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Fax: 513-419-1846  
[dianne.kuhnell@duke-energy.com](mailto:dianne.kuhnell@duke-energy.com)

Dianne B. Kuhnell.  
Senior Paralegal

**VIA OVERNIGHT DELIVERY**

September 25, 2009

**RECEIVED**

**SEP 28 2009**

**PUBLIC SERVICE  
COMMISSION**

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

Re: Case No. 2009-00202

Dear Mr. Derouen:

Enclosed please find for filing an original and twelve copies of Duke Energy Kentucky's Responses to Third Data Request of Commission Staff and Duke Energy Kentucky's Responses to Attorney General's Supplemental Requests for Information.

Please date-stamp the extra two copies of the letter and two copies of each set of Responses and return to me in the enclosed envelope.

Sincerely,

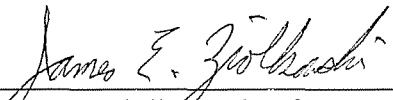
Dianne B. Kuhnell  
Senior Paralegal

cc: Dennis Howard II


VERIFICATION

State of Ohio            )  
                                  )  
County of Hamilton    )

The undersigned, James E. Ziolkowski being duly sworn, deposes and says that I am employed by the Duke Energy Corporation affiliated companies as Rates Manager; that on behalf of Duke Energy Kentucky, Inc., I have supervised the preparation of the responses to the foregoing responses to information requests; and that the matters set forth in the foregoing response to information requests are true and accurate to the best of my knowledge, information and belief after reasonable inquire.

  
\_\_\_\_\_  
James E. Ziolkowski, Affiant

Subscribed and sworn to before me by James E. Ziolkowski on this 22<sup>nd</sup> day of September, 2009.

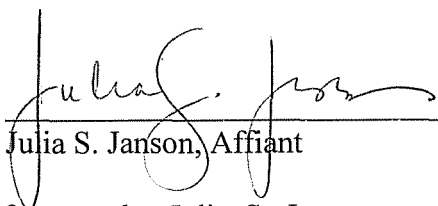
  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires: 9-15-2014

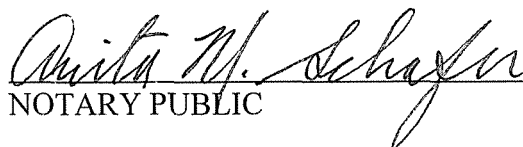
VERIFICATION

State of Ohio            )  
                                  )  
County of Hamilton    )

The undersigned, Julia S. Janson being duly sworn, deposes and says that I am employed by the Duke Energy Corporation affiliated companies as President – Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc.; that on behalf of Duke Energy Kentucky, Inc., I have supervised the preparation of the responses to the foregoing responses to information requests; and that the matters set forth in the foregoing response to information requests are true and accurate to the best of my knowledge, information and belief after reasonable inquiry.

  
\_\_\_\_\_  
Julia S. Janson, Affiant

Subscribed and sworn to before me by Julia S. Janson on this 21<sup>st</sup> day of September, 2009.

  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires:

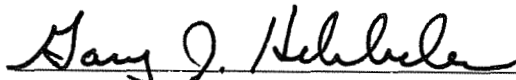


**ANITA M. SCHAFER**  
Notary Public, State of Ohio  
My Commission Expires  
November 4, 2009


VERIFICATION

State of Ohio            )  
                                  )  
County of Hamilton    )

The undersigned, Gary J. Hebbeler being duly sworn, deposes and says that I am employed by the Duke Energy Corporation affiliated companies as General Manager, Gas Engineering; that on behalf of Duke Energy Kentucky, Inc., I have supervised the preparation of the responses to the foregoing responses to information requests; and that the matters set forth in the foregoing response to information requests are true and accurate to the best of my knowledge, information and belief after reasonable inquire.

  
\_\_\_\_\_  
Gary J. Hebbeler, Affiant

Subscribed and sworn to before me by Gary J. Hebbeler on this 21<sup>st</sup> day of September, 2009.

  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires:



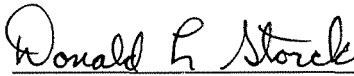
**ANITA M. SCHAFER**  
Notary Public, State of Ohio  
My Commission Expires  
November 4, 2009



VERIFICATION

State of Ohio            )  
                                  )  
County of Hamilton    )

The undersigned, Donald L. Storck being duly sworn, deposes and says that I am employed by the Duke Energy Corporation affiliated companies as Director of Rate Services; that on behalf of Duke Energy Kentucky, Inc., I have supervised the preparation of the responses to the foregoing responses to information requests; and that the matters set forth in the foregoing response to information requests are true and accurate to the best of my knowledge, information and belief after reasonable inquire.

  
\_\_\_\_\_  
Donald L. Storck, Affiant

Subscribed and sworn to before me by Donald L. Storck on this 17<sup>th</sup> day of September, 2009.

  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires:



**ANITA M. SCHAFER**  
Notary Public, State of Ohio  
My Commission Expires  
November 4, 2009

VERIFICATION

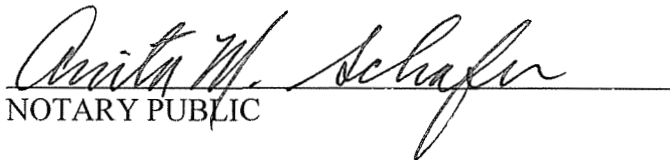
State of Ohio            )  
                                  )  
County of Hamilton    )

The undersigned, William Don Wathen Jr., being duly sworn, deposes and says that I am employed by the Duke Energy Corporation affiliated companies as Director - Rates; that on behalf of Duke Energy Kentucky, Inc., I have supervised the preparation of the responses to the foregoing responses to information requests; and that the matters set forth in the foregoing response to information requests are true and accurate to the best of my knowledge, information and belief after reasonable inquire.



\_\_\_\_\_  
William Don Wathen Jr., Affiant

Subscribed and sworn to before me by William Don Wathen Jr. on this 22<sup>nd</sup> day of September 2009.



\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires:

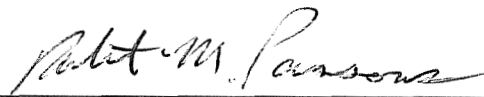


**ANITA M. SCHAFER**  
Notary Public, State of Ohio  
My Commission Expires  
November 4, 2009

VERIFICATION

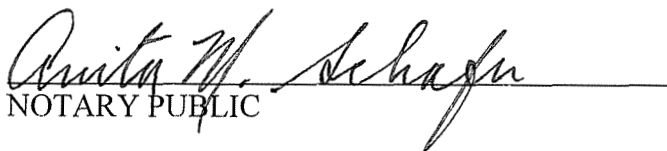
State of Ohio            )  
                                  )  
County of Hamilton    )

The undersigned, Robert M. Parsons being duly sworn, deposes and says that I am employed by the Duke Energy Corporation affiliated companies as Rates Manager; that on behalf of Duke Energy Kentucky, Inc., I have supervised the preparation of the responses to the foregoing responses to information requests; and that the matters set forth in the foregoing response to information requests are true and accurate to the best of my knowledge, information and belief after reasonable inquire.



Robert M. Parsons, Affiant

Subscribed and sworn to before me by Robert M. Parsons on this 18<sup>th</sup> day of September, 2009.

  
NOTARY PUBLIC

My Commission Expires:



**ANITA M. SCHAFER**  
Notary Public, State of Ohio  
My Commission Expires  
November 4, 2009





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**Duke Energy Kentucky, Inc.**  
**Case No. 2009-00202**  
**Third Set Staff Data Requests**  
**Date Received: September 14, 2009**

**STAFF-DR-03-001**

**REQUEST:**

Refer to the response to Item 2.d. of Commission Staff's Second Data Request ("Staff's Second Request"). Some schedules were provided on a total basis as requested; however, Schedules 13 and 13.2 were not. Provide Schedules 13 and 13.2 on a total basis or explain why they cannot be provided.

**RESPONSE:**

Schedules 13 and 13.2 are not available on a total basis. The response to Item 2.d of the Commission Staff's Second Data Request was prepared by summing up the Commodity, Demand and Customer amounts from Exhibits FR-10(9)v-2, FR-10(9)v-3, FR-10(9)v-4 and FR-10(9)v-5. The allocation percentages on Schedule 13 and 13.2 of each of these Exhibits are unique to the customer class being classified and were not prepared on a total basis.

**PERSON RESPONSIBLE:** Donald L. Storck



**Duke Energy Kentucky, Inc.**  
**Case No. 2009-00202**  
**Third Set Staff Data Requests**  
**Date Received: September 14, 2009**

**STAFF-DR-03-002**

**REQUEST:**

Refer to the attachment to the response to Item 6 of Staff's Second Request which includes the customer charges and volumetric charges that would be required if the customer charges fully recovered all fixed costs necessary to serve customers. For all four rate classes, the volumetric charge is zero. Explain whether it is Duke Kentucky's contention that it incurs no variable costs, other than the cost of gas, in the provision of service to its customers.

**RESPONSE:**

The Company considers that, within the normal range of sales experienced by the company, almost all of the costs to provide gas service, other than the cost of gas, are fixed. There are some variable costs such as odorant, but the magnitude of the variable costs is small compared with the total cost of providing service. In the response to STAFF-DR-002-006, the Company assumed that all costs are fixed to simplify the analysis.

**PERSON RESPONSIBLE:** James E. Ziolkowski





**Duke Energy Kentucky, Inc.**  
**Case No. 2009-00202**  
**Third Set Staff Data Requests**  
**Date Received: September 14, 2009**

**STAFF-DR-03-003**

**REQUEST:**

Refer to the response to Item 9.a. of Staff's Second Request.

- a. For the meter pulse installation charge and the meter index charge, explain why the truck cost of \$7.00 per hour would be charged for the installation time (i.e., the non-travel time).
- b. For the meter index charge, materials are listed at \$90. Identify the specific materials that make up this amount.
- c. For the additional trip charge, provide itemized cost information as was provided for the meter pulse installation and meter index charges.

**RESPONSE:**

- a. The vehicle is in use at the job site for tools, materials etc. while the labor is being performed. It cannot be taken and used elsewhere.
- b. DC powered isolation switch, pulser board, weather-proof box, flex conduit, seal-off, wiring and misc. hardware. Every installation is different based on different meter sets, locations, etc., and cost may exceed this conservative amount.
- c. Slightly less than 2 hrs. @ \$25.50 labor, \$7.00 truck (Total \$32.50/hr.)

**PERSON RESPONSIBLE:** James E. Ziolkowski



**Duke Energy Kentucky, Inc.**  
**Case No. 2009-00202**  
**Third Set Staff Data Requests**  
**Date Received: September 14, 2009**

**STAFF-DR-03-004**

**REQUEST:**

Refer to the response to Item 14 of Staff's Second Request, which describes the process used by J.D. Power and Associates ("J.D. Power") to rate customer satisfaction by residential customers for the country's 60 largest gas utilities.

