COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE UNION LIGHT, HEAT)
AND POWER COMPANY D/B/A DUKE)   CASE NO. 2006-00172
ENERGY KENTUCKY FOR AN)
ADJUSTMENT OF ELECTRIC RATES)

THIRD DATA REQUEST OF COMMISSION STAFF
TO DUKE ENERGY KENTUCKY

The Union Light, Heat and Power Company, d/b/a Duke Energy Kentucky ("Duke Kentucky"), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 6 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before August 23, 2006. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately.

1. Refer to the Application, Schedule L-2.2, page 29. Explain why the proposed monthly reservation charges for Rate TT are reduced for distribution service and transmission service, but are unchanged for ancillary services.

2. Refer to the Application, Schedule L-2.2, pages 62 – 64. Duke Kentucky proposes to eliminate tariffs for Rider SES, Rider IS, Rider TES and Rider EOP-RTP. Provide the following information for each tariff:

a. The number of customers currently served under the tariff.

b. Whether or not any customers have a contract that allows them to continue to receive service under the tariff until a specific date.

c. Whether or not the customers under the cancelled tariffs will be switched to other tariffs providing similar service and, if so, the economic impact to each customer due to switching tariffs.

3. Refer to the Application, Schedule L-2.2, page 81. Provide the source or the calculation used for deriving the purchase rate of $.03078 per kWh for qualifying facilities under the Cogeneration and Small–Power Production Sale and Purchase Tariff – 100 kW or Less.

4. Refer to the response to the Staff's Second Request dated July 12, 2006 ("Staff's Second Request"), Item 1(c). The response concerning the Small World Upgrade to 3-3 states that "An upgrade in 2006 is being considered. . . ."

a. Has Duke Kentucky determined whether or not it is going to undertake this capital project? Explain the response.

b. Refer to the Application, Tab 27. Of the capital expenditures listed showing projected expenditures for 2006, identify any expenditures that are still being "considered" by Duke Kentucky. Explain why the capital expenditure is still being "considered" at this time.

5. Refer to the response to the Staff's Second Request, Item 3(b). Explain why helicopter charges are a component of the Open Access Transmission Tariff rate.

6. Refer to the response to the Staff's Second Request, Item 5(b). Explain in detail why the power purchases from LaFarge Gypsum were not included in the forecasted test period. Include in the explanation a discussion of why Duke Kentucky's exclusion of these power purchases is reasonable.

7. Refer to the response to the Staff's Second Request, Item 6. Provide the meaning of the term "informed judgment" as it is used in these data responses.

8. Refer to the response to the Staff's Second Request, Item 6(a). Do the decommissioning costs shown for the East Bend station reflect the total costs for that generating station or only Duke Kentucky's share of East Bend? Explain the response.

9. Refer to the response to the Staff's Second Request, Item 6(c).

a. Explain why the attachment does not show for the current depreciation rates a composite depreciation rate for the various plant account groupings.

b. Explain why the current salvage percentage for the Steam Production Plant and Other Production Plant is zero.

c. For each of the following accounts, explain the reason(s) for the significant decrease in the composite life from the values used in the current depreciation rates and those used in the proposed depreciation rates.

(1) Account No. 1900.0 – Florence Service Building and Kentucky Service Building.

(2) All accounts for Miami Fort Unit 6.

(3) All accounts for East Bend, except Account No. 3123.0 – Boiler Plant – Catalyst.

(4) Account No. 3440.0 – Generators.

(5) Account No. 3450.0 – Accessory Electric Equipment.

(6) Account No. 3501.0 – Rights of Way (Transmission Plant).

(7) Account No. 3601.0 – Rights of Way (Distribution Plant).

(8) Account No. 3910.0 – Office Furniture and Equipment.

(9) Account No. 3940.0 – Tools, Shop and Garage Equipment.

(10) Account No. 3970.0 – Communication Equipment.

