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PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY, INC. FOR AN ADJUSTMENT OF GAS RATES	**) Case No. 2009-00202** **)**

ATTORNEY GENERAL'S INITIAL REQUESTS FOR IFORMATION

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits these Initial Requests for Information to Duke Energy Kentucky, Inc. [hereinafter referred to as "DEK"] to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) Please repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for DEK with an electronic version of these questions, upon request.

(4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed

certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(6) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(10) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(11) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(12) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response.

Respectfully submitted,
JACK CONWAY
ATTORNEY GENERAL

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Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of the foregoing were served and filed by hand delivery to Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail, postage pre-paid, to:

Rocco O D'Ascenzo
Duke Energy Kentucky, Inc.
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Julie S. Janson, President
Duke Energy Kentucky, Inc.
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Cincinnati, OH 45201

this 17th day of August, 2009

Assistant Attorney General

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
Requests for Information of the Attorney General to Duke Energy Kentucky

I. REVENUE REQUIREMENT

1. In the same format as the response to PSC-1-30 in the prior rate case, Case No. 2005-00042, provide a trial balance as of the most recent month for which actual data is available (June 2009?), showing account number, account title, and actual balance sheet and income statement balances. All income statement accounts should show activity for 12 months. Provide this information for both the gas operations and total company operations.

2. In the same format as the response to PSC-2-1 in the prior rate case (but also showing the *account titles* associated with the account numbers), provide a comparison of the Company's actual versus originally budgeted annual gas Other Operating Revenues,[1] O&M expenses, and taxes other than income taxes for each of the 5 years 2004 through 2008 and for the 12-month period ended June 30, 2009. In addition, show the annual variances and explain these annual variances.

3. Please update the response to PSC-1-45 to include actual data for June 2009 and continue to update this request as additional monthly data becomes available.

4. With regard to the Other Non-Jurisdictional Rate Base components, please provide the following information (in the same format as per Attachment AG-DR-01-165 in the prior rate case):

   a. WPA-1d in the prior rate case shows all of the components of the Non-Jurisdictional Gas rate base, totaling $8,552,803. WPA-1d in the current case shows all of the components of the projected Non-Jurisdictional Gas rate base for the Forecasted Test Period in this case, totaling ($51,332,129). Please provide a schedule showing all of the changes to the Non-Jurisdictional Gas rate base components from the last case (totaling $8,552,803) to the current case (negative $51,332,129) and explain the reasons for these Non-Jurisdictional Gas rate base component changes.
   b. In the same format as shown on WPA-1d, provide the actual Non-Jurisdictional Gas rate base components and associated dollar amount balances as of the most recent month for which this actual information is available.

5. With regard to the non-jurisdictional ADIT balance of $65,491,199, please provide the following information:

   a. Breakout of the balance by ADIT component.

[1] Such as bad check charges, reconnection charges, field collection charges, transportation of gas for others, rent land & buildings, interdepartmental sales, Other Gas revenues that are shown on WPC-2b.

b. Provide the reasons why each of these ADIT components were considered non-jurisdictional.

6. The response to PSC-1-13(b), Schedule 13b shows that the Company has calculated a "slippage factor" of 95.44% for its gas construction expenditures during the 10-year period 1999 through 2008. In this regard, please provide the following information:

   a. In the same format and detail as per the response to PSC-4-1(b) in the prior rate case, provide a similar "slippage factor" percentage for the Company's electric construction expenditures for the same 10-year period 1999 through 2008.
   b. Please recalculate the Forecasted Period jurisdictional gas plant in service balance of $388,986,305 and CWIP balance of $3,777,154 assuming the slippage factor of 95.44%.
   c. Please recalculate the Forecasted Period jurisdictional electric plant in service balance of $1,185,654,914 and CWIP balance of $16,075,742 assuming the slippage factor to be provided in the response to part (a) above.
   d. If the above-referenced gas and electric slippage factors also impact other gas and electric jurisdictional rate base balances, please recalculate such other gas and electric jurisdictional rate base items assuming the same slippage factors.

7. For each of the jurisdictional electric (excl. of non DE-Ky facilities) rate base components shown on WPA-1d (summing to $617,170,042), provide the equivalent balances as of the end of the base period.

8. Please provide a side-by-side comparison, by detailed FERC plant account, of the John Spanos proposed depreciation rates in this case and the existing PSC-approved depreciation rates.

9. Reference Schedule B-3.2, page 4 of 4: Explain the proposed depreciation/amortization expense of $2,705 considering that the 13-month average test period accumulated reserve balance is already negative by $5,039.

10. Reference Attachment RMP-2, page 3 of 3: Explain why the factor of 1.004349 is applied to the weighted common equity cost rather than the weighted debt cost and why the factor of 1.64378 is applied to the weighted debt cost rather than the weighted common equity cost.

11. Please update WPB-5 1b and WPB-5.1g with actual balances through June 2009.

12. Please provide the actual Customer Advances for Construction balances for each month in 2007, 2008 and 2009 through June.

13. With regard to WPB-6b (accumulated deferred income taxes), please provide the following information:

    a. Copy of this exhibit that is in larger font so the numbers will be more legible.
    b. WPB-6b shows that the 13-month average net ADIT balance of $35,178,614 would be $36,686,905 without the consideration of the prepaid ADIT balance of $1,508,291 for unbilled revenue ADIT. WPA-1d shows that the Company then reduced this adjusted ADIT balance of $36,686,905 by $665,328 for "liberalized depreciation." Please explain what this liberalized depreciation balance of $665,328 represents and why it should be used to reduce the pro forma test period ADIT rate base balance.
    c. Explain why similar unbilled revenue ADIT and "liberalized depreciation" ADIT adjustments were not made to the proposed electric jurisdictional ADIT balance of $68,260,647.
    d. Provide a reconciliation between the 13-month average test period deferred income tax balance of $34,217,886 on Schedule B-1, line 10 and the corresponding test period deferred income tax balance of $35,178,614 on WPB-6b.

14. Please consider the following pro forma income tax determinations for the Forecasted Test Period Gas operations:

Operating Revenues	$124,681,347	C-1, L1
Operating Expense Before Income Taxes	(113,627,963)	C-1, L7
Net Operating Revenues	11,053,384	
Pro Forma Interest Expense	(5,455,996)	WPD-2.18a
Net Taxable Income	5,597,388	
SIT @ 6% x $5,597,388	335,843	
FIT @ 35% x ($5,597,388 - $335,843)	1,841,541	
Amortization of ITC	(72,657)	
Total Calculated Pro Forma Income Tax	$ 2,104,727	

Please explain why this total amount of calculated pro forma income tax for the Forecasted Test Period is $415,843 lower than the Company's proposed pro forma income taxes for the Forecasted Test Period of $2,520,570 (SIT of $402,097 + FIT of $2,117,873). Provide all factors that have caused this income tax difference and the underlying calculations for the $415,843 income tax difference.

15. WPD-2.18a shows that the Company has proposed a test period gas interest expense deduction of $5,244,336. In this regard, please provide the following information:

    a. What is the total interest expense amount (in total and as shown by interest component) that has actually been used as a tax deduction in the determination of the Forecasted Test Period unadjusted gas income taxes?
    b. WPE-1a and Schedule E-1, page 1 of 3 shows that the interest expense amount actually used as a tax deduction in the determination of the Forecasted Test Period unadjusted gas income taxes amounts to $4,177,180. Please confirm this. If you do not agree, explain your disagreement.
    c. If the response to part (a) above is different than the interest expense amount of $4,177,180 referenced in part (b) above, explain why and provide a reconciliation between these two amounts.
    d. Provide the reasons for the difference and a detailed reconciliation between the income tax amount of $4,177,180 referenced in part (b) above and the test period expense amount of $5,244,336 used on WPD-2.18a.