- a. Explain how the size of gas utilities is measured by J.D. Power for purposes of its study of residential customer satisfaction.
- b. Explain whether Duke Kentucky is one of the 60 largest gas utilities in the U.S., as measured by J.D. Power, and where it ranks among those 60 utilities.
- c. If it is not one of the 60 largest gas utilities in the U.S., explain how the results of the J.D. Power study are specifically applicable to Duke Kentucky.

**RESPONSE:**

- a. Based on number of customers served. Duke Energy Midwest (for the gas study is Duke Energy Ohio and Duke Energy Kentucky) meets the requirement customer base of 225,000 or more households served.
- b. The survey ranks Duke Energy as Duke Energy Midwest and does not break out the operating companies that make up Duke Energy Midwest by state. Duke Energy Kentucky on its own would not be large enough but the study does not rank Duke Energy by operating company only by region.
- c. The results are applicable to Duke Energy Kentucky because Kentucky customers are part of the group being surveyed. The results are not separated out by state.

**PERSON RESPONSIBLE:** Julia S. Janson



**Duke Energy Kentucky, Inc.**  
**Case No. 2009-00202**  
**Third Set Staff Data Requests**  
**Date Received: September 14, 2009**

**STAFF-DR-03-005**

**REQUEST:**

Refer to the response to Item 20 of Staff's Second Request and Schedule D-2.11 of Duke Kentucky's application.

- a. Describe in detail the type of activities that gave rise to the jobbing expense incurred during the base period, as described in Schedule D-2.11.
- b. Explain what caused Duke Kentucky to incur negative amortization expense of \$362,672 during the base period.

**RESPONSE:**

- a. Schedule D-2.11 was incorrectly labeled jobbing expense. It should have been labeled other operating expenses. The \$362,672 of other operating expenses was for DSM amortization.
- b. Duke Energy Kentucky incurred negative amortization expense because the program had overcollected and the overcollection was being refunded to ratepayers.

**PERSON RESPONSIBLE:** Robert M. Parsons



**Duke Energy Kentucky, Inc.**  
**Case No. 2009-00202**  
**Third Set Staff Data Requests**  
**Date Received: September 14, 2009**

**STAFF-DR-03-006**

**REQUEST:**

Refer to the response to Item 21 of Staff's Second Request concerning the adjustment to property tax expense in December 2008 due to the final "Property Valuation" from the Kentucky Department of Revenue (formerly Kentucky Revenue Cabinet).

- a. Since 2000, identify each calendar year in which Duke Kentucky received a final "Property Valuation" from the Kentucky Department of Revenue which resulted in lowering property tax expense from the level based on an earlier property valuation from the Kentucky Department of Revenue.
- b. For each year identified in responding to part a. of this request, provide the amounts of both the initial and final property valuations and the amounts of both the initial and final property tax expense due pursuant to those valuations.

**RESPONSE:**

- a. In each of the years 2001 through 2008, Duke Kentucky received a final "Property Valuation" from the Kentucky Department of Revenue which resulted in lowering property tax expense from the level based on an earlier property valuation from the Kentucky Department of Revenue. (Year 2000 data is not available.)
- b. See attachment Staff-DR-03-006. (Year 2000 data is not available.)

**PERSON RESPONSIBLE:** Robert M. Parsons

DUKE ENERGY KENTUCKY  
COMPARISON OF 2001 - 2008 TENTATIVE KENTUCKY ASSESSMENTS TO FINAL KENTUCKY ASSESSMENTS

	2008		2007		2006		2005	
	Tentative	Final	Tentative	Final	Tentative	Final	Tentative	Final
Real Estate	242,219,760	226,200,000	242,219,760	220,415,000	209,500,300	209,500,300	184,193,967	158,000,000
Tangible Property	234,108,494	131,640,000	184,007,986	127,940,800	259,476,178	130,915,310	265,362,832	92,000,000
Manufacturing Machinery	261,845,211	238,920,000	261,845,211	238,327,000	63,511,260	63,511,260	92,000,000	66,008,538
Business Inventory	11,826,535	3,240,000	11,826,535	8,390,500	1,841,070	1,841,070	1,991,462	1,991,462
Assessment	750,000,000	600,000,000	699,899,492	595,073,300	534,328,808	405,767,940	543,548,261	318,000,000
Gas Allocation	35.51%	35.51%	34.59%	34.59%	31.48%	31.48%	51.70%	51.70%
Gas Valuation	266,325,000	213,060,000	242,095,234	205,835,854	168,206,709	127,735,748	281,014,451	164,406,000
Average Tax Rate	0.9011%	0.9011%	0.8892%	0.8892%	1.2352%	1.2352%	1.1369%	1.1369%
Gas Taxes Proposed/Paid	\$2,399,900	\$1,919,900	\$2,152,700	\$1,830,300	\$2,077,700	\$1,577,800	\$3,194,900	\$1,869,100

	2004		2003		2002		2001	
	Tentative	Final	Tentative	Final	Tentative	Final	Tentative	Final
Real Estate	189,761,220	158,000,000	162,010,160	158,000,000	158,333,510	158,333,510	149,105,420	131,861,850
Tangible Property	141,227,961	72,000,000	109,042,677	65,500,000	161,674,660	71,347,310	155,121,829	77,309,290
Manufacturing Machinery	67,596,158	66,033,888	49,285,508	46,158,315	50,372,440	50,372,440	65,394,181	55,150,460
Business Inventory	1,966,112	1,966,112	2,341,685	2,341,685	1,946,740	1,946,740	1,962,930	2,178,400
Assessment	400,551,451	298,000,000	322,680,030	272,000,000	372,327,350	282,000,000	371,584,360	266,500,000
Gas Allocation	40.68%	40.68%	40.64%	40.64%	43.60%	43.60%	43.82%	43.82%
Gas Valuation	162,944,330	121,226,400	131,137,164	110,540,800	162,334,725	122,952,000	162,828,267	116,780,300
Average Tax Rate	1.0792%	1.0792%	1.0781%	1.0781%	1.0508%	1.0508%	1.0191%	1.0191%
Gas Taxes Proposed/Paid	\$1,758,500	\$1,308,300	\$1,413,800	\$1,191,700	\$1,705,800	\$1,292,000	\$1,659,400	\$1,190,100





**Duke Energy Kentucky, Inc.**  
**Case No. 2009-00202**  
**Third Set Staff Data Requests**  
**Date Received: September 14, 2009**

**STAFF-DR-03-007**

**REQUEST:**

Refer to the response to Item 24 of Staff's Second Request in which Duke Kentucky provided revised schedules in the event the Commission does not approve its proposed treatment of uncollectible expense. Provide a revised Schedule M-2.3, showing revised revenues and rates.

**RESPONSE:**

Please see Attachment STAFF-DR-03-007.

**PERSON RESPONSIBLE:** James E. Ziolkowski

DUKE ENERGY KENTUCKY  
CASE NO. 2009- 00202  
ANNUALIZED TEST YEAR REVENUES AT PROPOSED VS. MOST CURRENT RATES  
FOR THE TWELVE MONTHS ENDED JANUARY 31, 2011  
(GAS SERVICE)

DATA: \_\_\_ BASE PERIOD \_\_\_ FORECASTED PERIOD  
TYPE OF FILING: \_\_\_ ORIGINAL \_\_\_ UPDATED \_\_\_ REVISED  
WORK PAPER REFERENCE NO(S):  
12 MOS FORECASTED

SCHEDULE M-2.3  
PAGE 1 OF 7  
WITNESS:  
J. ZIOLKOWSKI

EXCLUDES ALL RIDERS  
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(4) (F)	% OF REV TO TOTAL LESS GAS COST REVENUE (G)	GAS COST REVENUE(3) (H)	PROPOSED TOTAL REVENUE (F + H) (I)
			(MCF)	(\$/MCF)	(\$)	(%)	(\$)	(\$)	
1		SALES SERVICE:							
2	RS	RESIDENTIAL	1,073,044	6,699,903	6.8348	45,792,793	100.00	49,819,246	95,612,039
3		TOTAL RS	1,073,044	6,699,903	6.8348	45,792,793	72.17	49,819,246	95,612,039
4	GS	COMMERCIAL	77,136	3,018,506	3.4917	10,539,815	81.60	22,445,055	32,984,870
5	GS	INDUSTRIAL	2,746	376,087	2.6247	987,124	7.64	2,796,514	3,783,638
6	GS	OTH PUB AUTH	4,452	517,052	2.6869	1,389,263	10.76	3,844,704	5,233,967
7		TOTAL GS	84,334	3,911,645	3.3020	12,916,202	20.36	29,086,273	42,002,475
8		TOTAL SALES SERVICE	1,157,378	10,611,548	5.5326	58,708,995	92.52	78,905,519	137,614,514
9		TRANSPORTATION SERVICE:							
10	FT-LARGE FIRM	TRANSP - LARGE	1,020	1,158,636	2.3022	2,667,468	66.10	0	2,667,468
11	IT	INTERRUPTIBLE	288	1,227,496	1.1145	1,368,030	33.90	0	1,368,030
12		TOTAL TRANSP SERVICE	1,308	2,386,132	1.6912	4,035,498	6.36	0	4,035,498
13		TOTAL THROUGHPUT	1,158,686	12,997,680	4.8274	62,744,493	98.88	78,905,519	141,650,012
14		MISCELLANEOUS REVENUES:							
15		LATE PAYMENT CHARGES	0	0	0	0	0.00	0	0
16		BAD CHECK CHARGES	0	0	0	10,116	1.42	0	10,116
17		RECONNECTION CHARGES	0	0	0	21,876	3.08	0	21,876
18		RENTS	0	0	0	34,176	4.81	0	34,176
19		INTERDEPARTMENTAL	0	4,552	0	9,528	1.34	33,848	43,376
20		SPECIAL CONTRACTS	0	0	0	0	0.00	0	0
21		REVENUE TRANSP OF GAS-INTERCO	0	0	0	600,696	84.60	0	600,696
22		PROVISION FOR RATE REFUNDS	0	0	0	0	0.00	0	0
23		OTHER MISC	0	0	0	33,684	4.74	0	33,684
24		TOTAL MISCELLANEOUS	0	4,552	0	710,076	1.12	33,848	743,924
25		TOTAL COMPANY	1,158,686	13,002,232	4.8803	63,454,569	100.00	78,939,367	142,393,936

(1) DETAIL CONTAINED ON SCHEDULES M-2.3, PAGES 2 THROUGH 7.  
(2) REFLECTS NORMALIZED VOLUMES.  
(3) REFLECTS AVERAGE EXPECTED GAS COST OF \$7.435816/MCF.