10. Refer to the response to the Staff's Second Request, Item 6(d).

a. Refer to Item 6(d)(2). Page III-17 of the depreciation study shows the Iowa 50-$S_{1.5}$ curve. The response references the Iowa 55-$S_{1.5}$ curve. Indicate which Iowa curve was utilized. If the Iowa 55-$S_{1.5}$ curve, provide that curve.

b. Refer to Item 6(d)(2). Explain why the Iowa 50-$S_{1.5}$ curve reflects a better fit for Account No. 3122, Boiler Plant Retrofit Precipitators, than the Iowa 55-$S_{0.5}$ curve.

c. Refer to Item 6(d)(9). Explain why there are fewer plotted data points on page III-58 of the depreciation study than on the Iowa 70-R_3 curve for Account No. 3601, Rights of Way, provided in the response to the Attorney General's First Data

Request dated July 12, 2006 ("AG's First Request"), Item 138, Attachment-AG-01-138(b).pdf.

d. Refer to Item 6(d)(12). Explain why the Iowa 44-R_1 curve reflects a better fit for Account No. 3650, Overhead Conductors and Devices, than the Iowa 47-$R_{0.5}$ curve.

e. Refer to Item 6(d)(12). Explain why there are fewer plotted data points on page III-75 of the depreciation study than on the Iowa 44-R_1 curve for Account No. 3650 provided in the response to the AG's First Request, Item 138, Attachment-AG-01-138(b).pdf.

f. Refer to Item 6(d)(13). Explain why there are fewer plotted data points on page III-81 of the depreciation study than on the Iowa 65-R_3 curve for Account No. 3660, Underground Conduit, provided in the response to the AG's First Request, Item 138, Attachment-AG-01-138(b).pdf.

g. Refer to Item 6(d)(15). Explain why there are fewer plotted data points on page III-102 of the depreciation study than on the Iowa 55-R_2 curve for Account No. 3691, Services – Underground, provided in the response to the AG's First Request, Item 138, Attachment-AG-01-138(b).pdf.

h. Refer to Item 6(d)(18). Explain why the Iowa 30-L_1 curve reflects a better fit for Account No. 3732, Street Lighting - Boulevard, than the Iowa 34-$R_{1.5}$ curve.

i. Calculate the depreciation rate for Account No. 3732 using the Iowa 34-$R_{1.5}$ curve. Keep all other values

j. Refer to Item 6(d)(20). Explain why the Iowa 14-R_3 curve reflects a better fit for Account No. 3960, Power Operated Equipment, than the Iowa 15-$R_{2.5}$ curve.

11. Refer to the response to the Staff's Second Request, Item 6(e).

a. Explain why Duke Kentucky did not provide the information requested in Item 6(e) in a comparative schedule, as was originally requested.

b. Provide copies of all estimates from other electric companies and the previous estimates for Duke Kentucky that were incorporated into the determination of the net salvage percentages recommended on pages III-4 through III-6 of the depreciation study. Explain in detail how the information from these other sources was incorporated into the net salvage percentage determination.

c. Would Duke Kentucky agree that utilizing net salvage percentages that reflect its own salvage experience would carry greater weight than information from other electric companies? Explain the response.

d. For each of the following accounts, calculate the applicable depreciation rate using the net salvage percentages listed. All other values used to determine the depreciation rate should remain the same as reflected in Duke Kentucky's proposed depreciation rates.

(1) Account No. 3110, Structures and Improvements – East Bend, net salvage percentage of zero.

(2) Account No. 3110, Structures and Improvements – Miami Fort 6, net salvage percentage of zero.

(3) Account No. 3120, Boiler Plant – East Bend, net salvage percentages of negative 5 percent and negative 9 percent.

(4) Account No. 3120, Boiler Plant – Miami Fort 6, net salvage percentages of negative 5 percent and negative 9 percent.

(5) Account No. 3140, Turbogenerator Units – East Bend, net salvage percentages of negative 1 percent and negative 2 percent.

(6) Account No. 3140, Turbogenerator Units – Miami Fort 6, net salvage percentages of negative 1 percent and negative 2 percent.

(7) Account No. 3150, Accessory Electric Equipment – East Bend, net salvage percentage of zero.

(8) Account No. 3150, Accessory Electric Equipment – Miami Fort 6, net salvage percentage of zero.

(9) Account No. 3550, Poles and Fixtures, net salvage percentages of positive 17 percent, negative 45 percent, and negative 28 percent.

(10) Account No. 3560, Overhead Conductors and Devices, net salvage percentages of negative 1 percent, negative 26 percent, and negative 14 percent.

(11) Account No. 3622, Station Equipment – Major, net salvage percentages of negative 4 percent and negative 6 percent.

(12) Account No. 3670, Underground Conductors and Devices, net salvage percentages of negative 43 percent, negative 25 percent, and negative 24 percent.