16. With regard to WPD-2.18b, please provide the following information:

    a. Confirm that the total interest amount on line 36 (last column) should be $328,468 rather than $335,270. If you do not agree, explain your disagreement.
    b. Confirm that the total net interest amount on line 47 (last column) should be $65,096 rather than $217,412. If you do not agree, explain your disagreement.
    c. Confirm that in Case No. 2001-00092, the Commission also removed customer deposit interest and Gas Refund in Accordance with PUCO Rule 28 interest from the adjusted per books interest determination and explain why this was not done by the Company on WPD-2.18b.

17. Concerning DE-Ky's federal income taxes, please provide the following information:

    a. Does DE-Ky participate in the filing of a consolidated federal income tax return?
    b. If so, identify the entity that filed the return on behalf of DE-Ky and other participants during the last 3 years, 2006, 2007 and 2008. If so, in what year did ETG begin filing its federal income tax return as part of a consolidated tax return?

18. For each of the last three years 2006 - 2008, provide (1) the annual taxable income/loss amounts for each of the entities/affiliates participating in Duke

Energy's consolidated income tax filings that are *regulated* entities (indicate that the participating entity is regulated vs. unregulated); (2) the annual taxable income/loss amounts for each of the entities/affiliates participating in Duke Energy's consolidated income tax filings that are *unregulated* entities (indicate that the participating entity is unregulated vs. regulated); and (3) any AMT payments made.

19. With regard to property taxes, please provide the following information:

    a. Provide the actual Gas property taxes booked by the Company for the years 2006, 2007, 2008, the 12-month period ended 6/30/2009 and for each of the first six months of 2009.
    b. As shown on Schedule C-2.1, pages 7 and 15, line 10, the Company has projected to increase its property taxes from $1,578,322 in the base period to $4,388,684 in the Forecasted Period. Provide a detailed explanation for this very large projected property tax increase. In addition, provide copies of any actual source documentation in support of this anticipated large tax increase.

20. With regard to property taxes, please provide the following additional information:

    a. An exhibit in the exact same format as per Attachment AG-2-13(a) in the prior rate case, but showing the relevant "Tentative" vs. "Final" property tax information for each of the years 2005, 2006, 2007 and 2008.
    b. Explanation whether in the derivation of the adjusted Forecasted Period property taxes of $3,428,458, the Company assumed the Tentative property tax rates that do not reflect negotiations with the KRD to bring the Tentative results down to lower Final results.
    c. Confirmation that the proposed adjusted Forecasted Period property taxes of $3,428,458 do not include property taxes associated with Non-Jurisdictional plant. If it does include such non-jurisdictional property taxes, please identify this tax amount.

21. Attachment TAP-2, page 1 of 2 is not legible in its current form. Please provide a legible copy.

22. Reference page 7, lines 7-8 of Mr. Phillips's testimony:

    a. Provide the actual HDDs for the Covington, Ky weather station, as reported by NOAA, for each year from 1961 through 2000.
    b. Based on the annual HDDs to be provided in response to part (a) above, provide the calculations to derive the 30-year normal HDD numbers of 5,248 and 5,148.

c. Confirm that HDDs to be provided in response to part (a) are measured based on a base temperature of 65 degree Fahrenheit. If you do not agree, explain your disagreement.

23. On page 9, line 4 Mr. Phillips states that "For the years 1971 through 2008, HDD have experienced a downward trend." In this regard, please provide the following information:

    a. For each of the years 1971 through 2008, provide the HDDs used in Mr. Phillips's analysis.
    b. Explain whether the HDDs for each of the years 1971 through 2008 are as reported by NOAA or whether there is another source for these annual HDD numbers. If so, identify this source.

24. With regard to Attachment TAP-6, please provide the following information:

    a. Source for the HDD numbers from 1999 through 2008.
    b. Calculation in support of the normal HDD level of 4881.
    c. Confirm that the 30-year normal HDD level of 5,148 shown at the top part of TAP-6 represents the 30-year normal level for 1971 through 2000, not the most recent 30-year period 1979 through 2008 which would include the 10-year period 1999 through 2008.
    d. Provide your calculation of the 30-year normal HDD level for the most recent 30-year period 1979 through 2008 as compared to the 30-year normal HDD level of 5,148 for the 30-year period 1971 through 2000.
    e. Provide your calculation of the 25-year normal HDD level for the most recent 25-year period 1984 through 2008.
    f. Provide the actual HDDs for the most recent 12-month period for which actual date is available (i.e., either May or June 2009). This should be measured based on a base temperature of 65 degree Fahrenheit.
    g. Please confirm that all HDD numbers shown on TAP-6 are measured based on a base temperature of 65 degree Fahrenheit. If you do not agree, explain your disagreement.

25. Please confirm that this Commission has never before accepted the use of a weather-normalized period in a gas rate case of 10 years. If you do not agree, provide the Order.

26. Please confirm that this Commission has never before accepted the use of a weather-normalized period in a gas rate case of 20 years. If you do not agree, provide the Order.

27. As explained on page 14 of Mr. Phillips' testimony, the operating revenues in this case are based on a 10-year weather normal of 3,604 HDDs, using a base

temperature of 59 degree Fahrenheit. This has resulted in pro forma normalized Current Revenues Less Gas Cost Revenue of $45,741,980, as shown on Schedule M-2.2, page 1 of 7. In this regard, please provide the following information:

a. A revised Schedule M-2.2, page 1 of 7 showing the Current Revenues Less Gas Cost Revenue dollar amount based on the same 10-year weather normalization approach except using a base temperature of 65 degree Fahrenheit rather than 59 degree Fahrenheit.
b. Provide the 10-year weather normal HDD level using a base temperature of 65 degree Fahrenheit as compared to the 10-year weather normal of 3,604 HDDS using a base temperature of 59 degree Fahrenheit.
c. A revised Schedule M-2.2, page 1 of 7 showing the Current Revenues Less Gas Cost Revenue dollar amount based on the use of a 25-year (1984 through 2008) weather normalization using a base temperature of 65 degree Fahrenheit.
d. A revised Schedule M-2.2, page 1 of 7 showing the Current Revenues Less Gas Cost Revenue dollar amount based on the use of a 30-year (1979 through 2008) weather normalization using a base temperature of 65 degree Fahrenheit.

28. On page 27, line 11 of his testimony, Mr. Parsons states that the test year includes $338,344 of uncollectible expense. From the data shown on WPD-2.15a, provide calculations showing the derivation of the test year expense amount of $338,344.

29. Please provide the Company's actual gas uncollectible expenses booked in account 904 and the percentage ratio to gas revenues subject to uncollectibles in each of the years 2004 through 2008, for the base period and the Forecasted Period.

30. With regard to Regulatory Commission Expenses, please provide a breakout of the Forecasted Period account 928 expenses of $590,384 by regulatory activity and case number. In addition, provide a similar account 928 expense breakout for the years 2006, 2007 and 2008.

31. Please provide a copy of the relevant Commission Order page allowing the Company to amortize the AMRP study costs of $320,428 over 10 years.

32. Please provide any changes that affect the Forecasted Period revenue requirement that should be made to the filing results based on information that has become available since the preparation of the filing.

