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STANDARD FILING REQUIREMENT SCHEDULES

KENTUCKY PUBLIC SERVICE COMMISSION

GAS CASE NO. 2009-00202

DATE: July 1, 2009

GENERAL APPLICATION FOR CHANGE IN
GAS RATES BEFORE KENTUCKY PUBLIC
SERVICE COMMISSION

NAME: DUKE ENERGY KENTUCKY
ADDRESS: 1697-A MONMOUTH STREET
NEWPORT, KENTUCKY 41071

MAILING
ADDRESS: P. O. BOX 960
CINCINNATI, OHIO 45201

TELEPHONE: AREA CODE 513 NUMBER 419-5908

COMPANY OFFICIAL TO BE CONTACTED
PERTAINING TO RATE CASE MATTERS William Don Wathen Jr.

FILING DATE: July 1, 2009

ATTORNEYS FOR APPLICANT:

NAME: Rocco D'Ascenzo

ADDRESS: P. O. Box 960
Cincinnati, Ohio 45202
TELEPHONE: (513) 419-1852

* * * FOR COMMISSION USE ONLY * * *

DATE RECEIVED BY COMMISSION ________________

DOCKET NUMBER ASSIGNED ____________________

RECEIVED BY __________________________________

DATE ACCEPTED ________________________________

ACCEPTED BY __________________________________

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE ADJUSTMENT
OF GAS RATES OF DUKE ENERGY KENTUCKY, INC.

CASE NO. 2009-00202

FILING REQUIREMENTS

VOLUME 1

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
KRS 278.180

KRS 278.180

Description of Filing Requirement:

Thirty-day notice of rates to Kentucky Public Service Commission.

Response:

See attached.

Sponsoring Witness: **Julia S. Janson**

2009-00202

Duke Energy®

JULIE S. JANSON
President

Duke Energy Ohio, Inc.
Duke Energy Kentucky, Inc.
139 E Fourth Street
EA503
Cincinnati, OH 45202

513-419-5757
513-419-5842 fax
julie janson@duke-energy com

VIA OVERNIGHT MAIL

June 1, 2009

RECEIVED
JUN 01 2009
PUBLIC SERVICE COMMISSION

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

Re: Notice of Duke Energy Kentucky, Inc.'s Intent to File a General Natural Gas Rate Case

Dear Mr. Derouen:

Duke Energy Kentucky, Inc ("Duke Energy Kentucky" or the "Company") notifies the Commission that it will file a general natural gas rate case in four weeks or reasonably soon thereafter.[1] Duke Energy Kentucky will use a forward-looking test period for this case.

In Duke Energy Kentucky's last general natural gas rate case, the Commission ordered the Company to file its next gas rate case to coincide with the completion of the Accelerated Main Replacement Program ("AMRP"). Duke Energy Kentucky's AMRP is scheduled to be completed in 2010 as anticipated, and within the forecasted test period proposed in this case.[2]

Duke Energy Kentucky is providing a copy of this notice to the Attorney General's Utility Intervention and Rate Division. We will work diligently with the Commission and our other stakeholders to seek a constructive resolution. Thank you for your consideration.

Sincerely,

Julie S. Janson
President, Duke Energy Kentucky, Inc.

JSJ/ ROD

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1 Duke Energy Kentucky provides this notice pursuant to Commission regulation 807 KAR 5:001 Section 10(2).

2 *In the Matter of: An Adjustment of the Gas Rates of The Union Light, Heat & Power Company,* Case No 2005-00042, (Order at 113) (December 22, 2005).

cc: Chairman David L. Armstrong (via overnight mail)
Vice Chairman James W. Gardner (via overnight mail)
Commissioner John W. Clay (via overnight mail)
Hon. Jack Conway (via overnight mail)
Hon. Dennis G. Howard (via overnight mail)

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 8(1)

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807 KAR 5:001, SECTION 8 (1)

Description of Filing Requirement:

Full name and P. O. address of applicant and reference to the particular provision of law requiring Kentucky Public Service Commission approval.

Response:

See notice and statement.

Sponsoring Witness: Julia S. Janson

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 8(2)

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807 KAR 5:001, SECTION 8 (2)

Description of Filing Requirement:

The original and 10 copies of application plus copy for anyone named as interested party.

Response:

Original and 10 copies filed with the Kentucky Public Service Commission. Copies provided to interested parties listed on the Certificate of Service.

Sponsoring Witness: Julia S. Janson

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807 KAR 5:001, SECTION 10(1)(b)(1)

Description of Filing Requirement:

Statement of the reason the adjustment is required.

Response:

Please refer to the direct testimony of Duke Energy Kentucky witnesses Julia S. Jansen and William Don Wathen Jr.

Sponsoring Witness: Julia S. Jansen
William Don Wathen Jr.

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(1)(b)(2)

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807 KAR 5:001, SECTION 10(1)(b)(2)

Description of Filing Requirement:

A statement that the utility's annual reports, including the annual report for the most recent calendar year, are on file with the commission in accordance with 807 KAR 5:006, Section 3(1)

Response:

Duke Energy Kentucky certifies that its annual reports are on file with the Commission in accordance with 807 KAR 5:006, Section (3)(1). Its most recent annual report for the year ending 2008 was filed with the Commission in two separate filings on March 26, 2009 and April 29, 2009 per an approved extension request.

Brenda R. Melendez

Brenda R. Melendez
Manager Accounting
Duke Energy Business Services

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(1)(b)(3)

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807 KAR 5:001, SECTION 10(1)(b)(3)

Description of Filing Requirement:

A certified copy of the utility's Articles of Incorporation.

Response:

A certified copy of Duke Energy Kentucky's Articles of Incorporation and amendments thereto is attached.

Sponsoring Witness: Julia S. Janson

CERTIFICATE OF ASSISTANT SECRETARY

I, RICHARD G. BEACH, DO HEREBY CERTIFY that I am the Assistant Secretary of Duke Energy Kentucky, Inc., a Kentucky corporation ("Company"), and that as such Assistant Secretary, I am authorized to execute and deliver this certificate and that the information set forth herein is true and correct.

I DO HEREBY FURTHER CERTIFY THAT THE Restated and Amended Articles of Incorporation, duly adopted by the Company's Board of Directors, effective July 24, 1997, and the Articles of Amendment by Shareholders, effective October 1, 2006, attached hereto as Exhibit A are the current Articles of Incorporation of the Company and are in full force and effect as of the date hereof.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 22nd day of June, 2009.

Richard G. Beach
Assistant Secretary

0052929.09 twilson PAOA

Trey Grayson
Secretary of State
Received and Filed
09/18/2006 12:12:41 PM
Fee Receipt: $40.00

ARTICLES OF AMENDMENT
BY SHAREHOLDERS

Pursuant to the provisions of Chapter 271B of the Kentucky Revised Statutes, the undersigned corporation hereby amends its Articles of Incorporation, and for that purpose, submits the following statement:

1. The name of the corporation is The Union Light, Heat and Power Company.

2. On October 1, 2006 the sole shareholder of the corporation unanimously adopted the following amendment of its Articles of Incorporation:

FIRST: The name of the corporation is Duke Energy Kentucky, Inc. (hereinafter referred to as the "Company").

3. The date the amendment will be effective is October 1, 2006.

Date September 14, 2006

The Union Light Heat and Power Company

By: R. G. Beach

Richard G. Beach, Assistant Secretary

Restated and Amended Articles of Incorporation

of

The Union Light, Heat and Power Company

Restated Effective May 7, 1976
Amended Effective July 24, 1997

RESTATED AND AMENDED ARTICLES OF INCORPORATION

of

THE UNION LIGHT, HEAT AND POWER COMPANY

The Union Light, Heat and Power Company, a corporation for profit, heretofore organized in the year 1901 and now existing under the laws of the Commonwealth of Kentucky, adopts, makes and files, pursuant to Kentucky Revised Statutes Section 271A.320, these Restated Articles of Incorporation to supersede and take the place of its heretofore existing Articles of Incorporation and all previously adopted Amendments thereto:

ARTICLE FIRST

The name of the corporation is The Union Light, Heat and Power Company (hereinafter referred to as the "Company").

ARTICLE SECOND

The Company commenced its existence on the Twentieth day of March, 1901, and shall have perpetual duration.

ARTICLE THIRD

The place in the Commonwealth of Kentucky where the registered office is located is C T Corporation System, c/o Kentucky Home Life Building, in the City of Louisville, and the County of Jefferson, and the principal place of business of the Company is located at 107 Brent Spence Square, in the City of Covington, and the County of Kenton.

ARTICLE FOURTH

The corporate purposes of the Company are as follows:

(a) The construction, operation and maintenance of works and plants for the manufacture, generation, production, purchase, delivery and sale of steam, hot water, water, electricity and of gas, both natural and artificial, and of their by-products, and for the production, delivery and sale of any other kind of light; and the furnishing, supplying and selling said electricity and natural and artificial gas, or any kind of light for lighting the streets, roads, avenues, alleys, lands, squares, public places and building of cities, villages, towns, districts, and counties, and, also furnishing, supplying and selling said steam, hot water, water, and electricity, and natural and artificial gas, or any kind of light to said cities, villages, towns, districts, and counties, and to the inhabitants thereof, for light, heat, water and power purposes, and for all other purposes for which steam, hot water, water, electricity and natural and artificial gas, or any kind of light, may be used; and to enable it to carry out said purposes, the Company is authorized and empowered to construct, purchase or otherwise acquire, own, lease, operate and maintain all necessary plants, buildings, pipes, wires, machinery, apparatus and appliances and other material and property, both real and personal, necessary or convenient therefor, and to lease, let, sell, or otherwise dispose of the same, or any part thereof; and to conduct, distribute and supply said steam, hot water, water, electricity and gas, or any kind of light, both natural and artificial, by means of any material, pipes, conduits, apparatus, or other devices, either on, above or under the ground;

(b) To subscribe for, or to purchase, or otherwise acquire the possession of , and sell shares of stock or bonds, or other securities of any other company or corporation, resident or non-resident of the State of Kentucky; and

(c) To do and perform all other matters and things which may be necessary or desirable to carry out any or all of said objects or purposes.

ARTICLE FIFTH

The capital stock of the Company shall be Fifteen Million Dollars ($15,000,000) divided into 1,000,000 shares of the par value of Fifteen Dollars ($15) each.

The holders of Capital Stock shall not be entitled to subscribe for or purchase or receive any part of any new or additional issue of, or any warrant, option or other right for the purchase of, stock of any class or securities convertible into stock of any class whether now or hereafter authorized and whether issued for cash, property, by way of dividends or otherwise, except as authorized by the Board of Directors.

ARTICLE SIXTH

The Company shall have the poser to borrow money and to issue bonds, bills, promissory notes or other evidences of indebtedness and to pledge or mortgage its property, real and personal, to secure the same.

ARTICLE SEVENTH

The affairs of the Company shall be conducted by a Board of no fewer than five, nor more than fifteen directors, who need not be stockholders in the Company, and by the officers who may be chosen by said Board. The Board of Directors of the Company shall be chosen by the stockholders at the regular annual meeting of the Company in each year, or at such other time and place as the stockholders may designate. All directors shall continue in office until their successors are elected and have entered upon the discharge of their duties.

Restated effective May 7, 1976
Amended effective July 24, 1997

COMMONWEALTH OF KENTUCKY

Trey Grayson
Secretary of State

Certificate

I, Trey Grayson, Secretary of State for the Commonwealth of Kentucky, do hereby certify that the foregoing writing has been carefully compared by me with the original thereof, now in my official custody as Secretary of State and remaining on file in my office, and found to be a true and correct copy of

RESTATED ARTICLES OF INCORPORATION OF
THE UNION LIGHT, HEAT & POWER COMPANY FILED MAY 7, 1976;

STATEMENT OF CHANGE OF REGISTERED OFFICE OR REGISTERED AGENT FILED DECEMBER 27, 1983;

STATEMENT OF CHANGE OF REGISTERED OFFICE OR REGISTERED AGENT FILED DECEMBER 28, 1987;

STATEMENT OF CHANGE OF REGISTERED OFFICE OR REGISTERED AGENT FILED JULY 24, 1997.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 1st day of August, 2006.

COMMONWEALTH OF KENTUCKY OFFICE OF SECRETARY OF STATE

Trey Grayson
Secretary of State
Commonwealth of Kentucky
vbennett/0052929 - Certificate ID: 34761

SS-14-1-1-76

52929

Commonwealth of Kentucky

OFFICE OF
SECRETARY OF STATE

DREXELL R. DAVIS
Secretary

FRANKFORT,
KENTUCKY

RESTATED CERTIFICATE OF INCORPORATION

OF

UNION LIGHT, HEAT & POWER COMPANY

I, DREXELL R. DAVIS, Secretary of State of the Commonwealth of Kentucky, hereby certify that triplicate originals of Restated Articles of Incorporation of

UNION LIGHT, HEAT & POWER COMPANY (COVINGTON, KENTUCKY)

duly signed and verified pursuant to the provisions of Chapter 271A of the Kentucky Revised Statutes, have been received in this office and are found to conform to law. Therefore, as Secretary of State and by virtue of the authority vested in me by law, I hereby issue this Restated Certificate of Incorporation of

UNION LIGHT, HEAT & POWER COMPANY (COVINGTON, KENTUCKY)

and attach hereto one of the originals of the Restated Articles of Incorporation.

SECRETARY OF STATE

Given under my hand and seal of Office as Secretary of State, at Frankfort, Kentucky, this 7TH *day of* MAY, *19*76.

Drexell R. Davis
SECRETARY OF STATE

ASSISTANT SECRETARY OF STATE

52929

Commonwealth of Kentucky

OFFICE OF
SECRETARY OF STATE

DREXELL R. DAVIS
Secretary

FRANKFORT
KENTUCKY

SECRETARY OF STATE
RECEIVED
MAY 7 1976
Commonwealth of Kentucky

RESTATED ARTICLES OF INCORPORATION

Pursuant to the provisions of Chapter 271A of the Kentucky Revised Statutes, the undersigned corporation hereby adopts the attached Restated Articles of Incorporation as adopted by a resolution of its Board of Directors.

Except for ARTICLE FIFTH thereof (previously Section 4 of the Articles), which was amended to read as shown through the adoption of an amendatory resolution by the affirmative vote of a majority of the shareholders at the Annual Meeting held on May 5, 1976, the attached Restated Articles of Incorporation correctly set forth without change the corresponding provisions of the Articles of Incorporation as heretofore amended, and supersede the original Articles of Incorporation and all amendments thereto.

Dated May 5, 1976

The Union Light, Heat and Power Company
Corporate Name

President

Secretary

ORIGINAL COPY
FILED
SECRETARY OF STATE OF KENTUCKY
FRANKFORT, KENTUCKY

MAY 7 - 1976

Drexell R. Davis
SECRETARY OF STATE

(Verification on reverse side)

SECRETARY OF STATE
RECEIVED
MAY 07 1976
830.00
Commonwealth of Kentucky

18810

Restated Articles of Incorporation

of

The Union Light, Heat and Power Company

Effective

May , 1976

RESTATED ARTICLES OF INCORPORATION

of

THE UNION LIGHT, HEAT AND POWER COMPANY

The Union Light, Heat and Power Company, a corporation for profit, heretofore organized in the year 1901 and now existing under the laws of the Commonwealth of Kentucky, adopts, makes and files, pursuant to Kentucky Revised Statutes Section 271A.320, these Restated Articles of Incorporation to supersede and take the place of its heretofore existing Articles of Incorporation and all previously adopted Amendments thereto:

ARTICLE FIRST

The name of the corporation is The Union Light, Heat and Power Company (hereinafter referred to as the "Company").

ARTICLE SECOND

The Company commenced its existence on the Twentieth day of March, 1901, and shall have perpetual duration.

ARTICLE THIRD

The place in the Commonwealth of Kentucky where the registered office and principal place of business of the Company is located is 107 Brent Spence Square, in the City of Covington, and the County of Kenton.

ARTICLE FOURTH

The corporate purposes of the Company are as follows:

(a) The construction, operation and maintenance of works and plants for the manufacture, generation, production, purchase, delivery and sale of steam, hot water, water, electricity and of gas, both natural and artifical, and of their by-products, and for the production, delivery and sale of any other kind of light; and the furnishing, supplying and selling said electricity and natural and artificial gas, or any kind of light for lighting the streets, roads, avenues, alleys, lands, squares, public places and buildings of cities, villages, towns, districts, and counties; and, also furnishing, supplying and selling said steam, hot water, water, and

SS-8-7-1-72

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Commonwealth of Kentucky

OFFICE OF
SECRETARY OF STATE

Frances Jones Mills
Secretary

FRANKFORT,
KENTUCKY

RECEIVED
DEC 27 1983
10.00
Commonwealth of Kentucky

STATEMENT OF CHANGE OF REGISTERED OFFICE OR REGISTERED AGENT

326030

Pursuant to the provisions of Kentucky Revised Statutes Chapter 271A, the undersigned corporation organized in the state of Kentucky *submits the following statement for the purpose of designating its registered office and registered agent in the Commonwealth of Kentucky:*

The name of the corporation The Union Light, Heat and Power Company

Address of its registered office ~~107 Brent Spence Square, Covington, KY 41011~~

Address of registered office is hereby changed to Not Applicable

Name of registered agent Jack J. Heupel

Name of registered agent is hereby changed to John T. Rasp

The address of its registered office and the address of the business of its registered agent will be identical. Such change was authorized by resolution adopted by its Board of Directors.

Dated December 19, *19* 83.

The Union Light, Heat and Power Company
CORPORATION

By [signature]
OFFICER

William H. Dickhoner
President
TITLE

(Verification on reverse side)

ORIGINAL COPY FILED
SECRETARY OF STATE OF KENTUCKY
FRANKFORT, KENTUCKY

DEC 27 1983

[signature]
SECRETARY OF STATE

INSTRUCTIONS

1. Mail to Secretary of State, Capitol Building, Frankfort, Kentucky 40601.
2. Enclose fee of $10.00.

THE CINCINNATI GAS & ELECTRIC COMPANY

CINCINNATI, OHIO 45201

DONALD R. BLUM
SECRETARY

December 22, 1983

Honorable Frances Jones Mills
Secretary of State
Commonwealth of Kentucky
P. O. Box 1150
Frankfort, Kentucky 40602-3493

Dear Madam:

Re: Statement of Change of Registered Agent
KRS 271A.065

Enclosed in duplicate for filing in accordance with KRS 271A.065 are statements of change of registered agent for each of the following corporations:

The Union Light, Heat and Power Company
Miami Power Corporation
Tri-State Improvement Company
YGK Inc.

Also enclosed are the respective checks for each of the above four (4) corporations payable to the Secretary of State in the amount of $10.00 each, in remittance of the filing fee prescribed by KRS 271A.630.

Very truly yours,

Donald R. Blum

Donald R. Blum

je

Encls.

66-8-1-1-76

52927

Commonwealth of Kentucky

OFFICE OF
SECRETARY OF STATE

DREXELL R. DAVIS
Secretary

FRANKFORT,
KENTUCKY

STATEMENT OF CHANGE
OF REGISTERED OFFICE OR REGISTERED AGENT
OR BOTH

50-18883

Pursuant to the provisions of Kentucky Revised Statutes Chapter 271A, the undersigned corporation organized in the state of Kentucky *submits the following statement for the purpose of changing its registered office or registered agent or both in the Commonwealth of Kentucky:*

The name of the corporation The Union Light, Heat and Power Company

Address of its present registered office 107 Brent Spence Square, Covington, KY 41012-0032

Address of registered office is hereby changed to Not Applicable

Name of present registered agent John T. Raso

Name of registered agent is hereby changed to The Cincinnati Gas & Electric Company c/o The Union Light, Heat and Power Company

The address of its registered office and the address of the business office of its registred agent, as changed will be identical. Such change was authorized by resolution adopted by its Board of Directors.

Dated December 16, *19* 87

The Union Light, Heat and Power Company
CORPORATION

By
PRESIDENT OR VICE PRESIDENT ONLY
Jackson H. Randolph

President
TITLE

ORIGINAL COPY
FILED
SECRETARY OF STATE OF KENTUCKY
FRANKFORT KENTUCKY

CK #10.00

INSTRUCTIONS

Mail to Secretary of State, Capitol Building, Frankfort, Kentucky 40601.
2. Enclose fee of $10.00. Make check payable to "Kentucky State Treasurer."
3. Submit in duplicate. All copies must be originally signed.
4. A post office box number is not acceptable unless it is accompanied by a street, highway, apartment, etc.
5. Registered agent must be a Kentucky resident or corporation. Registered address must be in Kentucky.

52929

COMMONWEALTH OF KENTUCKY

JOHN Y. BROWN III

SECRETARY OF STATE

STATEMENT OF CHANGE OF REGISTERED OFFICE OR REGISTERED AGENT OR BOTH

RECEIVED & FILED
#/O. 00
JUL 24 2 50 PM '97
JOHN Y. BROWN III
SECRETARY OF STATE
COMM. OF KENTUCKY
BY

Pursuant to the provisions of Chapters 271B or 273 of the Kentucky Revised Statutes, the undersigned submits the following statements on behalf of the corporation which is organized in the state of KENTUCKY for the purpose of changing its registered office or registered agent or both in the Commonwealth of Kentucky:

The name of the corporation is THE UNION LIGHT, HEAT & POWER COMPANY

The complete address of the current registered office is:

107 BRENT SPENCE SQUARE, COVINGTON, KY 41011

Street City/State Zip

The complete address of the current registered office is hereby changed to: c/o C T CORPORATION SYSTEM

Kentucky Home Life Building, Louisville, Kentucky 40202

Street City/State Zip

The name of the current registered agent is:

THE CINCINNATI GAS & ELECTRIC COMPANY

The name of the current registered agent is hereby changed to:

C T CORPORATION SYSTEM

The address of the registered office and the address of the business office of the registered agent, as changed, will be identical.

Dated July 14, 1997

Jerome A. Vennemann

SIGNATURE & TITLE

Jerome A. Vennemann, Assistant Secretary

PRINT or TYPE NAME & TITLE

CONSENT OF NEW AGENT

I C T CORPORATION SYSTEM consent to serve as the new registered agent on behalf of this corporation.

By: Susan J. Metze

Signature of New Agent

Susan J. Metze
Assistant Secretary

COMMONWEALTH OF KENTUCKY

Trey Grayson
Secretary of State

Certificate

I, Trey Grayson, Secretary of State for the Commonwealth of Kentucky, do hereby certify that the foregoing writing has been carefully compared by me with the original thereof, now in my official custody as Secretary of State and remaining on file in my office, and found to be a true and correct copy of

ARTICLES OF INCORPORATION OF
DUKE ENERGY KENTUCKY, INC. FILED MARCH 30, 1901;

CERTIFICATE OF ASSUMED NAME OF CINERGY-ULH&P HAS BEEN ADOPTED BY THE UNION LIGHT HEAT AND POWER COMPANY FILED NOVEMBER 17, 1997;

CERTIFICATE OF ASSUMED NAME OF THE UNION LIGHT, HEAT AND POWER COMPANY HAS BEEN ADOPTED BY DUKE ENERY KENTUCKY, INC FILED OCTOBER 12, 2006.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 6th day of May, 2009.

COMMONWEALTH OF KENTUCKY
OFFICE OF SECRETARY OF STATE

Trey Grayson
Secretary of State
Commonwealth of Kentucky
khamilton/0052929 - Certificate ID: 80053

V 38 5277

County.

ARTICLES OF INCORPORATION

OF THE Union Light, Heat & Power Company.

CAPITAL STOCK $1500 000.00

ORGANIZATION TAX $1500.00

FILED AND CERTIFICATE

ISSUED March 20th 1901

3.50

SEC'Y OF STATE

J. L. Roberts,

ASS'T CORP. CLERK

No 30

Recorded in Book

No 11 Pages 337 to 337

~~[illegible]~~
52929

K N O W   A L L   M E N   B Y   T H E S E   P R E S E N T S

That C. F. Wetmore, James C. Ernst, Charles R. Prior, and J. Theodore VonHoene, have this day associated themselves together to establish a corporation under the laws of the Commonwealth of Kentucky, upon the terms and conditions, and for the purposes hereinafter mentioned, to-wit;

Section 1, The name of said corporation shall be The Union Light Heat and Power Company,

Section 2, The principal office of said corporation shall be located in the City of Covington, Kenton County, Kentucky, but said corporation may establish branch offices and conduct and carry on business at such other places within or without the State of Kentucky, as its Board of Directors may from time to time fix or designate, and any business conducted or carried on at such other place or places, shall be as binding and effectual as if transacted at the principal office of said Company.

Section 3, The nature of the business and the objects or purposes proposed to be transacted, promoted or carried on by said corporation, are the construction, operation and maintenance of works and plants for the manufacture, generation, production, purchase, delivery and sale of steam, hot water, water, electricity and of gas, both natural and artificial, and of their by-products, and for the production, delivery and sale of any other kind of light; and the furnishing, supplying and selling said electricity and natural and artificial gas, or any kind of light for lighting the streets, roads, avenues, alleys, lands, squares, public places and buildings of cities, villages, towns, districts, and counties; and, also furnishing, supplying and selling said steam, hot water, water, and electricity, and natural and artificial gas, or any kind of light to said cities, villages, towns, districts, and counties, and to the inhabitants thereof, for light, heat, water and power purposes, and for all other purposes for which steam, hot water, water, electricity and natural and artificial gas, or any kind of light, may be used; and to enable it to carry out said purposes, said corporation is authorized and empowered to construct, purchase or otherwise acquire, own, lease, operate and maintain all necessary plants, buildings, pipes, wires, machinery, apparatus and appliances and other material and property, both real and personal, necessary or convenient therefor, and to lease, let, sell, or otherwise dispose of the same, or any part thereof; and to conduct, distribute and supply said steam, hot water, water, electricity and gas, or any kind of light, both natural and artificial, by means of any material, pipes, conduits, apparatus, or other devices, either on, above or under the ground.

And said corporation shall have full power and authority to subscribe for, or to purchase, or otherwise acquire the possession of, and sell shares of stock or bonds, or other securities of any other Company or corporation, resident or non-resident of the State of Kentucky.

And said corporation is authorized and empowered to do and perform all other matters and things which may be necessary or desirable to carry out any or all of said objects or purposes.

Section 4, The capital stock of said corporation shall be one million, five hundred thousand dollars ($1,500,000.00) divided into fifteen thousand (15,000) shares of the par value of one hundred dollars ($100.00) each.

Section 5, The following persons have subscribed to the capital stock of said corporation, in the amounts set opposite their names respectively:

James C. Ernst,	residing at	Covington Ky,	20 shares
Charles F. Prior,	"	"Cincinnati O,	20 shares
J. Theodore VonHoene,	"	"Covington Ky,	10 shares
C. W. Wetmore,	"	"New York Cy,	744 shares
	"	" ______________,	______ shares

Section 6, Said corporation shall commence its existence on the twentieth day of March, 1901, and shall continue for a period of ninety-nine years.