(13) Account No. 3692, Services – Overhead, net salvage percentages of negative 37 percent, negative 26 percent, and negative 24 percent.

(14) Account No. 3700, Meters, net salvage percentages of positive 11 percent, negative 8 percent, and negative 5 percent.

12. Refer to the response to the Staff's Second Request, Item 7(b). Provide the referenced testimony concerning the differences between the cost allocation methodologies used by Cinergy Corp. pre-merger and by Duke Energy Corporation post-merger.

13. Refer to the response to the Staff's Second Request, Item 10.

a. Concerning Attachment 02-010(a), pages 3, 5 through 7, and 9 of 9, several dollar figures have been "blacked out" on the copies. Provide clear, legible copies of these pages.

b. Concerning Attachment 02-010(b), page 5 of 5, and Attachment 02-010(c), page 6 of 8, explain in detail why a project identified as "Gas Interruptible Billing" has been classified as Common Plant.

14. Refer to the response to the Staff's Second Request, Item 11, Attachments 02-011(d) and (e).

a. Concerning the sales between Duke Kentucky and its affiliates, describe how the prices in these transactions were determined. Indicate whether the transactions were priced at market or cost. Include any applicable references to pricing methodologies required by the Federal Energy Regulatory Commission or the Securities and Exchange Commission ("SEC").

b. In Attachment 02-011(c) there are several references to "Activity Dec2004 thru apr2005." Explain why transfers relating to this time period were occurring during the base period, which begins September 1, 2005.

15. Refer to the response to the Staff's Second Request, Item 15. Based upon the responses provided, resubmit Schedule B-4.1 so that it reflects the construction work in progress balance as of December 31, 2007.

16. Refer to the response to the Staff's Second Request, Item 19.

a. Concerning the installation of new meters as part of the Advance Metering Infrastructure ("AMI"), does Duke Kentucky plan to install these new meters primarily for combined electric and gas customers? Explain the response.

b. Explain why it was assumed that the deployment of AMI in Kentucky would be completed in 2008, while completion in Ohio and Indiana would not be completed until 2009.

c. Provide the actual implementation and installation costs associated with AMI that Duke Kentucky has incurred as of July 31, 2006. In addition, when Duke Kentucky files its actual results for the base period on October 16, 2006, provide an update of this information through the end of the base period.

17. Refer to the response to the Staff's Second Request, Item 21. Indicate whether or not any of the items shown in this response have been excluded for rate-making purposes from the forecasted test period by Duke Kentucky. Include cross-references to the applicable adjustment.

18. Refer to the response to the Staff's Second Request, Item 22. According to this response, undetermined advertising expense shown on Schedule F-4 totals

$175,375. The amount of advertising eliminated and shown on Workpaper WPD-2.22a totals $170,375. Explain how the remaining $5,000 has been treated for rate-making purposes and describe the specific advertising transactions represented by the $5,000.

19. Refer to the response to the Staff's Second Request, Item 24.

a. The base period reflects Duke Kentucky's ownership of generating plant for 8 months, while the forecasted period reflects ownership for a full 12 months. When comparing the forecasted test period with the base period, explain in detail how the recognition of 4 additional months of generating plant ownership supports a 13.74 percent increase in straight time hours, a 36.06 percent increase in straight time labor dollars, and a 15.84 percent increase in operation and maintenance ("O&M") labor dollars.

b. Refer to the response to Item 24(c).

(1) Why were change in control payments originally included in the forecasted test period?

(2) Did the SEC require Duke Kentucky to record change in control payments on its books? Explain the response and include any correspondence from the SEC requiring this accounting treatment.

c. As of July 31, 2006, how many employees does Duke Kentucky have?

d. Does Duke Kentucky actually plan to employ between 289 and 328 employees between January and December of 2007? Explain the response and provide the actual workforce levels anticipated.

20. Refer to the response to the Staff's Second Request, Item 26.

a. Does Duke Kentucky agree that some portion of its proposed increase in revenues would be directly related to production income? Explain the response.

b. Explain how Duke Kentucky's treatment of the Internal Revenue Code Section 199 deduction recognizes the proposed increases in revenues sought in this case.

21. Refer to the response to the Staff's Second Request, Item 31. Explain the meaning of the term "PACE" as it is used in this response.

