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Dianne B Kuhnell
Senior Paralegal

VIA OVERNIGHT DELIVERY

November 26, 2008

RECEIVED

DEC 01 2008

**PUBLIC SERVICE
COMMISSION**

Ms. Stephanie Stumbo
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

Re: Case No. 2008-00476

Dear Ms. Stumbo:

Enclosed please find an original and seven copies each of the Responses of Duke Energy Kentucky to the Commission Staff's First Data Request in the above captioned case.

Please date-stamp the extra two copies and return to me in the enclosed envelope.

Sincerely,

Dianne Kuhnell
Senior Paralegal

cc: Hon. Dennis G. Howard II

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<u>DATA REQUEST</u>	<u>WITNESS</u>	<u>TAB NO.</u>
KyPSC-DR-01-001	Margaret E. Clippinger.....	1
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VERIFICATION

State of North Carolina)
)
County of Mecklenburg) SS:

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


Margaret E. Clippinger, Affiant

Subscribed and sworn to before me by Margaret E. Clippinger on this 24th day of November 2008.

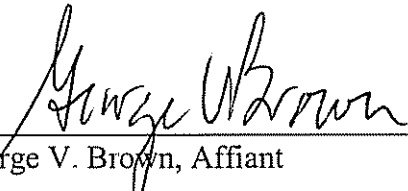

NOTARY PUBLIC

My Commission Expires: June 24, 2009

VERIFICATION

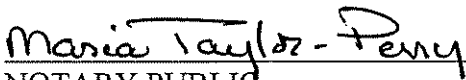
State of North Carolina)
) SS:
County of Mecklenburg)

The undersigned, George V. Brown, being duly sworn, deposes and says that I am employed by the Duke Energy Corporation affiliated companies as General Manager, Global Risk Management and Insurance; that on behalf of Duke Energy Kentucky, Inc., I have supervised the preparation of the responses to the foregoing information requests; and that the matters set forth in the foregoing response to information requests are true and accurate to the best of my knowledge, information and belief after reasonable inquiry.



George V. Brown, Affiant

Subscribed and sworn to before me by George V. Brown on this ____ day of
November 2008.



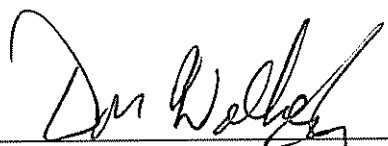
NOTARY PUBLIC

My Commission Expires: November 30, 2008

VERIFICATION

State of Ohio)
) SS:
County of Hamilton)

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



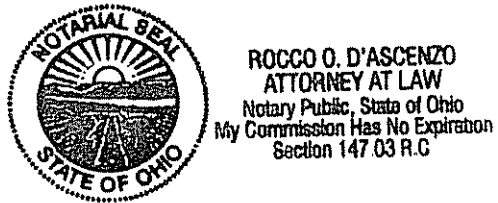
William Don Wathen Jr., Affiant

Subscribed and sworn to before me by William Don Wathen Jr. on this 26th day of November 2008.



NOTARY PUBLIC

My Commission Expires: No Expiration



Duke Energy Kentucky, Inc.
Case No. 2008-00476
Kentucky Public Service Commission
First Set of Data Requests
Request Date: November 21, 2008
Response Due Date: December 1, 2008

KyPSC-DR-01-001

REQUEST:

Refer to paragraph 8 of Duke Energy's application.

- a) Duke Energy states that the costs it has incurred as part of the restoration have exceeded its average annual storm-related costs. Provide Duke Energy's average annual storm-related costs and the costs incurred to date for 2008 aside from the Hurricane Ike damage-related costs.
- b) Duke Energy's estimate of Hurricane Ike damage-related costs contains actual, estimated and reasonable estimates of contingencies. Provide an update of the cost estimate based on the most recent information available and, using the same classifications as in Exhibit 1, provide the amounts of Duke Energy's known actual (not estimated) storm-related costs. Show the date on which the updated estimate is based.
- c) Provide a detailed description, with supporting calculations as necessary, which identifies the amounts characterized as reasonable estimates of contingencies and which shows their derivations.

RESPONSE:

- a) The five year average (2003-2007) O&M Storm costs for Duke Energy Kentucky is \$224,102 per year. For 2008, Duke Energy Kentucky has spent \$424,706 on major storm events outside of Hurricane Ike
- b) The estimate for the storm has not changed since the original application was filed on November 14, 2008.