Section 7, The affairs of said corporation shall be conducted by a board of not fewer than five or more than fifteen directors, who shall be stockholders in the Company, and by the officers who may be chosen by said board. The first Board of Directors of said Company shall be chosen by the stockholders at a meeting to be held at the principal office of said Company on the twenty-first day of March 1901, and thereafter at such time and place as the stockholders may designate. All directors shall continue in office, until their successors are elected and have entered upon the discharge of their duties.

Section 8, The highest amount of indebtedness which the Company may at any time incur shall be an amount not exceeding double the amount of the capital stock which the corporation is at any time authorized to have; and to that extent said corporation shall have power to borrow money, and to issue bonds, bills, promissory notes, or other evidences of indebtedness, and to pledge or mortgage its property, real and personal, to secure the same.

Section 9, The private or individual property of the stockholders of said corporation shall not be subject to the payment of the corporate debts.

In Witness Whereof, the said **C. W. Wetmore, James C. Ernst, Charles E. Prior and J. Theodore VanHoorne,**

have hereunto set their hands this 15th day of March 1901.

C. W. Wetmore
Jas C Ernst
Charles E. Prior
J Theodore VanHorne

STATE OF OHIO)
)SS:-
COUNTY OF HAMILTON)

I, W. C. Rippey, a Notary Public in and for said County & State, do certify that the foregoing Articles of Incorporation of The Union Light Heat & Power Company were this day produced to me by the parties in said County and State, and then and there acknowledged by C. W. Wetmore, James C. Ernst, Charles E. Prior and J. Theodore VonHoene to be their act and deed.

Given under my hand and seal of office this 15th day of March 1901. My Notarial Commission expires 24th day of July 1902

W. C. Rippey

Notary Public

Hamilton County, Ohio.

State of Kentucky } sct
Kenton County }
I Alex Davezac Clerk of the County Court for the State & County aforesaid do hereby certify that the foregoing articles of Incorporation of The Union Light Heat and Power Company were this day presented to me in my office certified as above and left for record. Whereupon the same and the foregoing certificate duly stamped as required by an act of Congress and this certificate have been recorded in my office.
Given under my hand this 18th day of March 1901

Alex Davezac Clk
By R. D. McInerney DC

State of Kentucky, } Sct.
KENTON COUNTY, }

I, ALEX. DAVEZAC, Clerk of the County Court, within and for the County and State aforesaid, the same being a Court of Record, having a Seal and having Jurisdiction of the Probate of Wills and the appointment and qualification of Executors, Administrators, Guardians and other Fiduciaries do hereby certify that the foregoing and hereto attached writing contain a full and complete copy of the Articles of Incorporation of the Union Light Heat and Power Co.

as fully as the same appears from the Records on file in my office.

In Testimony Whereof, I have hereunto subscribed my name and affixed the Seal of said Court at my office in Covington, Kentucky, this 18th day of March 1901 A.D. ~~189~~

Alex Davezac Clerk.
By N. D. McInerney D. C.

0052929.04 Ghance ADD

Trey Grayson
Secretary of State
Received and Filed
10/12/2006 12:35:54 PM
Fee Receipt: $20.00

COMMONWEALTH OF KENTUCKY
TREY GRAYSON
SECRETARY OF STATE

CERTIFICATE OF ASSUMED NAME

This certifies that the assumed name of

The Union Light, Heat and Power Company
[Name under which the business will be conducted]

has been adopted by Duke Energy Kentucky, Inc
[Real name - KRS 365.015(1)]

which is the "real name" of [YOU MUST CHECK ONE]

_____ a Domestic General Partnership	_____ a Foreign General Partnership
_____ a Domestic Registered Limited Liability Partnership	_____ a Foreign Registered Limited Liability Partnership
_____ a Domestic Limited Partnership	_____ a Foreign Limited Partnership
_____ a Domestic Business Trust	_____ a Foreign Business Trust
__x__ a Domestic Corporation	_____ a Foreign Corporation
_____ a Domestic Limited Liability Company	_____ a Foreign Limited Liability Company
_____ a Joint Venture	

organized and existing in the state or country of Kentucky, and whose address is

221 East 4th St., Atrium II, 25th Floor, Cincinnati, OH 45202.
Street address, if any | City | State | Zip Code

The certificate of assumed name is executed by

____
Signature

Richard G. Beach, Assistant Secretary
Print or type name and title

____
Date

____
Signature

____
Print or type name and title

____
Date

52929

COMMONWEALTH OF KENTUCKY

JOHN Y. BROWN III

SECRETARY OF STATE
CERTIFICATE OF ASSUMED NAME

RECEIVED & FILED
NOV 17 2 13 PM '97
JOHN Y. BROWN III
SECRETARY OF STATE

THIS CERTIFIES THAT THE ASSUMED NAME OF Cinergy – ULH&P

has been adopted by The Union Light Heat and Power Company

(Real Name - 365.015(1))

which is the REAL NAME of the

_____ General Partnership   X Corporation

_____ Business Trust   _____ Limited Partnership   _____ Joint Venture

[YOU MUST CHECK ONE]

Sole proprietorships ARE NOT filed with the Secretary of State

organized and existing in the state of Kentucky, and whose address is

107 Brent Spence Square, Covington, KY 41018

This Certificate of Assumed Name is Signed By:

Rosemary Grieme

Name Rosemary Grieme   Name

Title Senior Counsel   Title

Name   Name

Title   Title

Name   Name

Title   Title

ACKNOWLEDGEMENT

State of Ohio County of Hamilton

I, Ann M. Rulon, notary public, do hereby certify that on this 3rd day of November, 1997, personally appeared before me Rosemary E. Grieme, who bring by me first duly sworn, declared that she ~~he/they~~ is/~~are~~ the Senior Counsel of The Union Light Heat and Power Company, and that she ~~he/they~~ signed the foregoing document on behalf of the corporation/partnership/trust/or joint venture.

My Commission Expires 27 day of July, 19 2002.

Ann M. Rulon

(Notary Public Signature)

(See Reverse side for Instructions)

SSC-226 (8-92) (KY. - 1520 - 8/16/96)

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(1)(b)(5)

---

807 KAR 5:001, SECTION 10(1)(b)(5)

Description of Filing Requirement:

If the utility is incorporated or is a limited partnership, a certificate of good standing or certificate of authorization dated within sixty (60) days of the date the application is filed.

Response:

See attached.

Sponsoring Witness: Julia S. Janson

Commonwealth of Kentucky
Trey Grayson, Secretary of State

5/6/2009

Division of Corporations
Business Filings

P. O. Box 718
Frankfort, KY 40602
(502) 564-2848
http://www.sos.ky.gov

Certificate of Existence

Authentication Number: 80051
Visit http://apps.sos.ky.gov/business/obdb/certvalidate.aspx to authenticate this certificate.

I, Trey Grayson, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

DUKE ENERGY KENTUCKY, INC.

is a corporation duly incorporated and existing under KRS Chapter 271B, whose date of incorporation is March 20, 1901 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that articles of dissolution have not been filed; and that the most recent annual report required by KRS 271B.16-220 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 6th day of May, 2009.

COMMONWEALTH OF KENTUCKY
OFFICE OF SECRETARY OF STATE

Trey Grayson
Secretary of State
Commonwealth of Kentucky
80051/0052929

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(1)(b)(4)

---

807 KAR 5:001, SECTION 10(1)(b)(4)

Description of Filing Requirement:

If the utility is a limited partnership, a certified copy of the limited partnership agreement and all amendments thereto or out-of-state documents of similar import. If the utility's limited partnership agreement and amendments have already been filed with the commission in a prior proceeding, the application may state this fact making reference to the style and case number of the prior proceeding.

Response:

Duke Energy Kentucky is a corporation; therefore, this requirement does not apply.

Sponsoring Witness: Julia S. Janson

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(1)(b)(6)

---

807 KAR 5:001, SECTION 10(1)(b)(6)

Description of Filing Requirement:

A certified copy of a certificate of assumed name as required by KRS 365.015 or a statement that such a certificate is not necessary.

Response:

See attached.

Sponsoring Witness: Julia S. Janson

Commonwealth of Kentucky

Trey Grayson
Secretary of State

Certificate

I, Trey Grayson, Secretary of State for the Commonwealth of Kentucky, do hereby certify that the foregoing writing has been carefully compared by me with the original thereof, now in my official custody as Secretary of State and remaining on file in my office, and found to be a true and correct copy of

CERTIFICATE OF ASSUMED NAME OF THE UNION LIGHT, HEAT AND POWER COMPANY HAS BEEN ADOPTED BY
DUKE ENERGY KENTUCKY, INC. FILED OCTOBER 12, 2006.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 10th day of June, 2009.

Trey Grayson
Secretary of State
Commonwealth of Kentucky
khamilton/0052929 - Certificate ID: 81583

0052929.04
Ghance
ADD
Trey Grayson
Secretary of State
Received and Filed
10/12/2006 12:35:54 PM
Fee Receipt: $20.00

COMMONWEALTH OF KENTUCKY
TREY GRAYSON
SECRETARY OF STATE

CERTIFICATE OF ASSUMED NAME

This certifies that the assumed name of

The Union Light, Heat and Power Company
[Name under which the business will be conducted]

has been adopted by Duke Energy Kentucky, Inc
[Real name - KRS 365.015(1)]

which is the "real name" of [YOU MUST CHECK ONE]

_____a Domestic General Partnership	_____a Foreign General Partnership
_____a Domestic Registered Limited Liability Partnership	_____a Foreign Registered Limited Liability Partnership
_____a Domestic Limited Partnership	_____a Foreign Limited Partnership
_____a Domestic Business Trust	_____a Foreign Business Trust
x a Domestic Corporation	_____a Foreign Corporation
_____a Domestic Limited Liability Company	_____a Foreign Limited Liability Company
_____a Joint Venture	

organized and existing in the state or country of Kentucky, and whose address is

221 East 4th St., Atrium II, 25th Floor, Cincinnati, OH 45202
Street address, if any / City / State / Zip Code

The certificate of assumed name is executed by

Signature

Richard G. Beach, Assistant Secretary
Print or type name and title

Date

Signature

Print or type name and title

Date

SSC-226 (7/98)
KY011 - 04/28/04 CT System Online

(See attached sheet for instructions)

Commonwealth of Kentucky
Trey Grayson, Secretary of State

6/10/2009

Division of Corporations
Business Filings

P. O. Box 718
Frankfort, KY 40602
(502) 564-2848
http://www.sos.ky.gov

Certificate of Existence

Authentication Number: 81582
Visit http://apps.sos.ky.gov/business/obdb/certvalidate.aspx to authenticate this certificate.

I, Trey Grayson, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

DUKE ENERGY KENTUCKY, INC.

is a corporation duly incorporated and existing under KRS Chapter 271B, whose date of incorporation is March 20, 1901 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that articles of dissolution have not been filed; and that the most recent annual report required by KRS 271B.16-220 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 10th day of June, 2009.

COMMONWEALTH OF KENTUCKY
OFFICE OF SECRETARY OF STATE

Trey Grayson
Secretary of State
Commonwealth of Kentucky
81582/0052929

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(1)(b)(7)

---

807 KAR 5:001, SECTION 10(1)(b)(7)

Description of Filing Requirement:

The proposed tariff in a form which complies with 807 KAR 5:011 with an effective date not less than thirty (30) days from the date the application is filed.

Response:

The proposed tariffs are at Schedule L-1.

Sponsoring Witness: James E. Ziolkowski

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(1)(b)(8)

---

807 KAR 5:001, SECTION 10(1)(b)(8)

Description of Filing Requirement:

The utility's proposed tariff changes, identified in compliance with 807 KAR 5:011, shown either by:

a. Providing the present and proposed tariffs in comparative form on the same sheet side by side or on facing sheets side by side; or

b. Providing a cop y of the present tariff indicating proposed additions by italicized inserts or underscoring and striking over proposed deletions.

Response:

The proposed tariff changes are at Schedule L-2 (current tariffs with proposed additions in red-line format).

Sponsoring Witness: James E. Ziolkowski

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(1)(b)(9)

---

807 KAR 5:001, SECTION 10(1)(b)(9)

Description of Filing Requirement:

A statement that customer notice has been given in compliance with subsections (3) and (4) of this section with a copy of the notice.

Response:

See attached.

Sponsoring Witness: Julia S. Janson

2009-00202

Duke Energy®

JULIE S. JANSON
President

Duke Energy Ohio, Inc.
Duke Energy Kentucky, Inc.
139 E. Fourth Street
EA503
Cincinnati, OH 45202

513-419-5757
513-419-5842 fax
julie janson@duke-energy com

VIA OVERNIGHT MAIL

June 1, 2009

RECEIVED
JUN 01 2009
PUBLIC SERVICE COMMISSION

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

Re: Notice of Duke Energy Kentucky, Inc.'s Intent to File a General Natural Gas Rate Case

Dear Mr. Derouen:

Duke Energy Kentucky, Inc ("Duke Energy Kentucky" or the "Company") notifies the Commission that it will file a general natural gas rate case in four weeks or reasonably soon thereafter.[1] Duke Energy Kentucky will use a forward-looking test period for this case.

In Duke Energy Kentucky's last general natural gas rate case, the Commission ordered the Company to file its next gas rate case to coincide with the completion of the Accelerated Main Replacement Program ("AMRP"). Duke Energy Kentucky's AMRP is scheduled to be completed in 2010 as anticipated, and within the forecasted test period proposed in this case.[2]

Duke Energy Kentucky is providing a copy of this notice to the Attorney General's Utility Intervention and Rate Division. We will work diligently with the Commission and our other stakeholders to seek a constructive resolution. Thank you for your consideration.

Sincerely,

Julie S. Janson

Julie S. Janson
President, Duke Energy Kentucky, Inc.

JSJ/ ROD

---

1 Duke Energy Kentucky provides this notice pursuant to Commission regulation 807 KAR 5:001 Section 10(2).

2 *In the Matter of: An Adjustment of the Gas Rates of The Union Light, Heat & Power Company*, Case No 2005-00042, (Order at 113) (December 22, 2005).

cc: Chairman David L. Armstrong (via overnight mail)
Vice Chairman James W. Gardner (via overnight mail)
Commissioner John W. Clay (via overnight mail)
Hon. Jack Conway (via overnight mail)
Hon. Dennis G. Howard (via overnight mail)

NOTICE

Duke Energy Kentucky, Inc. (Duke Energy Kentucky) hereby gives notice that it seeks approval by the Kentucky Public Service Commission (Commission) of an adjustment of gas rates to become effective on and after July 31, 2009. The Commission has docketed this proceeding as Case No. 2009-00202.

The proposed gas rates are applicable to the following communities:

Alexandria	Erlanger	Melbourne
Bellevue	Fairview	Newport
Boone County	Falmouth	Park Hills
Bromley	Florence	Pendleton County
Butler	Fort Mitchell	Ryland Heights
Campbell County	Fort Thomas	Silver Grove
Cold Spring	Fort Wright-Lookout Heights	Southgate
Covington	Gallatin County	Taylor Mill
Crescent Park	Glencoe	Union
Crescent Springs	Grant County	Villa Hills
Crestview	Highland Heights	Visalia
Crestview Hills	Independence	Walton
Crittenden	Kenton County	Warsaw
Dayton	Kenton Vale	Wilder
Dry Ridge	Lakeside Park	Woodlawn
Edgewood	Latonia Lakes	Williamstown
Elsmere	Ludlow	

DUKE ENERGY KENTUCKY PRESENT AND PROPOSED RATES

The present and proposed rates charged in all territories served by Duke Energy Kentucky are as follows. The current GCA Rate in effect as of July 1, 2009, is $0.5690 per Ccf.

Rate	Base Rate	+	GCA	=	Total Rate
	Residential Service - Rate RS				
Present Rates					
Monthly Customer Charge:	$12.00				$12.00
All Ccf	$0.26687		$0.5690		$0.83587
Proposed Rates					
Monthly Customer Charge:	$30.00				$30.00
All Ccf	$0.19966		$0.5690		$0.76866
	General Service - Rate GS				
Present Rates					
Monthly Customer Charge:	$30.00				$30.00
All Ccf	$0.20949		$0.5690		$0.77849
Proposed Rates					
Monthly Customer Charge:	$47.50				$30.00
All Ccf	$0.22786		$0.5690		$0.79686
	Interruptible Transportation Service - Rate IT				
Present Rates					
Administrative Charge:	$430.00				$430.00
All Ccf	$0.076260				$0.076260

Proposed Rates

Administrative Charge:	$430.00	$430.00
All Ccf	$0.1015	$0.1015

Firm Transportation Service-
Large - Rate FT-L

Present Rates

Monthly Customer Charge:	$430.00	$430.00
All Ccf	$0.17713	$0.17713

Proposed Rates

Monthly Customer Charge:	$430.00	$430.00
All Ccf	$0.19252	$0.19252

Rate MPS, Meter Pulse Service

Proposed Rates
Monthly Charge: Variable

Rate MPS is an optional program available to customers that request the Company to install gas meter pulse equipment, a meter-related service not otherwise provided by the Company. Gas meter pulse equipment connects the Company's gas meter (used for billing) to the customer's energy management system and provides an input data signal that is proportional to the amount of gas consumed during a specific time interval. Duke Energy Kentucky proposes to charge a basic one-time fee of $500 for the installation of the gas meter pulse equipment. The Company may also charge to recover certain incremental costs, such as index replacement, meter replacement if necessary or additional service calls, as outlined in the proposed tariff sheet. The customer must provide either a regulated 24 volts DC, or 120 volts AC electric supply, to an area 2' x 2', approximately 20' away from any gas pipeline flanges or gas pressure relief devices.

In addition, Duke Energy Kentucky proposes to change the text of the following tariffs:

Rider AMRP
Accelerated Main Replacement Program Rider

Proposed Rate
This tariff is hereby cancelled and withdrawn. Any references on individual tariffs were deleted.

Rider MSR-G
Merger Savings Credit Rider-Gas

Proposed Rate
This tariff is hereby cancelled and withdrawn. Any references on individual tariffs were deleted.

Gas Cost Adjustment Clause

Present Rate
DEFINITIONS

For purposes of this tariff:

(A) "Average Cost" means the cost of gas supplies, including associated transportation and storage charges and propane, which results from the application of suppliers' rates currently in effect, or reasonably expected to be in effect during the three-month period, on purchased volumes during the twelve-month period ending with the reporting period, divided by the corresponding sales volume. This includes the cost of all gas supplies acquired through hedging instruments, including the cost of the hedging instruments themselves, acquired under a hedging plan approved by the Commission and under the terms and conditions of this tariff.

Proposed Rate
DEFINITIONS

For purposes of this tariff:

(A) "Average Cost" means the cost of gas supplies, including associated transportation and storage charges and propane, which results from the application of suppliers' rates currently in effect, or reasonably expected to be in effect during the three- month period, on purchased volumes during the twelve-month period ending with the reporting period, divided by the corresponding sales volume. This includes the cost of all gas supplies acquired through hedging instruments, including the cost of the hedging instruments themselves, acquired under a hedging plan approved by the Commission and under the terms and conditions of this tariff. Also included are carrying costs for gas stored underground. In addition net charge offs and collection fees less late payment charges related to gas costs billed to customers are included.

Rate AS, Pooling Service For Interruptible Gas Transportation

Present Rate
LATE PAYMENT CHARGE

Payment of the total amount due must be received in the Company's office by the due date shown on the bill. When not so paid, an additional amount equal to one and one-half percent (1.5%) of the unpaid balance is due and payable.

Proposed Rate
LATE PAYMENT CHARGE

Payment of the total amount due must be received in the Company's office by the due date shown on the bill. When not so paid, an additional amount equal to one and one-half percent (1.5%) of the unpaid balance is due and payable.

IMPACT OF PROPOSED RATES

The foregoing proposed rates designed to recover Duke Energy Kentucky's revenue deficiency reflect an increase in electric revenues of approximately $17.5 million or 14.03% to Duke Energy Kentucky. The estimated amount of this increase per customer class is as follows:

Rate RS – Residential Service	$14,811,787	18.38%
Rate GS – Commercial Service	$ 1,904,380	6.13%
Rate GS – Industrial Service	$ 117,142	3.19%
Rate GS – Other Public Authority Service	$ 172,893	3.42%
Rate FT-L – Firm Transportation Service	$ 178,314	7.16%
Rate IT – Interruptible Transportation Service	$ 309,820	29.23%

The average monthly bill for each customer class to which the proposed rates will apply will increase approximately as follows:

Rate RS – Residential Service	$ 13.29	16.2%
Rate GS – Commercial Service	$ 24.68	6.1%
Rate GS – Industrial Service	$ 42.67	3.2%
Rate GS – Other Public Authority Service	$ 38.83	3.4%

Rate FT-L – Firm Transportation Service	$ 174.81	7.2%
Rate IT – Interruptible Transportation Service	$ 1,075.75	29.2%

The rates contained in this notice are the rates proposed by Duke Energy Kentucky; however, the Commission may order rates to be charged that differ from the proposed rates contained in this notice. Such action may result in rates for consumers other than the rates in this notice.

Any corporation, association, or person may, by written request, within thirty (30) days after publication of this notice of the proposed rate changes, request to intervene; intervention may be granted beyond the thirty (30) day period for good cause shown. Requests to intervene should be submitted to the Kentucky Public Service Commission, P. O. Box 615, 211 Sower Boulevard, Frankfort, Kentucky 40602-0615, and shall set forth the grounds for the request including the status and interest of the party.

Intervenors may obtain copies of the application and other filings made by the Company by contacting Ms. Dianne Kuhnell of Duke Energy Kentucky at 139 East Fourth Street, Rm 2500, AT II, Cincinnati, OH 45202 or by telephone at (513) 419-1837. A copy of the application and other filings made by the Company is available for public inspection at the Commission's office in Frankfort, Kentucky, and at the following Company offices: 1697 A Monmouth Street, Newport, KY 41071.

For further information contact:

PUBLIC SERVICE COMMISSION
COMMONWEALTH OF KENTUCKY
P. O. BOX 615
211 SOWER BOULEVARD
FRANKFORT, KENTUCKY 40602-0615
(502) 564-3940

DUKE ENERGY KENTUCKY
1697 A MONMOUTH STREET
NEWPORT, KENTUCKY 41071
(513) 287-3842

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(2)

---

807 KAR 5:001, SECTION 10(2)

Description of Filing Requirement:

Notice of intent. Utilities with gross annual revenues greater than $1,000,000 shall file with the commission a written notice of intent to file a rate application at least four (4) weeks prior to filing their application. The notice of intent shall state whether the rate application will be supported by a historical test period or a fully forecasted test period. This notice shall be served upon the Attorney General, Utility Intervention and Rate Division.

Response:

See attached.

Sponsoring Witness: Julia S. Janson

2009-00202

Duke Energy®

JULIE S. JANSON
President

Duke Energy Ohio, Inc.
Duke Energy Kentucky, Inc.
139 E Fourth Street
EA503
Cincinnati, OH 45202

513-419-5757
513-419-5842 fax
julie janson@duke-energy com

VIA OVERNIGHT MAIL

June 1, 2009

RECEIVED
JUN 01 2009
PUBLIC SERVICE COMMISSION

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

Re: Notice of Duke Energy Kentucky, Inc.'s Intent to File a General Natural Gas Rate Case

Dear Mr. Derouen:

Duke Energy Kentucky, Inc ("Duke Energy Kentucky" or the "Company") notifies the Commission that it will file a general natural gas rate case in four weeks or reasonably soon thereafter.[1] Duke Energy Kentucky will use a forward-looking test period for this case.

In Duke Energy Kentucky's last general natural gas rate case, the Commission ordered the Company to file its next gas rate case to coincide with the completion of the Accelerated Main Replacement Program ("AMRP"). Duke Energy Kentucky's AMRP is scheduled to be completed in 2010 as anticipated, and within the forecasted test period proposed in this case.[2]

Duke Energy Kentucky is providing a copy of this notice to the Attorney General's Utility Intervention and Rate Division. We will work diligently with the Commission and our other stakeholders to seek a constructive resolution. Thank you for your consideration.

Sincerely,

Julie S. Janson

Julie S. Janson
President, Duke Energy Kentucky, Inc.

JSJ/ ROD

---

1 Duke Energy Kentucky provides this notice pursuant to Commission regulation 807 KAR 5:001 Section 10(2).

2 *In the Matter of: An Adjustment of the Gas Rates of The Union Light, Heat & Power Company,* Case No 2005-00042, (Order at 113) (December 22, 2005).

cc: Chairman David L. Armstrong (via overnight mail)
Vice Chairman James W. Gardner (via overnight mail)
Commissioner John W. Clay (via overnight mail)
Hon. Jack Conway (via overnight mail)
Hon. Dennis G. Howard (via overnight mail)

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(4)(a)

---

807 KAR 5:001, SECTION 10(4)(a)

Description of Filing Requirement:

Sewer utilities shall give the required typewritten notice by mail to all of their customers pursuant to KRS 278.185.

Response:

Duke Energy Kentucky is not a sewer utility; therefore, this section does not apply.

Sponsoring Witness: Julia S. Janson

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(4)(b)

---

807 KAR 5:001, SECTION 10(4)(b)

Description of Filing Requirement:

Applicants with twenty (20) or fewer customers affected by the proposed general rate adjustment shall mail the required typewritten notice to each customer no later than the date the application is filed with the commission.

Response:

Duke Energy Kentucky has more than 20 customers; therefore, this section does not apply.

Sponsoring Witness: Julia S. Janson

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(4)(c)

---

807 KAR 5:001, SECTION 10(4)(c)

Description of Filing Requirement:

Except for sewer utilities, applicants with more than twenty (20) customers affected by the proposed general rate adjustment shall give the required notice by one (1) of the following methods:

1. A typewritten notice mailed to all customers no later than the date the application is filed with the commission;

2. Publishing the notice in a trade publication or newsletter which is mailed to all customers no later than the date on which the application is filed with the commission; or

3. Publishing the notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in the utility's service area, the first publication to be made within seven (7) days of the filing of the application with the commission.

Response:

Duke Energy Kentucky delivered to the local newspapers the notice to customers in the manner required by this section. Within forty-five (45) days of this application, Duke Energy Kentucky will file an affidavit of publication as required.

Sponsoring Witness: Julia S. Janson

NOTICE

Duke Energy Kentucky, Inc. (Duke Energy Kentucky) hereby gives notice that it seeks approval by the Kentucky Public Service Commission (Commission) of an adjustment of gas rates to become effective on and after July 31, 2009. The Commission has docketed this proceeding as Case No. 2009-00202.

