

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY, )	
INC. FOR AN ORDER AUTHORIZING THE )	CASE NO.
ISSUANCE OF UNSECURED DEBT AND LONG- )	2012-00575
TERM NOTES, EXECUTION AND DELIVERY OF )	
LONG-TERM LOAN AGREEMENTS, AND USE OF )	
INTEREST RATE MANAGEMENT )	
INSTRUMENTS )	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION  
TO DUKE KENTUCKY, INC.

Duke Energy Kentucky, Inc. ("Duke Kentucky"), pursuant to 807 KAR 5:001, is to file with the Commission the original and ten copies of the following information, with a copy to all parties of record. The information requested herein is due within seven days of the date of this request. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the 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.

Duke Kentucky shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though

correct when made, is now incorrect in any material respect. For any request to which Duke Kentucky fails or refuses to furnish all or part of the requested information, Duke Kentucky shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Clarify whether Duke Kentucky is requesting Commission approval to issue up to a total of \$150 million in debt or up to a total of \$176.72 million in debt.

2. In Case No. 2010-00369,<sup>1</sup> Duke Kentucky requested approval to issue up to \$100 million of long-term debt, and in the present case it appears Duke Kentucky is requesting approval to issue up to \$150 million of long-term debt. Provide a detailed explanation supporting the additional \$50 million of long-term debt requested in this proceeding.

3. Refer to page 2 of the application, the request to borrow up to a maximum of \$26.72 million from Boone County Kentucky, or another authorized issuer of tax exempt bonds. State whether the authorization sought in this case, as described at page 2 of the application, is identical to that authorized by the Commission in Case No.

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<sup>1</sup> Case No. 2010-00369, Application of Duke Energy Kentucky, Inc. for an Order Authorizing the Issuance of Unsecured Debt and Long-Term Notes, Execution and Delivery of Long-Term Loan Agreements, and Use of Interest Rate Management Instruments (Ky. PSC Nov. 10, 2010).

2010-00369,<sup>2</sup> with the exception being the extension to December 31, 2014. If not, explain any other differences.

4. Refer to numbered paragraph 5, page 3 of the application, the request to issue secured or unsecured debt or any combination thereof.

a. Explain how Duke Kentucky will determine whether to issue secured or unsecured debt and how much of each to issue.

b. Provide an estimate of the difference between secured and unsecured debt as it pertains to this specific financing request.

5. Refer to page 7 of the Application, Use of Interest Rate Management Techniques. Duke Kentucky requests that the Commission grant Duke Kentucky authority to manage its overall effective interest cost. Duke Kentucky states the authority to continue to utilize interest-rate management techniques and enter into interest-rate management agreements will allow it sufficient alternatives and flexibility when striving to better manage its interest cost.

a. Explain whether this is the same “Use of Interest Rate Management Techniques” for which Duke Kentucky requested and received Commission approval for in Case No. 2010-00369.<sup>3</sup>

b. Provide a detailed explanation of Duke Kentucky’s interest-rate management techniques along with all associated costs since the Commission’s approval in Case No. 2010-00369.<sup>4</sup>

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<sup>2</sup> Id.

<sup>3</sup> Id.

<sup>4</sup> Id.

c. Provide a detailed analysis showing estimated interest cost savings the Company and its ratepayers realized as a result of Duke Kentucky's use of interest-rate management techniques.

6. Refer to page 9 of the Application, Request for Commission Approval and Conversion of Short-Term Loans Under Utility Money Pool Agreement. Provide an example of the analysis Duke Kentucky would expect to perform to evaluate if it is prudent for Duke Kentucky to convert borrowings under its revolving credit facility or the Utility Money Pool Agreement to long-term debt.

7. Refer to Exhibit C of the application, which shows projected Capital Expenditures for the period 2012 through 2014.

a. Under the "Expansion" heading, explain the relatively high level of Smart Grid expenditures projected for 2014 as compared to 2012 and 2013. Provide all underlying assumptions and calculations used in producing the \$17.8 million estimate.

b. Explain why items classified as "Maintenance" are included in projections of capital expenditures.

c. Under the "Maintenance" heading, clarify whether there are items of non-regulated operations included in projected capital expenditures, and explain what capital expenditures are included in the Regulated Operations line.

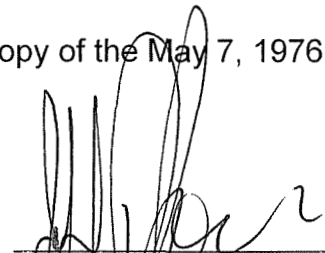
d. Under the "Maintenance" heading, explain what is included in the projected capital expenditures for Power and Gas Delivery, Customer Service, and Other FE&G.

e. Under the "Environmental" heading, explain the relatively high level of Environmental Control expenditures projected for 2014 as compared to 2012 and

2013. Provide all underlying assumptions and calculations used in producing the \$31.9 million estimate.

8. Refer to numbered paragraph 2, page 3 of the application. Duke Kentucky states that a certified copy of its Articles of Incorporation, as amended, is on file in Case No. 2009-00202.<sup>5</sup> The record in Case No. 2009-00202 contains a copy of the May 7, 1976 Restated Articles of Incorporation of The Union Light, Heat and Power Company ("Restated Articles"). The online records of the office of the Kentucky Secretary of State reflect that the May 7, 1976 Restated Articles contain a page with a Fifth, Sixth, and Seventh Article. The page containing the Fifth, Sixth, and Seventh Article does not appear to be located in the record of Case No. 2009-00202.

- a. Confirm whether the entire Restated Articles are filed in Case No. 2009-00202.
- b. If not, provide a certified copy of the May 7, 1976 Restated Articles.



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Jeff Derouen  
Executive Director  
Public Service Commission  
P. O. Box 615  
Frankfort, KY 40602

DATED JAN 10 2013

cc: Parties of Record

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<sup>5</sup> Case No. 2009-00202, Application of Duke Energy Kentucky, Inc., for an Adjustment of Rates (Ky. PSC Dec. 29, 2009).

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