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MAR 31 2008

PUBLIC SERVICE
COMMISSION

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Anita M. Schafer
Sr. Paralegal

VIA HAND DELIVERY

March 31, 2008

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

Re: In the Matter of an Adjustment of Rider AMRP of
Duke Energy Kentucky, Inc.'s 2008 First Quarter AMRP Update Filing and
Annual Filing
Case No. 2008-00114

Dear Ms. O'Donnell:

Enclosed please find an original and three sets, in binders, of Duke Energy Kentucky, Inc.'s Annual Filing with the First Quarter 2008 Update Filing and the Notice and Application for New AMRP Rider rates. Also enclosed please find a CD (with three extra copies) showing pictures of the construction work.

Also enclosed are an original and twelve copies of the Petition of Duke Energy Kentucky for Confidential Treatment of Information contained in the First Quarter 2008 Filing. In the enclosed envelope is one copy, filed under seal of the Confidential Information.

Please date-stamp and return the two extra copies of the Notice and the Petition in the enclosed, return-addressed envelope.

Sincerely,

Anita M. Schafer
Senior Paralegal

cc: Hon. David E. Spenard (with enclosures)
Hon. Dennis G. Howard, II

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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MAR 31 2008

PUBLIC SERVICE
COMMISSION

In the Matter of:

AN ADJUSTMENT OF RIDER)
AMRP OF DUKE ENERGY) CASE NO. 2008-00114
KENTUCKY, INC.)

* * * * *

NOTICE AND APPLICATION OF
DUKE ENERGY KENTUCKY
FOR NEW AMRP RATES
AND FIRST QUARTER, 2008 UPDATE FILING

Pursuant to KRS 278.180, KRS 278.190, KRS 278.290, 807 KAR 5:001, Section 8 and the Commission's Order dated December 22, 2005 in *In the Matter of An Adjustment of the Gas Rates of the Union Light, Heat and Power Company*, Case No. 2005-00042 ("Case No 2005-0042"), Duke Energy Kentucky, Inc., ("DE-Kentucky") respectfully states as follows:

1. DE-Kentucky is a Kentucky corporation with its principal office and principal place of business at 107 Brent Spence Square, Covington, Kentucky 41042-0032. Its mailing address is P.O. Box 960, Cincinnati, Ohio 45201.

2. DE-Kentucky is a utility engaged in the gas and electric business. DE-Kentucky purchases, sells, stores and transports natural gas in Boone, Campbell, Gallatin, Grant, Kenton and Pendleton Counties, Kentucky. DE-Kentucky also generates electricity, which it distributes and sells in Northern Kentucky.

3. Pursuant to 807 KAR 5:001, Section 8(3), DE-Kentucky states that a certified copy of its Articles of Incorporation, as amended, is on file with the Commission in Case No. 2006-00563 and is hereby incorporated by reference.

4. Pursuant to the Commission's Order in Case No. 2005-0042, DE-Kentucky requests permission to revise its Rider AMRP – Accelerated Main Replacement Program Rider charges effective for bills rendered on and after June 1, 2008, its first billing cycle for June, 2008, to the following:¹

Rate RS, Residential Service	\$1.05/month
Rate GS, General Service	\$4.54/month
Rate DGS, Distributed Generation Service	\$0.00/month
Rate FT-L, Firm Transportation Service – Large	\$0.0068/CCF
Rate IT, Interruptible Transportation Service	\$0.0029/CCF
Rate SSIT, Spark Spread Interruptible Transportation Rate	\$0.0000/CCF

5. This Application is filed under the provisions of KRS 278.180, KRS 278.190 and KRS 278.290 and the Commission is requested to find the new proposed Rider AMRP charges to be fair, just and reasonable under KRS 278.030(1).

6. This filing consists of a binder, filed herewith, containing the filing requirements listed in Appendix G, Items 1-7, including Maintenance Expense – Account 887 support, as set forth in the Commission's Order dated January 31, 2002 in *In the Matter of An Adjustment of the Gas Rates of the Union Light, Heat and Power Company*, Case No. 2001-092. The filing also includes the following additional items filed herewith: (a) Appendix G, Item 4 - Maps and Modules; and (b) Appendix G, Item 2 - Confidential Information.

¹ *In re: Adjustment of the Gas Rates of the Union Light, Heat and Power Company*, Case No. 2005-00042, (Order at 72)(December 22, 2005). In its Order, the Commission stated it would endeavor to complete its review of the annual AMRP Rider within 60 days, but may extend the length of the review period.

7. As part of this filing, DE-Kentucky has also included the three-month progress report due for the quarter ending March 31, 2008, for all projects currently in progress or completed during that quarter. The quarterly update information is presented with the Appendix G annual filing requirements described above.

8. Pursuant to the Commission's Order dated November 21, 2002 in *In the Matter of an Adjustment of Rider AMRP of The Union Light, Heat and Power Company*, Case No. 2002-107, DE-Kentucky is filing the original and three copies of this application and the attachments.