The proposed gas rates are applicable to the following communities:

Alexandria	Erlanger	Melbourne
Bellevue	Fairview	Newport
Boone County	Falmouth	Park Hills
Bromley	Florence	Pendleton County
Butler	Fort Mitchell	Ryland Heights
Campbell County	Fort Thomas	Silver Grove
Cold Spring	Fort Wright-Lookout Heights	Southgate
Covington	Gallatin County	Taylor Mill
Crescent Park	Glencoe	Union
Crescent Springs	Grant County	Villa Hills
Crestview	Highland Heights	Visalia
Crestview Hills	Independence	Walton
Crittenden	Kenton County	Warsaw
Dayton	Kenton Vale	Wilder
Dry Ridge	Lakeside Park	Woodlawn
Edgewood	Latonia Lakes	Williamstown
Elsmere	Ludlow	

DUKE ENERGY KENTUCKY PRESENT AND PROPOSED RATES

The present and proposed rates charged in all territories served by Duke Energy Kentucky are as follows. The current GCA Rate in effect as of July 1, 2009, is $0.5690 per Ccf.

Rate	Base Rate	+	GCA	=	Total Rate
	Residential Service - Rate RS				
Present Rates					
Monthly Customer Charge:	$12.00				$12.00
All Ccf	$0.26687		$0.5690		$0.83587
Proposed Rates					
Monthly Customer Charge:	$30.00				$30.00
All Ccf	$0.19966		$0.5690		$0.76866
	General Service - Rate GS				
Present Rates					
Monthly Customer Charge:	$30.00				$30.00
All Ccf	$0.20949		$0.5690		$0.77849
Proposed Rates					
Monthly Customer Charge:	$47.50				$30.00
All Ccf	$0.22786		$0.5690		$0.79686
	Interruptible Transportation Service - Rate IT				
Present Rates					
Administrative Charge:	$430.00				$430.00
All Ccf	$0.076260				$0.076260

Proposed Rates		
Administrative Charge:	$430.00	$430.00
All Ccf	$0.1015	$0.1015

Firm Transportation Service-
Large - Rate FT-L

Present Rates		
Monthly Customer Charge:	$430.00	$430.00
All Ccf	$0.17713	$0.17713
Proposed Rates		
Monthly Customer Charge:	$430.00	$430.00
All Ccf	$0.19252	$0.19252

Rate MPS, Meter Pulse Service

Proposed Rates
Monthly Charge: Variable

Rate MPS is an optional program available to customers that request the Company to install gas meter pulse equipment, a meter-related service not otherwise provided by the Company. Gas meter pulse equipment connects the Company's gas meter (used for billing) to the customer's energy management system and provides an input data signal that is proportional to the amount of gas consumed during a specific time interval. Duke Energy Kentucky proposes to charge a basic one-time fee of $500 for the installation of the gas meter pulse equipment. The Company may also charge to recover certain incremental costs, such as index replacement, meter replacement if necessary or additional service calls, as outlined in the proposed tariff sheet. The customer must provide either a regulated 24 volts DC, or 120 volts AC electric supply, to an area 2' x 2', approximately 20' away from any gas pipeline flanges or gas pressure relief devices.

In addition, Duke Energy Kentucky proposes to change the text of the following tariffs:

Rider AMRP
Accelerated Main Replacement Program Rider

Proposed Rate
This tariff is hereby cancelled and withdrawn. Any references on individual tariffs were deleted.

Rider MSR-G
Merger Savings Credit Rider-Gas

Proposed Rate
This tariff is hereby cancelled and withdrawn. Any references on individual tariffs were deleted.

Gas Cost Adjustment Clause

Present Rate
DEFINITIONS

For purposes of this tariff:

(A) "Average Cost" means the cost of gas supplies, including associated transportation and storage charges and propane, which results from the application of suppliers' rates currently in effect, or reasonably expected to be in effect during the three-month period, on purchased volumes during the twelve-month period ending with the reporting period, divided by the corresponding sales volume. This includes the cost of all gas supplies acquired through hedging instruments, including the cost of the hedging instruments themselves, acquired under a hedging plan approved by the Commission and under the terms and conditions of this tariff.

Proposed Rate
DEFINITIONS

For purposes of this tariff:

(A) "Average Cost" means the cost of gas supplies, including associated transportation and storage charges and propane, which results from the application of suppliers' rates currently in effect, or reasonably expected to be in effect during the three- month period, on purchased volumes during the twelve-month period ending with the reporting period, divided by the corresponding sales volume. This includes the cost of all gas supplies acquired through hedging instruments, including the cost of the hedging instruments themselves, acquired under a hedging plan approved by the Commission and under the terms and conditions of this tariff. Also included are carrying costs for gas stored underground. In addition net charge offs and collection fees less late payment charges related to gas costs billed to customers are included.

Rate AS, Pooling Service For Interruptible Gas Transportation

Present Rate
LATE PAYMENT CHARGE

Payment of the total amount due must be received in the Company's office by the due date shown on the bill. When not so paid, an additional amount equal to one and one-half percent (1.5%) of the unpaid balance is due and payable.

Proposed Rate
LATE PAYMENT CHARGE

Payment of the total amount due must be received in the Company's office by the due date shown on the bill. When not so paid, an additional amount equal to one and one-half percent (1.5%) of the unpaid balance is due and payable.

IMPACT OF PROPOSED RATES

The foregoing proposed rates designed to recover Duke Energy Kentucky's revenue deficiency reflect an increase in electric revenues of approximately $17.5 million or 14.03% to Duke Energy Kentucky. The estimated amount of this increase per customer class is as follows:

Rate RS – Residential Service	$14,811,787	18.38%
Rate GS – Commercial Service	$ 1,904,380	6.13%
Rate GS – Industrial Service	$ 117,142	3.19%
Rate GS – Other Public Authority Service	$ 172,893	3.42%
Rate FT-L – Firm Transportation Service	$ 178,314	7.16%
Rate IT – Interruptible Transportation Service	$ 309,820	29.23%

The average monthly bill for each customer class to which the proposed rates will apply will increase approximately as follows:

Rate RS – Residential Service	$ 13.29	16.2%
Rate GS – Commercial Service	$ 24.68	6.1%
Rate GS – Industrial Service	$ 42.67	3.2%
Rate GS – Other Public Authority Service	$ 38.83	3.4%

Rate FT-L – Firm Transportation Service	$ 174.81	7.2%
Rate IT – Interruptible Transportation Service	$ 1,075.75	29.2%

The rates contained in this notice are the rates proposed by Duke Energy Kentucky; however, the Commission may order rates to be charged that differ from the proposed rates contained in this notice. Such action may result in rates for consumers other than the rates in this notice.

Any corporation, association, or person may, by written request, within thirty (30) days after publication of this notice of the proposed rate changes, request to intervene; intervention may be granted beyond the thirty (30) day period for good cause shown. Requests to intervene should be submitted to the Kentucky Public Service Commission, P. O. Box 615, 211 Sower Boulevard, Frankfort, Kentucky 40602-0615, and shall set forth the grounds for the request including the status and interest of the party.

Intervenors may obtain copies of the application and other filings made by the Company by contacting Ms. Dianne Kuhnell of Duke Energy Kentucky at 139 East Fourth Street, Rm 2500, AT II, Cincinnati, OH 45202 or by telephone at (513) 419-1837. A copy of the application and other filings made by the Company is available for public inspection at the Commission's office in Frankfort, Kentucky, and at the following Company offices: 1697 A Monmouth Street, Newport, KY 41071.

For further information contact:

PUBLIC SERVICE COMMISSION
COMMONWEALTH OF KENTUCKY
P. O. BOX 615
211 SOWER BOULEVARD
FRANKFORT, KENTUCKY 40602-0615
(502) 564-3940

DUKE ENERGY KENTUCKY
1697 A MONMOUTH STREET
NEWPORT, KENTUCKY 41071
(513) 287-3842

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(4)(d)

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807 KAR 5:001, SECTION 10(4)(d)

Description of Filing Requirement:

If notice is published, an affidavit from the publisher verifying that the notice was published, including the dates of the publication with an attached copy of the published notice, shall be filed with the Commission no later than forty-five (45) days of the filed date of the application.

Response:

Duke Energy Kentucky delivered to the local newspapers the notice to customers in the manner required by this section. Within forty-five (45) days of this application, Duke Energy Kentucky will file an affidavit of publication as required.

Sponsoring Witness: Julia S. Janson

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(4)(e)

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807 KAR 5:001, SECTION 10(4)(e)

Description of Filing Requirement:

If notice is mailed, a written statement signed by the utility's chief officer in charge of Kentucky operations verifying the notice was mailed shall be filed with the Commission no later than thirty (30) days of the filed date of the application.

Response:

The customer notice was published; therefore, this section does not apply.

Sponsoring Witness: Julia S. Janson

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807 KAR 5:001, SECTION 10(4)(f)

Description of Filing Requirement:

All utilities, in addition to the above notification, shall post a sample copy of the required notification at their place of business no later than the date on which the application is filed which shall remain posted until the commission has finally determined the utility's rates.

Response:

Duke Energy Kentucky has posted a sample copy of the required notifications at its place of business, as required. The locations of the Company's offices are at 1697-A Monmouth, Newport, Kentucky.

Sponsoring Witness: Julia S. Janson

CERTIFICATE OF NOTICE TO THE PUBLIC OF CHANGE

IN TARIFF WHICH RESULTS IN INCREASED RATES

To the Public Service Commission, Frankfort, Ky.

Pursuant to 807KAR 5:011, Section 8, Rules Governing Tariffs, I hereby certify that I am President of Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc., a utility furnishing gas and electric service within the Commonwealth of Kentucky, which on or about the 1st day of July 2009 issues its Gas Tariff K.Y.P.S.C. No. 2, cancelling its former Gas Tariff K.Y.P.S.C. No. 2, to become effective July 31, 2009 and that notice to the public of the issuing of the same is being given in all respects as required by Section 8 of said administrative regulation, as follows:

On the 1st day of July, 2009, the same will be exhibited for public inspection at the office and place of business of Duke Energy Kentucky, Inc. in the territory affected thereby. Such notice will be exhibited at 1697A Monmouth Street, Newport, Kentucky 41071, or any subsequent office and place of business and that the same will be kept open to public inspection at said office and place of business in conformity with the requirements of Section 8 of said administrative regulation.

That more than 20 customers will be affected by said change by way of an increase in their rates or charges, and on or about the 1st day of July, 2009 there will be delivered to the Kentucky Enquirer newspaper of general circulation in the communities in which the customers affected reside, for publication therein once a week for three consecutive weeks prior to the effective date of said change, a notice of the proposed rates or administrative regulations, a copy of said notice being attached hereto. A certificate of the publication of said notice will be furnished to the Public Service Commission upon the completion of the same in accordance with Section 9(2), of said administrative regulation.

Given under my hand this 25th day of July, 2009

Julia S. Janson

Julia S. Janson
President, Duke Energy Ohio, Inc.
President, Duke Energy Kentucky, Inc.
139 East Fourth Street
P.O. Box 960
Cincinnati, OH 45201-0960

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(5)

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807 KAR 5:001, SECTION 10(5)

Description of Filing Requirement:

Notice of hearing scheduled by the commission upon application by a utility for a general adjustment in rates shall be advertised by the utility by newspaper publication in the areas that will be affected in compliance with KRS 424.300.

Response:

Duke Energy Kentucky will publish notice of hearing after the Commission has established the schedule for the hearing.

Sponsoring Witness: William Don Wathen Jr.

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(8)(a)

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807 KAR 5:001, SECTION 10(8)(a)

Description of Filing Requirement:

Financial data for the Forecasted Period shall be in the form of adjustments to the Base Period.

Response:

See Schedules D-2.1 through D-2.14.

Sponsoring Witness: Robert M. Parsons

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(8)(b)

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807 KAR 5:001, SECTION 10(8)(b)

Description of Filing Requirement:

Adjustments limited to twelve months immediately following the suspension period.

Response:

See Schedules D-2.15 through D-2.28 for adjustments to the forecast period.

Sponsoring Witness: Robert M. Parsons

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(8)(c)

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807 KAR 5:001, SECTION 10(8)(c)

Description of Filing Requirement:

Capitalization and Net Investment Rate Base shall be based on a thirteen-month average for the Forecasted Period.

Response:

Capitalization and Net Investment Rate Base for the Forecasted Period are based on a thirteen-month average.

Sponsoring Witness: Robert M. Parsons

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(8)(d)

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807 KAR 5:001, SECTION 10(8)(d)

Description of Filing Requirement:

After an application based on a forecasted test period is filed, there shall be no revisions to the forecast, except for the correction of mathematical errors, unless such revisions reflect statutory or regulatory enactments that could not, with reasonable diligence, have been included in the forecast on the date it was filed. There shall be no revisions filed within thirty (30) days of a scheduled hearing on the rate application.

Response:

The Company will comply with this requirement.

Sponsoring Witness: Stephen R. Lee

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(8)(e)

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807 KAR 5:001, SECTION 10(8)(e)

Description of Filing Requirement:

The commission may require the utility to prepare an alternative forecast based on a reasonable number of changes in the variables, assumptions, and other factors used as the basis for the utility's forecast.

Response:

The Company will prepare an alternative forecast if requested by the Commission.

Sponsoring Witness: Stephen R. Lee

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(8)(f)

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807 KAR 5:001, SECTION 10(8)(f)

Description of Filing Requirement:

The utility shall provide a reconciliation of the rate base and capital used to determine its revenue requirements.

Response:

See attached.

Capitalization exceeds rate base by $624,269 for the forecasted period, which is a difference of 0.25%. One reason for the difference is that, per commission precedent, the annualized depreciation adjustment is reflected as a rate base adjustment but is not included in the calculation of the gas rate base ratio. The remaining difference between the rate base and capitalization is also due to the fact that rate base is financed with certain balance sheet accounts in addition to the sources of financing for capitalization, which consist of long-term debt, preferred equity, common equity, and capital made available in the form of accumulated deferred income taxes. This difference in sources of financing cannot be attributed to any one particular item.

To the extent that balance sheet accounts such as cash, accounts payable, taxes payable, *etc.*, have balances greater than zero, these items would finance a portion of rate base but would not be included in capitalization. Some of the difference between rate base and capitalization is attributable to these sources of capital which finance rate base (*e.g.*, cash, accounts payable, *etc.*) but which are not included in capitalization.

Sponsoring Witness: Robert M. Parsons

DUKE ENERGY KENTUCKY, INC
CASE NO. 2009-00202
RECONCILIATION OF CAPITALIZATION AND RATE BASE
AS OF JANUARY 31, 2011

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

FR #8f
PAGE 1 OF 1
WITNESS RESPONSIBLE:
R. M. PARSONS

Line No.	ASSETS	Gas Rate Base (Schedule B-1)	Gas Capitalization (Schedule J-1)	Other	Total DE-Kentucky
		$	$	$	$
1	UTILITY PLANT:				
2	UTILITY PLANT IN SERVICE	392,763,459		1,214,087,755	1,606,851,214
3	LESS: ACCUMULATED PROVISION FOR DEPRECIATION	106,403,989		577,372,888	683,776,877
4	NET UTILITY PLANT	286,359,470	0	636,714,867	923,074,337
5					
6	OTHER PROPERTY AND INVESTMENTS				
7	NONUTILITY PROPERTY - NET			24,088,348	24,088,348
8	LESS: ACCUMULATED PROVISION FOR DEPR & AMORT			(8,370,916)	(8,370,916)
9	OTHER INVESTMENTS	0	0	1,500	1,500
10	SPECIAL FUNDS			0	0
11	TOTAL OTHER PROPERTY AND INVESTMENTS	0	0	15,718,932	15,718,932
12					
13	CURRENT AND ACCRUED ASSETS:				
14	CASH	2,371,198		14,761,374	17,132,572
15	SPECIAL DEPOSITS			0	0
16	WORKING FUNDS			2,500	2,500
17	TEMPORARY CASH INVESTMENTS			0	0
18	NOTES AND ACCOUNTS RECEIVABLE - NET		(11,642,400)	16,691,404	5,049,004
19				5,026,021	5,026,021
20				(466,486)	(466,486)
21	NOTES RECEIVABLE FROM ASSOCIATED COMPANIES			24,853,360	24,853,360
22	RECEIVABLES FROM ASSOCIATED COMPANIES			0	0
23	MATERIALS, SUPPLIES AND FUEL	260,110		35,194,899	35,455,009
24				4,252,584	4,252,584
25	GAS STORED - CURRENT	0		2,308,330	2,308,330
26	PREPAYMENTS	0		2,080,109	2,080,109
27	MISCELLANEOUS CURRENT AND ACCRUED ASSETS			1,558,117	1,558,117
28	RENTS RECEIVABLE			0	0
29	TOTAL CURRENT AND ACCRUED ASSETS	2,631,308	(11,642,400)	106,262,212	97,251,120
30					
31	DEFERRED DEBITS:				
32	UNAMORTIZED DEBT EXPENSE			1,959,989	1,959,989
33	OTHER REGULATORY ASSETS	0		18,684,720	18,684,720
34				987,066	987,066
35	CLEARING ACCOUNTS			0	0
36				(28,193)	(28,193)
37	MISCELLANEOUS DEFERRED DEBITS			32,858,559	32,858,559
38	UNAMORTIZED LOSS ON REACQUIRED DEBT			3,211,524	3,211,524
39	ACCUMULATED DEFERRED INCOME TAXES			12,309,448	12,309,448
40	UNRECOVERED PURCHASED GAS COSTS			0	0
41	TOTAL DEFERRED DEBITS	0	0	69,983,113	69,983,113
42	TOTAL ASSETS AND OTHER DEBITS	288,990,778	(11,642,400)	828,679,124	1,106,027,502
43					
44	LIABILITIES				
45					
46	PROPRIETARY CAPITAL	0	126,083,527	356,891,263	482,974,790
47					
48	LONG TERM DEBT	0	112,651,144	192,866,378	305,517,522
49					
50	OTHER NONCURRENT LIABILITIES	0		29,075,915	29,075,915
51					
52	CURRENT AND ACCRUED LIABILITIES:				
53	NOTES PAYABLE		2,290,250	(2,290,250)	0
54	CURRENT PORTION OF LONG TERM DEBT			0	0
55	ACCOUNTS PAYABLE			25,444,888	25,444,888
56	NOTES PAYABLE TO ASSOCIATED COMPANIES			2,646,577	2,646,577
57	ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES			19,025,056	19,025,056
58	CUSTOMER DEPOSITS			6,653,180	6,653,180
59	TAXES ACCRUED			8,128,168	8,128,168
60	INTEREST ACCRUED			4,876,537	4,876,537
61	TAX COLLECTIONS PAYABLE			1,608,520	1,608,520
62	MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES			4,904,914	4,904,914
63				2,431,116	2,431,116
64				34,758	34,758
65				0	0
66	TOTAL CURRENT AND ACCRUED LIABILITIES	0	2,290,250	73,463,464	75,753,714
67					
68	DEFERRED CREDITS:				
69	CUSTOMER ADVANCES FOR CONSTRUCTION	1,638,646		0	1,638,646
70	ACCUMULATED DEFERRED INVESTMENT TAX CREDITS	8,280	1,082,914	1,864,474	2,955,668
71	OTHER DEFERRED CREDITS			25,809,668	25,809,668
72	OTHER REGULATORY LIABILITIES			1,061,671	1,061,671
73	ACCUMULATED DEFERRED INCOME TAXES	34,217,886		147,022,022	181,239,908
74	TOTAL DEFERRED CREDITS	35,864,812	1,082,914	175,757,835	212,705,561
75	TOTAL LIABILITIES AND OTHER CREDITS	35,864,812	242,107,835	828,054,855	1,106,027,502
76					
77	Total	253,125,966	(253,750,235)	624,269	0

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(9)(a)

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807 KAR 5:001, SECTION 10(9)(a)

Description of Filing Requirement:

The prepared testimony of each witness the utility proposes to use to support its application which shall include testimony from the utility's chief officer in charge of Kentucky operations on the existing programs to achieve improvements in efficiency and productivity, including an explanation of the purpose of the program.

Response:

All Testimony is provided under separate cover.

Sponsoring Witness: All Witnesses

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(9)(b)

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807 KAR 5:001, SECTION 10(9)(b)

Description of Filing Requirement:

The utility's most recent capital construction budget containing at minimum a three (3) year forecast of construction expenditures.

Response:

See attached.

Sponsoring Witness: Gary J. Hebbeler

Duke Energy Kentucky, Inc.
Case No. 2009-00202
Capital Expenditure Budget
Years 2009 - 2011

Line No.	Project ID/Description	CWIP Balance @ 12/31/08	Projected Expenditures 2009	2010	2011
1	NORMAL RECURRING CONSTRUCTION		3,644,252	4,390,726	2,067,672
2					
3	KYCIBS09 - CI&BS 2009 KY	501,927	20,416,320	0	0
4	KYCIBS10 - KENTUCKY CAST IRON BARE STEEL	35,992	0	8,278,918	0
5	G7SERVMC - SERVICES MC	0	3,588,721	4,885,812	3,638,493
6	G7MAINS - MAINS	292,452	1,689,405	1,573,032	2,048,025
7	G7PUINMR - GAS METERS AND REGULATORS	0	1,268,864	4,086,166	1,569,962
8	G7RISER - RISER REPLACEMENT	0	2,000,000	2,000,000	2,000,000
9	G7PUBIMP - PUBLIC IMPROVEMENTS	488,408	1,601,500	1,428,972	1,550,242
10					
11	TOTAL	1,318,779	34,209,062	26,643,626	12,874,395

6/25/2009

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(9)(c)

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807 KAR 5:001, SECTION 10(9)(c)

Description of Filing Requirement:

A complete description, which may be filed in pre-filed testimony form, of all factors used in preparing the utility's forecast period. All econometric models, variables, assumptions, escalation factors, contingency provisions, and changes in activity levels shall be quantified, explained, and properly supported.

Response:

Attached are a copy of the Budget Guidelines for 2009 and a summary of the assumptions used in developing the projected data in the base and forecasted test periods. Descriptions of the factors used in preparing the forecasted test period are also incorporated in each witness' pre-filed testimony.

Sponsoring Witness: Stephen R. Lee

2009 BUDGET GUIDELINES AND ASSUMPTIONS

May 30, 2008

Revision Number: 1

Table of Contents

1.0 General Guidelines for the 2009 Budget

1.1 Document Structure

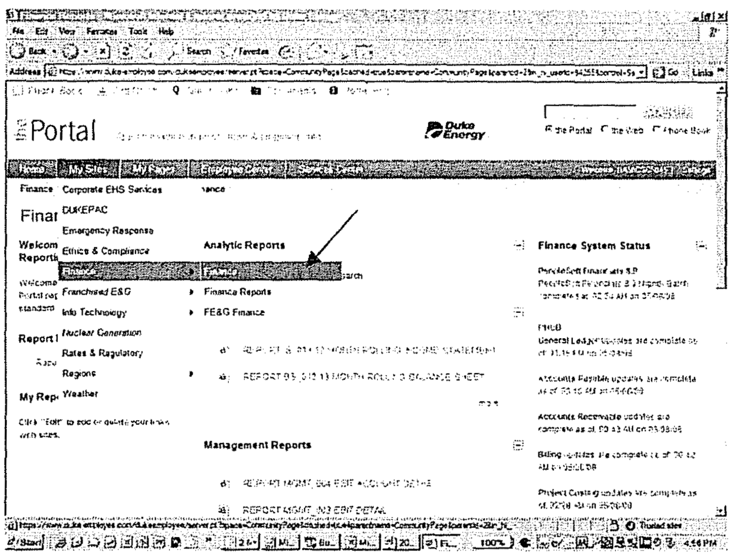
This document is organized into two sections:

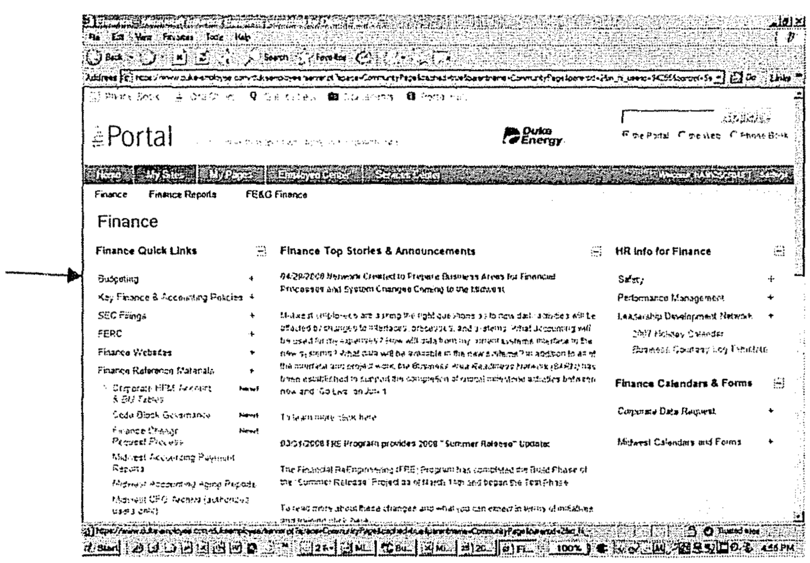
- Planning and budgeting assumptions and guidelines applicable to the entire company;
- An Appendix with relevant reference material.

1.2 Reference Material

A Budgeting Finance Quick Link will be established on the Finance Portal which will house various budgeting reference materials. Below are some screen shots to illustrate how to navigate to this information.

1. From the main page of the Portal, navigate to ***My Sites* → *Finance* → *Finance.***
2. In the Finance Quick Links section at the left, click on Budgeting to access this 2009 Budget Guidelines and Assumptions document.





1.3 Requirements

For the 2009 plan year, you are required to prepare a one-year detailed departmental expense budget. Forecasts for 2010 thru 2013 will be developed jointly with the forecasting and the budgeting teams.

1.4 Budget Development

Budgets should be prepared on an accrual basis. This should include an increased focus on accurate budgeting by month. The goal is to reduce actual versus budget timing variances for 2009 reporting by placing budget dollars in the months they are expected to be spent or accrued.

1.5 Level of Budget Detail

All O&M and capital budgets must be associated with a responsibility center. From a responsibility center perspective, it is strongly encouraged that budgets be entered at a higher level. However, this is a determination to be made based on the facts and circumstances surrounding each area of the business (for example, Fossil/Hydro, Power Delivery, Non-Regulated Generation, etc.). The level of accountability for managing actual versus budget variances should be considered when determining the level of budget detail. The recommended approach is to budget no lower than the group VP minus 2 level.

See Appendix - Section A for a high level list of Resource Types.

Please contact your Financial Coordinator with any questions. (See Appendix – Section B for a detailed contact listing)

1.6 Budget Systems

With the exception of the International group, all O&M budgets will be entered via the Budget Entry Tool. Capital budgets will be entered via PowerPlant for Midwest and the Budget Entry Tool for the Carolinas

If you do not have access to the BET, the appropriate electronic form will need to be completed, approved and submitted to the Financial Functional Production Support group (Kevin King's team). Please make sure you have submitted these requests as soon as possible to avoid delays. Please access the attached document below for the Budget Entry Tool Users Manual.

