

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY, INC.	)	
FOR AN ORDER AUTHORIZING THE ISSUANCE OF	)	
UNSECURED DEBT AND LONG-TERM NOTES,	)	CASE NO.
EXECUTION AND DELIVERY OF LONG-TERM LOAN	)	2008-00503
AGREEMENTS, AND USE OF INTEREST RATE	)	
MANAGEMENT INSTRUMENTS	)	

INITIAL DATA REQUEST OF COMMISSION STAFF  
TO DUKE ENERGY KENTUCKY, INC.

Duke Energy Kentucky, Inc. ("Duke Kentucky"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 5 copies of the following information, with a copy to all parties of record. The information requested herein is due within 14 days from the date of this request. Responses to requests for information shall be appropriately bound, tabbed, and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Duke Kentucky shall make timely amendment to any prior responses if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any requests to which Duke Kentucky fails or refuses to furnish all or part of the requested information, Duke Kentucky shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

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

1. Clarify whether Duke Kentucky is requesting Commission approval to issue up to a total of \$100 million or \$176.72 million in debt.

2. Refer to the top of page 2 of the application. Duke Kentucky is requesting authorization to borrow from Boone County, Kentucky, or another authorized issuer of tax exempt bonds, for a term not to exceed 40 years, up to a maximum of \$76.72 million. Duke Kentucky states that the proceeds will be used to refinance existing tax-exempt Authority Bonds. Duke Kentucky was given this same authorization in Case No. 2008-00118<sup>1</sup>, through the period ending December 31, 2008.

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<sup>1</sup> The Application of Duke Energy Kentucky, Inc. for an Order Amending Its Financing Authority to Authorize Loan Agreements, the Issuance of Unsecured Debt and Long-Term Notes, Execution and Delivery of Long-Term Loan Agreements, and Use of Interest Rate Management Instruments.

a. Explain why the transaction did not occur prior to December 31, 2008, as anticipated in the previous case.

b. State whether the authorization requested in this case is identical to what the Commission authorized in Case No. 2008-00118, except for extending the time to complete the transactions through December 31, 2010. If no, identify all differences.

3. Refer to page 3 of the application at paragraph 5. Duke Kentucky is requesting authorization to issue secured or unsecured debt, or a combination thereof.

a. Identify the costs and benefits of issuing secured versus unsecured debt and provide the criteria Duke Kentucky will use to determine which type of debt to issue.

b. Within the scope of this Duke Kentucky financing request, provide an estimate of the cost difference between issuing secured and unsecured debt.

c. Explain whether Duke Kentucky will be required to make filings with the Securities and Exchange Commission ("SEC") if it issues secured debt and, if so, state the additional costs to be incurred and whether there would be any SEC-related accounting or reporting requirements.

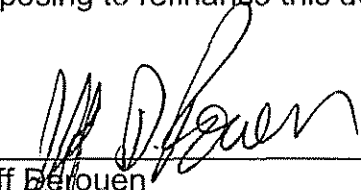
4. Refer to pages 12 and 13 of the application, paragraph 9, which states that, in Case No. 2006-00563,<sup>2</sup> the Commission authorized the issuance of up to \$100 million of securities for a period ending December 31, 2008. State whether the

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<sup>2</sup> The Application of Duke Energy Kentucky, Inc. for an Order Authorizing the Issuance of Unsecured Debt and Long-Term Notes, Execution and Delivery of Long-Term Loan Agreements, and Use of Interest Rate Management Instruments.

authorization requested in this case is identical to what the Commission authorized in Case No. 2006-00563, except for extending the time to complete the transactions through December 31, 2010. If no, identify all other differences.

5. Refer to Exhibit E, page 3, of the application. The middle of the page shows that, for the Series 2006B bonds, the variable rate debt was swapped to a fixed rate of 3.86 percent for the life of the debt. Given that it carries what appears to be a favorable interest rate, explain why Duke Kentucky is proposing to refinance this debt.



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Jeff Berouen  
Executive Director  
Public Service Commission  
P.O. Box 615  
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DATED: JANUARY 8, 2009

cc: All Parties

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