WHEREFORE, DE-Kentucky respectfully prays that its new Rider AMRP charges and tariff changes be approved as requested herein.

Respectfully submitted,

DUKE ENERGY KENTUCKY, INC.



Amy B. Spiller (85309)

Associate General Counsel

2500 Atrium II

P.O. Box 960

Cincinnati, Ohio 45201-0960

Phone: (513) 419-1810

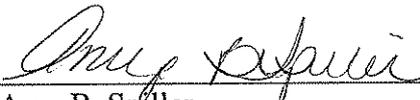
Fax: (513) 419-1846

e-mail: amy.spiller@duke-energy.com

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing Notice and Statement has been served by mailing a copy by first class U. S. Mail, postage prepaid, overnight delivery or via hand delivery to the following parties on this 31st day of March, 2008:

Hon. Dennis G. Howard, II
Hon. David E. Spenard
Office of Attorney General
Utility Intervention and Rate Division
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601



Amy B. Spiller

The Union Light, Heat and Power Company
Annual AMRP Rider Filing
For the 15 Months Ending 12/31/2007
Determination of Annual Revenue Requirement

	Investment Reflected In Base Rates (1)	AMRP for 15-Months Ending 12/31/2007	Cumulative AMRP To Date
<u>Return on Investment:</u>			
Original Cost of Plant in Service -			
Mains - Cast Iron / Copper	2,213,000	(282,556)	(282,556)
Mains - Steel	66,003,000	(206,387)	(206,387)
Mains - Plastic	67,568,000	11,428,670	11,428,670
Services - Cast Iron / Copper	2,465,000	(70,557)	(70,557)
Services - Steel	3,169,000	(57,996)	(57,996)
Services - Plastic	54,203,000	824,562	824,562
Meter Relocations	0	0	0
Customer Service Lines	7,286,000	1,902,873	1,902,873
A. Total Original Cost of Plant in Service	<u>202,907,000</u>	<u>13,538,609</u>	<u>13,538,609</u>
Accumulated Depreciation -			
Mains - Cast Iron / Copper	2,069,000	(378,896)	(378,896)
Mains - Steel	25,052,000	(302,947)	(302,947)
Mains - Plastic	8,005,000	278,248	278,248
Services - Cast Iron / Copper	3,086,000	(70,345)	(70,345)
Services - Steel	2,394,000	(58,975)	(58,975)
Services - Plastic	19,241,000	(553,636)	(553,636)
Meter Relocations	0	0	0
Customer Service Lines	421,000	66,600	66,600
B. Total Accumulated Depreciation	<u>60,268,000</u>	<u>(1,019,951)</u>	<u>(1,019,951)</u>
C. Deferred Income Taxes Associated with Referenced Plant in Service			
Investment Tax Credit (2)		(1,785)	(1,785)
Liberalized Depreciation (2)		218,807	218,807
Net Rate Base for AMRP Purposes (A - B - C)	<u>142,639,000</u>	<u>14,341,538</u>	<u>14,341,538</u>
Authorized Rate of Return, adjusted for Income Taxes	<u>11.638%</u>	<u>11.638%</u>	<u>11.638%</u>
D. Return on AMRP Related Investment	<u>16,600,327</u>	<u>1,669,068</u>	<u>1,669,068</u>
<u>Operating Expenses:</u>			
Depreciation Expense -			
Mains - Cast Iron / Copper	11,000	(1,385)	(1,385)
Mains - Steel	1,346,000	(4,210)	(4,210)
Mains - Plastic	1,731,000	292,574	292,574
Services - Cast Iron / Copper	0	0	0
Services - Steel	43,000	(783)	(783)
Services - Plastic	1,518,000	23,088	23,088
Meter Relocations	0	0	0
Customer Service Lines	12,000	53,280	53,280
Maintenance Expense - Account 887	1,118,215	(416,230)	(416,230)
E. Total Operating Expenses	<u>5,779,215</u>	<u>(53,666)</u>	<u>(53,666)</u>
Total Annual Revenue Requirements (D + E)	<u>22,379,542</u>	<u>1,615,402</u>	<u>1,615,402</u>
Increase (Decrease) in Annual Revenue Requirements			<u><u>1,615,402</u></u>

(1) Plant and Reserve balances as of May 31, 2005.

(2) Mains and Services ITC and Deferred Tax balances in Rates not available.

