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Dianne B. Kuhnell.
Senior Paralegal

VIA OVERNIGHT MAIL

April 13, 2009

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

APR 14 2009

**PUBLIC SERVICE
COMMISSION**

Re: Case No. 2008-139

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

Dear Mr. Derouen:

Enclosed please find an original and twelve copies of Duke Energy Kentucky, Inc.'s Report on 2008 Construction Costs for Accelerated Main Replacement Program in the above-referenced case.

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

If you have any questions, please do not hesitate to contact me at (513) 419-1837.

Sincerely,

Dianne B. Kuhnell
Senior Paralegal

cc: Hon. Larry Cook (with enclosure)

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY, INC.)	
FOR A CERTIFICATE OF PUBLIC CONVENIENCE)	
AND NECESSITY TO CONSTRUCT GAS)	
DISTRIBUTION FACILITIES WITHIN ITS)	CASE NO. 2008-00139
SERVICE TERRITORY)	

DUKE ENERGY KENTUCKY'S
REPORT ON 2008 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 September 25, 2008 in this proceeding, Duke Energy Kentucky (DE-Kentucky) respectfully states as follows:

1. The Commission's September 25, 2008 Order granted a certificate of Public Convenience and Necessity for DE-Kentucky to add \$19,670,000 to its gas plant for its 2008 Accelerated Main Replacement Program (AMRP). The Commission's Order also granted DE-Kentucky a deviation to exceed this amount by up to 20%. Finally, the Commission's Order required DE-Kentucky to file a report by April 15, 2009 on the actual construction costs incurred during 2008.

2. DE-Kentucky reports that the actual construction costs for new gas plant-in-service added through the AMRP in 2008 was \$21,893,019. This amount exceeds by 11.3% the \$19,670,000 amount approved in the Commission's Order; however, this amount is within the deviation granted in the Commission's Order, which allowed DE-Kentucky to exceed the \$19,670,000 limit by up to 20%.


3. Attachment A is a report listing: (1) the estimated amount for each project in DE-

Kentucky's 2008 AMRP construction program; (2) the actual amount added to gas plant-in-service through the AMRP program in 2008 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 2008; and (2) enter an Order closing this proceeding.

Respectfully submitted,

DUKE ENERGY KENTUCKY, INC.



Rocco O. D'Ascenzo (92796)

Senior Counsel

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing filing was served on the following via ordinary United States mail, postage prepaid, this 13th day of April, 2009:


Rocco O. D'Ascenzo

Larry Cook
Assistant Attorney General
The Kentucky Office of the Attorney General
1024 Capital Center Drive
Frankfort, Kentucky 40602-2000

Anita L. Mitchell
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Duke Energy Kentucky
2008 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>
<u>Module Jobs</u>				
MOD 308	1,934,282	2,492,256	557,974	
MOD 315	906,091	986,826	80,735	
MOD 316	1,606,201	1,762,871	156,670	
MOD 321	1,146,776	582,655	(564,121)	
MOD 323	4,590,538	5,869,042	1,278,504	
MOD 350	887,576	965,808	78,232	
MOD 355	2,013,648	1,926,887	(86,761)	
MOD 380	1,819,170	2,195,144	375,974	
MOD 381	1,146,776	925,078	(221,698)	
MOD 382	1,184,417	1,416,817	232,400	
MOD 383		581,186	581,186	
MOD 597		658,154	658,154	
	<u>17,235,475</u>	<u>20,362,724</u>	<u>3,127,249</u>	
<u>CIMOS Jobs</u>				
Projected (4)	<u>502,540</u>	-	<u>(502,540)</u>	
	502,540	-	(502,540)	
<u>Street Improvement Jobs</u>				
Morgan Ct		118,948	118,948	
N Ft Thomas Ave		1,017,269	1,017,269	
Projected (4)	<u>1,631,985</u>	-	<u>(1,631,985)</u>	
	1,631,985	1,136,217	(495,768)	
2007 Carry-over	<u>300,000</u>	<u>394,078</u>	<u>94,078</u>	
Total for 2008	<u><u>19,670,000</u></u>	<u><u>21,893,019</u></u>	<u><u>2,223,019</u></u>	

Notes:

- (1) Includes contractor labor, materials, company labor, other and loadings.
- (2) Actual costs through December 31, 2008.
- (3) See 2008 Kentucky Variance Explanations.
- (4) Specific jobs were not known at the time the projection was made.