33. With regard to the professional service expenses of $1,904,139 shown on WPF-5b, please provide the following information:

a. Provide the actual outside services expenses for each of the years 2006, 2007 and 2008, in total and as broken out in the same format and detail as per WPF-5b.
b. Explain the nature and purpose of the expense amounts of $1,072,410 for Contract Services; $117,296 for Contract Services NLBR; and $495,456 for Baseload Contract Labor.

34. Please provide more legible copies of Attachments JRA-2 and JRA-3.

35. With regard to the test period incentive compensation expenses of $1,067,821 shown on WPD-2.26a, please provide the following information:

a. Does the expense amount of $1,068,821 only include incentive compensation for DE-Ky's employees or does it also include incentive compensation allocated to DE-Ky's from Duke Energy Business Services (DEBS)?
b. If the former, provide the incentive compensation allocate to DE-Ky from DEBS in the Forecasted Period, in total and broken out as per WPD-2.26a.

36. In the same format and detail as the response to AG-1-208 in the prior case, please provide a listing and description of all employee benefits offered to DE-Ky and DEBS employees in the Forecasted Test Period.

37. Schedule C-2.1 shows Account 926 Employee Pension and Benefit expenses of $2,219,688 for the base period and $1,243,304 for the Forecasted Period. In this regard, please provide the following information:

a. Detailed component breakout of these two dollar amounts and an explanation as to why the Forecasted Period expenses are so much lower than the base period expenses.
b. Actual Account 926 Employee Pension and Benefit expenses, in total and broken out by expense component, for each of the years 2006, 2007 and 2008. In addition, provide explanations for major expense changes from 2007 over 2006, 2008 over 2007 and the base period over 2008.
c. Provide a reconciliation between the Forecasted Period expenses of $1,243,304 as compared to the Forecasted Period expenses of $1,810,173 on Schedule G-1. In addition, provide a component breakout of the expense amount of $1,810,173.
d. Provide a reconciliation between the Forecasted Period expenses of $1,243,304 on Schedule C-2.1 and the Forecasted Period expenses of $1,810,173 on Schedule G-1 as compared to the Forecasted Period Fringe Benefit O&M expenses of $878,101 in the response to PSC-1-41, page 2 of 2.

38. With regard to the Company's Supplemental Executive Retirement Plan (SERP), please provide the following information:

    a. Detailed description of the nature and purpose of the plan.
    b. Description of the workings of this plan (e.g., are the plan awards a function of the achievement of financial goals and parameters, and if so, list these goals and parameters).
    c. Listing of the recipients (titles only) of the benefits awarded under the plan during the Forecasted Period.
    d. SERP expenses included in the Forecasted Period O&M expenses. These SERP expenses should be provided in total and broken out between DE-Ky's "direct" SERP expenses and the SERP expenses allocated from DEBS and/or other affiliates to DE-Ky.

39. With regard to the Company's 401(k) Excess Plan, please provide the following information:

    a. Detailed description of the nature and purpose of the plan.
    b. Description of the workings of this plan (e.g., are the plan awards a function of the achievement of financial goals and parameters, and if so, list these goals and parameters).
    c. Listing of the recipients (titles only) of the benefits awarded under the plan during the Forecasted Period.
    d. Excess Plan expenses included in the Forecasted Period O&M expenses. These expenses should be provided in total and broken out between DE-Ky's "direct" expenses and the Excess Plan expenses allocated from DEBS and/or other affiliates to DE-Ky.

40. With regard to the Company's Non-Qualified Deferred Compensation Plan, please provide the following information:

    a. Detailed description of the nature and purpose of the plan.
    b. Description of the workings of this plan (e.g., are the plan awards a function of the achievement of financial goals and parameters, and if so, list these goals and parameters).
    c. Listing of the recipients (titles only) of the benefits awarded under the plan during the Forecasted Period.
    d. Plan expenses included in the Forecasted Period O&M expenses. These expenses should be provided in total and broken out between DE-Ky's "direct" expenses and the Plan expenses allocated from DEBS and/or other affiliates to DE-Ky.

41. If the Company provides its top officers with financial planning services (such as the assistance in tax preparation, financial planning, estate planning, investment planning, etc.), please provide the following information:

    a. Detailed description of the nature and purpose of the plan, including a description of the specific financial planning services offered.
    b. Listing of the recipients (titles only) of the benefits awarded under this plan during the Forecasted Period.
    c. Plan expenses included in the Forecasted Period O&M expenses. These expenses should be provided in total and broken out between DE-Ky's "direct" plan expenses and the plan expenses allocated from DEBS and/or other affiliates to DE-Ky.

42. The response to AG-1-208 in the prior case indicates that employees above the General Manager level are recipients of a "Perquisite pool to compensate executives for industry common perquisites." In this regard, please provide the following information:

    a. Provide a detailed description of all perquisites offered out of this "perquisite pool."
    b. Provide a listing of all employees (titles only) who are the recipients of such perquisites.
    c. Expenses associated with these perquisites that are included in the Forecasted Period O&M expenses. These expenses should be provided in total and broken out between DE-Ky's "direct" perquisite expenses and the perquisite expenses allocated from DEBS and/or other affiliates to DE-Ky.

43. With regard to the response to PSC-1-32 (# of employees), please provide the following information:

    a. Explain whether these employees only represent DE-Ky employees or also include allocated DEBS employees.
    b. Reconcile the actual monthly 2007 employees to the actual monthly 2007 employees on Schedule G-2, page 2. In addition, explain the increase from 196 in November to 283 in December 2007 in PSC-1-32 and the similar increase from 164 to 240 on Schedule G-2, page 2.
    c. Reconcile the actual monthly 2008 employees to the actual monthly 2008 employees on Schedule G-2, page 2. In addition, explain why the average actual employee level of 266 was so much higher than the budgeted average employee level of 195.
    d. Reconcile the actual monthly base period employees from October 2008 through March 2009 to the corresponding actual monthly base period employee numbers on Schedule G-2.

e. Explain the increase in budgeted base period employees from 195 in December 2008 to 248 in January 2009.
f. Reconcile the actual December 2008 employee level of 245 to the actual December 2008 DE-Ky employee level of 254 referenced on page 3, lines 1-3 of Mr. Alvaro's testimony.

44. Schedule G-1 indicates that the Company's Forecasted Period O&M expenses include $7,735,765 for payroll expenses. In this regard, please provide the following information:

a. Provide a breakout of this total O&M expense amount between DE-Ky payroll and payroll allocated from DEBS. If the DE-Ky O&M expense amount is different from the amount of $2,720,597 shown on Schedule G-2, page 1 of 8, explain the difference.
b. Monthly number of DEBS employees underlying the DEBS-allocated payroll to be provided in response to part (a).
c. Provide the actual payroll O&M expenses, in total and broken out between DE-Ky and DEBS allocated labor, for the years 2006, 2007, 2008, the actual 12-month period ended 5/31/09 and for the base period.

45. With regard to the DEBS employees, please provide the following information:

a. Actual number of DEBS employees for each month in 2006, 2007, 2008 and 2009 to date as compared to the budgeted monthly DEBS employee numbers for these same time periods. In addition, provide explanations for any major variances between actual and budgeted results.
b. Monthly DEBS employee numbers assumed for the base period and Forecasted Period in this case.
c. Monthly number of DEBS employees allocated to DE-Ky in each of the years 2006, 2007, 2008 and in the base period and Forecasted Period.

46. Please provide a gas-allocated dollar amount listing and description of all amortization expenses included in the Forecasted Test Period. For each amortization item, provide the current unamortized balance, the amortization expiration year and indicate whether the amortization was authorized by the PSC.

