Duke Energy®

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John J. Finnigan, Jr.
Associate General Counsel

VIA HAND DELIVERY

RECEIVED
AUG 23 2006
PUBLIC SERVICE COMMISSION

August 23, 2006

Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

Re: In the Matter of an Adjustment of the Electric Rates of The Union Light, Heat and Power Company d/b/a Duke Energy Kentucky, Inc.
Case No. 2006-00172

Dear Ms. O'Donnell:

Today we are delivering to you by courier the original and six copies of Duke Energy Kentucky's responses to the Commission's third set of data requests in the above-referenced case. We are also delivering the original and six copies of Duke Energy Kentucky's responses to the Attorney General's second set of data requests.

In addition, I have enclosed the original and twelve copies of Duke Energy Kentucky's Petition for Confidential Treatment of Information. The following data requests seek confidential information: KyPSC-DR-03-029 and AG-DR-01-139; AG-DR-01-144; and AG-DR-02-028. Duke Energy Kentucky has filed the confidential commercial information requested by these data requests under seal. Duke Energy Kentucky is making arrangements with the other parties to inspect these documents immediately, subject to confidentiality agreements. Duke Energy Kentucky has redacted the confidential attorney-client communications requested by these data requests.

If you have any questions regarding these filings, please call me at (513) 287-3601.

Thank you for your consideration in this matter.

Sincerely,

John J. Finnigan, Jr.
Associate General Counsel

3 large Volumes
IN FILE.

JJF/sew

cc: All Parties of Record (with enclosures)

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of the Adjustment of Electric Rates of The Union Light, Heat and Power Company d/b/a Duke Energy Kentucky	))))	Case No. 2006-00172

PETITION OF DUKE ENERGY KENTUCKY
FOR CONFIDENTIAL TREATMENT OF INFORMATION

Pursuant to 807 KAR 5:001, Section 7, Duke Energy Kentucky petitions the Commission for confidential treatment of information sought in the data requests in this proceeding. The information for which Duke Energy Kentucky seeks confidential treatment is as follows:

- Information relating to the bids received in response to Duke Energy Kentucky's competitive bidding process for back-up power supply, requested by KyPSC-DR-03-039 ("Commission Data Request # 29"); and
- Confidential communications between Duke Energy Kentucky attorneys and Duke Energy Kentucky employees, requested by AG-DR-01-139; AG-DR-01-144; and AG-DR-02-028 (collectively, the "AG Data Requests").

In support of this Petition, Duke Energy Kentucky states as follows:

1. Commission Data Request # 29 seeks information about the status of Duke Energy Kentucky's competitive bidding process for back-up power supply. In response, Duke Energy Kentucky produced a narrative answer and four attachments. Duke Energy

Kentucky's narrative answer discusses the number of bidders; the number of disqualified bidders and the reasons the bidders were disqualified. The attachments produced by Duke Energy Kentucky identify the companies that responded to the request for proposals and provide the terms of the bids.

2. This information is commercially sensitive information in that it would provide an unfair commercial advantage to Duke Energy Kentucky's competitors, if disclosed. In order to obtain back-up power for its Plants, Duke Energy Kentucky must compete in the wholesale power market with other purchasers of power supplies. If these competitors knew the identities of the bidders and the amounts of the bids prior to Duke Energy Kentucky executing a contract for back-up power, the competitors could purchase power from the bidders at these terms such that the bidders might be less willing to execute a contract to sell power to Duke Energy Kentucky.

3. This bid information is kept confidential by Duke Energy Kentucky and not disseminated to others unless they have a legitimate need to know and act upon the information. This confidential information is not known outside Duke Energy Kentucky, except for its outside consultant for the competitive bidding process, who is keeping the information confidential.

4. The Kentucky Open Records Act exempts from disclosure the following records:

> [R]ecords confidentially disclosed to an agency or required by an agency to be disclosed to it, generally recognized as confidential or proprietary, which if openly disclosed would permit an unfair commercial advantage to competitors of the entity that disclosed the records....[1]

[1] KRS 61.878(1)(c).

5. Commission Data Request # 29 seeks certain information, as described in paragraph 1 above, which is exempt from disclosure under this section of the Kentucky Open Records Act. Pursuant to 807 KAR 5:001, Section 7, Duke Energy Kentucky has filed with the Commission and served the parties with copies of its response to Commission Data Request # 29 with the confidential information redacted. Duke Energy Kentucky has also filed an unredacted copy of the information with the Commission under seal. Duke Energy Kentucky will make the information available to any party that signs a confidentiality agreement.

6. The Attorney General Data Requests seek, in part, confidential communications between Duke Energy Kentucky attorneys and Duke Energy Kentucky employees. Such communications are protected against discovery under KRE 503 and KRS 61.878(1).

7. The purpose of the attorney-client communications were to enable the Company's attorneys to provide legal advice to employees on various Company matters. The content of the attorney-client communications is kept confidential by Duke Energy Kentucky and not disseminated to Duke Energy Kentucky employees unless they have a legitimate need to know and act upon the information.

8. Pursuant to 807 KAR 5:001, Section 7, Duke Energy Kentucky has filed with the Commission and served the parties with copies of its response to the Attorney General Data Requests with the confidential information redacted. Duke Energy Kentucky has not filed an unredacted copy of the information with the Commission as this could arguably be viewed as a waiver of the privilege.

Based on the foregoing, Duke Energy Kentucky respectfully requests that the Commission grant its Petition for Confidential Treatment of Information.

Respectfully submitted,

John J. Finnigan, Jr. (86657)
Associate General Counsel
Duke Energy Shared Services, Inc.
Room 2500
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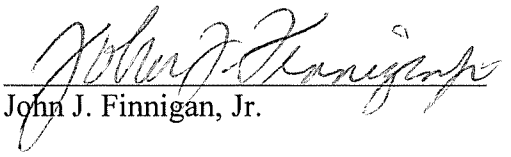
Cincinnati, Ohio 45201-0960
Tel. (513)287-3601
Fax (513)287-3810
e-mail: John.Finnigan@duke-energy.com

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Petition of Duke Energy Kentucky for Confidential Treatment of Information was served on the following by fax and by overnight delivery this 23rd day of August, 2006.



John J. Finnigan, Jr.

Hon. Dennis G. Howard, II
Acting Director
Hon. Elizabeth E. Blackford
Assistant Attorney General
Office of Rate Intervention
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601

ATTORNEYS FOR GREGORY D.
STUMBO, ATTORNEY GENERAL

Hon. David F. Boehm
Hon. Michael L. Kurtz
Hon. Kurt J. Boehm
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 2110
Cincinnati, Ohio 45202

ATTORNEYS FOR THE KROGER CO.
AND ST. ELIZABETH MEDICAL CENTER

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-001

REQUEST:

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.

RESPONSE:

The rates for distribution and transmission reservation charges are developed from the Company's unbundled costs associated with each major rate code during the forecasted test period. The ancillary service charges are derived from the Midwest ISO's Open Access Transmission Tariff and are unaffected by this filing.

WITNESS RESPONSIBLE: Jeffrey R. Bailey

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-002

REQUEST:

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.

RESPONSE:

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-003

REQUEST:

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.

RESPONSE:

The energy rate was developed utilizing a RTSIM version 7.00 production cost simulation run that treats a one MW decrement in system load as a dispatchable non-firm, external purchase. Thus, the marginal energy cost savings is the replacement cost for the 1 MW purchase. This cost includes fuel, fuel handling, variable O&M, effluent values and fuel auxiliary costs. We have excluded changes in generator start-up costs which should not be impacted by a 1 MW reduction in generation.

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-004

REQUEST:

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.

RESPONSE:

   a. The scope of the Smallworld upgrade as contemplated in the budget has

software platforms. If any savings arise relating to such IT project cancellations, such savings are passed through to customers via the merger savings sharing rider approved in Case No. 2005-00228.

WITNESS RESPONSIBLE: Jim L. Stanley
John J. Roebel

Duke Energy Kentucky
Case No. 2006-00172
Capital Expenditures Budget
Years 2006-2008

Line No.	Project ID / Description	CWIP Balance @ 12/31/05	Projected Expenditures 2006	2007	2008	Status
1	EB1152 - EBS FGD 08 LNDFIL CONC SPILWAY	$ -	$ -	$ -	$ 27,781	
2	EB1412 - Cooling Tower Gear Box (2006)	-	97,979	-	-	
3	EB1422 - Cooling Tower Gear Box 2007	-	-	100,322	-	
4	EB1462 - Cooling Tower Fan Blades-2006	32,625	60,545	0	-	
5	EB1472 - Cooling Tower Fan Blades-2007	-	-	61,995	0	
6	EB1482 - Cooling Tower Fan Blades(2008)	-	-	-	63,176	
7	EB1912 - EBS-2 Misc Valves	109,270	145,081	245,063	151,325	
8	EB1922 - EBS-2 General Equipment	156,375	139,548	180,453	145,554	
9	EB1942 - EBS Replace Rappers	200,219	762,014	-	-	
10	EB200453 - Install Ash Pond Liner	-	-	509,893	484,494	
11	EB200531 - Inst Thick Tunl Emer Sump Pump	-	5,937	6,289	6,659	
12	EB200579 - Turbine Bearing Fire Suppress.	-	-	150,291	1	
13	EB201218 - Cooling Tower Motor Replace-06	-	88,251	0	-	
14	EB201219 - Cooling Tower Motor Replace-07	-	-	81,444	0	
15	EB201220 - Cooling Tower Motor Replace-08	-	-	-	88,673	
16	EB201221 - Repl pug mill dust collect 2-1	-	144,654	-	-	
17	EB2012532 - 2 Ash Sluice Pump Motor Repl	-	525	557	89,415	
18	EB201262 - Pulverizer Feed Chute	-	157,178	-	-	
19	EB201267 - SO2 MONITOR REPLACEMENT	-	56,422	-	-	
20	EB201268 - NOx MONITOR REPLACEMENT	-	-	56,976	-	
21	EB201269 - CO2 MONITOR REPLACEMENT	-	-	-	59,508	
22	EB201291 - Scrubber Upgrades	12,347,559	180,334	-	-	
23	EB201292 - New East Bend Landfill	314,346	188,879	41,568	43,508	
24	EB201293 - Upgrade 3500Hp FD Fan Motor	-	-	142,086	0	
25	EB201294 - Install Lndfl Cell P-15 & P-16	139,525	4,611,059	22	-	
26	EB201312 - Service Water Filters	-	297,011	-	-	Deferred
27	EB201314 - Replace Precip Electrodes	-	-	960,841	5	
28	EB201315 - Economizer Landing	-	35,457	-	-	
29	EB201316 - Precip Key System	-	-	294,943	-	
		-	-	389,614	-	

Duke Energy Kentucky
Case No. 2006-00172
Capital Expenditures Budget
Years 2006-2008

Line No.	Project ID / Description	CWIP Balance @ 12/31/05	Projected Expenditures 2006	2007	2008	Status
80	MF601200 - Repl. SAH Racks & Pinion Gears	-	-	-	72,907	
81	MF601201 - U6 Replace SW Strainer & ISO	-	-	15,252	126,878	
82	MF601202 - U6 Ins Coal Bunker Air Cannons	-	-	-	372,116	
83	MF601207 - Separate BWCP Seal Water Loop	-	560,158	298,737	-	
84	MF601208 - Replace Unit 6 Igniters	-	505,140	-	-	Deferred
85	MF601213 - SAH Gas Inlet Dampers	-	-	950,925	1,225,343	
86	MF601216 - CONVEYOR "14" - REPLACE DRIVE	-	81,873	-	-	Deferred
87	MF601219 - U6 LP/HP HEATER LEVEL CONTROLS	-	272,697	-	-	Deferred
88	MF601223 - Replace O2 Control Unit	-	52,451	-	-	
89	MFC00363 - SWITCHYARD LIGHTING IMPROVMNTS	-	28,404	-	-	Common Facility
90	MFC00989 - Replace Cribhouse Sump Pumps	-	12,663	0	-	Common Facility
91	MFC01205 - Repl Cribhouse Bucket Hoist	-	-	44,089	-	
92	MFC01209 - Locker room HVAC replacement	-	-	-	25,226	
93	MFC01210 - Low Pressure Compressor	-	44,426	1	-	Common Facility
94	MFC01212 - MFS-REPLACE TRAVELING SCREENS	-	64,926	-	-	Common Facility
95	MFC01213 - MFS-REPLACE TRAVELING SCREENS	-	-	66,467	-	
96	MFC01214 - MFS-REPLACE TRAVELING SCREENS	-	-	-	67,722	
97	MFC01216 - STUDY-316B INTAKE RULES	-	7,550	-	-	Common Facility
98	MFC01224 - MF Replace Locker Rm Roof	-	-	7,969	-	
99	MFK00741 - MF Coal Conveyor H12	-	210,494	475,434	-	
100	MFK01205 - CONVEYOR "11" - REPLACE DRIVE	-	104,435	-	-	
101	MFK01206 - CONVEYOR "12" - REPLACE DRIVE	-	63,206	-	-	
102	MFK01210 - REPLACE CONVEYOR "G" FEEDER	-	-	69,264	-	
103	MFK01211 - REPLACE CONVEYOR "G" CRUSHER	-	-	169,826	-	
104	MFK01214 - MFS U5 & U6 CEMS Upgrade	-	51,464	0	-	
105	MFK01215 - Vent Fans unit 5&6 Tripper Rm	-	116,009	1	-	
106	MFK01216 - Avian Systems Bird Relocation	-	28,355	0	-	Deferred
107	WC301201 - WGC CT3 WASH DRAIN UPGRADE	-	33,892	-	-	
108	WC501202 - WASH HEADER/DRAIN UPGRADE	-	33,892	-	-	
109	WG0191 - WGS-CT1 Major "C" Overhaul #1	2,462,527	3,939,060	-	-	
	WG0191 - WGS-CT1 Major "C" Overhaul #1	(6,052)	-	2,748,667	14,616,905	
				25,426	25,906	

Duke Energy Kentucky
Case No. 2006-00172
Capital Expenditures Budget
Years 2006-2008

Line No.	Project ID / Description	CWIP Balance @ 12/31/05	Projected Expenditures 2006	2007	2008	Status
160	924G0500 - ULH&P ELECTRIC METERS	354,264	571,305	511,312	516,390	
161	ISOD3ULH - ISO DAY 3 ULHP	-	45,474	4,939	-	Deferred
162	NERC13BG - NERC 1300 CYBER SECURITY	-	61,870	157,648	105,927	
163	NERC13XX - NERC 1300 SUBSTATION SECURITY	-	63,480	27,281	27,795	
164	TOOL002 - TOOLS ULH&P TRANSPORTATION	1,632	70,858	5,907	1,204	
165	TRLERULH - TRAILERS & CONST EQUIP ULH&P	-	21,420	21,630	21,630	
166	U02Z7993 - ULHP MINOR TRANS SUB FAILURES	-	11,216	11,482	11,699	
167	U03Z7688 - MISC DIST SUB NON-BUDGET WORK	-	102,718	115,302	119,357	
168	U03Z7972 - MISC NON BUDGET CARRYOVER	-	53,597	62,880	68,913	
169	U04ZGM - ZULH&P GOV MAND TRANS IMPR	85,362	215,813	220,933	227,186	
170	U04ZUR - ZULH&P UPGR/REPL TRANS IMPR	34,307	54,103	55,386	56,954	
171	U14Z7690 - MISC DIST LINE NON-BUDGET WORK	-	424,507	1,940,692	1,892,525	
172	U14Z7973 - MISC NON BUDGET CARRYOVER	-	36,348	39,045	41,855	
173	U14ZGLZ - ULH GLIT DISTRIBUTION	-	186,939	192,912	193,274	
174	U14ZGM - ZULH&P GOV MAND DIST IMPR	853,578	1,267,274	1,297,340	1,310,223	
175	U14ZKVZ - ULH&P DIST LINE CAPACITORS	162,256	369,360	378,123	381,878	
176	U16ZMTRE - TOOLS ELEC MTR OPS ULHP	398	15,670	16,199	16,505	
177	U24E8252 - AUTOMATED METER DISCONNECT ULH&P	-	-	116,876	0	
178	ULHSTORM - ULH&P STORM BUDGET	111,667	170,740	174,790	176,526	
179	X02U8310 - Buffington - Replace CB 682 - X02U8	-	-	172,859	1	
180	X03U7988 - Wilder 138-13kV Transformer - X03U	-	1,098,974	258,556	-	
181	ZU03HR07 - 803 BUDGET ADJUSTMENT 2007	-	-	982,037	4	
182	ZU03HR08 - 803 BUDGET ADJUSTMENT 2008	-	-	-	1,303,893	
183	ZU04VH07 - 804 BUDGET ADJUSTMENT 2007	-	-	379,703	1	
184	ZU04VH08 - 804 BUDGET ADJUSTMENT 2008	-	-	-	391,331	
185	AMS3 - SMALL WORLD UPGRADE TO 3-3	-	15,175	133,887	2	
186	AVAYAUPG - EMAIL CHAT UPGRADE	-	20,576	-	-	Cancelled
187	AXIOM07 - UPGRADE AXIOM MOBILITY	-	-	132,710	1	
188	AXIOM09 - UPGRADE AXIOM MOBILITY	-	-	-	-	
189	BATMNT - BATGENMAINT	-	6,573	3,904	4,458	
		-	14,832	0	-	

Duke Energy Kentucky
Case No. 2006-00172
Capital Expenditures Budget
Years 2006-2008

Line No.	Project ID / Description	CWIP Balance @ 12/31/05	Projected Expenditures 2006	2007	2008	Status
240	TCOM2008 - TCOMS UPG 2008	-	-	-	380,244	
241	TELUPG - telephony upgrades	-	63,545	46,062	-	Cancelled
242	UMS1 - UMS IMPROVEMENTS	-	-	43,873	0	
243	VENONRAM - VENDOR ON RAMP	-	3,176	0	-	Cancelled
244	VIRTHOLD - add virtual hold feature	-	-	11,065	-	
245	VIRTUAL - CALL CENTER VIRTUAL ROUTING	-	18,721	-	-	
246	VOIP - voice over IP	-	348	54,344	143,752	Cancelled
247	WANDIV - wan diversity	-	4,330	6,330	5,729	Cancelled
	TOTAL	$ 24,018,358	$ 41,878,561	$ 30,763,395	$ 39,552,505	

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-005

REQUEST:

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.

RESPONSE:

The customer benefits from the helicopter are discussed in the Company's response to AG-DR-01-002. The Company's charges for network integration transmission service are determined pursuant to a formula rate filed annually with the Midwest ISO and approved by the Federal Energy Regulatory Commission. Copies of the last two "Attachment O" filings made by Cinergy (now Duke Energy) were provided in Attachments WDW-2 and WDW-3.

See line 1, page 3, of Attachment WDW-2. The transmission expense shown on that line includes all transmission expenses (*i.e.*, FERC Accounts 560 through 573) reported by

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-006

REQUEST:

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.

RESPONSE:

When we modeled the costs to serve retail and wholesale customers for the forecasted test period, we assumed all additional power needs above our generation would be purchased from the market and included these costs in the forecasted test period expenses. For the 2007 forecast period, we estimated approximately 809,000 MWHs would be purchased from the market at a cost of about $50.8 million. The LaFarge transaction is projected to be approximately 841 MWHs at a cost of approximately $30,000. Our modeling software for the forecasted test period revenues and expenses did not include this transaction because of the relatively small amount of expense involved in

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-007

REQUEST:

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.

RESPONSE:

The term "informed judgment" relates to experience and knowledge obtained in the process of conducting depreciation studies. Informed judgment can also be referred to as experience. Basically, it is all knowledge collected by Mr. Spanos in his 20 years of experience in doing depreciation studies for utility companies.

WITNESS RESPONSIBLE: John J. Spanos

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-008

REQUEST:

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.

RESPONSE:

The decommissioning costs shown for the East Bend Station reflect the Duke Energy Kentucky share of East Bend. The amounts were determined using only the Duke Energy Kentucky values as that was the requested data. The decommissioning study was performed for the assets owned by Duke Energy Kentucky.

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-009

REQUEST:

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 Plan 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.

c. 1) The composite remaining life for the Florence Service Building and the Kentucky Service Building of Account 1900 has decreased comparably to what would be expected since the last rate case for these assets. The current depreciation rates and composite life for these accounts were established as of September 2004 or 1.33 years from the proposed study date. The composite remaining life for the Florence Service Building, as of the last study date, was 32.7 years and the proposed composite remaining life is 31.0 years or a reduction of 1.7 years. The primary reason for the minor change from 1.7 years instead of 1.3 years is due to the reduced plant cost.

The Kentucky Service Building is quite similar as the composite remaining life was 7.6 years and is now 6.4 years. Basically, this is the expected reduction over 1.3 years.

2) The rate for Miami Fort Unit 6 changed from its current level due to changes in plant balances, net salvage percent, survivor curve and the calculation procedure.

3) The rate for East Bend changed from its current level due to changes in plant balances, net salvage percent, survivor curve and the calculation procedure.

4) The composite remaining life for Account 3440 is based on the

9) The shorter average service life implemented when amortization accounting began produces a 13-year remaining life which is shorter than the 21.9 years from the last study. A reduction of service life from 35 years to 25 years will shorten the remaining life.

10) The average service life has been reduced to a more reasonable level of 15 years for the assets currently in the account. The shorter average life and the lack of additions since 1993 have produced a composite remaining life of 2.5 years.

WITNESS RESPONSIBLE: (a) and (b) – Carl L. Council, Jr.
(c) – John J. Spanos

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-010

REQUEST:

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

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.

RESPONSE:

a. The 50-S1.5 survivor curve was utilized and the response should reflect a 50-S1.5 survivor curve.

b. There is no best fit for Account 3122 as the determination of the 50-S1.5 was primarily judgment. Based on the information Mr. Spanos has obtained over the years in conducting life analysis for these assets, it was determined that the 50-S1.5 survivor curve best represents interim retirements for this account. The 50-S1.5 is a better estimate of interim retirements than the 55-S0.5 because there are fewer early retirements through age 40 and more interim retirements between age 40 and 60, which is expected for these assets.

c. The points plotted on page III-58 were those considered significant in Mr. Spanos' opinion for presenting on a graph. All points are set forth on the table on pages III-59 and III-60.

d. The 44-R1 survivor curve is not necessarily considered a better or worse

j. The 14-R3 survivor curve does not necessarily represent a better or worse statistical fit than the 15-R2.5 survivor curve. However, based on the statistics of the historical data and the expectations of future retirements the 14-R3 was selected. The 14-R3 survivor curve will have fewer early retirements than the 15-R2.5 curve.

WITNESS RESPONSIBLE: John J. Spanos

DUKE ENERGY KENTUCKY

ACCOUNT 3732 STREET LIGHTING - BOULEVARD

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 34-R1.5						
NET SALVAGE PERCENT.. -5						
1922	269.37	283	283			
1923	3,481.73	3,656	3,656			
1927	1,995.79	2,096	2,096			
1928	1,451.94	1,525	1,525			
1929	3,724.55	3,911	3,911			
1930	53.15	56	56			
1931	1,868.53	1,962	1,962			
1932	602.71	633	633			
1933	354.16	372	372			
1936	53.64	56	56			
1937	147.76	155	155			
1938	290.84	305	305			

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-011

REQUEST:

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

(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.

RESPONSE:

a. See Attachment KyPSC-DR-03-011(a).

b. Attachment KyPSC-DR-03-011(b) sets forth the available estimates from other electric companies and the most recent estimates from the last depreciation study for Duke Energy Kentucky. The schedule of estimates

Duke Energy Kentucky
Net Salvage Percentage

FERC Account	Account Description	Review Period	Three Year Moving Avg	Five Year Av
3110	Structures and Improvements	0	0	
3120	Boiler Plant	(5)	(9)	
3140	Turbo Generator Units	(1)	(2)	
3150	Accessory Electric Equipment	0	0	
3160	Misc Power Plant (Excl Shop)	0	1	
3530	Station Equipment	(5)	(3)	
3532	Station Equipment - Major	(9)	(10)	
3550	Poles and Fixtures	17	(45)	
3560	Overhead Conductors and Devices	(1)	(26)	
3601	Right Of Way	(1)	0	
3610	Structures and Improvements	(5)	0	
3620	Station Equipment	(11)	(29)	
3622	Station Equipment - Major	(4)	(6)	
3640	Towers and Fixtures	2	(18)	
3650	Overhead Conductors and Devices	(29)	(49)	
3660	Underground Conduit	(21)	(21)	
3670	Underground Conductors and Devices	(43)	(25)	
3680	Line Transformers	15	(9)	
3692	Services - Overhead	(37)	(26)	
3700	Meters	11	(8)	
3731	Street Lighting - Overhead	(1)	(14)	
3732	Street Lighting - Boulevard	2	(8)	
3733	Street Lighting - Security	(18)	(26)	

SUMMARY OF NET SALVAGE RECOMMENDATIONS

Client		Jackson Energy Cooperative	Alliant	Dominion-Virginia Power	Bonn Po Admini
Depreciation Method		SL Rem Life	SL Rem Life	SL Rem Life	SL R
Purpose of Study					
Study Data Year		1999	2000	2001	1
Account No.	FERC Account Description				
Production Plant					
310 - 316	Steam Production				
310	Steam Production - Land and Land Rights				
310.1	Steam Production - Land and Land Rights - Land				
310.2	Steam Production - Land and Land Rights - Land Rights				
311	Steam Production - Structures and Improvements		(20)		
312	Steam Production - Boiler Plant Equipment		(10)		
312.2	Steam Production - Boiler Plant Equipment - Coal Cars				
312.3	Steam Production - Boiler Plant Equipment - Scrubbers				
313	Engines and Engine Driven Generators		(40)		
314	Steam Production - Turbogenerator Units		0		
315	Steam Production - Accessory Electric Equipment		0		
316	Steam Production - Miscellaneous Power Plant Equipment				
316.1	Steam Production - Miscellaneous Power Plant Equipment - Shop				
316.2	Steam Production - Miscellaneous Power Plant Equipment - Other				
320 - 325	Nuclear Production				
320	Nuclear Production - Land and Land Rights				
320.1	Nuclear Production - Land and Land Rights - Land				
320.2	Nuclear Production - Land and Land Rights - Land Rights				
321	Nuclear Production - Structures and Improvements				
322	Nuclear Production - Reactor Plant Equipment				
322.1	Nuclear Production - Reactor Plant Equipment - Steam Generators				
323	Nuclear Production - Turbogenerator Units				
324	Nuclear Production - Accessory Electric Equipment				
325	Nuclear Production - Miscellaneous Power Plant Equipment				
330 - 336	Hydraulic Production				
330	Hydraulic Production -Land and Land Rights				
330.1	Hydraulic Production -Land and Land Rights - Land				
330.2	Hydraulic Production -Land and Land Rights - Land Rights				
331	Hydraulic Production - Structures and Improvements				
332	Hydraulic Production - Reservoirs, Dams and Waterways				
333	Hydraulic Production - Water Wheels, Turbines and Generators				
334	Hydraulic Production - Accessory Electric Equipment				
335	Hydraulic Production - Miscellaneous Power Plant Equipment				
336	Hydraulic Production - Roads, Railroads and Bridges				
340 - 346	Other Production				
340 - 346	Other Production - Solar				
340	Other Production -Land and Land Rights				
340.1	Other Production -Land and Land Rights - Land				
340.2	Other Production -Land and Land Rights - Land Rights		0		
341	Other Production - Structures and Improvements		(5)		
342	Other Production - Fuel Holders, Producers and Accessories		0		
343	Other Production - Prime Movers				
343.1	Other Production - Prime Movers - Fuel Cells				
343.2	Other Production - Prime Movers - Base Load				
343.3	Other Production - Prime Movers - Peakers		0		
344	Other Production - Generators		0		
345	Other Production - Accessory Electric Equipment		0		
346	Other Production - Miscellaneous Power Plant Equipment				

SUMMARY OF NET SALVAGE RECOMMENDATIONS

Client		Jackson Energy Cooperative	Alliant	Dominion-Virginia Power	Bonne Pow Adminis
Transmission Plant			Non Depr		Non
350	Land and Land Rights			Non Depr	
350.1	Land and Land Rights - Land			0	0
350.2	Land and Land Rights - Land Rights		0	(5)	(5
352	Structures and Improvements				
352.1	Structures and Improvements - Major				
352.2	Structures and Improvements - Small		(5)	(10)	
353	Station Equipment			(5)	
353.2	Station Equipment - Power Supply Company				(1
353	Station Equipment - 1970 & Prior				(1
353	Station Equipment - 1971 & Subsequent				(1
353.1	Station Equipment - Substation on Customer Premises				(1
353.2	Station Equipment - Portable Property at Substations				(1
353.3	Station Equipment - Metering Station				(1
353.4	Station Equipment - Control Equipment		(50)	(50)	(1
354	Towers and Fixtures			0	
354.1	Towers and Fixtures - Clearing Right of Way		(40)	(30)	(
355	Poles and Fixtures			0	
355.1	Poles and Fixtures - Clearing Right of Way				
355.2	Poles and Fixtures - Wood				
355.3	Poles and Fixtures - Steel		(10)	(20)	
356	Overhead Conductors and Devices				
356.1	Overhead Conductors and Devices - Clearing of Rights of Way			0	
357	Underground Conduit		0	(5)	
358	Underground Conductors and Devices				
358.1	Underground Conductors and Devices - Submarine			0	
359	Roads and Trails				
Distribution Plant			Non Depr		
360	Land and Land Rights			Non Depr	
360.1	Land and Land Rights - Land			0	
360.2	Land and Land Rights - Land Rights		0	(5)	
361	Structures and Improvements				
361.1	Structures and Improvements - Major				
361.2	Structures and Improvements - Small		(5)	(10)	
362	Station Equipment				
362.1	Station Equipment - Company Stations				
362.2	Station Equipment - Customer High Tension				
362.3	Station Equipment - SCADA	(45)	(75)	(40)	
364	Poles, Towers and Fixtures			0	
364.1	Poles, Towers and Fixtures - Clearing Right of Way				
364.2	Poles, Towers and Fixtures - Towers				
364.4	Poles, Towers and Fixtures - Poles				
364.6	Poles, Towers and Fixtures - Clearing Towers				
364.8	Poles, Towers and Fixtures - Clearing Poles				
364.9	Poles, Towers and Fixtures - Wood				
364.10	Poles, Towers and Fixtures - Steel	(30)	(25)	(20)	
365	Overhead Conductors and Devices		(5)		
365.1	Sodium Vapor Security Lights				
365.2	Overhead Conductors and Devices - Clearing Rights of Way	0	40		
366	Underground Conduit			0	
366.1	Underground Conduit - Not encased			0	
366.2	Underground Conduit - Manholes and Vaults			0	
366.3	Underground Conduit - Encased	(10)	(15)	(10)	
367	Underground Conductors and Devices			0	
367.1	Underground Conductors and Devices - Clearing Right of Way	0	(5)	(5)	
368	Line Transformers				

SUMMARY OF NET SALVAGE RECOMMENDATIONS

Client		Jackson Energy Cooperative	Alliant	Dominion-Virginia Power	Bonn Pow Admini
368.1	Line Transformers - Pole Top				
368.2	Line Transformers - Pad Mounted				
368.3	Line Transformers - Non-Network Housing				
368.4	Line Transformers - Network				
368.5	Line Transformers - Underground Residential Distribution	(75)	(40)		
369	Services			(30)	
369.1	Services - Overhead			(15)	
369.2	Services - Underground	0	0	0	
370	Meters				
370.2	Meters - AMR and Electronic	(15)	(5)	0	
371	Installations on Customer Premises				
371.2	Installations on Customer Premises - Area Lighting				
372	Leased Property on Customer Premises	(50)	(20)	(20)	
373	Street Lighting and Signal Systems			0	
373.1	Street Lighting and Signal Systems - Cleaning				
373.2	Street Lighting and Signal Systems - M.V.				
373.3	Street Lighting and Signal Systems - H.P.S.				
General and Intangible Plant					
301	Organization		Non Depr	0	
302	Franchises and Consents		Non Depr	Non Depr	
303	Intangible Plant				
303.1	Intangible Plant - Software				
303.2	Intangible Plant - Fiber Optic	Non Depr	Non Depr		
389	Land and Land Rights			Non Depr	
389.1	Land and Land Rights - Land			0	
389.2	Land and Land Rights - Land Rights	0 - (25)	(5)		
390	Structures and Improvements		0		
390.1	Structures and Improvements - Leasehold Improvements			(5)	
390	Structures and Improvements - Major			(5)	
390	Structures and Improvements - Other			0	
391	Office Furniture and Equipment	0	0		
391	Office Furniture and Equipment - Equipment	0	0		
391	Office Furniture and Equipment - Furniture	0	0	0	
391	Office Furniture and Equipment - Hardware (PCs)	0			
391	Office Furniture and Equipment - Software			15	
392	Transportation Equipment	20	15		
392.1	Transportation Equipment - Cars	20	20		
392.2	Transportation Equipment - Light Trucks				
392.21	Transportation Equipment - Pickup Trucks	20			
392.3	Transportation Equipment - Heavy Trucks				
392.4	Transportation Equipment - Airplanes and Helicopters				
392.5	Transportation Equipment - Trailers				
392.6	Transportation Equipment - Other	0	0	0	
393	Stores Equipment	0	0	0	
394	Tools, Shop and Garage Equipment			0	
394.1	Tools, Shop and Garage Equipment - Electric Vehicles	0	0	0	
395	Laboratory Equipment	0	20	10	
396	Power Operated Equipment	0	0	0	
397	Communication Equipment				
397.1	Communication Equipment - Trans Line				
397.2	Communication Equipment - EMS				
397.3	Communication Equipment - Fiber Optic	0	0	0	
398	Miscellaneous Equipment				
399	Other Tangible Property				

SUMMARY OF NET SALVAGE RECOMMENDATIONS

Client		Arizona Public Service Company	Ameren UE	Duquesne Light Company
Depreciation Method		SL Rem Life	SL Whole Life (w/ 20Yr.True-up)	SI Rem Life
Purpose of Study		2002	2000	2001
Study Date Year				
Account No.	FERC Account Description			
Production Plant				
310 - 316	Steam Production	Non Depr	Non Depr	
310	Steam Production - Land and Land Rights			
310.1	Steam Production - Land and Land Rights - Land			
310.2	Steam Production - Land and Land Rights - Land Rights			
311	Steam Production - Structures and Improvements	(20)	(24) - (60)	
312	Steam Production - Boiler Plant Equipment	(20)	(24) - (60)	
312.2	Steam Production - Boiler Plant Equipment - Coal Cars		30	
312.3	Steam Production - Boiler Plant Equipment - Scrubbers			
313	Engines and Engine Driven Generators	(20)	(24) - (60)	
314	Steam Production - Turbogenerator Units	(20)	(24) - (60)	
315	Steam Production - Accessory Electric Equipment	(20)	(24) - (60)	
316	Steam Production - Miscellaneous Power Plant Equipment			
316.1	Steam Production - Miscellaneous Power Plant Equipment - Shop			
316.2	Steam Production - Miscellaneous Power Plant Equipment - Other			
320 - 323	Nuclear Production	Non Depr	Non Depr	
320	Nuclear Production - Land and Land Rights			
320.1	Nuclear Production - Land and Land Rights - Land			
320.2	Nuclear Production - Land and Land Rights - Land Rights	0	0	
321	Nuclear Production - Structures and Improvements	(2)	0	
322	Nuclear Production - Reactor Plant Equipment	(17)		
322.1	Nuclear Production - Reactor Plant Equipment - Steam Generators	(2)	0	
323	Nuclear Production - Turbogenerator Units	(2)	0	
324	Nuclear Production - Accessory Electric Equipment	(2)	0	
325	Nuclear Production - Miscellaneous Power Plant Equipment			
330 - 338	Hydraulic Production	Non Depr	Non Depr	
330	Hydraulic Production -Land and Land Rights			
330.1	Hydraulic Production -Land and Land Rights - Land			
330.2	Hydraulic Production -Land and Land Rights - Land Rights	0	(10)	
331	Hydraulic Production - Structures and Improvements	0	(20)	
332	Hydraulic Production - Reservoirs, Dams and Waterways	0	(10)	
333	Hydraulic Production - Water Wheels, Turbines and Generators	0	0	
334	Hydraulic Production - Accessory Electric Equipment	0	0	
335	Hydraulic Production - Miscellaneous Power Plant Equipment	0	0	
336	Hydraulic Production - Roads, Railroads and Bridges			
340 - 346	Other Production	0		
340 - 346	Other Production - Solar	Non Depr	Non Depr	
340	Other Production -Land and Land Rights			
340.1	Other Production -Land and Land Rights - Land			
340.2	Other Production -Land and Land Rights - Land Rights	(5)	(5)	
341	Other Production - Structures and Improvements	(5)	(5)	
342	Other Production - Fuel Holders, Producers and Accessories	0		
343	Other Production - Prime Movers			
343.1	Other Production - Prime Movers - Fuel Cells			
343.2	Other Production - Prime Movers - Base Load			
343.3	Other Production - Prime Movers - Peakers	0, (2) West Phoenix	(5)	
344	Other Production - Generators	0	(5)	
345	Other Production - Accessory Electric Equipment	0	(5)	
346	Other Production - Miscellaneous Power Plant Equipment			

SUMMARY OF NET SALVAGE RECOMMENDATIONS

Client		Arizona Public Service Company	Ameren UE	Duquesne Light Company
Transmission Plant		Non Depr	Non Depr	Non Depr
350	Land and Land Rights			
350.1	Land and Land Rights - Land			
350.2	Land and Land Rights - Land Rights	(5)	(5)	
352	Structures and Improvements			AMORTIZE
352.1	Structures and Improvements - Major			AMORTIZE
352.2	Structures and Improvements - Small	0	0	AMORTIZE
353	Station Equipment			
353.2	Station Equipment - Power Supply Company			
353	Station Equipment - 1970 & Prior			
353	Station Equipment - 1971 & Subsequent			
353.1	Station Equipment - Substation on Customer Premises			
353.2	Station Equipment - Portable Property at Substations			
353.3	Station Equipment - Metering Station			
353.4	Station Equipment - Control Equipment	(35)	(7)	AMORTIZE
354	Towers and Fixtures			
354.1	Towers and Fixtures - Clearing Right of Way		(90)	AMORTIZE
355	Poles and Fixtures			
355.1	Poles and Fixtures - Clearing Right of Way	(35)		
355.2	Poles and Fixtures - Wood	(15)		
355.3	Poles and Fixtures - Steel	(35)	(25)	AMORTIZE
356	Overhead Conductors and Devices			
356.1	Overhead Conductors and Devices - Clearing of Rights of Way	(10)		AMORTIZE
357	Underground Conduit	(10)		AMORTIZE
358	Underground Conductors and Devices			
358.1	Underground Conductors and Devices - Submarine		0	AMORTIZE
359	Roads and Trails			
Distribution Plant		Non Depr	Non Depr	Non De
360	Land and Land Rights			
360.1	Land and Land Rights - Land			
360.2	Land and Land Rights - Land Rights	(10)	(5)	
361	Structures and Improvements			AMORTIZ
361.1	Structures and Improvements - Major			AMORTIZ
361.2	Structures and Improvements - Small	0	(5)	
362	Station Equipment			AMORTIZ
362.1	Station Equipment - Company Stations			AMORTIZ
362.2	Station Equipment - Customer High Tension			
362.3	Station Equipment - SCADA		(135)	AMORTIZ
364	Poles, Towers and Fixtures			
364.1	Poles, Towers and Fixtures - Clearing Right of Way			
364.2	Poles, Towers and Fixtures - Towers			
364.4	Poles, Towers and Fixtures - Poles			
364.6	Poles, Towers and Fixtures - Clearing Towers			
364.8	Poles, Towers and Fixtures - Clearing Poles	(10)		
364.9	Poles, Towers and Fixtures - Wood	(5)		
364.10	Poles, Towers and Fixtures - Steel	(10)	(50)	AMORTI
365	Overhead Conductors and Devices			
365.1	Sodium Vapor Security Lights			
365.2	Overhead Conductors and Devices - Clearing Rights of Way	(5)	(50)	AMORTI
366	Underground Conduit			
366.1	Underground Conduit - Not encased			
366.2	Underground Conduit - Manholes and Vaults			
366.3	Underground Conduit - Encased	(5)	(25)	AMORTI
367	Underground Conductors and Devices			
367.1	Underground Conductors and Devices - Clearing Right of Way	(5)	0	
368	Line Transformers			