DUKE ENERGY KENTUCKY  
CASE NO. 2009- 00202  
ANNUALIZED TEST YEAR REVENUES AT PROPOSED VS. MOST CURRENT RATES  
FOR THE TWELVE MONTHS ENDED JANUARY 31, 2011  
(GAS SERVICE)

SCHEDULE M-2.3  
PAGE 2 OF 7  
WITNESS:  
J. ZIOLKOWSKI

DATA: \_\_\_ BASE PERIOD \_\_\_X\_\_\_ FORECASTED PERIOD  
TYPE OF FILING: \_\_\_X\_\_\_ ORIGINAL \_\_\_ \_\_\_ UPDATED \_\_\_ \_\_\_ REVISED  
WORK PAPER REFERENCE NO(S):  
12 MOS FORECASTED

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)	(\$/MCF)	(\$)	(%)	(\$)	(\$)
1	RS	RESIDENTIAL							
2		CUSTOMER CHARGE:							
3		RESIDENTIAL							
4		TOTAL MONTHLY BILLS x :	1,073.044		\$30.00	32,191,320	71.3		32,191,320
5		CUSTOMER CHARGE PER MONTH							
6		COMMODITY CHARGE:		6,699,903	2.0301	13,601,473	30.1	49,819,246	63,420,719
7		ALL CONSUMPTION		6,699,903		45,792,793	101.4	49,819,246	95,612,039
8		RATE RS EXCLUDING RIDERS							
9		RIDERS:							
10		HOME ENERGY ASSISTANCE PROGRAM (HEA)			\$0.10	107,304	0.2		107,304
11		DEMAND SIDE MANAGEMENT RATE (DSMR)			(0.109294)	(732,259)	(1.6)		(732,259)
12		TOTAL RIDERS				(624,955)	(1.4)		(624,955)
13		TOTAL RATE RS RESIDENTIAL INCLUDING RIDERS	1,073.044	6,699,903		45,167,838	100.0	49,819,246	94,987,084

(1) BILLS THAT TERMINATE IN RESPECTIVE RATE STEPS.

(2) REFLECTS NORMALIZED VOLUMES.

(3) REFLECTS AVERAGE EXPECTED GAS COST OF \$7.435816/MCF.

DUKE ENERGY KENTUCKY  
CASE NO. 2009-00202  
ANNUALIZED TEST YEAR REVENUES AT PROPOSED VS. MOST CURRENT RATES  
FOR THE TWELVE MONTHS ENDED JANUARY 31, 2011  
(GAS SERVICE)

SCHEDULE M-2.3  
PAGE 3 OF 7  
WITNESS:  
J. ZIOLKOWSKI

DATA: \_\_\_ BASE PERIOD \_\_\_ X \_\_\_ FORECASTED PERIOD  
TYPE OF FILING: \_\_\_ X \_\_\_ ORIGINAL \_\_\_ UPDATED \_\_\_ REVISED  
WORK PAPER REFERENCE NO(S):  
12 MOS FORECASTED

PROPOSED ANNUALIZED

LINE NO.	RATE CODE (A)	CLASS / DESCRIPTION (B)	CUSTOMER BILLS(1) (C)	SALES(2) (D)	PROPOSED RATES (E)	PROPOSED LESS		% OF REV TO		PROPOSED TOTAL	
						REVENUE (F)	GAS COST REVENUE (H)	TOTAL LESS GAS COST REVENUE (G)	TOTAL REVENUE (I)		
						(\$)	(\$)	(%)	(\$)	(\$)	(\$)
1	GS	COMMERCIAL									
2		CUSTOMER CHARGE:									
3		NON-RESIDENTIAL									
4		TOTAL MONTHLY BILLS x :	77,136		\$47.50	3,663,960		34.8			3,663,960
5		CUSTOMER CHARGE PER MONTH									
6		COMMODITY CHARGE:									
7		ALL CONSUMPTION		3,018,506	2.2779	6,875,855		66.2		22,445,055	29,320,910
8		RATE GS COMMERCIAL EXCLUDING RIDERS		3,018,506		10,539,815		100.0		22,445,055	32,984,870
9		RIDERS:									
10		DEMAND SIDE MANAGEMENT RATE (DSMR)			0.000000	0		0.0			0
11		TOTAL RIDERS				0		0.0			0
12		TOTAL RATE GS COMMERCIAL INCLUDING RIDERS	77,136	3,018,506		10,539,815		100.0		22,445,055	32,984,870

(1) BILLS THAT TERMINATE IN RESPECTIVE RATE STEPS.

(2) REFLECTS NORMALIZED VOLUMES.

(3) REFLECTS AVERAGE EXPECTED GAS COST OF \$7.435816/MCF.

DUKE ENERGY KENTUCKY  
CASE NO. 2009- 00202  
ANNUALIZED TEST YEAR REVENUES AT PROPOSED VS. MOST CURRENT RATES  
FOR THE TWELVE MONTHS ENDED JANUARY 31, 2011  
(GAS SERVICE)

DATA: \_\_\_ BASE PERIOD \_\_\_X\_\_\_ FORECASTED PERIOD  
TYPE OF FILING: \_\_\_X\_\_\_ ORIGINAL \_\_\_ \_\_\_ UPDATED \_\_\_ \_\_\_ REVISED  
WORK PAPER REFERENCE NO(S):  
12 MOS FORECASTED

SCHEDULE M-2.3  
PAGE 4 OF 7  
WITNESS:  
J. ZIOLKOWSKI

PROPOSED ANNUALIZED

LINE NO.	RATE CODE (A)	CLASS / DESCRIPTION (B)	CUSTOMER BILLS(1) (C)	SALES(2) (D)	PROPOSED RATES (E)	PROPOSED 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 :	2,746	\$47.50	130,435	13.2		130,435	
5		CUSTOMER CHARGE PER MONTH							
6		COMMODITY CHARGE:							
7		ALL CONSUMPTION	376,087	2.2779	856,689	86.8	2,796,514	3,653,203	
8		RATE GS INDUSTRIAL EXCLUDING RIDERS	376,087		987,124	100.0	2,796,514	3,783,638	
9		RIDERS:							
10		DEMAND SIDE MANAGEMENT RATE (DSMR)		0.000000	0	0.0		0	
11		TOTAL RIDERS			0	0.0		0	
12		TOTAL RATE GS INDUSTRIAL INCLUDING RIDERS	376,087		987,124	100.0	2,796,514	3,783,638	

(1) BILLS THAT TERMINATE IN RESPECTIVE RATE STEPS.  
(2) REFLECTS NORMALIZED VOLUMES.  
(3) REFLECTS AVERAGE EXPECTED GAS COST OF \$7.435816/MCF.

DUKE ENERGY KENTUCKY  
CASE NO. 2009-00202  
ANNUALIZED TEST YEAR REVENUES AT PROPOSED VS. MOST CURRENT RATES  
FOR THE TWELVE MONTHS ENDED JANUARY 31, 2011  
(GAS SERVICE)

SCHEDULE M-2.3  
PAGE 5 OF 7  
WITNESS:  
J. ZIOLKOWSKI

DATA: \_\_\_ BASE PERIOD \_\_\_ X \_\_\_ FORECASTED PERIOD  
TYPE OF FILING: \_\_\_ X \_\_\_ ORIGINAL \_\_\_ UPDATED \_\_\_ REVISED  
WORK PAPER REFERENCE NO(S):  
12 MOS FORECASTED

LINE NO.	RATE CODE (A)	CLASS / DESCRIPTION (B)	CUSTOMER BILLS(1) (C)	SALES(2) (D)	PROPOSED RATES (E) (\$/MCF)	PROPOSED ANNUALIZED		% OF REV TO TOTAL LESS GAS COST REVENUE (G) (%)	GAS COST REVENUE(3) (H) (\$)	PROPOSED TOTAL REVENUE (F + H) (I) (\$)
						REVENUE LESS GAS COST REVENUE (F) (\$)	REVENUE (F) (\$)			
1	GS	OTHER PUBLIC AUTHORITIES								
2		CUSTOMER CHARGE:								
3		NON-RESIDENTIAL								
4		TOTAL MONTHLY BILLS x :	4,452		\$47.50	211,470	15.2		211,470	
5		CUSTOMER CHARGE PER MONTH								
6		COMMODITY CHARGE:								
7		ALL CONSUMPTION		517,052	2.2779	1,177,793	84.8	3,844,704	5,022,497	
8		RATE GS OPA EXCLUDING RIDERS		517,052		1,389,263	100.0	3,844,704	5,233,967	
9		RIDERS:			0.000000	0	0.0		0	
10		DEMAND SIDE MANAGEMENT RATE (DSMR)				0	0.0		0	
11		TOTAL RIDERS				1,389,263	100.0	3,844,704	5,233,967	
12		TOTAL RATE GS OPA INCLUDING RIDERS	4,452	517,052						

(1) BILLS THAT TERMINATE IN RESPECTIVE RATE STEPS.  
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(3) REFLECTS AVERAGE EXPECTED GAS COST OF \$7.435816/MCF.

DUKE ENERGY KENTUCKY  
CASE NO. 2009- 00202  
ANNUALIZED TEST YEAR REVENUES AT PROPOSED VS. MOST CURRENT RATES  
FOR THE TWELVE MONTHS ENDED JANUARY 31, 2011  
(GAS SERVICE)

SCHEDULE M-2.3  
PAGE 6 OF 7  
WITNESS:  
J. ZIOLKOWSKI

DATA: \_\_\_ BASE PERIOD \_\_\_X\_\_\_ FORECASTED PERIOD  
TYPE OF FILING: \_\_\_X\_\_\_ ORIGINAL \_\_\_ UPDATED \_\_\_ REVISED  
WORK PAPER REFERENCE NO(S):  
12 MOS FORECASTED

LINE NO.	RATE CODE (A)	CLASS / DESCRIPTION (B)	CUSTOMER BILLS(1) (C)	SALES(2) (D)	PROPOSED RATES (E)	PROPOSED ANNUALIZED		% OF REV TO TOTAL LESS GAS COST REVENUE (G)	PROPOSED REVENUE LESS GAS COST REVENUE (F)	GAS COST REVENUE(3) (H)	PROPOSED TOTAL REVENUE (F + H) (I)
						(MCF)	(\$)				
1	FT - LARGE										
2	FIRM TRANSPORTATION - LARGE		1,020		\$430.00	438,600	16.7	438,600			438,600
3	ADMINISTRATIVE CHARGE										
4	TRANSPORTATION CHARGE:			1,158,636	1.9237	2,228,868	84.6	2,228,868			2,228,868
5	ALL CONSUMPTION										
6	RATE FT-LARGE EXCLUDING RIDERS		1,020	1,158,636		2,667,468	101.3	2,667,468			2,667,468
7	RIDERS:										
8	GAS COST ADJUSTMENT TRANSITION (GCAT)				(0.0290)	(33,600)	(1.3)	(33,600)			(33,600)
9	TOTAL RIDERS					(33,600)	(1.3)	(33,600)			(33,600)
10	TOTAL RATE FT - LARGE INCLUDING RIDERS		1,020	1,158,636		2,633,868	100.0	2,633,868			2,633,868

(1) REFLECTS NORMALIZED VOLUMES.