The actual costs reported as of October 31, 2008, are:

Duke Labor	\$1,592,985
Contractors	\$418,906
Materials and Supplies	\$131,753
Other non-labor (Food, lodging, etc)	<u>\$101,862</u>
Total	<u>\$2,245,506</u>

It is expected that actual charges will continue to accumulate for several more months.

- c) The term 'contingency' used in the application was meant to imply that the earnings impact was not based upon actual financial results but was, in fact, an estimate based upon the best information that was available from the operations. It was not a percent adder as may have been implied.

PERSON RESPONSIBLE: Margaret E. Clippinger

Duke Energy Kentucky, Inc.
Case No. 2008-00476
Kentucky Public Service Commission
First Set of Data Requests
Request Date: November 21, 2008
Response Due Date: December 1, 2008

KyPSC-DR-01-002

REQUEST:

Refer to paragraph 9 of Duke Energy's application.

- a) Duke Energy states that it does not maintain property and casualty insurance for its distribution and transmission systems because of the cost of doing so. Explain whether Duke Energy carried such insurance at any time in the past.
- b) If Duke Energy has obtained a quote for this type of insurance within the past 10 years, identify the insurance provider and provide the premium and deductible quoted by the provider.
- c) If Duke Energy has not received quotes for such insurance within the past 10 years, explain whether it has sought and received information from insurance providers which supports the statement that Duke Energy does not carry insurance of this type because of its cost. Provide a description of any such information Duke Energy has received. If no such information has been received, explain how Duke Energy is able to support its statement that the cost is the reason it does not carry such information.

RESPONSE:

- a) Upon information and belief and based upon a discussion with Duke Energy Kentucky's insurance brokers, Duke Energy Kentucky has not maintained coverage for its distribution and transmission systems since 1999. Upon information and belief, such coverage was not available from its insurance carriers.
- b) Duke Energy Kentucky has not received a quote for this type of insurance in the past ten years as it was not available from our insurance carriers.
- c) Duke Energy Kentucky regularly and frequently participates in many utility industry insurance forums and seminars given by utility industry mutual insurance companies regarding industry insurance coverage issues. One such topic has been the lack of available and affordable insurance coverage for transmission and distribution assets. It is generally acknowledged and understood by market participants that such coverage has been

specifically excluded since the early 1990's as reinsurance companies at that time began to specifically exclude these losses from their policies due to huge losses. These conversations and associated presentations provide the basis for Duke Energy Kentucky's belief that such coverage is not generally available or would require a highly specialized policy with very high deductibles and premiums which would be too costly relative to the expected annual storm costs.

PERSON RESPONSIBLE: George V. Brown

Duke Energy Kentucky, Inc.
Case No. 2008-00476
Kentucky Public Service Commission
First Set of Data Requests
Request Date: November 21, 2008
Response Due Date: December 1, 2008

KyPSC-DR-01-003

REQUEST:

Refer to paragraph 13 of Duke Energy's application, specifically, the last sentence which requests explicit language in the Commission's Order in this matter.

- a) Provide citations to any prior Commission Orders which explicitly state that the amount being included in a regulatory asset was being "deferred for future recovery".
- b) If the Commission authorizes the establishment of a regulatory asset as requested, the review of the costs for reasonableness and rate recovery will occur in a future rate case. Explain why Duke Energy believes the language it requests is necessary, as opposed to language which indicates that the amount is being deferred in order to be considered for recovery in a future rate case.

RESPONSE:

- a) Duke Energy Kentucky is not aware of any Commission Order containing the exact quoted language in paragraph 13. The Commission has used similar language in prior Orders. For example, in its February 1, 2008, Order in Case No. 2007-166, the Commission found that "Kentucky Power should be allowed to defer the unrecovered costs for consideration in the next general rate case." The Commission also used similar language in its June 30, 2000, Order in Case No. 2000-129, finding "[m]erger savings and the costs to achieve those savings should be captured for accounting purposes and deferred for future rate-making purposes to be considered in Columbia of Kentucky's next rate case." The intent of paragraph was that the Commission approve the deferral request and consider the storm related costs in the Company's next base rate case. *The Company did not intend for the Commission to rule on the reasonableness of the actual amounts incurred for rate recovery at this time. The Company merely wishes to have sufficient language in the Commission's Order to provide reasonable certainty to book the regulatory asset under accounting standards established in the Uniform System of Accounts for Account 182.3.*
- b) The Company recognizes that the Commission may review the reasonableness of the costs being deferred; however, the authority to recover reasonable storm costs is fundamental to the Company's request in this proceeding. Granting that authority in this proceeding in no way limits the Commission's ability to review the reasonableness of the deferred costs.