The Union Light, Heat and Power Company
Annual AMRP Rider Filing
For the 15 Months Ending 12/31/2007
Rate of Return and Overall Project Summary

Calculation of Authorized Rate of Return :

	% of Total Capital	Cost Rate Allowed	Weighted Aver. Cost of Capital	Gross-Up Factor	Authorized Rate of Return
Long-Term Debt	38.164%	5.926%	2.262%		2.262%
Short-Term Debt	7.382%	3.875%	0.286%		0.286%
Common Equity	<u>54.454%</u>	10.200%	<u>5.554%</u>	1.636661	<u>9.090%</u>
Totals	<u>100.000%</u>		<u>8.102%</u>		<u>11.638%</u>

Supporting Schedules:

Overall Project Recap & Summary -

	Miles Replaced under AMRP	Total Cost of Replacement under AMRP	Percentage Total AMRP Completed to Date
Original from Information submitted in Case No. 2001-00092	209	\$ 112,186,118	N/A
Status of Total AMRP as of this Filing	150.71	\$76,898,910	72.11%

The Union, Light Heat and Power Company
Annual AMRP Rider Filing
For the 15 Months Ending 12/31/2007
Plant in Service Added Through AMRP

Project Identifier	Date Project Started	Estimated Total Cost of Work Order or Contract	Costs for Current 15 Months	Cumulative Total Project Costs	Date of Transfer from CWIP to CCNC
Mains - Plastic					
A9126	July-02	409,003.00	20,088.07	20,088.07	Dec-02
B7912	May-04	1,426,734.00	1,798,171.78	1,798,171.78	Aug-07
B7913	June-04	1,090,460.00	31,757.70	31,757.70	Mar-06
B7914	May-04	2,866,065.00	17,629.73	17,629.73	Nov-05
B7915	May-04	1,543,143.00	360,022.54	360,022.54	Aug-06
B7916	May-04	1,015,252.00	345,361.25	345,361.25	Jul-06
B7917	June-04	455,746.00	29,601.22	29,601.22	Aug-05
B8007	July-04	860,587.00	803,380.56	803,380.56	Aug-07
B8008	June-04	498,273.00	8,601.12	8,601.12	Aug-05
B8009	August-04	494,863.00	22,286.48	22,286.48	Jul-06
B8010	July-04	263,284.00	390,545.03	390,545.03	May-07
B8012	May-04	177,281.00	(1,808.16)	(1,808.16)	Jul-06
B8013	August-04	1,272,593.00	356,206.11	356,206.11	Jul-06
B8014	January-05	1,510,031.00	1,314,392.62	1,314,392.62	Jun-07
B8016	December-04	170,445.00	411,058.34	411,058.34	Apr-07
B8017	January-05	681,285.00	18,586.49	18,586.49	Jul-06
B8053	May-04	673,677.00	33,209.00	33,209.00	Aug-05
C3667	October-05	1,625,205.00	1,678,041.80	1,678,041.80	May-07
C5036	December-05	1,065,196.00	337,777.00	337,777.00	Jul-06
C6341	April-06	72,393.00	6,863.21	6,863.21	Sep-06
C6343	July-06	45,960.00	50,247.73	50,247.73	May-07
C6457	May-06	326,258.00	97,460.01	97,460.01	Aug-06
C6464	September-06	340,386.00	374,915.98	374,915.98	Mar-07
C8044	September-06	752,568.00	556,489.65	556,489.65	Nov-07
C8045	September-06	945,638.00	1,224,971.77	1,224,971.77	Nov-07
C8121	November-06	290,416.00	252,280.92	252,280.92	Aug-07
C9528	April-07	575,653.00	505,583.93	505,583.93	Sep-07
C9890	August-07	107,817.00	134,005.29	134,005.29	Nov-07
C9891	August-07	47,123.00	52,975.78	52,975.78	Oct-07
C9892	August-07	88,123.00	47,631.78	47,631.78	Nov-07
C9974	July-07	80,451.00	65,196.41	65,196.41	Sep-07
C9986	July-07	104,936.00	86,815.95	86,815.95	Sep-07
D1057	July-07	177,068.00	77,087.80	77,087.80	Aug-07
		<u>22,053,913.00</u>	<u>11,507,434.89</u>	<u>11,507,434.89</u>	
Mains - Steel					
			<u>0.00</u>	<u>0.00</u>	
Services - Plastic					
A7352	January-02		(15,936.57)	(15,936.57)	Jan-03
C7795	October-06		1,350,165.92	1,350,165.92	Oct-07
C7798	October-06		72,828.72	72,828.72	Oct-07
			<u>1,407,058.07</u>	<u>1,407,058.07</u>	
Meter Relocations					
			<u>0.00</u>	<u>0.00</u>	
Customer Service Lines - Plastic					
A8942	February-02		(15,936.56)	(15,936.56)	Dec-02
A8944	February-02		(811.44)	(811.44)	Dec-02
C7796	October-06		1,736,754.48	1,736,754.48	Oct-07
C7799	October-06		182,866.73	182,866.73	Oct-07
			<u>1,902,873.21</u>	<u>1,902,873.21</u>	
Totals			<u>14,817,366.17</u>	<u>14,817,366.17</u>	