Budget_Entry_Tool_Users_Manual_Final.doc

Both Carolinas and Midwest O&M and Capital budgets will reside in the FIHUB, which is where aggregated reporting should be performed if applicable. For access to the FIHUB, please contact your Financial Coordinator.

1.7 Budgeting Process Data Flow

(1) The BET Tool is the O&M budget input tool. The BET Tool opens for input on July 1st and is available daily for input from 6am until 6pm.

(2) All data entered in the BET is fed to PeopleSoft. Budget allocations are scheduled to run every Tuesday, Thursday, and Saturday. **(If there is a deviation from this schedule, a message will be posted to the Finance Top Stories and Announcements section of the Finance Portal.)** After data flows through PeopleSoft, users can view their fully allocated/cost assigned data the following day. A complete schedule is attached below;

2009_Planning_Forecasting_Schedule.xls

1.8 Key Changes for 2009 Budgeting

In addition to a shortened timeline compared to previous budget cycles, key changes for the 2009 budgeting process are outlined below.

- The BET will replace the RC Budget Tool in the Midwest.
- Business Objects will replace Hyperion Intelligence as the reporting tool in the Midwest.
- Midwest incentives will be budgeted at a responsibility center level rather than by Corporate HR.
- All labor will be budgeted as direct/productive. (Historical Midwest budgets had a split between productive and unproductive labor.)
- Migration to use of enterprise codeblock.

2.0 Budget Timeline

Below is a summary of the key dates for the 2009 budgeting process. Please note that the deadlines indicated are for final signoffs. Any internal department reviews must be completed prior to these final signoff dates.

Milestone	Completion Date
Headcount Budgeting Tool Distributed	05/05/2008
Initial Strategic Plan Submission	05/05/2008
Headcount Budgets Complete in Headcount Budgeting Tool	05/23/2008
Detailed Budget Guidelines Distributed	05/30/2008
5&7 Detail Forecast (based on strategic plan)	06/16/2008
5&7 Forecast Submission	06/16/2008
Preliminary 2009 rates communicated	07/01/2008
Budget Systems Open for Input	07/01/2008
Pre-Board Review of Strategic Plan	07/14/2008
Preliminary Benefits budget loaded into system	07/25/2008
Budget Systems Closed for Input	08/15/2008
Final 2009 rates established and loaded into system	08/22/2008
Strategic Plan Review and Approval	08/25/2008
Approval for 8&4 Detail Level Budget submission	09/10/2008
Monthly Detail Allocation Budget Complete	09/19/2008
9&3 Detail Forecast (updated based on final budget)	10/22/2008
Comprehensive Approval of Budget	12/16/2008

3.0 2009 O&M and Capital Targets

Overall guidance is flat with 2008 Budget. 2009 FE&G O&M and Capital targets are listed below *($ in mm's)*;

Function (Oper Unit View)	O&M	Capital
Nuclear *(Jamil)*	$ 528	$ 603
Fossil-Hydro *(Pulskamp)*	578	2,229
Power Delivery *(Holeman)*	534	1,129
Gas Delivery *(Walker)*	59	126
Customer Service *(Arnold)*	221	9
Storm Contingency *(Turner)*	30	
Remaining FE&G	469	16
USFE&G Total:	**$ 2,419**	**$ 4,112**

Function (Resp Center View)	O&M	Capital
Chief Administrative Officer *(Rolfe)*	$ 501	$ 253
Chief Financial Officer *(Hauser)*	157	17
Chief Strategy & Policy Officer (Corporate Groups) *(Trent)*	100	30
Chief Strategy & Policy Office (BU Presidents) *(Trent)*	47	0
Chief Legal Officer *(Manly)*	144	6
Chief Executive Officer *(Rogers)*	9	0
Executive Benefits	120	0
Corporate Center Total incl Exec Benefits:	**$ 1,077**	**$ 306**

4.0 Workforce Budgeting

4.1 Headcount Budgeting

Headcount budgeting information for the enterprise was sent out via an email on May 5th with a requested completion date of 5/23/2008. Further information is available on the instructions posted on the share drive.

See Appendix – Section D for a list of workforce planning contacts by function.

4.2 Labor Inflation Rates and Labor Loading Rates

The table below contains the labor inflation and loading rates that will be used to begin the 2009 budgeting process. These rates will be adjusted throughout the budgeting process as deemed necessary. It should be noted that these labor inflation rates are assumed for planning purposes only and are not meant to be interpreted as the labor rate increase for 2009. Please be sure to budget the effects of labor inflation in the appropriate periods.

Category	2009 Rate
Labor Inflation	
Non Union employees	4.0%
Represented (Union) employees*	See below
Fringe Benefits	
Duke Energy Carolinas	22%
Duke Energy - CG&E	45%
Duke Energy - ULH&P	46%
Duke Energy - PSI	47%
Duke Energy Business Services	18%
Payroll Tax	7.54%
Incentive	*HR provides department specific rates*

Union Employees Union Rates *(Legacy Cinergy)*	**Labor Inflation Rate**	**Date of Increase**
IUOE 399	$.55/hr	November
USW 13-1	$3.75%	January
UWUA, IUU Local 600	3.00%	April
IBEW 1347	4.00%	April
IBEW 1393	4.00%	May
ERA	3.00%	October
IBEW 352	3.00%	February
USW 12049	3.50%	May
USW 5541	3.50%	May
UNITE 2024	3.00%	June

Note: Employees in the UWUA and IBEW 1347 unions receive one week of prepaid sick time in the month of January. Please be sure to calculate this amount and add it to January labor budgets if applicable.

4.3 Incentives

All incentives will be budgeted through incentive loading rates (this is a change for Midwest). HR will provide incentive loading rates for the following plans:

- Duke Energy STIP
- UEIP
- Discretionary Pool Plans
- LTI
- Stock Options

The loading rates will be calculated at target performance and based on FRe responsibility center conversion of employees at current salary inflated by the 2009 labor inflation rate. Plant specific plans (Commercial Businesses specific) and call center specific plans which are paid quarterly should continue to be budgeted at the responsibility center level.

4.4 Budgeting for Managers

Budgeters need to decide if a manager's costs will be budgeted and charged to the responsibility center with his/her direct reports or to a staff responsibility center with other managers. Consistency is needed within each department and function so that budget omissions and variances to actuals are avoided. Function owners should ensure that departmental practices reflect such consistency.

4.5 Budgeting for Bi-Weekly Employees

When budgeting for bi-weekly employees, please note that the months of January, July & December include three pay periods. All other months will have two pay periods.

4.6 Transition Pool and Union Redeployment Pools

Costs for transition pool and union redeployment pools will be managed by Human Resources. These estimates will be captured, estimated, and budgeted appropriately for these costs. Estimates will come through the current HR process where tracking of all transition pool/union redeployment is identified and approved.

4.7 Commercial Associate Program

The Corporate Development function will budget most costs for the Commercial Associate Program in 2009. However, if a Commercial Associate is currently assigned to your area or if you anticipate having one work in your area next year, you should budget for any expenses that are not related to labor or IT while the Commercial Associate is working in your area (for example, travel expenses, training costs, etc.).

If you have any questions regarding the Commercial Associate program, including the availability of Commercial Associate employees, timing of rotational assignments, or costs of the program, please contact Jeff Gates at (704) 382-7268.

4.8 Military Leave Pay

All responsibility centers with employees incurring military pay should budget for those employees at 100% pay for 156 weeks.

4.9 Education Reimbursement (Tuition Refund) Expenses

All education reimbursement will be budgeted within the employee benefit rates. The approval process will be communicated to all employees at a later date. No tuition refund expenses should be budgeted within the business unit budgets UNLESS the business unit plans to exceed established limits on graduate education reimbursement.

4.10 Dependent Care and Short Term Disability Accruals

Based upon new audit requirements as well as changes to programs, accruals will be established at the enterprise level as appropriate and as directed by the Accounting Research Group. These will be calculated and provided to the business units to the extent they are required.

4.11 Service and Retirement Awards

All service and retirement award gifts will be budgeted by HR and included in the employee benefits load rate.

5.0 Non-Labor Budgeting

5.1 Non-Labor Inflation Rates and Non-Labor Loading Rates

The table below contains the non-labor inflation rates and non-labor loading rates that will be used to begin the 2009 budgeting process. These rates will be adjusted throughout the budgeting process as deemed necessary.

Category	Carolinas Rates	Midwest Rates
Non-Labor Inflation*	2.3%	2.3%
Stores, Freight & Handling		
Fossil/Hydro	8.0%	8.0%
Power Delivery	9.5%	8.0%
Gas Operations	8.0%	8.0%
Nuclear - Catawba	15.5%	
Nuclear - McGuire	19.0%	
Nuclear - Oconee	14.0%	
Helicopter	N/A	$1,274/hr

** Non-Labor Inflation (still under evaluation for 2009) rates are for employee expenses, office supplies, etc. and are based on Consumer Pricing Index.*

Each department is responsible for projecting their respective contractor costs including inflation rates, along with increases in material coasts, etc. which are not listed in the table above.

5.2 Facility Costs

Real Estate Services (RES) Facilities Management (FM) will budget all facility costs (i.e., janitorial services, cleaning supplies, lease payments, parking, utilities) for the corporate offices and T&D facilities.

Personnel moves that involve the movement of boxes and computers will be budgeted by FM. Personnel moves by a department or group as part of a customer requested renovation should be budgeted within the department's budget. In addition, new facilities, renovation projects, and furniture replacement should be budgeted by the business segment requesting the work.

To obtain pricing estimates in order to budget these upgrades, or for general facility planning or space needs, please contact Benny Biddix at (704) 382-3221. For facility management needs, please contact Tim Beeker at (704) 382-4118.

Facility projects are charged to the appropriate accounting as provided by the customer. In-house labor and materials are used to the extent possible and are budgeted in RES Project Management. However, special projects that require outside contractors are charged directly to the customer's responsibility center. In circumstances that require a direct charge to the customer, the customer will be informed and provided an estimate of the charge prior to agreeing to provide the service. For all project management issues, please contact Martha Purser at (704) 382-4075.

5.3 Transportation Costs

A direct charging process is being used for costs associated with all assigned vehicles and equipment. This enables Fleet Services' customers to (1) see actual costs associated with owning their vehicle and to more appropriately show the costs associated with how a particular vehicle or piece of equipment is used in their daily work, (2) create awareness of the total costs to the company for owning and operating vehicles and equipment, and (3) provide an effective management tool to use in the decision making process regarding vehicle and equipment purchases. The Carolinas are already using this direct charging process. It will be implemented in the Midwest once the new Fleet Management System, which is associated with EAM, is implemented in September.

For 2009 budgeting purposes, all assigned vehicles and equipment will be budgeted to Resource Type 50000 by Fleet Services' customers. Fleet Services' personnel will assist their customer departments with determining what this budgeted amount should be for 2009.

6.0 Information Technology (IT) Budgeting

6.1 IT Guidelines

The budgeting guidelines provided by the Information Technology group are attached below, followed by a high level summary. Please review the full IT guidelines for additional information.

See Appendix – Section E for a list of key IT Contacts.

2009_IT_Planning_Assumptions_for_Bus_Unit_IT_Budgets.doc

Responsibility centers are responsible for budgeting the following:

- Workstations

- Servers dedicated to a specific function (nuclear IT servers, SOC servers) and supported by that function
- Apache/Tomcat code releases, security patches, and support desk
- Scanner maintenance
- Purchase of new printers, plotters, stand-alone scanners, and related supplies
- Lease of multifunction devices in Carolinas field locations (at generating stations, for example). Maintenance and consumables (toner, drum kits, etc.) are included in the lease cost for Canon devices. However, consumables must be budgeted by responsibility centers for HP devices and fax machines.
- Replacement of legacy Blackberry devices not in the current 8xxx series (regardless of vendor – only exception is for Nextel 7520 with Push to Talk)
- Software license fees associated with dedicated message servers
- National pagers
- New user licenses and first year of maintenance for any of the Enterprise IT Standard Developer or Testing tools

Information Technology will budget the following:
- Server hardware and software leases/purchases/maintenance
- Server software maintenance/licenses
- Server database maintenance/licenses
- WebLogic maintenance/licenses
- Workstation software (Microsoft operating system, Microsoft Office Professional, license costs, Tier 3 applications)
- Most network printer maintenance
- Most leased multifunction devices in the Carolinas general office (downtown)
- Leased multifunction equipment throughout the Midwest (leased copiers, fax machines, multifunctional products, etc.), including maintenance, consumables, and paper.
- CG&E private paging units
- Cell phones

Workstations

Existing Workstation Lease Costs
For information on current workstation lease costs, budgeters should contact the applicable IT support personnel (outlined in Appendix E).

New or Lease Replacement Workstations
Please budget the amounts below for new workstations or lease replacement workstations in 2009. Note that these are 3-year lease costs (i.e., you must divide by 36 to calculate the monthly lease cost). Carolinas budgeters should add 7% to these amounts to cover sales taxes. Midwest budgeters should add 8% to these amounts to cover sales/use taxes.

Type of Workstation	3-Year Lease Cost
General Purpose Desktop	$736
High-End Desktop	$1,269
General Purpose Laptop	$1,119
High-End Laptop	$1,646
UltraLight Laptop	$1,526

7.0 Capital Budgeting

If you have questions regarding the capitalization policies, please contact John Pyrtle at (980) 373-3824 or Jim Dean at (513) 287-2332.

A link to the complete Duke Energy capitalization guidelines can be found below:
http://dewww.duke-energy.com/cntrldpt/finance_reference_material/Duke%20Energy%20Capitalization%20Guidelines%20Jan%201%202007%20-%20FINAL.pdf

7.1 Budget Systems

Capital budget dollars will be entered via BET or PowerPlant.

7.2 Capital vs. Expense

All property will be considered as consisting of:
- Units of property (or retirement units)
- Minor items of property

New Acquisition or Addition to Existing Property
- Addition of a property unit – all related costs are capitalized and accounted for through the appropriate plant account.
- Addition of a minor item of property that did not previously exist – all related costs should be:
    - Expensed, with the costs accounted for through the appropriate expense account, unless a substantial addition results
    - Capitalized if a substantial addition results, with the costs accounted for through the appropriate plant account.
        - A substantial addition occurs when the new minor item being added to the property unit costs at least 25% of the current price for that property unit or, using an appropriate and reasonable functional metric, there is at least a 25% addition.

Repair or Maintenance
- Expense the cost of repair and maintenance for a property unit or minor item of property and account for the cost through the applicable maintenance expense account, unless a substantial betterment occurs.
- Capitalize if a substantial betterment occurs. Capitalize the excess cost of the actual expenditure over the estimated expenditure needed to maintain normal operation without the betterment, adding the cost to the appropriate plant account.
    - A substantial betterment occurs when there is an improvement to a property unit though replacement of a minor item of property that makes the unit more useful or more efficient or that increases capacity. Capitalize only the portion that adds at least 25% betterment. (Subtract the current cost of the original minor item from the betterment.)

Replacement
- When replacing a retirement unit with another retirement unit:
    - Retire the old unit
    - Deduct the cost from the applicable plant account
    - Capitalize the new unit
    - Add the new unit cost to the appropriate plant account

- When replacing a minor unit of property with an identical one, expense the cost of the replacement using the appropriate maintenance expense account.

Reinstallation or Rearrangement

- Follow repair or maintenance steps.

Relocation

- Expensed.

Retirement

- A unit of property, or retirement unit, is the level at which utilities set items to be capitalized.

- When a property unit is removed from service, retire the unit and deduct the cost from the appropriate plant account.
- When a minor item of property is removed and not replaced, capitalize the removal and salvage costs. Nonregulated plant cost of removal should be expensed. Retirement of the minor item of property is not required. Retirement of the minor item of property will occur at such time when the retirement unit of which it is a part is retired.

7.3 Capitalized Computer Software

Duke Energy software guidelines reflect instruction provided in Statement of Position (SOP) 98-1.

Eligible Projects

- Software acquired, internally developed, or modified solely to meet internal needs (during software development or modification, no plan exists or is being developed to market the software externally).
- Software whose total cost is $100,000 or more after the preliminary project stage, excluding AFUDC, allocations, etc. All eligible capital costs are capitalized, not just the portion exceeding $100,000.
- Software with an expected life of 3 years or more.

Capitalization begins when both of the following have occurred:

- Preliminary project stage is completed. All preliminary stage costs are expensed. The preliminary project stage may include the following types of tasks.
  - Make strategic decisions to allocate resources between alternative projects.
  - Determine performance requirements and system requirements for the new software.
  - Vendor software demonstrations.
  - Explore alternative means of achieving specified performance requirements.
  - Determine that the technology needed to achieve performance requirements exists.
  - Select a consultant for development and installation of software.
  - Select a vendor if purchasing software.
- Project funding for application development stage (purchase/development and implementation) are approved by management. (e.g., 201 approval, work order authorization).

Costs to capitalize:

- Application Development Stage costs. Costs for this stage include but are not necessarily limited to the following:
  - Internal and external costs incurred to develop internal-use software. Examples of these costs include:
    - Payroll and payroll-related costs (fringes & taxes, employee incentive plan, unproductive labor, etc.) for employees charging project directly for designing, coding, testing of software.
    - Materials and contractor services.
    - AFUDC.
    - All costs incurred by systems that feed data to new system so that new system may receive data.

- Costs incurred in providing basic outputs to other systems (e.g., a new payroll system providing labor distribution to the general ledger).
- Costs to develop software specific training instructions/procedures. The period benefited by development of these instructions/procedures should be the same as the life of the software being developed. Costs of actually training employees are not included here.
- Costs to develop or obtain software that allows for access or conversion of old data by new systems.

Costs not eligible for capitalization:

- Post-implementation / Operation Stage costs should be expensed as incurred. These costs include but may not be limited to:
    - Actual data conversion costs.
    - Internal or external training of employees. SOP 98-1, paragraph 71, states that "training costs are not software development costs and should be expensed as they are incurred because entities do not control the continued employment of the trained employees, are not able to identify the specific future period benefited, and amortization periods would be arbitrary".
    - Internal or external maintenance costs. When external maintenance costs are combined with software development costs in contracts, the maintenance costs must be separated and charged to expense.
    - All departmental allocations and overheads (e.g., functional and administrative overheads, computer chargebacks, building space allocations, etc.).
    - Costs incurred by other systems to extract data from new system for use in such other systems.
    - All costs relating to re-engineering of functional processes rather than software development.

Asset Accounting should receive a project in-service notification when the software has been loaded into production for use. AFUDC ceases when the project is placed in service.

Capitalization stops when:

- Software is substantially complete and ready for its intended use. Computer software is ready for its intended use after all "substantial testing" is completed.
- When no longer probable that software will be completed and placed in-service. All costs incurred to date will be expensed unless the company can recoup costs as a regulated asset.

Upgrades/Enhancements

- Upgrades and enhancements are defined as modifications to existing internal-use software that result in additional functionality. Additional functionality is defined as modifications to enable software to perform tasks that it was previously incapable of performing. Upgrades and enhancements normally require new software specifications and may also require a change to all or part of the existing software specifications. Upgrades and enhancements which provide a "new look" or "different presentation" of information are not considered additional functionality.
- Upgrades and enhancements must meet the $100,000 cost minimum for each software program/functionally independent module.
- All guidelines stated above for purchase, development/implementation of new internal-use software are also applicable to upgrades/enhancements.
- When external maintenance costs are combined with software development costs in contracts, the maintenance costs must be separated and charged to expense.
- When obtaining new releases for existing software, those costs directly attributable to new functionality are eligible for capitalization if the cost is $100,000 or more.
- Additional licenses obtained subsequent to initial installation may be capitalized if the cost is $100,000 or greater.

Amortization Period

- When determining the amortization period, entities should consider the effects of obsolescence, technology, competition, and other economic factors. Consideration should be given to rapid changes that may be occurring in the development of software products, software operating systems, or computer hardware and whether management intends to replace any technologically inferior software or hardware. Given the history of rapid changes in technology, software often has had a relatively short useful life.

- Amortization of functionally independent modules should begin when the software/module is ready for its intended use, regardless of whether the software/module will be placed in service in planned stages that may extend beyond a reporting period. Computer software is ready for its intended use after all "substantial testing" is completed.
- Will write off entire unamortized balance in final year of productive life.

Retirement

- Business units should notify Asset Accounting when software is replaced or otherwise retired from service.
- Per FERC Account 111, Accumulated Provision for Amortization of Electric/Gas Utility Plant, "when any property to which this account applies is sold, relinquished, or otherwise retired from service, this account shall be charged with the amount previously credited in respect to such property. The book cost of the property so retired less the amount chargeable to this account and less the net proceeds realized at retirement shall be included in account 421.1, Gain on Disposition of Property, or account 421.2 , Loss on Disposition of Property, as appropriate."

8.0 Service Company Guidelines

8.1 Service Companies

The service company is Duke Energy Business Services (DEBS). Upon the MW Conversion in July, its activity will be recorded to one business unit – 20013. The operating unit used with the service company transaction will distinguish whether it is a governance, enterprise, or utility charge.

8.2 Definitions

Allocations – Allocations are the process by which governance and shared services costs are spread across the enterprise. Allocations also include the process by which certain costs are spread between reporting segments (for example, across FE&G).

Allocation Basis – An allocation basis is an approved methodology for how costs can be charged out from the service company.

Governance – Activities performed, and related costs incurred, that support the entire Duke Energy enterprise. Activities generally cannot be performed on a "per unit" basis and are considered "corporate" in nature. Examples include filing the Duke Energy tax return or communicating with Duke Energy's shareholders.

Shared Services – Activities performed specifically on behalf of more than one business unit/operation. Activities can generally be performed on a "per unit" basis. Examples include use of computers, use of office space, and payroll check processing.

Service Company Agreements – These agreements outline 23 different functions that can be performed by the service company. These functions include but are not limited to:

- Information Systems
- Meters
- Transportation
- Electric System Maintenance
- Marketing & Customer Relations
- Electric Transmission and Distribution Engineering and Construction
- Power Engineering and Construction

- Human Resources
- Materials Management
- Facilities
- Power Planning and Operations
- Public Affairs
- Legal
- Rates
- Finance
- Rights of Way
- Internal Audit
- Environmental Affairs
- Fuels
- Investor Relations
- Planning
- Executive

Specific methodologies have been approved in the service company agreements for allocating costs to the appropriate legal entities and business units, including:

- Three-Factor Formula (1/3 gross margin, 1/3 labor, 1/3 property, plant, and equipment)
- Sales Ratio
- Electric Peak Load Ratio
- Number of Customers Ratio
- Number of Employees Ratio
- Construction Expenditures Ratio
- Circuit Miles of Electric Distribution Lines Ratio
- Circuit Miles of Electric Transmission Lines Ratio
- Number of Central Processing Unit Seconds Ratio
- Revenues Ratio
- Number of Personal Computer Workstations Ratio
- Labor Dollars Ratio
- Electric Peak Load Ratio
- Number of Customers Ratio
- Generating Unit MW Capability Ratio
- Total Property, Plant, and Equipment Ratio
- Inventory Ratio
- Procurement Spending Ratio
- Square Footage Ratio

8.3 Charging Guidance

Costs should be directly charged to the legal entity (Duke Energy Carolinas, Duke Energy Ohio, etc.) benefiting from the services to the extent it is feasible. Otherwise, the service company allocations should be utilized. If you have questions, please contact your financial coordinator.

There are three types of service company allocation pools:

- Governance – Corporate departments with accountability for the management of the overall function and respective issues within Duke Energy; responsible for the governance, compliance, oversight, control, audit, and strategic program design of corporate-wide activities. These costs are charged to Other segment EBIT instead of functional EBIT.
- Enterprise – Support departments implementing the policies set forth, providing day-to-day services to all lines of business (e.g., IT, Corporate Facilities, Accounts Payable, HR Services); the execution of the governance

process which benefits all business units. These are costs which are driven by and support the business, but for simplification are allocated by the service company. These costs are charged to functional EBIT.

- Utility – Expenses associated with work processes which support utilities only. The execution of the governance process which only benefits the regulated utilities. These are costs which are driven by and support the utility businesses, but for simplification are allocated by the service company. These costs are charged to functional EBIT.

An updated reference document with the service company allocation codes (operating units) will be provided at a later date, prior to the opening of the budget tools.

Appendix

A. Resource Types

This is a summary list of the most commonly used resource types.

Expense Type	Resource Type	Description
Labor	11000	Used for straight time labor
	12000	Overtime
Direct Purchases	30000	**Purchases** – office supplies/equipment, advertising, corporate association and industry dues, postage, subscriptions, etc.
Employee Expenses	40000	**Travel Expenses** – Transportation & lodging costs (airfare, car rental, taxi fares, parking fees, etc), Meals/entertainment costs for group meetings for the benefit of employees (in the absence of customers), professional fees, tuition refund expenses, employee meals and expenses associated with moving.
	41000	**Meals & Entertainment** – employee meals incurred when traveling or attending approved seminars, conferences, etc. Meals & entertainment expenses incurred entertaining external or prospective customers or company guests.
	42000	**Mileage** – expenses for using an employee's personal vehicle for business purposes.
Vehicles	50000	**Vehicle charges – expenses for assigned vehicles.**
Contract Services	60004	**Contract Services** – charges from contractors and others for labor and related materials & expenses associated with providing goods & services. ***(See Portal for more detailed list of contract service resource types)***

B. Financial Coordinator List

If you have a question that is not answered in these guidelines, please call your Financial Coordinator;

Organization	Contact Number
Fossil Hydro (Barry Blackwell)	
Midwest O&M - **Debbie Sims**	(317) 838-1010
Carolinas O&M – **Bob Nelson**	(704) 382-7266
Portfolio Optimization (Hal Neely)	(704) 382-2167
Project Development and Services (Bob Nelson)	(704) 382-7266
Power Delivery (Beth Clippinger)	
Brian Price	(513) 287-3248
Gas Operations (Beth Clippinger)	
Doug Schwerman	(513) 287-3865
Customer Service (Marshall Pettit)	
Christa Graft	(317) 838-2193
Eng & Tech Services (Barry Blackwell)	
Midwest - **Debbie Sims**	(317) 838-1010
Carolinas - **Mary Jane Beatty**	(704) 382-6449
Construction & Major Projects (Barry Blackwell)	

Rebecca Gearing	....	(513) 287-5771
Enterprise Asset Management (Barry Blackwell)		
Debbie Hatley	....	(704) 382-0473
Nuclear (David Patton)		
Oconee – **David Derrick**	....	(864) 885-4077
McGuire - **Steve McFadden**	....	(704) 875-4527
Catawba - **Sharyn Darden**	....	(803) 831-3512
Nuclear Support		
Tammy Cole	....	(704) 382-9891
Zandria Turner	....	(704) 382-3349
Janice Mansfield	....	(704) 382-4828
Jacque Young	....	(704) 373-7212
Lee Nuclear - **Abbe Bryan**	....	(704) 373-3874
DE-Remaining FE&G (Marshall Pettit)		
DE Carolinas – **Marty Schwartz**	....	(704) 382-3685
DE Midwest - **Robin Barton**	....	(317) 838-4684
Commercial Businesses (Keith Baldwin)		
DE Ohio - **Todd Lovegrove**	....	(513) 419-5079
DE Carolinas - **Jacqueline Calloway**	....	(513) 419-5077
Corporate Center (Jan Yeargin)		
Chief Administrative Officer - **Karen Brown**	....	(704) 382-5817
Chief Financial Officer - **Ricky Bollinger**	....	(704) 382-5885
Chief Strategy & Policy Officer - **William 'Neal' McGinn**	....	(704) 382-6116
Chief Legal Officer - **Jamie Wooton**	....	(704) 373-8343
Consolidation (Marshall Pettit)		
Operations & Maintenance		
Jeannie Dunn	....	(704) 382-6419
Olivia Linkel	....	(704) 382-5439
Capital		
Tom Suddreth (Carolinas)	....	(704) 373-6548
Carol Case (Carolinas)	....	(704) 382-4686
Susan Miller (Midwest)	....	(513) 287-4181

C. Financial Contacts for Key Initiatives

Below is a listing of financial contacts for key company initiatives and projects:

Energy Efficiency	-	Jan Yeargin	(704) 382-8739
Utility of the Future	-	Neal McGinn	(704) 382-6116

Enterprise Asset Management (EAM)
Please contact Nancy Hollkamp at (513) 287-5943 prior to budgeting anything for the EAM project.