SUMMARY OF NET SALVAGE RECOMMENDATIONS

Client		Arizona Public Service Company	Ameren UE	Duquesne Light Company
368.1	Line Transformers - Pole Top			AMORTIZE
368.2	Line Transformers - Pad Mounted			AMORTIZE
368.3	Line Transformers - Non-Network Housing			AMORTIZE
368.4	Line Transformers - Network			AMORTIZE
368.5	Line Transformers - Underground Residential Distribution			AMORTIZE
368	Services	(10)	(180)	
369.1	Services - Overhead		(70)	
369.2	Services - Underground	0	0	AMORTIZE
370	Meters	0		AMORTIZE
370.2	Meters - AMR and Electronic	(20)	0	
371	Installations on Customer Premises			
371.2	Installations on Customer Premises - Area Lighting			
372	Leased Property on Customer Premises	(20)	(45)	AMORTIZE
373	Street Lighting and Signal Systems			
373.1	Street Lighting and Signal Systems - Clearing			
373.2	Street Lighting and Signal Systems - M.V.			
373.3	Street Lighting and Signal Systems - H.P.S.			
General and Intangible Plant				
301	Organization			
302	Franchises and Consents			
303	Intangible Plant			
303.1	Intangible Plant - Software			
303.2	Intangible Plant - Fiber Optic	Non Depr	Non Depr	Non Dep
389	Land and Land Rights			
389.1	Land and Land Rights - Land			
389.2	Land and Land Rights - Land Rights	(15)	(5)	
390	Structures and Improvements			
390.1	Structures and Improvements - Leasehold Improvements			AMORTI
390	Structures and Improvements - Major			AMORTI
390	Structures and Improvements - Other		1	
391	Office Furniture and Equipment	0		AMORTI
391	Office Furniture and Equipment - Equipment	0		AMORTI
391	Office Furniture and Equipment - Furniture	0	0, 1 (PCs)	AMORTI
391	Office Furniture and Equipment - Hardware (PCs)			
391	Office Furniture and Equipment - Software		10	
392	Transportation Equipment			AMORTI
392.1	Transportation Equipment - Cars			
392.2	Transportation Equipment - Light Trucks			
392.21	Transportation Equipment - Pickup Trucks			
392.3	Transportation Equipment - Heavy Trucks			
392.4	Transportation Equipment - Airplanes and Helicopters			
392.5	Transportation Equipment - Trailers			AMORT
392.6	Transportation Equipment - Other	0	0	AMORT
393	Stores Equipment	0	3	AMORT
394	Tools, Shop and Garage Equipment			
394.1	Tools, Shop and Garage Equipment - Electric Vehicles	0	0	AMORT
395	Laboratory Equipment		20	AMORT
396	Power Operated Equipment	0	0	AMORT
397	Communication Equipment			
397.1	Communication Equipment - Trans Line			
397.2	Communication Equipment - EMS			
397.3	Communication Equipment - Fiber Optic	0	0	AMOR
398	Miscellaneous Equipment			
399	Other Tangible Property			

SUMMARY OF NET SALVAGE RECOMMENDATIONS

Client		El Paso Electric Company	Duke Power Company	Nevada Pow Company
Depreciation Method		SL Rem Life	SI Rem Life	SL Rem Life
Purpose of Study		2002	2003	2002
Study Date Year				
Account No.	FERC Account Description			
Production Plant				
310 - 316	Steam Production	Non Depr		
310	Steam Production - Land and Land Rights		Non Depr	Non Depr
310.1	Steam Production - Land and Land Rights - Land		0	0
310.2	Steam Production - Land and Land Rights - Land Rights	(5), 0 (Four Corners)	(20)	(11)
311	Steam Production - Structures and Improvements	(10), 0 (Four Corners)	(20)	(11)
312	Steam Production - Boiler Plant Equipment			
312.2	Steam Production - Boiler Plant Equipment - Coal Cars			
312.3	Steam Production - Boiler Plant Equipment - Scrubbers	(10)		
313	Engines and Engine Driven Generators	(10), 0 (Four Corners)	(20)	(11)
314	Steam Production - Turbogenerator Units	0	(20)	(11)
315	Steam Production - Accessory Electric Equipment	0	(20)	(11)
316	Steam Production - Miscellaneous Power Plant Equipment			
316.1	Steam Production - Miscellaneous Power Plant Equipment - Shop			
316.2	Steam Production - Miscellaneous Power Plant Equipment - Other			
320 - 325	Nuclear Production			
320	Nuclear Production - Land and Land Rights		Non Depr	
320.1	Nuclear Production - Land and Land Rights - Land		0	
320.2	Nuclear Production - Land and Land Rights - Land Rights		(2)	
321	Nuclear Production - Structures and Improvements		(2)	
322	Nuclear Production - Reactor Plant Equipment			
322.1	Nuclear Production - Reactor Plant Equipment - Steam Generators		(2)	
323	Nuclear Production - Turbogenerator Units		(2)	
324	Nuclear Production - Accessory Electric Equipment		(2)	
325	Nuclear Production - Miscellaneous Power Plant Equipment			
330 - 336	Hydraulic Production			
330	Hydraulic Production - Land and Land Rights		Non Depr	
330.1	Hydraulic Production - Land and Land Rights - Land		0	
330.2	Hydraulic Production - Land and Land Rights - Land Rights		(15)	
331	Hydraulic Production - Structures and Improvements		(15)	
332	Hydraulic Production - Reservoirs, Dams and Waterways		(15)	
333	Hydraulic Production - Water Wheels, Turbines and Generators		(15)	
334	Hydraulic Production - Accessory Electric Equipment		(15)	
335	Hydraulic Production - Miscellaneous Power Plant Equipment		(15)	
336	Hydraulic Production - Roads, Railroads and Bridges			
340 - 346	Other Production			
340 - 346	Other Production - Solar	Non Depr		
340	Other Production - Land and Land Rights		Non Depr	
340.1	Other Production - Land and Land Rights - Land			0
340.2	Other Production - Land and Land Rights - Land Rights	0	(8)	0
341	Other Production - Structures and Improvements	0	(8)	0
342	Other Production - Fuel Holders, Producers and Accessories		(8)	
343	Other Production - Prime Movers			
343.1	Other Production - Prime Movers - Fuel Cells			
343.2	Other Production - Prime Movers - Base Load			
343.3	Other Production - Prime Movers - Peakers	0	(8)	0
344	Other Production - Generators	0	(8)	0
345	Other Production - Accessory Electric Equipment	0	(8)	0
346	Other Production - Miscellaneous Power Plant Equipment			

SUMMARY OF NET SALVAGE RECOMMENDATIONS

Client		El Paso Electric Company	Duke Power Company	Nevada Pow Company
Transmission Plant				
350	Land and Land Rights		Non Depr	Non Depr
350.1	Land and Land Rights - Land	0	0	0
350.2	Land and Land Rights - Land Rights		(20)	0
352	Structures and Improvements	0		
352.1	Structures and Improvements - Major	0		
352.2	Structures and Improvements - Small	(5), 0 (Four Corners)	(20)	0
353	Station Equipment			
353.2	Station Equipment - Power Supply Company			
353	Station Equipment - 1970 & Prior			
353	Station Equipment - 1971 & Subsequent			
353.1	Station Equipment - Substation on Customer Premises			
353.2	Station Equipment - Portable Property at Substations			
353.3	Station Equipment - Metering Station			
353.4	Station Equipment - Control Equipment	(25), 0 (Four Corners)	(20)	(20)
354	Towers and Fixtures			
354.1	Towers and Fixtures - Clearing Right of Way	(20)	(20)	(15)
355	Poles and Fixtures			
355.1	Poles and Fixtures - Clearing Right of Way			
355.2	Poles and Fixtures - Wood			
355.3	Poles and Fixtures - Steel	0	(20)	(5)
356	Overhead Conductors and Devices			
356.1	Overhead Conductors and Devices - Clearing of Rights of Way		(20)	0
357	Underground Conduit		(20)	0
358	Underground Conductors and Devices			
358.1	Underground Conductors and Devices - Submarine	0		0
359	Roads and Trails			
Distribution Plant				
360	Land and Land Rights		Non Depr	Non Dep
360.1	Land and Land Rights - Land	0	0	0
360.2	Land and Land Rights - Land Rights	0	(10)	0
361	Structures and Improvements			
361.1	Structures and Improvements - Major			
361.2	Structures and Improvements - Small	(5)	(10)	0
362	Station Equipment			
362.1	Station Equipment - Company Stations			
362.2	Station Equipment - Customer High Tension			
362.3	Station Equipment - SCADA	(25)	(10)	(30)
364	Poles, Towers and Fixtures			
364.1	Poles, Towers and Fixtures - Clearing Right of Way			
364.2	Poles, Towers and Fixtures - Towers			
364.4	Poles, Towers and Fixtures - Poles			
364.6	Poles, Towers and Fixtures - Clearing Towers			
364.8	Poles, Towers and Fixtures - Clearing Poles			
364.9	Poles, Towers and Fixtures - Wood			
364.10	Poles, Towers and Fixtures - Steel	(20)	(10)	(20)
365	Overhead Conductors and Devices			
365.1	Sodium Vapor Security Lights			
365.2	Overhead Conductors and Devices - Clearing Rights of Way	(5)	(10)	(15)
366	Underground Conduit			
366.1	Underground Conduit - Not encased			
366.2	Underground Conduit - Manholes and Vaults			
366.3	Underground Conduit - Encased	(5)	(10)	(5)
367	Underground Conductors and Devices			
367.1	Underground Conductors and Devices - Clearing Right of Way	(5)	(10)	5
368	Line Transformers			

SUMMARY OF NET SALVAGE RECOMMENDATIONS				
Client		El Paso Electric Company	Duke Power Company	Nevada Pow Company
368.1	Line Transformers - Pole Top			
368.2	Line Transformers - Pad Mounted			
368.3	Line Transformers - Non-Network Housing			
368.4	Line Transformers - Network			
368.5	Line Transformers - Underground Residential Distribution	(30)	(10)	(30)
369	Services			
369.1	Services - Overhead			
369.2	Services - Underground	(25)	(10)	0
370	Meters			
370.2	Meters - AMR and Electronic	(5)	(10)	
371	Installations on Customer Premises			
371.2	Installations on Customer Premises - Area Lighting			0
372	Leased Property on Customer Premises	(5)	(10)	(5)
373	Street Lighting and Signal Systems			
373.1	Street Lighting and Signal Systems - Cleaning			
373.2	Street Lighting and Signal Systems - M.V.			
373.3	Street Lighting and Signal Systems - H.P.S.			
General and Intangible Plant				
301	Organization			
302	Franchises and Consents			0
303	Intangible Plant			
303.1	Intangible Plant - Software			
303.2	Intangible Plant - Fiber Optic			
389	Land and Land Rights	Non Depr		Non Dep
389.1	Land and Land Rights - Land		0	0
389.2	Land and Land Rights - Land Rights		5	0
390	Structures and Improvements			
390.1	Structures and Improvements - Leasehold Improvements			
390	Structures and Improvements - Major	0		
390	Structures and Improvements - Other	0		
390	Structures and Improvements - Other	0	5	0
391	Office Furniture and Equipment			
391	Office Furniture and Equipment - Equipment			
391	Office Furniture and Equipment - Furniture		5	0
391	Office Furniture and Equipment - Hardware (PCs)			
391	Office Furniture and Equipment - Software			10
392	Transportation Equipment		30	
392.1	Transportation Equipment - Cars		30	
392.2	Transportation Equipment - Light Trucks		30	
392.21	Transportation Equipment - Pickup Trucks		30	
392.3	Transportation Equipment - Heavy Trucks			
392.4	Transportation Equipment - Airplanes and Helicopters		30	
392.5	Transportation Equipment - Trailers			
392.6	Transportation Equipment - Other	0	5	0
393	Stores Equipment	0	5	0
394	Tools, Shop and Garage Equipment			
394.1	Tools, Shop and Garage Equipment - Electric Vehicles			
		0	5	0
395	Laboratory Equipment	15	30	10
396	Power Operated Equipment	0	5	0
397	Communication Equipment			
397.1	Communication Equipment - Trans Line			
397.2	Communication Equipment - EMS			
397.3	Communication Equipment - Fiber Optic	0	5	0
398	Miscellaneous Equipment			
399	Other Tangible Property			

SUMMARY OF NET SALVAGE RECOMMENDATIONS			
			ATCO ELECTRIC
Client			
Depreciation Method			Application # 1275494
Purpose of Study			2002
Study Year			
		FERC Account	
GF ACCOUNT DESCRIPTION	Account No.	Description	
Transmission Plant			0
Land Rights / Surface & Mineral Rights	350	Land and Land Rights	
Brushing	350	Land and Land Rights	
Survey Costs	350	Land and Land Rights	
Buildings/Structures & Improvements	352	Structures and Improvements	
Substation Fences	352	Structures and Improvements	(10)
Substation Equipment	353	Station Equipment	
Telecontrol Equipment	353	Station Equipment	
Relaying & Protection Equipment	353	Station Equipment	
Transformers & Regulators	353	Station Equipment	
Serialized Equipment	353	Station Equipment	
Serialized Equipment (sub station))	353	Station Equipment	
Accessory Station Equipment	353	Station Equipment	
Supervisory Equipment	353	Station Equipment	(15)
Overhead Conductors - Towers	354	Towers and Fixtures	(15)
Towers & Fixtures	354	Towers and Fixtures	
Metal Towers	354	Towers and Fixtures	
Metal Towers (sub)	354	Towers and Fixtures	(70)
Poles & Fixtures (main)	355	Poles and Fixtures	
Poles & Fixtures (sub)	355	Poles and Fixtures	
Concrete Poles	355	Poles and Fixtures	(30)
Overhead Conductors - Poles	355	Poles and Fixtures	
Groundline Treatment	355	Poles and Fixtures	
Overhead Conductors	356	Overhead Conductors and Devices	
Poles, Conductors & Attachments	355 & 356	Poles and Fixtures / Overhead Conductors and Devices	
Conductors & Devices	356	Overhead Conductors and Devices	
Underground Conductors / Conduits	357 & 358	Underground Conduit / Underground Conductors and Devices	
Underground Conductor & Devices (sub)	358	Underground Conductors and Devices	
Roads, Trails & Bridges	359	Roads and Trails	
Fibre Optic Cable	397	Communication Equipment	
Plant Transmission Plant	350 - 359	Transmission Plant	
Distribution Plant (and Network Assets - Distribution)			0
Land Rights / Surface & Mineral Rights	360	Land and Land Rights	
Building & Major Improvements	361	Structures and Improvements	
Structures & Improvements	361	Structures and Improvements	
Site Development	361	Structures and Improvements	
Substation Buildings	361	Structures and Improvements	
Structures	361	Structures and Improvements	
Transformer Pads	362	Station Equipment	
Transformers - Substations	362	Station Equipment	
Switchgear	362	Station Equipment	
Protection	362	Station Equipment	
Telecontrol	362	Station Equipment	
Supervisory Equipment	362	Station Equipment	(5)
Substation Equipment	362	Station Equipment	
Serialized Equipment	362	Station Equipment	
Transformer Pads	362	Station Equipment	
Switchgear	362	Station Equipment	
Protection	362	Station Equipment	
Telecontrol	362	Station Equipment	
Supervisory	362	Station Equipment	(40)
Poles, Towers & Fixtures	364	Poles, Towers and Fixtures	
Poles - Wood	364	Poles, Towers and Fixtures	
Poles - Concrete & Steel	364	Poles, Towers and Fixtures	
Towers - Steel	364	Poles, Towers and Fixtures	
Brushing	364	Poles, Towers and Fixtures	

SUMMARY OF NET SALVAGE RECOMMENDATIONS

Client			ATCO ELECTRIC	ALTA
Depreciation Method	364	Poles, Towers and Fixtures		
Groundline Treatment	364	Poles, Towers and Fixtures		
Wood Poles	365	Overhead Conductors and Devices	(75)	
Insulators	365	Overhead Conductors and Devices		
Overhead Conductors	365	Overhead Conductors and Devices		
Overhead Conductor (secondary)	365	Overhead Conductors and Devices		
Copper Conductors/Cables	365	Overhead Conductors and Devices		
Aluminum Conductor/Cables	365	Overhead Conductors and Devices		
Aerial Cable	365	Overhead Conductors and Devices		
Duplex, Triplex & Quadruplex	365	Overhead Conductors and Devices		
Fault Indicators - Overhead	365	Overhead Conductors and Devices	0	
Switches - Overhead	365	Overhead Conductors and Devices		
Services - Overhead	365	Overhead Conductors and Devices		
Overhead Costs	365	Overhead Conductors and Devices		
Wind Monitoring Equipment	365	Overhead Conductors and Devices		
Primary Conductor - Overhead	365	Overhead Conductors and Devices		
Secondary Conductor - Overhead	365	Overhead Conductors and Devices		
Switches - Overhead	366	Underground Conduit		
Pull Boxes	366	Underground Conduit		
Manholes	366	Underground Conduit		
Conduit - Underground	366	Underground Conduit		
Pull Boxes	366	Underground Conduit		
Vaults	366	Underground Conduit		
Manholes	367	Underground Conductors and Devices		
Primary Cable - Underground	367	Underground Conductors and Devices		
Secondary Cable - Underground	367	Underground Conductors and Devices		
Switches - Underground	367	Underground Conductors and Devices		
Primary Cable - Underground	367	Underground Conductors and Devices		
Secondary Cable - Underground	367	Underground Conductors and Devices		
Switches - Underground	368	Line Transformers		
Overhead Transformers	368	Line Transformers		
Transformers - Overhead	368	Line Transformers	(5)	
Transformers - Padmount	368	Line Transformers		
Transformers - Midspan	368	Line Transformers		
Line Transformers/Regulators/OCR	368	Line Transformers		
Transformers - Overhead	368	Line Transformers	0	
Transformers - Underground	368	Line Transformers	0	
Transformers - Padmount	369	Services	0	
Services / Underground Services	370	Meters		
Meters & Meter Equipment	370	Meters		
Automated Meter Reading	371	Installations on Customer Premises	(5)	
Installations on Customer Premises	373	Street Lighting and Signal Systems	(40)	
Street Lighting & Signal System	373	Street Lighting and Signal Systems		
Sentinel Lights	397	Communication Equipment		
Communication & Control Equipment	397	Communication Equipment		
Fibre Optic Cable	397	Communication Equipment		
Fibre Optic Electronics	364 & 365	Poles, Towers and Fixtures / Overhead Conductors and Devices	(20)	
Poles, Conductor & Attachments	366 & 367	Underground Conduit / Underground Conductors and Devices		
Underground Conductor/Conduit				
General Plant	303	Intangible Plant		
Computer Software	371	Installations on Customer Premises		
Hot Water Tanks	389	Land and Land Rights		
Land Rights	389	Land and Land Rights		
Easements	389 & 390	Land and Land Rights & Structures and Improvements	85	
Radio Sites - Buildings	389 & 390	Structures and Improvements	(5)	
Company Houses	390	Structures and Improvements		
Structures & Improvements	390	Structures and Improvements		
Leasehold Improvements	390	Structures and Improvements	0	
Survey Costs Land	391	Office Furniture and Equipment	0	
Office Furniture & Equipment	391	Office Furniture and Equipment		
Computer Hardware	391	Office Furniture and Equipment		
Bill Inserter	392	Transportation Equipment		
Vehicles: 1 Ton & Under	392	Transportation Equipment		
Vehicles: Over 1 Ton & Other Work Equip.	392	Transportation Equipment		20
Vehicles - Miscellaneous	392	Transportation Equipment		
Transportation Equipment - Class 1				

SUMMARY OF NET SALVAGE RECOMMENDATIONS

Client			ATCO ELECTRIC	A
Depreciation Method				
Transportation Equipment - Class 2	392	Transportation Equipment	10	
Transportation Equipment - Class 3	392	Transportation Equipment	20	
Transportation Equipment - Class 4	392	Transportation Equipment	20	
Trailers	392	Transportation Equipment		
Stores Equipment	393	Stores Equipment		
Shop Equipment	394	Tools, Shop and Garage Equipment	0	
Tools & Work Equipment	394	Tools, Shop and Garage Equipment		
Laboratory Equipment	395	Laboratory Equipment		
Construction Equipment	396	Power Operated Equipment		
Large Soft - Track Equipment	396	Power Operated Equipment		
Power Operated Equipment	396	Power Operated Equipment	3	
Communication Equipment	397	Communication Equipment		
Communication Site Towers	397	Communication Equipment		
Communication Site Fences	397	Communication Equipment		
Communication Cables	397	Communication Equipment		
SCADA Equipment	397	Communication Equipment		
Miscellaneous Equipment	398	Miscellaneous Equipment		
Mining Equipment	399	Other Tangible Property		
Roads, Bridges & Trails	399	Other Tangible Property		
Fire Retardant Clothing	399	Other Tangible Property		
	399	Other Tangible Property		
Generation				
Communication Development Costs	121	Non-Utility Property		
Steam Production Plant	310 - 316	Steam Production		
Synchronous Condenser	312	Steam Production - Boiler Plant Equipment		
Land & Land Clearing	330	Land and Land Rights		
Rights	330	Hydraulic Production - Land and Land Rights		
Buildings/Structures & Improvements	331	Hydraulic Production - Structures and Improvements		
Reservoirs, Dams and Waterways	332	Hydraulic Production - Reservoirs, Dams and Waterways		
Canals, Penstocks, Surge Tanks & Tailraces	332	Hydraulic Production - Reservoirs, Dams and Waterways		
Civil	332	Hydraulic Production - Reservoirs, Dams and Waterways		
Water Channels	332	Hydraulic Production - Reservoirs, Dams and Waterways		
Waterwheels, Turbines & Generation	333	Hydraulic Production - Water Wheels, Turbines and Generators		
Turbines & Generators	333	Hydraulic Production - Water Wheels, Turbines and Generators		
Accessory Electric Equipment	334	Hydraulic Production - Accessory Electric Equipment		
Switching, Metering & Control Equipment	334	Hydraulic Production - Accessory Electric Equipment		
Accessory Station Equipment	334	Hydraulic Production - Accessory Electric Equipment		
Misc Power Plant Equipment	335	Hydraulic Production - Miscellaneous Power Plant Equipment		
Other	335	Hydraulic Production - Miscellaneous Power Plant Equipment		
Roads, Railroads & Bridges	336	Hydraulic Production - Roads, railroads and Bridges		
Hydraulic Production	330 - 336	Hydraulic Production		
Structures & Improvements (Diesel Plant)	341	Other Production - Structures and Improvements		
Structures & Improvements (Gas Turbine)	341	Other Production - Structures and Improvements		
Fuel Holders, Products and ACC	342	Other Production - Fuel Holders, Producers and Accessories		
Prime Movers	343	Other Production - Prime Movers		
Prime Movers, Generators & Aux (Diesel)	343	Other Production - Prime Movers		
Prime Movers, Generators & Aux (Turbine)	343	Other Production - Prime Movers		
Generating Equipment and Prime	343	Other Production - Prime Movers		
Accessory Electric Equipment (Diesel Plant)	345	Other Production - Accessory Electric Equipment		
Accessory Electric Equipment (Gas Turbine)	345	Other Production - Accessory Electric Equipment		
Accessory Station Equipment (diesel equip)	345	Other Production - Accessory Electric Equipment		
Misc Power Plant Equipment (Diesel Plant)	346	Other Production - Miscellaneous Power Plant Equipment		
Residuals Heat System Equipment	346	Other Production - Miscellaneous Power Plant Equipment		
Diesel Production	340 - 346	Other Production		
Main Transmission Facilities				
General Plant				

DUKE ENERGY KENTUCKY

ACCOUNT 3110 STRUCTURES AND IMPROVEMENTS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
MIAMI FORT UNIT 6						
INTERIM SURVIVOR CURVE.. IOWA 100-R2.5						
PROBABLE RETIREMENT YEAR.. 6-2020						
NET SALVAGE PERCENT.. 0						
1960	2,874,755.54	2,197,463	2,874,756			
1965	2,391.12	1,772	2,391			
1990	163,665.22	84,991	163,665			
1996	15,804.88	6,306	15,805			
	3,056,616.76	2,290,532	3,056,617			
EAST BEND						
INTERIM SURVIVOR CURVE.. IOWA 100-R2.5						
PROBABLE RETIREMENT YEAR.. 6-2041						
NET SALVAGE PERCENT.. 0						

DUKE ENERGY KENTUCKY

ACCOUNT 3120 BOILER PLANT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
MIAMI FORT UNIT 6						
INTERIM SURVIVOR CURVE.. IOWA 45-S1						
PROBABLE RETIREMENT YEAR.. 6-2020						
NET SALVAGE PERCENT.. -5						
1949	185,605.96	169,571	123,657	71,229	8.44	8,439
1954	6,734.22	6,009	4,382	2,689	9.10	295
1960	7,553,022.25	6,531,703	4,763,153	3,167,520	9.75	324,874
1961	8,321.54	7,154	5,217	3,521	9.85	357
1962	27,972.49	23,893	17,424	11,947	9.97	1,198
1963	24,953.11	21,157	15,428	10,773	10.13	1,063
1964	54,736.34	46,036	33,571	23,902	10.31	2,318
1965	34,524.75	28,776	20,984	15,267	10.52	1,451
1966	70,667.78	58,619	42,747	31,454	10.50	2,996
1967	6,898.90	5,662	4,129	3,115	10.76	289
		13,759	10,034	7,992	11.01	726

DUKE ENERGY KENTUCKY

ACCOUNT 3120 BOILER PLANT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
MIAMI FORT UNIT 6						
INTERIM SURVIVOR CURVE.. IOWA 45-S1						
PROBABLE RETIREMENT YEAR.. 6-2020						
NET SALVAGE PERCENT.. -5						
1999	3,107,703.53	1,052,020	767,171	2,495,918	13.66	182,717
2000	178,462.09	53,498	39,013	148,372	13.77	10,775
2001	1,212,137.54	312,204	227,670	1,045,074	13.85	75,457
2003	6,139.34	977	712	5,734	14.00	410
2004	866,737.63	87,640	63,911	846,164	14.08	60,097
2005	14,495.83	521	380	14,841	14.14	1,050
	37,142,775.96	21,176,318	15,442,532	23,557,379		1,875,630
EAST BEND						
INTERIM SURVIVOR CURVE.. IOWA 45-S1						

DUKE ENERGY KENTUCKY

ACCOUNT 3120 BOILER PLANT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
EAST BEND						
INTERIM SURVIVOR CURVE.. IOWA 45-S1						
PROBABLE RETIREMENT YEAR.. 6-2041						
NET SALVAGE PERCENT.. -5						
2003	1,216,714.25	105,142	122,287	1,155,263	27.89	41,422
2004	3,495,278.24	184,603	214,705	3,455,337	28.35	121,881
2005	17,596,110.43	315,938	367,456	18,108,460	28.82	628,330
	276,530,866.48	115,408,855	134,227,951	156,129,461		6,664,103
	313,673,642.44	136,585,173	149,670,483	179,686,840		8,539,733
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					21.0	2.72

DUKE ENERGY KENTUCKY

ACCOUNT 3120 BOILER PLANT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
MIAMI FORT UNIT 6						
INTERIM SURVIVOR CURVE.. IOWA 45-S1						
PROBABLE RETIREMENT YEAR.. 6-2020						
NET SALVAGE PERCENT.. -9						
1949	185,605.96	176,030	123,657	78,653	8.44	9,319
1954	6,734.22	6,238	4,382	2,958	9.10	325
1960	7,553,022.25	6,780,529	4,763,152	3,469,642	9.75	355,861
1961	8,321.54	7,427	5,217	3,853	9.85	391
1962	27,972.49	24,804	17,424	13,066	9.97	1,311
1963	24,953.11	21,963	15,428	11,771	10.13	1,162
1964	54,736.34	47,790	33,571	26,092	10.31	2,531
1965	34,524.75	29,872	20,984	16,648	10.52	1,583
1966	70,667.78	60,852	42,747	34,281	10.50	3,265
1967	6,898.90	5,877	4,128	3,392	10.76	315
			10,033	8,679	11.01	788

DUKE ENERGY KENTUCKY

ACCOUNT 3120 BOILER PLANT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
MIAMI FORT UNIT 6						
INTERIM SURVIVOR CURVE.. IOWA 45-S1						
PROBABLE RETIREMENT YEAR.. 6-2020						
NET SALVAGE PERCENT.. -9						
1999	3,107,703.53	1,092,097	767,171	2,620,226	13.66	191,817
2000	178,462.09	55,537	39,013	155,511	13.77	11,293
2001	1,212,137.54	324,098	227,672	1,093,558	13.85	78,957
2003	6,139.34	1,014	712	5,980	14.00	427
2004	866,737.63	90,979	63,911	880,833	14.08	62,559
2005	14,495.83	540	379	15,421	14.14	1,091
	37,142,775.96	21,983,035	15,442,532	25,043,093		1,997,179
EAST BEND						
INTERIM SURVIVOR CURVE.. IOWA 45-S1						

DUKE ENERGY KENTUCKY

ACCOUNT 3120 BOILER PLANT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
EAST BEND						
INTERIM SURVIVOR CURVE.. IOWA 45-S1						
PROBABLE RETIREMENT YEAR.. 6-2041						
NET SALVAGE PERCENT.. -9						
2003	1,216,714.25	109,148	122,288	1,203,931	27.89	43,167
2004	3,495,278.24	191,636	214,706	3,595,147	28.35	126,813
2005	17,596,110.43	327,974	367,456	18,812,304	28.82	652,752
	276,530,866.48	119,805,383	134,227,951	167,190,694		7,171,833
	313,673,642.44	141,788,418	149,670,483	192,233,787		9,169,012
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					21.0	2.92

DUKE ENERGY KENTUCKY

ACCOUNT 3140 TURBOGENERATOR UNITS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
MIAMI FORT UNIT 6						
INTERIM SURVIVOR CURVE.. IOWA 52-R2						
PROBABLE RETIREMENT YEAR.. 6-2020						
NET SALVAGE PERCENT.. -1						
1959	20,691.86	16,909	20,899			
1960	5,928,692.19	4,822,718	5,987,979			
1962	1,543.80	1,234	1,559			
1963	8,287.72	6,582	8,371			
1964	21,574.50	17,001	21,790			
1971	3,739.77	2,776	3,777			
1973	10,864.40	7,917	10,973			
1974	23,507.78	16,903	23,743			
1976	5,247.60	3,690	5,300			
1978	25,022.84	17,168	25,273			
	90,336.83	58,321	91,240			

DUKE ENERGY KENTUCKY

ACCOUNT 3140 TURBOGENERATOR UNITS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
EAST BEND INTERIM SURVIVOR CURVE.. IOWA 52-R2 PROBABLE RETIREMENT YEAR.. 6-2041 NET SALVAGE PERCENT.. -1						
1989	54,725.97	21,070	24,735	30,538	26.79	1,140
1990	158,093.76	58,409	68,570	91,105	26.87	3,391
1991	198,456.18	69,753	81,887	118,554	27.17	4,363
1992	640,896.37	213,222	250,313	396,992	27.48	14,447
1993	66,699.95	20,971	24,619	42,748	27.66	1,545
1994	88,755.33	26,185	30,740	58,903	27.87	2,113
1996	96,612.68	24,570	28,844	68,735	28.23	2,435
1997	135,256.41	31,584	37,078	99,531	28.26	3,522
1999	2,355.17	442	519	1,860	28.47	65
2000	341,306.00	55,741	65,438	279,281	28.51	9,796
[illegible]	[illegible]	[illegible]	44,379	233,790	28.61	8,172

DUKE ENERGY KENTUCKY

ACCOUNT 3140 TURBOGENERATOR UNITS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
MIAMI FORT UNIT 6						
INTERIM SURVIVOR CURVE.. IOWA 52-R2						
PROBABLE RETIREMENT YEAR.. 6-2020						
NET SALVAGE PERCENT.. -2						
1959	20,691.86	17,077	21,106			
1960	5,928,692.19	4,870,468	6,047,266			
1962	1,543.80	1,247	1,575			
1963	8,287.72	6,647	8,453			
1964	21,574.50	17,169	22,006			
1971	3,739.77	2,803	3,815			
1973	10,864.40	7,995	11,082			
1974	23,507.78	17,070	23,978			
1976	5,247.60	3,726	5,353			
1978	25,022.84	17,338	25,523			

DUKE ENERGY KENTUCKY

ACCOUNT 3140 TURBOGENERATOR UNITS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
EAST BEND						
INTERIM SURVIVOR CURVE.. IOWA 52-R2						
PROBABLE RETIREMENT YEAR.. 6-2041						
NET SALVAGE PERCENT.. -2						
1989	54,725.97	21,279	24,736	31,084	26.79	1,160
1990	158,093.76	58,987	68,569	92,687	26.87	3,449
1991	198,456.18	70,444	81,887	120,538	27.17	4,436
1992	640,896.37	215,333	250,313	403,401	27.48	14,680
1993	66,699.95	21,179	24,620	43,414	27.66	1,570
1994	88,755.33	26,444	30,740	59,790	27.87	2,145
1996	96,612.68	24,814	28,845	69,700	28.23	2,469
1997	135,256.41	31,897	37,079	100,883	28.26	3,570
1999	2,355.17	447	520	1,882	28.47	66
2000	341,306.00	56,293	65,438	282,694	28.51	9,916
			44,379	236,544	28.61	8,268

DUKE ENERGY KENTUCKY

ACCOUNT 3150 ACCESSORY ELECTRIC EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
MIAMI FORT UNIT 6						
INTERIM SURVIVOR CURVE.. IOWA 55-R2.5						
PROBABLE RETIREMENT YEAR.. 6-2020						
NET SALVAGE PERCENT.. 0						
1960	1,376,700.39	1,102,462	1,376,700			
1961	3,841.48	3,060	3,841			
1962	42,655.32	33,587	42,655			
1963	51,206.45	40,043	51,206			
1964	41,762.25	32,412	41,762			
1965	5,409.39	4,163	5,409			
1966	203,317.67	155,009	203,318			
1967	2,911.21	2,208	2,911			
1968	14,154.71	10,616	14,155			
1969	136,771.29	101,840	136,771			

DUKE ENERGY KENTUCKY

ACCOUNT 3150 ACCESSORY ELECTRIC EQUIPMENT

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
EAST BEND						
INTERIM SURVIVOR CURVE.. IOWA 55-R2.5						
PROBABLE RETIREMENT YEAR.. 6-2041						
NET SALVAGE PERCENT.. 0						
1981	22,732,544.30	11,084,389	13,082,811	9,649,733	25.75	374,747
1982	258,626.65	122,175	144,202	114,425	26.25	4,359
1983	48,933.57	22,461	26,511	22,423	26.52	846
1984	276,234.86	122,952	145,119	131,116	26.81	4,891
1985	32,444.00	13,967	16,485	15,959	27.12	588
1986	25,758.88	10,700	12,629	13,130	27.45	478
1987	32,911.68	13,152	15,523	17,389	27.80	626
1989	61,628.68	22,679	26,768	34,861	28.34	1,230
1990	146,081.85	51,172	60,398	85,684	28.75	2,980
1992	284,827.83	89,977	106,199	178,629	29.24	6,109
1995	1,290.00	336	397	893	29.82	30

DUKE ENERGY KENTUCKY

ACCOUNT 3550 POLES AND FIXTURES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 50-R1.5						
NET SALVAGE PERCENT.. -17						
1946	81.46	81	95			
1949	193.00	186	226			
1955	2,180.49	1,984	2,551			
1956	1,238.68	1,119	1,449			
1958	67,092.06	59,289	78,498			
1959	11,550.29	10,054	13,514			
1960	7,826.26	6,749	9,157			
1961	77,825.31	66,052	91,056			
1962	631.47	530	739			
1963	15,151.60	12,583	17,727			
1964	170,552.40	139,124	199,546			
1965	40,984.48	33,015	47,952			
		11,340	16,787			

DUKE ENERGY KENTUCKY

ACCOUNT 3550 POLES AND FIXTURES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 50-R1.5						
NET SALVAGE PERCENT.. -17						
1992	262,594.96	93,338	139,864	167,372	30.94	5,410
1993	110,191.12	36,743	55,058	73,866	31.36	2,355
1994	84,121.18	26,151	39,186	59,236	31.79	1,863
1995	277,939.65	80,257	120,262	204,927	32.05	6,394
1996	64,410.50	17,114	25,645	49,715	32.34	1,537
1997	112,298.61	27,250	40,833	90,556	32.48	2,788
1998	54,040.10	11,811	17,698	45,529	32.66	1,394
1999	264,767.33	51,144	76,638	233,140	32.87	7,093
2000	45,668.98	7,641	11,450	41,983	32.96	1,274
2001	12,580.44	1,775	2,660	12,059	32.81	368
2002	53,642.78	6,088	9,123	53,639	32.60	1,645
2003	252,687.56	21,434	32,118	263,526	31.98	8,240
2004	645,817.89	35,060	52,536	703,071	30.86	22,783

DUKE ENERGY KENTUCKY

ACCOUNT 3550 POLES AND FIXTURES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 50-R1.5						
NET SALVAGE PERCENT.. -28						
1946	81.46	88	104			
1949	193.00	204	247			
1955	2,180.49	2,171	2,791			
1956	1,238.68	1,224	1,586			
1958	67,092.06	64,864	85,878			
1959	11,550.29	11,000	14,784			
1960	7,826.26	7,384	10,008	10	16.23	1
1961	77,825.31	72,262	97,943	1,673	16.85	99
1962	631.47	580	786	22	17.10	1
1963	15,151.60	13,766	18,658	736	17.38	42
1964	170,552.40	152,204	206,296	12,011	18.02	667
1965	40,984.48	36,119	48,955	3,505	18.32	191
1966	14,348.03	12,406	16,815	1,550	18.98	82

