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RECEIVED

MAR 30 2007  
PUBLIC SERVICE  
COMMISSION

John J. Finnigan, Jr.  
Associate General Counsel

**VIA OVERNIGHT MAIL**

March 29, 2007

Ms. Elizabeth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602-0615

Re: In the Matter of the Application of Duke Energy Kentucky, Inc. For A Certificate of Public Convenience and Necessity To Construct Gas Distribution Facilities Within Its Service Territory  
Case No. 2006-00101

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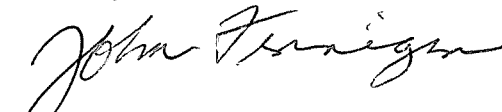
Dear Ms. O'Donnell:

Enclosed please find an original and twelve copies of Duke Energy Kentucky's April 2007 Update Report On Construction Costs For Accelerated Main Replacement Program in the above-referenced case.

Please date stamp and return the two extra copies of my cover letter and the Application in the enclosed envelope.

If you have any questions, please do not hesitate to contact me at (513) 287-3601.

Sincerely,



John J. Finnigan, Jr.

cc: Hon. Larry Cook (with enclosure)

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

In the Matter of:

MAR 30 2007

APPLICATION OF DUKE ENERGY KENTUCKY, INC. )
FOR A CERTIFICATE OF PUBLIC CONVENIENCE )
AND NECESSITY TO CONSTRUCT GAS )
DISTRIBUTION FACILITIES WITHIN ITS )
SERVICE TERRITORY )

PUBLIC SERVICE COMMISSION

CASE NO. 2006-00101

\* \* \* \* \*

DUKE ENERGY KENTUCKY'S
APRIL 2007 UPDATE REPORT ON CONSTRUCTION COSTS
FOR ACCELERATED MAIN REPLACEMENT PROGRAM

\* \* \* \* \*

Pursuant to KRS 278.020, 807 KAR 5:001, Sections 8 and 9, and the Commission's Order dated June 2, 2006 in this proceeding, The Union Light, Heat and Power Company d/b/a Duke Energy Kentucky ("Duke Energy Kentucky") respectfully states as follows:

1. The Commission's June 2, 2006 Order granted a certificate of Public Convenience and Necessity for Duke Energy Kentucky to add \$11,700,000 to its gas plant for its 2006 Accelerated Main Replacement Program. The Commission's Order also granted Duke Energy Kentucky a deviation to exceed this amount by up to 20%. Finally, the Commission's Order required Duke Energy Kentucky to file a report by April 15, 2007 on the actual construction costs incurred during 2006.

2. Duke Energy Kentucky reports that the actual construction costs for new gas plant-in-service added through the AMRP in 2006 was \$12,693,447. This amount exceeds by 8.5% the \$11,700,000 amount approved in the Commission's Order; however, this amount is within the deviation granted in the Commission's Order, which allowed Duke Energy Kentucky to exceed

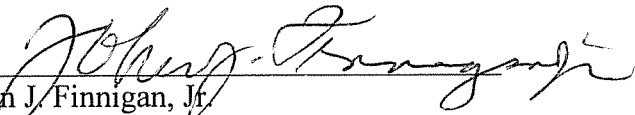
the \$11,700,000 limit by up to 20%.

3. Attachment A is a report listing: (1) the estimated amount for each project in Duke Energy Kentucky's 2006 AMRP construction program; (2) the actual amount added to gas plant-in-service through the AMRP program in 2006 for each type of project; and (3) the reason for any variance.

WHEREFORE, Duke Energy Kentucky respectfully requests that the Commission: (1) accept this report on actual construction costs for new gas plant-in-service added through the AMRP program in 2006; and (2) enter an Order closing this proceeding.