D. Workforce Planning Contacts

- **Nuclear Generation – David Ward**
- **Franchised Electric & Gas**
  - Regulated Fleet Operations – Sharon Clegg
  - New Generation Projects – Denise Boggs
  - Engineering & Tech Svcs – Denise Boggs
  - Portfolio Optimization & Fuels – Denise Boggs
  - Supply Chain – Tommie Keasler
  - Project Development & Svcs – Denise Boggs
  - Gas Operations- Gerri Garmon
  - Power Delivery – Tony Adcock, Gerri Garmon
  - Customer Service – Becky Brunner, Nikki Majestic
  - Customer Origination – Lisa Shefte
- **Commercial Businesses – Jean Dieudonne, David Crail**
- **Finance – Gayle Long, Janelle Moffett**
- **General Counsel – Peggy Grobusky**
- **Strategy, Policy & Communications – Anthony Rose**
  - Duke Energy – Carolinas – Dave Hardin
  - Duke Energy – OH & KY – Diane Smiley
  - Duke Energy – Indiana – Becky Brunner
- **Corporate Administration**
  - Information Technology – Terri Alsop
  - Human Resources – Peggy Grobusky
  - HR Business Support – Peggy Grobusky
  - Enterprise Operations Svcs – Sharon Brooks
  - Enterprise Field Services – Carla Deck, Dan Fleck

E. Key Information Technology Contacts

The following IT personnel have been assigned to work with you to determine what IT costs will need to be included in your budgets.

CAROLINAS CONTACTS	IT Contact	Phone
Finance	Jim Tisdale	(704) 382-7466
Supply Chain	Elaine Bailey	(704) 382-6565
General Counsel	Elaine Bailey	(704) 382-6565
Commercial Businesses	Elaine Bailey	(704) 382-6565
Corporate HR	Tim Pace	(704 382-9682
HR Business Support	Tim Pace	(704) 382-9682
Enterprise Field Services	Elaine Bailey	(704) 382-6565
Enterprise Ops Services	Teresa Taylor	(704) 382-7541
Strategy, Policy & Reg	Tommie Pfeifer	(704) 382-1714
Duke Power	Mike Booth	(704) 382-8461
Customer Service	Daniel Johnson	(704) 484-5081
New Generation Projects	Mike Booth	(704) 382-8461
Project Development & Services	Christy Wiseman	(704) 382-4912
Fossil-Hydro Generation	Christy Wiseman	(704) 382-4912
Nuclear *(Contact your NIT consultant)*	John Mitchell	(704) 382-9804
Customer Origination & Retention	Tim Pace	(704 382-9682
Power Delivery	Jody Mease	(704) 382-0907

Portfolio Optimization	Laura Heavner	(704) 382-4634
Enterprise Asset Mgt	Mike Booth	(704) 382-8461
Engineering & Tech Svcs	Christy Wiseman	(704) 382-4912
Generation Applications	Ray Fink	(704) 382-9573
IT Ops	Tommie Pfeifer	(704) 382-1714
IT Strategy & Compliance	Elaine Bailey	(704) 382-6565
IT Strategy Arch & Standards	Laura Heavner	(704) 382-4634
IT Data Center Ops	Laura Heavner	(704) 382-4634
Trading & Marketing Apps	Laura Heavner	(704) 382-4634
IT Business Apps	Ray Fink	(704) 382-9573
HR & Corp Apps	Ellen Lankford	(704) 382-9555
Financial Apps Integration	Mike Booth	(704) 382-8461
Supply Chain & Work Mgmt Apps	Mike Booth	(704) 382-8461

MIDWEST CONTACTS

Customer Applications	Chris Sechrest	(704) 382-9633
Power Delivery and Gas Operations	Mike Strahan	(513) 287-2125
HR and Corporate Apps	Shirley Brown	(513) 287-3649
Fossil Hydro Generation (FE&G)	Cheryl Brooks	(704) 382-7034
Commercial Asset Management (NANRG)	John Moeller	(513) 419-5131
Cellular Services	Mark Voris	(317) 838-2635
Server Hardware/Software	Shirley Brown	(513) 287-3649
Workstations	Tim Thomas	(317) 838-1737
Phone Systems	Melissa Ohmer	(513) 287-1032

F. Code Block

CODE_BLOCK_Conversion_MW_to_SE.PPT

The Duke Energy Kentucky Company
Case No. 2009-00202

Assumptions
Forecasted Base Period Months (October 1, 2008 - September 30, 2009)
Forecasted Test Period (February 1, 2010 - January 31, 2011)

General Assumptions/Guidelines:

1. Duke Energy uses a "bottom up" budgeting approach. The budget information is provided by over 400 "centers" or management teams that prepare detailed budgets for their individual areas of responsibility, consisting of expense items, certain types of revenues, and capital spending. The budgets prepared by these individual centers (also referred to as "budget centers") are reviewed and approved by Duke Energy management. The Duke Energy Board of Directors ultimately approves the Duke Energy consolidated annual budget. If any changes occur during the review and approval process, the changes are communicated to the appropriate center, and this center submits a revised budget through the same review and approval process.

2. Each year, Duke Energy prepares a five-year forecast of operating revenues and expenses, which is the starting point for preparing the annual budget. Along with the annual operating budget, additional years are added to develop a five year forecast.

Specific Assumptions/Guidelines:

1. **Revenues**
   a. The first step in preparing the operating revenues is to obtain a forecast of the projected gas and electric sales. As described by Duke Energy Kentucky witness Mr. Timothy A. Phillips, Duke Energy's Customer Market Analytics Department prepares these load forecasts on a monthly basis for each customer class over a ten-year period. The forecasts are updated at least annually. The Customer Market Analytics Department also provides the number of customers for each customer class. The projected revenues for the annual budget and the five-year forecast for gas and electric sales were calculated by applying the tariff charges to these sales forecast numbers for gas customers and for residential electric customers. The projected revenues for non-residential electric customers were calculated by using average realizations.

   b. As discussed by Mr. Phillips, a weather normalization forecast was used. This is the same methodology that management incorporates for preparing its budgets and forecasts and for presentations of financial projections to the Board of Directors, credit ratings agencies and the investment community.

c. To obtain the remaining revenues in the forecast, we analyzed historical trends of other revenues and receive information from the business groups supporting the forecast in order to obtain the other revenues for the five-year period.

2. Expenses

a. Fuel & Purchased Power
The level of fuel, purchased power and purchased gas expense are derived from the projected cost per unit of the fuel consumed and the volume of the consumption determined by the gas and electric sales forecasts. The Business Development and Analytics Department provided the electric fuel and purchased power expense by combining forecasted sales and pricing of various inputs and simulating generation output and associated costs with their business model. Duke Energy Kentucky witness Mr. Gary J. Hebbeler provided the gas supply mixture and purchased gas expense. Both Mr. Hebbeler and the Business Development and Analytics Department also provided this information for the five-year forecast.

b. Operating Expenses
The individual budget centers provide the operation and maintenance (O&M) expenses, including payroll taxes and other revenue taxes, for all of Duke Energy Kentucky. Duke Energy Kentucky was also allocated Administrative and General (A&G) expenses and O&M expenses from Duke Energy Business Services, LLC. and other affiliates, as discussed by Duke Energy Kentucky witness Mr. David L. Doss. The regulatory assets were amortized using the amortization schedules approved by the Commission.

c. Depreciation
The forecasted depreciation for current and projected new gas plant was calculated by multiplying the original cost of current and projected new gas plant by the composite depreciation rates. This calculation was performed for the base and forecasted periods. Duke Energy Kentucky witness Ms. Brenda Melendez provided me with the original cost of the current gas and electric plant along with the current depreciation rates. Then various groups within the Company supply budgeted capital expenditures for all types of property held by Duke Energy Kentucky. A similar process was used to obtain the depreciation expense for the five-year forecast, using budgeted capital expenditures.

d. Property Taxes
Duke Energy Kentucky's Property tax expense is calculated in the budget by applying current property tax rates and a projected assessment ratio to projected plant in service balances for the year. The projected plant in service values are supplied to the tax department that, in turn, applies the

projected assessment ratios and estimated property tax rates by class of property.

e. Other Income and Expense
The "other income and expense" is a below-the-line item and is derived from a combination of sources. The amount of funds for the Allowance for Funds Used During Construction (AFUDC) was obtained from the five-year gas and electric capital forecasts. AFUDC rates were developed based on historical and forecasted debt financing and returns on equity. Miscellaneous revenues and expenses, such as gas jobbing revenues and expenses and rent on non-utility property, were obtained from the annual budget.

f. Interest Expense
The interest levels are a product of the debt rates, the long-term debt outstanding, any redemptions or issuances and the short-term financing needs as determined by the cash inflows and cash outflows for the test period. The financing results were reviewed by Duke Energy Kentucky witness Mr. Stephen G. De May to determine whether any adjustments to Duke Energy Kentucky's financing plan were necessary. Stephen G. De May provided the long-term debt balances and long and short-term interest rates for the annual budget and the five-year forecast. The amount of short-term debt balances and associated interest expense were calculated using our forecasting tools.

g. Income Taxes
Income taxes were calculated using the forecasting model. The calculation was performed for each month of the forecasted period by applying existing statutory income tax rates to applicable taxable book income and adjusting the resulting applicable income taxes by the ITC amortization amounts. Duke Energy Kentucky witness Mr. Parsons provided the appropriate state and federal income tax rates. He also supplied me with book/tax temporary difference amounts and the amortization of investment tax credit (ITC) used to reduce the income tax expense.

3. Balance sheet assumptions

a. Balances
The actual November 2008 balances from the balance sheet were the starting point for this forecast.

b. Regulatory Assets
The adjustments to the regulatory assets were obtained from schedules produced by the Company's Accounting Department, reflecting amortization rates previously approved by the Commission.

c. Dividends
Dividends or equity funding for Duke Energy Kentucky are determined to the extent they are required to maintain the appropriate capitalization ratios as outlined by Mr. De May.

d. Financing
Mr. De May provided the projected changes in long-term debt. He also supplied me with the amount of meter lease payments and regulator lease payments. He supplied this information for the annual budget and the five-year forecast.

e. Deferred Income Tax
Deferred income taxes were calculated based on current book and tax deprecation rates and other applicable factors used to calculate federal income taxes. Deferred income taxes was reviewed and approved by Mr. Parsons. The accumulated deferred income tax balance was derived using the beginning accumulated deferred income tax balance, plus the deferred income tax expense. Mr. Parsons provided the amount of tax depreciation and other book/tax temporary differences for this calculation.

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(9)(d)

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807 KAR 5:001, SECTION 10(9)(d)

Description of Filing Requirement:

Annual and monthly budget for the 12 months preceding the Filing Date, the Base Period, and Forecasted Period.

Response:

See the attached for the Company's official 2008 and 2009 operating budgets which include the 12 months preceding the Filing Date (July 2008 - June 2009) and the Base Period (October 2008 - September 2009). The requested annual budget for the 12 months of the forecasted test period is provided in Schedule C-1. The monthly revenue and monthly O&M amounts are shown in workpapers WPC-2c and WPC-2.1a, respectively. This data is comprised of Duke Energy Kentucky's 2009 annual budget and extended through January 2011 as described in the testimony of Mr. Lee.

Sponsoring Witness: Stephen R. Lee

Duke Kentucky
Income Statement - Months
2008 Budget

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YearTotal
Utility Operating Income:													
Revenues													
Total Electric Revenue	23,563,243	22,087,935	24,081,928	20,455,678	22,570,801	31,249,528	25,367,591	28,456,652	25,259,106	22,237,021	22,100,143	25,811,435	293,241,060
Total Gas Revenue	24,349,560	15,569,148	16,003,352	7,064,766	5,348,739	4,380,957	5,068,079	5,057,843	6,073,309	10,775,340	19,752,715	25,626,784	145,070,587
Total Other Revenue	136,578	136,578	136,578	136,578	136,578	136,578	145,138	136,578	136,578	136,578	136,578	153,699	1,664,613
Operating Revenue	48,049,380	37,793,660	40,221,857	27,657,021	28,056,118	35,767,062	30,580,807	33,651,072	31,468,992	33,148,938	41,989,435	51,591,917	439,976,259
Cost of Goods Sold													
Cost of Fuel	6,819,347	6,606,123	6,764,413	4,166,830	6,935,506	6,849,023	8,277,191	8,093,966	6,699,573	5,356,767	6,484,536	7,033,513	80,086,788
Purchased Power	807,718	1,012,190	1,705,149	2,436,498	985,738	6,846,350	(1,301,215)	2,081,408	3,203,244	2,645,959	1,130,739	2,210,495	23,764,274
Gas Purchased	18,324,563	10,644,357	11,467,953	3,934,706	2,829,008	2,078,284	2,736,670	2,765,866	3,596,120	7,653,361	15,556,001	19,727,390	101,314,279
Total COGS	25,951,628	18,262,670	19,937,515	10,538,034	10,750,252	15,773,657	9,712,646	12,941,240	13,498,937	15,656,088	23,171,276	28,971,398	205,165,341
Operation & Maintenance Expense	9,548,263	10,221,336	10,386,767	11,697,063	11,298,184	10,818,509	10,328,390	10,818,125	9,987,897	9,939,794	9,997,795	12,528,284	127,570,408
Depreciation and Amortization	2,947,659	3,006,290	3,110,316	3,303,264	3,466,841	3,686,838	3,738,864	3,749,420	3,743,677	3,712,385	3,748,003	3,873,638	42,087,195
Payroll Tax Expense	209,768	212,521	215,912	216,391	214,525	212,237	197,909	212,544	207,386	215,027	212,301	206,650	2,533,170
Property Tax Expense	810,320	810,320	810,320	810,320	810,320	810,320	810,320	810,320	810,320	810,320	810,320	810,341	9,723,862
Revenue Tax Expense	1,950	-	-	1,950	-	-	1,950	-	-	1,950	-	-	7,800
Other Tax Expense	13,079	13,079	13,079	13,079	13,079	13,079	13,079	13,079	13,079	13,079	13,079	13,079	156,950
Non-Income Taxes	1,035,117	1,035,921	1,039,311	1,041,740	1,037,924	1,035,636	1,023,259	1,035,943	1,030,785	1,040,376	1,035,700	1,030,070	12,421,782
Total Operating Expenses	39,482,667	32,526,216	34,473,909	26,580,102	26,553,202	31,314,640	24,803,159	28,544,728	28,261,295	30,348,643	37,952,774	46,403,390	387,244,727
Utility Income Before Income Taxes	8,566,712	5,267,444	5,747,948	1,076,919	1,502,916	4,452,423	5,777,648	5,106,344	3,207,697	2,800,295	4,036,661	5,188,527	52,731,533
Income Taxes - Federal	2,178,451	1,108,959	1,292,176	(161,444)	12,300	1,043,787	1,505,698	1,285,309	637,325	493,945	913,674	1,323,272	11,633,453
Income Taxes - State	384,938	196,732	228,717	(27,267)	3,134	184,702	266,053	227,433	113,467	88,170	162,117	234,367	2,062,564
Income Taxes - Deferred	174,882	129,643	105,629	35,063	(86,457)	(131,868)	(153,498)	(159,254)	(172,188)	(159,420)	(150,324)	(204,208)	(772,001)
Total Utility Income Taxes	2,738,271	1,435,334	1,626,522	(153,647)	(71,023)	1,096,620	1,618,253	1,353,487	578,604	422,695	925,467	1,353,431	12,924,016
Total Utility Operating Expenses	42,220,939	33,961,551	36,100,431	26,426,455	26,482,179	32,411,260	26,421,412	29,898,215	28,839,899	30,771,338	38,878,242	47,756,821	400,168,743
Net Utility Operating Income	5,828,441	3,832,109	4,121,426	1,230,566	1,573,939	3,355,802	4,159,395	3,752,857	2,629,093	2,377,600	3,111,193	3,835,096	39,807,517
Other Income and Deductions:													
Non-Utility Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Dividend Income	375,239	356,061	284,016	208,024	155,811	178,706	208,298	248,161	246,794	212,527	235,141	326,114	3,034,892
AFUDC Equity	9,838	15,860	22,481	27,998	34,352	35,076	34,389	40,756	47,516	53,866	60,167	33,306	415,604
Miscellaneous Income	101,502	101,502	101,503	101,502	101,502	101,503	101,502	101,502	101,503	101,502	101,502	101,503	1,218,030
Other Operating Gains and Losses	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Income	486,579	473,423	408,000	337,524	291,665	315,285	344,190	390,419	395,813	367,895	396,810	460,923	4,668,526
Other Deductions	7,670	12,250	15,813	19,966	19,983	12,462	15,409	19,572	17,631	10,452	8,655	18,315	178,174
Other Income and Deductions Before Income Taxes	478,909	461,173	392,187	317,559	271,682	302,823	328,781	370,848	378,182	357,444	388,155	442,608	4,490,352
Income Taxes - Federal	167,618	161,411	137,266	111,146	95,089	105,988	115,073	129,797	132,364	125,105	135,854	154,913	1,571,623
Income Taxes - State	27,777	26,748	22,747	18,418	15,758	17,564	19,069	21,509	21,935	20,732	22,513	25,671	260,440
Total Other Income Taxes	195,395	188,159	160,012	129,564	110,846	123,552	134,143	151,306	154,298	145,837	158,367	180,584	1,832,064
Net Other Income and Deductions	283,514	273,015	232,175	187,995	160,836	179,271	194,638	219,542	223,884	211,607	229,788	262,024	2,658,288
Interest Charges:													
Interest on LT Notes	1,248,866	1,248,866	1,248,866	1,140,533	1,140,533	1,140,533	1,140,533	1,140,533	1,140,533	1,140,533	1,140,533	1,140,533	14,011,392
831X - Amortization of DDE	30,607	30,607	30,607	30,607	32,446	32,446	32,446	32,446	32,446	32,446	32,446	29,305	378,861
8311 - Amortization of Debt Disc	6,202	6,202	6,202	4,830	4,790	4,790	4,790	4,790	4,790	4,790	4,790	4,790	61,757
0431020 - Interest Exp - Cust Service Dep	26,063	26,063	26,063	26,063	26,063	26,063	26,063	26,063	26,063	26,063	26,063	26,063	312,750
0431130 - Interest Exp - Capital Lease	57,555	56,960	56,362	55,761	55,157	54,550	53,940	53,327	52,712	51,019	50,448	49,874	647,662
8510 - Interest Costs on Capital Debt Expense	(36,277)	(56,474)	(66,296)	(76,637)	(85,837)	(68,235)	(49,737)	(57,000)	(67,993)	(79,898)	(87,164)	(59,109)	(790,657)
0431002 - Interest Expense	200,063	186,122	202,990	232,553	287,627	346,932	343,378	341,002	397,384	389,095	376,661	444,853	3,748,661
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Interest Income and Expense	1,533,079	1,498,345	1,504,794	1,413,709	1,460,778	1,537,079	1,551,413	1,541,161	1,585,934	1,564,048	1,543,777	1,636,309	18,370,427
Net Income	4,578,876	2,606,779	2,848,806	4,852	273,996	1,997,995	2,802,621	2,431,237	1,267,042	1,025,159	1,797,204	2,460,811	24,095,378

Duke . Kentucky
Income Statement - Months
2009 Budget

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YearTotal
Utility Operating Income:													
Revenues													
Total Electric Revenue	31,538,150	27,965,694	28,556,385	26,025,279	26,543,769	31,498,106	37,744,502	34,031,112	29,351,197	28,768,191	26,224,384	31,283,192	359,529,962
Total Gas Revenue	27,292,192	15,962,813	16,644,922	7,230,569	5,411,457	3,992,181	4,858,282	4,989,303	6,139,687	11,724,850	19,667,487	26,608,242	150,521,989
Total Other Revenue	184,813	184,813	184,813	184,813	184,813	184,813	184,813	184,813	184,813	184,813	184,813	184,813	2,217,755
Operating Revenue	59,015,156	44,113,320	45,386,120	33,440,661	32,140,039	35,675,101	42,787,598	39,205,228	35,675,697	40,677,855	46,076,684	58,076,247	512,269,706
Cost of Goods Sold													
Cost of Fuel	11,960,261	10,686,483	11,744,289	9,455,637	4,349,453	11,636,562	13,006,408	12,844,717	10,498,867	11,088,235	9,962,663	11,434,530	128,668,104
Purchased Power	2,641,114	2,132,225	1,541,684	2,582,689	7,026,023	2,901,501	5,975,826	2,150,225	3,878,666	2,896,175	1,701,478	2,467,665	37,895,271
Gas Purchased	20,282,522	10,807,191	11,838,039	4,049,395	2,929,019	1,998,571	2,675,550	2,777,200	3,674,804	8,443,386	15,578,349	20,892,525	105,946,551
Total COGS	34,883,898	23,625,898	25,124,012	16,087,720	14,304,495	16,536,634	21,657,784	17,772,142	18,052,337	22,427,796	27,242,490	34,794,720	272,509,926
Operation & Maintenance Expense	10,115,913	10,416,598	11,856,869	10,675,533	11,732,787	12,054,449	11,186,292	11,375,551	10,857,466	11,058,352	10,774,040	10,898,485	133,002,333
Depreciation and Amortization	3,361,955	3,367,689	3,377,760	3,386,947	3,401,968	3,409,685	3,415,473	3,422,165	3,428,420	3,432,218	3,436,314	3,440,077	40,880,672
Payroll Tax Expense	213,919	213,919	213,919	213,919	213,919	213,919	213,919	213,919	213,919	213,919	213,919	214,627	2,567,732
Property Tax Expense	880,091	880,091	880,091	880,091	880,091	880,091	880,091	880,091	880,091	880,091	880,091	880,091	10,561,097
Revenue Tax Expense	425	425	425	425	425	425	425	425	425	425	425	425	5,100
Other Tax Expense	17,670	17,670	17,670	17,670	17,670	17,670	17,670	17,670	17,670	17,670	17,670	17,670	212,040
Non-Income Taxes	1,112,105	1,112,105	1,112,105	1,112,105	1,112,105	1,112,105	1,112,105	1,112,105	1,112,105	1,112,105	1,112,105	1,112,814	13,345,969
Total Operating Expenses	49,473,870	38,522,289	41,470,746	31,262,305	30,551,354	33,112,873	37,371,655	33,681,964	33,450,327	38,030,471	42,564,949	50,246,096	459,738,900
Utility Income Before Income Taxes	9,541,286	5,591,031	3,915,373	2,178,356	1,588,685	2,562,227	5,415,943	5,523,264	2,225,370	2,647,384	3,511,735	7,830,151	52,530,806
Income Taxes - Federal	2,803,773	1,500,338	942,543	377,445	182,838	351,809	1,282,696	1,309,986	246,179	385,582	672,897	2,107,618	12,163,705
Income Taxes - State	485,579	260,392	163,835	66,054	32,308	61,527	222,523	227,390	43,654	67,614	117,281	365,231	2,113,389
Income Taxes - Deferred	(257,252)	(246,646)	(244,734)	(241,762)	(226,196)	(225,374)	(235,001)	(223,720)	(197,610)	(196,629)	(202,892)	(252,526)	(2,750,342)
Total Utility Income Taxes	3,032,100	1,514,085	861,644	201,737	(11,050)	187,962	1,270,218	1,313,657	92,224	256,567	587,286	2,220,323	11,526,752
Total Utility Operating Expenses	52,505,970	40,036,374	42,332,390	31,464,042	30,540,304	33,300,836	38,641,872	34,995,620	33,542,552	38,287,038	43,152,235	52,466,419	471,265,652
Net Utility Operating Income	6,509,186	4,076,946	3,053,730	1,976,619	1,599,735	2,374,265	4,145,725	4,209,608	2,133,146	2,390,817	2,924,449	5,609,829	41,004,054
Other Income and Deductions:													
Non-Utility Revenue	463	463	463	463	463	463	463	463	463	463	463	463	5,560
Interest and Dividend Income	394,815	369,336	300,856	241,535	195,343	200,040	260,313	297,987	288,036	250,471	261,137	335,634	3,395,502
AFUDC Equity	4,127	5,901	9,000	13,834	19,957	26,240	33,130	40,068	45,572	49,629	52,845	28,301	328,604
Miscellaneous Income	7,720	7,720	7,720	7,720	7,720	7,720	7,720	7,720	7,720	7,720	7,720	7,720	92,640
Other Operating Gains and Losses	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Income	407,125	383,420	318,039	263,552	223,484	234,464	301,627	346,238	341,791	308,284	322,166	372,119	3,822,307
0426508 - Inc Deduction-Other Inc & Exp	11,357	11,357	11,357	11,357	11,357	11,358	11,357	11,357	11,357	11,357	11,357	11,358	136,280
Other Income and Deductions Before Income Taxes	395,768	372,063	306,683	252,196	212,128	223,106	290,270	334,881	330,434	296,927	310,809	360,761	3,686,027
Income Taxes - Federal	138,519	130,222	107,339	88,269	74,245	78,087	101,595	117,209	115,652	103,924	108,783	126,266	1,290,109
Income Taxes - State	22,559	21,208	17,481	14,375	12,091	12,717	16,545	19,088	18,835	16,925	17,716	20,563	210,104
Total Other Income Taxes	161,078	151,430	124,820	102,644	86,336	90,804	118,140	136,297	134,487	120,849	126,499	146,830	1,500,213
Net Other Income and Deductions	234,691	220,634	181,863	149,552	125,792	132,302	172,130	198,585	195,947	176,078	184,310	213,931	2,185,814
Interest Charges:													
Interest on LT Notes	1,432,199	1,432,199	1,432,199	1,432,199	1,432,199	1,838,449	1,838,449	1,838,449	1,707,199	1,707,199	1,707,199	1,707,199	19,505,142
831X - Amortization of DDE	33,472	33,472	33,472	33,472	33,472	39,722	39,722	39,722	38,994	38,266	38,266	38,266	440,320
8311 - Amortization of Debt Disc	4,790	4,790	4,790	4,790	4,790	4,790	4,790	4,790	4,575	4,360	4,360	4,360	55,976
0431020 - Interest Exp - Cust Service Dep	28,757	28,757	28,757	28,757	28,757	28,757	28,757	28,757	28,757	28,757	28,757	28,757	345,080
0431130 - Interest Exp - Capital Lease	61,399	60,737	60,071	59,402	58,731	58,056	57,378	56,696	56,012	51,080	50,576	50,070	680,207
8510 - Interest Costs on Capital Debt Expense	(70,960)	(77,874)	(78,618)	(68,565)	(61,965)	(67,015)	(75,570)	(83,699)	(91,154)	(97,160)	(100,993)	(70,805)	(944,378)
0431002 - Interest Expense	101	19	22,730	(2,867)	(2,520)	52,312	59,660	58,163	110,060	109,625	102,836	135,878	645,997
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Interest Income and Expense	1,489,759	1,482,100	1,503,400	1,487,189	1,493,464	1,955,071	1,953,186	1,942,878	1,854,444	1,842,127	1,831,001	1,893,724	20,728,345
Net Income	5,254,079	2,815,442	1,732,154	638,944	232,024	551,457	2,364,631	2,465,277	474,611	724,729	1,277,720	3,929,997	22,461,063

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(9)(e)

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807 KAR 5:001, SECTION 10(9)(e)

Description of Filing Requirement:

A statement of attestation signed by the utility's chief officer in charge of Kentucky operations which shall provide:

1. That the forecast utilized in Case No. 2009-00202 by Duke Energy Kentucky is, in my opinion, reasonable, reliable, made in good faith and that all basic assumptions used in the forecast have been identified and justified; and
2. That the forecast contains the same assumptions and methodologies as used in the forecast prepared for use by management of Duke Energy Kentucky; and
3. That productivity and efficiency gains are included in the forecast.