DUKE ENERGY KENTUCKY

ACCOUNT 3550 POLES AND FIXTURES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 50-R1.5						
NET SALVAGE PERCENT.. -28						
1992	262,594.96	102,114	138,404	197,718	30.94	6,390
1993	110,191.12	40,198	54,484	86,561	31.36	2,760
1994	84,121.18	28,609	38,776	68,899	31.79	2,167
1995	277,939.65	87,802	119,006	236,757	32.05	7,387
1996	64,410.50	18,723	25,377	57,068	32.34	1,765
1997	112,298.61	29,812	40,407	103,335	32.48	3,181
1998	54,040.10	12,921	17,513	51,658	32.66	1,582
1999	264,767.33	55,953	75,838	263,064	32.87	8,003
2000	45,668.98	8,359	11,330	47,126	32.96	1,430
2001	12,580.44	1,942	2,632	13,471	32.81	411
2002	53,642.78	6,660	9,027	59,636	32.60	1,829
2003	252,687.56	23,449	31,783	291,657	31.98	9,120
2004	645,817.89	38,356	51,987	774,660	30.86	25,102

DUKE ENERGY KENTUCKY

ACCOUNT 3550 POLES AND FIXTURES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 50-R1.5						
NET SALVAGE PERCENT.. -45						
1946	81.46	100	118			
1949	193.00	231	276	4	11.99	
1955	2,180.49	2,459	2,940	222	14.44	15
1956	1,238.68	1,387	1,658	138	14.60	9
1958	67,092.06	73,478	87,842	9,441	15.39	613
1959	11,550.29	12,460	14,896	1,852	16.00	116
1960	7,826.26	8,365	10,000	1,348	16.23	83
1961	77,825.31	81,859	97,861	14,986	16.85	889
1962	631.47	657	785	131	17.10	8
1963	15,151.60	15,594	18,642	3,328	17.38	191
1964	170,552.40	172,418	206,124	41,177	18.02	2,285
1965	40,984.48	40,916	48,915	10,512	18.32	574
1966	14,348.03	14,054	16,801	4,004	18.98	211
1967	9,118.76	8,807	10,529	2,693	19.30	140

DUKE ENERGY KENTUCKY

ACCOUNT 3550 POLES AND FIXTURES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 50-R1.5						
NET SALVAGE PERCENT.. -45						
1992	262,594.96	115,676	138,289	242,474	30.94	7,837
1993	110,191.12	45,536	54,438	105,339	31.36	3,359
1994	84,121.18	32,409	38,745	83,231	31.79	2,618
1995	277,939.65	99,463	118,907	284,105	32.05	8,864
1996	64,410.50	21,210	25,356	68,039	32.34	2,104
1997	112,298.61	33,772	40,374	122,459	32.48	3,770
1998	54,040.10	14,637	17,498	60,860	32.66	1,863
1999	264,767.33	63,384	75,775	308,138	32.87	9,374
2000	45,668.98	9,469	11,320	54,900	32.96	1,666
2001	12,580.44	2,200	2,630	15,612	32.81	476
2002	53,642.78	7,545	9,020	68,762	32.60	2,109
2003	252,687.56	26,564	31,757	334,640	31.98	10,464
2004	645,817.89	43,451	51,945	884,491	30.86	28,661
2005	287,114.69	7,410	8,859	407,457	27.59	14,768

DUKE ENERGY KENTUCKY

ACCOUNT 3560 OVERHEAD CONDUCTORS AND DEVICES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 44-R0.5						
NET SALVAGE PERCENT.. -1						
1925	307.67	298	311			
1949	1,310.59	1,085	1,324			
1955	3,182.79	2,500	3,215			
1956	3,684.69	2,874	3,722			
1957	86.66	67	88			
1958	114,465.05	87,320	114,695	915	15.39	59
1959	7,412.90	5,570	7,316	171	16.00	11
1960	17,926.87	13,346	17,530	576	16.23	35
1961	81,926.57	60,388	79,320	3,426	16.48	208
1962	869.46	630	828	50	17.10	3
1963	11,583.92	8,304	10,907	793	17.38	46
1964	251,553.44	178,204	234,071	19,998	17.67	1,132
1965	73,094.62	51,132	67,162	6,664	17.98	371
1966	20,937.30	14,452	18,983	2,164	18.30	118

DUKE ENERGY KENTUCKY

ACCOUNT 3560 OVERHEAD CONDUCTORS AND DEVICES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 44-R0.5						
NET SALVAGE PERCENT.. -1						
1995	228,571.74	65,448	85,966	144,891	26.54	5,459
1996	53,984.93	14,351	18,850	35,675	26.60	1,341
1997	13,937.07	3,422	4,495	9,581	26.47	362
1998	2,371.95	530	696	1,700	26.40	64
1999	213,956.53	43,133	56,655	159,441	26.07	6,116
2000	73,286.39	13,027	17,111	56,908	25.75	2,210
2001	34,984.27	5,343	7,018	28,316	25.26	1,121
2002	48,509.13	6,105	8,019	40,975	24.59	1,666
2003	228,703.26	22,175	29,127	201,863	23.54	8,575
2004	256,398.85	16,625	21,837	237,126	21.86	10,847
2005	60,364.07	1,646	2,162	58,806	18.02	3,263
	4,363,508.45	1,818,927	2,388,861	2,018,282		83,714

DUKE ENERGY KENTUCKY

ACCOUNT 3560 OVERHEAD CONDUCTORS AND DEVICES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 44-R0.5						
NET SALVAGE PERCENT.. -14						
1925	307.67	336	351			
1949	1,310.59	1,224	1,424	70	12.46	6
1955	3,182.79	2,822	3,284	344	14.44	24
1956	3,684.69	3,244	3,775	426	14.60	29
1957	86.66	75	87	12	15.19	1
1958	114,465.05	98,559	114,682	15,808	15.39	1,027
1959	7,412.90	6,287	7,316	1,135	16.00	71
1960	17,926.87	15,064	17,528	2,909	16.23	179
1961	81,926.57	68,161	79,312	14,084	16.48	855
1962	869:46	711	827	164	17.10	10
1963	11,583.92	9,373	10,906	2,300	17.38	132
1964	251,553.44	201,141	234,046	52,725	17.67	2,984
1965	73,094.62	57,713	67,154	16,174	17.98	900
1966	20,937.30	16,312	18,981	4,888	18.30	267

DUKE ENERGY KENTUCKY

ACCOUNT 3560 OVERHEAD CONDUCTORS AND DEVICES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 44-R0.5						
NET SALVAGE PERCENT.. -14						
1995	228,571.74	73,872	85,957	174,615	26.54	6,579
1996	53,984.93	16,198	18,848	42,695	26.60	1,605
1997	13,937.07	3,862	4,494	11,394	26.47	430
1998	2,371.95	598	696	2,008	26.40	76
1999	213,956.53	48,685	56,650	187,260	26.07	7,183
2000	73,286.39	14,704	17,109	66,437	25.75	2,580
2001	34,984.27	6,030	7,016	32,866	25.26	1,301
2002	48,509.13	6,890	8,017	47,283	24.59	1,923
2003	228,703.26	25,029	29,124	231,598	23.54	9,838
2004	256,398.85	18,765	21,835	270,460	21.86	12,372
2005	60,364.07	1,858	2,162	66,653	18.02	3,699
	4,363,508.45	2,053,041	2,388,861	2,585,537		108,583

DUKE ENERGY KENTUCKY

ACCOUNT 3560 OVERHEAD CONDUCTORS AND DEVICES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 44-R0.5						
NET SALVAGE PERCENT.. -26						
1925	307.67	371	388			
1949	1,310.59	1,353	1,424	227	12.46	18
1955	3,182.79	3,119	3,284	726	14.44	50
1956	3,684.69	3,585	3,774	869	14.60	60
1957	86.66	83	87	22	15.19	1
1958	114,465.05	108,934	114,681	29,545	15.39	1,920
1959	7,412.90	6,949	7,316	2,024	16.00	127
1960	17,926.87	16,650	17,528	5,060	16.23	312
1961	81,926.57	75,335	79,309	23,918	16.48	1,451
1962	869.46	786	827	269	17.10	16
1963	11,583.92	10,360	10,907	3,689	17.38	212
1964	251,553.44	222,314	234,042	82,915	17.67	4,692
1965	73,094.62	63,788	67,153	24,946	17.98	1,387
1966	20,937.30	18,029	18,980	7,401	18.30	404

DUKE ENERGY KENTUCKY

ACCOUNT 3560 OVERHEAD CONDUCTORS AND DEVICES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 44-R0.5						
NET SALVAGE PERCENT.. -26						
1995	228,571.74	81,648	85,955	202,045	26.54	7,613
1996	53,984.93	17,903	18,847	49,174	26.60	1,849
1997	13,937.07	4,269	4,494	13,067	26.47	494
1998	2,371.95	661	696	2,293	26.40	87
1999	213,956.53	53,809	56,648	212,937	26.07	8,168
2000	73,286.39	16,252	17,109	75,232	25.75	2,922
2001	34,984.27	6,665	7,017	37,063	25.26	1,467
2002	48,509.13	7,616	8,018	53,104	24.59	2,160
2003	228,703.26	27,664	29,123	259,043	23.54	11,004
2004	256,398.85	20,741	21,836	301,227	21.86	13,780
2005	60,364.07	2,054	2,162	73,897	18.02	4,101
	4,363,508.45	2,269,153	2,388,861	3,109,160		131,548
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					23.6	3.01

DUKE ENERGY KENTUCKY

ACCOUNT 3622 STATION EQUIPMENT - MAJOR

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 45-R2.5						
NET SALVAGE PERCENT.. -4						
1950	1,150.67	1,069	741	456	6.61	69
1955	101,678.49	91,322	63,308	42,438	7.98	5,318
1958	14,414.37	12,604	8,738	6,253	8.99	696
1959	366.12	317	220	161	9.36	17
1960	40,318.83	34,535	23,941	17,991	9.75	1,845
1962	55,641.28	46,571	32,285	25,582	10.55	2,425
1963	26,873.25	22,213	15,399	12,549	10.97	1,144
1964	121,289.95	98,945	68,593	57,549	11.41	5,044
1966	270,347.76	214,358	148,602	132,560	12.31	10,768
1967	15,812.04	12,347	8,559	7,886	12.78	617
1969	98,484.53	74,401	51,578	50,846	13.75	3,698
1970	9,366.59	6,951	4,819	4,922	14.25	345
1971	201,755.78	146,962	101,880	107,946	14.76	7,313
1972	58,972.24	42,122	29,201	32,130	15.28	2,103
1973	37,552.07	26,147	18,126	20,928	16.04	1,305
1974	275,340.86	187,619	130,065	156,289	16.58	9,426
1976	608,954.39	396,074	274,575	358,738	17.67	20,302
1977	406,263.50	257,691	178,642	243,872	18.23	13,378
1979	199,177.39	119,667	82,958	124,186	19.37	6,411
1980	374,456.65	217,499	150,780	238,655	20.16	11,838
1981	249,701.25	140,622	97,485	162,204	20.75	7,817
1982	353,461.57	192,659	133,559	234,041	21.34	10,967
1983	698,320.67	367,702	254,907	471,346	21.94	21,483
1984	411,606.16	208,941	144,847	283,223	22.55	12,560
1986	41,970.00	19,576	13,571	30,078	23.98	1,254
1987	154,115.58	68,792	47,690	112,590	24.60	4,577
1988	83,800.96	35,689	24,741	62,412	25.24	2,473
1989	101,133.92	40,957	28,393	76,786	25.87	2,968
1990	34,368.83	13,186	9,141	26,603	26.52	1,003
1991	1,100,145.56	398,165	276,025	868,126	27.17	31,952
1992	377,796.58	128,363	88,987	303,921	27.82	10,925
1993	939,635.95	298,053	206,623	770,598	28.48	27,058
1995	202,678.25	54,889	38,051	172,734	29.82	5,793
2000	1,228,111.88	183,411	127,148	1,150,088	32.81	35,053
2001	2,876,703.98	355,423	246,395	2,745,377	33.38	82,246
2002	611,210.84	59,625	41,335	594,324	33.81	17,578
2003	627,863.84	44,598	30,917	622,061	34.13	18,226
2004	948,700.00	41,439	28,727	957,921	34.21	28,001

DUKE ENERGY KENTUCKY

ACCOUNT 3622 STATION EQUIPMENT - MAJOR

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 45-R2.5						
NET SALVAGE PERCENT.. -4						
2005	1,106,126.92	17,141	11,883	1,138,489	33.17	34,323
	15,065,669.50	4,678,645	3,243,435	12,424,859		460,319
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					27.0	3.06

DUKE ENERGY KENTUCKY

ACCOUNT 3622 STATION EQUIPMENT - MAJOR

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 45-R2.5						
NET SALVAGE PERCENT.. -6						
1950	1,150.67	1,090	741	479	6.61	72
1955	101,678.49	93,078	63,308	44,471	7.98	5,573
1958	14,414.37	12,847	8,738	6,541	8.99	728
1959	366.12	323	220	168	9.36	18
1960	40,318.83	35,199	23,941	18,797	9.75	1,928
1962	55,641.28	47,467	32,285	26,695	10.55	2,530
1963	26,873.25	22,640	15,399	13,087	10.97	1,193
1964	121,289.95	100,848	68,593	59,974	11.41	5,256
1966	270,347.76	218,480	148,602	137,967	12.31	11,208
1967	15,812.04	12,584	8,559	8,202	12.78	642
1969	98,484.53	75,832	51,578	52,816	13.75	3,841
1970	9,366.59	7,085	4,819	5,110	14.25	359
1971	201,755.78	149,788	101,880	111,981	14.76	7,587
1972	58,972.24	42,932	29,201	33,310	15.28	2,180
1973	37,552.07	26,650	18,126	21,679	16.04	1,352
1974	275,340.86	191,228	130,066	161,795	16.58	9,758
1976	608,954.39	403,690	274,575	370,917	17.67	20,991
1977	406,263.50	262,647	178,643	251,996	18.23	13,823
1979	199,177.39	121,969	82,959	128,169	19.37	6,617
1980	374,456.65	221,682	150,780	246,144	20.16	12,210
1981	249,701.25	143,326	97,485	167,198	20.75	8,058
1982	353,461.57	196,364	133,559	241,110	21.34	11,299
1983	698,320.67	374,773	254,907	485,313	21.94	22,120
1984	411,606.16	212,959	144,847	291,456	22.55	12,925
1986	41,970.00	19,953	13,571	30,917	23.98	1,289
1987	154,115.58	70,115	47,690	115,673	24.60	4,702
1988	83,800.96	36,375	24,741	64,088	25.24	2,539
1989	101,133.92	41,744	28,393	78,809	25.87	3,046
1990	34,368.83	13,439	9,141	27,290	26.52	1,029
1991	1,100,145.56	405,822	276,025	890,129	27.17	32,761
1992	377,796.58	130,832	88,987	311,477	27.82	11,196
1993	939,635.95	303,784	206,622	789,392	28.48	27,717
1995	202,678.25	55,944	38,051	176,788	29.82	5,929
2000	1,228,111.88	186,938	127,148	1,174,651	32.81	35,802
2001	2,876,703.98	362,258	246,394	2,802,912	33.38	83,970
2002	611,210.84	60,771	41,334	606,549	33.81	17,940
2003	627,863.84	45,456	30,917	634,619	34.13	18,594
2004	948,700.00	42,236	28,727	976,895	34.21	28,556

DUKE ENERGY KENTUCKY

ACCOUNT 3622 STATION EQUIPMENT - MAJOR

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR	ORIGINAL COST	CALCULATED ACCRUED	ALLOC. BOOK RESERVE	FUT. BOOK ACCRUALS	REM. LIFE	ANNUAL ACCRUAL
(1)	(2)	(3)	(4)	(5)	(6)	(7)
SURVIVOR CURVE.. IOWA 45-R2.5						
NET SALVAGE PERCENT.. -6						
2005	1,106,126.92	17,470	11,883	1,160,612	33.17	34,990
	15,065,669.50	4,768,618	3,243,435	12,726,176		472,328
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					26.9	3.14

DUKE ENERGY KENTUCKY

ACCOUNT 3670 UNDERGROUND CONDUCTORS AND DEVICES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 60-R2						
NET SALVAGE PERCENT.. -43						
1916	158.74	213	131	96	5.73	17
1922	24.56	32	20	15	7.41	2
1923	1,485.08	1,945	1,196	928	7.59	122
1926	383.74	497	306	243	8.22	30
1927	209.93	269	165	135	9.22	15
1929	3,048.62	3,869	2,380	1,980	9.71	204
1931	1,203.83	1,513	931	790	10.25	77
1932	326.06	408	251	215	10.53	20
1933	323.33	402	247	215	10.83	20
1935	191.08	235	145	128	11.47	11
1937	363.99	442	272	249	12.15	20
1938	18,451.63	22,264	13,695	12,691	12.50	1,015
1939	1,064.84	1,276	785	738	12.87	57
1940	78,261.53	93,101	57,269	54,645	13.24	4,127
1941	1,120.79	1,323	814	789	13.63	58
1942	433.38	508	312	308	14.02	22
1943	293.95	344	212	208	13.83	15
1945	1,254.83	1,444	888	906	14.68	62
1947	3,279.19	3,704	2,278	2,411	15.57	155
1949	11,935.87	13,213	8,128	8,940	16.49	542
1950	32,301.62	35,378	21,762	24,429	16.96	1,440
1951	6,116.23	6,626	4,076	4,670	17.44	268
1952	2,572.74	2,756	1,695	1,984	17.93	111
1953	2,368.38	2,507	1,542	1,845	18.42	100
1954	6,026.61	6,302	3,877	4,741	18.92	251
1955	97,062.73	100,241	61,661	77,139	19.43	3,970
1956	20,192.57	20,582	12,661	16,214	19.94	813
1957	9,142.62	9,258	5,695	7,379	19.99	369
1958	3,915.79	3,910	2,405	3,195	20.52	156
1959	17,787.89	17,506	10,768	14,669	21.07	696
1960	11,687.56	11,332	6,971	9,742	21.61	451
1961	15,417.37	14,716	9,052	12,995	22.17	586
1962	8,125.85	7,633	4,695	6,925	22.72	305
1963	72,574.92	67,043	41,240	62,542	23.29	2,685
1964	37,145.50	33,730	20,748	32,370	23.86	1,357
1965	28,112.37	25,073	15,423	24,778	24.44	1,014
1966	14,155.16	12,473	7,672	12,570	24.60	511
1967	19,254.92	16,645	10,239	17,296	25.19	687

DUKE ENERGY KENTUCKY

ACCOUNT 3670 UNDERGROUND CONDUCTORS AND DEVICES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 60-R2						
NET SALVAGE PERCENT.. -43						
1968	15,830.48	13,413	8,251	14,387	25.79	558
1969	26,382.63	21,897	13,469	24,258	26.39	919
1970	87,297.16	70,906	43,616	81,219	27.00	3,008
1971	102,379.00	81,326	50,026	96,376	27.61	3,491
1972	100,130.58	78,194	48,099	95,088	27.85	3,414
1973	409,226.48	311,908	191,863	393,331	28.48	13,811
1974	264,099.46	196,309	120,755	256,907	29.10	8,828
1975	201,764.88	146,080	89,858	198,666	29.74	6,680
1976	588,377.55	414,548	255,000	586,380	30.38	19,302
1977	509,652.98	351,065	215,950	512,854	30.67	16,722
1978	271,867.61	181,750	111,800	276,971	31.32	8,843
1979	658,744.03	426,916	262,608	679,396	31.98	21,244
1980	475,227.44	299,829	184,433	495,142	32.30	15,329
1981	297,592.76	181,415	111,593	313,965	32.97	9,523
1982	273,062.84	160,604	98,792	291,688	33.64	8,671
1983	451,106.41	256,936	158,049	487,033	33.99	14,329
1984	728,064.71	398,441	245,092	796,041	34.68	22,954
1985	566,126.11	297,109	182,760	626,800	35.36	17,726
1986	642,403.65	324,279	199,473	719,164	35.75	20,116
1987	1,292,042.86	622,094	382,667	1,464,954	36.45	40,191
1988	1,015,505.86	467,600	287,634	1,164,539	36.85	31,602
1989	1,351,474.63	590,025	362,941	1,569,668	37.55	41,802
1990	1,267,847.10	525,595	323,308	1,489,713	37.97	39,234
1991	1,090,068.75	427,267	262,824	1,295,974	38.41	33,741
1992	1,099,623.53	405,538	249,458	1,323,004	38.85	34,054
1993	1,697,749.30	582,668	358,415	2,069,366	39.58	52,283
1994	1,105,961.20	352,838	217,041	1,364,484	40.05	34,070
1995	757,463.98	222,917	137,122	946,051	40.52	23,348
1996	736,074.72	199,044	122,438	930,149	40.75	22,826
1997	1,155,811.72	282,465	173,752	1,479,059	41.25	35,856
1998	752,597.17	163,907	100,824	975,390	41.76	23,357
1999	2,332,975.14	446,711	274,784	3,061,370	42.04	72,820
2000	2,788,829.35	458,623	282,112	3,705,914	42.34	87,527
2001	2,203,731.32	302,213	185,900	2,965,436	42.45	69,857
2002	604,940.16	66,004	40,601	824,463	42.37	19,459
2003	2,607,747.97	208,828	128,456	3,600,624	42.14	85,444
2004	1,185,750.97	59,008	36,297	1,659,327	41.60	39,888
2005	988,231.94	17,947	11,040	1,402,132	38.87	36,072
	33,231,540.23	11,154,930	6,861,708	40,659,396		1,061,260
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					38.3	3.19

DUKE ENERGY KENTUCKY

ACCOUNT 3670 UNDERGROUND CONDUCTORS AND DEVICES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 60-R2						
NET SALVAGE PERCENT.. -24						
1916	158.74	185	131	66	5.73	12
1922	24.56	28	20	10	7.41	1
1923	1,485.08	1,686	1,196	645	7.59	85
1926	383.74	431	306	170	8.22	21
1927	209.93	233	165	95	9.22	10
1929	3,048.62	3,355	2,380	1,400	9.71	144
1931	1,203.83	1,312	931	562	10.25	55
1932	326.06	354	251	153	10.53	15
1933	323.33	349	248	153	10.83	14
1935	191.08	204	145	92	11.47	8
1937	363.99	383	272	179	12.15	15
1938	18,451.63	19,306	13,695	9,185	12.50	735
1939	1,064.84	1,106	785	535	12.87	42
1940	78,261.53	80,731	57,269	39,775	13.24	3,004
1941	1,120.79	1,147	814	576	13.63	42
1942	433.38	440	312	225	14.02	16
1943	293.95	298	211	153	13.83	11
1945	1,254.83	1,252	888	668	14.68	46
1947	3,279.19	3,211	2,278	1,788	15.57	115
1949	11,935.87	11,457	8,127	6,673	16.49	405
1950	32,301.62	30,677	21,762	18,292	16.96	1,079
1951	6,116.23	5,746	4,076	3,508	17.44	201
1952	2,572.74	2,389	1,695	1,495	17.93	83
1953	2,368.38	2,174	1,542	1,395	18.42	76
1954	6,026.61	5,465	3,877	3,596	18.92	190
1955	97,062.73	86,922	61,661	58,697	19.43	3,021
1956	20,192.57	17,848	12,661	12,378	19.94	621
1957	9,142.62	8,028	5,695	5,642	19.99	282
1958	3,915.79	3,391	2,406	2,450	20.52	119
1959	17,787.89	15,180	10,768	11,289	21.07	536
1960	11,687.56	9,826	6,970	7,523	21.61	348
1961	15,417.37	12,761	9,052	10,066	22.17	454
1962	8,125.85	6,619	4,695	5,381	22.72	237
1963	72,574.92	58,135	41,240	48,753	23.29	2,093
1964	37,145.50	29,248	20,748	25,312	23.86	1,061
1965	28,112.37	21,742	15,423	19,436	24.44	795
1966	14,155.16	10,816	7,673	9,879	24.60	402
1967	19,254.92	14,433	10,238	13,638	25.19	541

DUKE ENERGY KENTUCKY

ACCOUNT 3670 UNDERGROUND CONDUCTORS AND DEVICES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 60-R2						
NET SALVAGE PERCENT.. -24						
1968	15,830.48	11,631	8,251	11,379	25.79	441
1969	26,382.63	18,987	13,469	19,245	26.39	729
1970	87,297.16	61,485	43,616	64,632	27.00	2,394
1971	102,379.00	70,521	50,026	76,924	27.61	2,786
1972	100,130.58	67,805	48,100	76,062	27.85	2,731
1973	409,226.48	270,466	191,863	315,578	28.48	11,081
1974	264,099.46	170,226	120,755	206,728	29.10	7,104
1975	201,764.88	126,670	89,857	160,331	29.74	5,391
1976	588,377.55	359,468	255,000	474,588	30.38	15,622
1977	509,652.98	304,420	215,950	416,020	30.67	13,564
1978	271,867.61	157,602	111,800	225,316	31.32	7,194
1979	658,744.03	370,193	262,608	554,235	31.98	17,331
1980	475,227.44	259,991	184,433	404,849	32.30	12,534
1981	297,592.76	157,311	111,593	257,422	32.97	7,808
1982	273,062.84	139,265	98,792	239,806	33.64	7,129
1983	451,106.41	222,798	158,049	401,323	33.99	11,807
1984	728,064.71	345,502	245,093	657,707	34.68	18,965
1985	566,126.11	257,633	182,760	519,236	35.36	14,684
1986	642,403.65	281,193	199,473	597,108	35.75	16,702
1987	1,292,042.86	539,438	382,667	1,219,466	36.45	33,456
1988	1,015,505.86	405,471	287,634	971,593	36.85	26,366
1989	1,351,474.63	511,630	362,941	1,312,888	37.55	34,964
1990	1,267,847.10	455,761	323,308	1,248,822	37.97	32,890
1991	1,090,068.75	370,497	262,824	1,088,861	38.41	28,348
1992	1,099,623.53	351,655	249,457	1,114,076	38.85	28,676
1993	1,697,749.30	505,250	358,415	1,746,794	39.58	44,133
1994	1,105,961.20	305,958	217,041	1,154,351	40.05	28,823
1995	757,463.98	193,299	137,123	802,132	40.52	19,796
1996	736,074.72	172,598	122,438	790,295	40.75	19,394
1997	1,155,811.72	244,935	173,752	1,259,455	41.25	30,532
1998	752,597.17	142,129	100,824	832,396	41.76	19,933
1999	2,332,975.14	387,358	274,784	2,618,105	42.04	62,277
2000	2,788,829.35	397,687	282,111	3,176,037	42.34	75,013
2001	2,203,731.32	262,059	185,900	2,546,727	42.45	59,994
2002	604,940.16	57,235	40,601	709,525	42.37	16,746
2003	2,607,747.97	181,082	128,456	3,105,151	42.14	73,687
2004	1,185,750.97	51,168	36,298	1,434,033	41.60	34,472
2005	988,231.94	15,563	11,040	1,214,368	38.87	31,242
	33,231,540.23	9,672,808	6,861,708	34,345,397		893,674
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					38.4	2.69

DUKE ENERGY KENTUCKY

ACCOUNT 3670 UNDERGROUND CONDUCTORS AND DEVICES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 60-R2						
NET SALVAGE PERCENT.. -25						
1916	158.74	186	131	67	5.73	12
1922	24.56	28	20	11	7.41	1
1923	1,485.08	1,700	1,196	660	7.59	87
1926	383.74	435	306	174	8.22	21
1927	209.93	235	165	97	9.22	11
1929	3,048.62	3,382	2,380	1,431	9.71	147
1931	1,203.83	1,323	931	574	10.25	56
1932	326.06	357	251	157	10.53	15
1933	323.33	352	248	156	10.83	14
1935	191.08	205	144	95	11.47	8
1937	363.99	386	272	183	12.15	15
1938	18,451.63	19,462	13,696	9,369	12.50	750
1939	1,064.84	1,115	785	546	12.87	42
1940	78,261.53	81,382	57,269	40,558	13.24	3,063
1941	1,120.79	1,157	814	587	13.63	43
1942	433.38	444	312	230	14.02	16
1943	293.95	301	212	155	13.83	11
1945	1,254.83	1,262	888	681	14.68	46
1947	3,279.19	3,237	2,278	1,821	15.57	117
1949	11,935.87	11,549	8,127	6,793	16.49	412
1950	32,301.62	30,925	21,762	18,615	16.96	1,098
1951	6,116.23	5,792	4,076	3,569	17.44	205
1952	2,572.74	2,409	1,695	1,521	17.93	85
1953	2,368.38	2,192	1,543	1,417	18.42	77
1954	6,026.61	5,509	3,877	3,656	18.92	193
1955	97,062.73	87,623	61,661	59,667	19.43	3,071
1956	20,192.57	17,992	12,661	12,580	19.94	631
1957	9,142.62	8,092	5,694	5,734	19.99	287
1958	3,915.79	3,418	2,405	2,490	20.52	121
1959	17,787.89	15,302	10,768	11,467	21.07	544
1960	11,687.56	9,905	6,970	7,639	21.61	353
1961	15,417.37	12,864	9,052	10,220	22.17	461
1962	8,125.85	6,672	4,695	5,462	22.72	240
1963	72,574.92	58,604	41,240	49,479	23.29	2,124
1964	37,145.50	29,484	20,748	25,684	23.86	1,076
1965	28,112.37	21,917	15,423	19,717	24.44	807
1966	14,155.16	10,903	7,673	10,021	24.60	407
1967	19,254.92	14,549	10,238	13,831	25.19	549

DUKE ENERGY KENTUCKY

ACCOUNT 3670 UNDERGROUND CONDUCTORS AND DEVICES

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 60-R2						
NET SALVAGE PERCENT.. -25						
1968	15,830.48	11,724	8,250	11,538	25.79	447
1969	26,382.63	19,141	13,470	19,508	26.39	739
1970	87,297.16	61,981	43,616	65,505	27.00	2,426
1971	102,379.00	71,089	50,026	77,948	27.61	2,823
1972	100,130.58	68,352	48,100	77,063	27.85	2,767
1973	409,226.48	272,647	191,863	319,670	28.48	11,224
1974	264,099.46	171,599	120,755	209,369	29.10	7,195
1975	201,764.88	127,692	89,858	162,348	29.74	5,459
1976	588,377.55	362,367	255,000	480,472	30.38	15,815
1977	509,652.98	306,875	215,950	421,116	30.67	13,731
1978	271,867.61	158,873	111,800	228,035	31.32	7,281
1979	658,744.03	373,178	262,608	560,822	31.98	17,537
1980	475,227.44	262,088	184,433	409,601	32.30	12,681
1981	297,592.76	158,580	111,594	260,397	32.97	7,898
1982	273,062.84	140,388	98,792	242,537	33.64	7,210
1983	451,106.41	224,595	158,049	405,834	33.99	11,940
1984	728,064.71	348,288	245,092	664,989	34.68	19,175
1985	566,126.11	259,710	182,759	524,899	35.36	14,844
1986	642,403.65	283,461	199,473	603,532	35.75	16,882
1987	1,292,042.86	543,789	382,668	1,232,386	36.45	33,810
1988	1,015,505.86	408,741	287,634	981,748	36.85	26,642
1989	1,351,474.63	515,757	362,941	1,326,402	37.55	35,324
1990	1,267,847.10	459,436	323,308	1,261,501	37.97	33,224
1991	1,090,068.75	373,485	262,824	1,099,762	38.41	28,632
1992	1,099,623.53	354,491	249,457	1,125,072	38.85	28,959
1993	1,697,749.30	509,325	358,415	1,763,772	39.58	44,562
1994	1,105,961.20	308,425	217,041	1,165,411	40.05	29,099
1995	757,463.98	194,858	137,123	809,707	40.52	19,983
1996	736,074.72	173,990	122,438	797,655	40.75	19,574
1997	1,155,811.72	246,910	173,752	1,271,013	41.25	30,812
1998	752,597.17	143,276	100,824	839,922	41.76	20,113
1999	2,332,975.14	390,482	274,784	2,641,435	42.04	62,831
2000	2,788,829.35	400,894	282,112	3,203,925	42.34	75,671
2001	2,203,731.32	264,172	185,899	2,568,765	42.45	60,513
2002	604,940.16	57,696	40,601	715,574	42.37	16,889
2003	2,607,747.97	182,542	128,456	3,131,229	42.14	74,305
2004	1,185,750.97	51,580	36,297	1,445,892	41.60	34,757
2005	988,231.94	15,688	11,040	1,224,250	38.87	31,496
	33,231,540.23	9,750,815	6,861,708	34,677,718		902,486
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					38.4	2.72

DUKE ENERGY KENTUCKY

ACCOUNT 3692 SERVICES - OVERHEAD

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 47-R1						
NET SALVAGE PERCENT.. -37						
1910	26.86	37	37			
1925	26,353.75	34,296	36,105			
1930	8.26	11	11			
1931	32.47	41	44			
1936	8.26	10	11			
1938	659.09	805	903			
1939	1,425.57	1,727	1,953			
1940	1,507.78	1,827	2,066			
1941	1,698.38	2,041	2,327			
1942	861.63	1,027	1,180			
1943	1,155.34	1,365	1,583			
1944	1,143.44	1,349	1,567			
1945	1,214.82	1,420	1,664			
1946	2,572.17	2,977	3,524			
1947	3,750.86	4,299	5,139			
1948	5,405.90	6,175	7,406			
1949	6,318.27	7,140	8,656			
1950	7,720.95	8,689	10,578			
1951	7,107.37	7,907	9,737			
1952	10,262.99	11,283	14,060			
1953	11,544.15	12,621	15,815			
1954	15,556.57	16,794	21,313			
1955	19,915.36	21,358	27,284			
1956	33,934.54	35,900	46,490			
1957	32,917.32	34,558	45,097			
1958	39,162.67	40,524	53,653			
1959	45,693.21	46,868	62,600			
1960	54,360.24	55,237	74,474			
1961	57,344.13	57,334	78,561			
1962	53,636.14	53,061	73,482			
1963	53,568.03	52,091	73,388			
1964	55,039.46	52,888	75,404			
1965	62,151.65	58,973	85,148			
1966	68,226.46	63,878	93,470			
1967	81,591.43	74,882	111,780			
1968	70,255.63	63,525	96,250			
1969	92,075.30	81,955	126,143			
1970	93,127.25	81,526	127,584			

DUKE ENERGY KENTUCKY

ACCOUNT 3692 SERVICES - OVERHEAD

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 47-R1						
NET SALVAGE PERCENT.. -37						
1971	118,247.86	101,720	160,088	1,912	20.45	93
1972	123,970.60	104,689	164,760	5,080	20.85	244
1973	117,094.26	96,973	152,617	7,802	21.26	367
1974	168,597.84	136,786	215,275	15,704	21.69	724
1975	166,977.99	132,566	208,634	20,126	22.13	909
1976	162,586.83	126,162	198,555	24,189	22.58	1,071
1977	178,568.85	135,261	212,875	31,764	23.05	1,378
1978	213,318.89	157,521	247,908	44,339	23.52	1,885
1979	211,554.71	152,074	239,335	50,495	24.01	2,103
1980	214,710.38	150,783	237,304	56,849	24.25	2,344
1981	261,820.12	178,414	280,789	77,905	24.76	3,146
1982	230,115.05	152,616	240,188	75,070	25.04	2,998
1983	229,634.76	147,233	231,717	82,883	25.58	3,240
1984	321,446.06	199,801	314,449	125,932	25.89	4,864
1985	267,030.86	160,491	252,582	113,250	26.23	4,318
1986	301,034.98	173,710	273,386	139,032	26.80	5,188
1987	311,026.89	173,425	272,938	153,169	26.95	5,683
1988	278,540.57	148,939	234,401	147,200	27.34	5,384
1989	266,526.43	136,161	214,291	150,850	27.75	5,436
1990	252,844.95	123,491	194,351	152,047	27.98	5,434
1991	242,844.33	112,418	176,924	155,773	28.42	5,481
1992	315,336.44	138,805	218,453	213,558	28.52	7,488
1993	317,732.10	131,676	207,233	228,060	28.82	7,913
1994	297,196.29	115,674	182,049	225,110	28.98	7,768
1995	319,818.42	115,935	182,459	255,692	29.18	8,763
1996	450,936.88	150,863	237,430	380,354	29.41	12,933
1997	307,603.47	94,566	148,829	272,588	29.38	9,278
1998	267,863.57	74,606	117,415	249,558	29.40	8,488
1999	235,023.36	58,408	91,923	230,059	29.34	7,841
2000	546,620.65	118,621	186,687	562,183	29.22	19,240
2001	15,226.00	2,808	4,419	16,441	28.94	568
2003	1,504,782.16	171,109	269,293	1,792,259	27.62	64,890
2004	19,268.48	1,431	2,252	24,146	26.20	922
2005	2,213.92	66	104	2,929	22.59	130
	10,257,448.65	5,174,201	7,968,400	6,084,308		218,512
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					27.8	2.13

DUKE ENERGY KENTUCKY

ACCOUNT 3692 SERVICES - OVERHEAD

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 47-R1						
NET SALVAGE PERCENT.. -24						
1910	26.86	33	33			
1925	26,353.75	31,041	32,679			
1930	8.26	10	10			
1931	32.47	37	40			
1936	8.26	9	10			
1938	659.09	728	817			
1939	1,425.57	1,564	1,768			
1940	1,507.78	1,653	1,870			
1941	1,698.38	1,847	2,106			
1942	861.63	930	1,068			
1943	1,155.34	1,236	1,433			
1944	1,143.44	1,221	1,418			
1945	1,214.82	1,285	1,506			
1946	2,572.17	2,695	3,189			
1947	3,750.86	3,891	4,651			
1948	5,405.90	5,589	6,703			
1949	6,318.27	6,463	7,835			
1950	7,720.95	7,864	9,574			
1951	7,107.37	7,157	8,813			
1952	10,262.99	10,213	12,726			
1953	11,544.15	11,423	14,315			
1954	15,556.57	15,201	19,290			
1955	19,915.36	19,331	24,695			
1956	33,934.54	32,493	42,079			
1957	32,917.32	31,278	40,817			
1958	39,162.67	36,679	48,562			
1959	45,693.21	42,421	56,660			
1960	54,360.24	49,996	67,407			
1961	57,344.13	51,894	71,107			
1962	53,636.14	48,026	66,509			
1963	53,568.03	47,148	66,424			
1964	55,039.46	47,870	68,249			
1965	62,151.65	53,377	77,068			
1966	68,226.46	57,816	84,601			
1967	81,591.43	67,776	101,173			
1968	70,255.63	57,497	87,117			
1969	92,075.30	74,178	114,173			
1970	93,127.25	73,790	115,478			

