

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY,)	
INC. FOR A CERTIFICATE OF PUBLIC)	CASE NO.
CONVENIENCE AND NECESSITY TO)	2010-00151
CONSTRUCT GAS DISTRIBUTION FACILITIES)	
WITHIN ITS SERVICE TERRITORY)	

O R D E R

On April 9, 2010, Duke Energy Kentucky (“Duke Kentucky”) filed an application with the Commission requesting a Certificate of Public Convenience and Necessity (“CPCN”) to replace approximately seven miles of cast iron and bare steel mains, main-to-curb services, and curb-to-meter services.

The majority of Duke Kentucky’s proposed construction is divided into modules located within a particular community, with each module consisting of approximately two-to-five miles of cast iron and bare steel pipe. In addition, Duke Kentucky requested approval to replace certain cast iron and bare steel mains outside the module work. It identified these additional mains in its application as those chosen for replacement under its cast iron maintenance optimization system (“CIMOS”)¹ and bare steel maintenance optimization system (“BSMOS”) and as those involved in road improvement projects.

Duke Kentucky requests authorization to incur construction costs in the amount of \$8,358,924 for module work, CIMOS and BSMOS work and street improvement work during 2010. The Commission has in the past allowed Duke Kentucky to deviate from

¹ CIMOS and BSMOS are grading systems that Duke Energy Kentucky uses to prioritize its cast iron and bare steel gas main replacements.

the proposed construction costs to address contingencies that may arise, such as field conditions, road resurfacing projects, and leaks, that may require additional work and expenditures. Duke Kentucky requests that the Commission grant it a similar deviation, to the extent that actual construction costs exceed the projected cost of \$8,358,924, in an amount up to 20 percent of the projected cost.

Pursuant to 807 KAR 5:001, Section 9(2)(f), Duke Kentucky states that the estimated cost of construction of the proposed facilities, including the cost of replacing metallic service lines connected to cast iron and bare steel mains, for the 2010 construction program is \$8,358,924.

Duke Kentucky expects that its estimated cost of operation and maintenance will decrease after the proposed facilities are completed because the cast iron and bare steel lines are being replaced with plastic lines, which have a lower leak rate. Duke Kentucky states that all module work for 2010 was competitively bid, and it has provided the Commission with the names of the construction contractors who were awarded the contracts and who will perform the work.

After reviewing the record and being otherwise sufficiently advised, the Commission finds that Duke Kentucky's request for a CPCN for the construction proposed herein should be approved. The Commission further finds that Duke Kentucky should be permitted to deviate from the proposed construction to address the contingencies discussed above in an amount not to exceed 20 percent of the total construction costs of \$8,358,924. Duke Kentucky should provide the actual costs of the construction through the end of year 2010 in its fourth quarter report.

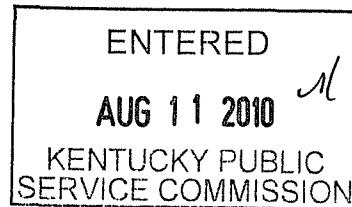
IT IS THEREFORE ORDERED that:

1. Duke Kentucky is granted a CPCN for the construction projects set forth in the plans and specifications of record herein.

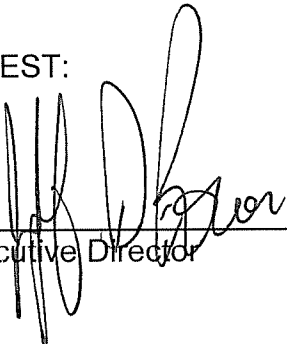
2. Duke Kentucky is permitted to deviate from the construction to address unforeseen contingencies in an amount not to exceed 20 percent of the total projected costs of \$8,358,924.

3. Duke Kentucky shall file with the Commission the actual costs of the construction performed in 2010 in its fourth quarter progress report.

By the Commission



ATTEST:



Executive Director

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