Response: See attached.

Sponsoring Witness: Julia S. Janson

AFFIDAVIT OF JULIA S. JANSON

State of Ohio)
)
County of Hamilton)

Now comes Julia S. Janson, President of Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc. and as required by 807 KAR 5:001, Section 10(9)(e), hereby attests as follows:

1. the forecast used in Case No. 2009-002002 by Duke Energy is reasonable, reliable, made in good faith and that all basic assumptions used in the forecast have been identified and justified; and

2. the forecast contains the same assumptions and methodologies as used in the forecast prepared for use by management, or an identification and explanation for any differences that exist; and

3. productivity and efficiency gains are included in the forecast; and

4. merger savings are reflected in Duke Energy Kentucky's proposed rates through base rates, consistent with Commission's November 29, 2005 Order in Case No. 2005-00228.

Further affiant sayeth naught.

Julia S. Janson

Julia S. Janson, Affiant

Sworn and subscribed before me by Julia S. Janson on this 17th day of June 2009.

Patty A. Selm

Notary Public

My Commission Expires: PATTY A. SELM
Notary Public, State of Ohio
My Commission Expires 09-15-2014

280268

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(9)(f)

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807 KAR 5:001, SECTION 10(9)(f)

Description of Filing Requirement:

For each major construction project which constitutes five (5) percent or more of the annual construction budget within the three (3) year forecast the following information shall be filed:

1. The date the project was started or estimated starting date;
2. The estimated completion date;
3. The total estimated cost of construction by year exclusive and inclusive of allowance for funds used during construction ("AFUDC") or interest during construction credit; and
4. The most recent available total costs incurred exclusive and inclusive of AFUDC or interest during construction credit

Response:

See attached.

Sponsoring Witness: Gary J. Hebbeler

Duke Energy Kentucky, Inc.
Case No. 2009-00202
Major Construction Projects
Constituting 5% or More of Annual Budget

Line No.	Project ID/Description	Actual or Projected Start Date	Projected Completion Date	Estimated Costs Including AFUDC 2009	Estimated Costs Including AFUDC 2010	Estimated Costs Including AFUDC 2011	Estimated Costs Excluding AFUDC 2009	Estimated Costs Excluding AFUDC 2010	Estimated Costs Excluding AFUDC 2011	Actual Costs To Date incl AFUDC	Actual Costs To Date excl AFUDC
1	KYCIBS09 - CI&BS 2009 KY	1/1/2009	12/31/2009	20,416,320	0	0	20,113,286	0	0	3,089,090	3,081,896
2	KYCIBS10 - KENTUCKY CAST IRON BARE STEEL	1/1/2010	12/31/2010	0	8,278,918	0	0	8,149,952	0	-	0
3	G7SERVMC - SERVICES MC	Various	Various	3,588,721	4,885,812	3,638,493	2,788,682	4,885,812	3,638,493	384,366	382,236
4	G7MAINS - MAINS	Various	Various	1,689,405	1,573,032	2,048,025	1,384,600	1,573,032	2,048,025	143,880	143,716
5	G7PUINMR - GAS METERS AND REGULATORS	Various	Various	1,268,864	4,086,166	1,569,962	1,206,672	4,086,166	1,569,962	84,444	84,444
6	G7RISER - RISER REPLACEMENT	Various	Various	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	17,474	17,474
7	G7PUBIMP - PUBLIC IMPROVEMENTS	Various	Various	1,601,500	1,428,972	1,550,242	1,591,086	1,428,972	1,550,242	174,638	177,995

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(9)(g)

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807 KAR 5:001, SECTION 10(9)(g)

Description of Filing Requirement:

For all construction projects which constitute less than five (5) percent of the annual construction budget within the three (3) year forecast, the utility shall file an aggregate of the information requested in paragraph (f)3 and 4 of this subsection

Response:

See attached.

Sponsoring Witness: Gary J. Hebbeler

Duke Energy Kentucky, Inc.
Case No. 2009-00202
Major Construction Projects
Constituting Less than 5% of Annual Budget

Line No.	Project ID/Description	Actual or Projected Start Date	Projected Completion Date	Estimated Costs Including AFUDC			Estimated Costs Excluding AFUDC			Actual Costs To Date incl AFUDC	Actual Costs To Date excl AFUDC
				2009	2010	2011	2009	2010	2011		
1	Sum of all projects not included on 9(f)	Various	Various	3,644,252	4,390,726	2,067,672	4,828,139	4,367,706	2,067,672	1,049,573	1,093,441

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(9)(h)

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807 KAR 5:001, SECTION 10(9)(h)

Description of Filing Requirement:

A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:

1. Operating income statement (exclusive of dividends per share or earnings per share);
2. Balance sheet;
3. Statement of cash flows;
4. Revenue requirements necessary to support the forecasted rate of return;
5. Load forecast including energy and demand (electric);
6. Access line forecast (telephone);
7. Mix of generation (electric);
8. Mix of gas supply (gas);
9. Employee level;
10. Labor cost changes;
11. Capital structure requirements;
12. Rate base;
13. Gallons of water projected to be sold (water);
14. Customer forecast (gas, water);
15. MCF sales forecasts (gas);
16. Toll and access forecast of number of calls and number of minutes (telephone); and
17. A detailed explanation of any other information provided;

Response: Items 6, 13, 16, and 17 are not applicable to Duke Energy Kentucky. For all other items see attached.

Sponsoring Witnesses:

Stephen R. Lee, Items 1, 2, 3, 4, 5, 7, 8, 9, 10, 12, 14 and 15

Stephen G. De May, Item 11

Timothy A. Phillips, Item 15

Duke Energy Kentucky
Case No. 2009-00202
Projected Income Statement 2009-2011

Line No.	Description	2009	2010	2011
1	Operating Revenue			
2	Electric Revenue	$353,966	$355,064	$378,735
3	Gas Revenue	126,671	122,914	130,304
4	Other Revenue	6,792	2,228	2,251
5	Total Operating Revenue	$487,429	$480,206	$511,290
6	Operating Expenses			
7	Fuel & Purchased Power	$162,511	$163,293	$177,758
8	Gas Purchased	80,958	78,050	85,210
9	Operation & Maintenance	136,701	139,825	149,151
10	Depreciation & Amortization	42,170	43,653	44,588
11	Taxes Other Than Income	13,515	14,385	16,640
12	Operating Expenses before Income Tax	$435,855	$439,206	$473,347
13	Pre-Tax Operating Income	$51,574	$41,000	$37,943
14	Other Income	$3,060	$3,816	$4,258
15	Interest Expense	$16,323	$17,564	$18,272
16	State Income Taxes	$2,054	$1,306	$1,117
17	Federal Income Taxes	11,954	8,390	7,417
18	Total Income Taxes	$14,008	$9,696	$8,534
19	Income Available for Common Dividends	$24,303	$17,556	$15,395
20	Average Common Equity	$398,176	$419,106	$439,082
21	Earned Return	6.10%	4.19%	3.51%

Duke Energy Kentucky
Case No. 2009-00202
Projected Balance Sheet 2009-2011

Line No.	Description	2009	2010	2011
1	**Assets**			
2	Utility plant in service	$1,563,347	$1,608,328	$1,687,871
3	Construction work in progress	3,927	20,385	12,611
4	Total Utility Plant	$1,567,274	$1,628,713	$1,700,482
5	Non-regulated property, plant, and equipment	$24,088	$24,088	$24,088
6	Accumulated depreciation	684,413	710,284	735,404
7	Net Property, Plant, and Equipment	$906,949	$942,517	$989,166
8	Current Assets	$114,139	$119,046	$118,525
9	Other Assets	$68,338	$68,199	$67,800
10	Total Assets	$1,089,426	$1,129,762	$1,175,491
	Liabilities			
11	Total Current Liabilities	$91,672	$77,413	$193,074
12	Long-term debt	$353,799	$377,171	$302,189
13	Accumulated deferred income taxes	177,568	176,500	175,636
14	Unamortized investment tax credits	3,711	3,009	2,435
15	Other	60,348	59,785	59,877
16	Total Non-Current Liabilities	$595,426	$616,465	$540,137
17	Total Common Stock Equity	$402,328	$435,884	$442,280
18	Total Liabilities	$1,089,426	$1,129,762	$1,175,491

Duke Energy Kentucky
Case No. 2009-00202
Projected Cash Flow Statement 2009-2011

Line No.	Description	2009	2010	2011
1	Net Income	$24,302	$17,496	$15,216
2	Other Operating Activities	44,486	39,681	42,410
3	Cash from Operating Activities	68,788	57,177	57,626
4	Financing Activities			
5	Change in contributed capital	($16,000)	$16,000	($9,000)
6	Change in short-term debt	15,779	(12,492)	42,142
7	Issuance of long-term debt	40,000	25,000	-
8	Change in non-current capital leases	(2,424)	(1,680)	(1,517)
9	Redemption of long-term debt	(20,088)	-	-
10		-	-	-
11	Dividends on common stock	(3,282)	-	-
12	Cash from Financing Actitivies	13,985	26,828	31,625
13	Investing Activities			
14	Construction Expenditures (net of AFUDC)	($75,028)	($84,005)	($89,251)
15	Acquisitions and other investments	(4,943)	-	-
16	Cash from Investing Actitivies	(79,971)	(84,005)	(89,251)
17	Net Increase/(Decrease) in Cash	$2,802	$0	$0

Duke Energy Kentucky
Case No. 2009-00202
Revenue Requirements 2009-2011

Line No.	Description	2009	2010	2011

Refer to FR 10(9)(h)(1) for revenue requirements.

Duke Energy Kentucky
Case No. 2009-00202
Load Forecast 2009-2011

Line No.	Description	2009	2010	2011
1	KW Demand - Coincident Peak			
2				
3	January	721	718	739
4	February	682	679	698
5	March	666	663	681
6	April	598	595	613
7	May	676	672	687
8	June	800	798	815
9	July	855	851	870
10	August	855	850	870
11	September	758	754	772
12	October	618	615	630
13	November	626	623	642
14	December	696	694	714
15				
16	KWH Sales			
17				
18	January	381,816	379,736	391,990
19	February	326,312	324,596	335,157
20	March	322,827	321,107	331,449
21	April	294,166	292,727	302,322
22	May	305,832	304,301	314,157
23	June	356,723	354,630	366,159
24	July	399,197	396,526	409,359
25	August	399,975	397,332	410,215
26	September	338,780	336,583	347,507
27	October	312,777	310,992	321,146
28	November	303,380	301,573	311,310
29	December	359,204	356,632	368,045

Duke Energy Kentucky
Case No. 2009-00202
Mix of Generation 2009-2011

Line No.	Description	2009	2010	2011
1	Coal	3,282,826	3,404,377	3,203,426
2	Natural Gas	27,125	26,856	35,774
3	Oil	0	0	0
4	Total Generation (MWH)	3,309,951	3,431,233	3,239,200

Duke Energy Kentucky
Case No. 2009-00202
Mix of Gas Supply 2009-2011

Line No.	Description	2009	2010	2011
1	Columbia Gas Trans - No Notice	1,075,729	1,051,765	1,051,765
2	Undetermined	9,967,377	9,771,530	9,761,608
3	Propane - Air	20,638	16,000	16,000
4	Total Supply - MCF	11,063,744	10,839,295	10,829,373
5				
6				
7				
8				
9	Columbia Gas Trans - No Notice	$ 9,749,597	$ 6,683,509	$ 6,898,148
10	Undetermined	57,944,841	64,167,082	71,403,296
11	Propane - Air	107,727	82,560	82,560
12	Demand Costs	6,458,913	6,130,246	6,201,234
13	Total Cost	$ 74,261,078	$ 77,063,397	$ 84,585,238

Duke Energy Kentucky
Case No. 2009-00202
Number of Employees 2009-2011

Line No.	Description	2009	2010	2011
1	Number of employees	248	243	238

This count includes only direct employees of Duke Energy Kentucky, Inc..

Duke Energy Kentucky
Case No. 2009-00202
Labor Cost Changes 2009-2011

Line No.	Description	2009	2010	2011
1	Total Labor Costs:			
2				
3	Gas O&M Expense	$8,829,176	$9,182,343	$9,549,636
4	Electric O&M Expense	29,417,974	30,594,693	31,818,481
5	Total O&M	38,247,150	39,777,036	41,368,117
6				
7	Gas Capital	3,601,582	2,822,150	1,682,787
8	Electric Capital	7,485,923	7,817,933	7,028,607
9	Non-jurisdictional Capital	0	0	0
10	Total Capital	11,087,505	10,640,083	8,711,394
11				
12	Total	$49,334,655	$50,417,119	$50,079,512

* Includes direct and indirect labor costs.

Duke Energy Kentucky
Case No. 2009-00202
Capital Structure Requirements 2009-2011

Line No.	Description	2009	2010	2011

Refer to FR 10(9)(h)(2) and 10(9)(h)(3).

Duke Energy Kentucky
Case No. 2009-00202
Rate Base 2009-2011

Line No.	Description	2009	2010	2011
1	Rate Base at December 31, __	$249,205,673	$265,860,533	$265,658,512

Duke Energy Kentucky
Case No. 2009-00202
Customer Forecast 2009-2011

Line No.	Description	2009	2010	2011
1	Residential	119,173	120,045	121,298
2	Commercial	13,353	13,519	13,689
3	Industrial	383	386	388
4	Other	1,356	1,366	1,392
5	Total Electric Retail	132,947	134,655	135,922
6				
7	Residential	87,737	88,485	89,527
8	Commercial	7,234	7,269	7,345
9	Industrial	225	228	231
10	Other	371	371	371
11	Total Full Requirements	95,567	96,353	97,474
12				
13	Transportation			
14	Commercial	21	21	21
15	Industrial	39	41	41
16	Other	47	47	47
17	Total Transportation	107	109	109
18				
19	Total Gas Retail	95,674	96,462	97,583

Duke Energy Kentucky
Case No. 2009-00202
MCF Sales Forecast 2009-2011

Line No.	Description	2009	2010	2011
1	Residential	6,636,290	6,460,177	6,477,120
2	Commercial	3,254,844	3,254,581	3,256,739
3	Industrial	423,003	384,204	361,598
4	Other	523,268	518,472	509,856
5	Interdepartmental	4,552	4,552	4,552
6	Total Retail	10,841,957	10,621,986	10,609,865
7	Transportation			
8	Commercial	145,228	145,213	145,312
9	Industrial	868,868	789,168	742,737
10	Other	1,391,867	1,452,519	1,486,779
11	Total Transportation	2,405,963	2,386,900	2,374,828
12	Total Sales	13,247,920	13,008,886	12,984,693

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(9)(i)

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807 KAR 5:001, SECTION 10(9)(i)

Description of Filing Requirement:

The most recent Federal Energy Regulatory Commission or Federal Communications Commission audit reports

Response:

See attached.

Sponsoring Witness: Brenda R. Melendez

FEDERAL ENERGY REGULATORY COMMISSION

WASHINGTON, D.C. 20426

RECEIVED
D. R. HERCHE
OCT 21 1994
FILE:
RETURN TO:

In Reply Refer To:
OCA-DOA
Docket No. FA93-64-000

OCT 17 1994

The Union Light, Heat and Power Company
Attention: Mr. Daniel R. Herche
Controller
139 East Fourth Street
Cincinnati, OH 45202

Ladies and Gentlemen:

The Division of Audits of the Office of Chief Accountant has examined the books and records of The Union Light, Heat and Power Company for the period January 1, 1990 through December 31, 1992. The purpose of the examination was to evaluate your Company's compliance with Commission accounting and reporting regulations contained in the Uniform System of Accounts, Annual Report FERC Form No. 1, and the related regulations. The examination included selective tests of the accounting records, review of the internal control structure, and other tests and procedures considered necessary under the circumstances.

The Division of Audits recommended corrective actions on certain findings of noncompliance with the Commission's accounting, financial reporting, and/or related regulations. The enclosed audit report describes the findings, recommendations, and correcting entries. By letter dated September 20, 1994, your Company agreed to adopt the recommended corrective actions. I hereby approve and direct the recommended corrective actions.

The Kentucky Public Service Commission did not respond with any objections to the foregoing matters.

The Commission delegated authority to act in this matter to the Director, Division of Audits under 18 C.F.R. § 375.303. This letter order constitutes final agency action on the corrective actions approved and directed in this report. Within 30 days of the date of this order, your Company may file a request for rehearing by the Commission under 18 C.F.R. § 385.713.

This letter order is without prejudice to the Commission's right to require hereafter any adjustments it may consider proper from additional information that may come to its attention.

Sincerely,

Joseph A. Frangipane
Director, Division of Audits

Enclosure

Results of the Examination

of the

Books and Records

of

The Union Light, Heat and Power Company
Docket No. FA93-64-000

For the Period

1/1/90 through 12/31/92

Conducted by

Division of Audits
Office of Chief Accountant
Federal Energy Regulatory Commission

TABLE OF CONTENTS

No.	Description	Page
	COMPLIANCE EXCEPTIONS	
1.	Accounting for PCB Disposal Costs	1
2.	Accounting for Deferred Income Taxes	3

COMPLIANCE EXCEPTIONS

The Union Light, Heat and Power Company (Company) agreed to adopt the recommended corrective actions in the following compliance matters:

1. Accounting for PCB Disposal Costs

The Company improperly accounted for costs associated with the disposal of Polychlorinated Biphenyl (PCB)-contaminated materials removed from plant equipment.

Background of Issue

The Company undertook a program to dispose of PCB-contaminated materials and equipment (transformers, capacitors, etc.) in accordance with guidelines issued by the Environmental Protection Agency. As a result, the Company retired certain of the PCB-contaminated equipment. Also, it retrofilled 1/ other equipment and later reused the equipment.

For accounting purposes, the Company classified the expenses related to PCB cleanup and disposal either in maintenance expense accounts or as cost of removal in Account 108, Accumulated Provision for Depreciation of Electric Utility Plant. During the period 1990 through 1992 the Company recorded in Account 108 about $62,584 incurred in the PCB disposal program, for cleanup and disposal costs related to certain equipment that was not retired, but held for subsequent use.

Discussion of Accounting Requirements

Electric Plant Instruction No. 10(c) of the Uniform System of Accounts states, in part:

> (3) When a minor item of depreciable property is replaced independently of the retirement unit of which it is a part, the cost of replacement shall be charged to the maintenance account appropriate for the item . . . .

1/ Retrofilling essentially consists of draining all PCP contaminated dielectric fluids from installed equipment, flushing the equipment with a non-PCB contaminated fluid, and refilling the equipment with a non-PCB dielectric coolant.

Also, Operating Expense Instruction No. 2A provides a list of maintenance work operations applicable generally to utility plant. Two of the items on the list are as follows:

> 3. Work performed specifically for the purpose of preventing failure, restoring serviceability or maintaining life of the plant.
>
> 8. Replacing or adding minor items of plant which do not constitute a retirement unit.

The instructions to Account 570, Maintenance of Station Equipment, state in part:

> This account shall include the cost of labor, materials used and expenses incurred in maintenance of station equipment the book cost of which is includible in account 353, Station Equipment.

The instructions to Account 595, Maintenance of Line Transformers, provide similar requirements related to line transformer equipment.

Under the circumstances present here, the costs incurred to retrofill the equipment were properly assigned to maintenance expense. Therefore, the Company should have recorded the costs incurred in the retrofilling of certain equipment in Accounts 570 and 595, as appropriate.

Recommendations

We recommend the Company:

(1) revise accounting procedures to ensure it accounts for the cost of future PCB cleanup operations in accordance with the requirements of the Uniform System of Accounts;

(2) review its records of PCB disposal costs incurred prior to 1990 for similar amounts improperly charged to Account 108; and

(3) record a correcting entry by charging maintenance expense and crediting Account 108 with any costs related to retrofilling of PCB contaminated equipment.

The Company shall submit a copy of the correcting entry to the Office of Chief Accountant.

2. Accounting for Deferred Income Taxes

The Company did not record certain deferred income taxes in its accounts related to book/tax differences collected in wholesale rate levels.

Background of Issue

The Company did not record deferred income taxes related to book/tax differences covering the following items:

- Rental income
- Gift certificates
- Other small items

The Company did not receive provisions for normalized income taxes for the previously mentioned items in establishing retail rates. However, the Company's rates subject to the jurisdiction of FERC included a provision for income taxes based on normalization for all book/tax differences.

During 1993 the Company adopted the provisions of Statement of Financial Accounting Standard (SFAS) No. 109, Accounting for Income Taxes. Upon adoption of SFAS 109, the Company established deferred income taxes for the previously mentioned book/tax differences. At the same time it recorded a regulatory asset in Account 182.3, Other Regulatory Assets, for the book/tax effects subject to FERC jurisdiction.

Discussion of Accounting Requirements

General Instruction No. 18, Comprehensive Interperiod Income Tax Allocation, of the Uniform System of Accounts requires a utility to establish deferred income taxes to the extent that normalized income taxes are provided in the rate levels established by each regulatory jurisdiction.

Prior to 1993, the Company should have applied comprehensive interperiod income tax allocation procedures for the effect of any book/tax differences related to rates subject to FERC jurisdiction. Upon adoption of SFAS 109, the Company should not have established a regulatory asset for the tax effects of any amounts previously subjected to FERC rates.

Recommendations

We recommend the Company:

(1) revise procedures to ensure that it records deferred income taxes consistent with the provisions of General Instruction No. 18; and

(2) record a correcting entry to remove any regulatory asset and to charge income tax expense for any amounts previously provided for under rates subject to FERC jurisdiction.

The Company shall submit a copy of the correcting entry to the Office of Chief Accountant.

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(9)(j)

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807 KAR 5:001, SECTION 10(9)(j)

Description of Filing Requirement:

Prospectuses of the most recent stock or bond offerings.

Response:

See attached.

Sponsoring Responsible: Stephen G. De May

New Issue—Book-Entry-Only

In the opinion of Frost Brown Todd LLC, Bond Counsel, under existing federal statutes, decisions, regulations and rulings, the interest on the Bonds is excludable from gross income of the owners for federal income tax purposes (except for interest on any Bond for any period during which such Bond is held by a person who is a "substantial user" of the Project or a "related person"). Such exclusion is conditioned on continuing compliance with the Tax Covenants (hereinafter defined). Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations, but such interest is included in adjusted current earnings in calculating the federal alternative minimum tax imposed on certain corporations. In the opinion of Frost Brown Todd LLC, under existing statutes, decisions, regulations and rulings, the interest on the Bonds is exempt from income taxation in the Commonwealth of Kentucky. See "TAX MATTERS" herein.

$50,000,000
County of Boone, Kentucky
Pollution Control Revenue Refunding Bonds
Series 2008A
(Duke Energy Kentucky, Inc. Project)

Dated: Date of Issuance **Due: August 1, 2027**

The Series 2008A Bonds (the "*Bonds*") will be issued to refund certain outstanding bonds which were issued to refinance a portion of the costs of acquisition, construction, improvement and equipping of certain air and water pollution control facilities and solid waste disposal facilities for Duke Energy Kentucky, Inc.

The Bonds will be special and limited obligations of the County of Boone, Kentucky (the "Issuer"), a de jure county and political subdivision of the Commonwealth of Kentucky, and will be payable solely from and secured exclusively by payments, revenues and other amounts pledged thereto pursuant to an Indenture (described herein). The Bonds do not represent or constitute a debt or pledge of the faith and credit or taxing power of the Issuer or the Commonwealth of Kentucky (the "State") or any political subdivision thereof and the holders and owners of the Bonds will have no right to have any taxes levied by the Issuer or the State or any political subdivision or other taxing authority of the State for the payment or redemption price of, and interest on, the Bonds. See "THE ISSUER" herein. The Bonds will be payable solely, except to the extent paid out of moneys attributable to proceeds thereof, from and secured by an assignment by the Issuer of loan payments to be received under a Loan Agreement with Duke Energy Kentucky, Inc. (the "*Company*").

From the date of original issuance of the Bonds through September 12, 2011 (subject to extension or earlier termination), the Bonds also will be payable from funds drawn under an irrevocable direct-pay letter of credit issued by Wells Fargo Bank, National Association (the "*Bank*").

Wells Fargo Bank, National Association

The Letter of Credit will permit the Trustee to draw with respect to the Bonds up to (i) an amount sufficient to pay the principal thereof (or that portion of the purchase price corresponding to principal) plus (ii) interest thereon (or that portion of the purchase price corresponding to interest) at an assumed rate of 13% for at least 48 days.