DUKE ENERGY KENTUCKY

ACCOUNT 3692 SERVICES - OVERHEAD

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 47-R1						
NET SALVAGE PERCENT.. -24						
1971	118,247.86	92,067	146,627			
1972	123,970.60	94,755	153,724			
1973	117,094.26	87,772	145,197			
1974	168,597.84	123,806	209,061			
1975	166,977.99	119,987	207,053			
1976	162,586.83	114,191	201,608			
1977	178,568.85	122,426	219,456	1,969	23.05	85
1978	213,318.89	142,574	255,573	8,942	23.52	380
1979	211,554.71	137,643	246,734	15,594	24.01	649
1980	214,710.38	136,475	244,640	21,601	24.25	891
1981	261,820.12	161,484	289,470	35,187	24.76	1,421
1982	230,115.05	138,134	247,614	37,729	25.04	1,507
1983	229,634.76	133,262	238,880	45,867	25.58	1,793
1984	321,446.06	180,842	324,171	74,422	25.89	2,875
1985	267,030.86	145,262	260,391	70,727	26.23	2,696
1986	301,034.98	157,227	281,839	91,444	26.80	3,412
1987	311,026.89	156,969	281,377	104,296	26.95	3,870
1988	278,540.57	134,806	241,648	103,742	27.34	3,795
1989	266,526.43	123,241	220,917	109,576	27.75	3,949
1990	252,844.95	111,773	200,360	113,168	27.98	4,045
1991	242,844.33	101,751	182,395	118,732	28.42	4,178
1992	315,336.44	125,634	225,207	165,810	28.52	5,814
1993	317,732.10	119,181	213,639	180,349	28.82	6,258
1994	297,196.29	104,697	187,676	180,847	28.98	6,240
1995	319,818.42	104,934	188,101	208,474	29.18	7,144
1996	450,936.88	136,547	244,769	314,393	29.41	10,690
1997	307,603.47	85,593	153,431	227,997	29.38	7,760
1998	267,863.57	67,526	121,045	211,106	29.40	7,180
1999	235,023.36	52,865	94,764	196,665	29.34	6,703
2000	546,620.65	107,365	192,458	485,352	29.22	16,610
2001	15,226.00	2,541	4,555	14,325	28.94	495
2003	1,504,782.16	154,872	277,618	1,588,312	27.62	57,506
2004	19,268.48	1,295	2,321	21,572	26.20	823
2005	2,213.92	60	108	2,637	22.59	117
	10,257,448.65	4,683,217	7,968,400	4,750,835		168,886
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					28.1	1.65

DUKE ENERGY KENTUCKY

ACCOUNT 3692 SERVICES - OVERHEAD

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 47-R1						
NET SALVAGE PERCENT.. -26						
1910	26.86	34	34			
1925	26,353.75	31,542	33,206			
1930	8.26	10	10			
1931	32.47	38	41			
1936	8.26	9	10			
1938	659.09	740	830			
1939	1,425.57	1,589	1,796			
1940	1,507.78	1,680	1,900			
1941	1,698.38	1,877	2,140			
1942	861.63	945	1,086			
1943	1,155.34	1,256	1,456			
1944	1,143.44	1,240	1,441			
1945	1,214.82	1,306	1,531			
1946	2,572.17	2,738	3,241			
1947	3,750.86	3,954	4,726			
1948	5,405.90	5,679	6,811			
1949	6,318.27	6,567	7,961			
1950	7,720.95	7,991	9,728			
1951	7,107.37	7,273	8,955			
1952	10,262.99	10,377	12,931			
1953	11,544.15	11,607	14,546			
1954	15,556.57	15,446	19,601			
1955	19,915.36	19,643	25,093			
1956	33,934.54	33,017	42,758			
1957	32,917.32	31,783	41,476			
1958	39,162.67	37,270	49,345			
1959	45,693.21	43,105	57,573			
1960	54,360.24	50,802	68,494			
1961	57,344.13	52,731	72,254			
1962	53,636.14	48,801	67,582			
1963	53,568.03	47,908	67,496			
1964	55,039.46	48,642	69,350			
1965	62,151.65	54,238	78,311			
1966	68,226.46	58,749	85,965			
1967	81,591.43	68,869	102,805			
1968	70,255.63	58,425	88,522			
1969	92,075.30	75,375	116,015			
1970	93,127.25	74,980	117,340			

DUKE ENERGY KENTUCKY

ACCOUNT 3692 SERVICES - OVERHEAD

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 47-R1						
NET SALVAGE PERCENT.. -26						
1971	118,247.86	93,552	148,992			
1972	123,970.60	96,284	156,203			
1973	117,094.26	89,187	147,539			
1974	168,597.84	125,803	212,433			
1975	166,977.99	121,922	210,392			
1976	162,586.83	116,032	203,385	1,474	22.58	65
1977	178,568.85	124,401	218,054	6,943	23.05	301
1978	213,318.89	144,873	253,938	14,844	23.52	631
1979	211,554.71	139,863	245,156	21,403	24.01	891
1980	214,710.38	138,676	243,076	27,459	24.25	1,132
1981	261,820.12	164,089	287,621	42,272	24.76	1,707
1982	230,115.05	140,362	246,031	43,914	25.04	1,754
1983	229,634.76	135,411	237,353	51,987	25.58	2,032
1984	321,446.06	183,758	322,097	82,925	25.89	3,203
1985	267,030.86	147,605	258,727	77,732	26.23	2,963
1986	301,034.98	159,763	280,038	99,266	26.80	3,704
1987	311,026.89	159,501	279,579	112,315	26.95	4,168
1988	278,540.57	136,980	240,103	110,858	27.34	4,055
1989	266,526.43	125,229	219,505	116,318	27.75	4,192
1990	252,844.95	113,575	199,078	119,507	27.98	4,271
1991	242,844.33	103,392	181,229	124,755	28.42	4,390
1992	315,336.44	127,660	223,767	173,557	28.52	6,085
1993	317,732.10	121,104	212,275	188,067	28.82	6,526
1994	297,196.29	106,386	186,477	187,990	28.98	6,487
1995	319,818.42	106,626	186,897	216,074	29.18	7,405
1996	450,936.88	138,750	243,205	324,975	29.41	11,050
1997	307,603.47	86,973	152,449	235,131	29.38	8,003
1998	267,863.57	68,615	120,271	217,237	29.40	7,389
1999	235,023.36	53,718	94,159	201,970	29.34	6,884
2000	546,620.65	109,097	191,229	497,513	29.22	17,026
2001	15,226.00	2,582	4,526	14,659	28.94	507
2003	1,504,782.16	157,370	275,842	1,620,184	27.62	58,660
2004	19,268.48	1,316	2,307	21,971	26.20	839
2005	2,213.92	61	107	2,683	22.59	119
	10,257,448.65	4,758,752	7,968,400	4,955,983		176,439
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					28.1	1.72

DUKE ENERGY KENTUCKY

ACCOUNT 3700 METERS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 28-S0						
NET SALVAGE PERCENT.. +11						
1920	124.77	111	111			
1921	33.06	29	29			
1922	145.86	130	130			
1923	404.07	360	360			
1924	338.11	301	301			
1925	596.06	530	530			
1926	394.33	351	351			
1927	915.90	815	815			
1928	759.22	676	676			
1929	1,512.09	1,346	1,346			
1930	702.69	625	625			
1931	867.01	772	772			
1933	25.93	23	23			
1934	349.75	311	311			
1935	240.77	214	214			
1936	899.50	801	801			
1937	1,349.45	1,201	1,201			
1938	159.03	142	142			
1939	1,186.84	1,056	1,056			
1940	758.81	675	675			
1941	2,157.74	1,920	1,920			
1942	1,272.97	1,133	1,133			
1943	204.25	182	182			
1944	439.19	391	391			
1945	256.17	228	228			
1946	828.15	737	737			
1947	4,290.12	3,818	3,818			
1948	3,088.88	2,749	2,749			
1949	2,015.56	1,794	1,794			
1950	3,206.34	2,854	2,854			
1951	1,774.26	1,566	829	750	0.45	750
1952	4,860.60	4,258	2,255	2,071	0.85	2,071
1953	6,461.15	5,615	2,974	2,776	1.26	2,203
1954	2,816.70	2,427	1,285	1,222	1.69	723
1955	3,225.24	2,769	1,467	1,403	1.85	758
1956	4,946.00	4,206	2,228	2,174	2.31	941
1957	8,501.59	7,156	3,790	3,776	2.78	1,358
1958	3,930.27	3,290	1,742	1,756	3.01	583

DUKE ENERGY KENTUCKY

ACCOUNT 3700 METERS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 28-S0						
NET SALVAGE PERCENT.. +11						
1959	4,669.18	3,865	2,047	2,109	3.50	603
1960	3,612.55	2,970	1,573	1,642	3.76	437
1962	3,887.76	3,131	1,658	1,802	4.58	393
1963	3,742.67	2,987	1,582	1,749	4.89	358
1964	30,070.47	23,768	12,588	14,175	5.23	2,710
1965	55,984.72	43,792	23,194	26,632	5.58	4,773
1966	61,320.18	47,426	25,118	29,457	5.95	4,951
1967	50,715.93	38,755	20,526	24,611	6.34	3,882
1968	52,557.39	39,820	21,090	25,686	6.55	3,922
1969	57,221.42	42,753	22,643	28,284	6.98	4,052
1970	69,864.38	51,652	27,357	34,822	7.24	4,810
1971	70,977.15	51,654	27,358	35,812	7.69	4,657
1972	76,610.49	55,051	29,157	39,026	7.99	4,884
1973	87,269.29	61,848	32,757	44,913	8.31	5,405
1974	97,650.12	68,171	36,106	50,803	8.66	5,866
1975	81,422.09	55,922	29,618	42,848	9.02	4,750
1976	106,830.92	72,089	38,181	56,899	9.41	6,047
1977	161,318.28	107,206	56,780	86,793	9.67	8,975
1978	146,376.72	95,296	50,472	79,803	10.09	7,909
1979	210,878.33	134,793	71,391	116,291	10.40	11,182
1980	142,558.47	89,296	47,294	79,583	10.73	7,417
1981	160,589.37	98,404	52,118	90,807	11.09	8,188
1982	189,212.91	113,585	60,158	108,241	11.34	9,545
1983	164,299.16	96,071	50,882	95,344	11.75	8,114
1984	180,243.80	102,779	54,435	105,982	12.06	8,788
1985	202,659.48	112,783	59,734	120,633	12.29	9,816
1986	352,513.55	190,282	100,780	212,957	12.65	16,835
1987	351,586.25	184,086	97,498	215,414	12.95	16,634
1988	425,720.72	215,513	114,143	264,748	13.27	19,951
1989	510,143.27	248,716	131,728	322,300	13.62	23,664
1990	533,993.01	250,459	132,651	342,603	13.91	24,630
1991	499,189.16	224,183	118,735	325,543	14.24	22,861
1992	723,090.70	310,191	164,288	479,263	14.51	33,030
1993	593,522.17	242,354	128,359	399,876	14.75	27,110
1994	521,312.07	200,620	106,255	357,713	15.10	23,690
1995	384,982.50	139,247	73,750	268,884	15.34	17,528
1996	432,444.84	145,522	77,073	307,803	15.63	19,693
1997	1,365,535.28	423,541	224,321	991,005	15.89	62,367

DUKE ENERGY KENTUCKY

ACCOUNT 3700 METERS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 28-S0						
NET SALVAGE PERCENT.. +11						
1998	889,040.03	251,062	132,971	658,275	16.14	40,785
	10,121,655.21	4,699,205	2,501,214	6,507,059		500,599
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					13.0	4.95

DUKE ENERGY KENTUCKY

ACCOUNT 3700 METERS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 28-S0						
NET SALVAGE PERCENT.. -5						
1920	124.77	131	131			
1921	33.06	35	35			
1922	145.86	153	153			
1923	404.07	424	424			
1924	338.11	355	355			
1925	596.06	626	626			
1926	394.33	414	414			
1927	915.90	962	962			
1928	759.22	797	797			
1929	1,512.09	1,588	1,588			
1930	702.69	738	738			
1931	867.01	910	910			
1933	25.93	27	27			
1934	349.75	367	367			
1935	240.77	253	253			
1936	899.50	944	944			
1937	1,349.45	1,417	1,417			
1938	159.03	167	167			
1939	1,186.84	1,246	1,246			
1940	758.81	797	797			
1941	2,157.74	2,266	2,266			
1942	1,272.97	1,337	1,337			
1943	204.25	214	214			
1944	439.19	461	461			
1945	256.17	269	269			
1946	828.15	870	870			
1947	4,290.12	4,505	4,505			
1948	3,088.88	3,243	3,243			
1949	2,015.56	2,116	2,116			
1950	3,206.34	3,367	3,367			
1951	1,774.26	1,848	828	1,035	0.45	1,035
1952	4,860.60	5,024	2,251	2,853	0.85	2,853
1953	6,461.15	6,625	2,968	3,816	1.26	3,029
1954	2,816.70	2,863	1,283	1,675	1.69	991
1955	3,225.24	3,267	1,464	1,923	1.85	1,039
1956	4,946.00	4,962	2,223	2,970	2.31	1,286
1957	8,501.59	8,443	3,783	5,144	2.78	1,850
1958	3,930.27	3,881	1,739	2,388	3.01	793

DUKE ENERGY KENTUCKY

ACCOUNT 3700 METERS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 28-S0						
NET SALVAGE PERCENT.. -5						
1959	4,669.18	4,559	2,043	2,860	3.50	817
1960	3,612.55	3,504	1,570	2,223	3.76	591
1962	3,887.76	3,694	1,655	2,427	4.58	530
1963	3,742.67	3,524	1,579	2,351	4.89	481
1964	30,070.47	28,041	12,564	19,010	5.23	3,635
1965	55,984.72	51,665	23,150	35,634	5.58	6,386
1966	61,320.18	55,952	25,070	39,316	5.95	6,608
1967	50,715.93	45,722	20,487	32,765	6.34	5,168
1968	52,557.39	46,979	21,050	34,135	6.55	5,211
1969	57,221.42	50,439	22,600	37,482	6.98	5,370
1970	69,864.38	60,938	27,305	46,053	7.24	6,361
1971	70,977.15	60,940	27,305	47,221	7.69	6,141
1972	76,610.49	64,948	29,101	51,340	7.99	6,426
1973	87,269.29	72,967	32,694	58,939	8.31	7,093
1974	97,650.12	80,427	36,037	66,496	8.66	7,679
1975	81,422.09	65,975	29,561	55,932	9.02	6,201
1976	106,830.92	85,049	38,108	74,064	9.41	7,871
1977	161,318.28	126,479	56,672	112,712	9.67	11,656
1978	146,376.72	112,428	50,376	103,320	10.09	10,240
1979	210,878.33	159,025	71,254	150,168	10.40	14,439
1980	142,558.47	105,349	47,204	102,482	10.73	9,551
1981	160,589.37	116,094	52,018	116,601	11.09	10,514
1982	189,212.91	134,005	60,044	138,630	11.34	12,225
1983	164,299.16	113,342	50,785	121,729	11.75	10,360
1984	180,243.80	121,256	54,331	134,925	12.06	11,188
1985	202,659.48	133,059	59,620	153,172	12.29	12,463
1986	352,513.55	224,489	100,587	269,552	12.65	21,308
1987	351,586.25	217,180	97,312	271,854	12.95	20,993
1988	425,720.72	254,257	113,925	333,082	13.27	25,100
1989	510,143.27	293,429	131,477	404,173	13.62	29,675
1990	533,993.01	295,485	132,398	428,295	13.91	30,790
1991	499,189.16	264,485	118,508	405,641	14.24	28,486
1992	723,090.70	365,956	163,974	595,271	14.51	41,025
1993	593,522.17	285,923	128,114	495,084	14.75	33,565
1994	521,312.07	236,686	106,052	441,326	15.10	29,227
1995	384,982.50	164,280	73,609	330,623	15.34	21,553
1996	432,444.84	171,683	76,926	377,141	15.63	24,129
1997	1,365,535.28	499,683	223,894	1,209,918	15.89	76,143

DUKE ENERGY KENTUCKY

ACCOUNT 3700 METERS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 28-S0						
NET SALVAGE PERCENT.. -5						
1998	889,040.03	296,197	132,717	800,775	16.14	49,614
	10,121,655.21	5,544,005	2,501,214	8,126,526		629,689
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					12.9	6.22

DUKE ENERGY KENTUCKY

ACCOUNT 3700 METERS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR	ORIGINAL COST	CALCULATED ACCRUED	ALLOC. BOOK RESERVE	FUT. BOOK ACCRUALS	REM. LIFE	ANNUAL ACCRUAL
(1)	(2)	(3)	(4)	(5)	(6)	(7)
SURVIVOR CURVE.. IOWA 28-S0						
NET SALVAGE PERCENT.. -8						
1920	124.77	135	135			
1921	33.06	36	36			
1922	145.86	158	158			
1923	404.07	436	436			
1924	338.11	365	365			
1925	596.06	644	644			
1926	394.33	426	426			
1927	915.90	989	989			
1928	759.22	820	820			
1929	1,512.09	1,633	1,633			
1930	702.69	759	759			
1931	867.01	936	936			
1933	25.93	28	28			
1934	349.75	378	378			
1935	240.77	260	260			
1936	899.50	971	971			
1937	1,349.45	1,457	1,457			
1938	159.03	172	172			
1939	1,186.84	1,282	1,282			
1940	758.81	820	820			
1941	2,157.74	2,330	2,330			
1942	1,272.97	1,375	1,375			
1943	204.25	221	221			
1944	439.19	474	474			
1945	256.17	277	277			
1946	828.15	894	894			
1947	4,290.12	4,633	4,633			
1948	3,088.88	3,336	3,336			
1949	2,015.56	2,177	2,177			
1950	3,206.34	3,463	3,463			
1951	1,774.26	1,901	828	1,088	0.45	1,088
1952	4,860.60	5,168	2,250	2,999	0.85	2,999
1953	6,461.15	6,814	2,967	4,011	1.26	3,183
1954	2,816.70	2,945	1,282	1,760	1.69	1,041
1955	3,225.24	3,360	1,463	2,020	1.85	1,092
1956	4,946.00	5,103	2,222	3,120	2.31	1,351
1957	8,501.59	8,684	3,782	5,400	2.78	1,942
1958	3,930.27	3,992	1,738	2,507	3.01	833

DUKE ENERGY KENTUCKY

ACCOUNT 3700 METERS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 28-S0						
NET SALVAGE PERCENT.. -8						
1959	4,669.18	4,690	2,042	3,001	3.50	857
1960	3,612.55	3,604	1,569	2,333	3.76	620
1962	3,887.76	3,799	1,654	2,545	4.58	556
1963	3,742.67	3,625	1,579	2,463	4.89	504
1964	30,070.47	28,842	12,560	19,916	5.23	3,808
1965	55,984.72	53,141	23,141	37,322	5.58	6,689
1966	61,320.18	57,550	25,061	41,165	5.95	6,918
1967	50,715.93	47,028	20,479	34,294	6.34	5,409
1968	52,557.39	48,321	21,042	35,720	6.55	5,453
1969	57,221.42	51,880	22,592	39,207	6.98	5,617
1970	69,864.38	62,679	27,295	48,159	7.24	6,652
1971	70,977.15	62,681	27,296	49,359	7.69	6,419
1972	76,610.49	66,804	29,091	53,648	7.99	6,714
1973	87,269.29	75,052	32,683	61,568	8.31	7,409
1974	97,650.12	82,724	36,024	69,438	8.66	8,018
1975	81,422.09	67,860	29,551	58,385	9.02	6,473
1976	106,830.92	87,479	38,094	77,283	9.41	8,213
1977	161,318.28	130,093	56,651	117,573	9.67	12,159
1978	146,376.72	115,641	50,358	107,729	10.09	10,677
1979	210,878.33	163,569	71,229	156,520	10.40	15,050
1980	142,558.47	108,359	47,187	106,776	10.73	9,951
1981	160,589.37	119,411	52,000	121,437	11.09	10,950
1982	189,212.91	137,834	60,022	144,328	11.34	12,727
1983	164,299.16	116,580	50,767	126,676	11.75	10,781
1984	180,243.80	124,721	54,312	140,351	12.06	11,638
1985	202,659.48	136,861	59,599	159,273	12.29	12,960
1986	352,513.55	230,903	100,551	280,164	12.65	22,147
1987	351,586.25	223,385	97,277	282,436	12.95	21,810
1988	425,720.72	261,522	113,884	345,894	13.27	26,066
1989	510,143.27	301,813	131,430	419,525	13.62	30,802
1990	533,993.01	303,927	132,350	444,362	13.91	31,946
1991	499,189.16	272,042	118,466	420,658	14.24	29,541
1992	723,090.70	376,412	163,915	617,023	14.51	42,524
1993	593,522.17	294,093	128,068	512,936	14.75	34,775
1994	521,312.07	243,449	106,014	457,003	15.10	30,265
1995	384,982.50	168,973	73,582	342,199	15.34	22,308
1996	432,444.84	176,588	76,899	390,141	15.63	24,961
1997	1,365,535.28	513,960	223,813	1,250,965	15.89	78,727

DUKE ENERGY KENTUCKY

ACCOUNT 3700 METERS

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 28-S0						
NET SALVAGE PERCENT.. -8						
1998	889,040.03	304,660	132,670	827,493	16.14	51,270
	10,121,655.21	5,702,407	2,501,214	8,430,173		653,893
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					12.9	6.46

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-012

REQUEST:

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.

RESPONSE:

A copy of Mr. Blackwell's testimony in Case No. 2005-00228 is provided herein at Attachment KyPSC-DR-03-012. The section of Mr. Blackwell's testimony discussing the differences in cost allocation methodologies pre-merger versus post-merger is at page 9, line 3, through page 11, line 5.

WITNESS RESPONSIBLE: Carol E. Shrum

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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	)	Case No. 2005-00228

DIRECT TESTIMONY OF

BARRY F. BLACKWELL

ON BEHALF OF

JOINT APPLICANTS

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APPENDIX

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Barry F. Blackwell, and my business address is 1000 East Main Street, Plainfield, Indiana 46168.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am the Director of Management Reporting and Analysis for Cinergy Services, Inc., which provides various administrative services to The Union Light, Heat and Power Company ("ULH&P" or "Company"), The Cincinnati Gas & Electric Company ("CG&E"), PSI Energy, Inc. ("PSI") and other regulated and non-regulated affiliates of Cinergy Corp. ("Cinergy").

Q. PLEASE DESCRIBE YOUR DUTIES AS THE DIRECTOR OF MANAGEMENT REPORTING AND ANALYSIS AS THEY RELATE TO THIS PROCEEDING.

A. As Director of Management Reporting and Analysis, I shared responsibility for the development of the cost allocation processes utilized by Cinergy to allocate the benefits and costs resulting from the merger of Cinergy and Duke Energy Corporation to ULH&P and other companies that ULH&P will be affiliated with following the merger. I also was involved in developing the processes that will be used to assign, distribute and allocate service company costs to ULH&P and its regulated and unregulated affiliates following the merger.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL QUALIFICATIONS.

A. I received a Bachelor of Science degree in Accounting from Indiana University Purdue University of Indianapolis in 1986. I received a Master of Business Administration degree from the University of Indianapolis in 1998. I am also a Certified Public Accountant licensed in the State of Indiana.

Q. PLEASE DESCRIBE YOUR WORK EXPERIENCE.

A. I was initially employed by PSI in 1985 as a Staff Accountant and have since held various Accounting or Finance-related positions in the Rates, Budgets, Financial Forecasts, Corporate Accounting, Fixed Asset Accounting and Business Unit Finance departments of Cinergy. I became Cost Accounting Manager in April 1999 and assumed the additional responsibilities of the External Reporting function in November 2000. In September 2002, I became Director of Cost Accounting and External Reporting. I assumed my current position and responsibilities as Director of Management Reporting and Analysis in November 2003.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. First, I discuss the proposed Service Company Utility Service Agreement ("Service Company Agreement") that will govern the provision of services from Duke Energy Shared Services, LLC ("Duke Services") to ULH&P and its regulated utility affiliates following the consummation of the merger of Cinergy and Duke Energy Corporation. In the course of that discussion, I describe the processes to be used to assign Duke Services' costs to ULH&P and its regulated and unregulated affiliates. Next, I discuss other proposed agreements that will

govern certain service-related transactions between ULH&P and its utility and nonutility affiliates following consummation of the merger. Finally, my testimony generally describes how the benefits and costs resulting from the merger will be allocated to ULH&P and other companies that will be affiliated with the new Duke Energy organization.

II. SERVICE COMPANY AGREEMENT

Q. PLEASE DESCRIBE DUKE SERVICES.

A. Following the consummation of the merger, Duke Services will be a subsidiary service company of Duke Energy Holding Corp. (to be renamed Duke Energy Corporation after the close of the merger) ("New Duke Energy"), which will be the ultimate parent company of ULH&P. Duke Services will provide administrative, management and support services to ULH&P as well as other companies that will also become subsidiaries of New Duke Energy upon consummation of the merger. Those services will be provided to ULH&P and other public utility subsidiaries of New Duke Energy pursuant to the proposed Service Company Agreement that is attached to my testimony as Attachment BFB-1. The companies that will receive administrative, management and support services from Duke Services are referred to in the Service Company Agreement as "Client Companies." The various Duke Services functions that will provide administrative, management and support services to the Client Companies, such as accounting, human resources and other corporate services, are referred to in the Service Company Agreement as "Functions."

Q. PLEASE BRIEFLY DESCRIBE THE PROPOSED SERVICE COMPANY AGREEMENT.

A. The proposed Service Company Agreement is similar to the existing service agreement that currently governs Cinergy Services, Inc.'s provision of administrative, management and support services to ULH&P and its public utility affiliates, which has been accepted or approved by the Securities and Exchange Commission ("SEC"), this Commission, the Public Utilities Commission of Ohio and the Indiana Utility Regulatory Commission.

Like the existing service agreement between Cinergy Services, Inc. and ULH&P, the proposed Service Company Agreement describes the types of services that Duke Services will provide to ULH&P and other Client Companies and how the costs of those services will be determined, including the methods of assigning costs among the Client Companies.

Q. HOW WILL SERVICES PROVIDED BY DUKE SERVICES TO ULH&P AND OTHER CLIENT COMPANIES BE PRICED?

A. The Service Company Agreement provides that services shall be provided at fully embedded costs, except that solely for the purpose of Internal Revenue Code ("IRC") Section 482, ULH&P shall pay Duke Services as required by that Section. The exception provision of the agreement recognizes the requirements of the IRC and the Company's intent to comply with those requirements, which likely will require the pricing of services provided by Duke Services to be adjusted to reflect the market value of those services. However, notwithstanding the Section 482 exception, for ratemaking purposes, services will be rendered to

ULH&P at cost, as is the current practice under the existing service agreement between Cinergy Services, Inc. and ULH&P. Mr. Steffen explains how the Company will treat for ratemaking purposes services provided to ULH&P under the Service Company Agreement.

Q. PLEASE EXPLAIN THE MEANING OF THE TERM COST UNDER THE SERVICE COMPANY AGREEMENT.

A. Cost, or fully embedded cost, refers to all components of costs incurred by Duke Services in providing services to the Client Companies, including: (1) direct costs; (2) indirect costs; and (3) costs of capital. Direct costs include labor, material and other expenses incurred specifically for a particular service and any associated loadings. Indirect costs include labor, material and other expenses, and any associated loadings that cannot be directly identified with any particular service. Examples of indirect costs are overhead costs, administrative support costs and certain taxes. Costs of capital represent financing costs, including, but not limited to, interest on debt and a fair return on equity.

Q. WHAT ARE LOADINGS?

A. Loadings represent costs that are incurred and aggregated in balance sheet accounts (termed "cost pools"), which are then subsequently "loaded" out to specific entities and projects by attaching an additional charge (termed a "loading") to the associated direct cost. Loadings include costs such as fringe benefits (*e.g.*, medical, dental, pension, postretirement), indirect labor (*e.g.*, vacation, holiday, sick-time), stores, freight and handling (*e.g.*, materials management labor, freight), transportation (*e.g.*, vehicle leases, fuel, oil), and

payroll taxes (*e.g.*, Federal Insurance Contributions Act, or FICA, and state and federal unemployment taxes).

Q. PLEASE DESCRIBE HOW COSTS OF DUKE SERVICES WILL BE ACCOUNTED FOR UNDER THE PROPOSED UTILITY AGREEMENT.

A. Duke Services will follow Generally Accepted Accounting Principles and utilize the Uniform System of Accounts published by the Federal Energy Regulatory Commission and adopted in Kentucky pursuant to KRS § 278.220. Duke Services will maintain an accounting system in which all of its costs will be accumulated. These costs will be charged to the appropriate Client Companies monthly using one of the three methods of assignment set forth in the proposed Service Company Agreement.

Q. WHAT ARE THE METHODS OF ASSIGNMENT UNDER THE PROPOSED SERVICE COMPANY AGREEMENT?

A. The methods of assignment under the proposed Service Company Agreement are: (1) directly assignable; (2) distributable; and (3) allocable.

Q. PLEASE DESCRIBE EACH METHOD OF ASSIGNMENT.

A. The directly assignable basis of cost assignment will be utilized to directly assign costs for services specifically performed for a single Client Company. The distributable cost assignment method will be used to assign costs for services rendered specifically for two or more Client Companies. The allocable method of assignment will be used to allocate costs for services of a general nature, which are applicable to more than one of the Client Companies.

Q. WHAT TYPES OF COSTS WILL BE DIRECTLY ASSIGNED FROM DUKE SERVICES TO ULH&P?

A. Costs that can be specifically identified and related to particular services performed for one Client Company will be directly assigned to that Client Company. For example, Duke Services employees who work on a project specifically for ULH&P will charge their labor and expenses directly to ULH&P.

Q. WHAT TYPES OF COSTS WILL BE DISTRIBUTED FROM DUKE SERVICES TO ULH&P?

A. Duke Services costs that are directly applicable to ULH&P and one or more additional Client Companies, but which cannot be directly assigned, will be distributed to those companies directly benefiting based on the allocation methods set forth in Appendix A of the proposed Service Company Agreement (*see* Attachment BFB-1). For example, if Duke Services provides support for a demand-side management program that benefits two or more Client Companies the costs of that program would be distributed only to those Client Companies benefiting from the program.

Q. WHAT TYPES OF COSTS WILL BE ALLOCATED FROM DUKE SERVICES TO ULH&P?

A. Duke Services costs that cannot be directly assigned or distributed will be allocated to ULH&P and other Client Companies based on the allocation methods set forth in Appendix A of the proposed Service Company Agreement (*see* Attachment BFB-1).

Q. WHAT ARE THE ALLOCATION METHODS SPECIFIED IN APPENDIX A OF THE PROPOSED SERVICE COMPANY AGREEMENT?

A. Eighteen allocation methods are set forth and described in Appendix A of the proposed Service Company Agreement (*see* Attachment BFB-1). Those methods are: (1) Sales Ratio; (2) Electric Peak Load Ratio; (3) Number of Customers Ratio; (4) Number of Employees Ratio; (5) Construction-Expenditures Ratio; (6) Circuit Miles of Electric Distribution Lines Ratio; (7) Circuit Miles of Electric Transmission Lines Ratio; (8) Number of Central Processing Unit Seconds Ratio; (9) Revenues Ratio; (10) Inventory Ratio; (11) Procurement Spending Ratio; (12) Square Footage Ratio; (13) Gross Margin Ratio; (14) Labor Dollars Ratio; (15) Number of Personal Computer Work Stations Ratio; (16) Number of Information Systems Servers Ratio; (17) Total Property, Plant and Equipment Ratio; and (18) Generating Unit MW Capability Ratio.

Q. HOW WERE THE ALLOCATION METHODS IN THE PROPOSED SERVICE COMPANY AGREEMENT DEVELOPED?

A. Consistent with traditional cost causation principles, the allocation methods reflect "cost drivers" (*i.e.*, those factors that are the greatest contributors to costs) for the Functions in the proposed Service Company Agreement. For example, costs of a general nature that are driven by employees, such as costs related to the human resources Function, will be allocated based on the Number of Employees Ratio. Similarly, costs of a general nature that are driven by customers, such as costs related to the meters Function and customer billing and payment processing in the marketing and customer relations Function, will be allocated based on the

Number of Customers Ratio. For certain Functions, costs of a general nature will be allocated based on a weighted average of more than one ratio.

Q. HOW DO THE ALLOCATION METHODS IN THE PROPOSED SERVICE COMPANY AGREEMENT DIFFER FROM THE ALLOCATION METHODS IN THE EXISTING SERVICE AGREEMENT BETWEEN CINERGY SERVICES, INC. AND ULH&P?

A. The allocation methods under the proposed Service Company Agreement are similar to the allocation methods under the existing service agreement, but the proposed Service Agreement will more accurately allocate and distribute service company costs to the Client Companies that cause those costs to be incurred. A number of the new allocation methods, which are not included in the existing service agreement between Cinergy Services, Inc. and ULH&P, have been developed to more reasonably allocate and distribute costs for particular Functions. For example, the Procurement Spending Ratio and the Inventory Ratio have both been added to better align the costs of the materials management Function with its cost drivers. Additionally, a new weighted average factor has been developed to allocate costs for certain services of a general nature. The new weighted average factor is based on the Gross Margin Ratio, the Labor Dollars Ratio and the Total Property, Plant and Equipment Ratio.

Q. PLEASE EXPLAIN WHY A NEW WEIGHTED AVERAGE FACTOR BASED ON THE GROSS MARGIN RATIO, THE LABOR DOLLARS RATIO, AND THE PROPERTY, PLANT AND EQUIPMENT RATIO WAS

SELECTED TO ALLOCATE CERTAIN COSTS OF A GENERAL NATURE.

A. The new weighted average factor reflects the cost drivers for corporate functions such as the accounting, finance and executive Functions. The ratios that the weighted average factor is based on are generally reflective of the amount of those types of corporate services rendered to Client Companies. As a result, a weighted allocation factor based on these ratios will reasonably allocate costs to Client Companies in proportion to the amount of services they receive.

Q. HOW DO THE FUNCTIONS IN THE PROPOSED SERVICE COMPANY AGREEMENT DIFFER FROM THE FUNCTIONS IN THE EXISTING SERVICE AGREEMENT BETWEEN CINERGY SERVICES, INC. AND ULH&P?

A. With the exception of the transportation Function, the Functions in the proposed Service Company Agreement and the existing service agreement between Cinergy Services, Inc. and ULH&P are virtually the same. The transportation Function has been modified to reflect the addition of services related to the procurement, operation and maintenance of aircraft and equipment that will be utilized by the Client Companies.

Q. DO YOU ANTICIPATE A MATERIAL SHIFT OF ADMINISTRATIVE, MANAGEMENT AND SUPPORT COSTS AMONG ULH&P AND THE OTHER CLIENT COMPANIES AS A RESULT OF THE PROPOSED SERVICE COMPANY AGREEMENT'S IMPLEMENTATION?

A. No. First, costs specific to ULH&P will continue to be directly assigned or distributed to ULH&P whenever possible. Second, the ratios to be utilized to allocate costs of a general nature will proportionately allocate such costs to ULH&P and other Client Companies based on the level of services provided to each Client Company.

Q. WILL DUKE SERVICES PROVIDE ADMINISTRATIVE, MANAGEMENT AND SUPPORT SERVICES TO NONUTILITY SUBSIDIARIES OF NEW DUKE ENERGY?

A. Yes.

Q. HOW WILL DUKE SERVICES' COSTS BE ASSIGNED TO NONUTILITY SUBSIDIARIES OF DUKE ENERGY?

A. The proposed nonutility cost assignment process will be consistent with the proposed utility cost assignment process. Duke Services' provision of services to nonutility subsidiaries of New Duke Energy will be governed by an agreement that is similar to the proposed Service Company Agreement. When possible, costs will be directly assigned or distributed to nonutility companies. The method utilized to allocate costs of a general nature will be based on functions and allocation methods developed for the nonutility companies, which are consistent with and similar to the Functions and allocation methods in the proposed Service Company Agreement.

Q. HOW WILL COSTS INCURRED BY DUKE SERVICES ON BEHALF OF BOTH UTILITY AND NONUTILITY CLIENT COMPANIES BE

ALLOCATED AMONG THE UTILITY AND NONUTILITY COMPANIES?

A. When Duke Services performs a service that benefits both utility and nonutility companies, the costs will be apportioned by a common allocation ratio between the utility companies and the nonutility companies in the aggregate. For example, costs incurred by Duke Services for human resource functions will be allocated to both utility and nonutility companies based on the respective number of employees each utility and nonutility company employs.

Q. WHAT PROCESSES WILL DUKE SERVICES EMPLOYEES FOLLOW TO ALLOCATE THEIR TIME AND EXPENSES TO UTILITY AND NONUTILITY COMPANIES?

A. Duke Services employees will follow processes similar to the processes currently followed by Cinergy Services, Inc. employees to allocate their time and expenses to utility and nonutility subsidiaries of Cinergy.

For example, today, source documents utilized by Cinergy Services, Inc. employees require input codes that are used to indicate whether costs will be assigned directly, distributed or allocated. The codes also determine the appropriate allocation percentages to be used.

Q. HAS THE SERVICE COMPANY AGREEMENT BEEN EXECUTED?

A. No.

Q. WILL ULH&P FILE THE SERVICE COMPANY AGREEMENT WITH THE COMMISSION AFTER IT HAS BEEN EXECUTED?

A. Yes.

III. OTHER SERVICE AGREEMENTS

Q. IS ULH&P SEEKING APPROVAL OR ACCEPTANCE OF ANY OTHER SERVICE AGREEMENTS IN THIS PROCEEDING?

A. Yes. ULH&P is also seeking approval or acceptance of the proposed service agreements that are attached to my testimony as Attachment BFB-2 and Attachment BFB-3.

Q. PLEASE DESCRIBE THOSE AGREEMENTS.

A. Attachment BFB-2 is a proposed Operating Company/Nonutility Companies Service Agreement (the "Nonutility Companies Agreement"). The Nonutility Companies Agreement will govern certain service-related transactions between ULH&P and its nonutility affiliates following consummation of the merger. Attachment BFB-3 is a proposed Operating Companies Service Agreement (the "Operating Companies Agreement"). The Operating Companies Agreement will govern certain service-related transactions between ULH&P and its utility affiliates, including Duke Power Company LLC, CG&E and PSI, following consummation of the merger. Both agreements will allow ULH&P to provide services (including, but not limited to, engineering, construction, operations and maintenance services) to, and receive services (such as operations, maintenance, inspecting, meter reading and vegetation management) from its nonutility and utility affiliates. These services will also be priced at cost for ratemaking purposes as I described earlier in my testimony regarding pricing of services under the Service Company Agreement.

Q. HOW WILL TRANSACTIONS BETWEEN ULH&P AND ITS NONUTILITY AND UTILITY AFFILIATES BE INITIATED UNDER THE NONUTILITY COMPANIES AGREEMENT AND OPERATING COMPANIES AGREEMENT?

A. Transactions between ULH&P and its future nonutility and utility affiliates will be initiated in much the same way transactions are initiated today between ULH&P and its current nonutility affiliates. Specifically, today, any transaction between ULH&P and a nonutility affiliate is initiated with a written request using a service request form. Similar forms will be utilized under the Nonutility Companies Agreement and Operating Companies Agreement (*see* Attachment BFB-2, Exhibit A and Attachment BFB-3, Exhibit A). The purpose of the written request is to ensure that internal accounting is done properly and that the request is permitted by the applicable agreement. No work can be initiated without a signed service request form on file. If the company from which services are requested agrees to provide the services, it will approve the request in writing.