22. Refer to the response to the Staff's Second Request, Item 33.

a. In its May 3, 2006 Order in Case No. 2005-00228,[1] the Commission stated that Duke Kentucky would be in compliance with certain merger commitments if it discontinued filing voluntary financial reports with the SEC and thereby eliminating the need to use push-down accounting for recording the Duke Energy Corporation and Cinergy Corp. merger. Duke Kentucky had stated that this election should allow it to avoid Sarbanes-Oxley Act compliance costs. In light of the May 3, 2006 Order, would Duke Kentucky agree that there should be no professional services expenses included in the forecasted test period for Sarbanes-Oxley compliance costs? Explain the response.

[1] Case No. 2005-00228, Joint Application of Duke Energy Corporation, Duke Energy Holding Corp., Deer Acquisition Corp., Cougar Acquisition Corp., Cinergy Corp., The Cincinnati Gas & Electric Company and The Union Light, Heat and Power Company for Approval of a Transfer and Acquisition of Control.

b. In light of the Commission's May 3, 2006 Order in Case No. 2005-00228, explain why the forecasted test period should include professional services expenses for annual report design and annual report printing.

c. Explain in detail why professional services expenses for the shareholder meeting, stock surveillance services, and a stock transfer agent should be included for rate-making purposes.

d. Refer to Attachment 02-033(c). For each of the vendors listed below, describe in detail the services provided to Duke Kentucky by the vendor.

(1) Corestaff Services – Comensura, page 2 of 6.

(2) CSC Consulting, Inc., page 2 of 6.

(3) DBA Direct, Inc., page 2 of 6.

(4) Deloitte & Touche LLP, page 2 of 6.

(5) Global Energy Decisions, Inc., page 3 of 6.

(6) Hewlett-Packard Co., page 3 of 6.

(7) IBM Corp., page 3 of 6.

(8) Lucrum, Inc., page 4 of 6.

(9) Price Waterhouse Coopers LLP, page 4 of 6.

(10) Robert Half Management, page 5 of 6.

(11) The Wackenhut Corp., page 5 of 6.

e. Refer to Attachment 02-033(c), page 4 of 6. Explain the professional services expenses totaling $31,795.01 that were labeled "Not Applicable."

23. Refer to the response to the Staff's Second Request, Item 34. In the response to Item 34(c) Duke Kentucky provided the amounts it has been recording as

electric operations uncollectible accounts expense annually since 2002, even though Duke Kentucky in 2002 began selling the majority of its uncollectible accounts to a special purpose entity. However, in Case No. 2005-00042,[2] Duke Kentucky stated that it eliminated uncollectible accounts and had not recorded any expense since 2002. In the current proceeding, Duke Kentucky has responded that it does not include uncollectible account expense in the forecasted test period because since 2002 it sells its monthly accounts receivable balance to a special purpose entity, which has the responsibility of any uncollectible expense.[3]

a. Explain in detail why Duke Kentucky records uncollectible accounts expense for its electric operations but not its gas operations.

b. Does the amount recorded as electric operations uncollectible accounts expense reflect actual accounts that have been determined to be uncollectible? If no, explain what this amount reflects.

c. If Duke Kentucky has not included uncollectible accounts expense in its forecasted test period, explain in detail why an uncollectible accounts component should be incorporated into the gross-up factor.

24. Refer to the response to the Staff's Second Request, Item 35(a). Provide copies of the proposed tariffs reflecting the amended language referenced in this response.

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[2] Case No. 2005-00042, An Adjustment of the Gas Rates of The Union Light, Heat and Power Company, Response to the Commission Staff's Third Data Request dated May 10, 2005, Item 45.

[3] Response to the Staff's Second Request, Item 17(e).

25. Refer to the response to the Staff's Second Request, Items 36(b)(1) and 37(a). In Item 37(a) Duke Kentucky was requested to provide a forecast that does not reflect any weather normalization of its electric load. In Item 36(b)(1), Duke Kentucky was requested to provide revised Schedules M, M-2.1, M-2.2, and M-2.3 electronically on a CD-ROM for which billing determinants had not been normalized for weather. Duke Kentucky responded to Item 37(a) stating,

> When preparing a forecast, some assumptions must be made about projected sales. In effect, this makes some form of "weather normalization" an inherent part of any forecast. Accordingly, we are not clear what data is being requested.