47. In the same format as the response to AG-1-216 in the prior rate case, please provide a detailed listing and dollar amount breakout of all of the expense components making up the Forecasted Period Account 910000 – Miscellaneous Customer Service and Info expenses of $373,459.

a. In addition, if this expense breakout includes advertising, dues and community relations expenses, then for each of these expense items, provide detailed descriptions and dollar breakout of the items making up these expense items.

48. Please provide a detailed listing and dollar amount breakout of all of the expense components making up the Forecasted Period Account 908000 – Customer Assistance expenses of $159,070.

49. Please provide a detailed listing and dollar amount breakout of all of the expense components making up the Forecasted Period Account 930000 – Miscellaneous General expenses of $116,979.

    In addition, if this expense breakout includes advertising and dues expenses, then for each of these expense items, provide detailed descriptions and dollar breakout of the items making up these expense items.

50. In the same format as the response to AG-1-219 in the prior rate case, please provide a detailed listing and dollar amount breakout of all of the expense components making up the Forecasted Period Account 921000 – Office Supplies and Expenses of $1,353,416.

51. In the exact same format and detail as the response to PSC-3-57 in the prior case, provide detailed breakouts and dollar amount numbers for the following expense items included in the Forecasted Period above-the-line gas O&M expenses:

    a. Association Dues and Fees
    b. Dues paid for Social Clubs
    c. Employee Recognition
    d. Government Affairs
    e. External Affairs
    f. Lobbying expenses
    g. Miscellaneous Events/Tickets
    h. Corporate Sponsorships
    i. Spousal expenses
    j. Penalty expenses.
    k. Charitable Contributions

52. With regard to the DEBS-allocated costs charged to DE-Ky gas operations, please provide the following information:

    a. Actual DEBS-allocated costs charged to DE-Ky's O&M expenses in each of the years 2006, 2007, 2008, and the 12-month period ended 5/31/09.
    b. Originally budgeted DEBS-allocated costs charged to DE-Ky's O&M expenses in each of the years 2006, 2007, 2008, and the 12-month period ended 5/31/09.

c. The DEBS-allocated costs charged to DE-Ky's O&M expenses included in the base period and Forecasted Period.

53. Please provide the dollar amounts of the following items that are included in the DEBS costs allocated to DE-Ky's gas O&M expenses for the Forecasted Period in this case:

    a. Incentive compensation (in total and broken out by incentive compensation program)
    b. Government Affairs expenses
    c. External Affairs expenses
    d. Lobbying expenses
    e. Charitable Contributions
    f. Community Relations/Affairs expenses
    g. Employee Recognition expenses
    h. Miscellaneous Events/Tickets expenses
    i. Advertising and promotional expenses
    j. Business Development/Promotion expenses
    k. Corporate Sponsorship expenses

II. RATE OF RETURN

54. Please provide copies of all presentations made to rating agencies and/or investment firms by Duke Energy and/or Duke Energy Kentucky, Inc. between January 1, 2008 and the present.

55. Please provide copies of all prospectuses for any security issuances by Duke Energy and/or Duke Energy Kentucky, Inc. since January 1, 2008.

56. Please provide copies of all studies performed by Duke Energy and/or Duke Energy Kentucky, Inc. and/or by consultants or investment firms hired by Duke Energy and/or Duke Energy Kentucky, Inc. to assess (1) Duke Energy Kentucky, Inc.'s financial performance, (2) the performance of Duke Energy Kentucky, Inc. relative to other utilities, or (3) the adequacy of Duke Energy Kentucky, Inc.'s return on equity or overall rate of return.

57. Please provide copies of credit reports for Duke Energy and/or Duke Energy Kentucky, Inc. from the major credit rating agencies published since January 1, 2007.

58. Please provide copies of all correspondence between Duke Energy and/or Duke Energy Kentucky, Inc. and any of the three major bond rating agencies (S&P,

Moody's, and Fitch) from January 1, 2007 to the present. These include copies of letters, reports, presentations, emails, and notes from telephone conversations.

59. Please provide the corporate credit and bond ratings assigned to Duke Energy and/or Duke Energy Kentucky, Inc. since the year 2000 by S&P, Moody's, and Fitch). For any change in the credit and/or bond rating, please provide a copy of the associated report.

60. Please provide the breakdown in the expected return on pension plan assets. Specifically, please provide the expected return on different assets classes (bonds, US stocks, international stocks, etc.) used in determining the expected return on plan assets. Please provide all associated source documents and work papers.

61. For the past five years, please provide the dates and amount of: (1) cash dividend payments made by Duke Energy Kentucky, Inc. to Duke Energy; and (2) cash equity infusions made by Duke Energy into Duke Energy Kentucky, Inc.

62. Please provide Duke Energy Kentucky, Inc.'s authorized and earned return on common equity over the past ten years. Please show the figures used in calculating the earned return on common equity for each year, including all adjustments to net income and/or common equity. Please provide copies of all associated work papers and source documents. Please provide copies of the source documents, work papers, and data in both hard copy and electronic (Microsoft Excel) formats, with all data and formulae intact.

63. Please provide copies of the financial statements (balance sheet, income statement, statement of cash flows, and the notes to the financial statements) for Duke Energy and Duke Energy Kentucky, Inc. for the past three years. Please provide copies of the financial statements in both hard copy and electronic (Microsoft Excel) formats, with all data and formulae intact.

64. Please provide a copy of the testimony of Dr. Morin in Microsoft Word.

65. Please provide copies of all articles, publications, and or other documents cited in the testimony of Dr. Morin.

66. With respect to page 9, lines 8-10, please provide the studies and data that support the statement regarding the volatility of the markets.

67. With respect to page 34, please provide the data used in constructing the graph entitled "CAPM: Predicted vs. Observed Returns."

68. With respect to page 34, lines 8-11, please copies of all studies used to determine that the appropriate value of alpha is in the 1%-2% range.

69. With respect to page 36, lines 4-17, please indicate for all studies used to determine that the appropriate value of alpha is in the 1%-2% range: (1) which of the studies used adjusted betas; and (2) for each of the studies that used adjusted betas, what procedure was used to adjust the betas.

70. With respect to page 37, lines 1-4, please provide copies of all data and studies used to conclude that 9.0%-9.4% is not significantly above the cost of new debt capital.

71. With respect to page 39, lines 19-20, and Attachment RAM-4, please provide: (1) the source documents for the 6.3% utility bond yield; (2) copies of the source documents and data used to compute the risk premium of 5.0% in Attachment RAM-4; (3) copies of the source documents and data used to compute the flotation cost adjustment of 0.3%; and (4) please provide copies of the source documents, work papers, and data in (1), (2) and (3) both hard copy and electronic (Microsoft Excel) formats, with all data and formulae intact.

72. With respect to page 43, lines 15-17, please explain why Zacks was used as a source of EPS growth rate forecasts as opposed to one of the other sources of analysts EPS growth rate forecasts such as Reuters or Yahoo!.

73. With respect to page 48, lines 5-9, please list: (1) the universe of companies considered on lines 5-7; and (2) the companies eliminated by the $100M and 50% screens.

74. With respect to page 49, line 1-23, please list: (1) the universe of companies considered on lines 11-14; (2) the companies eliminated each of the screens listed on lines 15-22 and the figure and/or reason for eliminating each company; (3) why a selected utility must be a combination utility company when rates are being set for a gas distribution company in this proceeding; and (4) all studies performed which compare the riskiness of gas distribution and combination companies.