Q. HOW WILL COSTS INCURRED BY ULH&P ON BEHALF OF AN AFFILIATE BE ACCOUNTED FOR UNDER THE NONUTILITY COMPANIES AGREEMENT AND OPERATING COMPANIES AGREEMENT?

A. That will depend on whether the affiliate maintains its own accounting system or whether it will utilize New Duke Energy's accounting system. For example, certain joint venture affiliates' accounting records may be maintained within each joint venture entity and may not utilize New Duke Energy's accounting system.

In a situation where ULH&P has engaged in a transaction with one of these entities, ULH&P will track all of its direct costs via New Duke Energy's accounting system, and upon completion of the project, ULH&P will process an invoice for payment. This invoice will include ULH&P's fully embedded cost of providing the service.

When the transaction is with an affiliate that utilizes New Duke Energy's accounting system, ULH&P will process source documents, such as labor tickets and expense accounts, through New Duke Energy's accounting system, using the appropriate accounting information provided by the affiliate requesting the services. This accounting will indicate the company (*e.g.*, ULH&P) providing the services and the affiliate company receiving the services, as well as the appropriate project information required by the service request form documentation. On a monthly basis, the accounting departments will summarize this accounting, at which time overheads and cost of capital charges will be applied. Using internal accounting reports, each entity providing and receiving service can review the costs charged, at which time any discrepancies are resolved.

Q. HOW WILL COSTS INCURRED BY A ULH&P AFFILIATE ON BEHALF OF ULH&P BE ACCOUNTED FOR UNDER THE NONUTILITY COMPANIES AGREEMENT AND OPERATING COMPANIES AGREEMENT?

A. Again, that will depend on whether the affiliate maintains its own accounting system or whether it utilizes New Duke Energy's accounting system. If the

affiliate providing the service does not utilize New Duke Energy's accounting system, ULH&P will be invoiced directly for the services received. Where ULH&P has entered into a transaction with an affiliate that utilizes New Duke Energy's accounting system, the billing process is very similar to the example I described above, where ULH&P provides the service to a nonutility affiliate.

Q. HAS THE NONUTILITY COMPANIES AGREEMENT OR THE OPERATING COMPANIES AGREEMENT BEEN EXECUTED?

A. No.

Q. WILL ULH&P FILE THOSE AGREEMENTS WITH THE COMMISSION AFTER THEY HAVE BEEN EXECUTED?

A. Yes.

IV. ALLOCATION OF MERGER BENEFITS AND COSTS

Q. PLEASE GENERALLY DESCRIBE HOW THE NET SAVINGS RESULTING FROM THE MERGER WERE ALLOCATED TO ULH&P AND OTHER COMPANIES AFFILIATED WITH NEW DUKE ENERGY.

A. As described in Mr. Flaherty's testimony, a functional and sub-functional alignment was completed by each company for comparative purposes. Mr. Flaherty then identified savings opportunities by function. These functional groupings (*e.g.*, executive management, finance and accounting and legal) are similar to the functions currently utilized by Cinergy Services, Inc. and Duke Energy Corporation's shared services company to distribute and allocate shared services costs.

Consistent with cost causation principles, the net merger savings (both savings and costs) were allocated using an allocation method that represents the "cost driver" for the functions identified by Mr. Flaherty. Where possible, the allocation methods described in the proposed Service Company Agreement were used as the bases for allocating the identified savings and costs by function. Net merger savings that could not be directly linked to an allocation method in the proposed Service Company Agreement, or for which allocation ratios were not fully developed, were allocated using the new proposed weighted average factor described earlier in my testimony.

Q. WHAT AMOUNT OF NET MERGER SAVINGS HAS BEEN ALLOCATED TO ULH&P OVER THE FIVE-YEAR PERIOD 2006 - 2010?

A. Approximately $18.2 million of total New Duke Energy's net merger savings have been allocated to ULH&P for the period 2006 – 2010. A summary of the net merger savings allocated to ULH&P is set forth on Attachment BFB-5.

Q. PLEASE DESCRIBE ATTACHMENT BFB-4.

A. Attachment BFB-4 sets forth the functional categories of labor savings, non-labor savings and costs to achieve identified by Mr. Flaherty and the associated allocation method used to allocate the savings or costs for each functional category.

Q. PLEASE DESCRIBE ATTACHMENT BFB-5.

A. Attachment BFB-5 shows the five-year summary of net merger savings and costs applicable to ULH&P and all other New Duke Energy companies.

Q. DO ULH&P'S ALLOCATED NET SAVINGS INCLUDE ANY NET SAVINGS RELATED TO CG&E'S PLANNED TRANSFER OF GENERATING ASSETS TO ULH&P?

A. Yes. Attachment BFB-5 reflects costs and savings allocations applicable to ULH&P's current regulated gas and electric operations. Attachment BFB-5 includes the allocated costs and savings applicable to the generating assets to be transferred from CG&E to ULH&P.

Q. WHY ARE THE COSTS AND SAVINGS RELATED TO THE GENERATING ASSETS BEING REFLECTED IN ULH&P'S OVERALL NET SAVINGS?

A. The transfer of generating assets from CG&E to ULH&P is expected to occur in 2005 and the assets will be ULH&P assets at the effective date of the merger. As such, these costs and savings will be applicable to ULH&P.

Q. HOW WERE THE ALLOCATED COSTS AND SAVINGS APPLICABLE TO THE ASSET TRANSFER DETERMINED?

A. The allocated costs and savings were determined by using a ratio of the 2004 net generation applicable to the transferring assets to the total 2004 net generation of all of CG&E's generating assets. This method is consistent with the methods used by the Company in Case No. 2005-00042 and Case No. 2003-00252 to estimate the allocation of administrative and general costs associated with these assets which will be allocated to ULH&P upon the completion of the transfer.

Q. ARE THE ALLOCATION METHODS THAT WERE USED TO ASSIGN THE NET MERGER SAVINGS TO ULH&P'S GAS AND ELECTRIC

OPERATIONS THE SAME AS THOSE USED TO ASSIGN THE NET SAVINGS BETWEEN ULH&P AND THE OTHER NEW DUKE ENERGY COMPANIES?

A. Yes. For consistency, we used the same allocation methods that were used to assign costs and savings between ULH&P and the other New Duke Energy companies to assign costs and savings to ULH&P's gas and electric operations.

Q. DID YOU PROVIDE THE ALLOCATED MERGER SAVINGS AND COSTS TO MR. JOHN P. STEFFEN TO CALCULATE THE MERGER SAVINGS CREDIT RIDER DISCUSSED IN HIS TESTIMONY?

A. Yes, I did.

Q. ARE THE TOTAL NET SAVINGS SHOWN ON ATTACHMENT BFB-5 IDENTICAL TO THE TOTAL NET SAVINGS PRESENTED IN MR. FLAHERTY'S TESTIMONY?

A. No. First Attachment BFB-5 excludes the Non-Regulated net savings identified by Mr. Flaherty. Additionally, Attachment BFB-5 excludes fuel savings and certain corporate separation costs related to change in control, both of which are included in Mr. Flaherty's total net savings. ULH&P's portion of the excluded fuel savings will be passed through to ULH&P's retail customers through ULH&P's fuel cost adjustment mechanism when it becomes operational. The excluded change in control costs will be absorbed by shareholders and not netted against merger savings to be shared with customers. The following (in thousands) reconciles the net savings amounts between Attachment BFB-5 and Mr. Flaherty's testimony, Table 1.

Attachment BFB-5 – Total Net Savings	$767,229
Plus: Fuel Savings	40,106
Less: Change in Control Costs	183,308
Mr. Flaherty - Total Corporate and Regulated Savings	$624,027
Plus: Total Non-Regulated Savings	718,863
Mr. Flaherty – Total Net Savings	$1,342,890

V. CONCLUSION

Q. DO YOU HAVE AN OPINION AS TO WHETHER THE PROCESSES THAT WILL BE USED TO ASSIGN COSTS TO ULH&P, PURSUANT TO THE PROPOSED SERVICE AGREEMENTS YOU HAVE DESCRIBED, ARE REASONABLE AND APPROPRIATE?

A. Yes, I do. The cost assignment processes are reasonable methods for pricing and allocating the costs of services among the various companies. The cost assignment processes will fairly and accurately assign the costs of providing services to the correct entity responsible for the costs. These cost assignment are similar to the processes currently used to assign service company costs to ULH&P and its affiliates, which have been approved by this Commission and the SEC, and have proven to work well in actual practice.

Q. DO YOU HAVE AN OPINION AS TO WHETHER THE PROCESSES THAT WILL BE USED TO ALLOCATE THE BENEFITS AND COSTS OF THE MERGER TO ULH&P ARE REASONABLE AND APPROPRIATE?

A. Yes, I do. The allocation processes are reasonable methods for allocating the benefits and costs of the merger among ULH&P and the other companies that will incur costs and realize benefits as a result of the merger.

Q. WERE ATTACHMENTS BFB-1 THROUGH BFB-5 PREPARED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes, they were.

Q. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?

A. Yes, it does.

VERIFICATION

State of Indiana)
) **SS:**
County of Hendricks)

The undersigned, Barry F. Blackwell, being duly sworn, deposes and says that he is the Director, Management Reporting & Analysis, for Cinergy Services, Inc., and that the matters set forth in the foregoing testimony are true and correct to the best of his information, knowledge and belief.

Barry F. Blackwell
Barry F. Blackwell, Affiant

Subscribed and sworn to before me by Barry Blackwell on this 8th day of July, 2005.

Paula M. Roseman
NOTARY PUBLIC Paula M. Roseman

My Commission Expires: 3/17/09
Resident: Hendricks County

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-013

REQUEST:

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.

RESPONSE:

    a. See Attachment KyPSC-DR-03-013(a).

    b. An investigation of this software project has indicated that it has no connection to electric service and was inadvertently included in common plant when the budget was prepared. This project should have been classified as 100% Gas Plant.

WITNESS RESPONSIBLE: (a) Carl J. Council, Jr.
(b) Jim L. Stanley

Project Caleb
Plant Information
June 2005

		Original Cost	Reserve	Net Book Value
East Bend Unit 2	3100 - Land and Land Rights	2,427,089.19	0.00	2,427,089.19
East Bend Unit 2	3110 - Structures and Improvements	35,130,097.36	21,082,230.55	14,047,866.81
East Bend Unit 2	3120 - Boiler Plant Equipment	276,106,943.88	131,132,683.74	144,974,260.14
East Bend Unit 2	3123 Boiler Plant Eq - SCR Catalyst	2,230,486.31	712,989.76	1,517,496.55
East Bend Unit 2	3140 - Turbogenerator Units	67,126,094.92	31,096,647.86	36,029,447.06
East Bend Unit 2	3150 - Accessory Electric Equipment	25,061,326.79	13,928,144.49	11,133,182.30
East Bend Unit 2	3160 - Misc Power Plant Equipment	7,896,433.02	3,655,099.12	4,241,333.90
East Bend Unit 2	3170 - ARO Steam Production	336,174.02	215,893.32	120,280.70
		416,314,645.49	201,823,688.84	214,490,956.65
Miami Fort Unit 6	3110 - Structures and Improvements	3,056,616.76	3,056,616.76	0.00
Miami Fort Unit 6	3120 - Boiler Plant Equipment	20,636,138.22	15,177,016.60	5,459,121.62
Miami Fort Unit 6	3122 Boiler Plant Equip - Precip	11,772,653.72	11,109,255.95	663,397.77
Miami Fort Unit 6	3140 - Turbogenerator Units	11,479,684.15	10,556,984.01	922,700.14
Miami Fort Unit 6	3150 - Accessory Electric Equipment	4,075,296.48	3,585,560.41	489,736.07
Miami Fort Unit 6	3160 - Misc Power Plant Equipment	718,281.75	162,300.26	555,981.49
		51,738,671.08	43,647,733.99	8,090,937.09
Miami Fort 5&6	3120 - Boiler Plant Equipment	16,567,355.32	12,184,596.94	4,382,758.38
Miami Fort 5&6	3140 - Turbogenerator Units	21,574.50	19,840.41	1,734.09
		16,588,929.82	12,204,437.35	4,384,492.47
Woodsdale Common - CT Units 1-6	3400 - Land and Land Rights	4,271,377.85	(1,901.57)	4,273,279.42
Woodsdale Common - CT Units 1-6	3401 - Rights of Way	651,684.00	20,332.56	631,351.44
Woodsdale Common - CT Units 1-6	3410 - Structures and Improvements	33,725,782.31	16,158,207.11	17,567,575.20
Woodsdale Common - CT Units 1-6	3420 - Fuel Holders, Producers & Ac	15,507,515.98	8,663,225.36	6,844,290.62
Woodsdale Common - CT Units 1-6	3440 - Generators	149,599,453.19	71,299,615.22	78,299,837.97
Woodsdale Common - CT Units 1-6	3450 - Accessory Electric Equipment	16,860,722.69	9,446,616.49	7,414,106.20
Woodsdale Common - CT Units 1-6	3460 - Misc Power Plant Equipment	3,698,913.18	1,987,240.10	1,711,673.08
Woodsdale CT Unit 1	3440 - Generators	24,347,625.34	12,406,674.33	11,940,951.01
Woodsdale CT Unit 2	3430 - Prime Movers	440,433.99	27,842.37	412,591.62
Woodsdale CT Unit 5	3430 - Prime Movers	1,999,910.85	15,803.24	1,984,107.61
Woodsdale CT Unit 6	3430 - Prime Movers	18,614,482.07	2,353,457.45	16,261,024.62
Woodsdale CT Unit 6	3450 - Accessory Electric Equipment	6,287.18	1,087.64	5,199.54
		269,724,188.63	122,378,200.29	147,345,988.34
	Total Caleb Assets	**754,366,435.02**	**380,054,060.47**	**374,312,374.55**

Name of Respondent: Union Light, Heat and Power Company, The	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr): / /	Year/Period of Report: End of 2004/Q4

ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
	KyPSC Case No. 2006-00172 Attachment KYPSC-DR-02-010(a) Page 5 of 9		KyPSC Case No. 2006-00172 Attachment KYPSC-DR-03-013(a) Page 2 of 5		44
					45
					46
					47
36,913			1,121,636		48
			381,059		49
89,618		402,850	10,271,858		50
					51
12,802		-402,850	4,792,274		52
5,376			4,533,044		53
					54
					55
					56
					57
144,809			Trans (+) 21,099,871		58
					59
25,376			7,307,310		60
			296,659		61
12,244			30,230,829		62
					63
504,478			42,343,487		64
836,373			56,595,652		65
3,221			14,452,912		66
221,372			33,148,272		67
376,438		1,573,028	48,464,098		68
262,044			9,109,090		69
297,843		-39,812	13,909,485		70
					71
			9,647		72
147,224		-18,886	6,141,672		73
					74
2,686,613		1,514,330	Distr 262,009,113		75
					76
					77
			39,190		78
8,369			37,021		79
125,456			96,658		80
					81
3,602			470,883		82
					83
33,349			47,352		84
			84,462		85
					86
170,796			775,566		87
					88
					89
170,796			775,566		90
3,002,218		1,514,330	285,828,326		91
					92
					93
					94
3,002,218		1,514,330	285,828,326		95

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Union Light, Heat and Power Company, The	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2004/Q4

ACCUMULATED PROVISION FOR DEPRECIATION OF ELECTRIC UTILITY PLANT (Account 108)

1. Explain in a footnote any important adjustments during year.
2. Explain in a footnote any difference between the amount for book cost of plant retired, Line 11, column (c), and that reported for ric plant in service, pages 204-207, column 9d), excluding retirements of non-depreciable property.
3. The provisions of Account 108 in the Uniform System of accounts require that retirements of depreciable plant be recorded when such plant is removed from service. If the respondent has a significant amount of plant retired at year end which has not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired. In addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications.
4. Show separately interest credits under a sinking fund or similar method of depreciation accounting.

KyPSC Case No. 2006-00172
Attachment KYPSC-DR-03-013(a)
Page 3 of 5

Section A. Balances and Changes During Year

Line No.	Item (a)	Total (c+d+e) (b)	Electric Plant in Service (c)	Electric Plant Held for Future Use (d)	Electric Plant Leased to Others (e)
1	Balance Beginning of Year	104,490,295	104,490,295		
2	Depreciation Provisions for Year, Charged to				
3	(403) Depreciation Expense	8,735,163	8,735,163		
4	(403.1) Depreciation Expense for Asset Retirement Costs				
5	(413) Exp. of Elec. Plt. Leas. to Others				
6	Transportation Expenses-Clearing	1,542	1,542		
7	Other Clearing Accounts				
8	Other Accounts (Specify, details in footnote):				
9					
10	TOTAL Deprec. Prov for Year (Enter Total of lines 3 thru 9)	8,736,705	8,736,705		
	Net Charges for Plant Retired:				
12	Book Cost of Plant Retired	2,988,408	2,988,408		
13	Cost of Removal	995,652	995,652		
14	Salvage (Credit)	22,056	22,056		
15	TOTAL Net Chrgs. for Plant Ret. (Enter Total of lines 12 thru 14)	3,962,004	3,962,004		
16	Other Debit or Cr. Items (Describe, details in footnote):	22,217	22,217		
17					
18	Book Cost or Asset Retirement Costs Retired				
19	Balance End of Year (Enter Totals of lines 1, 10, 15, 16, and 18)	109,287,213	109,287,213		
	Section B. Balances at End of Year According to Functional Classification				
20	Steam Production				
21	Nuclear Production				
22	Hydraulic Production-Conventional				
23	Hydraulic Production-Pumped Storage				
24	Other Production				
25	Transmission	Trans (-) 8,883,018	8,883,018		
26	Distribution	Dist (-) 100,254,503	100,254,503		
27	General	149,692	149,692		
	TOTAL (Enter Total of lines 20 thru 27)	109,287,213	109,287,213		

KyPSC Case No. 2006-00172
Attachment KYPSC-DR-02-010(a)
Page 6 of 9

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Rep
The Union Light, Heat and Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2004/Q4

Accumulated Provision for Depreciation of Gas Utility Plant (Account 108)

1. Explain in a footnote any important adjustments during year.
2. Explain in a footnote any difference between the amount for book cost of plant retired, line 10, column (c), and that reported for g plant in service, page 204-209, column (d), excluding retirements of nondepreciable property.
3. The provisions of Account 108 in the Uniform System of Accounts require that retirements of depreciable plant be recorded when such plant is removed from service. If the respondent has a significant amount of plant retired at year end which has not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired. In addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications.
4. Show separately interest credits under a sinking fund or similar method of depreciation accounting.
5. At lines 7 and 14, add rows as necessary to report all data. Additional rows should be numbered in sequence, e.g., 7.01, 7.02, e

Line No.	Item (a)	Total (c+d+e) (b)	Gas Plant in Service (c)	Gas Plant Held for Future Use (d)	Gas Plant Leas to Others (e)
	Section A. BALANCES AND CHANGES DURING YEAR				
1	Balance Beginning of Year	76,191,356	76,191,356		
2	Depreciation Provisions for Year, Charged to				
3	(403) Depreciation Expense	7,481,142	7,481,142		
4	(403.1) Depreciation Expense for Asset Retirement Costs				
5	(413) Expense of Gas Plant Leased to Others				
6	Transportation Expenses - Clearing	240	240		
7	Other Clearing Accounts				
8	Other Clearing (Specify) (footnote details):				
9					
10	TOTAL Deprec. Prov. for Year (Total of lines 3 thru 8)	7,481,382	7,481,382		
11	Net Charges for Plant Retired:				
12	Book Cost of Plant Retired	(2,702,390)	(2,702,390)		
13	Cost of Removal	(564,478)	(564,478)		
14	Salvage (Credit)				
15	TOTAL Net Chrgs for Plant Ret. (Total of lines 12 thru 14)	(3,266,868)	(3,266,868)		
16	Other Debit or Credit Items (Describe) (footnote details):	34,261	34,261		
17					
18	Book Cost of Asset Retirement Costs				
19	Balance End of Year (Total of lines 1,10,15,16 and 18)	80,440,131	80,440,131		
	Section B. BALANCES AT END OF YEAR ACCORDING TO FUNCTIONAL CLASSIFICATIONS				
21	Productions-Manufactured Gas				
22	Production and Gathering-Natural Gas				
23	Products Extraction-Natural Gas				
24	Underground Gas Storage				
25	Other Storage Plant				
26	Base Load LNG Terminaling and Processing Plant				
27	Transmission	Trans (-) 3,039,773	3,039,773		
28	Distribution	Dist (-) 77,354,285	77,354,285		
29	General	46,073	46,073		
30	TOTAL (Total of lines 21 thru 29)	80,440,131	80,440,131		

KyPSC Case No. 2006-00172
Attachment KYPSC-DR-03-013(a)
Page 4 of 5

KyPSC Case No. 2006-00172
Attachment KYPSC-DR-02-010(a)
Page 7 of 9

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
The Union Light, Heat and Power Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2004/Q4

Gas Plant in Service (Accounts 101, 102, 103, and 106) (continued)

Line No.	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)
82				
83				KyPSC Case No. 2006-00172 Attachment KYPSC-DR-03-013(a) Page 5 of 5
84				
85				
86				
87				KyPSC Case No. 2006-00172 Attachment KYPSC-DR-02-010(a) Page 9 of 9
88				
89				
90				
91				
92				
93				
94				1,062,385
95	2,372			158,514
96	1,153,525		(6,406)	154,972,805
97				
98	9,825			3,796,373
99				
100	1,175,885		27,292	65,600,201
101	103,799		389,399	10,336,368
102	44,579		128,985	6,862,456
103	38,322			3,283,549
104	34,397			2,486,864
105				469,222
107				117,048
108				
109	2,562,704		537,270	249,145,785
110				
111				
112				
113	7,482			27,660
114	37,758			96,158
115				
116	56,941			1,625,340
117				
118				47,221
119				
120	18,430			125,562
121	120,611			1,922,141
122				
123				
124	120,611			1,922,141
125	2,785,243		537,270	256,666,555
126				
127				
128				
129	2,785,243		537,270	256,666,555

Total 256,666,555
General (1,922,141)
254,744,414
(+)

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-014

REQUEST:

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.

RESPONSE:

    a. These transactions involved the sale of transformers and meters between Duke Energy Kentucky and its affiliated operating companies. These transactions were priced using an average basis cost per unit of property by vintage year. This pricing methodology results in the purchasing company paying the fully embedded cost of the equipment. This pricing methodology is consistent with the terms and conditions of the Operating Companies Service Agreement that was approved by the Commission's November 29, 2005 Order in Case No. 2005-00228.

    b. The standard administrative process for recording these types of transfers is to accumulate the activity for a period of time and record the transaction at one time. The transactions, if recorded earlier in 2005, would have adjusted the beginning balance at September 1, 2005 as appropriate.

WITNESS RESPONSIBLE: (a) – Carl J. Council, Jr. and Carol E. Shrum
(b) – Carl J. Council, Jr.

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-015

REQUEST:

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.

RESPONSE:

See Attachment KyPSC-DR-03-015.

WITNESS RESPONSIBLE: Jim L. Stanley / John J. Roebel

DUKE ENERGY KENTUCKY
CASE NO. 2006-00172
CONSTRUCTION WORK IN PROGRESS - PERCENT COMPLETE (a)
AS OF DECEMBER 31, 2007

DATA: BASE PERIOD "X" FORECASTED PERIOD
TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
WORK PAPER REFERENCE NO(S).:

SCHEDULE B-4.1
PAGE 1 OF 1
WITNESS RESPONSIBLE:
C. J. COUNCIL

Line No. (A)	Project No. (B)	Date Construction Work Began (C)	Estimated Project Completion Date (D)	Percent of Elapsed Time (E)	Original Budget Estimate (F)	Most Recent Budget Estimate (G)	Total Project Expenditures (H)	Percent of Total Expenditures (I)= (H) / (G)
					$	$	$	
1	EB1912 - EBS-2 Misc Valves	01/01/05	12/31/06	100%	1,595,641	1,595,641	499,414	31%
2	EB1922 - EBS-2 General Equipment	01/01/05	12/31/11	43%	1,353,653	1,353,653	476,376	35%
10	EB200453 - Install Ash Pond Liner	01/01/07	09/30/11	21%	2,651,080	2,651,080	509,893	19%
11	EB200531 - Inst Thick Tunl Emer Sump Pump	01/01/06	11/30/10	41%	159,940	159,940	12,226	8%
17	EB2012532 - 2 Ash Sluice Pump Motor Repl	01/01/06	12/31/08	67%	90,497	90,497	1,082	1%
23	EB201292 - New East Bend Landfill	05/01/05	02/01/11	46%	9,286,654	9,286,654	544,793	6%
69	MF4407 - MFS-CFCD General Equipment	3/1/2005	12/31/06	100%	35,687	35,687	26,856	75%
70	MF441C - MFS 5&6 Misc Valves	1/1/2005	12/31/06	100%	353,577	353,577	191,081	54%
71	MF442C - MFS 5&6 General Equipment	3/1/2005	12/16/06	100%	114,779	114,779	69,067	60%
81	MF601201 - U6 Replace SW Strainer & ISO	10/1/2007	11/30/07	100%	142,130	142,130	15,252	11%
85	MF601213 - SAH Gas Inlet Dampers	4/1/2007	12/30/08	43%	2,176,268	2,176,268	950,925	44%
110	WG0244 - WGS-CT4 Major "C" Overhaul #1	3/1/2005	06/01/08	87%	17,359,519	17,359,519	2,742,614	16%
111	WG047C - WGS General Equipment	10/1/2005	12/31/14	24%	276,282	276,282	52,630	19%
112	WG048C - WGS Misc. Valves	1/1/2006	12/31/14	22%	534,213	534,213	98,027	18%
117	WGS01208 - Cyber Security	1/1/2006	01/01/08	100%	416,907	416,907	360,096	86%
120	302C7679 - Empire- XFMR #3 Tran - 302C7679	8/18/2005	06/01/08	85%	81,171	81,171	24,678	30%
127	303C7679 - Empire- Inst. XFMR #3 - 10.5mva - 3	12/4/2006	06/01/08	72%	600,745	600,745	152,092	25%
137	310ZNB - ZULH&P NEW BUSINESS SOUTH AREA	1/1/2006	12/31/08	67%	15,214,568	15,214,568	10,089,970	66%
138	312ZLL - ZULH&P LIGHTS SOUTH AREA	1/1/2005	12/31/08	75%	1,791,139	1,791,139	1,328,911	74%
141	314C7680 - Empire 43 - 314C7680	1/4/2007	06/01/08	70%	230,104	230,104	83,981	37%
145	314E7920 - Kenton 41 Extend-Orphanage Rd - 314	7/2/2007	06/01/08	54%	158,808	158,808	6,576	4%
149	314ZDA - ZULH&P DIST ASSESS SOUTH AREA	3/1/2005	12/31/08	74%	279,377	279,377	185,055	66%
150	314ZLG - ZULH&P LG DIST IMPR SOUTH AREA	1/1/2005	12/31/08	75%	1,134,852	1,134,852	798,140	70%
151	314ZRL - ZULH&P RL DIST IMPR SOUTH AREA	1/1/2005	12/31/08	75%	2,174,224	2,174,224	1,695,465	78%
152	314ZUG - ZULHP UG CABLE RPLC SOUTH AREA	1/1/2005	12/31/08	75%	306,218	306,218	234,379	77%
153	314ZUR - ZULH&P UR DIST IMPR SOUTH AREA	1/1/2005	12/31/08	75%	3,815,520	3,815,520	2,718,098	71%
154	316ZBG - ZULH&P BLDGS/GRNDS SOUTH AREA	1/1/2005	12/31/08	75%	319,876	319,876	182,182	57%
155	316ZGE - ZTOOLS ULH&P GEN EQUIP SOUTH	3/1/2005	12/31/08	74%	100,627	100,627	70,533	70%
156	903G0504 - ULH&P MINOR DIST FAILURES	1/1/2005	12/31/08	75%	224,044	224,044	149,388	67%
157	903G0534 - ULH&P MAJOR DIST FAILURES	12/1/2005	12/31/08	67%	283,634	283,634	243,483	86%
158	903G7996 - ULHP DISTRIBUTION BATTERIES	1/1/2006	12/31/08	67%	29,808	29,808	19,263	65%
159	906F0502 - ULH&P DISTR TRANSFORMERS	4/1/2005	12/31/08	73%	5,200,342	5,200,342	3,808,298	73%
160	924G0500 - ULH&P ELECTRIC METERS	1/1/2005	12/31/08	75%	1,953,270	1,953,270	1,436,880	74%
162	NERC13BG - NERC 1300 CYBER SECURITY	1/1/2006	12/31/06	100%	325,443	325,443	219,516	67%
163	NERC13XX - NERC 1300 SUBSTATION SECURITY	1/1/2006	12/31/08	67%	118,556	118,556	90,761	77%
164	TOOL002 - TOOLS ULH&P TRANSPORTATION	4/1/2005	12/31/06	100%	79,601	79,601	76,397	96%
165	TRLERULH - TRAILERS & CONST EQUIP ULH&P	1/1/2006	12/31/08	67%	64,680	64,680	43,050	67%
166	U02Z7993 - ULHP MINOR TRANS SUB FAILURES	1/1/2006	12/31/08	67%	34,397	34,397	22,698	66%
167	U03Z7688 - MISC DIST SUB NON-BUDGET WORK	1/1/2006	12/31/08	67%	337,377	337,377	218,020	65%
168	U03Z7972 - MISC NON BUDGET CARRYOVER	1/1/2006	12/31/08	67%	185,390	185,390	116,477	63%
169	U04ZGM - ZULH&P GOV MAND TRANS IMPR	1/1/2005	12/31/08	75%	749,295	749,295	522,109	70%
170	U04ZUR - ZULH&P UPGR/REPL TRANS IMPR	1/1/2005	12/31/08	75%	200,750	200,750	143,796	72%
171	U14Z7690 - MISC DIST LINE NON-BUDGET WORK	1/1/2006	12/31/08	67%	4,257,725	4,257,725	2,365,199	56%
172	U14Z7973 - MISC NON BUDGET CARRYOVER	1/1/2006	12/31/08	67%	117,249	117,249	75,393	64%
173	U14ZGLZ - ULH GLIT DISTRIBUTION	1/1/2006	12/31/08	67%	573,126	573,126	379,851	66%
174	U14ZGM - ZULH&P GOV MAND DIST IMPR	1/1/2005	12/31/08	75%	4,728,416	4,728,416	3,418,193	72%
175	U14ZKVZ - ULH&P DIST LINE CAPACITORS	1/1/2005	12/31/08	75%	1,291,617	1,291,617	909,739	70%
176	U16ZMTRE - TOOLS ELEC MTR OPS ULHP	3/1/2005	12/31/08	74%	48,771	48,771	32,267	66%
178	ULHSTORM - ULH&P STORM BUDGET	4/1/2005	12/31/08	73%	633,723	633,723	457,197	72%
189	BATMNT - BATGENMAINT	3/1/2006	12/31/10	38%	25,262	25,262	10,477	41%
192	CINMAN - cincinnati MAN	1/1/2006	12/31/10	40%	107,284	107,284	35,416	33%
203	EMCUPG - EMC UPGRADE	1/1/2007	04/30/10	30%	102,968	102,968	24,735	24%
219	MOBDAT1 - MOB DATA INTERFACE	1/1/2006	12/31/08	67%	118,181	118,181	72,123	61%
221	MWREPL - microwave replacement	1/1/2006	12/31/10	40%	493,295	493,295	189,932	39%
223	NTBBUPG - NETWORK BACKBONE UPGRADE	1/1/2006	12/31/10	40%	81,770	81,770	27,927	34%
226	PHYNTSEC - PHYSICAL NETWORK SECURITY	1/1/2006	12/31/10	40%	48,075	48,075	24,031	50%
227	RADBACK - radio backhaul	1/1/2006	12/31/10	40%	58,100	58,100	23,433	40%
233	SECEQUIP - Security Equipment	5/1/2005	12/31/10	47%	19,710	19,710	7,523	38%
236	STRCWIRE - structured wiring	1/1/2006	12/31/10	40%	134,506	134,506	45,983	34%
246	VOIP - voice over IP	1/1/2006	12/31/10	40%	662,649	662,649	54,692	8%
247	WANDIV - wan diversity	1/1/2006	12/31/10	40%	29,898	29,898	10,660	36%

(a) Based on expenditures including AFUDC.

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-016

REQUEST:

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.

RESPONSE:

    a. The program will include all electric, gas and combined electric and gas customers by the time the implementation is completed. The 40,500 electric meters and 28,100 gas meters reported in the Company's response to KyPSC-DR-019(a) is the number of meters to be installed during 2007.

    b. Kentucky implementation was assumed to be completed in 2008 and deployment in Ohio and Indiana was assumed to be completed in 2009 because the deployment will begin in Kentucky prior to Ohio and Indiana.

    c. No costs have been incurred as of July 31, 2006. The estimated months for the base period consist of the six months ending August 31, 2006. Duke Energy Kentucky does not expect to incur any implementation or installation costs for AMI through that date because it has scheduled the deployment of AMI to begin in December 2006. Duke Energy Kentucky will report to the Commission on this information again when it files its updated financial information on October 16, 2006.

WITNESS RESPONSIBLE: Jim L. Stanley

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-017

REQUEST:

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.

RESPONSE:

The following items contained in response to KyPSC-DR-02-021 have been eliminated for rate-making purposes on WPD-2.22a.

Description	Account	Amount
Advertising	910000	$42,122
Club dues	910000	$638
Community Relations	910000	$55,372
Advertising	930000	$16,852
Misc. Events / Tickets	930200	$1,921

WITNESS RESPONSIBLE: William Don Wathen, Jr.

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-018

REQUEST:

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.

RESPONSE:

The amount of undetermined advertising expense shown on Schedule F-4 is $170,375. The response to KyPSC-DR-02-022 contained a typographical error in that the amount reported as $175,375 is incorrect, and should have been reported as $170,375.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-019

REQUEST:

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.

RESPONSE:

    a. The increase in the "Straight Time Dollars" of 36.06% in the Updated Schedule G-2 provided at Attachment KyPSC-DR-02-024 is incorrect. Revising this Updated Schedule G-2 to reflect the correct level of base period straight time labor expense lowers the percent increase to 14.34%. The error reflected in the Updated Schedule G-2 resulted from excluding the indirect labor portion of the straight time dollars in the base period as compared to those presented in the Forecast Period.

    The figures in the Updated Schedule G-2 for "Labor Dollars" in the Base Period are incorrect. See the table below for the revised data:

Labor Dollars	2005	Base Period	Percent Change	Forecast Period	Percent Change
Other Earnings	$5,715,623	$7,458,891	30.50%	$3,799,087	(49.07)%
Straight Time Dollars	25,511,867	32,642,767	27.95%	37,324,694	14.34%
Overtime Dollars	2,551,198	2,408,478	(5.59)%	2,085,015	(13.43)%
Total Labor Dollars	$33,778,688	$42,510,136	25.85%	$43,208,796	1.64%

With this correction, this revised percentage increase in total straight time labor dollars reflects a slightly higher percentage increase than straight time labor hours since the dollars also reflect projected wage increases on top of the change in hours associated with the plant transfer. Furthermore, the relatively higher proportion of labor expensed versus capitalized for production employees results in the slightly higher growth in "O&M Labor Dollars."

b. (1) As stated in the Company's response to KyPSC-DR-02-024(c), change-in-control payments were not included in the forecasted test period.

(2) The SEC did not give Duke Energy Kentucky any guidance about how to record change-in-control payments on its books. Duke Energy Kentucky followed GAAP in recording these expenses. No change-in-control payments are reflected in the forecasted test period.

c. As of July 31, 2006, Duke Energy Kentucky had 210 actual employees. There are more than 125 generating station employees that are employees of Duke Energy Ohio and Duke Energy Shared Services who directly charge or allocate their time to Duke Energy Kentucky. This excludes non-generating personnel employed by Duke Energy Shared Services who charge their time to Duke Energy Kentucky.

d. Duke Energy Kentucky expects to incur labor costs between January and December of 2007 that would be equivalent to employing between 289 and 328 employees. This includes only the Duke Energy Kentucky employees and the generating station employees as described in the response to KyPSC-DR-03-019(c). Also, see the Attachment to AG-DR-02-020 for the workforce level included in the forecast period.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-020

REQUEST:

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.

RESPONSE:

    a. Yes. The proposed revenue requirement supports a fair return on the Company's electric production, transmission and distribution operations.

    b. The Section 199 deduction is not based on revenue; it is based on the taxable income from electric production operations. The pro forma adjustment calculated on WPD-2.29a through WPD-2.29c determines the Section 199 deduction based on the electric production pre-tax income proposed in this case. It applies the weighted cost of common equity proposed to the allocated electric production capitalization. The resulting net income is then grossed-up and Schedule M items are added and subtracted to determine the taxable income from electric production. Any changes in the electric jurisdictional rate base ratio, the electric production rate base ratio, the forecasted capitalization or the return on common equity will require this calculation to be revised.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

KyPSC-DR-03-021

REQUEST:

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.

RESPONSE:

PACE ("Post-Analysis Cost Evaluation") is a vendor-supplied software tool the Company uses to determine allocation of production costs, including the cost of emission allowances, between native and non-native sales.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

KyPSC-DR-03-022

REQUEST:

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.

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.

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[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.

(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."

RESPONSE:

a. No. Duke Energy Kentucky stated in its motion to the Commission for a finding of compliance with merger commitments nos. 3 and 4, filed April 6], 2006, that by avoiding push-down accounting it would "avoid ***increased*** costs to comply with Sarbanes-Oxley Act." Duke Energy Kentucky has de-registered with the U.S. Securities and Exchange Commission ("SEC") and thereby avoided *increased* Sarbanes-Oxley Act costs as represented in the April 6, 2006 letter. Nevertheless, Duke Energy Ohio, Cinergy Corp. and Duke Energy Corporation are all registered with the SEC and incur Sarbanes-Oxley Act compliance costs, some of which are allocated to Duke Energy Kentucky. These costs will continue in the future and are properly included in the forecasted test period.

b. The test period should include professional services expenses for annual report design and annual report printing because Duke Energy Kentucky is a subsidiary of Duke Energy Ohio, Cinergy Corp., and Duke Energy Corporation, and it benefits from the annual reports generated by these other entities. For example, Duke Energy Kentucky's cost of capital is determined, in part, based on data published in these reports. Duke Energy Kentucky therefore should properly be allocated an appropriate share of these costs.

c. See response to KyPSC-DR-03-022(b).

d. See below for the services provided by each vendor.

(1) Corestaff Services – Comensura, page 2 of 6, provides staffing support for various IT projects.

(2) CSC Consulting, Inc., page 2 of 6, production support for the Company's Smallworld system.

(3) DBA Direct, Inc., page 2 of 6, service fees for network servers.

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

(5) Global Energy Decisions, Inc., page 3 of 6, contract labor for the Company's PACE system (Phase 9 modifications and enhancements).

(6) Hewlett-Packard Co., page 3 of 6, contract labor for help desk.

(7) IBM Corp., page 3 of 6, support for the Finance & Accounting software system.