DUKE ENERGY KENTUCKY  
CASE NO. 2009-00202  
ANNUALIZED TEST YEAR REVENUES AT PROPOSED VS. MOST CURRENT RATES  
FOR THE TWELVE MONTHS ENDED JANUARY 31, 2011  
(GAS SERVICE)

SCHEDULE M-2.3  
PAGE 7 OF 7  
WITNESS:  
J. ZIOLKOWSKI

DATA: \_\_\_ BASE PERIOD \_\_\_ X \_\_\_ FORECASTED PERIOD  
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WORK PAPER REFERENCE NO(S):  
12 MOS FORECASTED

LINE NO.	RATE CODE (A)	CLASS / DESCRIPTION (B)	CUSTOMER BILLS(1) (C)	SALES(2) (D)	PROPOSED RATES (E)	PROPOSED		% OF REV TO TOTAL LESS GAS COST REVENUE (G)	GAS COST REVENUE(3) (H)	PROPOSED TOTAL REVENUE (F + H) (I)
						REVENUE LESS GAS COST REVENUE (F)	REVENUE (G)			
PROPOSED ANNUALIZED										
				(MCF)	(\$/MCF)	(\$)	(%)	(\$)	(\$)	(\$)
1	IT									
2	INTERRUPTIBLE TRANSPORTATION									
3	ADMINISTRATIVE CHARGE		288		\$430.00	123,840	9.1			123,840
4	COMMODITY CHARGE:									
5	ALL CONSUMPTION			1,227,496	1.0136	1,244,190	90.9			1,244,190
6	TOTAL RATE IT TRANSPORTATION		288	1,227,496		1,368,030	100.0			1,368,030



**Duke Energy Kentucky, Inc.**  
**Case No. 2009-00202**  
**Third Set Staff Data Requests**  
**Date Received: September 14, 2009**

**STAFF-DR-03-008**

**REQUEST:**

Refer to the responses to Items 25 and 38.a. of Staff's Second Request and to Item 30 of Staff's First Request.

- a. The response to Item 25 demonstrates that, over the last five years, the company's actual uncollectible expense was roughly \$6.1 million and it experienced a net over-recovery over that period of slightly less than \$123,000, roughly two percent of its total uncollectible expense. Explain how this type of result warrants removing uncollectible expense from base rate recovery.
- b. The response to Item 38.a. states that "[b]ad debt constitutes over 1% of the Company's expenses." Explain how Duke Kentucky determined that one percent of its expenses is the threshold for determining that a given expense warrants treatment other than being recovered through base rates.
- c. Given that, for 2008, the most recent calendar year for which data is available, the level of uncollectible expense of \$1,196,497 shown in the response to Item 25 is less than one percent of the company's 2008 total utility operating expenses as shown in the response to Item 30 of Staff's First Data Request, what is the basis for the statement in the response to Item 38.a. of Staff's Second Request?

**RESPONSE:**

- a. On an annual basis, the over- or under-recovery ranges from an underrecovery of 38.9% to an overrecovery of 18.5% of total uncollectible expense. By recovering the uncollectible expense for delivery service and commodity service separately, the majority of this expense will be collected on a dollar-for-dollar basis and, consequently, a smaller portion will be subject to over or under recovery.
- b. The Company's response to Staff-DR-02-038(a) was not intended to suggest that 1% is a 'threshold' for materiality. The statement that "[b]ad debt constitutes over 1% of the Company's expenses" was meant only to measure the value of bad debt expense against other expenses. As further indicated in response to Staff-DR-02-038(a), "the magnitude of the expense *combined* with the facts that the costs are volatile and outside the control of the utility" warrants treatment outside of base rate recovery.
- c. See response to Staff-DR-03-008(b).

**PERSON RESPONSIBLE:** William Don Wathen Jr. / Robert M. Parsons



**Duke Energy Kentucky, Inc.**  
**Case No. 2009-00202**  
**Third Set Staff Data Requests**  
**Date Received: September 14, 2009**

**STAFF-DR-03-009**

**REQUEST:**

Refer to the response to Item 26 of Staff's Second Request in which Duke Kentucky provided revised schedules in the event the Commission does not approve its proposed treatment of carrying costs of gas stored underground. Provide a revised Schedule M-2.3, showing revised revenues and rates.

**RESPONSE:**

Please see Attachment STAFF-DR-03-009.

**PERSON RESPONSIBLE:** James E. Ziolkowski

DUKE ENERGY KENTUCKY  
CASE NO. 2009-00202  
ANNUALIZED TEST YEAR REVENUES AT PROPOSED VS. MOST CURRENT RATES  
FOR THE TWELVE MONTHS ENDED JANUARY 31, 2011  
(GAS SERVICE)

SCHEDULE M-2.3  
PAGE 1 OF 7  
WITNESS:  
J. ZIOLKOWSKI

DATA: \_\_\_ BASE PERIOD \_\_\_ FORECASTED PERIOD  
TYPE OF FILING: \_\_\_ ORIGINAL \_\_\_ UPDATED \_\_\_ REVISED  
WORK PAPER REFERENCE NO(S):  
12 MOS FORECASTED

EXCLUDES ALL RIDERS  
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(4) (F)	% OF REV TO TOTAL LESS GAS COST REVENUE (G)	GAS COST REVENUE(3) (H)	PROPOSED TOTAL REVENUE (F + H) (I)
			(MCF)	(MCF)	(\$/MCF)	(\$)	(%)	(\$)	(\$)
1	SALES SERVICE:								
2	RS	RESIDENTIAL	1,073,044	6,699,903	6.8288	45,752,594	100.00	49,819,246	95,571,840
3		TOTAL RS	1,073,044	6,699,903	6.8288	45,752,594	72.03	49,819,246	95,571,840
4	GS	COMMERCIAL	77,136	3,018,506	3.5168	10,615,579	81.57	22,445,055	33,060,634
5	GS	INDUSTRIAL	2,746	376,087	2.6498	996,563	7.66	2,796,514	3,793,077
6	GS	OTH PUB AUTH	4,452	517,052	2.7120	1,402,241	10.77	3,844,704	5,246,945
7		TOTAL GS	84,334	3,911,645	3.3271	13,014,383	20.49	29,086,273	42,100,656
8		TOTAL SALES SERVICE	1,157,378	10,611,548	5.5380	58,766,977	92.52	78,905,519	137,672,496
9		TRANSPORTATION SERVICE:							
10	FT-LARGE	FIRM TRANSP - LARGE	1,020	1,158,636	2.3041	2,669,669	66.09	0	2,669,669
11	IT	INTERRUPTIBLE	288	1,227,496	1.1160	1,369,871	33.91	0	1,369,871
12		TOTAL TRANSP SERVICE	1,308	2,386,132	1.6929	4,039,540	6.36	0	4,039,540
13		TOTAL THROUGHPUT	1,158,686	12,997,680	4.8321	62,806,517	98.88	78,905,519	141,712,036
14		MISCELLANEOUS REVENUES:							
15		LATE PAYMENT CHARGES	0	0	0	0	0.00	0	0
16		BAD CHECK CHARGES	0	0	0	10,116	1.42	0	10,116
17		RECONNECTION CHARGES	0	0	0	21,876	3.08	0	21,876
18		RENTS	0	0	0	34,176	4.81	0	34,176
19		INTERDEPARTMENTAL	0	4,552	0	9,528	1.34	33,848	43,376
20		SPECIAL CONTRACTS	0	0	0	0	0.00	0	0
21		REVENUE TRANSP OF GAS-INTERCO	0	0	0	600,696	84.60	0	600,696
22		PROVISION FOR RATE REFUNDS	0	0	0	0	0.00	0	0
23		OTHER MISC	0	4,552	0	33,684	4.74	0	33,684
24		TOTAL MISCELLANEOUS	0	4,552	0	710,076	1.12	33,848	743,924
25		TOTAL COMPANY	1,158,686	13,002,232	4.8851	63,516,593	100.00	78,939,367	142,455,960

(1) DETAIL CONTAINED ON SCHEDULES M-2.3, PAGES 2 THROUGH 7.  
(2) REFLECTS NORMALIZED VOLUMES.  
(3) REFLECTS AVERAGE EXPECTED GAS COST OF \$7.435816/MCF.

DUKE ENERGY KENTUCKY  
CASE NO. 2009-00202  
ANNUALIZED TEST YEAR REVENUES AT PROPOSED VS. MOST CURRENT RATES  
FOR THE TWELVE MONTHS ENDED JANUARY 31, 2011  
(GAS SERVICE)

SCHEDULE M-2.3  
PAGE 2 OF 7  
WITNESS:  
J. ZIOLKOWSKI

DATA: \_\_\_ BASE PERIOD \_\_\_ X \_\_\_ FORECASTED PERIOD  
TYPE OF FILING: \_\_\_ ORIGINAL \_\_\_ UPDATED \_\_\_ REVISED  
WORK PAPER REFERENCE NO(S):  
12 MOS FORECASTED

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	
									(MCF)	(\$)
1	RS	RESIDENTIAL								
2		CUSTOMER CHARGE:								
3		RESIDENTIAL	1,073,044		\$30.00	32,191,320	71.3			32,191,320
4		TOTAL MONTHLY BILLS x :								
5		CUSTOMER CHARGE PER MONTH								
6		COMMODITY CHARGE:		6,699,903	2.0241	13,561,274	30.1	49,819,246		63,380,520
7		ALL CONSUMPTION		6,699,903		45,752,594	101.4	49,819,246		95,571,840
8		RATE RS EXCLUDING RIDERS	1,073,044							
9		RIDERS:								
10		HOME ENERGY ASSISTANCE PROGRAM (HEA)			\$0.10	107,304	0.2			107,304
11		DEMAND SIDE MANAGEMENT RATE (DSMR)			(0.109294)	(732,259)	(1.6)			(732,259)
		TOTAL RIDERS				(624,955)	(1.4)			(624,955)
12		TOTAL RATE RS RESIDENTIAL INCLUDING RIDERS	1,073,044	6,699,903		45,127,639	100.0	49,819,246		94,946,885

(1) BILLS THAT TERMINATE IN RESPECTIVE RATE STEPS.

(2) REFLECTS NORMALIZED VOLUMES.

(3) REFLECTS AVERAGE EXPECTED GAS COST OF \$7.435816/MCF.

DUKE ENERGY KENTUCKY  
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FOR THE TWELVE MONTHS ENDED JANUARY 31, 2011  
(GAS SERVICE)

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SCHEDULE M-2.3  
PAGE 3 OF 7  
WITNESS:  
J. ZIOLKOWSKI

PROPOSED ANNUALIZED

LINE NO.	RATE CODE (A)	CLASS / DESCRIPTION (B)	CUSTOMER BILLS(1) (C)	SALES(2) (D)	PROPOSED RATES (E)	PROPOSED		% OF REV TO		PROPOSED TOTAL	
						REVENUE LESS GAS COST (F)	REVENUE (F)	TOTAL LESS GAS COST REVENUE (G)	TOTAL REVENUE (F + H)	GAS COST REVENUE(3) (H)	REVENUE (I)
						(\$)	(%)	(\$)	(\$)	(\$)	(\$)
1	GS	COMMERCIAL									
2		CUSTOMER CHARGE:									
3		NON-RESIDENTIAL									
4		TOTAL MONTHLY BILLS x :	77,136		\$47.50	3,663,960	34.5				3,663,960
5		CUSTOMER CHARGE PER MONTH									
6		COMMODITY CHARGE:									
7		ALL CONSUMPTION		3,018,506	2.3030	6,951,619	65.5	22,445,055			29,396,674
8		RATE GS COMMERCIAL EXCLUDING RIDERS	77,136	3,018,506		10,615,579	100.0	22,445,055			33,060,634
9		RIDERS:									
10		DEMAND SIDE MANAGEMENT RATE (DSMR)			0.000000	0	0.0				0
11		TOTAL RIDERS				0	0.0				0
12		TOTAL RATE GS COMMERCIAL INCLUDING RIDERS	77,136	3,018,506		10,615,579	100.0	22,445,055			33,060,634

(1) BILLS THAT TERMINATE IN RESPECTIVE RATE STEPS.  
(2) REFLECTS NORMALIZED VOLUMES.  
(3) REFLECTS AVERAGE EXPECTED GAS COST OF \$7.435816/MCF.