PERSON RESPONSIBLE: William Don Wathen Jr.

Duke Energy Kentucky, Inc.
Case No. 2008-00476
Kentucky Public Service Commission
First Set of Data Requests
Request Date: November 21, 2008
Response Due Date: December 1, 2008

KyPSC-DR-01-004

REQUEST:

Refer to paragraph 15 of Duke Energy's application.

- a) Duke Energy requests the Commission approve the request for accounting treatment no later than December 31, 2008 to reflect necessary adjustments on its books for the year ending December 31, 2008 and to avoid inaccuracies in Duke Energy's financial statements. Provide the date by which Duke Energy will close its books for the calendar year 2008. If that date is in early 2009, explain why Duke Energy requests a ruling prior to that date.
- b) Duke Energy states that to avoid an anomaly in its financial records it is seeking relief by *December 31, 2008 from the Commission*. Provide Duke Energy's electric operations income statement for the most recent 12 months available, as well as a 2008 calendar year-to-date electric operations income statement ending the same month as the 12-months income statement.
- c) Provide a balance sheet for Duke Energy that corresponds to the time frame of the income statement provided which shows electric and gas plant in-service balances separately.

RESPONSE:

- a) Duke Energy will close its books for the calendar year 2008 on January 15, 2009. However, the Franchised Electric & Gas Accounting department directs all entries affecting Operation and Maintenance expense to be recorded by January 7, 2009, to ensure adequate time for analysis of pre-tax income and for recording income taxes. Duke Energy will have adequate time to record any entries for calendar year 2008 if a ruling is received by January 7, 2009.
- b) Please see Attachment KyPSC-DR-01-004(b) for Duke Energy Kentucky's electric operations income statements for the 12 months ended September 30, 2008, and 9 months ended September 30, 2008.
- c) Please see Attachment KyPSC-DR-01-004(c) for Duke Energy Kentucky's balance sheet as of September 30, 2008.

PERSON RESPONSIBLE: William Don Wathen Jr.