(8) Lucrum, Inc., page 4 of 6, production support for the Company's financial system data warehouse. Also provides staffing support for various IT projects as needed.

(9) Price Waterhouse Coopers LLP, page 4 of 6, professional services related to Sarbanes-Oxley 404 IT requests.

(10) Robert Half Management, page 5 of 6, contract labor for management employees in the Tax Department.

(11) The Wackenhut Corp., page 5 of 6, security guards for generating facilities and offices.

e. Professional services expenses labeled as "Not Applicable" are primarily related to un-vouchered liabilities which the company records on a quarterly basis. This is done to comply with GAAP which requires that costs be reported in the period in which the service is recorded.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-023

REQUEST:

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,[1] 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.[2]

    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.

RESPONSE:

    a. Both the electric and gas operations records an expense to its Account 904002, Loss on Sale of Accounts Receivable for the discount expense incurred on the sale of receivables. In Case No. 2005-00042, the Company advised the Commission that it was selling its receivables to an affiliated company for a discount. The amounts provided in the response to KyPSC-DR-02-034(c) were the costs recorded for this discount expense.

    b. No, the amount reflects the discount expense incurred on the sale of receivables. The discount expense calculation is based on various factors,

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[1] 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.

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

including the historic amount of actual accounts that have been determined to be uncollectible.

c. Duke Energy Kentucky has included uncollectible accounts expense in its forecasted test period.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-024

REQUEST:

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.

RESPONSE:

See Attachment KyPSC-DR-03-024.

WITNESS RESPONSIBLE: Jeffrey R. Bailey

Duke Energy Kentucky
1697-A Monmouth Street
Newport, Kentucky 4107

KY.P.S.C. Electric No. 1
First Revised Sheet No. 69
Cancels and Supersedes
Original Sheet No. 69

RATE SE

STREET LIGHTING SERVICE - OVERHEAD EQUIVALENT

APPLICABILITY

Applicable to municipal, county, state and Federal governments, including divisions thereof and incorporated homeowners associations for the lighting of public streets and roads with Company lighting fixtures in underground distribution areas, where the customer elects to make a contribution for the installation of the fixture, mounting, pole and secondary wiring to obtain the rate/unit for the same size standard fixture (cobra head) in an overhead distribution area.

Mercury Vapor lighting fixtures will not be installed by the Company after June 1, 2003. As currently installed Mercury Vapor fixtures are retired and/or replaced, they may be replaced with either Metal Halide or Sodium Vapor fixtures as the customer chooses. (N)

This rate schedule is no longer available after December 31, 2006. Potential lighting customers wanting a lighting system installed and maintained by Company can do so via the Outdoor Lighting Equipment agreement (OLE). Potential customers should contact a Company account representative for further information concerning OLE options. This rate schedule terminates December 31, 2026. Customers currently being provided service under this rate schedule can continue being provided service under this rate schedule for the remaining useful life of the facilities ~~until their contract expires~~, or this rate schedule terminates, whichever occurs first. (N)

TYPE OF SERVICE

All equipment will be installed, owned and maintained by the Company. All lamps will burn from dusk to dawn, approximately 4,160 hours per annum. The Company will endeavor to replace burned-out lamps within 48 hours after notification by the customer. The Company does not guarantee continuous lighting and shall not be liable to the customer or anyone else for any damage, loss or injury due to any cause.

NET MONTHLY BILL

The following monthly charge for each lamp with luminaire, controlled automatically, will be assessed:

Issued by authority of an Order of the Kentucky Public Service Commission dated in Case No. 2006-00172.

Issued: June 16, 2006

Effective: July 6, 2006

Issued by Sandra P. Meyer, President

NET MONTHLY BILL (Contd.)

1. Base Rate

Fixture Description	Lamp Watt	kW/Unit	Annual kWh	Rate/Unit	
Decorative Fixtures					
Mercury Vapor					
7,000 lumen (Town & Country)	175	0.205	853	$ 5.46	
7,000 lumen (Holophane)	175	0.210	874	$ 5.46	(I)
7,000 lumen (Gas Replica)	175	0.210	874	$ 5.46	
7,000 lumen (Aspen)	175	0.210	874	$ 5.46	
Metal Halide					
14,000 lumen (Traditionaire)	175	0.205	853	$ 5.46	
14,000 lumen (Granville Acorn)	175	0.210	874	$ 5.46	(N)
14,000 lumen (Gas Replica)	175	0.210	874	$ 5.46	
Sodium Vapor					
9,500 lumen (Town & Country)	100	0.117	487	$ 6.84	(I)
9,500 lumen (Holophane)	100	0.128	532	$ 6.84	
9,500 lumen (Rectilinear)	100	0.117	487	$ 6.84	
9,500 lumen (Gas Replica)	100	0.128	532	$ 6.84	
9,500 lumen (Aspen)	100	0.128	532	$ 6.84	(I)
9,500 lumen (Traditionaire)	100	0.117	487	$ 6.84	
9,500 lumen (Granville Acorn)	100	0.128	532	$ 6.84	(N)
22,000 lumen (Rectilinear)	200	0.246	1,023	$ 9.16	
50,000 lumen (Rectilinear)	400	0.471	1,959	$10.95	
50,000 lumen (Setback)	400	0.471	1,959	$10.95	(I)

Additional facilities, other than specified above, if required, will be billed at the time of installation.

2. Base Fuel Cost
   All kilowatt-hours shall be subject to a charge of $0.021619 per kilowatt-hour reflecting the base cost of fuel. (I)

3. Applicable Riders (D)
   The following riders are applicable pursuant to the specific terms contained within each rider: (C)
   Sheet No. 80, Rider FAC, Fuel Adjustment Clause (N)
   Sheet No. 81, Rider MSR-E, Merger Savings Credit Rider – Electric
   Sheet No. 83, Rider TCRM, Transmission Cost Recovery Mechanism

LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

TERM OF SERVICE

The street lighting units are installed for the life of the unit, terminable on one hundred twenty (120) days written notice by either customer or Company subject to Paragraph 4 or 6 under General Conditions.

Issued by authority of an Order of the Kentucky Public Service Commission dated in Case No. 2006-00172.

Issued: June 16, 2006 Effective: July 6, 2006

Issued by Sandra P. Meyer, President

GENERAL CONDITIONS

(1) If the customer requires the installation of a unit at a location which requires the extension, relocation, or rearrangement of the Company's distribution system, the customer shall, in addition to the monthly charge, pay the Company on a time and material basis, plus overhead charges, the cost of such extension, relocation, or rearrangement, unless in the judgment of the Company no charge should be made. An estimate of the cost will be submitted for approval before work is carried out.

(2) Installation of street lighting units will be predicated on the ability of the Company to obtain, without cost to itself or the payment or other consideration, all easements and rights-of-way which, in the opinion of the Company, are necessary for the construction, maintenance and operation of the street lights, standards, anchors and/or service wires. If such easements and rights-of-way cannot be so obtained, the Company shall have no obligation hereunder to install such units.

(3) The time within which the Company will be able to commence or to complete the services to be performed is dependent on the Company's ability to secure the materials required, and the Company shall not be responsible for failure to install these street light units for such reason.

(4) If an installed street lighting unit is required to be relocated, removed, or replaced with another unit of the same or less rated lamp wattage, the ordering Authority shall pay the Company the sacrifice value of the unit, plus labor and overhead charges, unless in the judgment of the Company no charge should be made. An estimate of the cost will be submitted for approval before work is carried out.

(5) Lamps and refractors which are maintained by the Company shall be kept in good operating condition by and at the expense of the Company.

In cases of vandalism, the Company will repair the damaged property and the customer shall pay for such repair on a time and material basis, plus overhead charges, unless in the judgment of the Company no charge should be made. An estimate of the cost will be submitted for approval before work is carried out.

(6) When a street lighting unit reaches end of life or becomes obsolete and parts cannot be reasonably obtained, the Company can remove the unit at no expense to the customer after notifying the customer. The customer shall be given the opportunity to arrange for another type lighting unit provided by the Company.

(7) The contribution only provides for replacement of these facilities due to occasional damage or premature malfunction. It does not cover replacement at end of life.

SERVICE REGULATIONS

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

KY.P.S.C. Electric No. 1
First Revised Sheet No. 68
Cancels and Supersedes
Original Sheet No. 68

Duke Energy Kentucky
1697-A Monmouth Street
Newport, Kentucky 41071

RATE SC

STREET LIGHTING SERVICE - CUSTOMER OWNED

APPLICABILITY

Applicable to municipal, county, state and Federal governments, including divisions thereof, and incorporated homeowner's associations for the lighting of public streets and roads when the total investment and installation costs of the fixtures are borne by the customer. The fixture shall be a Company approved unit used in overhead and underground distribution areas.

Mercury Vapor lighting fixtures will not be installed by the Company after June 1, 2003. As currently installed Mercury Vapor fixtures are retired and/or replaced, they may be replaced with either Metal Halide or Sodium Vapor fixtures as the customer chooses. (N)

This rate schedule is no longer available after December 31, 2006. Potential lighting customers wanting a lighting system installed and maintained by Company can do so via the Outdoor Lighting Equipment agreement (OLE). Potential customers should contact a Company account representative for further information concerning OLE options. This rate schedule terminates December 31, 2026. Customers currently being provided service under this rate schedule can continue being provided service under this rate schedule for the remaining useful life of the facilities ~~until their contract expires,~~ or this rate schedule terminates, whichever occurs first. (N)

TYPE OF SERVICE

All equipment will be owned by the customer but may be installed by customer or Company with limited maintenance performed by the Company. Limited maintenance includes only fixture cleaning, relamping, and glassware and photo cell replacement. All lamps will burn from dusk to dawn, approximately 4,160 hours per annum. The Company will endeavor to replace burned-out lamps within 48 hours after notification by the customer. The Company does not guarantee continuous lighting and shall not be liable to the customer or anyone else for any damage, loss or injury due to any cause.

NET MONTHLY BILL

The following monthly charge for each lamp with luminaire, controlled automatically, will be assessed:

1. Base Rate	Lamp Watts	kW/Unit	Annual kWh	Rate/Unit	
Fixture Description					
Standard Fixture (Cobra Head)					
Mercury Vapor					
7,000 lumen	175	0.193	803	$2.57	(I)
10,000 lumen	250	0.275	1,144	$3.04	
21,000 lumen	400	0.430	1,789	$3.83	
Metal Halide					
14,000 lumen	175	0.193	803	$2.57	
20,500 lumen	250	0.275	1,144	$3.04	(N)

Issued by authority of an Order of the Kentucky Public Service Commission dated in Case No. 2006-00172.

Issued: June 16, 2006 Effective: July 6, 2006

Issued by Sandra P. Meyer, President

1. Base Rate	Lamp Watts	kW/Unit	Annual kWh	Rate/Unit	
36,000 lumen	400	0.430	1,789	$3.83	
Sodium Vapor					
9,500 lumen	100	0.117	487	$3.96	(I)
16,000 lumen	150	0.171	711	$4.19	
22,000 lumen	200	0.228	948	$4.26	
27,500 lumen	250	0.228	948	$4.26	(N)
50,000 lumen	400	0.471	1,959	$4.45	
Decorative Fixture					
Mercury Vapor					
7,000 lumen (Holophane)	175	0.210	874	$3.57	
7,000 lumen (Town & Country)	175	0.205	853	$3.56	
7,000 lumen (Gas Replica)	175	0.210	874	$3.57	(C)
7,000 lumen (Aspen)	175	0.210	874	$3.57	
Metal Halide					
14,000 lumen (Traditionaire)	175	0.205	853	$3.56	(N)
14,000 lumen (Granville Acorn)	175	0.210	874	$3.57	
14,000 lumen (Gas Replica)	175	0.210	874	$3.57	
Sodium Vapor					
9,500 lumen (Town & Country)	100	0.117	487	$3.97	(I)
9,500 lumen (Traditionaire)	100	0.117	487	$3.97	(N)
9,500 lumen (Granville Acorn)	100	0.128	532	$4.10	
9,500 lumen (Rectilinear)	100	0.117	487	$3.97	
9,500 lumen (Aspen)	100	0.128	532	$4.10	(I)
9,500 lumen (Holophane)	100	0.128	532	$4.10	
9,500 lumen (Gas Replica)	100	0.128	532	$4.10	(C)
22,000 lumen (Rectilinear)	200	0.246	1,023	$4.49	
50,000 lumen (Rectilinear)	400	0.471	1,959	$4.74	(I)

Where a street lighting fixture served overhead is to be installed on another utility's pole on which the Company does not have a contact, a monthly pole charge will be assessed.

Pole Description	Pole Type	Rate/Pole	
Wood			
30 foot	W30	$4.29	(I)
35 foot	W35	$4.34	
40 foot	W40	$5.21	

Issued by authority of an Order of the Kentucky Public Service Commission dated in Case No. 2006-00172.

Issued: June 16, 2006 Effective: July 6, 2006

Issued by Sandra P. Meyer, President

NET MONTHLY BILL (Contd.)

Customer Owned and Maintained Units

The rate for energy used for this type street lighting will be $0.034561 per kilowatt-hour which includes the base fuel cost rate stated below. The monthly kilowatt-hour usage will be mutually agreed upon between the Company and the customer. Where the average monthly usage is less than 150 kWh per point of delivery, the customer shall pay the Company, in addition to the monthly charge, the cost of providing electric service on the basis of time and material plus overhead charges. An estimate of the cost will be submitted for approval before work is carried out. (I)

2. Base Fuel Cost
   All kilowatt-hours shall be subject to a charge of $0.021619 per kilowatt-hour reflecting the base cost of fuel. (I)

3. Applicable Riders (D)
   The following riders are applicable to the specific terms contained within each rider:
   Sheet No. 80, Rider FAC, Fuel Adjustment Clause (C)
   Sheet No. 81, Rider MSR-E, Merger Savings Credit Rider – Electric (N)
   Sheet No. 83, Rider TCRM, Transmission Cost Recovery Mechanism

LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

TERM OF SERVICE

The street lighting units are installed for the life of the unit, terminable on one hundred twenty (120) days written notice by either customer or Company subject to Paragraph 4 or 6 under General Conditions.

GENERAL CONDITIONS

(1) If the customer requires the installation of a unit at a location which requires the extension, relocation, or rearrangement of the Company's distribution system, the customer shall, in addition to the monthly charge, pay the Company on a time and material basis, plus overhead charges, the cost of such extension, relocation, or rearrangement, unless in the judgment of the Company no charge should be made. An estimate of the cost will be submitted for approval before work is carried out.

(2) Installation of street lighting units will be predicated on the ability of the Company to obtain, without cost to itself or the payment or other consideration, all easements and rights-of-way which, in the opinion of the Company, are necessary for the construction, maintenance and operation of the street lights, standards, anchors and/or service wires. If such easements and rights-of-way cannot be so obtained, the Company shall have no obligation hereunder to install such units.

GENERAL CONDITIONS (Contd.)

(3) The time within which the Company will be able to commence or to complete the services to be performed is dependent on the Company's ability to secure the materials required, and the Company shall not be responsible for failure to install these street light units for such reason.

(4) If an installed street lighting unit is required to be relocated, removed, or replaced by the Company, the ordering Authority shall pay the Company the cost agreed upon under a separate contract.

(5) Lamps and refractors which are maintained by the Company shall be kept in good operating condition by and at the expense of the Company.

In cases of vandalism, the Company will repair the damaged property and the customer shall pay for such repair on a time and material basis, plus overhead charges, unless in the judgment of the Company no charge should be made. An estimate of the cost will be submitted for approval before work is carried out.

(6) When a customer owned lighting unit becomes inoperative the cost of repair, replacement or removal of the unit will be at the customer's expense.

(7) All lights installed on an overhead distribution system will be installed by Company under a separate contract with customer.

SERVICE REGULATIONS

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

Duke Energy Kentucky
1697-A Monmouth Street
Newport, Kentucky 41071

KY.P.S.C. Electric No. 1
First Revised Sheet No. 67
Cancels and Supersedes
Original Sheet No. 67

RATE NSP

PRIVATE OUTDOOR LIGHTING FOR NON-STANDARD UNITS

APPLICABILITY

Applicable to service for outdoor lighting on private property with Company-owned lighting fixtures in the Company's entire territory where secondary distribution lines are adjacent to the premise to be served. Not applicable to service for lighting of dedicated or undedicated public thoroughfares.

Mercury Vapor lighting fixtures will not be installed by the Company after June 1, 2003. As currently installed Mercury Vapor fixtures are retired and/or replaced, they may be replaced with either Metal Halide or Sodium Vapor fixtures as the customer chooses. (N)

This rate schedule is no longer available after December 31, 2006. Potential lighting customers wanting a lighting system installed and maintained by Company can do so via the Outdoor Lighting Equipment agreement (OLE). Potential customers should contact a Company account representative for further information concerning OLE options. This rate schedule terminates December 31, 2016. Customers currently being provided service under this rate schedule can continue being provided service under this rate schedule for the remaining useful life of the facilities ~~until their contract expires,~~ or this rate schedule terminates, whichever occurs first. (N)

TYPE OF SERVICE

All equipment will be installed, owned and maintained by the Company on rights-of-way provided by the customer. The Company will perform maintenance only during regularly scheduled working hours and will endeavor to replace burned-out lamps within 48 hours after notification by the customer. The Company does not guarantee continuous lighting and shall not be liable to the customer or anyone else for damage, loss or injury resulting from any interruption in such lighting due to any cause. All lamps will burn from dusk to dawn, approximately 4,160 hours per annum.

NET MONTHLY BILL

1. Base Rate
   A. Private outdoor lighting units:

   The following monthly charge will be assessed for existing facilities, but this unit will not be available to any new customers after May 15, 1973:

	Lamp Watt	kW/Unit	Annual kWh	Rate/Unit	
2,500 lumen Mercury, Open Refractor.....	100	0.115	478	$ 6.71	(I)
2,500 lumen Mercury, Enclosed Refractor.....	100	0.115	478	$ 9.53	

Issued by authority of an Order of the Kentucky Public Service Commission dated in Case No. 2006-00172.

Issued: June 16, 2006

Effective: July 6, 2006

Issued by Sandra P. Meyer, President

NET MONTHLY BILL (Contd.)

B. Outdoor lighting units served in underground residential distribution areas:

The following monthly charge will be assessed for existing fixtures which include lamp and luminaire, controlled automatically, with an underground service wire not to exceed 35 feet from the service point, but these units will not be available to new customers after May 5, 1992:

	Lamp Watt	kW/Unit	Annual kWh	Rate/Unit	
7,000 lumens Mercury, Mounted on a 17-foot Fiberglass Pole	175	0.205	853	$12.59	
7,000 lumen Mercury, Mounted on a 17-foot Wood Laminated Pole (a)	175	0.205	853	$12.59	(I)
7,000 lumen Mercury, Mounted on a 30-foot Wood Pole	175	0.205	853	$11.51	
9,500 lumen Sodium Vapor, TC 100 R	100	0.117	487	$10.04	

(a) Note: New or replacement poles are not available.

C. Flood lighting units served in overhead distribution areas:

The following monthly charge will be assessed for each existing fixture, which includes lamp and luminaire, controlled automatically, mounted on a utility pole, as specified by the Company, with a span of wire not to exceed 120 feet, but these units will not be available after May 5, 1992:

	Lamp Watt	kW/Fixture	Annual kWh	Rate/Unit	
52,000 lumen Mercury (35-foot Wood Pole)	1,000	1.102	4,584	$18.94	
52,000 lumen Mercury (50-foot Wood Pole)	1,000	1.102	4,584	$22.48	(I)
50,000 lumen Sodium Vapor	400	0.471	1,959	$15.56	

2. Base Fuel Cost
All kilowatt-hours shall be subject to a charge of $0.021619 per kilowatt-hour reflecting the base cost of fuel. (I)

3. Applicable Riders
The following riders are applicable to the specific terms contained within each rider: (D)
Sheet No. 80, Rider FAC, Fuel Adjustment Clause (C)
Sheet No. 81, Rider MSR-E, Merger Savings Credit Rider – Electric
Sheet No. 83, Rider TCRM, Transmission Cost Recovery Mechanism (N)

LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

TERM OF SERVICE

Three (3) years, terminable thereafter on ten (10) days written notice by either customer or Company.

GENERAL CONDITIONS

1. In cases of repeated vandalism, the Company at its option will repair or remove its damaged equipment and the customer shall pay for repairs on a time and material basis, plus overhead charges. If the equipment is removed the customer will be billed for the unexpired term of the contract.

2. If any Company owned lighting unit is required to be relocated, removed or replaced with another unit of the same or lower lamp wattage, the customer ordering this shall pay the Company the sacrifice value of the unit, plus labor and overhead charges, unless in the judgment of the Company no charges should be made. An estimate of the cost will be submitted for customer approval before work is carried out.

3. When a lighting unit reaches end of life or becomes obsolete and parts cannot be reasonably obtained, the Company can remove the unit at no expense to the customer after notifying the customer. The customer shall be given the opportunity to arrange for another type lighting unit provided by the Company.

SERVICE REGULATIONS

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

Duke Energy Kentucky
1697-A Monmouth Street
Newport, Kentucky 41071

KY.P.S.C. Electric No. 1
First Revised Sheet No. 66
Cancels and Supersedes
Original Sheet No. 66

RATE NSU

STREET LIGHTING SERVICE
NON-STANDARD UNITS

APPLICABILITY

Applicable to municipal, county, state and Federal governments, including divisions thereof, hereinafter referred to as customer for the lighting of public streets and roads with existing Company and Customer owned lighting fixtures. This service is not available for units installed after January 1, 1985.

Mercury Vapor lighting fixtures will not be installed by the Company after June 1, 2003. As currently installed Mercury Vapor fixtures are retired and/or replaced, they may be replaced with either Metal Halide or Sodium Vapor fixtures as the customer chooses. (N)

This rate schedule is no longer available after December 31, 2006. Potential lighting customers wanting a lighting system installed and maintained by Company can do so via the Outdoor Lighting Equipment agreement (OLE). Potential customers should contact a Company account representative for further information concerning OLE options. This rate schedule terminates December 31, 2026. Customers currently being provided service under this rate schedule can continue being provided service under this rate schedule for the remaining useful life of the facilities ~~until their contract expires,~~ or this rate schedule terminates, whichever occurs first. (N)

TYPE OF SERVICE

All equipment owned by the Company will be maintained by the Company. All lamps will burn from dusk to dawn, approximately 4,160 hours per annum. The Company will endeavor to replace burned-out lamps maintained by the Company within 48 hours after notification by the customer. The Company does not guarantee continuous lighting or electric service and shall not be liable to the customer or anyone else for any damage, loss or injury due to any cause.

NET MONTHLY BILL

The following monthly charge for each unit with lamp and luminaire, controlled automatically, will be assessed.

1. Base Rate

A. Company owned

	Lamp Watt	kW/Unit	Annual kWh	Rate/Unit	
1. Boulevard units served underground					
a. 2,500 lumen Incandescent - Series	148	0.148	616	$ 7.84	
b. 2,500 lumen Incandescent - Multiple	189	0.189	786	$ 5.46	(I)
2. Holophane Decorative fixture on 17 foot fiberglass pole served underground with direct buried cable					
a. 10,000 lumen Mercury Vapor	250	0.292	1,215	$14.07	

Issued by authority of an Order of the Kentucky Public Service Commission dated in Case No. 2006-00172.

Issued: June 16, 2006 Effective: July 6, 2006

Issued by Sandra P. Meyer, President

NET MONTHLY BILL (Contd.)

The cable span charge of $0.75 per each increment of 25 feet of secondary wiring shall be added to the Rate/unit charge for each increment of secondary wiring beyond the first 25 feet from the pole base. (I)

	Lamp Watt	kW/Unit	Annual kWh	Rate/Unit
3. Street light units served overhead distribution				
a. 2,500 lumen Incandescent	189	0.189	786	$ 5.40
b. 2,500 lumen Mercury Vapor	100	0.109	453	$ 5.69
c. 21,000 lumen Mercury Vapor	400	0.460	1,914	$ 6.63

B. Customer owned

	Lamp Watt	kW/Unit	Annual kWh	Rate/Unit	
1. Steel boulevard units served underground with limited maintenance by Company					
a. 2,500 lumen Incandescent – Series	148	0.148	616	$ 4.12	
b. 2,500 lumen Incandescent – Multiple	189	0.189	786	$ 5.23	(I)

2. Base Fuel Cost

All kilowatt-hours shall be subject to a charge of $0.021619 per kilowatt-hour reflecting the base cost of fuel. (I)

3. Applicable Riders

The following riders are applicable pursuant to the specific terms contained within each rider: (D)
Sheet No. 80, Rider FAC, Fuel Adjustment Clause (C)
Sheet No. 81, Rider MSR-E, Merger Savings Credit Rider – Electric
Sheet No. 83, Rider TCRM, Transmission Cost Recovery Mechanism (N)

LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

TERM OF SERVICE

The street lighting units are installed for the life of the unit, terminable on one hundred twenty (120) days written notice by either customer or Company subject to Paragraph 1 or 3 under General Conditions.

GENERAL CONDITIONS

(1) If an installed street lighting unit is required to be relocated, removed, or replaced with another unit of the same or less rated lamp wattage, the ordering Authority shall pay the Company the sacrifice value of the unit, plus labor and overhead charges, unless in the judgment of the Company no charge should be made. An estimate of the cost will be submitted for approval before work is carried out.

(2) Lamps and refractors which are maintained by the Company shall be kept in good operating condition by, and at the expense of, the Company.

GENERAL CONDITIONS (Contd.)

In case of vandalism, the Company will repair the damaged property and the customer shall pay for such repair on a time and material basis, plus overhead charges, unless in the judgment of the

Company no charge should be made. An estimate of the cost will be submitted for approval before work is carried out.

(3) When a Company owned street lighting unit reaches end of life or becomes obsolete and parts cannot be reasonably obtained, the Company can remove the unit at no expense to the customer after notifying the customer. The customer shall be given the opportunity to arrange for another type lighting unit provided by the Company.

(4) When a customer owned lighting unit becomes inoperative, the cost of repair or replacement of the unit will be at the customer's expense. The replacement unit shall be an approved Company fixture.

(5) Limited maintenance by the Company includes only fixture cleaning, relamping, and glassware and photo cell replacement.

SERVICE REGULATIONS

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

KY.P.S.C. Electric No. 1
First Revised Sheet No. 65
Cancels and Supersedes
Original Sheet No. 65

Duke Energy Kentucky
1697-A Monmouth Street
Newport, Kentucky 41071

RATE OL

OUTDOOR LIGHTING SERVICE

APPLICABILITY

Applicable for outdoor lighting services on private property with Company owned fixtures in the Company's entire service area where secondary distribution lines are adjacent to the premises to be served. Not applicable for lighting public roadways which are dedicated, or anticipated to be dedicated, except to meet the occasional singular need of a customer who has obtained written approval from the proper governmental authority.

Mercury Vapor lighting fixtures will not be installed by the Company after June 1, 2003. As currently installed Mercury Vapor fixtures are retired and/or replaced, they may be replaced with either Metal Halide or Sodium Vapor fixtures as the customer chooses. (N)

This rate schedule is no longer available after December 31, 2006. Potential lighting customers wanting a lighting system installed and maintained by Company can do so via the Outdoor Lighting Equipment agreement (OLE). Potential customers should contact a Company account representative for further information concerning OLE options. This rate schedule terminates December 31, 2016. Customers currently being provided service under this rate schedule can continue being provided service under this rate schedule for the remaining useful life of the facilities ~~until their contract expires,~~ or this rate schedule terminates, whichever occurs first. (N)

TYPE OF SERVICE

All equipment will be installed, owned and maintained by the Company on rights-of-ways provided by the customer. The Company will perform maintenance only during regularly scheduled working hours and will endeavor to replace burned-out lamps within 48 hours after notification by the customer. The Company does not guarantee continuous lighting and shall not be liable to the customer or anyone else for damage, loss or injury resulting from any interruption in such lighting due to any cause. All lamps will burn from dusk to dawn, approximately 4,160 hours per annum.

NET MONTHLY BILL

1. Base Rate

   A. Private outdoor lighting units:

      The following monthly charge for each fixture, which includes lamp and luminaire, controlled automatically, mounted on a utility pole, as specified by the Company, with a maximum mast arm of 10 feet for overhead units will be assessed:

NET MONTHLY BILL (Contd.)

	Lamp Watts	kW/ Luminaire	Annual kWh	Rate/Unit	
Standard Fixtures (Cobra Head)					
Mercury Vapor					
7,000 lumen (Open Refractor)	175	0.205	853	$ 6.88	
7,000 lumen	175	0.210	874	$ 9.24	(I)
10,000 lumen	250	0.292	1,215	$10.39	
21,000 lumen	400	0.460	1,914	$12.64	
Metal Halide					
14,000 lumen	175	0.210	874	$ 9.24	
20,500 lumen	250	0.307	1,215	$10.39	(N)
36,000 lumen	400	0.460	1,914	$12.64	
Sodium Vapor					
9,500 lumen (Open Refractor)	100	0.117	487	$ 6.57	
9,500 lumen	100	0.117	487	$ 8.85	(I)
16,000 lumen	150	0.171	711	$ 9.66	
22,000 lumen	200	0.228	948	$10.36	
27,500 lumen	250	0.228	948	$10.36	(N)
50,000 lumen	400	0.471	1,959	$10.38	
Decorative Fixtures (a)					
Mercury Vapor					
7,000 lumen (Town & Country)	175	0.205	853	$11.45	
7,000 lumen (Holophane)	175	0.210	874	$15.20	
7,000 lumen (Gas Replica)	175	0.210	874	$39.18	(I)
7,000 lumen (Aspen)	175	0.210	874	$23.57	
Metal Halide					
14,000 lumen (Traditionaire)	175	0.205	853	$11.45	
14,000 lumen (Granville Acorn)	175	0.210	874	$23.57	(N)
14,000 lumen (Gas Replica)	175	0.210	874	$39.18	
Sodium Vapor					
9,500 lumen (Town & Country)	100	0.117	487	$19.75	
9,500 lumen (Holophane)	100	0.128	532	$21.39	
9,500 lumen (Rectilinear)	100	0.117	487	$17.48	(I)
9,500 lumen (Gas Replica)	100	0.128	532	$42.08	
9,500 lumen (Aspen)	100	0.128	532	$25.09	
9,500 lumen (Traditionaire)	100	0.117	487	$19.75	
9,500 lumen (Granville Acorn)	100	0.128	532	$25.09	(N)
22,000 lumen (Rectilinear)	200	0.246	1,023	$19.94	
50,000 lumen (Rectilinear)	400	0.471	1,959	$23.98	(I)
50,000 lumen (Setback)	400	0.471	1,959	$39.46	

(a) When requesting installation of a decorative unit, the customer may elect to make an additional contribution to obtain the monthly rate per unit charge for the same size standard (cobra head) outdoor lighting fixture.

Issued by authority of an Order of the Kentucky Public Service Commission dated in Case No 2006-00172.

Issued: June 16, 2006 Effective: July 6, 2006

Issued by Sandra P. Meyer, President

NET MONTHLY BILL (Contd.)

B. Flood lighting units served in overhead distribution areas (FL):

The following monthly charge for each fixture, which includes lamp and luminaire, controlled automatically, mounted on a utility pole, as specified by the Company, will be assessed:

	Lamp Watts	kW/ Luminaire	Annual kWh	Rate/Unit	
Mercury Vapor					
21,000 lumen	400	0.460	1,914	$12.65	(I)
Metal Halide					
20,500 lumen	250	0.307	1,215	$10.39	(N)
36,000 lumen	400	0.460	1,914	$12.65	
Sodium Vapor					
22,000 lumen	200	0.246	1,023	$10.13	
30,000 lumen	250	0.312	1,023	$10.13	(N)
50,000 lumen	400	0.480	1,997	$11.11	

Additional facilities, if needed will be billed at the time of installation.

2. Base Fuel Cost
   All kilowatt-hour shall be subject to a charge of $0.021619 per kilowatt-hour reflecting the base cost of fuel. (I)

3. Applicable Riders (D)
   The following riders are applicable pursuant to the specific terms contained within each rider: (C)
   Sheet No. 80, Rider FAC, Fuel Adjustment Clause
   Sheet No. 81, Rider MSR-E, Merger Savings Credit Rider – Electric
   Sheet No. 83, Rider TCRM, Transmission Cost Recovery Mechanism (N)

LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

GENERAL CONDITIONS

1. In cases of repeated vandalism, the Company at its option will repair or remove its damaged equipment and the customer shall pay for repairs on a time and material basis, plus overhead charges. If the equipment is removed the customer will be billed for the unexpired term of the contract.

2. If the customer requires the extension, relocation or rearrangement of the Company's system, the customer will pay, in addition to the monthly charge, the Company on a time and materials basis, plus overhead charges, for such extension, relocation or rearrangement unless in the judgment of the Company no charge should be made. An estimate of the cost will be submitted for customer approval before work is carried out.

GENERAL CONDITIONS (Contd.)

3. If any Company owned lighting unit is required to be relocated, removed or replaced with another unit of the same or lower lamp wattage, the customer ordering this shall pay the Company the sacrifice value of the unit, plus labor and overhead charges, unless in the judgment of the Company no charges should be made. An estimate of the cost will be submitted for customer approval before work is carried out.

4. Installation of lighting units will be predicated on the ability of the Company to obtain, without cost to itself or the payment or consideration, all easements and rights-of-way which, in the opinion of the Company, are necessary for the construction, maintenance and operation of the lights, standards, anchors and/or service wires. If such easements and rights-of-way cannot be so obtained, the Company shall have no obligation hereunder to install such units.

5. The time within which the Company will be able to commence or to complete the services to be performed is dependent on the Company's ability to secure the materials required, and the Company shall not be responsible for failure to install these light units for such reason.

6. When a lighting unit reaches end of life or becomes obsolete and parts cannot be reasonably obtained, the Company can remove the unit at no expense to the customer after notifying the customer. The customer shall be given the opportunity to arrange for another type lighting unit provided by the Company.

TERM OF SERVICE

Three (3) years for a new and/or succeeding customer until the initial period is fulfilled. The service is terminable thereafter on ten (10) days written notice by the customer or the Company.

At the Company's option, a longer contract may be required for large installations.

SERVICE REGULATIONS

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

Duke Energy Kentucky
1697-A Monmouth Street
Newport, Kentucky 41071

KY.P.S.C. Electric No. 1
First Revised Sheet No. 60
Cancels and Supersedes
Original Sheet No. 60

RATE SL

STREET LIGHTING SERVICE

APPLICABILITY

Applicable to municipal, county, state and Federal governments, including divisions thereof, and incorporated homeowners associations, for the lighting of public streets and roads with Company-owned lighting fixtures.

Mercury Vapor lighting fixtures will not be installed by the Company after June 1, 2003. As currently installed Mercury Vapor fixtures are retired and/or replaced, they may be replaced with either Metal Halide or Sodium Vapor fixtures as the customer chooses. (N)

This rate schedule is no longer available after December 31, 2006. Potential lighting customers wanting a lighting system installed and maintained by Company can do so via the Outdoor Lighting Equipment agreement (OLE). Potential customers should contact a Company account representative for further information concerning OLE options. This rate schedule terminates December 31, 2026. Customers currently being provided service under this rate schedule can continue being provided service under this rate schedule for the remaining useful life of the facilities ~~until their contract expires,~~ or this rate schedule terminates, whichever occurs first. (N)

TYPE OF SERVICE

All equipment owned by the Company will be installed and maintained by the Company. All lamps will burn from dusk to dawn, approximately 4,160 hours per annum. The Company will endeavor to replace burned-out lamps within 48 hours after notification by the customer. The Company does not guarantee continuous lighting or electric service and shall not be liable to the customer or anyone else for any damage, loss or injury due to any cause.

NET MONTHLY BILL

The following monthly charge for each unit with lamp and luminaire, controlled automatically, will be assessed:

Issued by authority of an Order of the Kentucky Public Service Commission dated in Case No. 2006-00172.

Issued: June 16, 2006

Effective: July 6, 2006

Issued by Sandra P. Meyer, President

NET MONTHLY BILL (Contd.)

1. Base Rate

OVERHEAD DISTRIBUTION AREA Fixture Description	Lamp Watt	kW/Unit	Annual kWh	Rate/Unit	
Standard Fixture (Cobra Head)					
Mercury Vapor					
7,000 lumen	175	0.193	803	$ 5.46	
7,000 lumen (Open Refractor)	175	0.205	853	$ 4.21	(I)
10,000 lumen	250	0.275	1,144	$ 5.88	
21,000 lumen	400	0.430	1,789	$ 7.36	
Metal Halide					
14,000 lumen	175	0.193	803	$ 5.46	
20,500 lumen	250	0.275	1,144	$ 5.88	(N)
36,000 lumen	400	0.430	1,789	$ 7.36	
Sodium Vapor					
9,500 lumen	100	0.117	487	$ 6.84	
9,500 lumen (Open Refractor)	100	0.117	487	$ 4.89	(I)
16,000 lumen	150	0.171	711	$ 7.08	
22,000 lumen	200	0.228	948	$ 9.16	
27,500 lumen	250	0.275	948	$ 9.16	(N)
50,000 lumen	400	0.471	1,959	$10.95	
Decorative Fixtures					
Sodium Vapor					
9,500 lumen (Rectilinear)	100	0.117	487	$ 8.74	
22,000 lumen (Rectilinear)	200	0.246	1,023	$ 9.97	(I)
50,000 lumen (Rectilinear)	400	0.471	1,959	$11.99	
50,000 lumen (Setback)	400	0.471	1,959	$19.73	

Where a street lighting fixture served overhead is to be installed on another utility's pole on which the Company does not have a contact, a monthly pole charge will be assessed.

Spans of Secondary Wiring:

For each increment of 50 feet of secondary wiring beyond the first 150 feet from the pole, the following price per month shall be added to the price per month per street lighting unit: $0.52. (I)

NET MONTHLY BILL (Contd.)