In Case No. 1991-00370,[4] the Commission rejected Duke Kentucky's proposed weather normalization adjustment. Further, the Commission has not previously approved a weather normalization adjustment for an electric utility.[5]

The actual portion of the base period and the final base period information due to be filed with the Commission on October 16, 2006 will not reflect weather normalized data. The base period is utilized to assist in the determination that the forecasted test period is reasonable.

In the response to the Staff's Second Request, Item 50(c), Duke Kentucky states that weather is measured in terms of heating and cooling degree days, and the models estimate a coefficient for degree days which determines the impact of weather on

[4] Case No. 1991-00370, Application of The Union Light, Heat and Power Company to Adjust Electric Rates.

[5] See Case No. 10064, Adjustment of Gas and Electric Rates of Louisville Gas and Electric Company, final Order dated July 1, 1988; page 35 of that Order lists three other cases where electric weather normalization adjustments have been rejected.

electric sales. The explanation of the forecast methodology in Attachment 02-050(c), pages 8 through 11 of 17, appears to indicate that the weather component could be isolated and removed from the sales. Consequently, it would appear that the effects of weather can be eliminated from the forecast of projected sales.

a. Given this clarification, provide by October 16, 2006 a forecast to determine Duke Kentucky's revenue requirements utilizing a forecasted test period that does not reflect any weather normalization of Duke Kentucky's electric load (i.e., assume that the weather during the forecast test period is the same as was experienced during the historic base period). Provide all calculations, workpapers, and assumptions used in determining the revenue requirement.

b. Based upon the results in part (a), provide revised Schedules M, M-2.1, M-2.2, and M-2.3 electronically on a CD-ROM for which billing determinants have not been normalized for weather.

26. The actual results for the estimated months of the base period are to be filed by Duke Kentucky by October 16, 2006. The following additional information is requested to be filed on October 16, 2006:

a. Provide a narrative explanation of the effect of determining the revenue requirement using the actual sales data from the base period as filed on October 16, 2006 rather than the weather normalized sales utilized by Duke Kentucky in the forecasted test period.

b. If the resulting revenue requirement varies significantly from Duke Kentucky's original proposal, provide a full cost-of-service study based upon the actual sales data for the base period. As used in this request, "varies significantly" means a change of plus or minus 10 percent.

c. Provide revised Schedules M, M-2.1, M-2.2, and M-2.3 electronically on a CD-ROM, with all formulas intact, reflecting the actual sales data for the base period. If a cost-of-service study is prepared in response to part (b), reflect the results of that cost-of-service study in the revised schedules.

27. Refer to the response to the Staff's Second Request, Item 40.

a. Based upon the response, explain why it is reasonable for the jurisdictional rate base ratio to reflect the impacts of the AMI while the forecasted test period does not.

b. Provide a determination of the jurisdictional rate base ratio without the impact of the AMI. Include all calculations, workpapers, and assumptions used in the determination.

28. Refer to the response to the Staff's Second Request, Item 42. The narrative response does not clearly identify the differences or similarities between the approved Duke Ohio Transmission Cost Recovery Rider ("Rider TCR") and the proposed Duke Kentucky Rider TCR. Provide a side-by-side comparison of the Rider TCR approved by the Ohio Public Utilities Commission for Duke Ohio with the Rider TCR proposed by Duke Kentucky.

29. Refer to the response to the Staff's Second Request, Item 45(c)(2). Duke Kentucky responded that it would provide the results of the competitive bidding process to the Commission when the bid analysis is completed. Indicate the status of the competitive bidding process, the number of respondents to the request for proposals,

and the date when Duke Kentucky anticipates filing the results of the competitive bidding process with the Commission.

30. Refer to the response to the Staff's Second Request, Item 49(c). The response did not explain in detail how the proposed deferred income tax treatment related to the Ohio taxes is consistent with the Commission's December 5, 2003 Order in Case No. 2003-00252.[6] Provide the originally requested information, specifically focusing on the treatment of deferred income taxes prior to the transfer of the generating assets to Duke Kentucky.

31. Refer to the response to the Staff's Second Request, Item 50.

a. Does Duke Kentucky's forecast methodology separately identify temperature-sensitive load and non-temperature-sensitive load? Explain the response.

b. If no to part (a), explain why this separation is not part of the forecast methodology. Include any studies or analyses that support Duke Kentucky's position.

c. Has Duke Kentucky performed any studies or analyses to consider whether a separation of the load into temperature-sensitive and non-temperature-sensitive components could improve the determination of the level of weather normalized sales? Explain the response.

d. Explain in detail how Duke Kentucky's forecast methodology normalizes all variables that affect energy usage.