Duke Energy Kentucky

Quarterly Supplemental Financial Statements
Income Statement
For the 12 Months Ended September 30, 2008
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<u>Revenues</u>				
Residential Sales	117,538,820	91,344,696	-	208,883,516
Commercial Sales	136,775,065	40,744,243	-	177,519,308
Industrial Sales	53,098,415	4,672,274	-	57,770,689
Sales to Public Authorities	22,913,575	6,174,532	-	29,088,107
Public Street & Highway Lighting	1,685,403	1,125	-	1,686,528
Inter-Departmental Sales	51,616	51,602	-	103,218
Misc. Service Revenues	(1,667,572)	40,264	469,261	(1,158,047)
Revenues from Transportation	743,424	4,940,559	-	4,940,559
Rents from Property	18,575,480	32,756	793,518	1,569,698
Other Revenues	349,714,226	12,235	-	18,587,715
<u>Total Revenues</u>	<u>148,014,286</u>	<u>148,014,286</u>	<u>1,262,779</u>	<u>498,991,291</u>
<u>Operating Expenses</u>				
Operation Expense	235,408,486	121,964,033	154,970	357,528,489
Maintenance Expense	24,112,799	2,006,275	63,595	26,182,669
Depreciation Expense	29,294,866	4,091,045	1,684,993	35,070,904
Amortization and Depletion	1,681,712	613,823	-	2,295,535
Taxes Other than Income Taxes	6,776,247	2,940,536	39,609	9,756,392
Income Taxes - Federal & Other	14,593,607	2,229,793	28,282	16,851,682
Provision of Deferred Income Taxes - Net	6,148,955	(2,968,886)	(3,682)	3,176,387
Investment Tax Credit Adjustment	-	(163)	163	-
<u>Total Operating Expenses</u>	<u>318,017,672</u>	<u>130,876,456</u>	<u>1,967,930</u>	<u>450,862,058</u>
<u>NET OPERATING INCOME</u>	<u>31,696,554</u>	<u>17,137,830</u>	<u>(705,151)</u>	<u>48,129,233</u>
<u>Other Income & Deductions</u>				
Revenues from Merchandising, Jobbing and Contract Work	-	-	397,336	397,336
Less Expense of Merchandising, Jobbing and Contract Work	-	-	(301,895)	(301,895)
Revenues from Nonutility Operations	-	-	463,280	463,280
Interest & Dividend Income	-	-	3,560,572	3,560,572
AFUDC	320,966	325,722	-	646,688
Gain on Disposition of Property	-	-	-	-
Loss on Disposition of Property	-	-	-	-
Misc. Income Deductions	-	-	(1,814,808)	(1,814,808)
Taxes Other than Income Taxes	-	-	(244,843)	(244,843)
Income Taxes - Federal & Other	-	-	1,437,979	1,437,979
Provision for Deferred Income Taxes - Net	-	-	-	-
<u>Total Other Income & Deductions</u>	<u>320,966</u>	<u>325,722</u>	<u>3,497,621</u>	<u>4,144,309</u>
<u>Interest Charges</u>				
Interest on Long Term Debt	(12,019,578)	(4,131,539)	1,227,194	(14,923,923)
Amortization of Debt Disc. And Expense	(467,161)	(160,579)	47,697	(580,043)
Amortization of Loss on Recacquired Debt	-	-	-	-
Interest on Debt to Assoc Co	(386,571)	(132,878)	39,469	(479,980)
Other Interest Expense	(685,234)	(228,663)	67,920	(825,977)
Less Allowance for Borrowed Fund Used During Construction - Credit	293,075	167,774	-	460,849
<u>Net Interest Charges</u>	<u>(13,245,469)</u>	<u>(4,485,885)</u>	<u>1,382,280</u>	<u>(16,349,074)</u>
Extraordinary Items after Taxes	-	-	-	-
<u>NET INCOME</u>	<u>18,772,051</u>	<u>12,977,667</u>	<u>4,174,750</u>	<u>35,924,468</u>

Name of Respondent Duke Energy Kentucky, Inc	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo. Da. Yr) / /	Year/Period of Report End of 2008/Q3
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STATEMENT OF INCOME

Quarterly

1. Enter in column (d) the balance for the reporting quarter and in column (e) the balance for the same three month period for the prior year

2. Report in column (f) the quarter to date amounts for electric utility function; in column (h) the quarter to date amounts for gas utility, and in (j) the quarter to date amounts for other utility function for the current year quarter

3. Report in column (g) the quarter to date amounts for electric utility function; in column (i) the quarter to date amounts for gas utility, and in (k) the quarter to date amounts for other utility function for the prior year quarter.

4. If additional columns are needed place them in a footnote.

Annual or Quarterly if applicable

5. Do not report fourth quarter data in columns (e) and (f)

6. Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others, in another utility column in a similar manner to a utility department. Spread the amount(s) over lines 2 thru 26 as appropriate. Include these amounts in columns (c) and (d) totals

7. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above

8. Report data for lines 8, 10 and 11 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1 and 407.2

Line No.	Title of Account (a)	(Ref.) Page No (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
1	UTILITY OPERATING INCOME					
2	Operating Revenues (400)	300-301	373,208,840	365,621,735	117,206,866	115,607,525
3	Operating Expenses					
4	Operation Expenses (401)	320-323	263,951,876	257,845,132	77,368,681	80,246,809
5	Maintenance Expenses (402)	320-323	21,777,508	18,285,874	10,124,824	4,555,583
6	Depreciation Expense (403)	336-337	26,207,586	25,610,728	8,693,538	8,730,638
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-337	49		49	
8	Amort. & Depl. of Utility Plant (404-405)	336-337	1,713,899	1,857,671	559,098	592,619
9	Amort. of Utility Plant Acq. Adj. (406)	336-337				
10	Amort. Property Losses, Unrecov Plant and Regulatory Study Costs (407)					
11	Amort. of Conversion Expenses (407)					
12	Regulatory Debits (407.3)		-585,554	2,369,761	855,979	2,369,761
13	(Less) Regulatory Credits (407.4)					
14	Taxes Other Than Income Taxes (408.1)	262-263	8,981,440	10,410,038	3,041,885	3,731,681
15	Income Taxes - Federal (409.1)	262-263	9,649,826	12,662,539	-1,389,997	2,841,513
16	- Other (409.1)	262-263	1,672,182	1,382,101	330,016	274,314
17	Provision for Deferred Income Taxes (410.1)	234, 272-277	27,790,575	6,740,590	32,318,984	2,843,466
18	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277	25,495,820	1,410,835	24,970,534	-8,743
19	Investment Tax Credit Adj. - Net (411.4)	266	-172,840	-164,799	-66,154	-54,933
20	(Less) Gains from Disp. of Utility Plant (411.6)					
21	Losses from Disp. of Utility Plant (411.7)					
22	(Less) Gains from Disposition of Allowances (411.8)		148,946	1,219,868	-41,367	135,000
23	Losses from Disposition of Allowances (411.9)					
24	Accretion Expense (411.10)		561		561	
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		335,342,341	334,386,812	106,908,297	105,805,194
26	Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117, line 27		37,866,499	31,234,923	10,298,569	9,802,331