UNDERGROUND DISTRIBUTION AREA	Lamp Watt	kW/Unit	Annual kWh	Rate/Unit	
Fixture Description					
Standard Fixture (Cobra Head)					
Mercury Vapor					
7,000 lumen	175	0.210	874	$ 5.46	
7,000 lumen (Open Refractor)	175	0.205	853	$ 4.21	
10,000 lumen	250	0.292	1,215	$ 5.88	(I)
21,000 lumen	400	0.460	1,914	$ 7.36	
					(D)
Metal Halide					
14,000 lumen	175	0.210	874	$ 5.46	
20,500 lumen	250	0.292	1,215	$ 5.88	(N)
36,000 lumen	400	0.460	1,914	$ 7.36	
Sodium Vapor					
9,500 lumen	100	0.117	487	$ 6.84	
9,500 lumen (Open Refractor)	100	0.117	487	$ 4.89	
16,000 lumen	150	0.171	711	$ 7.08	(I)
22,000 lumen	200	0.228	948	$ 9.16	
50,000 lumen	400	0.471	1,959	$10.95	
Decorative Fixtures					
Mercury Vapor					
7,000 lumen (Town & Country)	175	0.205	853	$ 5.73	(I)
7,000 lumen (Holophane)	175	0.210	874	$ 7.60	
7,000 lumen (Gas Replica)	175	0.210	874	$19.59	
7,000 lumen (Granville)	175	0.205	853	$ 5.73	(N)
7,000 lumen (Aspen)	175	0.210	874	$11.78	
Metal Halide					
14,000 lumen (Traditionaire)	175	0.205	853	$ 5.73	
14,000 lumen (Granville Acorn)	175	0.210	874	$11.78	(N)
14,000 lumen (Gas Repica)	175	0.210	874	$19.59	
Sodium Vapor					
9,500 lumen (Town & Country)	100	0.117	487	$ 9.88	
9,500 lumen (Holophane)	100	0.128	532	$10.69	
9,500 lumen (Rectilinear)	100	0.117	487	$ 8.74	(I)
9,500 lumen (Gas Replica)	100	0.128	532	$21.04	
9,500 lumen (Aspen)	100	0.128	532	$12.54	
9,500 lumen (Traditionaire)	100	0.117	487	$ 9.88	
9,500 lumen (Granville Acorn)	100	0.128	532	$12.54	(N)
22,000 lumen (Rectilinear)	200	0.246	1,023	$ 9.97	
50,000 lumen (Rectilinear)	400	0.471	1,959	$11.99	(I)
50,000 lumen (Setback)	400	0.471	1,959	$19.73	

Issued by authority of an Order of the Kentucky Public Service Commission dated in Case No. 2006-00172.

Issued: June 16, 2006

Effective: July 6, 2006

Issued by Sandra P. Meyer, President

NET MONTHLY BILL (Contd.)

	Pole Type	Rate/Pole	
POLE CHARGES			
Pole Description			
Wood			
17 foot (Wood Laminated) (a)	W17	$ 4.37	
30 foot	W30	$ 4.31	(I)
35 foot	W35	$ 4.36	
40 foot	W40	$ 5.23	
Aluminum			
12 foot (decorative)	A12	$11.97	
28 foot	A28	$ 6.89	(I)
28 foot (heavy duty)	A28H	$ 6.96	
30 foot (anchor base)	A30	$13.76	
Fiberglass			
17 foot	F17	$ 4.37	
12 foot (decorative)	F12	$12.87	(I)
30 foot (bronze)	F30	$ 8.38	
35 foot (bronze)	F35	$ 8.60	
Steel			
27 foot (11 gauge)	S27	$11.31	(I)
27 foot (3 gauge)	S27H	$17.05	

Spans of Secondary Wiring:
For each increment of 25 feet of secondary wiring beyond the first 25 feet from the pole, the following price per month shall be added to the price per month per street lighting unit: $0.75. (I)

Additional facilities, other than specified above, if required, will be billed at the time of installation.

(a) Note: New or replacement poles no longer available.

2. Base Fuel Cost (I)
All kilowatt-hours shall be subject to a charge of $0.021619 per kilowatt-hour reflecting the base cost of fuel.

3. Applicable Riders . The following riders are applicable pursuant to the specific terms contained within each rider: (D)
Sheet No. 80, Rider FAC, Fuel Adjustment Clause (C)
Sheet No. 81, Rider MSR-E, Merger Savings Credit Rider – Electric
Sheet No. 83, Rider TCRM, Transmission Cost Recovery Mechanism (N)

LATE PAYMENT CHARGE

Payment of the Net Monthly Bill must be received in the Company's office within twenty-one (21) days from the date the bill is mailed by the Company. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5%, is due and payable.

TERM OF SERVICE

The street lighting units are installed for the life of the unit, and then its terminable on one hundred twenty (120) days written notice by either customer or Company subject to Paragraph 4 or 6 under General Conditions.

Issued by authority of an Order of the Kentucky Public Service Commission dated in Case No. 2006-00172.

GENERAL CONDITIONS

(1) If the customer requires the installation of a unit at a location which requires the extension, relocation, or rearrangement of the Company's distribution system, the customer shall, in addition to the monthly charge, pay the Company on a time and material basis, plus overhead charges, the cost of such extension, relocation, or rearrangement, unless in the judgment of the Company no charge should be made. An estimate of the cost will be submitted for approval before work is carried out.

(2) Installation of street lighting units will be predicated on the ability of the Company to obtain, without cost to itself or the payment or other consideration, all easements and rights-of-way which, in the opinion of the Company, are necessary for the construction, maintenance and operation of the street lights, standards, anchors and/or service wires. If such easements and rights-of-way cannot be so obtained, the Company shall have no obligation hereunder to install such units.

(3) The time within which the Company will be able to commence or to complete the services to be performed is dependent on the Company's ability to secure the materials required, and the Company shall not be responsible for failure to install these street light units for such reason.

(4) If an installed street lighting unit is required to be relocated, removed, or replaced with another unit of the same or less rated lamp wattage, the ordering Authority shall pay the Company the sacrifice value of the unit, plus labor and overhead charges, unless in the judgment of the Company no charge should be made. An estimate of the cost will be submitted for approval before work is carried out.

(5) Lamps and refractors which are maintained by the Company shall be kept in good operating condition by and at the expense of the Company.

In cases of vandalism, the Company will repair the damaged property and the customer shall pay for such repair on a time and material basis, plus overhead charges, unless in the judgment of the Company no charge should be made. An estimate of the cost will be submitted for approval before work is carried out.

(6) When a street lighting unit reaches end of life or becomes obsolete and parts cannot be reasonably obtained, the Company can remove the unit at no expense to the customer after notifying the customer. The customer shall be given the opportunity to arrange for another type lighting unit provided by the Company.

SERVICE REGULATIONS

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

KyPSC-DR-03-025

REQUEST:

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,[1] 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.[2]

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 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

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

[2] 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.

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.

RESPONSE:

The requested information will be provided with the final base period information on October 16, 2006.

WITNESS RESPONSIBLE: Jeffrey R. Bailey
Dr. Richard G. Stevie
William Don Wathen, Jr.
Paul F. Ochsner

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-026

REQUEST:

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.

RESPONSE:

The requested information will be provided on October 16, 2006. For KyPSC-DR-03-026(b) and (c), the requested information will be provided if the criteria in KyPSC-DR-03-026(b) is met.

WITNESS RESPONSIBLE: Jeffrey R. Bailey
William Don Wathen, Jr.
Paul F. Ochsner

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-027

REQUEST:

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.

RESPONSE:

a. As discussed in the response to KyPSC-DR-02-040, the development of the forecast used to develop the forecasted test period data, including the projected capital expenditures, pre-dated approval of the AMI program. In order to reasonably incorporate the impact of the program on Duke Energy Kentucky's revenue requirement, it was necessary to estimate the impact on jurisdictional rate base ratio as reflected in Attachment WDW-4. This methodology is intended to simulate the impact on the jurisdictional ratio that would have resulted had the program's cost been included in the underlying forecasted test period data used in the case.

b. See lines 1 – 4 of Attachment WDW-4 and Schedule WPA-1d.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-028

REQUEST:

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.

RESPONSE:

See Attachment KyPSC-DR-03-028.

WITNESS RESPONSIBLE: Paul K. Jett
William Don Wathen, Jr.

MISO Charge	Included in DEO TCR or DEK TCRM?		Comments
	Duke Energy Ohio	Duke Energy Kentucky	
Congestion	Yes	Yes	
FTR	Yes	Yes	
Losses	Yes	Yes	Limited to incremental
GFA	n/a	n/a	No GFAs are allocable to native
Virtual Energy Amount	No	No	Recovery via Fuel Tracker if done for native.
Schedule 16	Yes	Yes	
Schedule 17	Yes	Yes	
Revenue Sufficiency Guarantee Distribution	Yes	Yes	
Revenue Sufficiency Guarantee Make Whole Payment Amount	No	No	Offset to fuel costs
Net Inadvertent Distribution	Yes	Yes	
RT Revenue Neutrality Uplift Amount	Yes	Yes	
RT Revenue Sufficiency Guarantee First Pass Dist Amount	Yes	Yes	
RT Uninstructed Deviation Amount	Yes	Yes	
Non-MISO Costs			
Ancillary Services	Yes	Yes	
Network Service (Schedule 9)	Yes	Yes	
Schedule 10, 10-FERC	Yes	Yes	

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-029

REQUEST:

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.

RESPONSE:

Duke Energy Kentucky retained Burns & McDonnell to oversee the competitive bidding process. Mr. H. Davis Ege of Burns & McDonnell testified in Case No. 2003-00252 in support of the Plant transfer. Further background on Burns & McDonnell is available at their website at www.burnsmcd.com.

Duke Energy Kentucky issued a Request for Proposals ("RFP") through Burns & McDonnell on May 31, 2006. A copy of the RFP is at Attachment KyPSC-DR-03-029(a). The RFP was publicized in various ways, including advertising in Platt's *Megawatt Daily*. A copy of the advertisement is at Attachment KyPSC-DR-03-029(b).

As more fully described in Section 2.6.1 of the RFP, Duke Energy Kentucky sought bids for the following types of supply options: (1) a back-up energy supply contract for outages at East Bend and/or Miami Fort 6, with pricing terms similar to the Back-up PSA in Case No. 2003-00252; (2) a back-up energy supply contract for outages at East Bend and/or Miami Fort 6, with a fixed energy price; (3) a reliability exchange contract for East Bend and/or Miami Fort 6; and (4) intermediate and peaker daily call products. The RFP seeks supply options to take effect on January 1, 2007, for various durations of time, up to 15 years.

The RFP required potential bidders to file a notice of intent to bid by June 14, 2006. Attachment KyPSC-DR-03-029(c) is a list of the [redacted] companies that submitted notice of intent to bid. [redacted] bidders actually submitted bids in response to the RFP. Burns & McDonnell performed an initial screening and evaluation of the bids, then submitted a "short list" of recommended supply options to Duke Energy Kentucky, without identifying the names of the bidders. Burns & McDonnell eliminated [redacted] of the bids for failing to meet the RFP minimum requirements because: [redacted] Attachment KyPSC-DR-03-029(d) is a

summary of the bids. [redacted]

Duke Energy Kentucky and Burns & McDonnell are currently jointly evaluating these supply options to develop a least cost back-up supply plan. Duke Energy Kentucky expects that the bid evaluation process will be completed by late August. After this evaluation process is completed, Duke Energy Kentucky may enter into contract negotiations with one or more of the bidders for back-up power supply. Duke Energy Kentucky will keep the Commission and intervenors informed of the progress of its efforts to procure back-up supply.

WITNESS RESPONSIBLE: Douglas F Esamann

Duke Energy Kentucky

REQUEST FOR PROPOSALS

FOR

REPLACEMENT ENERGY

May 31, 2006

Table of Contents

1.0 Purpose of Request for Proposals

The Union Light, Heat and Power Company d/b/a Duke Energy Kentucky, Inc. ("Duke Energy Kentucky") offers this Request for Proposals ("RFP") for the purpose of acquiring supply-side capacity resources for 2007 and beyond to provide for Backstand Capacity and Energy for East Bend 2 and Miami Fort 6 during planned and unplanned outages.

Duke Energy Kentucky desires to maximize the value of its supply portfolio by diversifying its current supply options for the supply of capacity and energy during outages of East Bend 2 and Miami Fort 6. As such, Duke Energy Kentucky is looking for long-term bids for a variety of product offerings such as call options, reliability exchanges and backstand supply. Duke Energy Kentucky seeks bid proposals that provide the greatest value to Duke Energy Kentucky and its customers. Duke Energy Kentucky has retained an independent third party, Burns & McDonnell ("B&M"), to develop, administer and oversee all aspects of this competitive solicitation process on Duke Energy Kentucky's behalf. Specifically, B & M has designed the solicitation, will administer the bidding process and will independently evaluate the bids prior to Duke Energy Kentucky's final selection.

2.0 Instructions to Bidders

2.1 General

2.1.1 Nothing contained in this RFP shall be construed to require or obligate Duke Energy Kentucky to complete this RFP process, to select any proposals or to limit the ability of Duke Energy Kentucky to reject any or all proposals in its sole and exclusive discretion. Duke Energy Kentucky further reserves the right to withdraw and terminate this RFP or any pending negotiations arising from this RFP at any time prior to the execution of a contract.

2.1.2 The submission of a proposal to B&M shall constitute a Bidder's acknowledgment and acceptance of all the terms, conditions and requirements of this RFP.

2.1.3 Subject to 2.1.4, all proposals submitted to B&M pursuant to this RFP shall become the exclusive property of Duke Energy Kentucky and may be used for any reasonable purpose by Duke Energy Kentucky.

2.1.4 B&M and Duke Energy Kentucky shall consider materials provided by Bidders in response to this RFP to be confidential only if such materials are clearly designated as "Confidential". Bidders should be aware that their proposal, even if marked "Confidential," may be subject to discovery and disclosure in regulatory or judicial proceedings that may or may not be initiated by Duke Energy Kentucky. Bidders may be required to justify the requested confidential treatment under the provisions of a protective order issued in such proceedings. If required by a valid request by a court, administrative agency, or a party to a judicial or administrative proceeding, or an order of a regulatory agency or court of competent jurisdiction, Duke Energy Kentucky may produce the material in

response to such order without prior consultation with the Bidder and Duke Energy Kentucky shall not be responsible to the Bidder for disclosure of such confidential information under these circumstances.

2.1.5 Bidders shall be responsible for all costs and issues associated with their bids; contract negotiations; completion of the contract; all taxes, duties, fees and other charges associated with the delivery of capacity and energy under the contract; and compliance with all local, state and federal laws that may affect the contract.

2.1.6 The Delivery Point shall be the Cinergy Hub as defined by the MISO. All costs and coordination required for delivery of the product to the Delivery Point are the responsibility of the Bidder. Bidders are required to insure compliance with the MISO and Reliability*First* requirements. Duke Energy Kentucky will use MISO Network Integrated Transmission Service to deliver the product to the load.

2.2 Overview of Process

2.2.1 B&M has set-up an e-mail box to collect all communication from potential Bidders and a web site to provide uniform communication including updates and specific detail as may be provided from time to time through this bidding process. The e-mail address is **DEKRFP@burnsmcd.com.** The web site is http://www.dekrfp.com.

2.2.2 The bid process will include the activities and events as indicated on the schedule in **Exhibit A**. Following the release of the RFP, interested Bidders are requested to submit a Notice of Intent to Bid form. Bidders who submit the Notice of Intent to Bid (NOIB), are a registered Market Participant in the MISO market and submit an executed confidentiality agreement will receive supplementary data for use in preparing bids. Following the proposal submittal deadline, the bid opening will be performed in private by B&M. Proposals will be screened and offers that do not meet the minimum terms and conditions contained in this RFP and supporting documents will be rejected as non-conforming. Following the proposal screening, a short list of Bidders will be developed. Bidders on the short list will be invited to begin negotiations of final details of the offers. Final evaluation of the offers, considering contract terms and transmission service requirements, will then occur.

2.3 Notice of Intent to Bid

2.3.1 Each potential Bidder is requested to advise B&M by June 14, 2006 of its intent to submit a proposal by submitting a completed Notice of Intent to Bid, attached hereto as **Exhibit B**. Through the submission of the NOIB, the prospective Bidder represents that it is qualified to perform Market Participation activities within the MISO market.

2.3.2 Each potential Bidder who submits a NOIB and is a registered Market Participant in the MISO market has the option to submit a signed

confidentiality agreement, attached hereto as **Exhibit C**, in order to receive available supplemental data to the RFP. For those Bidders that submit a signed confidentiality agreement, B&M will provide information including historical outage rates, future scheduled outages, and other operational and cost data for the East Bend 2 and Miami Fort 6 units. Duke Energy Kentucky makes no warranty or representation that historical outage rates are any indication of future outage rates, nor that any projected outage rates will in fact occur. This data is provided as information only to the Bidders for their information in developing their offers.

2.4 Deadline and Method for Submitting Proposals

2.4.1 Proposals must be submitted in the complete name of the party expecting to execute any resulting contract with Duke Energy Kentucky. The proposal must be executed by a person who is duly authorized to bind the Bidder to a contract.

2.4.2 All proposals submitted in response to this RFP must be received by B&M no later than 4:00 PM CPTJuly 14, 2006.

2.4.3 **B&M will not accept proposals received after the specified date and time set forth in Section 2.4.2 for any reason, and said proposals will be disqualified from further evaluation**.

2.4.4 Bidders are required to provide three (3) bound sets of all documents, including exhibits, as part of its proposal. It is further requested that multiple proposals submitted by each Bidder be identified separately. Proposals must be delivered to the following address:

Duke Energy Kentucky RFP
c/o Kiah Harris
Burns & McDonnell
9400 Ward Parkway
Kansas City, MO 64114

Only hard copies of the proposals will be allowed. Emailed proposals will not be accepted as meeting the time requirements for submission.

2.5 Questions and Interpretation of RFP

B&M requests that all questions concerning this RFP be submitted electronically to B&M at the e-mail address indicated in Section 2.2.1. Answers will be provided through written responses posted to the website. If confidential information is involved, only those Bidders who have submitted a signed confidentiality agreement will receive the response. Neither Duke Energy Kentucky nor B&M will be responsible for other explanations or interpretations of the RFP.

Written questions will be accepted by B&M until seven days before the proposal submittal deadline. Answers will be provided by e-mail to all Bidders as quickly as practicable.

It shall be the Bidders' obligation to identify to B&M any statements in the RFP or related documents deemed by the Bidder to be in conflict or incomplete, any need for clarification, or omissions of pertinent data from the RFP before bids are due. Any questions not resolved by the bid date shall be identified in the proposal and a statement shall be made in the Bidder's proposal as to whether the proposal contains any conditions.

2.6 Requirements of the Proposals

2.6.1 Duke Energy Kentucky is requesting proposals for purchase of the following products:

2.6.1.1 **Backstand Capacity and Energy:** For 2007 -2009: Backstand Capacity and Energy for East Bend 2 and/or Miami Fort 6. The Backstand Capacity and Energy product (Backstand Product) is a day ahead call option and associated Firm LD energy that will be used in the event of a scheduled or forced outage at the East Bend 2 and/or Miami Fort 6 units starting January 1, 2007 through December 31, 2009. The maximum rate of energy that will be required by Duke Energy Kentucky from the Bidder at the Delivery Point will be 577 MW per hour.

When an outage or derate occurs at East Bend 2 or Miami Fort 6, Duke Energy Kentucky will have the right but not the obligation to call replacement energy for the amount of the derate or outage from the Bidder on a day ahead scheduled basis. When the replacement energy is called by Duke Energy Kentucky, the Bidder shall make available an amount of Firm LD energy such that the amount of energy available at the delivery point is up to 414 MW for outages or derates associated with East Bend 2 and up to 163 MW for outages or derates associated with Miami Fort 6.

Offers for the Backstand Product will be priced using one of the following methods for pricing the energy:
A) Variable Operating Cost Cap: Called energy will be delivered to the Delivery Point at the previous month's average variable operating costs for Miami Fort 6 or East Bend 2, as applicable.
B) Fixed Energy Price: Called energy will be delivered to the Delivery Point at a fixed price throughout the term of the offer.

Bidders may propose on either or both of the above energy pricing approaches. A contract term through at least December 31, 2009 is required by Duke Energy Kentucky. Bids with extended terms or options for extension will also be considered.

2.6.1.2 **Reliability Exchange Product:** A Reliability Exchange for East Bend 2 and/or Miami Fort 6, beginning in 2007 for 3-, 5-,10-, and 15-year terms. Duke Energy Kentucky is interested in options whereby it provides capacity and associated energy in exchange for like capacity and energy from other resources to further diversify its resource portfolio. Resources proposed for this option in exchange for East Bend 2 capacity and energy should have similar operating characteristics to the East Bend 2 unit. Resources proposed for this option in exchange for Miami Fort 6 capacity and energy should have similar operating characteristics to the Miami Fort 6 unit. Duke Energy Kentucky will consider proposals for up to approximately 50 percent of the unit output (200MW for East Bend 2 and 80MW for Miami Fort 6). Proposed blocks of capacity are required to be in 50MW blocks for East Bend 2 and 40MW blocks for Miami Fort 6. Bidder to describe the ability of Duke Energy Kentucky to select combinations of blocks offered.

2.6.1.3 **Intermediate and Peaker Daily Calls:** Capacity and associated energy products up to 500 MWs which meet MISO capacity qualifications beginning in 2007 for 3-,5-,10- and 15- year terms. These products may include but shall not be limited to Intermediate daily calls and Peaker daily calls for the provision of Firm LD energy. Energy pricing may be fixed price, gas heat rate calls, or calls settled against the Cinergy Hub. Fuel pricing may include actual or fixed price using an actual or fixed heat rate that includes any transportation charges to the Chicago City Gate. All gas costs shall be settled against the Chicago City Gate.

2.6.2 The description of products proposed shall be in accordance with the Edison Electric Institute's Master Power Purchase & Sale Agreement, Schedule P: Products and Related Definitions. The Backstand Product and the Intermediate and Peaker Daily Call options will be priced on a Firm LD basis. Energy shall be scheduled at Duke Energy Kentucky's sole discretion.

2.6.3 Bidders are advised that prior to Duke Energy Kentucky signing a power supply agreement, the Bidder will be required to provide substantial evidence of current and ongoing credit assurance. All forms of credit assurance will be approved by Duke Energy Kentucky

before entering into an agreement. The form and quality of credit assurance shall be approved by Duke Energy Kentucky and its lending institutions, as applicable, prior to further negotiations.

2.6.4 Proposals must be provided in the format outlined in Section 3.0. The content of proposal(s) shall be subject to the requirements of this RFP. B&M requests that all exhibits, documents, schedules, *etc.* submitted as a part of a proposal be clearly labeled and organized in a fashion that facilitates easy location and review. All proposals should conform, as applicable, to the requirements within this RFP.

3.0 Proposal Organization

All Proposals should include the following minimum components in the order provided:

3.1 Executive Summary

An "executive summary" of the highlights and special features of the Proposal.

3.2 Statements

3.2.1 A statement from the Bidder must be provided clearly indicating the time period during which the proposal will remain effective. The proposals must remain effective at least until November 30, 2006.

3.2.2 A signed Certification and Indemnity Agreement must be provided, which is to be completed entirely by the Bidder, a copy of which is attached hereto as **Exhibit D**.

3.2.3 All documentation and signatures required depending on the nature of the proposal must be provided.

3.3 Contract Terms

A comprehensive listing and description, including a rationale if warranted, of all contract terms and conditions that the Bidder would seek during contract negotiations. Duke Energy Kentucky will use either the EEI or ISDA contract formats for any contracts resulting from this RFP.

3.4 Proposal Limitations

A listing of any economic, operational or system conditions (including sensitivities to anticipated dispatch levels) that might affect the Bidder's ability to deliver energy as offered.

3.5 Relevant Experience

A description of transaction experience with similar products in the MISO service area as well as references for similar transactions.

3.6 Cost Proposal

Information on the cost of the product must be provided. Information shall be included as discussed in Section 4.1.

4.0 Proposal Content

For consideration in the evaluation process, proposals must contain the information outlined in the following paragraphs.

4.1 Price Proposal

Proposals must provide a detailed description of the pricing terms and conditions. For consideration in the evaluation process, proposals must contain the information outlined in the following paragraphs.

1. The Bidder must demonstrate that it has the requisite regulatory authorization to make sales contemplated by its proposal.

2. The fixed cost for the proposed product shall be provided for each year of the agreement.

3. Proposed energy rates for the proposed product shall include all fuel, start up, losses, ancillary services and other charges associated with delivery to the designated Delivery Point. The Bidder shall provide the initial energy rate and applicable formula for escalation, if any, with proposed indices or a schedule of energy rates for the proposed contract term. Where the energy rate is a function of the price of coal, Bidders shall provide the coal price forecast over the proposed term. Such pricing to include all handling, ash disposal, environmental allowance costs and other costs associated with the fuel. Where the energy rate is a function of the price of natural gas, Bidders shall provide the gas price forecast at the Chicago City Gate over the proposed term

4. The actual delivered energy, in any month, shall be determined in accordance with the metering procedures as set forth in the contract which will be negotiated between Duke Energy Kentucky and the successful Bidder.

5. As applicable, the Bidder's proposal should include all formulae that will be used to calculate the full energy rate, or any other rate that the Bidder may specify, with all its respective components well defined. A sample calculation illustrating the application of each formula is also required.

6. The Bidder must provide a printed schedule projecting for each contract year, quarter, or month, as appropriate, depending upon how frequently the Bidder's rate(s) or its respective components will be updated, for the full term of the proposed contract of the following:

a) option premium or fixed demand charge payment

b) energy payment (It is the Bidder's obligation to provide sufficient explanatory information to allow B&M to replicate this schedule.)

c) projections of any independent variables that are to be used in the calculation of payments

4.2 Technical Proposal

Bidders who provide a proposal for the Reliability Exchange product are required to provide the following information about the resource to be provided as the basis for the product:

1. Name, location and commercial operating date of the unit.
2. Five year operating history of the facility
3. Fuel source and fuel supply risk mitigation approach
4. Five year averages for availability and EFOR
5. Anticipated scheduled outages for routine maintenance and unit upgrades for environmental compliance modifications
6. Projected fixed ($/MW-year) and variable operating costs ($/MWh) for the term of the offer, including any known or anticipated cost for environmental compliance.
7. Start up costs, minimum up and down times, ramp rates and other factors necessary for production cost modeling analysis.

5.0 Proposal Evaluation and Contract Negotiations

5.1 Screening

5.1.1 After the proposal submittal deadline, B&M will privately open all proposals and begin reviewing proposals for completeness and responsiveness.

5.1.2 An initial screening will be developed to identify those proposals that meet the minimum criteria established by B&M for evaluation. These minimum criteria consist of the following:

a. The proposal is from a Bidder that is a registered Market Participant in MISO.

b. The proposal provides substantially all the information outlined in Part 3.0 and Part 4.0 and the structure of which is valid to November 30, 2006.

c. The proposal designates the Delivery Point as the Cinergy Hub.

Those proposals not considered to meet the required threshold will be identified to the respective Bidder and the Bidder will have one week to cure the deficiency. If not cured within the allotted time, notification will be provided to the unsuccessful Bidders.

5.1.3 B&M may request that a Bidder provide additional information or clarification to its original proposal. B&M shall make such requests in writing and will also specify a deadline for compliance. Failure to provide the requested information or clarification by the deadline will result in the disqualification of the proposal.

5.1.4 B&M may select any number of proposals for further consideration. Further, Duke Energy Kentucky may at any time withdraw and terminate this RFP pursuant to Section 2.1.1, as it, in its sole and exclusive judgment, deems appropriate.

5.2 Short List Development

5.2.1 After the initial screening, B&M will evaluate the remaining proposals to develop a recommended short list. The following criteria will be used to evaluate the products in order to develop the short list:

Backstand Product: The Backstand Product proposals will be evaluated using the levelized cost of the fixed cost component and the energy component over the proposed term. The amount of energy required for the product will be estimated from the amount of projected scheduled outage hours for the East Bend 2 and Miami Fort 6 units plus the forced outage hours determined by multiplying the EFOR average over the past five years for the respective unit multiplied by the hours in the year.

The offers priced using the Variable Operating Cost Cap approach will have the cost of the energy component estimated by multiplying the expected outage hours determined above by the respective variable operating cost of the respective unit for the preceding month.

The offers priced using the Fixed Energy Price approach will have the cost of the energy component estimated by multiplying the expected outage hours determined above by the fixed energy price schedule provided by the Bidder.

Reliability Exchange: The Reliability Exchange proposals will be evaluated using the levelized cost of the fixed and variable components over the term of the proposal. Levelized costs will be developed by respective generating unit on a unit cost basis ($/MW and $/MWh).

Intermediate and Peaker Call Option: The Intermediate and Peaker Call Option proposals will be evaluated using the levelized cost of the option based on the pricing structure proposed. All proposals will be evaluated on a resultant energy cost basis assuming a 40 percent capacity factor for the Intermediate option and a 15 percent capacity factor for the Peaker option.

5.2.2 B&M will present the recommended short list to Duke Energy Kentucky for further joint evaluation. The recommended short list will

be provided to Duke Energy Kentucky with the identification of the proposing firm's name redacted from any information provided to Duke Energy Kentucky. Duke Energy Kentucky will perform more detailed modeling using the utility's production cost and risk assessment models and the factors from the proposals. Burns & McDonnell and Duke Energy Kentucky will jointly evaluate the short listed offers to identify the single proposal or portfolio of proposals that provide Duke Energy Kentucky with the lowest overall evaluated net present value cost power supply program. This analysis will bring out the advantages of the proposals with consideration of the expansion plans currently considered by Duke Energy Kentucky and a more robust probability analysis.

During the evaluation process, B&M and Duke Energy Kentucky may choose to initiate discussions with one or more Bidders and to obtain refreshed pricing. For purposes of this RFP, discussions shall simply indicate Duke Energy Kentucky's interest in a particular proposal and its desire to obtain from the Bidder additional detailed information that may not necessarily be contained in the proposal. Discussions with a Bidder shall in no way be construed as commencing "negotiations" with a Bidder. B&M and Duke Energy Kentucky intend to use such discussions as a method of reducing the number of proposals to those, if any, that B&M and Duke Energy Kentucky determine warrant further evaluation and, possibly, contract negotiations. If B&M and Duke Energy Kentucky intend to initiate discussions, it will notify the Bidder of such intention and require the Bidder of such proposal to confirm, in writing, the offer and representations contained in its original proposal. B&M will be the communication channel between the bidder and Duke Energy Kentucky to obtain further clarifications or refreshed pricing.

5.2.3 If B&M or Duke Energy Kentucky is not interested in a particular proposal, it will notify the Bidder as soon as practical after such determination is made.

5.3 Contract Negotiations

5.3.1 At the completion of the evaluation phase, the bidding parties will be identified to Duke Energy Kentucky. B&M will notify a Bidder in writing of its interest in commencing contract negotiations with that Bidder. Duke Energy Kentucky's commencement of and active participation in such negotiations shall not be construed as a commitment from Duke Energy Kentucky to continue discussions or to execute a contract. If, however, a contract is successfully negotiated, it shall not be effective unless and until fully executed by Duke Energy Kentucky in accordance with its procedures, and all required regulatory approvals have been received, including approval by the Federal Energy Regulatory Commission and the Kentucky Public Service Commission so that Duke Energy Kentucky will be able to obtain retail rate recovery of the costs related to the supply option.

5.3.2 Duke Energy Kentucky reserves the right at any time, during contract negotiations, at its sole discretion, to terminate or, once terminated, to resume negotiations with a Bidder.

5.3.3 Duke Energy Kentucky may require that certain provisions be included in its contracts. Such provisions may include, but are not limited to, financial assurance (depending on the financial means and historical performance of the Bidder), indemnification, liquidated damages for non-performance, ability of Duke Energy Kentucky to reassign its entire rights, or a portion thereof, to the contract to another party, and a "regulatory out" provision, or regulatory pre-approval for retail rate recovery.

5.3.4 This RFP contains general guidelines and requirements for developing and submitting proposals. Nothing herein shall be construed to bind Duke Energy Kentucky unless and until a contract with a Bidder has been successfully negotiated, executed, and is effective. Once effective, the contract will govern the relationship between and responsibilities of the parties. The costs for responding to the RFP are the responsibility of the Bidder.

Exhibit A
Schedule

The schedule as outlined below and referred to throughout this document is based on Duke Energy Kentucky's expectations as of the release date of this RFP.

Release of RFP	May 31, 2006
Notice of Intent to Bid	June 14, 2006
Bidder Notification of Qualification	June 28, 2006
Proposal Submittal Deadline	**July 14, 2006**

It is the intent of B&M and Duke Energy Kentucky to have the initial short list identified in early August and begin contract negotiations in early September. B&M and Duke Energy Kentucky reserves the right to extend or otherwise modify any portion of the schedule or terminate the RFP process at its sole discretion.

Exhibit B
NOTICE OF INTENT TO BID
Due June 14, 2006

CONTACT INFORMATION			
Company			
Contact:			
Name			
Title			
Telephone / Fax			
E-mail			
Mailing Address			
We intend to bid	Yes_____ No_____		
Signature of Respondent		Date	

Fax: 816.822.3027
Burns & McDonnell
Attn: Duke Energy Kentucky RFP

Email: DEKRFP@burnsmcd.com

Exhibit C

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement ("Agreement") is entered into by and between The Union Light Heat and Power Company d/b/a Duke Energy Kentucky, Inc. ("Duke Energy Kentucky"), a Kentucky corporation with offices at 139 East Fourth Street Cincinnati, Ohio 45201 and _____ a _____ corporation with offices at _____ ("Bidder") as of the _____ day of _____, 2006 (the "Effective Date"). Duke Energy Kentucky and Bidder may be referred to as a "Party" or collectively as "Parties."

WITNESSETH:

WHEREAS, Duke Energy Kentucky has issued a Request for Proposals for the supply of replacement power; and

WHEREAS, Bidder desires to provide a proposal to Duke Energy Kentucky for the supply of replacement power (the "Relationship"); and

WHEREAS, the Parties desire to ensure the confidentiality of certain information provided or to be provided by a Party or Parties (in such capacity, collectively the "Providing Party") to another Party or Parties (in such capacity, collectively the "Receiving Party") in connection with the Relationship;

NOW, THEREFORE, in consideration of the promises and the mutual covenants herein contained, the parties hereto, intending to be legally bound, agree as follows:

1. CONFIDENTIAL AND PROPRIETARY NATURE OF THE CONFIDENTIAL INFORMATION

The Receiving Party acknowledges the confidential and proprietary nature of the Confidential Information (as defined below) and that any unauthorized disclosure or unauthorized use thereof by the Receiving Party will injure the Providing Party's business. The Receiving Party agrees to hold and keep the Confidential Information as provided in this Agreement and otherwise agrees to each and every restriction and obligation set forth in this Agreement.

2. CONFIDENTIAL INFORMATION

As used in this Agreement, the term "Confidential Information" means and includes any and all:

a. information concerning the business and affairs of the Providing Party, however documented, that has been or may hereafter be provided or shown to the Receiving Party by the Providing Party or by the directors, officers, employees, agents, Bidders, advisors, or other representatives including legal counsel, accountants and financial advisors (each, a "Representative") of the Providing Party (collectively, the "Providing Party Representatives") or is otherwise obtained from review of Providing Party documents or property or discussions with Providing Party Representatives by the Receiving Party or its Representatives irrespective of the form of the communication,

and also includes all notes, analyses, compilations, studies, summaries, and other material prepared by the Receiving Party or the Receiving Party's Representatives containing or based, in whole or in part, on any information included in the foregoing; and

b. trade secrets concerning the business and affairs of the Providing Party, plant and product specifications, data, know-how, formulae, compositions, processes, designs, sketches, photographs, graphs, drawings, samples, inventions and ideas, past, current, and planned research and development, customer lists, current and anticipated customer requirements, price lists, market studies, business plans, computer software and programs (including object code and source code), computer software and database technologies, systems, structures and architectures (and related processes, formulae, composition, improvements, devices, know-how, inventions, discoveries, concepts, ideas, designs, methods and information), and any other information, however documented, that is a trade secret within the meaning of applicable law.

"Confidential Information" shall not include any oral information exchanged between the parties that is not promptly reduced to writing and confirmed by the applicable parties.

Further, "Confidential Information" shall not include any information of the Providing Party which:

a. was or becomes generally available to the public other than as a result of a disclosure by the Receiving Party or the Receiving Party's Representatives;

b. was available, or becomes available, to the Receiving Party on a non-confidential basis prior to its disclosure to the Receiving Party by the Providing Party or a Providing Party Representative, but only if (i) to the best of the Receiving Party's knowledge after due inquiry, the source of such information is not bound by a confidentiality agreement with the Providing Party or is not otherwise prohibited from transmitting such information to the Receiving Party or the Receiving Party's Representatives by a contractual, legal, fiduciary or other obligation, and (ii) the Receiving Party provides the Providing Party with prompt written notice of such prior possession; or

c. was independently acquired or developed by the Receiving Party without violating any of its obligations under this Agreement.

3. RESTRICTED USE OF CONFIDENTIAL INFORMATION

The Receiving Party agrees that (a) it will keep confidential any and all Confidential Information and, except as provided in the following paragraph or as otherwise expressly permitted by the terms of this Agreement, will neither, without the specific prior written consent of the Providing Party, disclose any Confidential Information to any person (including the fact that the Confidential Information has been made available to the Receiving Party or that the Receiving Party has inspected any portion of the Confidential Information); and (b) it will not use any of the Confidential Information for any reason or purpose other than to perform its obligations, if any, in the Relationship.

The Receiving Party may disclose Confidential Information to those Representatives of the Receiving Party who (i) in the judgment of the Receiving Party, require access to such material for the purpose of assisting the Receiving Party in performing work directly associated with the

Relationship and (ii) are informed by the Receiving Party of the confidential nature of the Confidential Information and the obligations of this Agreement and agree to be bound by all the provisions hereof applicable to the receipt and use of Confidential Information by the "Receiving Party." The Receiving Party agrees to be fully responsible for enforcing as to the Receiving Party's Representatives the obligations of this Agreement applicable to the Receiving Party and to take such action, legal or otherwise, to the extent necessary (including all actions that the Receiving Party would take to protect its own confidential information and trade secrets) to cause its Representatives to comply with such obligations.

4. DISCLOSURE REQUIRED BY LAW

If the Receiving Party or any of the Receiving Party's Representatives are requested or become legally compelled (by oral questions, interrogatories, requests for information or documents, subpoena, civil or criminal investigative demand, or similar process) or is required by a regulatory or judicial body to make any disclosure that is prohibited or otherwise constrained by this Agreement, the Receiving Party or such Representative, as the case may be, will provide the Providing Party with prompt notice of such request so that it may seek an appropriate protective order or other appropriate remedy. Subject to the foregoing, the Receiving Party or such Representative may furnish that portion (and only that portion) of the Confidential Information that, in the written opinion of its counsel, reasonably acceptable to the Providing Party, the Receiving Party is legally compelled or is otherwise required to disclose. In addition, the Receiving Party or such Representative shall use reasonable efforts to obtain reliable assurances that confidential treatment will be accorded any Confidential Information so disclosed. Notwithstanding any other provision of this agreement, Duke Energy Kentucky may disclose the Confidential Information under seal with a petition requesting confidential treatment to the Kentucky Public Service Commission and to any intervenors who sign a confidentiality agreement in connection with Case No. 2006-00172, the Company's current rate proceeding.

5. RETURN OF CONFIDENTIAL INFORMATION

If the Receiving Party determines that it does not wish to proceed with the Relationship or if the Providing Party notifies the Receiving Party that it does not wish the Receiving Party to consider the Relationship any further, then the Receiving Party, upon request of the Providing Party, (a) (i) will promptly deliver to the Providing Party all documents or other materials furnished by the Providing Party or any Providing Party Representative to the Receiving Party or the Receiving Party's Representatives constituting Confidential Information, together with all copies and summaries thereof in the possession or under the control of the Receiving Party or the Receiving Party's Representatives, and (ii) will destroy materials generated by the Receiving Party or the Receiving Party's Representatives that include or refer to any part of the Confidential Information, without retaining a copy of any such material; or (b) as an alternative to the procedure described in the preceding clause (a) if the Providing Party gives its prior written consent, the Receiving Party will promptly destroy all documents or other matters constituting Confidential Information in the possession or under the control of the Receiving Party or the Receiving Party's Representatives and shall promptly certify the same in writing to the Providing Party (including in such certification a list of the destroyed materials).