The Union, Light Heat and Power Company
Annual AMRP Rider Filing
For the 15 Months Ending 12/31/2007
Plant in Service Retired or Removed Through AMRP

Project Identifier	Date Project Started	Percentage Complete	Total Investment Retired or Removed	Cost of Removal on Investment Retired	Adjustments Due to Retirement or Replacement
Mains - Plastic					
A8942	February-02	100%	77,610.71	-	77,610.71
A8944	February-02	100%	2,899.72	-	2,899.72
B7912	May-04	100%	41,818.87	2,068.96	43,887.83
B7915	May-04	100%	600.94	348.35	949.29
B7916	May-04	100%	299.18	10.47	309.65
B8007	July-04	100%	3,098.79	1,091.89	4,190.68
B8009	August-04	100%	791.95	12.17	804.12
B8012	May-04	100%	14,877.90	-	14,877.90
B8013	August-04	100%	2,891.85	1,048.18	3,940.03
B8014	January-05	100%	92.64	127.54	220.18
B8016	December-04	100%	127.30	97.21	224.51
C3667	October-05	100%	5,744.81	3,913.17	9,657.98
C5036	December-05	100%	2,994.78	2,802.30	5,797.08
C6341	April-06	100%	3,672.90	-	3,672.90
C6457	May-06	100%	316.80	125.48	442.28
C8044	September-06	100%	36.71	1.69	38.40
C9528	April-07	100%	512.28	-	512.28
C9890	August-07	100%	713.40	1,423.67	2,137.07
C9986	July-07	100%	174.20	438.72	612.92
			78,765.30	8,705.03	87,470.33
Mains - Steel					
B7912	May-04	100%	10,254.21	507.32	10,761.53
B7915	May-04	100%	18,646.02	10,808.66	29,454.68
B7916	May-04	100%	6,051.33	211.74	6,263.07
B8007	July-04	100%	18,500.22	6,518.75	25,018.97
B8009	August-04	100%	4,703.28	72.28	4,775.56
B8010	July-04	100%	2,508.59	715.45	3,224.04
B8012	May-04	100%	21,387.09	-	21,387.09
B8013	August-04	100%	9,874.77	3,579.20	13,453.97
B8014	January-05	100%	3,745.21	17,305.01	21,050.22
B8016	December-04	100%	22,347.69	17,064.51	39,412.20
B8017	January-05	100%	17,043.00	2,603.69	19,646.69
C3667	October-05	100%	14,292.67	9,735.69	24,028.36
C5036	December-05	100%	10,648.43	9,964.04	20,612.47
C6341	April-06	100%	1,196.80	-	1,196.80
C6343	July-06	100%	416.95	(1,740.04)	(1,323.09)
C6457	May-06	100%	970.55	384.43	1,354.98
C6464	September-06	100%	1,936.44	3,062.05	4,998.49
C8044	September-06	100%	28,835.27	1,325.04	30,160.31
C8045	September-06	100%	1,626.12	1,920.64	3,546.76
C8121	November-06	100%	7,469.94	2,732.50	10,202.44
C9528	April-07	100%	1,952.62	-	1,952.62
C9890	August-07	100%	350.02	698.50	1,048.52
C9891	August-07	100%	150.40	1,357.27	1,507.67
C9892	August-07	100%	52.38	-	52.38
C9974	July-07	100%	599.87	-	599.87
C9986	July-07	100%	750.48	1,890.06	2,640.54
D1057	July-07	100%	77.06	580.14	657.20
			206,387.41	91,296.93	297,684.34

The Union, Light Heat and Power Company
Annual AMRP Rider Filing
For the 15 Months Ending 12/31/2007
Plant in Service Retired or Removed Through AMRP