DUKE ENERGY KENTUCKY  
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ANNUALIZED TEST YEAR REVENUES AT PROPOSED VS. MOST CURRENT RATES  
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SCHEDULE M-2.3  
PAGE 4 OF 7  
WITNESS:  
J. ZIOLKOWSKI

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LINE NO.	RATE CODE (A)	CLASS / DESCRIPTION (B)	CUSTOMER BILLS(1) (C)	SALES(2) (D)	PROPOSED RATES (E)	PROPOSED ANNUALIZED		% OF REV TO TOTAL LESS GAS COST REVENUE (G)	GAS COST REVENUE(3) (H)	PROPOSED TOTAL REVENUE (F + H) (I)
						REVENUE LESS GAS COST REVENUE (F)	(\$)			
1	GS	INDUSTRIAL								
2		CUSTOMER CHARGE:								
3		NON-RESIDENTIAL			\$47.50	130,435	13.1			130,435
4		TOTAL MONTHLY BILLS x :	2,746							
5		CUSTOMER CHARGE PER MONTH								
6		COMMODITY CHARGE:			2.3030	866,128	86.9	2,796,514		3,662,642
7		ALL CONSUMPTION		376,087		996,563	100.0	2,796,514		3,793,077
8		RATE GS INDUSTRIAL EXCLUDING RIDERS		376,087						
9		RIDERS:			0.000000	0	0.0			0
10		DEMAND SIDE MANAGEMENT RATE (DSMR)				0	0.0			0
11		TOTAL RIDERS								
12		TOTAL RATE GS INDUSTRIAL INCLUDING RIDERS	2,746	376,087		996,563	100.0	2,796,514		3,793,077

(1) BILLS THAT TERMINATE IN RESPECTIVE RATE STEPS.  
(2) REFLECTS NORMALIZED VOLUMES.  
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DUKE ENERGY KENTUCKY  
CASE NO. 2009-00202  
ANNUALIZED TEST YEAR REVENUES AT PROPOSED VS. MOST CURRENT RATES  
FOR THE TWELVE MONTHS ENDED JANUARY 31, 2011  
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SCHEDULE M-2.3  
PAGE 5 OF 7  
WITNESS:  
J. ZIOLKOWSKI

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12 MOS FORECASTED

LINE NO.	RATE CODE (A)	CLASS / DESCRIPTION (B)	CUSTOMER BILLS(1) (C)	SALES(2) (D)	PROPOSED RATES (E)	PROPOSED ANNUALIZED		% OF REV TO		PROPOSED TOTAL REVENUE (F + H) (I)
						PROPOSED REVENUE (F)	PROPOSED LESS GAS COST REVENUE (G)	PROPOSED REVENUE (F)	PROPOSED LESS GAS COST REVENUE (G)	
						(\$)	(MCF)	(\$/MCF)	(%)	(\$)
1	GS	OTHER PUBLIC AUTHORITIES								
2		CUSTOMER CHARGE:								
3		NON-RESIDENTIAL								
4		TOTAL MONTHLY BILLS x :	4,452		\$47.50	211,470	15.1			211,470
5		CUSTOMER CHARGE PER MONTH								
6		COMMODITY CHARGE:		517,052	2.3030	1,190,771	84.9		3,844,704	5,035,475
7		ALL CONSUMPTION	4,452	517,052		1,402,241	100.0		3,844,704	5,246,945
8		RATE GS OPA EXCLUDING RIDERS								
9		RIDERS:			0.000000	0	0.0			0
10		DEMAND SIDE MANAGEMENT RATE (DSMR)				0	0.0			0
11		TOTAL RIDERS								
12		TOTAL RATE GS OPA INCLUDING RIDERS	4,452	517,052		1,402,241	100.0		3,844,704	5,246,945

(1) BILLS THAT TERMINATE IN RESPECTIVE RATE STEPS.  
(2) REFLECTS NORMALIZED VOLUMES.  
(3) REFLECTS AVERAGE EXPECTED GAS COST OF \$7.435816/MCF.

DUKE ENERGY KENTUCKY  
CASE NO. 2009-00202  
ANNUALIZED TEST YEAR REVENUES AT PROPOSED VS. MOST CURRENT RATES  
FOR THE TWELVE MONTHS ENDED JANUARY 31, 2011  
(GAS SERVICE)

SCHEDULE M-2.3  
PAGE 6 OF 7  
WITNESS:  
J. ZIOLKOWSKI

DATA: \_\_\_ BASE PERIOD \_\_\_ X \_\_\_ FORECASTED PERIOD  
TYPE OF FILING: \_\_\_ X \_\_\_ ORIGINAL \_\_\_ UPDATED \_\_\_ REVISED  
WORK PAPER REFERENCE NO(S):  
12 MOS FORECASTED

LINE NO.	RATE CODE (A)	CLASS / DESCRIPTION (B)	CUSTOMER BILLS(1) (C)	SALES(2) (D)	PROPOSED RATES (E) (\$/MCF)	PROPOSED ANNUALIZED			PROPOSED TOTAL REVENUE (F + H) (I) (\$)
						PROPOSED REVENUE (F) (\$)	% OF REV TO TOTAL LESS GAS COST REVENUE (G) (%)	GAS COST REVENUE(3) (H) (\$)	
1	FT - LARGE								
2	FIRM TRANSPORTATION - LARGE		1,020		\$430.00	438,600	16.6	438,600	
3	ADMINISTRATIVE CHARGE								2,231,069
4	TRANSPORTATION CHARGE:			1,158,636	1.9256	2,231,069	84.6		2,669,669
5	ALL CONSUMPTION					2,669,669	101.3		
6	RATE FT-LARGE EXCLUDING RIDERS		1,020	1,158,636					
7	RIDERS:				(0.0290)	(33,600)	(1.3)	(33,600)	
8	GAS COST ADJUSTMENT TRANSITION (GCAT)					(33,600)	(1.3)	(33,600)	
9	TOTAL RIDERS					2,636,069	100.0		2,636,069
10	TOTAL RATE FT - LARGE INCLUDING RIDERS		1,020	1,158,636					

(1) REFLECTS NORMALIZED VOLUMES.

DUKE ENERGY KENTUCKY  
CASE NO. 2009- 00202  
ANNUALIZED TEST YEAR REVENUES AT PROPOSED VS. MOST CURRENT RATES  
FOR THE TWELVE MONTHS ENDED JANUARY 31, 2011  
(GAS SERVICE)

SCHEDULE M-2.3  
PAGE 7 OF 7  
WITNESS:  
J. ZIOLKOWSKI

DATA: \_\_\_ BASE PERIOD \_\_\_X\_\_\_ FORECASTED PERIOD  
TYPE OF FILING: \_\_\_X\_\_\_ ORIGINAL \_\_\_ UPDATED \_\_\_ REVISED  
WORK PAPER REFERENCE NO(S):  
12 MOS FORECASTED

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 (F)	% OF REV TO TOTAL LESS GAS COST REVENUE (G)	GAS COST REVENUE(3) (H)	PROPOSED TOTAL REVENUE (F + H) (I)
				(MCF)	(\$/MCF)	(\$)	(%)	(\$)	(\$)
1	IT								
2		INTERRUPTIBLE TRANSPORTATION				123.840	9.0		123.840
3		ADMINISTRATIVE CHARGE	288		\$430.00				
4		COMMODITY CHARGE:				1,246.031	91.0		1,246.031
5		ALL CONSUMPTION		1,227,496	1.0151				
6		TOTAL RATE IT TRANSPORTATION	288	1,227,496		1,369.871	100.0		1,369.871



**Duke Energy Kentucky, Inc.**  
**Case No. 2009-00202**  
**Third Set Staff Data Requests**  
**Date Received: September 14, 2009**

**STAFF-DR-03-010**

**REQUEST:**

Refer to the response to Item 27 of Staff's Second Request, which states that Duke Kentucky sells all of its accounts receivable at a discount. Does this mean that Duke Kentucky sells its accounts receivable before any portion becomes uncollectible? If yes, explain why Duke Kentucky records any uncollectible expense on its books since, once they are sold, it no longer owns the accounts receivable. If no, identify and describe the time frame in which the accounts receivable are sold.

**RESPONSE:**

Duke Energy Kentucky sells its accounts receivable at a discount, before any portion becomes uncollectible. Because the discount includes, among other things, a component based on the Company's history of net charge-offs (*i.e.*, bad debt), an estimate of the bad debt expense associated with the sold receivables is charged to Uncollectible Expense (Account 904) at the time of the sale.

**PERSON RESPONSIBLE:** Robert M. Parsons



**Duke Energy Kentucky, Inc.**  
**Case No. 2009-00202**  
**Third Set Staff Data Requests**  
**Date Received: September 14, 2009**

**STAFF-DR-03-011**

**REQUEST:**

Refer to the response to Item 30 of Staff's Second Request.

- a. Confirm that Schedules M-2.2 and M-2.3 attached to this response are the same schedules filed in the application and not revised schedules.
- b. Refer to the revised schedules filed in the electronic version of this response. The change in Mcfs sold in these schedules results in revised revenues. Provide the revised rates, based on the change in Mcfs, that are needed to collect the revenue requirement proposed in the application.

**RESPONSE:**

- a. Yes. Schedules M-2.2 and M-2.3 attached in response to Staff-DR-02-030 are the same schedules filed in the Company's original application and not the revised schedules provided in the electronic version to the response.
- b.

<b>Rate</b>	<b>Proposed</b>	
	<b>Customer Chg</b>	<b>MCF Charge</b>
<b>RS</b>	<b>\$30.00</b>	<b>\$1.7899</b>
<b>GS</b>	<b>\$47.50</b>	<b>\$2.1112</b>
<b>FT-L</b>	<b>\$430.00</b>	<b>\$1.8810</b>
<b>IT</b>	<b>\$430.00</b>	<b>\$1.0126</b>

**PERSON RESPONSIBLE:** James E. Ziolkowski





**Duke Energy Kentucky, Inc.**  
**Case No. 2009-00202**  
**Third Set Staff Data Requests**  
**Date Received: September 14, 2009**

**STAFF-DR-03-012**

**REQUEST:**

Refer to the response to Item 31 of Staff's Second Request. The change in Mcfs sold in these schedules results in revised revenues. Provide the revised rates, based on the change in Mcfs, that are needed to collect the revenue requirement proposed in the application.

