



DUKE ENERGY CORPORATION

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VIA OVERNIGHT DELIVERY

March 16, 2011

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

RECEIVED

MAR 17 2011

PUBLIC SERVICE
COMMISSION

Re: **Case No. 2010-00523**

Dear Mr. Derouen:

Enclosed please find an original and twelve copies of Duke Energy Kentucky Inc.'s response to Staff's Third Set of Data Requests in the above captioned case.

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

Sincerely,

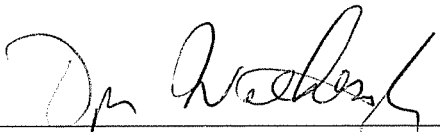
Kristen Cocanougher

cc: Dennis G. Howard II (w/enclosures)

VERIFICATION


State of Ohio)
)
County of Hamilton)

The undersigned, William Don Wathen Jr., being duly sworn, deposes and says that I am employed by the Duke Energy Corporation affiliated companies as General Manager Duke Energy & Vice President Rates-Ohio & Kentucky; that on behalf of Duke Energy Kentucky, Inc., I have supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing response to information requests are true and accurate to the best of my knowledge, information and belief after reasonable inquiry.



William Don Wathen Jr., Affiant

Subscribed and sworn to before me by William Don Wathen Jr. on this 16th day of March 2011.



NOTARY PUBLIC

My Commission Expires:



ROCCO O. D'ASCENZO
ATTORNEY AT LAW
Notary Public, State of Ohio
My Commission Has No Expiration
Section 147.03 R.C.

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Duke Energy Kentucky
Case No. 2010-523
Staff Third Set Data Request
Date Received: March 4, 2011

STAFF-DR-03-001

REQUEST:

Refer to the responses to Items 1 and 4.b. of Commission Staff's Initial Request for Information ("Staff's First Request").

- a. The response to Item 1 shows the actual amount of charges under the voluntary opportunity severance plan ("VOP") as of December 31, 2010, to be \$4,502,779. Provide a breakdown of these charges by expense account as recorded in Duke Kentucky's books of account for calendar year 2010.
- b. The second sentence in the response to Item 4.b states, "All costs were accrued in calendar year 2010 but some additional adjustments may be booked in calendar year 2011." Provide the date on which Duke Kentucky's books for calendar year 2010 were closed.
- c. Describe the process under which Duke Kentucky will adjust the expense balances on its books for calendar year 2010 to reflect a regulatory asset that is created and recorded on its books in calendar year 2011.

RESPONSE:

- a. See Staff-DR-03-001 Attachment.
- b. Duke Energy Kentucky closed its books on January 26, 2011. Earnings were released to the public on February 17, 2011.
- c. The books for calendar year 2010 will not change. If approval for the regulatory assets is approved we will debit a regulatory asset and credit the appropriate expense accounts in the month that an order is received.

PERSON RESPONSIBLE: William Don Wathen, Jr.

DE Kentucky 2010 VOP Expenses by Acct.

Acct #	Acct Description	Dec	Nov	Oct	Sept	August	July	June	May	April	March	Total
0920000	Employee Severance Pmts	161,486.20	-94,198.26	68,485.34	48,298.52	100,183.10	127,533.48	194,072.09	340,419.54	398,566.56	1,471,073.97	2,815,920.54
0921200	Facilities Integration	187,883.39	0.00	15,966.00	29.00	0.00	0.00	17.00	26,000.00	0.00	0.00	229,895.39
0921100	Employee Travel Lodging & Exp	831.81	344.15	228.86	1,929.04	1,448.05	903.18	1,199.14	144.00	115.00	222.00	7,365.23
0926490	Continuation of Med Coverage	3,218.55	1,351.10	1,872.71	-3,527.43	2,986.03	3,963.44	6,264.05	10,622.67	46,110.39	32,654.69	105,516.20
0926490	Outplacement Costs	1,429.90	585.05	742.82	3,297.29	1,157.62	1,551.16	2,437.33	3,580.98	5,069.82	23,458.27	43,310.24
0920000	Employee Retention	17,062.50	1,137.50	1,137.50	1,137.50	1,137.50	1,137.50	1,137.50	38,428.05	1,137.50	1,137.50	64,590.55
0903250	Employee Relocation	0.00	0.00	0.00	-19.00	0.00	0.00	0.00	0.00	0.00	0.00	-19.00
0921100	Employee Relocation	0.00	0.00	0.00	-530.00	75.00	0.00	0.00	-643.00	1,175.00	93.10	170.10
0930230	Employee Relocation	27.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	27.00
0930250	Employee Relocation	50.00	408.00	240.00	694.00	666.00	49.32	77.00	1,349.00	373,505.16	1,173.25	378,211.73
0920000	Other Misc Transition costs(NOTH)	6.00	24.00	8.00	-328.00	23.00	68.02	58.00	158.00	10.30	0.00	27.32
0923000	Other Misc Transition costs(NOTH)	0.00	0.00	0.00	0.00	153.00	0.00	107.00	2.00	0.00	0.00	262.00
0921200	Other Misc Transition costs(NOTH)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.80	5.00	6.80
0926600	Other Misc Transition costs(NOTH)	1.00	4.00	1.00	-63.00	4.00	10.00	0.00	0.00	0.00	0.00	-43.00
0926490	Other Misc Benefits(ROTH)	0.00	0.00	4.00	25.00	25.00	0.00	3,248.86	819.52	647.50	0.00	4,769.88
0923000	Other Misc Benefits(ROTH)	0.00	0.00	0.00	0.00	0.00	0.00	-355.86	-614.64	-621.27	2,879.00	1,287.23
0926000	Other Misc Benefits(ROTH)	0.00	0.00	0.00	0.00	0.00	-16,988.76	106,441.67	205.00	0.00	424,731.21	514,389.12
0921200	Offices Expenses(Work Simplification)	20,945.00	91,740.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	112,685.00
0408152	FICA	6,042.10	2,519.83	3,232.53	28.67	4,845.10	6,390.08	9,548.78	16,213.19	25,628.04	90,452.86	164,901.18
0920000	Employee Salary	0.00	0.00	0.00	-16,369.99	0.00	0.00	0.00	0.00	84,081.59	0.00	67,711.60
0926490	Employee Salary	0.00	0.00	0.00	-3,434.43	0.00	0.00	0.00	0.00	17,640.32	0.00	14,205.89
0926000	Pension Costs	-22,412.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-22,412.00
		376,571.45	3,915.37	91,918.76	31,167.17	112,703.40	124,617.42	324,252.56	436,684.31	953,067.71	2,047,880.85	4,502,779.00