Project Identifier	Date Project Started	Percentage Complete	Total Investment Retired or Removed	Cost of Removal on Investment Retired	Adjustments Due to Retirement or Replacement
Mains - Cast Iron					
B7912	May-04	100%	17,319.98	856.89	18,176.87
B7915	May-04	100%	30,934.52	17,932.02	48,866.54
B7916	May-04	100%	38,952.41	1,362.97	40,315.38
B8007	July-04	100%	3,473.91	1,224.07	4,697.98
B8009	August-04	100%	213.50	3.28	216.78
B8010	July-04	100%	14,911.55	4,252.77	19,164.32
B8012	May-04	100%	3,437.21	-	3,437.21
B8013	August-04	100%	32,618.87	11,823.00	44,441.87
B8014	January-05	100%	3,745.21	5,155.94	8,901.15
B8016	December-04	100%	2,204.51	1,683.35	3,887.86
B8017	January-05	100%	41,952.25	6,409.13	48,361.38
C3667	October-05	100%	16,633.00	11,329.85	27,962.85
C5036	December-05	100%	17,086.51	15,988.34	33,074.85
C6341	April-06	100%	3,672.90	-	3,672.90
C6343	July-06	100%	1,695.92	(7,077.51)	(5,381.59)
C6457	May-06	100%	2,285.78	905.39	3,191.17
C6464	September-06	100%	1,158.18	1,831.40	2,989.58
C8044	September-06	100%	19,740.72	907.13	20,647.85
C8045	September-06	100%	6,785.00	8,013.72	14,798.72
C8121	November-06	100%	3,173.89	1,161.01	4,334.90
C9528	April-07	100%	17,553.55	-	17,553.55
C9890	August-07	100%	169.54	338.34	507.88
C9892	August-07	100%	385.00	-	385.00
C9986	July-07	100%	330.93	833.44	1,164.37
D1057	July-07	100%	1,248.12	9,396.34	10,644.46
			<u>281,682.96</u>	<u>94,330.87</u>	<u>376,013.83</u>
Mains - Copper					
A8942	February-02	100%	541.39	-	541.39
B8007	July-04	100%	542.09	191.01	733.10
C5036	December-05	100%	80.28	75.12	155.40
C8044	September-06	100%	251.08	11.54	262.62
			<u>873.45</u>	<u>277.67</u>	<u>1,151.12</u>
Services - Plastic					
A7352	January-02	100%	128,322.78	-	128,322.78
C7795	October-07	100%	538,135.37	-	538,135.37
C7798	October-07	100%	44,360.42	-	44,360.42
			<u>582,495.79</u>	<u>-</u>	<u>582,495.79</u>
Services - Steel					
A7352	January-02	100%	13,517.90	-	13,517.90
C7795	October-07	100%	57,161.19	-	57,161.19
C7798	October-07	100%	834.51	-	834.51
			<u>57,995.70</u>	<u>-</u>	<u>57,995.70</u>
Services - Cast Iron					
C7795	October-07	100%	211.03	-	211.03

The Union, Light Heat and Power Company
Annual AMRP Rider Filing
For the 15 Months Ending 12/31/2007
Plant in Service Retired or Removed Through AMRP

Project Identifier	Date Project Started	Percentage Complete	Total Investment Retired or Removed	Cost of Removal on Investment Retired	Adjustments Due to Retirement or Replacement
			<u>211.03</u>	<u>-</u>	<u>211.03</u>
Services - Copper					
A7352	January-02	100%	23,340.42	-	23,340.42
C7795	October-07	100%	64,666.04	-	64,666.04
C7798	October-07	100%	5,679.84	-	5,679.84
			<u>70,345.88</u>	<u>-</u>	<u>70,345.88</u>
Meter Relocations			-	-	-
Customer Service Lines - Plastic			-	-	-
Totals			<u>1,278,757.52</u>	<u>194,610.50</u>	<u>1,473,368.02</u>

The Union, Light Heat and Power Company
Annual AMRP Rider Filing
For the 15 Months Ending 12/31/2007
Accumulated Depreciation and Depreciation Expense Through AMRP

Calculation of Accumulated Depreciation

Depreciable Plant in Service	Beginning AMRP Accumulated Depreciation Balance	Net Depreciation Expense for Current 15 Months	Adjustments Due to Retirement or Replacement	Ending AMRP Accumulated Depreciation Balance
Mains - Plastic	0	365,718	87,470	278,248
Mains - Steel	0	(5,263)	297,684	(302,947)
Mains - Cast Iron / Copper	0	(1,731)	377,165	(378,896)
Services -Plastic	0	28,860	582,496	(553,636)
Services -Steel	0	(979)	57,996	(58,975)
Services - Cast Iron / Copper	0	0	70,345	(70,345)
Meter Relocations	0	0	0	0
Customer Service Lines - Plastic	0	66,600	0	66,600
Totals	0	453,205	1,473,156	(1,019,951)

The Union, Light Heat and Power Company
Annual AMRP Rider Filing
For the 15 Months Ending 12/31/2007
Accumulated Depreciation and Depreciation Expense Through AMRP

Calculation of Net Depreciation Expense for Current 15 Months

Depreciable Plant in Service	Depreciable Balance	Depreciation Rate	Depreciation Expense for Current 12 Months	Adjustments to Depreciation Expense Due to Retirement or Replacement	Net Depreciation Expense for Current 15 Months (Expense * 1.25)
Mains - Plastic	11,428,670	2.56%	292,574	0	365,718
Mains - Steel	(206,387)	2.04%	(4,210)	0	(5,263)
Mains - Cast Iron / Copper	(282,556)	0.49%	(1,385)	0	(1,731)
Services -Plastic	824,562	2.80%	23,088	0	28,860
Services -Steel	(57,996)	1.35%	(783)	0	(979)
Services - Cast Iron / Copper	(70,557)	0.00%	0	0	0
Meter Relocations		NA	0	0	0
Customer Service Lines - Plastic	<u>1,902,873</u>	2.80%	<u>53,280</u>	<u>0</u>	<u>66,600</u>
Totals	<u><u>13,538,609</u></u>		<u><u>362,564</u></u>	<u><u>0</u></u>	<u><u>453,205</u></u>