75. With respect to page 58, lines 1-5, please provide copies of the cited empirical finance literature that indicates a 1% change in the common equity ratio changes the return on equity by 10 basis points.

76. With reference to page 58, lines 11-15, please provide a copy of the cited document published by SNL Energy.

77. Please provide: (1) copies of the source documents, data and work papers used to develop Attachments RAM-2 through RAM-9. Please provide the data and work papers in both hard copy and electronic (Microsoft Excel) formats, with all data

and formulae intact; and (2) an electronic copy (Microsoft Excel) of Attachments RAM-2 through RAM-9; with all data and formulae intact.

78. Please provide an electronic (Microsoft Word) version of Mr. De May's testimony.

79. Please provide copies of all publications and documents cited in the testimony, as well all workpapers used in the development of the testimony.

80. Please provide copies of the source documents, data and work papers used to develop Schedules J-1, J-1.1, and J-1.2. Please provide the data and work papers, as well as a copy of all pages of the Schedules, in both hard copy and electronic (Microsoft Excel) formats, with all data and formulae intact.

81. With reference to pages 4-6, please track the credit ratings for Duke Energy and Duke Energy Kentucky, Inc. for the past ten years. Please indicate when changes in the credit ratings occurred, the reason given for the change. Please also indicate when there was a difference between the credit ratings of Duke Energy and Duke Energy Kentucky, Inc.

82. With reference to page 12, lines 1-18, please provide; (1) copies of the workpapers, source documents and data used in developing the 2009-2011 cash budgets that detail the company's financing needs; (2) please highlight all assumptions used in the development of the cash budgets; and (3) please provide a copy of the 2009-2011 monthly cash budgets in Microsoft Excel format, with all data and formulae intact.

83. With reference to page 15, lines 12-18, please: (1) provide Duke Energy Kentucky's dividend payout ratio for the past ten years; (2) explain who sets Duke Energy Kentucky's dividend payout policy; and (3) for any years in which the dividend payout ratio differed from the 70%-80% range, please explain why.

84. With reference to pages 13and Schedule J-1, please provide (1) copies of the data, source documents, and work papers used to develop the capital structure for the thirteen months ended January 31, 2011; (2) show the details, assumptions, and the magnitude of all adjustments that were made to the book value capitalization as of December 31, 2008 to arrive at the proposed capital structure; (3) the monthly cash flow statements used to develop the capital structure, along with all dividend payments and financings during the thirteen month period; and (4) with respect to (1) – (3), please provide copies of the source documents, work papers, and data in both hard copy and electronic (Microsoft Excel) formats, with all data and formulae intact.

85. With reference to page 16 and Schedule J-2: please provide (1) all data, work papers, and source documents, and calculations used in computing the short-term cost rate for the thirteen months ended January 31, 2011; (2) show the methodology used to determine interest rate paid on short-term debt, including calculations, financing fees, interest rate assumptions, and other related financing costs; and (3) please provide the workpapers and data, including a copy of all pages of Schedule J-2, in both hard copy and electronic (Microsoft Excel) formats, with all data and formulae intact.

86. With reference to pages 16-17 and Schedule J-3: please provide (1) all data, work papers, and source documents, and calculations used in computing the long-term cost rate for the thirteen months ended January 31, 2011; (2) all details, including calculations, amortization tables, and work sheets, related to the amounts for unamortized debt issuance balance and unamortized premium/discount and issuance expenses; (3) details of all debt issues and/or refinancings (issue date, debt amounts, lending agreements, underwriter, underwriting spread, SEC filings, etc.) associated with all actual financings used in determining the Company's long-term debt cost rate; (4) show the methodology used to determine interest rate paid on pro forma long-term debt issues, including calculations, financing fees, interest rate assumptions, and other related financing costs; and (5) please provide the workpapers and data, including a copy of all pages of Schedule J-3, in both hard copy and electronic (Microsoft Excel) formats, with all data and formulae intact.

87. Please provide: (1) copies of the source documents, data and work papers used to develop the Company's credit ratings ratios in Schedule K. Please provide the data and work papers, as well as Schedule K, in both hard copy and electronic (Microsoft Excel) formats, with all data and formulae intact.

III. DEPRECIATION

88. Please provide copies of all workpapers underlying the Depreciation Study prepared by John Spanos of Gannett Fleming and submitted in response to Filing Requirement 10(9)(s). Provide in hard copy and, when applicable, in electronic format (Excel) with all formulae intact.

89. Please provide all information obtained by Mr. Spanos and/or Gannett Fleming from Company operating personnel, and separately, financial management personnel relative to current operations and future expectations in the preparation of the Depreciation Study. All information should be provided in the same format it was provided to Mr. Spanos. Also, please provide all notes taken during any meetings with Company personnel regarding this study. Please identify by name

and title, all Duke Energy ("Duke") personnel who provided the information, and explain the extent of their participation and the information they provided.

90. Please identify all plant tours taken during the preparation of the Depreciation Study.
    a. Provide the date(s) of which each plant tour occurred.
    b. Provide a description of all locations visited and the activities and equipment viewed.
    c. Identify those in attendance and their titles and job descriptions.
    d. Provide all conversation notes taken during the tour.
    e. Provide all photographs and images taken during the tour.

91. Provide all internal and external audit reports, management letters, consultants' reports etc. from 2005-2009, inclusive, which address in any way, the Company's property accounting and/or depreciation practices.

92. Please provide copies of all Board of Director's minutes and internal management meeting minutes from 2005-2009, inclusive, in which the subject of the Company's depreciation rates or retirement unit costs were discussed.

93. Please provide copies of all internal correspondence from 2005-2009, inclusive, which deals in any way with the Company's retirement unit costs, depreciation rates, and/or the Depreciation Study.

94. Please provide copies of all external correspondence from 2005-2009, inclusive, including correspondence with Mr. Spanos and/or Gannett Fleming, which deals in any way with the Company's retirement unit costs, depreciation rates, and/or the Depreciation Study.

95. Please provide copies of all industry statistics available to Mr. Spanos and/or Duke relating to gas or common depreciation rates. Also, identify all industry statistics upon which Mr. Spanos or the Company relied in formulating the depreciation proposals.

96. On an account-by-account basis, which accounting method is reflected in the life studies "location-life" or "cradle-to-grave"? Also, what is the impact of the accounting method used on the lives calculated in the Depreciation Study?

97. Please provide a copy of the Company's current capitalization policy. If the policy has changed at all since 2000, please provide a copy of all prior policies in effect during any portion of that period.

98. Please identify and explain all changes since the last depreciation study which might affect depreciation rates.

99. Please provide the Company's most recent Asset Management Plan or any similar document used to plan for maintaining plant capacity, reliability and efficiency.

100. Please provide a copy of the Company's 2006, 2007 and 2008 annual reports to the KY Public Service Commission. Please reconcile the December 31, 2008 plant shown in the Depreciation Study with the EOY 2008 plant shown in the 2008 Commission Report, and provide a complete explanation for each difference.