**RESPONSE:**

Rate	Proposed	
	Customer Chg	MCF Charge
RS	\$30.00	\$1.6607
GS	\$47.50	\$2.0009
FT-L	\$430.00	\$1.8642
IT	\$430.00	\$1.0100

**PERSON RESPONSIBLE:** James E. Ziolkowski



**Duke Energy Kentucky, Inc.**  
**Case No. 2009-00202**  
**Third Set Staff Data Requests**  
**Date Received: September 14, 2009**

**STAFF-DR-03-013**

**REQUEST:**

Refer to the response to Item 32.b. of Staff's Second Request.

- a. Explain whether the response means Mr. Spanos' consideration of "estimates for other gas companies" in developing estimated net salvage percentages, as per page 12 of his direct testimony, extended to all of the 51 studies identified in the attachment to the response or just to selected studies among those identified.
- b. If Mr. Spanos considered selected studies among those identified in the attachment, identify which of the 51 studies were considered. If his consideration of the "estimates for other gas companies" included the results of all 51 studies, explain in detail how he gave consideration to each individual study.

**RESPONSE:**

- a. Consideration of estimates for other gas companies per page 12 of Mr. Spanos' direct testimony extended to all of the 51 studies identified in the attachment, as well as studies performed prior to these 51 studies by Gannett Fleming, in addition to Mr. Spanos's knowledge of other gas studies performed since 1986.
- b. All studies were considered. Each individual study was reviewed for comparability or similarity to Duke Energy Kentucky, and then judgmentally emphasized when making the determination for each account of Duke Energy Kentucky.

**PERSON RESPONSIBLE:** John J. Spanos



**Duke Energy Kentucky, Inc.**  
**Case No. 2009-00202**  
**Third Set Staff Data Requests**  
**Date Received: September 14, 2009**

**STAFF-DR-03-014**

**REQUEST:**

The response to Item 34.a. of Staff's Second Request, which indicates that attempting to calculate depreciation rates based on actual experience is not realistic "because outlier data could skew results for the future estimate," is not acceptable. Provide the information requested in Item 34.a., along with any explanation, caveat, etc., that is necessary to explain how the results might be skewed by the outlier data.

**RESPONSE:**

Determining a net salvage percent cannot be a statistical exercise because there are many one-time occurrences that do not properly represent future expectations. Thus, an actual experience net salvage estimate would be a blind assumption result.

This request does not clarify what actual period of time experience for each account is being required. In order to complete this request it has been determined the overall available data for each account was requested, not the most recent five-year average, or any shorter periods of time. The attached schedule sets forth the depreciation rates using the actual experienced net salvage percent. The actual net salvage percent can be found on pages III-132 to III-159 of the depreciation study.

Account 1900 can be used to illustrate how actual historical data should not be used without some degree of judgment. As shown on page III-132, the actual net salvage percent is negative 29 percent. This data includes cost of removal amounts in 1990 and 1995 which do not have a clearly identified retirement associated with the cost. Other examples would be Accounts 204.1 and 274.1, with net salvage percents of positive 485 percent and negative 303 percent, respectively. It is not realistic to estimate a depreciation rate that assumes for every dollar you invest, you will be given back \$4.85 and not collecting anything.

**PERSON RESPONSIBLE:** John J. Spanos

DUKE ENERGY KENTUCKY  
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK RESERVE AND CALCULATED  
ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2008

ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST (4)	BOOK RESERVE (5)	FUTURE ACCRUALS (6)	AMOUNT (7)	CALCULATED ANNUAL ACCRUAL RATE (8)=(7)/(4)	COMPOSITE REMAINING LIFE (9)=(6)/(7)
DEPRECIABLE PLANT								
COMMON PLANT								
1701 AMI METERS - LEASED	20-SQ.5	0	601,512.93	28,121	573,392	42,286	7.03	13.6
1900 STRUCTURES & IMPROVEMENTS								
STRANGER OPERATIONS CENTER	100-R1	(29)	4,187,225.32	287,692	5,113,829	129,787	3.10	39.4
ERLANGER SERVICE BUILDING	100-R1	(29)	6,447.49	636	7,681	282	4.37	27.2
FLORENCE SERVICE BUILDING - 18TH & AUGUSTINE	100-R1	(28)	1,797,869.71	1,725,590	593,658	170,968	9.51	3.5
MINOR STRUCTURES	40-R1	(29)	5,371.46	1,838	5,091	206	3.84	24.7
TOTAL STRUCTURES & IMPROVEMENTS			5,995,913.98	2,015,756	5,720,259	301,243	5.02	19.0
1910 OFFICE FURNITURE AND EQUIPMENT	20-SQ	2	276,034	118,470	118,470	52,689	13.09	2.2
1930 STORES AND EQUIPMENT	20-SQ	75	402,555.84	(9,314)	10,705	1,946	34.98	5.5
1940 TOOLS, SHOP AND GARAGE EQUIPMENT	25-SQ	77	5,562.77	80,977	(39,879)	0	-	-
1970 COMMUNICATION EQUIPMENT	15-SQ	(1)	178,694.30	1,018,290	2,866,915	217,660	5.66	13.2
1980 MISCELLANEOUS EQUIPMENT	15-SQ	(1)	3,846,737.98	2,155	9,217	801	7.04	11.5
TOTAL COMMON PLANT			11,043,349.72	3,412,019	9,259,079	616,625	5.58	15.0
PRODUCTION PLANT								
2041 RIGHTS OF WAY	50-SQ	485	24,438.55	24,439	(118,527)	0	-	38.3
2050 STRUCTURES AND IMPROVEMENTS	50-R4	(4)	1,567,369.78	1,391,245	238,819	6,231	0.40	24.7
2110 LIQUID PETROLEUM GAS EQUIPMENT	40-S1.5	(9)	4,173,547.35	1,906,906	2,642,262	107,022	2.56	24.4
TOTAL PRODUCTION PLANT			5,765,355.68	3,322,590	2,762,554	113,253	1.96	24.4
DISTRIBUTION PLANT								
2741 RIGHTS OF WAY - GENERAL	65-R4	(303)	1,084,353.52	505,277	3,864,665	128,130	11.82	30.2
2750 STRUCTURES AND IMPROVEMENTS - GENERAL	50-R2.5	0	158,514.14	124,818	33,697	1,052	0.66	32.0
MAINS								
2761 CAST IRON, COPPER AND ALL VALVES	41-R2.5	(12)	1,394,028.67	687,267	874,042	83,392	5.98	10.5
2762 STEEL	55-R2.5	(12)	69,705,083.01	28,963,345	49,106,346	1,513,919	2.17	32.4
2763 PLASTIC	60-R2.5	(12)	115,457,749.96	16,053,967	113,258,712	2,590,168	2.24	43.7
2765 STEEL - FEEDER LINES	55-R2.5	(12)	23,784,983.14	11,802,361	14,836,824	463,190	1.95	32.0
TOTAL MAINS			210,341,844.78	57,506,940	178,075,924	4,650,669	2.21	23.8
M & R - GENERAL - SYSTEM - EXCL. ELECT. EQUIP	40-R1.5	(15)	3,522,723.85	1,710,171	2,340,957	98,238	2.79	11.9
2780 M & R - GENERAL - SYSTEM - ELECTRONIC EQUIPMENT	20-S1.5	(15)	627,993.56	378,707	343,488	28,920	4.61	34.2
2782 MEASURING & REGULATING - GENERAL - DISTRICT	53-R2	(24)	860,792.78	501,574	565,807	16,568	1.92	34.2
SERVICES								
2801 CAST IRON, COPPER AND VALVES	35-R1.5	(23)	2,695,893.03	1,923,456	1,392,490	83,252	3.09	16.7
2802 STEEL	38-R1.5	(23)	3,689,115.08	1,896,481	2,641,131	125,237	3.39	21.1
2803 PLASTIC	42-R1.5	(23)	81,975,187.55	21,670,193	79,159,287	3,047,838	3.72	26.0
TOTAL SERVICES			88,360,195.66	25,490,130	83,192,908	3,256,327	3.69	3.69

DUKE ENERGY KENTUCKY  
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK RESERVE AND CALCULATED  
ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2008

ACCOUNT	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(7)/(4)	(9)=(6)/(7)
		SURVIVOR CURVE	NET SALVAGE PERCENT	ORIGINAL COST	BOOK RESERVE	FUTURE ACCRUALS	ANNUAL ACCRUAL AMOUNT	CALCULATED ANNUAL ACCRUAL RATE	COMPOSITE REMAINING LIFE
DEPRECIABLE PLANT									
2810 METERS		37-R3	8	5,214,819.32	1,770,556	3,027,078	178,538	3.42	17.0
2811 METERS - LEASED		37-R3	8	5,530,190.56	619,688	4,468,088	160,586	2.90	27.8
2820 METER INSTALLATIONS		39-S2.5	2	4,287,338.93	1,648,044	2,553,547	118,696	2.77	21.5
2821 METER INSTALLATIONS - LEASED		39-S2.5	2	4,572,396.83	546,001	3,934,949	132,029	2.89	29.8
2830 HOUSE REGULATORS		43-R2.5	16	2,172,527.71	700,596	1,124,327	44,980	2.07	25.0
2831 HOUSE REGULATORS - LEASED		43-R2.5	16	3,192,171.22	228,898	2,452,525	76,454	2.40	32.1
2840 HOUSE REGULATOR INSTALLATIONS		48-R2	1	1,536,685.79	565,119	938,178	31,777	2.07	29.5
2841 HOUSE REGULATOR INSTALLATIONS - LEASED		48-R2	1	3,453,038.38	275,975	3,142,533	93,854	2.72	33.5
2850 INDUSTRIAL MEAS. & REG. STATION EQUIP		35-R2	(10)	439,685.18	295,747	187,907	9,758	2.22	19.3
2851 INDUSTRIAL MEAS. & REG. STATION EQUIP - COMM.		20-R2.5	(10)	64,790.82	32,044	39,225	3,892	6.01	10.1
2870 OTHER EQUIPMENT		15-L3	0	108,083.69	76,146	31,938	5,981	5.53	5.3
2871 OTHER EQUIPMENT - STREET LIGHTING		30-S2.5	0	30,411.24	12,620	17,791	1,096	3.60	16.2
TOTAL DISTRIBUTION PLANT				335,560,557.96	93,009,051	290,335,532	9,037,545	2.69	32.1
GENERAL PLANT									
2910 OFFICE FURNITURE AND EQUIPMENT		20-SQ	0	23,008.38	14,470	8,539	868	3.77	9.8
2921 TRAILERS		11-R2	10	96,157.81	85,268	1,274	290	0.30	4.4
2940 TOOLS, SHOP AND GARAGE EQUIPMENT		25-SQ	3	1,808,402.82	892,189	861,961	67,957	3.76	12.7
2960 POWER OPERATED EQUIPMENT		11-R2.5	38	47,220.92	47,221	(17,944)	0	-	-
2980 MISCELLANEOUS EQUIPMENT		20-SQ	(7)	125,560.68	34,550	99,800	6,439	5.13	15.5
TOTAL GENERAL PLANT				2,100,350.61	1,073,698	953,630	75,554	3.60	12.6
TOTAL DEPRECIABLE PLANT				354,469,613.97	100,817,358	303,310,795	9,842,977		
NONDEPRECIABLE PLANT									
1890 LAND AND LAND RIGHTS				154,248.18					
2040 LAND AND LAND RIGHTS				117,711.07					
2740 LAND AND LAND RIGHTS				42,228.92					
TOTAL NONDEPRECIABLE PLANT				314,188.17					
TOTAL COMMON AND GAS PLANT				354,783,802.14	100,817,358	303,310,795	9,842,977		

\* Curve shown is interim survivor curve. Each facility in the account is assigned an individual probable retirement year.