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[6] Case No. 2003-00252, The Application of The Union Light, Heat and Power Company for a Certificate of Public Convenience to Acquire Certain Generation Resources and Related Property; for Approval of Certain Purchase Power Agreements; for Approval of Certain Accounting Treatment; and for Approval of Deviation from Requirements of KRS 278.2207 and 278.2213(6).

e. Provide any studies or analyses performed specifically for Duke Kentucky that support the statement that “the percentage of customers across billing cycles is relatively constant and does not significantly impact the values of the weather related coefficients in the forecasting models or the level of normal degree days.”

f. Provide an example that demonstrates how the weighting of the billing cycles is performed.

g. Provide any studies or analyses performed specifically for Duke Kentucky that support the reasonableness of utilizing the equal weighting approach when dealing with billing cycles in the forecast methodology.

32. Refer to the response to the Staff’s Second Request, Item 55. For each of the statements below, provide the basis for the statement. Include any studies or analyses that support the statement.

a. “Using a longer period of time will cause sales forecast errors to remain larger for a longer period of time.”

b. “Using data for the 10-year period enables one to get closer to where a trend is headed than data for a 25-year period.”

33. Refer to the response to the Staff’s Second Request, Item 57(d). Provide the calculations that support the contention that the number of responses returned by Kentucky customers each year since 1999 is enough to provide a 99 percent confidence level in the survey data.

34. Refer to the response to the Staff’s Second Request, Item 60.

a. Concerning the response to Item 60(a), indicate where in the Commission's December 22, 2005 Order in Case No. 2005-00042 it is stated the Commission adopted the use of an apportioned Kentucky statutory income tax rate.

b. Concerning the response to Item 60(b), would Duke Kentucky agree that references in the Commission's March 31, 2006 Order in Case No. 2003-00433 to a Kentucky statutory income tax rate refer to the tax rate contained in the statutes? Explain the response.

35. Refer to the response to the Staff's Second Request, Item 61. Given Duke Kentucky's past experience concerning the initial and final Kentucky property tax assessments, explain in detail why Duke Kentucky believes the approach used to forecast its property taxes is reasonable.

36. Refer to the response to the Staff's Second Request, Item 62. Provide a description of the outstanding issues related to the approval of the various service agreements listed in this request. In addition, update the status of the approval process.

37. Refer to the response to the Staff's Second Request, Item 78.

a. Refer to the response to Item 78(a). Since there has been no participation in the currently offered Green Tariff, explain why Duke Kentucky believes its proposal will be more appealing to its customers.

b. Refer to the response to Item 78(d). The response contains the following statement, "Under this voluntary offering to the customer, Duke Energy Kentucky stands behind the costs or risks because we are proposing to treat the costs and revenues below the line."

(1) Indicate where in this case record Duke Kentucky has discussed this accounting treatment.

(2) If not in the case record, provide a complete description of the accounting treatment Duke Kentucky proposes for the costs and revenues associated with this program.

c. Refer to the response to Item 78(e). Provide a listing of the current regional sources of green power. Describe each identified source.

d. Refer to the response to Item 78(f). Duke Kentucky was requested to explain how the <u>acquisition</u> of Renewable Energy Certificates ("RECs") and Carbon Credits promoted the development of Green Power. The response addresses the <u>sale</u> of RECs and Carbon Credits. Provide the originally requested information.

e. Indicate whether Duke Kentucky plans to actively buy and sell Carbon Credits to benefit the Green Power program. Include Duke Kentucky's assessment of the risk involved in the program due to the trading in Carbon Credits.

f. Refer to the response to Item 78(g). Explain how the transfer of RECs or Carbon Credits between Duke Kentucky and its affiliates will be priced.

g. Refer to the response to Item 78(j). Indicate when Duke Kentucky will provide the expected costs for its Green Power program.

38. Refer to the response to Staff's Second Request, Item 79.

a. Explain whether Duke Kentucky currently has customers that require enhanced reliability. In the explanation, include how many customers are provided enhanced reliability, whether the customers are charged for the service, the pricing, if applicable, and the name of the tariff under which each customer is served.

b. Refer to Attachment 02-079A. On page 1 of 3, Duke Kentucky refers to "the customer's unbundled rates" helping to determine the appropriate access fee. Explain how unbundled rates apply to Kentucky customers.

c. Explain whether or not Duke Kentucky plans to file agreements made pursuant to Rider BDP with the Commission.

