indiana. I became a Certified Public Accountant
13 (CPA) in the State of Ohio in 1993. After receiving my Post Baccalaureate
14 Certificate in 1988, I was employed by small public accounting firms. I was hired
15 by Cinergy Services, Inc. in 1996 as a tax accountant. I held various positions
16 with Cinergy Services, Inc. including responsibilities in Regulated Business
17 Financial Operations, Commercial Business Asset Management, and Budgets and
18 Forecasts. I have held my current position as Lead Rates Analyst since April
19 2006.

20 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL AFFILIATIONS.**

1 A. I am a member of the American Institute of Certified Public Accountants and the
2 Ohio Society of Certified Public Accountants.

3 **Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THE PUBLIC**
4 **SERVICE COMMISSION?**

5 A. Yes.

6 **Q. PLEASE SUMMARIZE YOUR DUTIES AS LEAD RATES ANALYST.**

7 A. As Lead Rates Analyst, I am responsible for the preparation of financial and
8 accounting data used in applications for changes in fuel and gas cost adjustment
9 factors and various other rates and recovery mechanisms for Duke Energy Ohio,
10 Inc. and Duke Energy Kentucky.

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

12 A. The purpose of my testimony is to sponsor the calculation of Duke Energy Kentucky's
13 Fuel Adjustment Clause (FAC) including the adjustments during the review period of
14 November 1, 2008, through October 31, 2010. I also support the calculation of the
15 Company's proposed base FAC rate to be set in this proceeding. Finally, I sponsor
16 several of Duke Energy Kentucky's responses to the Commission's Data Requests
17 Contained in Appendix B of its January 26, 2011, Order.

18 **II. DISCUSSION**

19 **Q. PLEASE COMMENT GENERALLY ON THE REASONABLENESS OF DUKE**
20 **ENERGY KENTUCKY'S CALCULATION OF ITS FAC RATE DURING THE**
21 **REVIEW PERIOD.**

22 A. In the Commission's June 2, 2009 Order in Case No., 2008-00522, Duke Energy
23 Kentucky's base rate of recovery for fuel was set at 3.3760 ¢/kWh based upon the

1 Company's July 2008 fuel costs. The new rate was effective with the July 2009 billing
2 cycle. Beginning in August 2009, Duke Energy Kentucky began filing monthly
3 adjustments to the FAC rate based upon its actual costs of fuel and power procurement.
4 The monthly adjustments were prepared by me or under my direction and control and, to
5 the best of my knowledge, information, and belief, accurately reflected the Company's
6 actual fuel and economy power costs.

7 **Q. IN YOUR OPINION WAS THE COMPANY'S BASE FUEL RATE DURING**
8 **THE REVIEW PERIOD ACCURATE AND REASONABLE?**

9 A. Yes.

10 **Q. WHAT RATE DOES THE COMPANY PROPOSE FOR THE BASE FUEL**
11 **COST IN THE UPCOMING TWO-YEAR PERIOD FOR THE FAC?**

12 A. The Company proposes to set its FAC at 2.5747 ¢/kWh. The calculation is contained in
13 Attachment DR-01-01 prepared in response to the Commission Data Requests set forth
14 in Appendix B of its January 26, 2011, Order.

15 **Q. WHAT IS YOUR RATIONALE FOR DEEMING THIS TO BE A**
16 **REASONABLE LEVEL FOR THE BASE FUEL AMOUNT?**

17 A. The rate I am proposing for the base fuel rate is the closest actual fuel rate in the prior
18 ten months to the projected fuel rate over the next two years. This judgment is based
19 upon a comparison of the average forecast fuel rate for the calendar year 2011 and 2012
20 and the average forecast fuel rate for the 2 year period of 2011 and 2012 with the actual
21 fuel rates for the prior ten months.

22 **Q. IN YOUR OPINION IS THE COMPANY'S PROPOSED BASE FUEL COST**
23 **REASONABLE?**

1 A. Yes.

2 **Q. PLEASE IDENTIFY THE RESPONSES TO COMMISSION DATA REQUESTS**
3 **YOU ARE SPONSORING?**

4 A. I sponsor the Company's responses to Data Request Numbers 1, 2, 3, 4, 5, 6, 7, 8, 12,
5 13, 16, 17, 22, 26, 27, 28, 33, 34, 36 and 37. These responses were prepared by me and
6 under my direction and control and are true and accurate.

7 **Q. IS DUKE ENERGY KENTUCKY PROVIDING COPIES OF ITS PROPOSED**
8 **TARIFFS REFLECTING THE CHANGE IN THE BASE FUEL RATE**
9 **DESCRIBED IN YOUR DIRECT TESTIMONY?.**

10 A. Yes. A copy of the Company's tariffs reflecting the proposed change in the base fuel
11 rate is included in attachment responding to Staff-issued Data Request 17. That
12 attachment was prepared at my request and under my direction and control.

13 **III. CONCLUSION**

14 **Q. DOES THIS CONCLUDE YOUR PREPARED TESTIMONY?**

15 A. Yes, it does.