**Duke Energy Kentucky, Inc.**  
**Case No. 2009-00202**  
**Third Set Staff Data Requests**  
**Date Received: September 14, 2009**

**STAFF-DR-03-015**

**REQUEST:**

Refer to the response to Item 36.a. of Staff's Second Request. Based on the information being provided in response to the request item immediately preceding this item, which concerns Item 34.a. of Staff's Second Request, provide a revised response to Item 36.a. of Staff's Second Request.

**RESPONSE:**

See attachment Staff-DR-03-015.

**PERSON RESPONSIBLE:** Robert M. Parsons

DUKE ENERGY KENTUCKY, INC.  
CASE NO. 2009-00202  
DEPRECIATION AND AMORTIZATION ACCRUAL RATES AND  
JURISDICTIONAL ACCUMULATED BALANCES BY ACCOUNTS,  
FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP  
THIRTEEN MONTH AVERAGE AS OF JANUARY 31, 2011

MANUFACTURED GAS PRODUCTION PLANT

DATA: BASE PERIOD "X" FORECASTED PERIOD  
TYPE OF FILING: "X" ORIGINAL UPDATED REVISED  
WORK PAPER REFERENCE NOS.: SCHEDULE B-2.1, SCHEDULE B-3

SCHEDULE B-3.2  
PAGE 1 OF 4  
WITNESS RESPONSIBLE:  
B. R. MELENDEZ

Line No. (A)	FERC Acct. No. (B-1)	Company Acct. No. (B-2)	Account Title or Major Property Grouping (C)	Adjusted Jurisdiction		Proposed Accrual Rate (F)	Calculated Depr/Amort Expense (G=DxF)	% Net Salvage (H)	Average Service Life (I)	Curve Form (J)
				Plant Investment (1) (D)	13-Month Average Accumulated Balance (E)					
1	304	20400	Land and Land Rights	\$ 41,199	\$ 0	0.00%	0	0	50	SQ
2	304	20401	Rights of Way	8,554	8,554	0.00% (2)	0	485.00%	50	R4
3	305	20500	Structures & Improvements	548,579	489,295	0.40%	2,194	-4.00%	50	R4
4	311	21100	Liquefied Petroleum Gas Equipment	1,496,617	710,603	2.56%	38,313	-9.00%	40	S1.5
5		108	Retirement Work In Progress	0	0					
6			Total Manufactured Gas Production Plant	2,094,949	1,208,452		40,507			

(1) Plant Investment includes Completed Construction Not Classified (Account 106).

(2) This account is fully depreciated.

DUKE ENERGY KENTUCKY, INC.

CASE NO. 2009-00202  
DEPRECIATION AND AMORTIZATION ACCRUAL RATES AND  
JURISDICTIONAL ACCUMULATED BALANCES BY ACCOUNTS,  
FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP  
THIRTEEN MONTH AVERAGE AS OF JANUARY 31, 2011

DISTRIBUTION PLANT

SCHEDULE B-3.2  
PAGE 2 OF 4  
WITNESS RESPONSIBLE:  
B. R. MELENDEZ

DATA: BASE PERIOD "X" FORECASTED PERIOD  
TYPE OF FILING: "X" ORIGINAL UPDATED REVISED  
WORK PAPER REFERENCE NOS.: SCHEDULE B-2.1, SCHEDULE B-3

Line No.	FERC Acct. No.	Company Acct. No.	Account Title or Major Property Grouping	Adjusted Jurisdiction		Proposed Accrual Rate (F)	Calculated Depr/Amort Expense (G=DxF)	% Net Salvage (H)	Average Service Life (I)	Curve Form (J)
				Investment (1) (D)	Accumulated Balance (E)					
1	374	27400	Land and Land Rights	36,319	0	0	0	Perpetual Life		
2	374	27401	Rights of Way	827,989	387,605	11.82%	97,868	-303.00%	65	R4
3	375	27500	Structures & Improvements	123,687	93,047	0.66%	816	0.00%	50	R2.5
4	376	27601	Mains - Cast Iron & Copper	1,123,679	426,857	5.98%	67,196	-12.00%	41	R2.5
5	376	27602,27607	Mains - Steel	71,121,151	30,643,186	2.17%	1,543,329	-12.00%	55	R2.5
6	376	27603,27608	Mains - Plastic	139,828,676	21,268,933	2.24%	3,132,162	-12.00%	60	R2.5
7	376	27605	Mains - Feeder	19,298,783	7,504,886	1.95%	376,326	-12.00%	55	R2.5
8	378	27800	System Meas. & Reg. Station Equipment	3,717,957	1,498,452	2.79%	103,731	-15.00%	40	R1.5
9	378	27801	System Meas. & Reg. Station Equipment-Elec	554,956	279,528	4.61%	25,583	-15.00%	20	S1.5
10	378	27802	District Regulating Equipment	1,107,447	560,529	1.92%	21,263	-24.00%	53	R2
11	380	28001	Services- Cast Iron & Copper	1,426,830	1,663,631	3.09%	44,089	-23.00%	35	R1.5
12	380	28002,28004	Services-Steel	4,009,714	1,776,372	3.39%	135,929	-23.00%	38	R1.5
13	380	28003,28005-28007	Services-Plastic	95,825,728	22,949,898	3.72%	3,584,717	-23.00%	42	R1.5
14	381	28100,28101	Meters	11,222,089	2,281,068	3.16%	354,618	8.00%	37	R3
15	382	28200,28201	Meter Installations	9,783,936	2,655,717	2.83%	276,885	2.00%	39	S2.5
16	383	28300,283001	House Regulators	6,204,716	1,188,017	2.26%	140,227	16.00%	43	R2.5
17	384	28400,28401	House Regulator Installations	6,329,715	1,124,944	2.52%	159,509	1.00%	48	R2
18	385	28500	Large Industrial Meas. & Reg. Equipment	439,685	318,166	2.22%	9,761	-10.00%	35	R2
19	385	28501	Other Equipment - Other	64,791	34,686	6.01%	3,894	-10.00%	20	R2.5
20	387	28700	Street Lighting Equipment	108,084	94,576	5.53%	5,977	0.00%	15	L3
21	387	28701	Asset Retirement Obligation	30,411	14,408					
22			Retirement Work In Progress	1,014,039	460,509	3.60%	1,095	0.00%	30	S2.5
23		108			(1,211,740)					
24			Total Distribution Plant	374,200,382	96,013,175		10,064,975			

(1) Plant Investment includes Completed Construction Not Classified (Account 106).

DUKE ENERGY KENTUCKY, INC.  
CASE NO. 2009-00202  
DEPRECIATION AND AMORTIZATION ACCRUAL RATES AND  
JURISDICTIONAL ACCUMULATED BALANCES BY ACCOUNTS,  
FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP  
THIRTEEN MONTH AVERAGE AS OF JANUARY 31, 2011

GENERAL PLANT

DATA: BASE PERIOD "X" FORECASTED PERIOD  
TYPE OF FILING: "X" ORIGINAL UPDATED REVISED  
WORK PAPER REFERENCE NOS.: SCHEDULE B-2.1, SCHEDULE B-3

SCHEDULE B-3.2  
PAGE 3 OF 4  
WITNESS RESPONSIBLE:  
B. R. MELENDEZ

Line No. (A)	FERC Acct. No. (B-1)	Company Acct. No. (B-2)	Account Title or Major Property Grouping (C)	Adjusted Jurisdiction		Proposed Accrual Rate (F)	Calculated Depr/Amort Expense (G=DxF)	% Net Salvage (H)	Average Service Life (I)	Curve Form (J)
				Plant Investment (1) (D)	Accumulated Balance (E)					
1		20300	Miscellaneous Intangible Plant	\$ 497,352	\$ 414,571		47,964	Amortized over 60 months		
2	381	29100	Office Furniture & Equipment	12,509	10,198	3.77%	472	0.00%	20	SQ
3	392	29200	Transportation Equipment	0	777			Depr. Charged to Transp. Expense		
4	392	29201	Trailers	96,158	86,921			Depr. Charged to Transp. Expense		
5	384	29400	Tools, Shop & Garage Equipment	2,655,721	1,035,255	3.76%	99,855	3.00%	25	SQ
6	396	29600	Power Operated Equipment	47,221	47,221			Depr. Charged to Transp. Expense		
7	398	29800	Miscellaneous Equipment	0	0	5.13%	0	-7.00%	20	SQ
8		108	Retirement Work in Progress	0	0					
9			Total General Plant	3,308,961	1,594,943		148,291			
10			Total Gas Plant	379,604,292	98,816,570		10,253,773			

(1) Plant Investment includes Completed Construction Not Classified (Account 106).

(2) This account is fully depreciated.

DUKE ENERGY KENTUCKY, INC.  
CASE NO. 2009-00202  
DEPRECIATION AND AMORTIZATION ACCRUAL RATES AND  
JURISDICTIONAL ACCUMULATED BALANCES BY ACCOUNTS,  
FUNCTIONAL CLASS OR MAJOR PROPERTY GROUP  
THIRTEEN MONTH AVERAGE AS OF JANUARY 31, 2011

COMMON PLANT

DATA: BASE PERIOD "X" FORECASTED PERIOD  
TYPE OF FILING: "X" ORIGINAL UPDATED REVISED  
WORK PAPER REFERENCE NOS.: SCHEDULE B-2.1, SCHEDULE B-3

SCHEDULE B-3.2  
PAGE 4 OF 4  
WITNESS RESPONSIBLE:  
B. R. MELENDEZ

Line No. (A)	FERC Acct. No. (B-1)	Company Acct. No. (B-2)	Account Title or Major Property Grouping (C)	Adjusted Jurisdiction		Proposed Accrual Rate (F)	Calculated Depr/Amort Expense (G=Dx(F))	% Net Salvage (H)	Average Service Life (I)	Curve Form (J)
				Plant Investment (1) (D)	Accumulated Balance (E)					
1				\$	\$					
2	10300		Miscellaneous Intangible Plant	22,071,145	16,201,255	Various	2,460,612	0.00%	20	SQ,5
3	17001		Leased AMI Meters	601,513	81,549	7.03%	42,286	0	Perpetual Life	
4	18900		Land and Land Rights	154,248	0					
5	19000		Structures & Improvements	8,102,991	2,817,468	5.02%	406,770	-29.00%	100	R1
6	19100		Office Furniture & Equipment	402,556	354,691	13.09%	52,695	2.00%	20	SQ
7	19300		Stores Equipment	5,563	(5,039)	34.98%	1,946	75.00%	20	SQ
8	19400		Tools, Shop & Garage Equipment	178,694	98,723	0.00%	0	77.00%	25	SQ
9	19700		Communication Equipment	4,921,074	2,092,569	5.66%	278,533	-1.00%	15	SQ
10	19800		Miscellaneous Equipment	11,372	3,352	7.04%	801	0.00%	15	SQ
			Retirement Work In Progress		(178,104)					
11			Total Common Plant	36,449,156	21,466,464		3,243,643			
12			Common Plant Allocated to Gas							
13		25.74%	Original Cost	9,382,013						
14		25.74%	Reserve		5,525,468					
		25.74%	Annual Provision							
15			Total Gas Plant Including Allocated Common	388,986,305	104,342,038					
							834,914			
										11,088,687

(1) Plant Investment includes Completed Construction Not Classified (Account 106).



