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

Rocco O. D'Ascenzo
Senior Counsel

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SEP 24 2009

**PUBLIC SERVICE
COMMISSION**

September 23, 2009

RE: **Case No. 2008-503:** In the Matter of the Application of Duke Energy Kentucky, Inc. for an Order Authorizing the Issuance of Unsecured Debt and Long-Term Notes, Execution and Delivery of Long-Term Loan Agreements, and Use of Interest Rate Management Instruments.

Dear Mr. Derouen:

On February 5, 2009, the Commission approved the Company's Application for financing authority in the above-referenced case. In granting the requested refinancing authority, the Commission required that the Company, "within 30 days from the date of issuance, file with this Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate, and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution."

Recently, taking advantage of the current favorable market conditions, Duke Energy Kentucky priced \$100 million 10-year senior unsecured debentures. The proceeds from the offering will be used to repay Duke Energy Kentucky's credit facility draw of approximately \$74 million, to replenish cash used to redeem \$20 million of debt that matured on September 15, 2009 and for general corporate purposes. The issue price of the securities is \$99,626,000 at an all-in cost with fees of 4.75%. Compensation paid to the Underwriters in connection with the issuance of the Refunding Bonds is \$450,000 and the other costs of issuance are estimated at \$250,000 (including rating agency fees, legal expenses, printing costs and other related expenses).

A summary of the Transaction Specifics is as follows:

Transaction Specifics:

Tranche	10-Year Senior Unsecured Debentures
Issuer	Duke Energy Kentucky
Principal	\$100 Million
Ratings	Baa1 / A- (Moody's / S&P)
Maturity	October 1, 2019
Coupon	4.65%
Treasury Yield	10-Year of 3.397%
Credit Spread	130 bps
All-in Cost (With Fees)	4.75%
Lead Manager	KeyBanc Capital Markets

If you have any questions, please do not hesitate to contact me. Thank you.

Respectfully Submitted,



Rocco O. D'Ascenzo
Counsel (92796)

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