**Duke Energy Kentucky
Case No. 2010-523
Staff Third Set Data Request
Date Received: March 4, 2011**

STAFF-DR-03-002

REQUEST:

Refer to the responses to Items 2.a. of Commission Staff's Supplemental Request for Information ("Staff's Second Request"). Explain how comparing 1) "the employee headcount to be eliminated due to the VOP and Midwest Office Consolidation ("MWOC") by business unit to 2) "the total employees leaving the company due to VOP and MWOC" produces the percentage of affected employees that will not be replaced or will be replaced at a lower salary.

RESPONSE:

The total employees leaving the company due to VOP and MWOC included employees whose jobs were anticipated to be replaced. In other words, 54% of the jobs vacated by these programs were projected to be backfilled.

PERSON RESPONSIBLE: William Don Wathen, Jr.

**Duke Energy Kentucky
Case No. 2010-523
Staff Third Set Data Request
Date Received: March 4, 2011**

STAFF-DR-03-003

REQUEST:

Refer to the attachment provided in response to Item 2.b. of Staff's Second Request. Explain why the ratio of the annual labor savings to the costs of the MWOC is less than one-third the ratio of annual labor savings to the costs of the VOP.

RESPONSE:

The ratio of annual labor savings to the costs of the MWOC is less than the annual savings of the cost of the MWOC because the VOP was a program that resulted in employees leaving the company, while the MWOC is a program that has resulted in the consolidation of corporate offices in Charlotte. The VOP annual savings is labor related resulting from the elimination of vacated positions or rehiring labor at a lower cost. For the MWOC, there is little labor savings reflected because most employees who did not plan to accept relocation or find a regional job typically accepted the VOP and only the labor portion of the MWOC savings have been identified in Staff-DR-Supp-01-002 Attachment. Excluded from the analysis are non-labor saving opportunities such as facility costs, travel expense reductions, and other efficiencies gained from having employees in the same location. We have not yet quantified these additional savings.

PERSON RESPONSIBLE: William Don Wathen, Jr.

Duke Energy Kentucky
Case No. 2010-523
Staff Third Set Data Request
Date Received: March 4, 2011

STAFF-DR-03-004

REQUEST:

Refer to the response to Item 3.b. of Staff's Second Request.

- a. Describe in detail the difficulty associated with tracking the number of service company employees leaving due to the VOP or MWOC who are not replaced.
- b. Describe in detail the difficulty associated with tracking the number of service company employees leaving due to the VOP or MWOC who are replaced at lower salary levels.

RESPONSE:

In order to track the number of employees who were not replaced or replaced at lower salary levels we would have to individually look at all 391 employees, determine their replacement and their salary. There is not always a direct correlation. For example, an employee who retired in one department could have been backfilled with an internal candidate whose job was then backfilled with an external candidate. There are also cases where a department may have had opportunities to restructure and reassign work responsibilities which may have necessitated hiring for new work that was not considered at the VOP. Having people retire under the initiative, transfer between departments, reorganization of departments, makes identifying which individual positions were rehired and which were not, very difficult. In other words, other dynamics have occurred in the business which have resulted in groups not replacing a VOP job but perhaps hiring for a new job that previously was not part of the scope of work. Therefore, it may look like the VOP was replaced in the department, but only because work shifted which required a new hire. In this example, although there was a net zero decrease for the department, they did not rehire the VOP and that avoided an increase in headcount.

PERSON RESPONSIBLE: William Don Wathen, Jr.