**Duke Energy Kentucky, Inc.**  
**Case No. 2009-00202**  
**Third Set Staff Data Requests**  
**Date Received: September 14, 2009**

**STAFF-DR-03-016**

**REQUEST:**

Refer to the response to Item 39 of Staff's Second Request. Provide Duke Energy Ohio's tariffs for its uncollectible expense recovery mechanisms and a description of any differences between what was authorized and what it had proposed.

**RESPONSE:**

The Company has a pending application before the Public Utilities Commission of Ohio, Case No. 09-773-GA-UEx, to establish its initial Rider UE-G (Uncollectible Expense – Gas) at \$0.01569 per CCF. See Attachment STAFF-DR-03-016.

**PERSON RESPONSIBLE:** William Don Wathen Jr.



Duke Energy Ohio  
139 East Fourth Street  
Cincinnati, Ohio 45202

P.U.C.O. Gas No. 18  
Sheet No. 67.2  
Cancels and Supersedes  
Sheet No. 67.1  
Page 1 of 1

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**RIDER UE-G**

**UNCOLLECTIBLE EXPENSE RIDER**

**APPLICABILITY**

Applicable to all sales service and transportation customers.

**DESCRIPTION**

This rider enables the recovery of costs associated with uncollectible accounts arising from those customers responsible for paying the Uncollectible Expense Rider. The Company shall file an application with the Public Utilities Commission of Ohio if the Company determines that an adjustment of more than plus or minus ten (10) percent is needed to adjust for prior period over or under-collections.

**MONTHLY CHARGE**

A charge of \$0.01569 per CCF shall be applied to all gas volumes delivered to customers in the customer classes noted above.

**SERVICE REGULATIONS**

The supplying and billing for service and all conditions applying thereto, are subject to the jurisdiction of the Public Utilities Commission of Ohio, and to the Company's Service Regulations currently in effect, as filed with the Public Utilities Commission of Ohio.

Filed pursuant to an Order dated \_\_\_\_\_ in Case No. \_\_\_\_\_ before the Public Utilities Commission Ohio.

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Issued:

Effective:

Issued by Julie Janson, President



**Duke Energy Kentucky, Inc.**  
**Case No. 2009-00202**  
**Third Set Staff Data Requests**  
**Date Received: September 14, 2009**

**STAFF-DR-03-017**

**REQUEST:**

Refer to the response to Item 41 of Staff's Second Request. The request asked for the monthly value of Duke Kentucky's gas stored underground for the years 2004 through 2008 plus the first six months of 2009. However, the response includes monthly values only for 2009. Provide the information originally requested.

**RESPONSE:**

<u>Month</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
January	\$3,537,068	\$4,105,216	\$7,556,687	\$7,398,752	\$5,552,009	\$6,757,148
February	2,600,229	2,634,404	5,293,877	3,694,740	3,533,702	4,748,954
March	2,548,797	1,800,566	3,548,046	2,690,187	2,161,134	2,308,330
April	3,379,377	2,799,661	4,241,734	3,588,974	3,671,325	2,892,430
May	4,482,818	4,144,503	5,290,566	5,434,511	6,220,541	4,246,504
June	5,455,577	5,077,318	6,471,349	6,732,590	8,030,037	5,580,415
July	6,354,738	6,536,169	7,646,480	7,941,132	9,997,265	6,565,241
August	7,712,888	7,836,311	9,447,780	9,329,584	11,646,339	7,463,141
September	8,292,838	8,952,247	10,566,300	9,837,605	12,940,265	
October	7,775,527	9,909,507	10,436,072	10,575,772	13,206,988	
November	7,244,493	10,255,094	10,053,553	9,427,453	12,389,900	
December	6,102,597	8,509,260	8,916,835	7,776,574	9,751,067	

**PERSON RESPONSIBLE:** William Don Wathen Jr.



**Duke Energy Kentucky, Inc.**  
**Case No. 2009-00202**  
**Third Set Staff Data Requests**  
**Date Received: September 14, 2009**

**STAFF-DR-03-018**

**REQUEST:**

Refer to the response to Item 42 of Staff's Second Request. Explain whether the approved rates and the phase-in of the shift to MSFV rate design were proposed by Duke Energy Ohio or if they were imposed by the Ohio Commission.

**RESPONSE:**

In Duke Energy Ohio's most recent gas rate application, the Company proposed to implement a decoupling rider (Rider SD) as a means of severing the relationship between the Company's earnings and volumetric sales. In its Staff Report, the Staff of the Public Utilities Commission of Ohio recommended adoption of a 'modified straight fixed-variable' rate design in lieu of the Company's proposed decoupling rider.

The Company and most parties involved in the proceeding agreed to adopt the modified straight-fixed variable approach in a stipulation which was approved by the Ohio Commission.

**PERSON RESPONSIBLE:** William Don Wathen Jr.



**Duke Energy Kentucky, Inc.**  
**Case No. 2009-00202**  
**Third Set Staff Data Requests**  
**Date Received: September 14, 2009**

**STAFF-DR-03-019**

**REQUEST:**

Mr. Ziolkowski's testimony, on page 8, states that a larger customer charge will, among other things, mitigate the erosion of recovery of fixed costs due to energy efficiency. Explain whether shifting costs from the volumetric rate will also minimize the incentive for residential customers to participate in energy efficiency during a period of lower gas prices such as that currently being experienced.

**RESPONSE:**

The Company believes that even during periods of lower gas prices such as is currently being experienced, the gas commodity portion of a customer's bill will continue to comprise a large enough part of the total bill to provide customers with incentive to participate in energy efficiency.

**PERSON RESPONSIBLE:** James E. Ziolkowski





**Duke Energy Kentucky, Inc.**  
**Case No. 2009-00202**  
**Third Set Staff Data Requests**  
**Date Received: September 14, 2009**

**STAFF-DR-03-020**

**REQUEST:**

Refer to the attachment to the response to Item 53 of Staff's Second Request, which shows the maintenance expenditures and savings, since the inception of the Accelerated Main Replacement Program ("AMRP") through 2008.

- a. Provide the level of maintenance expenditures included in the base and forecasted periods.
- b. Although the AMRP will continue through 2010, it appears that no adjustment has been proposed for the forecasted test period to reflect the continued decline in annual maintenance expenditures that has occurred consistently since 2001.

Explain why no further savings are anticipated.

**RESPONSE:**

- a. Refer to Schedule C-2.1 –Account 887 in the Company's filing. The base period amount is \$765,539 and the forecasted period amount is \$985,106.
- b. Mr. Hebbeler's testimony only reflected savings from AMRP inception through December 2008 for the reduction of leaks. Duke Energy Kentucky projects additional savings from leak reduction of \$21,000 in 2009 and \$7,000 in 2010. Actual costs incurred for the Transmission Integrity Management Program (TIMP) were not reflected in the reply to Staff-DR-02-053. Therefore, \$91,000 is included in account 887 for TIMP costs in the forecasted period. This amount was calculated as a four year average, three years of actuals (2006, 2007 and 2008) and one year projected (2009). In addition, the forecasted period includes \$165,000 for a new Distribution Integrity Management Program (DIMP) in account 887. The rules for this new program are scheduled to be issued by the end of 2009. The estimate of this cost was calculated using historical data from TIMP maintenance activities and converting to a cost per foot. The volume of work was calculated based on the mains other than new plastic or protected steel over the leak survey cycle.

The total account 887 for the forecasted period should be as follows:

2008 Maintenance Expense less TIMP	\$585,000
Additional Savings 2009 & 2010	( 28,000)
TIMP expense (four year average)	91,000
DIMP expense	<u>165,000</u>
Total Account 887	<u>\$813,000</u>

The forecasted period amount included in the Company's filing is \$985,106. Therefore, this account is overstated by approximately \$172,000.

**PERSON RESPONSIBLE:** Robert M. Parsons / Gary J. Hebbeler



**Duke Energy Kentucky, Inc.**  
**Case No. 2009-00202**  
**Third Set Staff Data Requests**  
**Date Received: September 14, 2009**

**STAFF-DR-03-021**

**REQUEST:**

Refer to response 54.a. of Staff's Second Request. Although each year following 2002 showed fewer leaks than the 2002 level which was described by Mr. Hebbeler as the "peak", the number of leaks increased in 2007 and again in 2008 following what appeared to be the trough in 2006. Provide an explanation of the increase in leaks and whether this trend is expected to continue.

**RESPONSE:**

The Accelerated Main Replacement Program (AMRP) priorities were based on the highest propensity for incidents. Therefore, variances in the reduction of leaks could occur in any given year. However, by the end of 2010, Duke Energy Kentucky will have eliminated all known 12" and less cast iron and bare steel mains. The potential for incident and leaks on all known 12" and less cast iron and bare steel mains will have been eliminated. Other variables may influence leaks on other types of materials. Any increase in trends at the completion of the program will be investigated and programs implemented such as the Riser Replacement Program to address potential issues.

**PERSON RESPONSIBLE:** Gary J. Hebbeler



**Duke Energy Kentucky, Inc.**  
**Case No. 2009-00202**  
**Third Set Staff Data Requests**  
**Date Received: September 14, 2009**

**STAFF-DR-03-022**

**REQUEST:**

Refer to response 54.b. of Staff's Second Request. Customer outage per 1,000 customers, which Mr. Hebbeler calls the "most accepted reliability standard utilized within the gas industry", is at the highest level (.07) in both 2002 and 2005, and is higher in both 2007 and 2008 than in both of the immediately preceding years. Provide an explanation of the varying outage levels from 2002 to 2008, whether the trend of increasing outages is expected to continue, and whether the experience of Duke Energy's Gas Operations is considered representative of that of Duke Kentucky.

**RESPONSE:**

The Accelerated Main Replacement Program (AMRP) priorities were based on the highest propensity for incidents. Therefore, variances in the reliability standard could occur in any given year. However, by the end of 2010, Duke Energy Kentucky will have eliminated all known 12" and less cast iron and bare steel mains. The potential for reliability standard issues involving deteriorated known 12" and less cast iron and bare steel mains will have been eliminated. Other variables may influence this reliability standard. Any increase in trends at the completion of the program will be investigated and programs implemented to address any potential issues.

**PERSON RESPONSIBLE:** Gary J. Hebbeler