Name of Respondent Duke Energy Kentucky, Inc.		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo. Da. Yr) / /		Year/Period of Report End of 2008/Q3	
STATEMENT OF INCOME FOR THE YEAR (Continued)							
<p>9. Use page 122 for important notes regarding the statement of income for any account thereof</p> <p>10. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in material refund to the utility with respect to power or gas purchases. State for each year effected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power or gas purchases.</p> <p>11. Give concise explanations concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and a summary of the adjustments made to balance sheet, income, and expense accounts.</p> <p>12. If any notes appearing in the report to stockholders are applicable to the Statement of Income, such notes may be included at page 122.</p> <p>13. Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also, give the appropriate dollar effect of such changes.</p> <p>14. Explain in a footnote if the previous year's/quarter's figures are different from that reported in prior reports.</p> <p>15. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles report the information in a footnote to this schedule.</p>							
ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY			
Current Year to Date (in dollars) (g)	Previous Year to Date (in dollars) (h)	Current Year to Date (in dollars) (i)	Previous Year to Date (in dollars) (j)	Current Year to Date (in dollars) (k)	Previous Year to Date (in dollars) (l)	Line No	
						1	
264,949,212	265,183,725	108,269,628	100,438,010			2	
						3	
173,690,996	173,591,346	90,260,880	84,253,786			4	
20,188,834	16,791,273	1,588,674	1,504,601			5	
20,564,650	20,445,988	5,642,928	5,164,740			6	
49						7	
1,245,129	1,389,875	468,770	467,796			8	
						9	
						10	
						11	
1,724,692	2,022,632	-2,310,246	347,229			12	
						13	
6,017,893	6,924,703	2,963,547	3,493,335			14	
9,117,683	15,072,300	532,142	-2,409,761			15	
1,633,396	1,837,871	138,786	-455,770			16	
17,893,164	2,239,181	9,897,411	4,501,409			17	
17,310,248	2,193,296	8,185,572	-782,361			18	
-103,535	-107,883	-69,305	-58,916			19	
						20	
						21	
148,946	1,219,888					22	
						23	
561						24	
234,414,326	236,794,002	100,928,015	97,592,810			25	
30,534,886	28,389,723	7,331,613	2,845,200			26	