The Union, Light Heat and Power Company
Annual AMRP Rider Filing
For the 15 Months Ending 12/31/2007
Customer Service Lines and Maintenance Expense - Account 887

Customer Service Lines:

Project Identifier	Date Project Started	Cost of Lines Added Due to AMRP	Cost of Lines Added Due to Normal Operations
A8942	February-02	(15,936.56)	
A8944	February-02	(811.44)	
C7796	October-06	1,736,754.48	
C7798	October-06	182,866.73	
A9256	March-02		1,155,808.62
		<u>1,902,873.21</u>	<u>1,155,808.62</u>

Maintenance Expense - Account 887:

"See Binder 2 of the filing for support of FERC Account 887--Maintenance of Mains."

THE UNION LIGHT, HEAT AND POWER COMPANY
ACCELERATED MAIN REPLACEMENT PROGRAM (GAS)
ALLOCATION OF INCREASE IN ANNUAL REVENUE REQUIREMENTS
AND CALCULATION OF PROPOSED RATES

Line No.	Column a.	Column b.	Column c.	Column d.	Column e.	Column f.	
	Customer Bills (1)	Billed Mcf (1)	Approved Base Revenue Per Order (1)	Percent of Revenue (c./Total \$)	Allocated Share of Increase (d.* line 1)	Rider AMRP \$ Per Bill or Mcf (e./a. or b.)	
1	Revenue Requirement Requested					<u>\$ 1,615,402</u>	
2	<u>Allocation of Annual Revenue Requirement</u>						
3	<u>Sales Services</u>						
4	1,057,182	7,314,552	\$ 32,206,529	68.85%	\$ 1,112,204	\$ 1.05 per bill	
5	<u>82,183</u>	<u>3,981,632</u>	<u>\$ 10,806,611</u>	<u>23.10%</u>	<u>\$ 373,158</u>	\$ 4.54 per bill	
6	1,139,365	11,296,184	\$ 43,013,140	91.95%	\$ 1,485,362		
7	<u>Transportation Services</u>						
8	609	1,364,565	\$ 2,678,924	5.73%	\$ 92,563	\$ 0.068 per Mcf	
9	<u>240</u>	<u>1,290,015</u>	<u>\$ 1,086,965</u>	<u>2.32%</u>	<u>\$ 37,477</u>	\$ 0.029 per Mcf	
10	<u>849</u>	<u>2,654,580</u>	<u>\$ 3,765,889</u>	<u>8.05%</u>	<u>\$ 130,040</u>		
11	<u>1,140,214</u>	<u>13,950,764</u>	<u>\$ 46,779,029</u>	<u>100.00%</u>	<u>\$ 1,615,402</u>		
12	(1) Source: Schedule M-2.3, attached.						

THE UNION LIGHT HEAT & POWER COMPANY
CASE NO. 2005- 00042
ANNUALIZED TEST YEAR REVENUES AT PROPOSED RATES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006
(GAS SERVICE)

DATA: ___ BASE PERIOD X FORECASTED PERIOD
TYPE OF FILING: ___ ORIGINAL ___ UPDATED X REVISED
WORK PAPER REFERENCE NO(S):
25 Year Normalized Volumes with Adjustments

Rehearing Order Appendix A

SCHEDULE M-2.3
PAGE 2 OF 7

PROPOSED ANNUALIZED

LINE NO.	RATE CODE (A)	CLASS / DESCRIPTION (B)	CUSTOMER BILLS(1) (C)	SALES(2) (D)	PROPOSED RATES (E)	PROPOSED REVENUE LESS GAS COST REVENUE (F)	% OF REV TO TOTAL LESS GAS COST REVENUE (G)	GAS COST REVENUE(3) (H)	PROPOSED TOTAL REVENUE (F + H) (I)
				(MCF)	(\$/MCF)	(\$)	(%)	(\$)	(\$)
1	RS	RESIDENTIAL							
2		CUSTOMER CHARGE:							
3		RESIDENTIAL							
4		TOTAL MONTHLY BILLS x :							
5		CUSTOMER CHARGE PER MONTH	1,057,182		\$12.00	12,686,184	39.4		12,686,184
6		COMMODITY CHARGE:							
7		ALL CONSUMPTION		7,314,552	2.66870	19,520,345	60.6	60,675,599	80,195,944
8		TOTAL RATE RS RESIDENTIAL	1,057,182	7,314,552		32,206,529	100.0	60,675,599	92,882,128

(1) BILLS THAT TERMINATE IN RESPECTIVE RATE STEPS.

(2) REFLECTS NORMALIZED VOLUMES.

(3) REFLECTS AVERAGE EXPECTED GAS COST OF \$8.295/MCF.