101. The following questions relate to the impending accounting move from U.S. GAAP to International Financial Reporting Standards ("IFRS").
    a. Please provide a narrative explanation of the anticipated impact of moving from U.S. GAAP to IFRS.
    b. When does the Company expect to adopt IFRS?
    c. Please provide all analyses, quantifications, reports, studies, etc. that the Company has conducted regarding the adoption of IFRS.
    d. Please provide a specific discussion of how the change to IFRS will impact the Company's accounting calculations and entries relating to SFAS No. 143, FIN No. 47 and the existing regulatory liability for cost of removal, SFAS No. 71 and the difference between financial and regulatory accounting.
    e. Please provide a specific discussion of how the change to IFRS will impact the Company's accounting calculations and entries relating to depreciation, accumulated depreciation, gross salvage and cost of removal. Include a discussion of any difference between financial and regulatory reporting relating to these items.
    f. Please provide a specific discussion of how the change to IFRS will impact the Company's accounting calculations and entries relating to current income taxes, deferred income tax expense and accumulated deferred taxes. Include a discussion of any difference between financial and regulatory reporting relating to these items.
    g. Identify all items and accounts currently classified as contra-accounts, deferred debits and credits, liabilities and assets which will or may flow to equity upon the replacement of GAAP with IFRS.

<u>Data</u>

102. Please provide all tabulations included in the Depreciation Study and all data necessary to recreate in their entirety all analyses and calculations performed for the preparation of the Depreciation Study. Please provide this and all electronic data in Excel (or .txt format if appropriate), with all formulae intact. Please provide any record layouts necessary to interpret the data. Include in the response electronic spreadsheet copies of all of the schedules and/or tables included in the Depreciation Study, with all formulae intact. Identify and explain any and all

unique spreadsheet formula's or assumptions required to recreate in their entirety all of Mr. Spanos' calculations given his inputs.

103. For ***each*** plant account, and for each year since the inception of the account up to and including 2008, please provide the following standard depreciation study data as identified at pages 27-30 of the August 1996 NARUC Public Utility Depreciation Practices Manual ("NARUC Manual"). At a minimum, the data provided should be the same data set used to conduct the life analyses included in the Depreciation Study. Please provide the data in electronic format (Excel or .txt). Provide aged vintage data if available. Use the codes identified for each type of data, unless the Company regularly uses other codes. In those circumstances, identify and explain the Company's coding system.

Code	Data Type
9	Addition
0	Ordinary Retirement
1	Reimbursement
2	Sale
3	Transfer – In
4	Transfer – Out
5	Acquisition
6	Adjustment
7	Final retirement of life span property (see NARUC Manual, Chapter X)
8	Balance at Study Date
	Initial Balance of Installation

104. If the depreciation study data provided in response to the preceding question is not the exact set of data used to conduct the life studies for the Depreciation Study submitted in this case, please explain all differences and reconcile the amounts provided to those used in the Depreciation Study.

105. If not provided elsewhere, please provide all amortization workpapers and calculations in electronic format (Excel) with all formulae intact. Include all workpapers and support for the selection of the proposed amortization periods.

106. If not provided elsewhere, please provide the cost of removal and gross salvage data used in the Depreciation Study net salvage analyses. If this data differs from that reflected on the Company's books, please explain the differences and provide a reconciliation. Please provide this data in electronic (Excel or .txt) format.

107. Please provide the following annual accumulated depreciation amounts for ***all*** plant accounts for the last 10 years (up to, and including, 2008). If the requested data is not available for the last 10 years, please provide the data for as many

years as are available. Please provide data in both hard copy and electronic format (Excel or .txt).

a. Beginning and ending reserve balances,
b. Annual depreciation expense,
c. Annual retirements,
d. Annual cost of removal and gross salvage,
e. Annual third party reimbursements.

108. Provide a summary of annual maintenance expense by USoA account (for all accounts) for the last 20 years. If the requested data is not available for the last 20 years, provide the data for as many years as are available. Please provide data in both hard copy and electronic format.

109. Please explain what consideration, if any, was given to annual maintenance expense data in Mr. Spanos' estimation of service lives, dispersion patterns and net salvage.

Depreciation Rate Calculations

110. If not provided elsewhere, please provide the calculation of the proposed depreciation rates in electronic format (Excel) with all formulae intact.

111. Does the Company maintain its book reserve by plant account? If not, please explain why not.

112. If the Company does not maintain its book reserve by plant account, please provide the calculation of the 2008 recorded reserve shown in the Depreciation Study.

113. Was reciprocal, harmonic, or ELG weighting used in any of the depreciation rate calculations? If yes, please provide all calculations using direct weighting. Also, provide this in hardcopy and in electronic format (Excel).

114. If applicable, please calculate all depreciation rates using the same weighting procedure used in the current depreciation rates, i.e., the same procedure used the last time depreciation rates were calculated.

115. Please provide the proposed depreciation rates, split into three separate components: capital recovery, gross salvage and cost of removal.

116. If not provided elsewhere, please provide all remaining life calculations resulting from the Depreciation Study both in hard copy and in electronic format with all formulae intact.

117. Were the amounts of the regulatory liability for cost of removal reported on page 11 of Duke Energy Kentucky's December 31, 2008 Financial Statements and Auditor's Report (provided in Volume III of the Company's filing) included in the depreciation reserves used by Mr. Spanos to calculate depreciation rates in this case? In other words, do the reserve amounts shown on pages III-4 and III-5 of the Depreciation Study include the monies collected from ratepayers for future cost of removal? If not, explain why not and provide the total reserve amounts by account.

Revenue Requirement

118. Please provide electronic copies (Excel) of Schedules D2.12 and D2.23 and all supporting workpapers, with all formulae intact. For each Schedule, show how the amounts were calculated, including the depreciation rate applied and the applicable plant balances. Provide a source for all depreciation rates used in the calculations.

Net Salvage

119. If not provided elsewhere, please provide on diskette or CD all workpapers supporting terminal net salvage (decommissioning) estimates for each account for which terminal net salvage is a factor. Please include all calculations in electronic format (Excel), with all formulae intact.

120. Refer to each net salvage study in the Depreciation Study. For each of the five years ending 2008 explain whether gross salvage and cost of removal were normal or abnormal and why. This question pertains to Duke's perception as to the normalcy of the amounts in question.

121. Please explain and provide examples of the Company's retirement unit cost procedures for each account. Identify all changes to retirement unit costs which have occurred over the years.

122. Were any retirements, classified as sales or reimbursements, excluded from the life studies? If yes, were the retirements and related gross salvage and cost of removal also excluded from the net salvage studies?

123. Please explain the Company's procedures for gross salvage and cost of removal for each plant account. Also, please explain how cost of removal relating to replacements is allocated between cost of removal and new additions. Provide copies of actual source documents showing this allocation.

124. Does Duke agree that, in the case of a replacement, Duke has control over how much of the cost of the replacement is assigned to the retirement as cost of removal, and how much is capitalized to plant-in-service? Please explain the answer fully.

125. Please provide all manuals, guidelines, memoranda or other documentation that deals with the Company's policies on the assignment of capital costs and net salvage with regard to the replacement of retired plant. Also, please provide a sample workorder for a replacement project, showing these cost assignments.

126. Please provide narrative explanations of the Company's aging and pricing procedures.

127. Please identify and explain the Company's expectations with respect to future removal requirements and markets for retired equipment and materials. Please provide the basis for these expectations.

128. Please explain how the Company accounts for third party reimbursements and how they are reflected in the Depreciation Study.

129. If third-party reimbursements were excluded from the net salvage studies, was the related retirement also excluded from the life studies?

130. For the year ending December 31, 2008, please identify the amount and proportion of each account that was capitalized as overhead to construction and the proportion and amount that was treated as an annual expense.

131. Do Mr. Spanos' net salvage estimates for mass property accounts incorporate inflation expected to be incurred in the future? If yes, provide the net present value, thus eliminating the inflation from the net salvage estimates.

132. Is it correct that Mr. Spanos' mass property cost of removal estimates extrapolate past inflation into the future cost of removal estimate? If not, please explain why not.