2008 Kentucky Variance Explanations

Module 308

This project variance is due to the installation of an additional 1980' of 8" plastic gas main. This project was installed by a unit cost price structure and the increase in unit quantities were not contemplated at the time the work order was written.

Module 315

This project variance is due to the installation of an additional 881' of 2" plastic gas main. This project was installed by a unit cost price structure and the increase in unit quantities were not contemplated at the time the work order was written.

Module 316

This project variance is due to unanticipated field conditions. The soil conditions contained more rock than anticipated and additional restoration was required. These items were not contemplated at the time the work order was written.

Module 321

The estimated cost for this project was transposed incorrectly. The original estimate should have been \$832,220. This project was bid and installed by a unit cost price structure. The 2008 actual unit quantities installed were less than anticipated. This reduction in work was not contemplated at the time the work order was written. The difference between \$1,146,776 and \$832,220 was used for modules 383 and 597 to meet our budget total of \$19,670,000.

Module 323

This project variance is due to unanticipated field conditions. The soil conditions contributed to unstable trenches requiring additional backfill. Also, the poor condition of the road required additional pavement restoration. These items were not contemplated at the time the work order was written.

Module 350

This project variance is due to unanticipated field conditions that required additional restoration. This increase in restoration was not contemplated at the time the work order was written.

Module 355

This project variance is due to unanticipated field conditions. A reduction in restoration was the result of the favorable field conditions. This item was not contemplated at the time the work order was written.

Module 380

This project variance is due to unanticipated field conditions. The soil conditions contributed to unstable trenches requiring additional backfill. Also, the poor condition of the road required additional pavement restoration. These items were not contemplated at the time the work order was written.

Module 381

The estimated cost for this project was transposed incorrectly. The original estimate should have been \$860,002. This project was bid and installed by a unit cost price structure. The 2008 actual unit quantities installed were more than anticipated. Additional restoration was required due to unanticipated field conditions. This increase in work was not contemplated at the time the work order was written. The difference between \$1,146,776 and \$860,002 was used for modules 383 and 597 to meet our budget total of \$19,670,000.

Module 382

This project variance is due to the addition of a street improvement to this module by The City and unanticipated field conditions. The street improvement added approximately 830' to this project. In addition, the soil conditions contributed to unstable trenches requiring additional backfill and the poor condition of the road required additional pavement restoration. These items were not contemplated at the time the work order was written.

Module 383

This project involving a module was added after the report was submitted. The original dollars were accounted for in the CIMOS/ Street Improvements/MOD 321/MOD 381 section of the report. Therefore, there was no original estimate provided on the construction report for this project.

Module 597

This project involving a module was added after the report was submitted. The original dollars were accounted for in the CIMOS/ Street Improvements/MOD 321/MOD 381 section of the report. Therefore, there was no original estimate provided on the construction report for this project.

CIMOS Projects –

There were no CIMOS projects installed in 2008. The additional dollars not used on CIMOS projects were incorporated into module work (see comments for modules 383 and 597).

Street Improvement Projects - Morgan Ct Park Hills and N Ft. Thomas Ave

The actual individual projects were added after the report was submitted. These projects as a whole were accounted for in the Street Improvement section of this report. These projects were bid and installed by a unit cost price structure. The 2008 actual unit quantities installed were less than the estimated. The additional dollars not used on Street Improvement projects were incorporated into module work (see comments for modules 383, 597 and carry-over).

2007 Carry-Over

All the projects in 2007 under this category were bid and installed by a unit cost price structure. The units installed in 2007 had other units associated with the project that were installed and paid in 2008. The 2007 actual unit quantities installed to be carried over in 2008 were greater than anticipated.