Interest on the Bonds will accrue initially at the Weekly Rate and will be payable on the first Business Day of each month, commencing January 2, 2009. The Bonds will continue to bear interest at the Weekly Rate until converted to a different Variable Rate or the Auction Rate or until the maturity of the Bonds. Deutsche Bank National Trust Company will serve as Trustee, Paying Agent and Registrar under the Trust Indenture. Wachovia Bank, National Association will serve as Remarketing Agent.

The method for determining the interest rate to be borne by the Bonds may be changed from the Weekly Rate to a Daily Rate, Commercial Paper Rate, an Auction Rate or a Term Rate at the times and in the manner set forth in this Official Statement.

The Bonds will be subject to optional, extraordinary optional and mandatory redemption and optional and mandatory tender prior to maturity, in each case at the price, in the manner and at the time set forth in this Official Statement.

Because the Bonds are secured by the Letter of Credit, this Official Statement does not contain information relating to the Company or its ability to pay principal and purchase price of and interest on the Bonds. The investment decision to purchase the Bonds should be made solely on the basis of the creditworthiness of the Bank, as issuer of the Letter of Credit, from which all principal and purchase price of and interest on the Bonds will be paid.

The Bonds will be issued only as fully registered bonds and initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("*DTC*"). DTC will act as a securities depository for the Bonds. Purchases of beneficial interests in the Bonds while bearing interest at the Weekly Rate will be made in book-entry-only form (without certificates) in denominations of $100,000 or any integral multiple of $5,000 in excess thereof and under certain circumstances are exchangeable as more fully described herein. Principal of and any premium on the Bonds will be payable upon presentation and surrender of the Bonds at the corporate trust office of the Registrar. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of, premium, if any, and interest on the Bonds will be made directly to Cede & Co. See "THE BONDS — Book-Entry-Only System" herein.

Price: 100%

The Bonds are offered when, as and if issued by the Issuer and accepted by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, the approval of legality by Frost Brown Todd LLC, as Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for Duke Energy Kentucky, Inc. by Robert T. Lucas III, Esq., Associate General Counsel of Duke Energy Corporation, and Richard G. Beach, Esq., Assistant General Counsel of Duke Energy Corporation, as counsel to the Company; for the Issuer by Robert D. Neace, Esq., County Attorney of the Issuer; and for the Underwriter by Squire, Sanders & Dempsey L.L.P. It is expected that delivery of the Bonds in book-entry-only form will be made on or about December 11, 2008 in New York, New York, against payment therefor.

Wachovia Securities

Dated: December 3, 2008

No dealer, broker, salesman or other person has been authorized by the Issuer, Duke Energy Kentucky, Inc. (the *"Company"*) and Wachovia Bank, National Association (the *"Underwriter"*) to give any information or to make any representation with respect to the Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. Certain information contained herein has been obtained from the Issuer, the Company, the Underwriter and the Bank and other sources which are believed to be reliable.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof. Any statements in this Official Statement involving estimates, assumptions and matters of opinion, whether or not so expressly stated, are intended as such and not as representations of fact.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF SUCH BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Neither the Issuer, its counsel, nor any of its members, agents, employees or representatives have reviewed this Official Statement or investigated the statements or representations contained herein, except the Issuer has reviewed the statements relating to the Issuer set forth under the caption "THE ISSUER." Except with respect to the information contained under such caption, neither the Issuer, its counsel (provided that such counsel has not independently investigated the statements contained under such caption), nor any of its officials, agents, employees or representatives makes any representation as to the completeness, sufficiency and truthfulness of the statements set forth in this Official Statement. The officials of the Issuer and any other person executing the Bonds are not subject to personal liability by reason of the issuance of the Bonds. This Official Statement is not to be construed as an agreement or contract between the Issuer and the purchasers or holders of any Bonds.

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OFFICIAL STATEMENT

$50,000,000
County of Boone, Kentucky
Pollution Control Revenue Refunding Bonds
Series 2008A
(Duke Energy Kentucky, Inc. Project)

INTRODUCTORY STATEMENT

This Official Statement, including the cover page and Appendices, is provided to furnish information in connection with the offer and sale by the County of Boone, Kentucky (the *"Issuer"*) of $50,000,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds, Series 2008A (Duke Energy Kentucky, Inc. Project) (the *"Bonds"*). The Bonds will be issued under a Trust Indenture, dated as of December 1, 2008 (the *"Indenture"*), between the Issuer and Deutsche Bank National Trust Company, as trustee (the *"Trustee"*). The Registrar and Paying Agent will be Deutsche Bank National Trust Company, located in Chicago, Illinois. Terms used as defined terms and not otherwise defined herein are used as defined in the Indenture.

The proceeds of the Bonds will be loaned by the Issuer to Duke Energy Kentucky, Inc. (formerly The Union Light, Heat and Power Company), a public utility and corporation organized and existing under the laws of the State of Kentucky (the *"Company"*), pursuant to a Loan Agreement dated as of December 1, 2008 (the *"Loan Agreement"*), between the Company and the Issuer. The Bonds are being issued to refund certain outstanding revenue bonds (the *"Refunded Bonds"*) originally issued by the Issuer to refinance the Company's portion of the costs of certain air and water pollution and solid waste disposal facilities (the *"Project Facilities"* or *"Project"*) located at the East Bend Generating Station (the *"Generating Station"*) within the boundaries of the Issuer, now owned by the Company. See "APPLICATION OF PROCEEDS." The Company will agree in the Loan Agreement to make payments sufficient to pay when due the principal of and interest and any premium on the Bonds and any other amounts relating thereto, including payments of the purchase price. See "THE LOAN AGREEMENT."

The Company's obligations under the Loan Agreement will be unsecured. There is no requirement in the Indenture for the Company to provide or deliver any security for its obligations under the Loan Agreement. All references in this Official Statement to "Credit Facility" and "Credit Facility Issuer" apply only if a Credit Facility is then in effect.

The Bonds will be dated the date of their original issuance, will mature on the date set forth on the cover page of this Official Statement, will be subject to optional and mandatory tender for purchase, and will be subject to optional, extraordinary optional and mandatory redemption, as provided in the Indenture and as further described in this Official Statement. The Bonds will bear interest initially at Weekly Rates and will continue to bear interest at Weekly Rates until the conversion of the Bonds to a different Rate Period or until the maturity of the

Bonds. The Bonds will be subject to mandatory tender for purchase on any Conversion Date. The method for determining the interest rate to be borne by the Bonds may be changed from the Weekly Rate to a Daily Rate, Commercial Paper Rate, Term Rate or Auction Rate at the times and in the manner set forth in this Official Statement.

Concurrently with, and as a condition to, the issuance of the Bonds, the Company will cause to be delivered an irrevocable, direct-pay letter of credit (the "*Letter of Credit*"), issued by Wells Fargo Bank, National Association (the "*Bank*"), to provide for the timely payment of principal of and interest (calculated for at least 48 days at the maximum rate of 13% per annum) on, and purchase price of, the Bonds. The Company will be required to reimburse the Bank for all amounts drawn by the Trustee under the Letter of Credit pursuant to the terms of the Letter of Credit Agreement, dated as of September 19, 2008 (the "*Credit Agreement*"), between the Company, Duke Energy Indiana, Inc. and the Bank, as a participating bank and as issuer of the Letter of Credit, and certain other participating banks. The Letter of Credit will expire on September 12, 2011, subject to automatic extension, unless terminated or extended.

Upon expiration of the Letter of Credit or any Alternate Credit Facility (see "THE INDENTURE – Cancellation of Credit Facility; Delivery of Alternate Credit Facility"), the Bonds will be subject to mandatory tender for purchase. See "THE BONDS – Mandatory Tenders – Upon Delivery, Cancellation or Expiration of Credit Facility or Replacement with Alternate Credit Facility." As used in this Official Statement, "Bank" or "Credit Facility Issuer" refers to the Bank as the issuer of the Letter of Credit and the issuer of any Alternate Credit Facility delivered in accordance with the Indenture; "Letter of Credit" means the Letter of Credit delivered under the Indenture and, as applicable, any Alternate Credit Facility which may be subsequently delivered in accordance with that Indenture; and "Credit Agreement" refers to the initial Credit Agreement under which the Letter of Credit was issued and any subsequent agreement entered into between the Company and the Bank in connection with the delivery of any Alternate Credit Facility.

The Bonds are special and limited obligations of the Issuer and will be payable solely from and secured exclusively by payments, revenues and other amounts pledged thereto pursuant to the Indenture. The Bonds do not represent or constitute a debt or pledge of the faith and credit or taxing power of the Issuer or the Commonwealth of Kentucky (the "*State*") or any political subdivision thereof and the holders and owners of the Bonds will have no right to have taxes levied by the Issuer or the State or any political subdivision or other taxing authority of the State for the payment or redemption price of, and interest on, the Bonds.

Brief descriptions of the Issuer, the Bonds, the Letter of Credit, the Credit Agreement, the Loan Agreement, and the Indenture are included in this Official Statement. Certain limited information with respect to the Company is included in Appendix A hereto. Appendix B sets forth certain information with respect to the Bank. Appendix C sets forth Certain Definitions. Appendix D contains the proposed form of the opinion of Bond Counsel to be delivered in connection with the issuance and delivery of the Bonds.

All references herein to the documents are qualified in their entirety by reference to such documents, and references herein to the Bonds are qualified in their entirety by reference to the definitive forms thereof included in the Indenture. Copies of certain of the financing documents will be available for inspection at the corporate trust office of the Trustee and, until the issuance of the Bonds, may be obtained from the Underwriter. Appendix A to this Official Statement and all information contained under the heading "APPLICATION OF PROCEEDS" has been furnished by the Company. The information contained under the heading "THE BONDS – Book-Entry-Only System" has been furnished by DTC, and none of the Issuer, the Company, the Underwriter or Bond Counsel assumes any responsibility for the accuracy or completeness of such information.

As indicated above, payment of the principal and purchase price of and interest on the Bonds will be supported by the Letter of Credit. An investment decision to purchase the Bonds should be made solely on the basis of the creditworthiness of the Bank. This Official Statement does not contain any financial or operating information relating to the Company or its ability to make payments sufficient to pay the principal and purchase price of or interest on the Bonds. Prospective investors should look solely to the Bank and the Letter of Credit for payments of the principal and purchase price of or interest on the Bonds.

THE ISSUER

The Issuer is a body corporate and politic duly created and existing as a de jure county and political subdivision under the constitution and laws of the State. The Issuer is authorized by Section 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "*Act*") (i) to issue Bonds, (ii) to lend proceeds thereof to the Company for the purpose of refunding the Refunded Bonds, and (iii) to enter into and perform its obligations under the Loan Agreement and the Indenture relating to the Bonds. The Issuer, through its legislative body, the Fiscal Court, has adopted an ordinance authorizing the issuance of the Bonds and the execution and delivery of related documents.

Although the Issuer has consented to the use of this Official Statement in connection with the marketing of the Bonds, the Issuer has not participated in the preparation of this Official Statement and, except for the information appearing herein under the caption "THE ISSUER," makes no representation as to its adequacy or accuracy.

APPLICATION OF PROCEEDS

The proceeds of the Bonds will be deposited with the Trustee in the Refunding Fund created under the Indenture to be used, together with investment income thereon, by the Trustee within 90 days of the date of issuance to redeem the Refunded Bonds (described below). The Refunded Bonds will be redeemed at a redemption price of 100% of the principal amount thereof plus accrued interest. The Company will pay the fees and expenses of the Underwriter and other issuance costs from other available moneys of the Company.

The Bonds are being issued to refund the $50,000,000 County of Boone, Kentucky, Pollution Control Revenue Refunding Bonds, Series 2006A (Duke Energy Kentucky, Inc. Project).

The proceeds of the Refunded Bonds were applied to refinance the Company's portion of the costs of the Project Facilities located at the Generating Station.

The Issuer does not monitor the operation of the Project by the Company but relies upon the representations of the Company contained in the Loan Agreement.

THE BONDS

The Bonds will be issued under the Indenture. Although the Indenture permits the Bonds to be converted to the Auction Mode to bear interest at Auction Period Rates, certain provisions with respect to the Auction Mode, including the Auction Procedures, are not included in this Official Statement.

General

The Bonds will be issued under the Indenture in the aggregate principal amount and mature on the date set forth on the cover page hereof, subject to optional, extraordinary optional and mandatory redemption and optional and mandatory tender prior to maturity as described below. The Bonds will bear interest determined as described below. The Bonds will be issuable as fully registered Bonds without coupons in Authorized Denominations.

The Bonds initially will bear interest at the Weekly Rate until converted at the option of the Company to the Auction Rate or to another Variable Rate in accordance with the Indenture. The permitted Variable Rates are the "Daily Rate," the "Weekly Rate," the "Term Rate" and the "Commercial Paper Rate." Changes in the Variable Rate will be effected, and notice of such changes will be given, as described below in "THE BONDS – Conversions." Authorized Denominations for the Bonds will be (i) for Term Bonds, denominations of $5,000 or integral multiples thereof, (ii) for Bonds at a Commercial Paper, a Daily or a Weekly Rate, denominations of $100,000 with integral multiples of $5,000 in excess thereof and (iii) for Auction Rate Bonds, denominations of $25,000 or integral multiples thereof.

During a Term Rate Period, payments of principal or redemption price of the Bonds will be payable in clearinghouse funds; provided, however, that at the option of the Paying Agent, such payments may be made in immediately available funds; provided further, that the holder of at least $1,000,000 in aggregate principal amount of Bonds may deliver a written request to the Paying Agent prior to the applicable Regular Record Date or Special Record Date, and in that case interest accrued will be paid by wire transfer to a bank within the continental United States to such holder, by direct deposit thereof to the account of the holder if such account is maintained with the Paying Agent or, for any holder who has entered into a special agreement with the Paying Agent in accordance with the Indenture, according to the directions contained therein. During any ARS, Commercial Paper, Daily or Weekly Rate Period, payments of principal or redemption price of the Bonds will be payable in immediately available funds. Each Bond will bear interest at the applicable rate determined pursuant to the Indenture for such Interest Period from the last preceding Interest Payment Date for which interest has been paid or duly provided for (or its date if no interest thereon has been paid or duly provided for). Subject to the provisions of the Indenture with respect to the establishment of a Special Record Date, the interest due on any Bond on any Interest Payment Date will be paid to the person in whose name such Bond is registered as shown on the register on the Regular Record Date. The amount of interest so payable will be computed on the basis of a 365 or 366-day year, as applicable, for the number of days actually elapsed during Commercial Paper, Daily or Weekly Rate Periods, and on the basis of a 360-day year consisting of twelve 30-day months during a Term Rate Period, and as set forth in the Indenture for an ARS Rate Period.

The interest due on any Bond on any Interest Payment Date will be paid to the Person in whose name such Bond is registered as shown on the Register on the Regular Record Date. If and to the extent that the Issuer fails to make payment or provision for payment of interest on any Bond when payable pursuant to the Indenture, that interest will cease to be payable to the Person who was the Holder of that Bond as of the applicable Regular Record Date. When moneys become available for payment of the interest, (i) the Trustee will, pursuant to the Indenture, establish a Special Record Date for the payment of that interest which will be not more than 15 nor fewer than 10 days prior to the date of the proposed payment, and (ii) the Trustee will cause notice of the proposed payment and of the Special Record Date to be mailed by first class mail, postage prepaid, to each Holder at its address as it appears on the Register not fewer than 10 days prior to the Special Record Date and, thereafter, the interest will be payable to the Persons who are the Holders of the Bonds at the close of business on the Special Record Date.

The Bonds initially will be issued solely in book-entry-only form to DTC or its nominee, Cede & Co., to be held in DTC's book-entry-only system. So long as the Bonds are held in the book-entry-only system, DTC or its nominee will be the registered owner or holder of the Bonds for all purposes of the Indenture, the Bonds and this Official Statement. See "THE BONDS – Book-Entry-Only System" below.

Owners may tender their Bonds, and in certain circumstances will be required to tender their Bonds, to the Paying Agent for purchase at the times and in the manner described below under "THE BONDS – Optional Tenders" and "THE BONDS – Mandatory Tenders."

Remarketing Agreement. The Company will enter into a Remarketing Agreement (the *"Remarketing Agreement"*) with the Underwriter with respect to the Bonds (together with any successor as remarketing agent under the Indenture, the *"Remarketing Agent"*), which sets forth the Remarketing Agent's duties and responsibilities and provides for the remarketing of Bonds bearing an interest rate other than an Auction Rate. For each Rate Period, the interest rate for the Bonds will be determined by the Remarketing Agent in accordance with the Indenture; provided that, the interest rate or rates borne by the Bonds may not exceed the least of (a) 13% per annum, (b) the maximum rate of interest permitted under State law, or (c) in the case of Bonds bearing interest at a Variable Rate, the maximum rate of interest permitted by any Credit Facility then in effect (the *"Maximum Interest Rate"*). See also "THE INDENTURE – Remarketing Agent." The maximum rate of interest permitted by the Letter of Credit is 13% per annum.

Summary of Certain Provisions of the Bonds

The following table summarizes, for each of the permitted Variable Rates: the dates on which interest will be paid (Interest Payment Dates), provided that the initial Interest Payment Date will be January 2, 2009; the dates on which each interest rate will be determined (Interest Rate Determination Dates); the period of time (Rate Periods) each interest rate will be in effect (provided that the initial Rate Period for each Variable Rate may begin on a different date from that specified, which date will be the Conversion Date); the dates on which registered owners may tender their Bonds for purchase to the Paying Agent and the notice requirements therefor (Optional Tender on Demand of Owner; Notice of Tender); the dates on which Bonds are subject to mandatory tender (Mandatory Tender for Purchase), provided that references to the Credit Facility should be disregarded if a Credit Facility is not then in effect; the purchase price applicable to the Bonds (Purchase Price); and the notice requirements for redemption and mandatory purchase (Notices of Redemption and Mandatory Purchase). All times stated are New York City time.

	DAILY RATE	WEEKLY RATE
Interest Payment Dates	The first Business Day of each calendar month to which interest at such rate has accrued.	The first Business Day of each calendar month to which interest at such rate has accrued.
Interest Rate Determination Dates	Not later than 10:30 a.m. on each Business Day.	Not later than 10:00 a.m. on the first day of each Weekly Rate Period.
Rate Periods	From and including each Business Day to but not including the next Business Day.	From and including each Wednesday to and including the following Tuesday.
Optional Tender on Demand of Owner; Notice of Tender	Any Business Day; upon telephonic (promptly confirmed in writing) or electronic notice to the Paying Agent by 11:00 a.m. on such Business Day.	Any Business Day; by written or electronic notice to the Paying Agent at or before 5:00 p.m. on a Business Day at least seven days prior to the purchase date.
Mandatory Tenders for Purchase	Any Conversion Date; the date of delivery of a Credit Facility; the Interest Payment Date preceding the cancellation or expiration of the Credit Facility; the Interest Payment Date on which the Credit Facility is replaced with an Alternate Credit Facility.	Any Conversion Date; the date of delivery of a Credit Facility; the Interest Payment Date preceding the cancellation or expiration of the Credit Facility; the Interest Payment Date on which the Credit Facility is replaced with an Alternate Credit Facility.
Purchase Price	100% of principal amount thereof plus accrued interest, if any.	100% of principal amount thereof plus accrued interest, if any.
Notices of Redemption and Mandatory Purchase	Not fewer than 30 days or greater than 90 days notice of redemption; not fewer than 15 days notice of mandatory purchase.	Not fewer than 30 days or greater than 90 days notice of redemption; not fewer than 15 days notice of mandatory purchase.

	COMMERCIAL PAPER RATE	TERM RATE
Interest Payment Dates	The first Business Day following the last day of each Commercial Paper Rate Period applicable thereto.	The first day of the sixth calendar month following the month in which the Term Rate Period begins and the first day of each sixth calendar month thereafter, except that the last Interest Payment Date for any Term Rate Period which is followed by a conversion to a Daily, Weekly or Commercial Paper Rate Period (but not a conversion to Term Rate Period of a different duration) will be the first Business Day of the sixth calendar month following the month in which the immediately preceding Interest Payment Date occurs.
Interest Rate Determination Dates	Not later than 1:00 p.m. on the first day of each Commercial Paper Rate Period.	Not later than 12:00 noon on the Business Day immediately preceding the commencement date of each Term Rate Period.
Rate Periods	From and including the commencement date of such Commercial Paper Rate Period to and including the last day thereof; provided that each such Period will be from one day to 270 days in length.	From and including the commencement date of such Term Rate Period through and including the last day thereof.
Optional Tender on Demand of Owner; Notice of Tender	No optional tender on demand of owner.	No optional tender on demand of owner.
Mandatory Tenders for Purchase	Each Interest Payment Date applicable to such Bond; any Conversion Date; the date of delivery of a Credit Facility; the Interest Payment Date preceding the cancellation or expiration of the Credit Facility; the Interest Payment Date on which the Credit Facility is replaced with an Alternate Credit Facility.	On the Business Day immediately succeeding the last day of each Term Rate Period; any Conversion Date, including from a Term Rate Period to a Term Rate Period of a different duration; the date of delivery of a Credit Facility; the Interest Payment Date preceding the cancellation or expiration of the Credit Facility; the Interest Payment Date on which the Credit Facility is replaced with an Alternate Credit Facility.
Purchase Price	100% of principal amount thereof.	100% of the principal amount thereof (except in connection with a conversion to a Term Rate Period to the Maturity Date), provided that Bonds bearing interest at a Term Rate which are tendered on a day on which those Bonds are subject to optional redemption at a redemption price of more than 100% of the principal amount will be purchased at a price equal to that redemption price.
Notices of Redemption and Mandatory Purchase	Not fewer than 30 days or greater than 90 days notice of redemption; not fewer than 15 days notice of mandatory purchase, except that no notice will be given in connection with a mandatory purchase on the Interest Payment Date applicable to a Bond bearing interest at the Commercial Paper Rate.	Not fewer than 30 days or greater than 90 days notice of redemption; not fewer than 15 days notice of mandatory purchase, except not fewer than 30 days notice in the case of a conversion from a Term Rate Period.

Interest Rate Determination Methods

Determination of Interest Rates and Rate Periods (other than Auction Rate). Each interest rate to be determined by the Remarketing Agent will be the lowest rate of interest which, in the judgment of the Remarketing Agent, would cause the Bonds to have a market value on the commencement date of such Rate Period equal to the principal amount thereof plus accrued and unpaid interest, if any, under prevailing market conditions as of the date of determination, except as provided below in connection with a conversion to a Term Rate Period to the Maturity Date. In no event will the Variable Rate be an interest rate in excess of the Maximum Interest Rate. All determinations of Variable Rates, including Commercial Paper Rate Periods and Term Rate Periods, pursuant to the Indenture will be conclusive and binding upon the Issuer, the Company, the Trustee, the Paying Agent, the Credit Facility Issuer and the holders of the Bonds. The Variable Rate in effect for Bonds during any Rate Period will be available to Holders on the date such Variable Rate is determined, between 1:00 p.m. and 5:00 p.m., New York City time, from the Remarketing Agent or the Trustee at their designated offices. Under the Indenture, the Bonds may be in different Rate Periods at any one time and the provisions of the Indenture will separately apply with respect to each portion of the Bonds; provided that each such portion is first assigned a CUSIP number that is different from the CUSIP number assigned to any other portion.

During any transitional period for a conversion from the Commercial Paper Rate Period to a Daily or Weekly Rate Period in which the Remarketing Agent is setting different Commercial Paper Rate Periods in order to effect an orderly transition of such conversion, Bonds bearing interest at the Commercial Paper Rate will be governed by the provisions of the Indenture applicable to Commercial Paper Rate Periods and Commercial Paper Rates, and Bonds bearing interest at the Daily Rate or Weekly Rate, as applicable, will be governed by the provisions of the Indenture applicable to such Daily Rates and Daily Rate Periods or Weekly Rates and Weekly Rate Periods, as the case may be.

In connection with a conversion to a Term Rate Period to the Maturity Date, the Company may direct the Remarketing Agent to offer the Bonds at a market premium or a market discount from par if the Company provides to the Remarketing Agent an Opinion of Bond Counsel to the effect that such action is authorized under the Indenture and under the Act and will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, if the Company directs that the Bonds be offered at a market discount from par and a Credit Facility is then in effect, also provides to the Remarketing Agent the written consent of the Credit Facility Issuer to such action.

Daily Rate and Daily Rate Period. Daily Rate Periods will commence on a Business Day and will extend to, but not include, the next succeeding Business Day. The Daily Rate for each Daily Rate Period will be effective from and including the commencement date thereof and will remain in effect during that Daily Rate Period. Each such Daily Rate will be determined by the Remarketing Agent no later than 10:30 a.m., New York City time, on the Business Day which is the commencement date of the Daily Rate Period to which it relates.

Weekly Rate and Weekly Rate Period. Weekly Rate Periods will commence on Wednesday of each week and end on Tuesday of the following week, except that (i) in the case of a conversion to a Weekly Rate Period, the initial Weekly Rate Period for Bonds will commence on the Conversion Date and end on Tuesday of the following week; and (ii) in the case of a conversion from a Weekly Rate Period to a different Rate Period, the last Weekly Rate Period prior to conversion will end on the last day immediately preceding the Conversion Date. The Weekly Rate for each Weekly Rate Period will be effective from and including the commencement date of such period and will remain in effect through and including the last day thereof. Each such Weekly Rate will be determined by the Remarketing Agent no later than 10:00 a.m., New York City time, on the commencement date of the Weekly Rate Period to which it relates.

Commercial Paper Rate and Commercial Paper Rate Period. The Commercial Paper Rate Period for each Bond will be determined separately by the Remarketing Agent on or prior to the first day of such Commercial Paper Rate Period as being the Commercial Paper Rate Period which, in the judgment of the Remarketing Agent, will, with respect to each Bond, ultimately produce the lowest overall interest cost on the Bonds during the Commercial Paper Rate Period; provided that each Commercial Paper Rate Period will be from one day to 270 days in length, will begin on a Business Day and end on a day preceding a Business Day or the day preceding the Maturity Date. The Commercial Paper Rate for each Commercial Paper Rate Period will be effective from and including the commencement date of such period and remain in effect to and including the last day thereof. Each such Commercial Paper Rate will be determined by the Remarketing Agent no later than 1:00 p.m., New York City time, on the first day of the Commercial Paper Rate Period as the minimum rate of interest necessary, in the judgment of the Remarketing Agent, to enable the Remarketing Agent to sell such Bond on that day at a price equal to the principal amount thereof. If the Remarketing Agent has received notice of any conversion to a Term Rate Period, the remaining number of days prior to the Conversion Date or, if the Remarketing Agent has received notice of any conversion from a Commercial Paper Rate Period to a Daily or Weekly Rate Period, the length of each Commercial Paper Rate Period for each Bond will be determined by the Remarketing Agent to be either (i) that length of period that, as soon as possible, will enable the Commercial Paper Rate Periods for all Bonds to end on the day before the Conversion Date, or (ii) that length of period which, based on the Remarketing Agent's judgment, will best promote an orderly transition to the next Rate Period. If a Credit Facility is then in effect, no Commercial Paper Rate Period may be established which is longer than a period equal to the maximum number of days' interest coverage provided by such Credit Facility minus 15 days or which extends beyond the remaining term of such Credit Facility minus 15 days.