133. Please provide the Company's capital and construction budgets for the next five years. Please identify all retirements, replacements, new additions and cost of removal reflected in these budgets. Please provide by account where available and explain how the cost estimates are derived for these items. This includes any budgets developed for the AMRP program.

134. Please provide a comparison of the annual cost of removal and gross salvage amounts shown on the Company's federal tax returns with the corresponding book amounts for the last 5 years. Provide the annual deferred tax expense associated with each of the differences. Also, provide the beginning and ending accumulated deferred tax balances and state whether they are rate base additions or rate base deductions.

135. Provide all alternative calculations of the net present value of future net salvage estimates that Mr. Spanos has considered, written about, or addressed in presentations over his career. Explain the pros and cons of each alternative approach.

<u>**Service Lives**</u>

136. If not provided in the workpapers, please provide the retirement rate analysis ranking of best-fit life/curve combinations for each account.

137. For any accounts where Mr. Spanos did not base his service life/curve selection on the results of his retirement rate analysis, explain why he did not. Also, explain in detail how those service live/curve combinations were selected.

138. Identify and explain all Company programs which might affect plant lives.

139. Please provide all internal life extension studies prepared by the Company. Life extension refers to any program, maintenance or capital, designed to extend lives and/or increase capacity of existing plant. Identify the functions to which these studies relate.

140. Provide the following information for all final retirements for the last 15 years. If requested data is not available for the last 15 years, provide the data for as many years as are available.
    a. Date of retirement
    b. Amount of retirement
    c. Account
    d. Reason for retirement
    e. Whether or not retirement was excluded from historical interim retirement rate studies.

141. Please provide the asset retirement obligations (ARO)/asset retirement cost (ARC) calculations for each of Duke's property accounts assuming that Duke has legal AROs for all of its plant. For the purposes of this question, please use the definition of a "legal obligation" provided in FASB Statement No. 143: "an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract under the doctrine of promissory estoppel."

142. Describe the relationship of the dollars in Mr. Spanos' life studies to the actual unpriced retirement units to which they relate.

143. Provide and explain all life studies (actuarial or semi-actuarial) Mr. Spanos conducted for Duke using actual unpriced retirement units.

Account Specific

144. Please provide all manuals, guidelines, memoranda or other documentation that deals with the Company's policies with regard to the physical removal of retired mains and, separately, services from the ground as opposed to capping these pipes and leaving them in place.

145. Please explain the process by which the labor associated with Mains and Services replacement projects is split between the new asset and cost of removal.

146. Please provide a summary of the last 10 years of Mains and Services additions, up to and including 2008. Identify on a year-by-year basis the new additions vs. replacement additions. Please explain any anticipated changes to these proportions.

147. Please identify and explain the three largest Mains and Services replacement projects currently taking place.

148. Please provide a summary of all Main and Service Replacement projects during 2008. Separately identify all major costs, including the removal of the existing Main and/or Service.

149. Please provide a narrative explanation of a typical Main and Service replacement project.

150. Please provide a sample work order showing the retirement of a gas main.

151. Please refer to page 12, lines 1 through 11 of Mr. Spanos's Direct Testimony.
    a. Provide any studies, plans, budgets, etc. Duke has regarding the AMRP.
    b. How were the projected retirements calculated? Please reconcile the projected retirements with specific Company AMRP plans.
    c. Explain fully how there can be no anticipated affect on the estimated plastic and steel mains or services due to AMRP. Is it not the case that plastic and steel will replace the current cast iron mains and associated services?
    d. Provide the amount of additions to mains and services by subaccount and year that have been included in the rate base in this case, but not included in Mr. Spanos's life studies. In other words, provide the projected additions for the same periods Mr. Spanos included projected retirements.

Existing Rates

152. Please provide a copy of the depreciation study underlying the current rates and the Order(s), Decision(s), Stipulation(s) and/or Settlement(s) establishing the current depreciation rates.

153. Please provide the calculation of the current depreciation rates in electronic format (Excel) with all formulae intact. Show all parameters used (i.e., ASL, curve, remaining life, net salvage ratio), and provide a source for those parameters. Please explain any differences in the parameters or rates from those that were ordered when the rates were adopted.

154. Identify and explain all changes between the current study and the most recent prior study.

155. Please provide the current depreciation rates, split into three separate components: capital recovery, gross salvage and cost of removal.

156. Provide a table summarizing separately by account the depreciation expense changes caused by life changes, net salvage changes, and other changes. Provide additional explanations of the "other changes."

FERC Form 2 Reports and Audits

157. Provide the Company's FERC Form 2 reports for the years 2006 - 2007.

158. Please reconcile the plant balances used to calculate the rates in the Depreciation Study with the plant balances shown in the Company's FERC Form 2 report for the same year.

159. Please reconcile the reserve balances used to calculate the rates in the Depreciation Study with the reserve balances shown in the Company's FERC Form 2 report for the same year.

160. Please provide all FERC audit reports and the Company's responses thereto during the last 10 years.

SFAS No. 143, FERC Order No. 631 and FIN 47

161. Please provide any and all internal studies and correspondence concerning the Company's implementation of FASB Statement No. 143, FIN 47 and FERC Order No. 631 in RM-02-7-000.

162. Please provide complete copies of all correspondence with the following parties regarding the Company's implementation of FASB Statement No. 143, FIN 47 and FERC Order 631 in RM02-7-000:
    a. External auditors and other public accounting firms
    b. Consultants
    c. External counsel
    d. Federal and State regulatory agencies
    e. Internal Revenue Service

163. Regarding FASB Statement No. 143, FIN 47, and FERC Order No. 631 in Docket No. RM02-7-000, on a plant account-by-plant account basis, please identify any and all "legal obligations" associated with the retirement of the assets contained in the account that result from the acquisition, construction, development and (or) the normal operation of the assets in the account. Again, for the purposes of this question, please use the definition of a "legal obligation" provided in FASB Statement No. 143: "an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract under the doctrine of promissory estoppel."

164. For any asset retirement obligations identified above, please provide the "fair value" of the obligation. For the purposes of the question, fair value means "the amount at which that liability could be settled in a current [not future] transaction between willing parties, that is, other than in a forced or liquidation transaction." Please provide all assumptions and calculations underlying these amounts.

165. Please provide the "credit adjusted risk free rate" used for any and all ARO calculations under FASB Statement No. 143, FIN 47, and FERC Order No. 631 calculations to date.

166. Please provide complete copies of all Board of Director's minutes and internal management meeting minutes during the past five years in which any or all of the following subjects were discussed: the Company's gas and/or common plant depreciation rates; retirement unit costs; SFAS No. 143; FIN 47; and, FERC RM02-7-000.

167. Please provide the accounting entries (debits and credits) used to implement SFAS No. 143 and FIN 47, along with all workpapers supporting those entries. Please provide all these workpapers and calculations in electronic format (Excel) with all formulae intact.

168. Please refer to page 11 of Duke Energy Kentucky's December 31, 2008 Financial Statements and Auditor's Report provided in Volume III of the Company's filing. If not provided elsewhere, please provide the workpapers supporting the calculation of the regulatory liabilities for cost of removal of $33.208 million as of December 31, 2008 and $31.372 million as of December 31, 2007. Please provide these workpapers in electronic format (Excel), with all formulae intact. Provide the calculations on a plant account-by-plant account basis and show any allocation assumptions used. Provide these calculations in Excel with all formulae intact.

169. What impact, if any, did the application of FIN 47 have upon the proposed depreciation rates and expense in this rate case? Provide all workpapers

supporting the answer. If the application of FIN 47 had no impact please explain why not.