6. REMEDIES

The Receiving Party agrees to indemnify and hold the Providing Party harmless from any damages, loss, cost, or liability (including legal fees and the cost of enforcing this indemnity) arising

out of or resulting from any unauthorized use or disclosure by the Receiving Party or the Receiving Party's Representatives of the Confidential Information or other violation of this Agreement. In addition, because an award of money damages (whether pursuant to the foregoing sentence or otherwise) would be inadequate for any breach of this Agreement by the Receiving Party or the Receiving Party's Representatives and any such breach would cause the Providing Party irreparable harm, the Receiving Party also agrees that, in the event of any breach or threatened breach of this Agreement, the Providing Party will also be entitled, without the requirement of posting a bond or other security, to equitable relief, including injunctive relief and specific performance. Such remedies will not be the exclusive remedies for any breach of this Agreement but will be in addition to all other remedies available at law or equity to the Providing Party.

7. MISCELLANEOUS

(a) Modification. The agreements set forth in this Agreement may be modified or waived only by a separate writing signed by the Providing Party and the Receiving Party expressly modifying or waiving such agreements.

(b) Waiver. The rights and remedies of the parties to this Agreement are cumulative and not alternative. Neither the failure nor any delay by any party in exercising any right, power, or privilege under this Agreement will operate as a waiver of such right, power, or privilege, and no single or partial exercise of any such right, power, or privilege will preclude any other or further exercise of such right, power, or privilege or the exercise of any other right, power, or privilege. To the maximum extent permitted by applicable law, (i) no claim or right arising out of this Agreement can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other party; (ii) no waiver that may be given by a party will be applicable except in the specific instance for which it is given; and (iii) no notice to or demand on one party will be deemed to be a waiver of any obligation of such party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Agreement.

(c) Person. The term "person" means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization or other entity.

(d) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, which shall remain in full force and effect. If any of the covenants or provisions of this Agreement are determined to be unenforceable by reason of its extent, duration, scope or otherwise, then the parties contemplate that the court making such determination shall reduce such extent, duration, scope or other provision and enforce them in their reduced form for all purposes contemplated by this Agreement.

(e) Costs. The Receiving Party agrees that if it is held by any court of competent jurisdiction to be in violation, breach, or nonperformance of any of the terms of this Agreement, then it will pay all costs of such action or suit, including reasonable attorneys' fees.

(f) Assignment. Neither party may assign any of its rights hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld.

(g) Governing Law. This Agreement shall be governed by the laws of the Commonwealth of Kentucky without regard to conflicts of laws principles thereof.

(h) Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement, and all of which, when taken together, shall be deemed to constitute one and the same agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on its behalf by an appropriate officer thereunto duly authorized, all as of the date set forth at the beginning of this Agreement.

Duke Energy Kentucky

_____

By: Sandra P. Meyer

Its: President

_____

By:

Its:

Exhibit D
Certification and Indemnity Agreement

THIS CERTIFICATION AND INDEMNITY AGREEMENT ("Agreement") is made and entered into this ____ day of _____, 2006, by and between The Union Light, Heat & Power Company d/b/a Duke Energy Kentucky, Inc. ("Duke Energy Kentucky") and _____, ("Bidder").

WHEREAS, Bidder has submitted a Proposal to Duke Energy Kentucky in response to Duke Energy Kentucky's Request for Proposals for Power Supply ("RFP"), and

WHEREAS, the RFP provides general guidelines for the development and submission of such Proposal and entails the evaluation of such Proposal on the basis of its individual characteristics, as assessed by Duke Energy Kentucky in accordance with economic assessments and operational considerations, and other pertinent factors, and

WHEREAS, Duke Energy Kentucky will rely on the information set forth in the Proposal when making its assessments and determinations.

NOW, THEREFORE, in consideration of the covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Bidder hereby certifies and agrees as follows:

Certification

Bidder hereby certifies, represents and warrants to Duke Energy Kentucky as follows:

The Bidder understands that Duke Energy Kentucky will rely on the representations contained in the Proposal and this Agreement in its evaluation and consideration of proposals submitted pursuant to the RFP. The Bidder further understands that its inability to substantiate and verify any such representation may result in the termination of further consideration and/or evaluation of the Proposal. All such representations made in the Proposal are true and accurate to the best of the Bidder's knowledge and belief.

Covenants

The Bidder covenants that:

At its own cost and expense (including reasonable attorney fees), Bidder shall defend Duke Energy Kentucky and its respective subsidiaries, affiliates, successors and assigns, and each and every one of its respective past, present, or future officers, directors, trustees, employees, shareholders, executors, administrators, successors, and assigns, and hold Duke Energy Kentucky harmless from and against any and all manner of past, present, or future claims, demands, disputes, controversies, complaints, suits, actions, proceedings, or allegations of any kind which in any manner relate to, arise out of, or result from any false, misleading or incomplete statement in the Proposal or breach of any covenant or representation set forth in this agreement by the Bidder.

Successors and Assigns

If the Bidder transfers the ownership, or an interest therein, in the Bidder's rights, interests or property, whether real or personal, the Bidder warrants that such transfer shall be pursuant to a transfer agreement that shall provide Duke Energy Kentucky, subsidiaries, affiliates, successors and assigns, and each and every one of its respective past, present, or future officers, directors, trustees, employees, shareholders and agents, as well as their heirs, executors, administrators, successors and assigns with a degree of protection at least equivalent to that afforded them under this Agreement.

Certified and Agreed:

By:

Title:

Date:

Attest:

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josie_parnell@platts.com

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REQUEST FOR PROPOSALS

The Union Light, Heat and Power Company d/b/a Duke Energy Kentucky, Inc. ("Duke Energy Kentucky") is issuing a Request for Proposals ("RFP") for the purpose of acquiring supply-side capacity resources for 2007 and beyond. Duke Energy Kentucky desires to maximize the value of its supply portfolio by diversifying its current supply options for the supply of capacity and energy during outages of East Bend 2 and Miami Fort 6. As such, Duke Energy Kentucky is looking for long-term bids for a variety of product offerings such as call options, reliability exchanges, and backstand supply.

Potential bidders, interested in reviewing the RFP, can obtain a copy at http://www.dekrfp.com .

Bids are due by July 14, 2006.

Burns & McDonnell SINCE 1898

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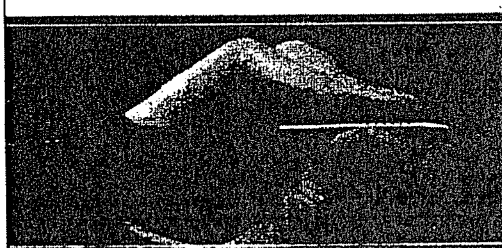

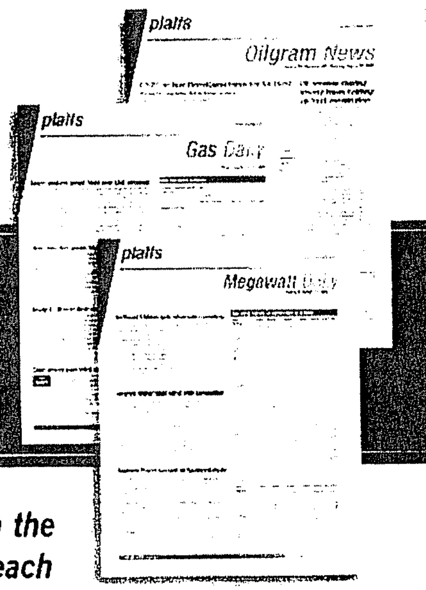

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Josie Parnell
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E mail
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E mail

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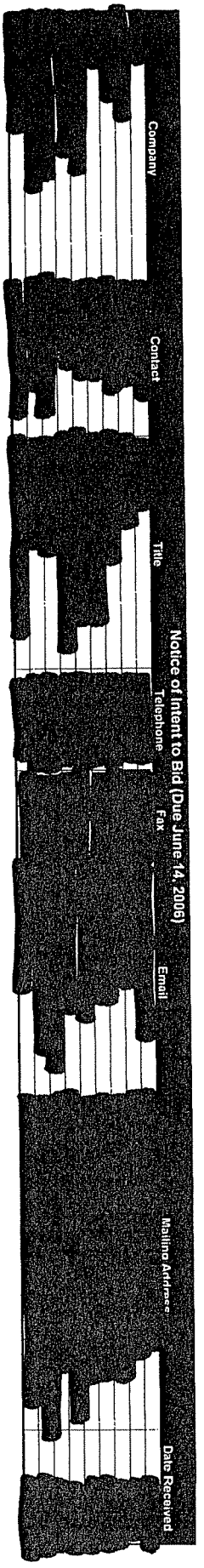
Notice of Intent to Bid (Due June 14, 2006)
Company
Contact
Title
Telephone
Fax
Email
Mailing Address
Date Received

Bid Summary
As of August 8, 2006

Company				
Quantity (MW)				
Term(yrs)				
Strike price ($/MWh)				
Demand ($M)				
Payout Limit ($M/yr)				
Notes				

	Intermediate				Peaking		
Company							
Quantity (MW)							
Term (yrs)							
Strike price ($/MWh)							
Demand ($/kw-mo)							
Payout Limit ($M)							
Notes							

Duke Energy

DUKE ENERGY KENTUCKY

ACCOUNT 3732 STREET LIGHTING - BOULEVARD

CALCULATED REMAINING LIFE DEPRECIATION ACCRUAL
RELATED TO ORIGINAL COST AS OF DECEMBER 31, 2005

YEAR (1)	ORIGINAL COST (2)	CALCULATED ACCRUED (3)	ALLOC. BOOK RESERVE (4)	FUT. BOOK ACCRUALS (5)	REM. LIFE (6)	ANNUAL ACCRUAL (7)
SURVIVOR CURVE.. IOWA 34-R1.5						
NET SALVAGE PERCENT.. -5						
1979	13,586.91	9,566	13,706	560	13.02	43
1980	17,167.79	11,814	16,926	1,100	13.41	82
1981	12,793.42	8,557	12,260	1,173	13.96	84
1982	10,784.55	7,025	10,065	1,259	14.38	88
1983	2,407.97	1,525	2,185	343	14.81	23
1984	12,877.16	7,879	11,289	2,232	15.40	145
1985	39,197.01	23,204	33,245	7,912	15.86	499
1986	21,062.90	12,033	17,240	4,876	16.34	298
1987	59,651.27	32,795	46,987	15,647	16.83	930
1988	71,225.22	37,565	53,821	20,965	17.34	1,209
1989	93,024.23	47,060	67,425	30,250	17.75	1,704
1990	136,060.17	65,546	93,911	48,952	18.28	2,678
1991	48,811.58	22,372	32,053	19,199	18.72	1,026
1992	148,022.20	64,205	91,990	63,433	19.18	3,307
1993	79,715.20	32,543	46,626	37,075	19.65	1,887
1994	89,847.31	34,283	49,119	45,221	20.15	2,244
1995	136,089.88	48,313	69,220	73,674	20.56	3,583
1996	118,232.06	38,807	55,601	68,543	20.89	3,281
1997	146,298.90	43,749	62,681	90,933	21.35	4,259
1998	145,025.04	39,181	56,136	96,140	21.65	4,441
1999	659,082.83	158,338	226,858	465,179	21.91	21,231
2000	158,102.55	32,969	47,236	118,772	22.20	5,350
2001	22,698.41	4,002	5,734	18,099	22.31	811
2002	88,031.26	12,525	17,945	74,488	22.34	3,334
2004	375,977.82	25,700	36,822	357,955	21.54	16,618
2005	41,177.06	1,090	1,562	41,674	19.38	2,150
	2,840,524.03	900,012	1,276,667	1,705,886		81,324
COMPOSITE REMAINING LIFE AND ANNUAL ACCRUAL RATE, PCT..					21.0	2.86

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-030

REQUEST:

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.[1] 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.

RESPONSE:

Duke Energy Ohio recorded deferred income taxes on the Plants at the Ohio Franchise Tax rate of 8.5%. Beginning in 2005, the Ohio Franchise Tax is being phased-out over a five-year period. Accordingly, the deferred tax balance was adjusted to reflect the balance to be reversed over that five-year period. When the Plants were transferred to Duke Energy Kentucky ("DEK"), the remaining deferred tax balance was also transferred. The Kentucky income tax is at 7% for 2006 and will decrease to 6% in 2007 [illegible] therefore, the deferred tax balance was

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-031

REQUEST:

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.

    e. Provide any studies or analyses performed specifically for Duke Kentucky

temperature-sensitive. Then, the non-temperature-sensitive estimates could be subtracted from total load to estimate the temperature-sensitive load. Used historically, this process assigns all of the model error to the temperature sensitive load.

To use this approach, the prerequisite to the separation of total load into the temperature-sensitive and non-temperature-sensitive components is the development of the econometric forecasting model. In the Company's view, there is no other reasonable method for estimating the historical temperature-sensitive and non-temperature-sensitive components of monthly electric sales without having developed the econometric forecasting model in the first place.

An alternate process that comes to mind involves subtracting sales during a shoulder month (such as April or October) from the sales levels of other months. The assumption here is that sales in those months are non-temperature-sensitive. However, electricity is used both to cool and to heat and therefore is weather sensitive all year long. Because there are degree days in every month it is impossible to accurately separate the billed electric sales data into temperature-sensitive and non-temperature-sensitive portions. A customer's single month electric usage cannot be totally non-temperature- sensitive because degree days occur in every month. As a result, it is impossible to utilize this method to obtain reasonable estimates of historical monthly electric sales for temperature-sensitive and non-temperature-sensitive components. This approach may

economy as projected by Economy.com, an independent economic forecasting company that is owned by Moody's, Inc.

To normalize all variables that affect energy usage implies that one must adjust the sales values for the difference between what actually occurred and what was expected to occur for a point in time. Since the Company is using a projected test year, there is no actual data to normalize. The Company is already using the expected (*i.e.*, normal) levels of the economic variables in making its estimates of sales.

e. See Attachment KyPSC-DR-03-031(e). This file shows the percentage of current customers by cycle for the 21 cycles in Duke Energy Kentucky's meter reading schedule. The percentages average 4.8% and have a standard deviation of .00676, which is very small.

See also response to KyPSC-DR-03-031(g). This response shows that the degree days calculated using weights based on number of customers in each cycle are very similar, if not the same, as those calculated using even weights across the cycle. On an annual basis the largest difference in any one year is only 5 degree days for heating and 3 degree days for cooling.

Also, Duke Energy Kentucky re-estimated the residential model using historical degree days weighted by number of customers in each cycle in order to compare differences in the degree day coefficients. A comparison of the coefficients is provided in the file: Attachment KyPSC-DR-03-

Billing Cycle	Number of Customers	Fraction by cycle
1	6,637	0.044
2	5,123	0.034
3	8,586	0.057
4	7,556	0.050
5	7,790	0.052
6	6,781	0.045
7	5,587	0.037
8	6,691	0.044
9	6,536	0.043
10	6,596	0.044
11	6,842	0.045
12	6,823	0.045
13	8,349	0.055
14	7,812	0.052
15	8,092	0.054
16	8,523	0.056
17	8,523	0.056
18	8,473	0.056
19	7,036	0.047
20	6,754	0.045
21	5,831	0.039
Total	150,941	1
		Average
		0.048
		Standard Deviation
		0.006764

Differenc

Residential Model

Coefficients

MNOV*HDDB_500
MDEC*HDDB_500
MJFM*HDDB_500
MAPR*HDDB_500
MDEC*HDDB_500_1000
MJFM*HDDB_500_1000
MJAN*HDDB_1000
MFEB*HDDB_1000

MJUN*CDDB_100
MJUL*CDDB_100
MAUG*CDDB_100
MSEP*CDDB_100
MOCT*CDDB_100
MJJA*CDDB_100_200
MSEP*CDDB_100_200
MOCT*CDDB_100_200
MJUN*CDDB_200
MJUL*CDDB_200
MAUG*CDDB_200
MSEP*CDDB_200

R-BAR SQUARED

* MJAN = Qualitative varia
* MFEB = Qualitative varia
* MAPR = Qualitative varia
* MJUN = Qualitative varia
* MJUL = Qualitative varia
* MAUG = Qualitative varia

* HDDB_500 = Heating De
* HDDB_500_1000 = Heat
* HDDB_1000 = Heating D

* CDDB_100 = Heating De
* CDDB_100_200 = Heati
* CDDB_200 = Heating De

Example of the calculation of cooling degree days for a month.

Daily	Cooling degree days
1-Jun	7
2-Jun	0
3-Jun	2
4-Jun	0
5-Jun	2
6-Jun	5
7-Jun	2
8-Jun	2
9-Jun	5
10-Jun	0
11-Jun	0
12-Jun	1
13-Jun	2
14-Jun	5
15-Jun	7
16-Jun	9
17-Jun	12
18-Jun	8
19-Jun	6
20-Jun	10
21-Jun	15
22-Jun	13
23-Jun	7
24-Jun	9
25-Jun	9
26-Jun	8
27-Jun	7
28-Jun	7
29-Jun	5
30-Jun	6
1-Jul	13
2-Jul	16
3-Jul	17
4-Jul	11
5-Jul	6
6-Jul	4
7-Jul	6
8-Jul	6
9-Jul	7
10-Jul	12
11-Jul	9
12-Jul	9
13-Jul	13
14-Jul	12
15-Jul	16
16-Jul	17
17-Jul	16
18-Jul	16
19-Jul	16
20-Jul	14
21-Jul	11
22-Jul	7
23-Jul	7
24-Jul	8
25-Jul	10
26-Jul	12
27-Jul	13
28-Jul	10
29-Jul	12
30-Jul	15
31-Jul	16

Billing cycle	Cycle Period	Sum of daily degree days
1	Jun 1 to Jun 29	
2	Jun 2 to Jun 30	
3	Jun 3 to Jul 3	
4	Jun 6 to Jul 5	
5	Jun 7 to Jul 6	
6	Jun 8 to Jul 7	
7	Jun 9 to Jul 10	
8	Jun 10 to Jul 11	
9	Jun 13 to Jul 12	
10	Jun 14 to Jul 13	
11	Jun 15 to Jul 14	
12	Jun 16 to Jul 17	
13	Jun 17 to Jul 18	
14	Jun 20 to Jul 19	
15	Jun 21 to Jul 20	
16	Jun 22 to Jul 21	
17	Jun 23 to Jul 24	
18	Jun 24 to Jul 25	
19	Jun 27 to Jul 26	
20	Jun 28 to Jul 27	
21	Jun 29 to Jul 28	
	Total	
	Total / 21	

Monthly billed degree d

YEAR	Annual	Heating degree days weghted by customers per cycle	Heating degree days weighted evenly by cycle	Difference	Percer Differer
1965	1965	869	867	-2	-0.2
1965	1966	1118	1118	0	0
1965	1967	837	838	1	0.1
1965	1968	1000	1000	0	0
1965	1969	1061	1061	0	0
1965	1970	1263	1263	0	0
1965	1971	1046	1046	0	0
1965	1972	813	814	1	0.1
1965	1973	901	901	0	0
1965	1974	806	807	1	0.1
1965	1975	1033	1033	0	0
1965	1976	767	768	1	0.1
1966	1977	1154	1157	3	0.3
1966	1978	1016	1015	-1	-0.1
1966	1979	778	778	0	0
1966	1980	1128	1128	0	0
1966	1981	949	951	2	0.2
1966	1982	955	957	2	0.2
1966	1983	1227	1226	-1	-0.1
1966	1984	992	992	0	
1966	1985	1016	1016	0	
1966	1986	1150	1148	-2	-0.2
1966	1987	1201	1201	0	
1966	1988	1237	1235	-2	-0.2
1967	1989	1003	1003	0	
1967	1990	1009	1008	-1	-0.1
1967	1991	1378	1380	2	0.1
1967	1992	625	625	0	
1967	1993	1060	1058	-2	-0.2
1967	1994	943	946	3	0.3
1967	1995	1115	1115	0	
1967	1996	877	877	0	
1967	1997	822	822	0	
1967	1998	1150	1151	1	0.1
1967	1999	1091	1090	-1	-0.1
1967	2000	884	883	-1	-0.1
1968	2001	992	992	0	
1968	2002	1352	1353	1	0.1
1968	2003	811	810	-1	-0.1
1968	2004	884	883	-1	-0.1
1968					
1968	Annual	Heating degree days weghted by customers per cycle	Heating degree days weighted evenly by cycle	Difference	Perc Differ
1968					
1968					

1968	1965	3847	3846	-1	0.0
1968	1966	4198	4201	3	0.1
1968	1967	3819	3816	-3	-0.1
1968	1968	3897	3896	-1	0.0
1969	1969	4094	4093	-1	0.0
1969	1970	3952	3953	1	0.0
1969	1971	3705	3705	0	N
1969	1972	4050	4048	-2	0.0
1969	1973	3511	3512	1	0.0
1969	1974	3714	3715	1	0.0
1969	1975	3477	3477	0	N
1969	1976	3975	3976	1	0.0
1969	1977	4528	4525	-3	-0.1
1969	1978	4783	4785	2	0.0
1969	1979	4358	4356	-2	0.0
1969	1980	4320	4319	-1	0.0
1970	1981	4138	4134	-4	-0.1
1970	1982	3833	3838	5	0.1
1970	1983	3715	3712	-3	-0.1
1970	1984	4343	4346	3	0.1
1970	1985	3572	3566	-6	-0.2
1970	1986	3790	3793	3	0.1
1970	1987	3589	3591	2	0.1
1970	1988	4024	4024	0	I
1970	1989	3782	3780	-2	-0.1
1970	1990	3287	3291	4	0.1
1970	1991	3457	3456	-1	0.0
1970	1992	3615	3615	0	I
1971	1993	3795	3798	3	0.1
1971	1994	3791	3789	-2	-0.1
1971	1995	3800	3802	2	0.1
1971	1996	4423	4421	-2	0.0
1971	1997	3854	3855	1	0.0
1971	1998	3071	3072	1	0.0
1971	1999	3404	3405	1	0.0
1971	2000	3640	3638	-2	-0.1
1971	2001	3654	3656	2	0.1
1971	2002	3682	3680	-2	-0.1
1971	2003	3795	3792	-3	-0.1
1971	2004	3530	3531	1	0.0

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-032

REQUEST:

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."

RESPONSE:

    a. This result occurs mathematically. In the current situation, the level of heating degree days calculated using the average of 25 years of data is trending downward and the level of degree days using an average of the last ten years is below the one based on 25 years. As a result, if heating degree days in the future continue to match the level set over the last ten

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-033

REQUEST:

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.

RESPONSE:

The approximated number of calls from Kentucky customers on an annual basis is 400,000. Given an average sample size of 600 customers in any of the years 1999 – 2005, there is a 99% confidence level that in the data with a confidence interval of 5.26.

For example, if customer satisfaction is 90% very satisfied/satisfied, we are 99% confident that the actual level of customer satisfaction is within 5.26% plus or minus 90% or, in other words, is between 85% and 95% very satisfied/satisfied.

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-034

REQUEST:

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.

RESPONSE:

a. In the Commission's Order in Case No. 2005-00042, the Commission did not explicitly state that it adopted the apportioned Kentucky statutory income tax rate; however, the Commission did accept and approve the

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-035

REQUEST:

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.

RESPONSE:

The 2007 budget was prepared using the assessed value of Duke Energy Kentucky's property located in Kentucky and Ohio, with adjustments for anticipated property tax rate increases, additions (including the power plant transfers), retirements and additional depreciation. The 2005 tentative assessment of $543.5 million, as prepared by the Kentucky Department of Revenue ("KDR"), was based on the premise of allocating the $9 billion acquisition of Cinergy to primarily three companies, Duke Energy Ohio, Duke Energy Indiana and Duke Energy Kentucky.

The KDR's 2005 tentative assessment was approximately 41% higher than net book

KyPSC-DR-03-036

REQUEST:

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.

RESPONSE:

Duke Energy Carolinas and the North Carolina Utilities Commission ("NCUC") Public Staff have reached an agreement in which the Public Staff will support of these service agreements subject to certain additional conditions, the primary one being a priority of service condition. This condition requires that the regulated generation (including Duke Energy Kentucky) and the Duke Energy Ohio generation dedicated to serving retail load be given priority over non-regulated generation in O&M services provided under the Utility Service Agreement. However, there is an exception for work necessary to ensure reliability.

The other conditions relate to protection of customer information and confidential system

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-037

REQUEST:

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

are often limited by a lack of customer awareness of green power programs. Second, the customer will be able to purchase blocks of green energy for their account with Duke Energy Kentucky. The customer will be able to offset a portion of their monthly usage with green energy. Duke Energy Kentucky believes this aspect will provide the customer an added sense of value. Third, the planned Midwest supply of green energy combined with local renewable projects will add to the awareness of green energy.

b. All of the expenses for this program will be treated "below-the-line" and not considered part of the regulated expenses or revenues. Any expenses not recovered or offset by the GoGreen program revenues will be the financial burden of the shareholders, not the customers.

(1) The accounting treatment for this program has not been described in the case record.

(2) The revenue and expenses will carry non-utility account numbers and work codes to track the amounts for reporting purposes. Expenses will be tracked in a 416 non-utility account and revenues in a 415 non-utility miscellaneous service revenue – other account. All transactions and accounting will be reflected in the annual GoGreen report to the Kentucky Public Service Commission Staff and other stakeholders.

f. RECs and Carbon Credits can be traded to affiliates and outside third parties at market prices, to be treated as "below-the-line" as described in the response to KyPSC-03-037(b)(2).

g. The expected costs of the Duke Energy Kentucky program will be prepared later in October of 2006 by incorporating the results of the marketing and promotion programs conducted in Duke Energy Indiana. The Duke Energy Kentucky cost will be provided upon completion but no later than November 15, 2006.

WITNESS RESPONSIBLE: Jeffrey R. Bailey

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-038

REQUEST:

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.

RESPONSE:

establishes appropriate unbundled costs to properly reflect charges proposed in Rider BDP.

We also have many legacy customers who have backup delivery points with no contract to provide enhanced reliability. The Company has a "grandfather" policy where we have not approached these customers to pay for services to enhance reliability provided they do not require modifications or upgrades to their service.

b. The rates for distribution and transmission reservation charges are developed from the Company's unbundled costs associated with each major rate code during the test period. The summation of these unbundled costs make up the rates as displayed in the Duke Energy Kentucky tariffs in the form of "bundled" customer charges, demand charges and energy charges. These charges are appropriate since customers only need access to the distribution and / or transmission systems to enhance reliability, and the charges ensure that customers pay for only the additional facilities accessed.

c. Duke Energy Kentucky will file all Rider BDP agreements if required by the Kentucky Public Service Commission.

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-039

REQUEST:

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.

RESPONSE:

The following is the cost justification for the $15 field collection fee:

Average Wage per hour	A	$25.50
Average Hourly Vehicle Cost	B	$7.00
Combined Cost (Wage& Vehicle)	C=A+B	$32.50
20 minutes per order	D=20/60 x C	$10.83
30 minutes travel (to/from)	E=30/60 X C	$16.25
Total cost per order	F=D+E	**$27.08**

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-040

REQUEST:

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,[1] 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."

d. Provide citations to previous decisions of the Commission where there has

savings that may be perpetual. At some point, the annual amortization of the cost ends but the savings may persist indefinitely.

d. In Case No. 92-346, the Commission authorized ULH&P to amortize its allocated share of downsizing costs associated with a downsizing program over ten years. At the time, it was unknown how many years it would be before ULH&P would file another rate proceeding. In that case, therefore, the Commission authorized recovery of amortization expense, over a "fixed" period of time, for a program that resulted in cost savings over an indefinite period of time.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-041

REQUEST:

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.

RESPONSE:

DUKE ENER
FUEL ADJUSTMEN

Expense Mon

Line No.	Description
1	Fuel F_m (Schedule 2, Line F)
2	Sales S_m (Schedule 3, Line C)
3	Base Fuel Rate (F_b/S_b) per PSC Order in Cas
4	Fuel Adjustment Clause Rate (Line 2 - Line 3

Effective Date for Billing:

Submitted by:

Title:

Date Submitted:

DUKE ENERGY KENTU
FUEL COST SCHEDU

Expense Month: Janua

A. Company Generation		
Coal Burned	(+)	
Oil Burned	(+)	
Gas Burned	(+)	
Fuel (assigned cost during Outage[a])	(+)	
Fuel (substitute cost during Outage[a])	(-)	
Sub-Total		
B. Purchases		
Net Energy Cost - Economy Purchases	(+)	
Identifiable Fuel Cost - Other Purchases	(+)	
Identifiable Fuel Cost (substitute for Outage)	(-)	
Less purchases above highest cost units	(-)	
Sub-Total		
C. Inter-System Sales Fuel Costs		
D. Customer Share of Margins on Off-System Sales		
E. Total Company Over or (Under) Recovery from Schedule 4, Line 12		
F. Total Fuel Costs (A + B - C - D - E)		

Note: [a] Through December 31, 2009, "Outage" includes forced and sch
[b] Prior month data may be adjusted as MISO provides updated se

DUKE ENER
SALES

Expense Month: January 2007

A. Generation (Net)	(+)
Purchases Including Interchange-In	(+)
Sub-Total	
B. Pumped Storage Energy	(+)
Inter-System Sales Including Interchange Out	(+)
System Losses	(+)
Sub-Total	
C. Total Sales (A - B)	

Note: [a] Prior month data may be adjusted as MISO

DUKE ENER
OVER OR (UNDER) F

Expense Month: January 2007

Line No.	Description
1	FAC Rate Billed (¢/kWh)
2	Retail kWh Billed at Above Rate
3	FAC Revenue/(Refund) (Line 1 * Line 2)
4	kWh Used to Determine Last FAC Rate Bille
5	Non-Jurisdictional kWh included in Line 4
6	Kentucky Jurisdictional Kwh Included in Line
7	Recoverable FAC Revenue/(Refund) (Line 1
8	Over or (Under) (Line 3 - Line 7)
9	Total Sales (Schedule 3 Line C)
10	Kentucky Jurisdictional Sales
11	Ratio of Total Sales to KY Jursidictional Sale
12	Total Company Over or (Under) Recovery (L

DUKE ENERGY KI
OFF-SYSTEM SALES

Month Ended: January 2007

Line No.	Description
1	Current Month Off-System Sales
2	Interchange-Delivered Revenues
3	Total Off-System Sales Revenues (Line 1 + Line 2)
4	Variable Expense Associated with Off-System Sales
5	Interchange-Delivered Expenses
6	Total System Sales Variable Expenses (Line 4 + Line 5)
7	Current Month Net Margin on Off-System Sales (Line 3 + Line
8	Off-System Sales Margin - January 1 through end of prior mo
9	Greater of $1 million or Cumulative Margins through prior mo
10	Customer Share of Off-System Sales Margins for Current Mo

Note: [a] Prior month data may be adjusted as MISO provide

DUKE ENERGY KENTUCKY

Fuel Type: Coal
Month Ended: January 31, 2007

Unit: ——→ East Bend Unit 2

	Amount	MMBtu	Per Unit	Tons	Per Unit
Beginning Inventory					
Purchases					
Sub-Total	0	0		0	
Less: Fuel Burned					
Ending Inventory	0	0		0	

Unit: ——→ Miami Fort Unit 6

	Amount	MMBtu	Per Unit	Tons	Per Unit
Beginning Inventory					
Purchases					

DUKE ENERGY KENTUCKY

Fuel Type: Gas/Propane
Month Ended: January 31, 2007
Unit: Woodsdale

	Amount ($)	MCF	$/MCF
Beginning Inventory			
Purchases			
Sub-Total	0	0	
Less: Fuel Burned			
Ending Inventory	0	0	

DUKE ENERGY KENTUCKY

Fuel Type: Oil
Month Ended: January 31, 2007
Unit: Woodsdale

	Amount ($)	Gallons	$/Gallon
Beginning Inventory			
Purchases			
Sub-Total	0	0	
Less: Fuel Burned			
Ending Inventory	0	0	

DUKE ENERGY KENTUCKY

Resource Type: **Purchased Power**
Month Ended: **January 31, 2007**

Supplier/Buyer	Transaction Type	kWh	Demand
Midwest ISO	Econ Purch		
Midwest ISO	Econ Sale		

DUKE ENERGY KENTUCKY

Coal Contract Details
Month Ended: **January 31, 2007**

Station Name	Supplier	Purchase Order	Transport Method	Tons	Btu/lb	Price (@ $/ton
East Bend						
Miami Fort						

DUKE ENERGY KENTUCKY

Gas/Propane Purchases Details
Month Ended: January 31, 2007

Station Name	Supplier	Purchase Order	Transport Method	
Woodsdale				

DUKE ENERGY KENTUCKY

Generating Unit Performance
Month Ended: **January 31, 2007**

	East Bend No. 2	Miami Fort No. 6	No. 1
Unit Performance			
1.a Capacity (name plate rating - MW)			
1.b Capacity (average load - MW)			
1.c Net Demonstrated Capability (MW)			
1.d Net Capability Factor (1.b)/(1.c)			
Heat Rate			
2.a Btu Consumed (MMBtu)			
2.b Gross Generation (MWh)			
2.c Net Generation (MWh)			
2.d Heat Rate (2.a)/(2.c) (MMBtu/kWh)			
Operation Availability			
3.a Hours Unit Operated			
3.b Hours Available			
3.c Hours During the Period			
3.d Availability Factor (3.b)/(3.c)			
Cost per kWh (at busbar)			
4.a Gross Generation (¢/kWh)			
4.b Net Generation (¢/kWh)			
Inventory			
5.a Number of Days Supplied Based On Actual Burn at Station			

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-042

REQUEST:

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.

RESPONSE:

Approximately 81% is related to the transfer of generation to Duke Energy Kentucky and approximately 19% is related to the projected increase in labor costs.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-043

REQUEST:

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.

RESPONSE:

The Emission Allowance deferred tax balance shown on Attachment AG-DR-01-001(a) is the balance transferred to Duke Energy Kentucky ("DEK") from Duke Energy Ohio ("DEO") with the transfer of the Plants. The balance was non-jurisdictional on DEO's books and it remains non-jurisdictional on DEK's books.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-044

REQUEST:

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.

RESPONSE:

a. As stated in response to AG-DR-01-024, there are no projected annualized revenues associated with the new miscellaneous charges. After further review, however, we estimate that the proposed miscellaneous charges will increase revenue by $140,217 for a total of $197,630. This later amount should be shown on Schedule M, line 31, columns (B) and (C) for

Duke Energy-Kentucky
Analysis of Miscellaneous Charges
For Rate Case No. 2006-00172

Data Requests : KyPSC-DR-03-044
AG-DR-02-006

Duke Energy Kentucky **Reconnection Charges (451020)**	Rate thru March $15	Pro-Forma Adjustment	Rate April 3, 2006 $25
12 Month Forecasted included in Test Period Revenue	$34,448	$22,965	$57,413
	Projected Rates	Number of Items	Projected Revenue
Projected Reconnects @ Pole (1)		391	
--Normal Hours	$65	293	$19,045
--After-Hours (25%)	$90	98	$8,820
Projected Reconnects @ Meter (1)		3,445	
--Normal Hours	$25	2,584	$64,600
--After-Hours (25%)	$50	861	$43,050
Field Collections (2)	$15	4,141	$62,115
Total			$197,630
Change in Revenue			$140,217

(1) Allocation based upon Duke Energy Kentucky Reconnections for 12 months ended December 2005.

(2) Allocation based upon CG&E Rate Case No. 05-59-EL-AIR and ratio of number of Electric Customers

Number of Electric Customers @ Feb 2006:		
CG&E	682,270	84%
ULH&P	132,115	16%
	814,385	

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-045

REQUEST:

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.

RESPONSE:

The most current EEI Membership Dues were paid by Cinergy Corp. in January 2006. See below for allocation to Duke Energy Kentucky.

Description	Total	Duke Kentucky Percent	EEI Dues Allocated to Duke Energy Kentucky
Regular Activities of EEI	$804,613	5.11%	$41,116
Industry Structure Assessment	120,692	5.11%	6,167
Mutual Assistance Program	8,000	5.11%	409
Total	$933,305		$47,692

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Date Received: August 09, 2006
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KyPSC-DR-03-046

REQUEST:

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.

RESPONSE:

There are $77,228 in expenses representing Electric Power Research Institute ("EPRI") fees in the forecasted test period. This amount is based upon $76,088 in the 2006 budget charged to center 191-VP Power Operations, which was escalated by 1.5% for the forecasted test period. Duke Energy Kentucky did not incur any EPRI fees in 2004 or 2005 because it was a distribution only utility with no generation assets, purchasing power from Duke Energy Ohio. Duke Energy Kentucky incurred these EPRI fees in 2006 for research projects involving the development of new generation technologies and new technologies used in reducing environmental emissions. This benefits the Company because of our need to evaluate new generation and emission control technologies for [illegible] utilization. The Company expects to incur a comparable amount of EPRI fees

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Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-047

REQUEST:

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.

RESPONSE:

The nature and purpose of KyPSC-DR-03-047(b), (c) and (d) is self-explanatory. These items have been eliminated for rate-making purposes on WPD-2.22a. KyPSC-DR-03-047(a), Communications Equipment, is for expenses related to communications

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Date Received: August 09, 2006
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KyPSC-DR-03-048

REQUEST:

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.

RESPONSE:

As stated in response to AG-DR-01-059, governmental affairs employees are employed to: (1) monitor legislative, administrative and executive public policy developments relating to the utility industry generally and specifically to Duke Energy Kentucky's business; (2) respond to information requests from public and elected officials; and (3) provide information to government officials relative to how decisions made by state government will impact customers, reliability, safety, cost and availability of power. Examples of activities that government affairs employees engage in include: participating in Commission rulemaking proceedings; informing the Commission of various customer service matters; monitoring, reporting on and participating in preparation of legislation; acting as liaison with local governments on Company projects that affect local communities, such as main replacement work or outage-related communications.

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KyPSC-DR-03-049

REQUEST:

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.

RESPONSE:

The Company is filing a petition for confidentiality because the redacted communications are confidential communications between Company employees and attorneys related to matters at issue in this proceeding and, as such, are protected against discovery by the attorney-client privilege and the work product privilege.

KyPSC Staff Third Set Data Requests
Duke Energy Kentucky Case No. 2006-00172
Date Received: August 09, 2006
Response Due Date: August 23, 2006

KyPSC-DR-03-050

REQUEST:

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.

RESPONSE:

We expect approximately ten customers to participate in the CallOption program in 2007 for a total of about 15 MW, assuming the proposed program enhancements are approved. However, program expenses are dependent on customer participation, the strike price and number of calls selected by the customer (which affects premium payments), and event credits (which are highly dependant on weather). Because these additional expenses were not sufficiently known, no additional expenses associated with the enhanced program were reflected in the forecasted test period. Due to the uncertainty of these expenses, the Company's proposal contemplated having future costs associated with this program recovered through a tracking mechanism.