THE UNION LIGHT HEAT & POWER COMPANY
CASE NO. 2005- 00042
ANNUALIZED TEST YEAR REVENUES AT PROPOSED RATES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006
(GAS SERVICE)

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Rehearing Order Appendix A

SCHEDULE M-2.3
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PROPOSED ANNUALIZED

LINE NO.	RATE CODE (A)	CLASS / DESCRIPTION (B)	CUSTOMER BILLS(1) (C)	SALES(2) (D)	PROPOSED RATES (E)	PROPOSED REVENUE LESS GAS COST REVENUE (F)	% OF REV TO TOTAL LESS GAS COST REVENUE (G)	GAS COST REVENUE(3) (H)	PROPOSED TOTAL REVENUE (F + H) (I)
				(MCF)	(\$/MCF)	(\$)	(%)	(\$)	(\$)
1	GS	COMMERCIAL							
2		CUSTOMER CHARGE:							
3		NON-RESIDENTIAL							
4		TOTAL MONTHLY BILLS x :							
5		CUST. CHARGE PER MONTH	74,369		\$30.00	2,231,070	26.4		2,231,070
6		COMMODITY CHARGE:							
7		ALL CONSUMPTION		2,974,297	2.0949	6,230,855	73.6	24,672,359	30,903,214
8		TOTAL RATE GS COMMERCIAL	74,369	2,974,297		8,461,925	100.0	24,672,359	33,134,284

- (1) BILLS THAT TERMINATE IN RESPECTIVE RATE STEPS.
- (2) REFLECTS NORMALIZED VOLUMES.
- (3) REFLECTS AVERAGE EXPECTED GAS COST OF \$8.295/MCF.

THE UNION LIGHT HEAT & POWER COMPANY
CASE NO. 2005- 00042
ANNUALIZED TEST YEAR REVENUES AT PROPOSED VS. MOST CURRENT RATES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006
(GAS SERVICE)

DATA: ___ BASE PERIOD X FORECASTED PERIOD
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Rehearing Order Appendix A

SCHEDULE M-2.3
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PROPOSED ANNUALIZED

LINE NO.	RATE CODE (A)	CLASS / DESCRIPTION (B)	CUSTOMER BILLS(1) (C)	SALES(2) (D)	PROPOSED RATES (E)	PROPOSED REVENUE LESS GAS COST REVENUE (F)	% OF REV TO TOTAL LESS GAS COST REVENUE (G)	GAS COST REVENUE(3) (H)	PROPOSED TOTAL REVENUE (F + H) (I)
				(MCF)	(\$/MCF)	(\$)	(%)	(\$)	(\$)
1	GS	INDUSTRIAL							
2	CUSTOMER CHARGE:								
3	NON-RESIDENTIAL								
4	TOTAL MONTHLY BILLS x :								
5		CUST. CHARGE PER MONTH.	3,060		\$30.00	91,800	8.4		91,800
6	COMMODITY CHARGE:								
7		ALL CONSUMPTION		475,537	2.0949	996,202	91.6	3,944,670	4,940,872
8		TOTAL RATE GS INDUSTRIAL	3,060	475,537		1,088,002	100.0	3,944,670	5,032,672

- (1) BILLS THAT TERMINATE IN RESPECTIVE RATE STEPS.
- (2) REFLECTS NORMALIZED VOLUMES.
- (3) REFLECTS AVERAGE EXPECTED GAS COST OF \$8.295/MCF.

THE UNION LIGHT HEAT & POWER COMPANY
CASE NO. 2005- 00042
ANNUALIZED TEST YEAR REVENUES AT PROPOSED VS. MOST CURRENT RATES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006
(GAS SERVICE)

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SCHEDULE M-2.3
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PROPOSED ANNUALIZED

LINE NO.	RATE CODE	CLASS / DESCRIPTION	CUSTOMER BILLS(1)	SALES(2)	PROPOSED RATES	PROPOSED REVENUE LESS	% OF REV TO	GAS COST	PROPOSED TOTAL
						REVENUE	TOTAL LESS	REVENUE(3)	REVENUE
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
				(MCF)	(\$/MCF)	(\$)	(%)	(\$)	(\$)
1	GS	OTHER PUBLIC AUTHORITIES							
2		CUSTOMER CHARGE:							
3		NON-RESIDENTIAL							
4		TOTAL MONTHLY BILLS x :							
5		CUST. CHARGE PER MONTH	4,754		\$30.00	142,620	11.3		142,620
6		COMMODITY CHARGE:							
7		ALL CONSUMPTION		531,798	2.0949	1,114,064	88.7	4,411,365	5,525,429
8		TOTAL RATE GS OTH PUB AUTH	4,754	531,798		1,256,684	100.0	4,411,365	5,668,049

- (1) BILLS THAT TERMINATE IN RESPECTIVE RATE STEPS.
- (2) REFLECTS NORMALIZED VOLUMES.
- (3) REFLECTS AVERAGE EXPECTED GAS COST OF \$8.295/MCF.