170. Provide an analysis of the regulatory liability for accrued asset removal costs since the regulatory liability was established, identifying and explaining each debit and credit entry and amount. Please provide these amounts for both Duke Energy and Duke Energy Kentucky. Also, provide the copies of the pages from each of Duke's SEC Form 10Ks and 10Qs and Duke's Annual Reports in which SFAS No. 143 was ever mentioned, whether or not Duke had quantified an amount of the regulatory liability at the time. Specify the exact date each of these reports was issued and released to the public.

171. Provide Duke's projection of the annual year-end balance in the regulatory liability for cost of removal obligations for Duke Kentucky for the next 20 years. If not available for the next twenty years provide for as many years into the future that the projection is available. If this projection has not been made, please explain why not. Provide in electronic format (Excel) with all formulae intact.
    a. For this projection assume that all of Duke's proposed depreciation rates are approved as requested.
    b. Explain all other assumptions used to make this projection.

172. For all accounts for which Duke has collected for non-legal AROs (AROs for which Duke does not have a legal obligation as defined in SFAS No. 143), but instead recorded a regulatory liability (regulatory liability for cost of removal), please provide the fair value of the related asset retirement cost as of December 31, 2003; December 31, 2004; December 31, 2005, December 31, 2006, December 31, 2007 and December 31, 2008. For the purposes of this question, assume that Duke has legal AROs for these accounts and use the life and dispersion assumptions reflected in Mr. Spanos' depreciation study.

173. Provide the calculation of the annual amount of future gross salvage, cost of removal and net salvage incorporated into Duke's existing depreciation rates and in its proposed depreciation rates by account. If any of the amounts are reduced by the total amount of non-legal AROs included in year-end accumulated depreciation, show that calculation.

174. With respect to the Regulatory Liability relating to cost of removal obligations which Duke reclassified out of accumulated depreciation:
    a. Do you agree that this constitutes a regulatory liability for regulatory purposes in Kentucky? If not, please explain why not.
    b. Do you agree that this amount is a refundable obligation to ratepayers until it is spent on its intended purpose (cost of removal)? If not, why not?
    c. Please explain the repayment provisions associated with this regulatory liability.

d. Please explain when you expect to spend this money for cost of removal.
e. Please explain what you have done with this money as you have collected it. If you say that you have spent it on plant additions, please provide documentation of same.
f. Identify and explain all other similar examples of Duke's advance collections of estimated future costs for which it does not have a legal obligation.
g. Does Duke agree that the KY PSC will never know whether or not Duke will actually spend all of this money for cost of removal until and if Duke goes out of business? If not, why not?
h. Does Duke believe that amounts recoded in accumulated depreciation represent capital recovery? If not, why not?
i. Whose capital is reflected in accumulated depreciation – shareholders' or ratepayers'?

175. Does Duke commit to remove each asset for which it is collecting cost of removal and does it commit to spend all of the money it is collecting for cost of removal on cost of removal? If the answer is yes, explain why Duke does not have legal AROs under the principal of promissory estoppel.

176. Does Duke consider that it is bound by SEC regulations to record accruals for future costs of removal as regulatory liabilities?
    a. If so, please provide a record of those accruals in as much account detail as is available along with the workpapers used to develop those accruals.
    b. If not, please explain why not.
    c. State whether the Company proposes to separate retirement cost accounting from depreciation accounting, with separate rates and reserves. If the Company does not propose such separation, please state fully the reasons for not doing so.

177. Please provide any forecasts of environmental remediation costs included in the depreciation study. Describe fully the nature of each project. Identify the site, the amount of the cost, the timing of the expenditure, and the reason(s) for the expenditure.

178. Identify all directives from the Environmental Protection Agency or state environmental agencies that affect or might affect the Company's obligations to incur environmental remediation costs. Describe fully the likely effect on Duke. Quantify any associated costs.

179. Please identify and describe the level of detail, e.g. by account, functional category, at which the Company computes the depreciation expense for purposes of financial reporting, Commission reporting, and ratemaking in this case. Explain fully any differences among these three depreciation calculations.

180. State whether the Company has forecast any non-legal ARO's that it does not regard as regulatory liabilities. Please describe these costs in detail, state fully the reason(s) for your belief that such forecast costs are not regulatory liabilities, and identify the forecast amounts of such removal costs in as much detail as is available. Provide the supporting documentation for each forecast amount.

IV. RATE DESIGN

The following data requests relate to the Direct Testimony of Donald L. Storck dated July 1, 2009:

181. Refer to your testimony: Page 3, Lines 8 through 10. Provide an executable electronic copy, in Microsoft Excel format, of the Company's fully allocated, embedded cost of service study by rate class.

182. Refer to your testimony: Page 4, Lines 16 through 19. With reference to the Company's fully allocated, embedded cost of service study, please identify each rate schedule included in the individual classes; i.e., RS Residential, GS General Service, FT Firm Transportation, and IT Interruptible Transportation.

183. Refer to your testimony: Page 6, Lines 2 through 4. Please describe the Company's "gas load research program" and provide a copy of the data, analyses, etc. used to "determine the class coincident peaks utilized" as referenced therein. Provide an executable electronic copy in Microsoft Excel format as available.

184. Refer to your workpaper exhibit WPFR-9v-6: Pages 6 and 7 of 27. Provide the same information as shown for February 5, 2007 (DE-Kentucky Peak Day) for each of February 4, 2007 and February 6, 2007.

185. Refer to your workpaper exhibit WPFR-9v-6. Provide an executable electronic copy, in Microsoft Excel format, of the tables, calculations, data, etc. presented therein and referred to as "Cost of Service Workpapers."

186. Refer to your testimony Page 13, Line 23 through Page 14, Line 4. Provide all workpapers, spreadsheets, calculations, etc. that show how the Company assigned proposed revenue increases to each of the rate schedules within the customer rate classes identified in the cost of service study.

187. Refer to your Attachment DLS-1. Provide an executable electronic copy, in Microsoft Excel format, of the two (2) Pages of Attachment DLS-1. Include in this response how each of the rate class amounts in Column (A) Capitalization

was calculated as shown in Page 2 of 2 of Attachment DLS-1 and in Page 1 of FR 10(9)v-1; i.e., the cost of service study results.

188. In regard to Account 376 Mains, provide the gross Mains investment (Account 376) separated by vintage year, size, type (plastic, steel, etc.), Handy-Whitman indices, and footage of units in the greatest detail available. In this response provide hardcopy as well as electronic format in Excel or ASCII format. Workpaper WPFR-9v-6 Pages 16 and 17 present this type of data for 1" plastic Mains.

189. In regard to Design Day, provide the most recent design day demands by customer rate classes and/or customer rate schedules utilized by the Company for Purchased Gas cost filings before the Kentucky PUC.

190. In regard to Interruptible Sales, provide for the most recent five (5) years interruptible sales volumes by rate schedule by date and duration of interruption, and estimated load curtailed.

The following data requests relate to the Direct Testimony of James E. Ziolkowski dated July 1, 2009:

191. Refer to your Schedule M and Schedule N. Provide an executable electronic copy, in Microsoft Excel format, of the Schedules M, M-2.1, M-2.2 and Schedule N for the "Base Period" and for the "Forecasted Period."

192. Refer to your Attachment JEZ-1. Provide an executable electronic copy, in Microsoft Excel format, of the customer rate class customer costs shown in Attachment JEZ-1. Include in this response any data and calculations that are not obtained from the Company's cost of service study sponsored by Mr. Storck.