39. Refer to the response to Staff's Second Request, Item 82(b). The response does not include the cost analysis support for field collections. Provide the necessary calculations to support the proposed fee for field collections.

40. Refer to the response to the Staff's Second Request, Item 83.

a. Did Duke Kentucky seek approval from the Commission to establish a regulatory asset for the electric portion of the workforce reduction costs? Explain the response.

b. Using the data contained in Appendix D to the Commission's July 23, 1993 Order in Case No. 1992-00346,[7] estimate the electric portion of the workforce reduction costs and expected savings. Include all calculations, workpapers, and assumptions.

c. Refer to the response to Item 83(d). Provide the basis for the following statement, "Concurrent matching of costs and savings is not necessary for recovery of regulatory assets."

[7] Case No. 1992-00346, The Application of The Union Light, Heat and Power Company for an Adjustment of Rates.

d. Provide citations to previous decisions of the Commission where there has not been a matching of the costs and savings in conjunction with the recovery of regulatory assets for rate-making purposes.

41. Refer to the response to Staff's Second Request, Item 89. Duke Kentucky's response consists of the monthly fuel adjustment clause ("FAC") reports that are filed by other jurisdictional generators.

a. To the extent possible, provide the format in which Duke Kentucky intends to file its own monthly FAC report. Specific charges or quantities are not necessary. If Duke Kentucky believes that off-system sales margins should be shared through the FAC, include where in the monthly report Duke Kentucky proposes to include the off-system sales margins.

b. Provide a list of the specific schedules or worksheets that Duke Kentucky plans to file in its monthly back-up report, supporting its monthly FAC report, including among other reports: (1) fuel inventories (2) power transaction schedules (3) fuel purchases and (4) generating unit operating statistics.

42. Refer to the response to the Staff's Second Request, Item 100. Provide an allocation of the approximate $2.8 million increase in employee fringe benefits between the portion related to the transfer of generating plant to Duke Kentucky and the portion related to the projected increase in labor costs.

43. Refer to the response to the Attorney General's First Data Request dated July 12, 2006, Item 1, Attachment AG-01-001(a), page 1 of 5. Explain why emission allowances were not classified as an electric account.

44. Refer to the response to the AG's First Request, Item 24.

a. Explain whether Duke Kentucky believes that the increased revenue from its proposed miscellaneous charges will affect its revenue requirements in this case.

b. For each miscellaneous charge for which an increase is proposed, provide Duke Kentucky's best estimate of the revenue generated using present rates for miscellaneous charges, revenue generated using the proposed charges, and the resulting increase in revenue for the test year.

45. Refer to the response to the AG's First Request, Item 52. Provide the most currently available breakdown of Edison Electric Institute dues by the National Association of Regulatory Utility Commissioners' operating expense categories.

46. Refer to the response to the AG's First Request, Item 53. Provide the basis for the projected Electric Power Research Institute dues included in the forecasted test period.

47. Refer to the response to the AG's First Request, Item 58. For each of the expenses listed below, describe the nature of the expense and why the expense should be included for rate-making purposes. In addition, provide the total forecasted test period expense for each item, from all accounts.

a. Communications Equipment.

b. Donations – Non-Corp. Giving.

c. Employee Recognition.

d. Miscellaneous Events/Tickets.

48. Refer to the response to the AG's First Request, Item 59. Provide a more detailed description of the activities classified as governmental affairs.

49. Refer to the response to the AG's First Request, Item 139, Attachment AG-01-139, page 95 of 95 and Item 144, Attachment AG-01-144, pages 14 through 20, 30 through 33, and 39 of 48. Information contained on the referenced pages has been redacted by Duke Kentucky; however, Duke Kentucky did not file a petition for confidentiality for this information. Duke Kentucky should either submit the originally provided information without redaction or resubmit the responses accompanied with a petition for confidentiality consistent with 807 KAR 5:001, Section 7.

50. Refer to the response to the Kroger Company's and St. Elizabeth Medical Center's First Data Request dated July 12, 2006, Item 16. Indicate how many customers it anticipates will participate in the "CallOption" program in 2007 and explain how this participation has been reflected in the forecasted test period.

Beth O'Donnell
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DATED August 9, 2006

cc: All Parties