Respectfully submitted,

DUKE ENERGY KENTUCKY, INC

  
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Associate General Counsel  
Duke Energy Shared Services, Inc.  
P. O. Box 960  
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**Duke Energy Kentucky**  
**2006 AMRP Construction Costs**  
**Comparison of Estimated and Actual Costs**

**Attachment A**

	<u>Estimated Costs (1)</u>	<u>Actual Costs (2)</u>	<u>Difference</u>	<u>Variance Explanation (3)</u>
<b><u>Module Jobs</u></b>				
Module 311	2,159,083	2,260,124	101,041	
Module 312	1,425,970	1,704,377	278,407	
Module 319	699,899	347,297	(352,602)	
Module 341	224,736	233,009	8,273	
Module 348	1,873,351	2,610,505	737,154	
Module 351	297,869	0	(297,869)	
Module 352	1,104,425	1,066,006	(38,419)	
Module 371	1,485,381	1,640,011	154,630	
	<u>9,270,714</u>	<u>9,861,329</u>	<u>590,615</u>	
<b><u>CIMOS Jobs</u></b>				
Projected (4)	<u>754,286</u>	<u>0</u>	<u>(754,286)</u>	
<b><u>Street Improvement Jobs</u></b>				
Walden		94,120	94,120	
Wesly Hills		57,062	57,062	
Grandview		543,624	543,624	
Projected (4)	<u>175,000</u>	<u>694,806</u>	<u>519,806</u>	
2005 Carry-over	<u>1,500,000</u>	<u>2,137,312</u>	<u>637,312</u>	
Total for 2006	<u><u>11,700,000</u></u>	<u><u>12,693,447</u></u>	<u><u>993,447</u></u>	

Notes:

- (1) Includes contractor labor, materials, company labor, other and loadings.
- (2) Actual costs through December 31, 2006.
- (3) See 2006 Kentucky Variance Explanations.
- (4) Specific jobs were not known at the time the projection was made.

2006 Kentucky Variance Explanations

Module 311

This project variance increase is due to the change in our sewer locating policy which requires the contractor to pre-locate and post camera all main trunk line sewers and sewer laterals to the property line for all boring techniques. This item was not contemplated at the time the work order was written.

Module 312

This project variance is due to unanticipated utilities. The proposed gas facilities were adjusted to accommodate these unanticipated field conditions not contemplated at the time the work order was written.

Module 319

The scope of this project was reduced by one half. The remainder of the project will be installed in 2008.

Module 341

This project variance is due to unanticipated utilities. The proposed gas facilities were installed more efficiently once all the utilities were field located.

Module 348

This project variance increase is due to unanticipated utilities and a change in our sewer locating policy which requires the contractor to pre-locate and post camera all main trunk line sewers and sewer laterals to the property line for all boring techniques. These items were not contemplated at the time the work order was written.

Module 351

This project was moved to 2007.

Module 352

This project variance is due to unanticipated utilities. The proposed gas facilities were installed more efficiently once all the utilities were field located.

#### Module 371

This project variance increase is due to the change in our sewer locating policy which requires the contractor to pre-locate and post camera all main trunk line sewers and sewer laterals to the property line for all boring techniques. This item was not contemplated at the time the work order was written.

#### Walden

This project variance increase is due to the change in our sewer locating policy which requires the contractor to pre-locate and post camera all main trunk line sewers and sewer laterals to the property line for all boring techniques. This item was not contemplated at the time the work order was written.

#### Wesley Hills

This project is bid and installed by a unit cost price structure. The 2006 actual quantities installed were less than estimated.

#### Grandview

This project variance increase is due to the change in our sewer locating policy which requires the contractor to pre-locate and post camera all main trunk line sewers and sewer laterals to the property line for all boring techniques. This item was not contemplated at the time the work order was written.

#### CIMOS Jobs

The CIMOS projects identified in 2006 were incorporated into module work.

#### 2005 Carry-Over

All the projects in 2005 under this category were bid and installed by a unit cost price structure. The units installed in 2005 had other units associated with the project that were installed and paid in 2006.