Name of Respondent Duke Energy Kentucky, Inc.		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr) / /		Year/Period of Report End of 2008/Q3	
STATEMENT OF INCOME FOR THE YEAR (continued)							
Line No.	Title of Account (a)	(Ref.) Page No. (b)	TOTAL		Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)	
			Current Year (c)	Previous Year (d)			
27	Net Utility Operating Income (Carried forward from page 114)		37,866,499	31,234,923	10,298,569	9,802,331	
28	Other Income and Deductions						
29	Other Income						
30	Nonutility Operating Income						
31	Revenues From Merchandising, Jobbing and Contract Work (415)		257,848	494,393	52,883	128,497	
32	(Less) Costs and Exp. of Merchandising, Job. & Contract Work (416)		219,783	273,880	101,120	78,501	
33	Revenues From Nonutility Operations (417)		260,488	4,873	257,244	498	
34	(Less) Expenses of Nonutility Operations (417.1)		6,163		6,158		
35	Nonoperating Rental Income (418)		-729,848	-397,604	-412,160	1,998	
36	Equity In Earnings of Subsidiary Companies (418.1)	119					
37	Interest and Dividend Income (419)		2,943,611	3,038,762	753,777	897,165	
38	Allowance for Other Funds Used During Construction (419.1)		627,052	199,304	230,386	37,035	
39	Miscellaneous Nonoperating Income (421)		69,883	192,916	8,781	130,112	
40	Gain on Disposition of Property (421.1)						
41	TOTAL Other Income (Enter Total of lines 31 thru 40)		3,192,898	3,258,764	783,633	1,114,804	
42	Other Income Deductions						
43	Loss on Disposition of Property (421.2)						
44	Miscellaneous Amortization (425)	340					
45	Donations (426.1)	340	45,247	41,184	5,557	5,291	
46	Life Insurance (426.2)						
47	Penalties (426.3)		663	7,133		6,153	
48	Exp. for Certain Civic, Political & Related Activities (426.4)		120,735	6,292	116,627	2,090	
49	Other Deductions (426.5)		1,004,825	1,693,004	183,054	550,637	
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)		1,171,470	1,746,213	305,238	572,171	
51	Taxes Applicable to Other Income and Deductions						
52	Taxes Other Than Income Taxes (408.2)	262-263	164,655	316,042	40,429	155,391	
53	Income Taxes-Federal (409.2)	262-263	1,728,091	-3,841,993	2,155,746	-1,809,466	
54	Income Taxes-Other (409.2)	262-263	184,860	140,295	-274,044	54,688	
55	Provision for Deferred Inc. Taxes (410.2)	234, 272-277	185,396	-810,614	-1,134,894	2,337	
56	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234, 272-277	719,014	210,564	2,902,826	70,188	
57	Investment Tax Credit Adj.-Net (411.5)		-422,637	-423,675	-140,877	-141,225	
58	(Less) Investment Tax Credits (420)						
59	TOTAL Taxes on Other Income and Deductions (Total of lines 52-58)		1,121,351	-4,630,509	-2,256,466	-1,808,463	
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		900,077	6,141,060	2,734,861	2,351,096	
61	Interest Charges						
62	Interest on Long-Term Debt (427)		11,166,782	11,204,441	3,573,630	3,751,432	
63	Amort. of Debt Disc. and Expense (428)		199,564	318,518	53,197	106,172	
64	Amortization of Loss on Required Debt (428.1)		228,950	136,071	76,317	45,357	
65	(Less) Amort. of Premium on Debt-Credit (429)						
66	(Less) Amortization of Gain on Required Debt-Credit (429.1)						
67	Interest on Debt to Assoc. Companies (430)	340	81,942	551,053	18,745	273,227	
68	Other Interest Expense (431)	340	798,523	1,343,578	266,301	543,049	
69	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)		379,563	392,938	89,620	169,651	
70	Net Interest Charges (Total of lines 62 thru 69)		12,096,198	13,160,722	3,898,570	4,549,586	
71	Income Before Extraordinary Items (Total of lines 27, 60 and 70)		26,670,378	24,215,261	9,134,860	7,603,841	
72	Extraordinary Items						
73	Extraordinary Income (434)						
74	(Less) Extraordinary Deductions (435)						
75	Net Extraordinary Items (Total of line 73 less line 74)						
76	Income Taxes-Federal and Other (409.3)	262-263					
77	Extraordinary Items After Taxes (line 75 less line 76)						
78	Net Income (Total of line 71 and 77)		26,670,378	24,215,261	8,134,860	7,603,841	