THE UNION LIGHT HEAT & POWER COMPANY
CASE NO. 2005- 00042
ANNUALIZED TEST YEAR REVENUES AT PROPOSED VS. MOST CURRENT RATES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006
(GAS SERVICE)

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PROPOSED ANNUALIZED

LINE NO.	RATE CODE (A)	CLASS / DESCRIPTION (B)	CUSTOMER BILLS (C)	SALES(1) (D)	PROPOSED RATES (E)	PROPOSED REVENUE LESS GAS COST REVENUE (F)	% OF REV TO TOTAL LESS GAS COST REVENUE (G)	GAS COST REVENUE (H)	PROPOSED TOTAL REVENUE (F + H) (I)
				(MCF)	(\$/MCF)	(\$)	(%)	(\$)	(\$)
1		FT - LARGE							
2		FIRM TRANSPORTATION - LARGE							
3		CUSTOMER CHARGE	609		\$430.00	261,870	9.8		261,870
4		COMMODITY CHARGE:							
5		ALL CONSUMPTION		1,364,565	1.7713	2,417,054	90.2		2,417,054
6		TOTAL FT - LARGE	609	1,364,565		2,678,924	100.0		2,678,924

(1) REFLECTS NORMALIZED VOLUMES.

THE UNION LIGHT HEAT & POWER COMPANY
CASE NO. 2005- 00042
ANNUALIZED TEST YEAR REVENUES AT PROPOSED VS. MOST CURRENT RATES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006
(GAS SERVICE)

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Rehearing Order Appendix A

SCHEDULE M-2.3
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PROPOSED ANNUALIZED

LINE NO.	RATE CODE (A)	CLASS / DESCRIPTION (B)	CUSTOMER BILLS (C)	SALES (D)	PROPOSED RATES (E)	PROPOSED REVENUE LESS GAS COST REVENUE (F)	% OF REV TO TOTAL LESS GAS COST REVENUE (G)	GAS COST REVENUE (H)	PROPOSED TOTAL REVENUE (F + H) (I)
				(MCF)	(\$/MCF)	(\$)	(%)	(\$)	(\$)
1	IT								
2		INTERRUPTIBLE TRANSPORTATION							
3	CUSTOMER CHARGE:		240		\$430.00	103,200	9.5		103,200
4	COMMODITY CHARGE:								
5	ALL CONSUMPTION			1,290,015	0.7626	983,765	90.5		983,765
6	TOTAL IT TRANSPORTATION		240	1,290,015		1,086,965	100.0		1,086,965

RIDER AMRP

ACCELERATED MAIN REPLACEMENT PROGRAM RIDER

APPLICABILITY

Applicable to all customers receiving service under the Company's sales and transportation rate schedules.

CALCULATION OF ACCELERATED MAIN REPLACEMENT RIDER REVENUE REQUIREMENT

The AMRP Rider revenue requirement includes the following:

- a. AMRP-related Plant In-Service not included in base gas rates minus the associated AMRP-related accumulated depreciation and accumulated deferred income taxes;
- b. Retirement and removal of plant related to AMRP construction;
- c. The rate of return on the net rate base is the overall rate of return on capital authorized in the Company's latest base gas rate case, grossed up for federal and state income taxes;
- d. Depreciation expense on the AMRP-related Plant In-Service less retirements and removals; and;
- e. Reduction for savings in Account No. 887 – Maintenance of Mains.

ACCELERATED MAIN REPLACEMENT PROGRAM FACTORS

All customers receiving service under Rate RS, Rate GS and Rate DGS shall be assessed a monthly charge in addition to the Customer Charge component of their applicable rate schedule that will enable the Company to complete the bare steel/cast iron main replacement program. Customers receiving service under Rate FT-L, Rate IT and Rate SSIT will be assessed a throughput charge in addition to their commodity delivery charge, for that purpose.

Rider AMRP will be updated annually, in order to reflect the impact on the Company's revenue requirements of net plant additions as offset by operations and maintenance expense reductions during the most recent twelve months ended December. Such adjustments to the Rider will become effective with the first billing cycle of June, and will reflect the allocation of the required revenue increase based on the revenue distribution approved by the Commission.

The charges for the respective gas service schedules for the revenue month beginning June 2008 is:

Rate RS, Residential Service	\$1.05/month
Rate GS, General Service	\$4.54/month
Rate DGS, Distributed Generation Service	\$0.00/month
Rate FT-L, Firm Transportation Service – Large	\$0.0068/CCF
Rate IT, Interruptible Transportation Service	\$0.0029/CCF
Rate SSIT, Spark Spread Interruptible Transportation Rate	\$0.0000/CCF

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

Issued:

Effective:

Issued by Sandra P. Meyer, President