Duke Energy Kentucky

Quarterly Supplemental Financial Statements
Balance Sheet - Page 1
As of September 30, 2008
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
Assets				
Utility Plant in Service	1,134,627,501	331,308,485	11,879,439	1,477,815,425
Construction Work in Progress	29,182,701	4,901,192		34,083,893
Less Accum Depreciation	(559,063,120)	(95,034,228)	(7,299,691)	(661,397,039)
Net Utility Plant	<u>604,747,082</u>	<u>241,175,449</u>	<u>4,579,748</u>	<u>850,502,279</u>
Nonutility Property	0	0	11,443,650	11,443,650
Other Investments	0	0	1,500	1,500
Total Other Property & Investments	<u>0</u>	<u>0</u>	<u>11,445,150</u>	<u>11,445,150</u>
Cash	66,690,250	22,923,713	(6,809,048)	82,804,915
Working Funds	2,014	692	(206)	2,500
Customer Accounts Receivable	5,580,361	2,363,976	0	7,944,337
Other Accounts Receivable	6,086,836	2,092,253	(621,464)	7,557,625
Less Provision for Uncollectibles	(280,259)	(118,725)	0	(398,984)
Notes Receivable from Assoc. Co	14,166,356	4,869,459	(1,446,379)	17,589,436
Accounts Receivable from Assoc. Co	39,942	13,730	(4,078)	49,594
Fuel Stock	17,281,004	448,246	832,456	18,561,706
Gas Stored Underground Inventory	0	12,940,265	0	12,940,265
Plant Materials & Operating Supplies	8,991,691	296,220	0	9,287,911
Other Materials & Supplies	4,374	144	0	4,518
Stores Expense Undistributed	963,731	31,749	0	995,480
Prepayments	4,230,414	2,002,700	0	6,233,114
Emission Allowances	5,501,336	0	0	5,501,336
Interest & Dividends Receivable	281,924	96,907	(28,784)	350,047
Misc Current and Accrued Assets	1,132	0	0	1,132
Total Current & Accrued Assets	<u>129,541,106</u>	<u>47,961,329</u>	<u>(8,077,503)</u>	<u>169,424,932</u>
Unamortized Debt Expense	1,363,965	468,841	(139,260)	1,693,546
Other Regulatory Assets	4,549,223	6,367,659	0	10,916,882
Preliminary Survey & Investigation	779,400	267,906	(79,576)	967,730
Clearing Accounts	28,460	20,587	972	50,019
Temporary Facilities	(60,375)	0	0	(60,375)
Miscellaneous Deferred Debits	12,846,657	4,415,834	(1,311,639)	15,950,852
Unamortized Loss on Reacquired Debt	2,776,133	954,252	(283,442)	3,446,943
Accumulated Deferred Income Taxes	3,542,642	9,053,356	2,360,627	14,956,625
Unrecovered Purchased Gas Costs	0	(6,032,644)	0	(6,032,644)
Total Deferred Debits	<u>25,826,105</u>	<u>15,515,791</u>	<u>547,682</u>	<u>41,889,578</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>760,114,293</u></u>	<u><u>304,652,569</u></u>	<u><u>8,495,077</u></u>	<u><u>1,073,261,939</u></u>

Duke Energy Kentucky

Quarterly Supplemental Financial Statements
Balance Sheet - Page 2
As of September 30, 2008
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<u>Proprietary Capital</u>				
Common Stock Issued	7,071,320	2,430,654	(721,979)	8,779,995
Premium on Capital Stock	15,172,699	5,215,374	(1,549,127)	18,838,946
Other Paid-in Capital Stock	187,124,936	(14,482,098)	(23,987,649)	148,655,189
Retained Earnings	164,423,862	109,941,408	(37,425,121)	236,940,139
Accumulated Other Comprehensive Income	0	0	0	0
Total Proprietary Capital	<u>373,792,807</u>	<u>103,105,338</u>	<u>(63,683,876)</u>	<u>413,214,269</u>
<u>Liabilities</u>				
Bonds	261,935,172	90,036,049	(26,743,477)	325,227,744
Unamortized Premium on Long-Term Debt				
Less Unamortized Discount on Long-Term Debt	(483,355)	(166,146)	49,349	(600,152)
Total Long-Term Debt	<u>261,451,817</u>	<u>89,869,903</u>	<u>(26,694,128)</u>	<u>324,627,592</u>
Obligations Under Capital Leases - Noncurrent	8,149,889	2,801,466	0	10,951,355
Asset Retirement Obligation	1,720,431	4,762,904	0	6,483,335
Long-Term Portion of Derivative Instrument Liabilities	1,318,295	953,648	45,042	2,316,985
Accum. Misc. Operating Provisions	5,532,748	4,002,362	189,037	9,724,147
Total Other Noncurrent Liabilities	<u>16,721,363</u>	<u>12,520,380</u>	<u>234,079</u>	<u>29,475,822</u>
Accounts Payable	17,740,259	6,097,932	(1,811,273)	22,026,918
Accounts Payable to Assoc Co	47,286,467	16,253,971	(4,827,930)	58,712,508
Customer Deposits	3,682,101	2,476,289	0	6,158,390
Taxes Accrued	(9,627,545)	16,892,729	6,573,262	13,838,446
Interest Accrued	1,470,788	505,560	(150,167)	1,826,181
Tax Collections Payable	540,293	537,984	130,865	1,209,142
Misc Current & Accrued Liabilities	2,668,369	1,930,278	91,170	4,689,807
Obligations Under Capital Leases - Current	1,939,382	666,649	0	2,606,031
Total Current & Accrued Liabilities	<u>65,700,104</u>	<u>45,361,392</u>	<u>5,927</u>	<u>111,067,423</u>
Customer Advances for Construction	0	1,797,507	0	1,797,507
Accum. Deferred Investment Tax Credits	315,861	1,209,119	3,254,823	4,779,803
Other Deferred Credits	7,212,265	6,839,336	0	14,051,601
Other Regulatory Liabilities	1,092,376	468,028	0	1,560,404
Accumulated Deferred Income Taxes	33,827,700	43,481,566	95,378,252	172,687,518
Total Deferred Credits	<u>42,448,202</u>	<u>53,795,556</u>	<u>98,633,075</u>	<u>194,876,833</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u>760,114,293</u>	<u>304,652,569</u>	<u>8,495,077</u>	<u>1,073,261,939</u>

Duke Energy Kentucky, Inc.
Case No. 2008-00476
Kentucky Public Service Commission
First Set of Data Requests
Request Date: November 21, 2008
Response Due Date: December 1, 2008

KyPSC-DR-01-005

REQUEST:

Refer to Exhibit 1 of Duke Energy's application which contains estimates of its costs related to restoring service in the aftermath of Hurricane Ike.

- a) Costs identified as "Estimated Internal Duke Labor" are \$2,463,703. Provide a breakdown of this amount between the three companies, Duke Energy Kentucky, Duke Energy Ohio, and Duke Energy Carolinas, which the application indicates were involved in Hurricane Ike restoration efforts. Also provide the amount of overtime costs by each of the three companies.
- b) Costs identified as "Lineman Contractors" are \$1,831,694. Explain whether this line item contains all labor costs for non-Duke employees and crews utilized in the restoration effort referenced in paragraph 7 of Duke Energy's application.
- c) Costs identified as "Estimated Amount Considered Normal Operations (Internal Duke Labor)" are listed at \$131,948. Provide a description of how this amount was derived and identify what categories of employees this represents.

RESPONSE:

- a) The estimate was not developed based upon the home utility of the Duke internal workforce. However, based upon actual charges received to date, the composition of Duke employees charging to the Kentucky storm are

Duke Energy Carolinas	1%
Duke Energy Indiana	3%
Duke Energy Kentucky	68%
Duke Energy Ohio	14%
Service Company	14%

Applied to the estimate of \$2,463,703, the Duke Labor which worked in Kentucky would have been approximately supplied from the following home utilities:

Duke Energy Carolinas	\$24,637
Duke Energy Indiana	\$73,911
Duke Energy Kentucky	\$1,675,318
Duke Energy Ohio	\$344,918
Service Company	<u>344,918</u>
Total Estimate	\$2,463,703

Overtime by Company

The estimate for Duke labor costs was prepared using an estimated cost per hour, which assumed overtime rates for some portion of the event.

The actual overtime costs charged to the Kentucky storm as of October 31 by utility company are:

Duke Energy Carolinas	\$1,395
Duke Energy Indiana	\$4,900
Duke Energy Kentucky	\$349,372
Duke Energy Ohio	\$57,561
Service Company	<u>\$36,879</u>
Grand Total	\$450,106

Note: these costs do not include fringes or incentives

- b) The Linemen contractor cost in the Kentucky estimate only included the estimated cost of Linemen utilized for restoration in Kentucky. Paragraph 7 in the application included crews utilized in Ohio and also other crafts, such as tree crews.
- c) The estimate for normal work displaced applied to the hourly work force, primarily Line persons:
 - 1. Calculated the percent labor normally charged to O&M (vs capital) based upon Jan-Aug 2008.
 - 2. Calculated the average loaded labor cost per hour.
 - 3. Estimated the number of employees normally working for Duke Energy Kentucky.
 - 4. Assumed that 10 days (80 hours) of normal work time was impacted. The calculation was:

% O&M \times Labor \$/Hr \times Number of employees \times 80 hours

PERSON RESPONSIBLE: Margaret E. Clippinger