Term Rate and Term Rate Period. Term Rate Periods will commence either on a Conversion Date (including a conversion from a Term Rate Period to a Term Rate Period of a different duration) or, if then in a Term Rate Period, the commencement date of an immediately successive Term Rate Period of the same duration and extend to but not include either the commencement date of an immediately successive Term Rate Period (of whatever duration) or the Conversion Date on which an ARS, Daily, Weekly or Commercial Paper Rate Period becomes effective. The Term Rate for each Term Rate Period will be effective from and including the commencement date of such period and remain in effect through and including the last day thereof. Each such Term Rate will be determined by the Remarketing Agent not later than 12:00 noon, New York City time, on the Business Day immediately preceding the commencement date of such period. The duration of each successive Term Rate Period will be the same as the then current Term Rate Period until the Company elects to convert the Term Rate Period to an ARS, Daily, Weekly or Commercial Paper Rate Period, or to a Term Rate Period of a different duration, all as provided in the Indenture.

Failure of Remarketing Agent to Set Rate. If the Remarketing Agent fails for any reason to determine the rate for a Daily, Weekly, Commercial Paper or Term Rate Period, then the Bonds will bear such interest at the last effective rate established for such Rate Period, except as otherwise set forth in the Indenture, provided, however, that if any such Rate Period is a Term Rate Period, then on the last Interest Payment Date of such Term Rate Period those Bonds will automatically be converted to a Weekly Rate Period and bear interest at the Weekly Rate determined by the Remarketing Agent as of that date, or, if in that instance the Remarketing Agent fails to determine that rate, then at a rate of interest equal to 100% of the most recently published SIFMA Municipal Swap Index, but in no event exceeding the Maximum Interest Rate.

Conversions

Conversions Between Rate Periods. At the option of the Company, the Bonds may be converted from one Rate Period to another, including a conversion from one Term Rate Period to another Term Rate Period of a different duration. The Conversion Date must be an Interest Payment Date for the Rate Period from which the conversion is to be made; provided, however, that (i) if the conversion is from a Term Rate Period to another Rate Period, including a Term Rate Period of a different duration, the Conversion Date must be limited to any Interest Payment Date upon which the Bonds are subject to optional redemption pursuant to the Indenture or the last Interest Payment Date of that Term Rate Period, as the case may be; (ii) if the conversion is from a Daily Rate Period to a Weekly Rate Period, or from a Weekly Rate Period to a Daily Rate Period, the Conversion Date may be any Wednesday, regardless of whether the Wednesday is an Interest Payment Date; (iii) if the conversion is from an ARS Rate Period, the Conversion Date must be the Interest Payment Date following the final Auction Period; and (iv) if the conversion is from a Commercial Paper Rate Period, the Conversion Date must be the last Interest Payment Date on which interest is payable for all Bonds bearing Commercial Paper Rates theretofore established; provided, however, that if the conversion is from a Commercial Paper Rate Period to a Daily or Weekly Rate Period, there may be more than one Conversion Date in accordance with the Indenture and in that case the Conversion Date with respect to each Bond must be an Interest Payment Date for such Bond.

Not fewer than 15 days prior to the Conversion Date in the case of conversions from ARS, Daily, Weekly and Commercial Paper Rate Periods, and not fewer than 30 days prior to the Conversion Date in the case of a conversion from a Term Rate Period, and not fewer than 30 days prior to the last Business Day before the commencement of a new Term Rate Period, the Trustee will mail by first class mail a written notice of the conversion or of the commencement of such new Term Rate Period to each holder stating: (i) in the case of a conversion, the type of Rate Period to which the conversion will be made and the Conversion Date, or, in the case of a conversion to the ARS Rate Period, the ARS Conversion Date; (ii) that the Bonds will be subject to mandatory tender for purchase on the Conversion Date or on the Business Day immediately succeeding the last day of a Term Rate Period, as the case may be, and the purchase price of the Bonds; (iii) in the case of a conversion to an ARS Rate Period, the length of the Initial Period, the first Auction Date, the first Interest Payment Date following the ARS Conversion Date, the initial Auction Period, the Auction Agent and the Broker-Dealer; and (iv) if the Bonds are no longer in book-entry form and are therefore in certificated form, information with respect to required delivery of bond certificates and payment of the purchase price pursuant to the Indenture.

Conditions Precedent to Conversions. Any conversion (i) from a Daily, Weekly or Commercial Paper Rate Period to a Term Rate Period, (ii) from a Term Rate Period to a Daily, Weekly or Commercial Paper Rate Period, (iii) to or from an ARS Rate Period, or (iv) to a Term Rate Period from a Term Rate Period (on a date other than the date originally scheduled as the last Interest Payment Date of the then current Term Rate Period) will be subject to the condition that on or before the Conversion Date, the Company will have delivered to the Issuer, the Trustee, the Auction Agent, the Broker-Dealer, the Paying Agent, the Credit Facility Issuer and the Remarketing Agent an Opinion of Bond Counsel to the effect that the conversion is authorized under the Indenture and the Act and will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

Any Credit Facility to be held by the Trustee after the Conversion Date must be sufficient to cover the principal of and accrued interest on the outstanding Bonds for the maximum Interest Period permitted for that particular Rate Period plus 15 days, and, if a Credit Facility is to be held by the Trustee after the conversion of the Bonds to a Term Rate Period, that Credit Facility must also extend for the entire Term Rate Period plus 15 days. If a Credit Facility is in effect and the purchase price of the Bonds under the Indenture includes any premium, such conversion will be subject to the condition that the Trustee will have confirmed prior to mailing notice to the holders of such conversion that the Trustee is entitled to draw on that Credit Facility in an aggregate amount sufficient to pay the applicable purchase price (including such premium).

No Bonds may be converted to an ARS Rate Period unless, on or before the ARS Conversion Date, an Auction Agent has entered into an Auction Agreement and at least one Broker-Dealer has entered into a Broker-Dealer Agreement, in each case pursuant to the Indenture.

Failure of Conversion. If for any reason a condition precedent to a conversion of the Bonds (other than a conversion of the Bonds from an ARS Rate Period) is not met, the conversion will not be effective (although any mandatory tender pursuant to the Indenture will be made on such date if the notice required under the Indenture has been sent to holders stating that the Bonds would be subject to mandatory purchase on that date), and the Bonds, except as otherwise provided and subject to the conditions set forth in the Indenture, will automatically be converted to a Weekly Rate Period and bear interest at the Weekly Rate determined by the Remarketing Agent as of the date on which the conversion was to occur.

Optional Tenders

Purchase Price and Purchase Dates. The holders of Bonds bearing interest for a Daily or Weekly Rate Period may elect to have their Bonds (or portions thereof in an Authorized Denomination) purchased at a purchase price equal to 100% of the principal amount of such Bonds (or portions thereof), plus any interest accrued from the immediately preceding Interest Payment

Date and unpaid. There is no optional tender right while the Bonds are in a Commercial Paper Rate, Term Rate or ARS Rate Period.

Daily Rate. Bonds bearing interest at Daily Rates may be tendered for purchase at a price payable in immediately available funds on any Business Day, upon telephonic or electronic notice of tender given not later than 11:00 a.m., New York City time, on the purchase date to the Paying Agent. Any telephonic notice must be promptly confirmed by the holder to the Paying Agent in writing.

Weekly Rate. Bonds bearing interest at Weekly Rates may be tendered for purchase at a price payable in immediately available funds on any Business Day, upon delivery of written or electronic notice of tender to the Paying Agent not later than 5:00 p.m., New York City time, on a Business Day not fewer than seven days prior to the purchase date.

Notice of Tender. When a book-entry-only system is in effect, a Beneficial Owner through its Direct Participant of that book-entry-only system may tender its interest in a Bond (or portion of Bond) by delivering notice, in the manner and by the time set forth above, to the Paying Agent stating the principal amount of the Bond (or portion of Bond being tendered), payment instructions for the purchase price and the purchase date. The Beneficial Owner will effect delivery of such Bonds by causing such Direct Participant to transfer its interest in the Bonds equal to such Beneficial Owner's interest on the records of DTC to the participant account of the Paying Agent with DTC. When a book-entry-only system is not in effect, a holder of a Bond may tender the Bond (or portion of Bond) by delivering a notice, in the manner and by the time set forth above, to the Paying Agent which states (A) the principal amount of the Bond or Bonds to which the notice relates, (B) that the holder irrevocably demands purchase of such Bond or Bonds or a specified portion thereof in an amount equal to the lowest denomination then authorized or an integral multiple of such lowest denomination, (C) the date on which such Bond or portion is to be purchased, and (D) payment instructions with respect to the purchase price.

Mandatory Tenders

Commercial Paper Rate Periods. Each Bond bearing interest at a Commercial Paper Rate will be subject to mandatory tender for purchase, on the Interest Payment Date applicable to such Bond, at a purchase price equal to 100% of the principal amount thereof.

Conversion Dates. On any Conversion Date, the Bonds will be subject to mandatory tender for purchase on such Conversion Date at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the Conversion Date, or, in the case of Bonds bearing interest at a Term Rate which are tendered on a day on which those Bonds are subject to optional redemption at a redemption price of more than 100% of the principal amount redeemed, at a purchase price equal to that redemption price; provided, however, that in the event that the conditions of a conversion from an ARS Rate Period are not satisfied, including the failure to remarket all such Bonds on the Conversion Date, the Bonds will not be subject to mandatory tender for purchase on that Conversion Date, will be returned to the holders, will automatically convert to a seven-day Auction Period and will bear interest at the Maximum Rate.

Term Rate Periods. On the Business Day immediately succeeding the last day of each Term Rate Period, the Bonds will be subject to mandatory tender for purchase on such date at a purchase price equal to 100% of the principal amount thereof.

Upon Cancellation or Expiration of Credit Facility or Replacement with Alternate Credit Facility. When the Bonds are secured by a Credit Facility, the Bonds will be subject to mandatory tender for purchase at a purchase price equal to 100% of the principal amount thereof, (i) on the Interest Payment Date at least five days prior to the date of the cancellation of or the expiration of the term of the then current Credit Facility and (ii) on the Interest Payment Date on which a Credit Facility is replaced with an Alternate Credit Facility pursuant to the Indenture. If the then current Credit Facility is being cancelled or terminated prior to its stated expiration date, the provisions of the Indenture relating to termination of Credit Facilities must also be met. In any event, the purchase price will be equal to the optional redemption price for that Interest Payment Date.

Notices of Mandatory Tenders. Not fewer than 15 days prior to the Conversion Date in the case of conversions from ARS, Daily, Weekly and Commercial Paper Rate Periods or the initial delivery date of a Credit Facility, and not fewer than 30 days prior to the Conversion Date in the case of a conversion from a Term Rate Period and not fewer than 30 days prior to the last Business Day before the commencement of a new Term Rate Period, the Trustee will mail by first class mail a written notice to each holder, setting forth those matters required by the Indenture, including a statement that the Bonds will be subject to mandatory purchase on the Conversion Date or on the Business Day immediately succeeding the last day of the current Term Rate Period. No notice will be given in connection with the mandatory purchase of a Bond bearing interest at a Commercial Paper Rate on an Interest Payment Date applicable to such Bond.

Remarketing and Purchase of Tendered Bonds

The Indenture provides that, unless otherwise instructed by the Company, the Remarketing Agent will offer for sale and use its best efforts to find purchasers for all Bonds or portions thereof for which notice of tender has been received or which are subject to mandatory tender for purchase. The Remarketing Agent will not sell any Bond as to which a notice of either conversion from one type of Rate Period to another or redemption has been given by the Trustee, unless the Remarketing Agent has advised the person to whom the sale is made of the conversion or redemption. There will be no purchase of Bonds if an acceleration has been declared under the Indenture due to any Event of Default described under "THE INDENTURE – Events of Default," and there will be no remarketing of Bonds if there has occurred and is continuing an Event of Default or a Default under the Indenture, except in the sole discretion of the Remarketing Agent.

The purchase price of Bonds tendered for purchase will be paid by the Paying Agent from the following funds in the priority indicated: (i) proceeds of the remarketing of such Bonds by the Remarketing Agent to persons other than the Company, its affiliates or the Issuer, (ii) proceeds of the Credit Facility, if any, (iii) proceeds of the remarketing of such Bonds by the Remarketing Agent to the Company, if any, and (iv) proceeds of the remarketing of such Bonds by the Remarketing Agent to an Affiliate of the Company or the Issuer, if any. In the event that funds are not received under the terms of the Credit Facility or the Credit Facility is repudiated, the Trustee may request that such funds be immediately remitted to the Trustee by the Company.

Payment of Purchase Price

When a book-entry-only system is in effect, the requirement for physical delivery of the Bonds will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on the records of DTC to the participant account of the Paying Agent.

When a book-entry-only system is not in effect, all Bonds to be purchased on any date must be delivered to the Principal Office of the Paying Agent at or before (i) 12:00 noon, New York City time, on the purchase date in the case of Bonds accruing interest at Auction or Weekly Rates; (ii) 1:00 p.m., New York City time, on the purchase date in the case of Bonds bearing interest at Daily or Commercial Paper Rates; or (iii) 3:00 p.m., New York City time, on the purchase date in the case of Bonds bearing interest at a Term Rate. If the holder of any Bond (or portion thereof) that is subject to purchase fails to deliver such Bond to the Paying Agent for purchase on the purchase date, and if the Paying Agent is in receipt of the purchase price, the Bond will be purchased on the day fixed for purchase and ownership of such Bond (or portion thereof) will be transferred to the purchaser. If on the purchase date the Paying Agent is in receipt of the purchase price for all Bonds to be purchased on that purchase date, the holder of any such Bond will have no further rights thereunder except the right to receive the purchase price thereof and, if the purchase date coincides with an Interest Payment Date and if such holder was the holder of the Bond on the Regular Record Date pertaining to the Interest Payment Date, such rights as the holder may have to interest accrued to and unpaid on such Interest Payment Date.

Redemption

Optional Redemption. The Bonds will be subject to optional redemption by the Issuer at the direction of the Company, in whole or in part, as follows:

(i) During any Daily or Weekly Rate Period, on any Interest Payment Date, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date.

(ii) During any Commercial Paper Rate Period for a Bond, on the Interest Payment Date for that Bond, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date.

(iii) During a Term Rate Period, on any date which occurs on or after the first day of the optional redemption period, and at the redemption prices, expressed as a percentage of the principal amount being redeemed, plus accrued and unpaid interest, if any, to the redemption date, as follows:

Length of Term Rate Period	First Day of Optional Redemption Period	Redemption Price
More than 15 years	Tenth anniversary of commencement of Term Rate Period	100%
More than 10, but not more than 15 years	Eighth anniversary of commencement of Term Rate Period	100%
More than 5, but not more than 10 years	Fifth anniversary of commencement of Term Rate Period	100%
5 years or less	Non-callable	Non-callable

If at the time of the Company's notice to the Trustee of a conversion to a Term Rate Period (including a conversion from a Term Rate Period to a Term Rate Period of a different duration), the Company satisfies certain conditions, including provision of an Opinion of Bond Counsel that a change in the redemption provisions of the Bonds will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes, the redemption periods and redemption prices may be revised, effective as of the date of such conversion.

Extraordinary Optional Redemption During a Term Rate Period. During a Term Rate Period, the Bonds are subject to redemption by the Issuer at a redemption price of 100% of the principal amount redeemed, plus accrued and unpaid interest to the redemption date in whole or in part upon the occurrence of any of the following events:

(a) The Project Facilities or the Generating Station is damaged or destroyed to such an extent that (1) the Project Facilities or the Generating Station cannot reasonably be expected to be restored, within a period of six consecutive months, to the condition thereof immediately preceding such damage or destruction or (2) the Company is reasonably expected to be prevented from carrying on its normal use and operation of the Project Facilities or the Generating Station for a period of six consecutive months.

(b) Title to, or the temporary use of, all or a significant part of the Project Facilities or the Generating Station is taken under the exercise of the power of eminent domain to such extent that (1) the Project Facilities or the Generating Station cannot reasonably be expected to be restored within a period of six consecutive months to a condition of usefulness comparable to that existing prior to the taking or (2) the Company is reasonably expected to be prevented from carrying on its normal use and operation of the Project Facilities or the Generating Station for a period of six consecutive months.

(c) As a result of any changes in the Constitution of the State, the Constitution of the United States of America or any state or federal laws or as a result of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after any contest thereof by the Issuer or the Company in good faith, the Loan Agreement becomes void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed in the Loan Agreement.

(d) Unreasonable burdens or excessive liabilities are imposed upon the Issuer or the Company with respect to the Project Facilities or the Generating Station or the operation thereof, including, without limitation, the imposition of federal, state or other ad valorem, property, income or other taxes other than ad valorem taxes at the rates presently levied upon privately owned property used for the same general purpose as the Project Facilities or the Generating Station.

(e) Changes in the economic availability of raw materials, operating supplies, energy sources or supplies or facilities (including, but not limited to, facilities in connection with the disposal of industrial wastes) necessary for the operation of the Project Facilities or the Generating Station for the Project Purposes occur or technological or other changes occur which the Company cannot reasonably overcome or control and which in the Company's reasonable judgment render the Project Facilities or the Generating Station uneconomic or obsolete for the Project Purposes.

(f) Any court or administrative body enters a judgment, order or decree, or takes administrative action, requiring the Company to cease all or any substantial part of its operations served by the Project Facilities or the Generating Station to such extent that the Company is or will be prevented from carrying on its normal operations at the Project Facilities or the Generating Station for a period of six consecutive months.

(g) The termination by the Company of operations at the Generating Station.

Mandatory Redemption Upon a Determination of Taxability. The Bonds are subject to mandatory redemption by the Issuer at a redemption price of 100% of the principal amount thereof, plus interest accrued to the redemption date, at the earliest practicable date selected by the Trustee, after consultation with the Company, but in no event later than 180 days following the receipt by the Trustee of notification of a Determination of Taxability, as defined below. Such redemption will be either in whole or, if in the Opinion of Bond Counsel the Determination of Taxability will not apply to Bonds remaining outstanding after such redemption, in part.

A *"Determination of Taxability"* means written notice from the Company of the occurrence of a final decision, ruling or technical advice by any federal judicial or administrative authority to the effect that, as a result of a failure by the Company to observe or perform any covenant, agreement or obligation on its part to be observed or performed under the Loan Agreement or the inaccuracy of any representation made by the Company in the Loan Agreement, interest on any Bond is or was includable in the gross income of the owner of that Bond for federal income tax purposes, other than an owner who is a "substantial user" of the Project or a "related person" as those terms are used in Section 147(a) of the Code; provided that, no decision by any court or decision, ruling or technical advice by any administrative authority will be considered final (a) unless the beneficial owner involved in the proceeding or action giving rise to such decision, ruling or technical advice (i) gives the Company and the Trustee prompt notice of the commencement thereof, together with evidence satisfactory to the Company and the Trustee that such party is the beneficial owner and (ii) offers the Company the opportunity to control the contest thereof, provided that the Company has agreed to bear all expenses in connection therewith and to indemnify the beneficial owner against all liabilities in connection therewith, and (b) until the expiration of all periods for judicial review or appeal. A Determination of Taxability will not result from the inclusion of interest on any Bond in the computation of the alternative minimum tax imposed by Section 55 of the Code, the branch profits tax on foreign corporations imposed by Section 884 of the Code or the tax imposed on net excess passive income of certain S corporations under Section 1375 of the Code.

If the Indenture has been released in accordance with its terms prior to the occurrence of a Determination of Taxability, the Bonds will not be subject to mandatory redemption.

Partial Redemption. If fewer than all of the Bonds are to be redeemed, the selection of Bonds to be redeemed, or portions thereof in amounts equal to the lowest Authorized Denomination, will be made by lot by the Trustee in any manner which the Trustee may determine; provided, however, that in connection with any such redemption, the Trustee will first select for redemption any Pledged Bonds. In the case of a partial redemption of Bonds by lot when Bonds of denominations greater than the lowest Authorized Denomination are then outstanding, each unit of face value of principal thereof equal to the lowest Authorized Denomination will be treated as though it were a separate Bond of such lowest Authorized Denomination. If it is determined that one or more, but not all of the units of face value represented by a Bond are to be called for redemption, then upon notice of redemption of a unit or units, the holder of that Bond will surrender the Bond to the Trustee (a) for payment of the redemption price of the unit or units of face value called for redemption (including without limitation, the interest accrued to the date fixed for redemption and any premium), and (b) for issuance, without charge to the holder thereof, of a new Bond or Bonds of any Authorized

Denominations in an aggregate principal amount equal to the unmatured and unredeemed portion of the Bond surrendered.

Notice of Redemption. The Trustee will give notice of the redemption on behalf of the Issuer by mailing a copy of the redemption notice by first class mail, postage prepaid, at least 30 days but not more than 90 days prior to the redemption date, to the owner of each Bond subject to redemption in whole or in part and to the Auction Agent. Failure to receive any such notice, or any defect therein in respect of any Bond, will not affect the validity of the redemption of any Bond. If at the time of mailing of the notice of redemption there has not been deposited with the Trustee moneys sufficient to redeem all Bonds called for redemption, if the Company so directs, such notice may state that it is conditional, subject to the deposit of moneys sufficient for the redemption with the Trustee not later than the redemption date and such notice will be of no effect unless such moneys are so deposited. If either (A) unconditional notice of redemption was mailed or (B) conditional notice was mailed and the moneys sufficient to redeem all Bonds on the redemption date have been deposited with the Trustee, then in either event, the Bonds and portions thereof called for redemption will become due and payable on the redemption date, and upon presentation and surrender thereof at the place or places specified in that notice, will be paid at the redemption price, plus interest accrued to the redemption date.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, all notices of redemption will be sent only to Cede & Co., and delivery of notice of redemption to the Direct Participants, if any, will be solely the responsibility of DTC.

Special Considerations Relating to the Remarketing of the Bonds

The Remarketing Agent is Paid by the Company. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing the Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Indenture and the Remarketing Agreement), as further described in this Official Statement. The Remarketing Agent is appointed by the Company and is paid by the Company for its services. As a result, the interests of the Remarketing Agent may differ from those of existing Bondholders and potential purchasers of the Bonds.

The Remarketing Agent Routinely Purchases Bonds for its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds for its own account and, in its sole discretion, may routinely acquire such tendered Bonds in order to achieve a successful remarketing of the Bonds (i.e., because there otherwise are not enough buyers to purchase the Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Bonds by routinely purchasing and selling Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Bonds. The Remarketing Agent may also sell any Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Bonds. The purchase of Bonds by the

Remarketing Agent may create the appearance that there is greater third party demand for the Bonds in the market than is actually the case. The practices described above also may result in fewer Bonds being tendered in a remarketing.

Bonds May be Offered at Different Prices on Any Date Including the Date that the Interest Rate is Determined. Pursuant to the Indenture and the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable interest rate determination date. The interest rate will reflect, among other factors, the level of market demand for the Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). There may or may not be Bonds tendered and remarketed on an interest rate determination date, the Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Bonds at the remarketing price. The Remarketing Agent, in its sole discretion, may offer Bonds on any date, including the interest rate determination date, at a discount to par to some investors.

The Ability to Sell the Bonds other than through the Tender Process May Be Limited. The Remarketing Agent may buy and sell Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require Holders that wish to tender their Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Bonds other than by tendering the Bonds in accordance with the tender process.

Under Certain Circumstances, the Remarketing Agent May be Removed, Resign or Cease Remarketing the Bonds, Without a Successor Being Named. Under certain circumstances, the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement. In the event that there is no Remarketing Agent, the Trustee may assume such duties as described in the Indenture.

Book-Entry-Only System

Portions of the following information concerning DTC and DTC's book-entry-only system have been obtained from DTC. The Issuer, the Company, Bond Counsel and the Underwriter make no representation as to the accuracy of such information.

The Depository Trust Company (*"DTC"*), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (*"Direct Participants"*) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (*"DTCC"*). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (*"Indirect Participants"*). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (*"Beneficial Owner"*) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to

Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, the Issuer or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or Paying Agent, disbursement or such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner may give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent, and will effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds on DTC's records to the Paying Agent. The requirement for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

So long as Cede & Co., as nominee of DTC, is the registered owner of any of the Bonds, the Beneficial Owners of such Bonds will not receive or have the right to receive physical delivery of the Bonds, and references herein to the registered owners of such Bonds will mean Cede & Co. and will not mean the Beneficial Owners of such Bonds.

THE ISSUER, THE COMPANY, THE PAYING AGENT, THE REGISTRAR, THE UNDERWRITER, THE REMARKETING AGENT AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE BONDS, (2) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS, OR (3) NOTICES OF REDEMPTION OR OTHER NOTICES SENT TO DTC OR ITS NOMINEE, CEDE & CO., AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SEC, AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH PARTICIPANTS MAY BE OBTAINED FROM DTC.

THE ISSUER, THE COMPANY, THE PAYING AGENT, THE REGISTRAR, THE UNDERWRITER, THE REMARKETING AGENT AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY SUCH DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY ANY PARTICIPANT OF ANY AMOUNT DUE TO THE BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (3) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BONDHOLDERS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

The book-entry-only system for registration of the ownership of the Bonds may be discontinued at any time if: (i) DTC determines to resign as securities depository for the Bonds; or (ii) the Company determines (and notifies the Issuer in writing of its determination and the Issuer provides 30 days' notice of such discontinuation to the Trustee and DTC) to discontinue the system of book-entry transfers through DTC (or through a successor securities depository). Upon occurrence of either such event, the Issuer may, at the request of the Company, attempt to establish a securities depository book-entry relationship with another securities depository. If the Issuer does not do so, or is unable to do so, and after the Issuer has notified DTC and upon surrender to the Trustee of the Bonds held by DTC, the Issuer will issue and the Trustee will authenticate and deliver the Bonds in registered certificate form in authorized denominations, at the expense of the Company, to such Persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer, the Company or the Trustee for the accuracy of such designation. In any such event (unless the Issuer appoints a successor securities depository), the Bonds will be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer or the Trustee for the accuracy of such designation. Whenever DTC requests the Issuer or the Trustee to do so, the Issuer or the Trustee will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

Revision of Book-Entry-Only System; Replacement Bonds

The Issuer, pursuant to a request by the Company and the Remarketing Agent, if any, for the removal or replacement of the Depository or the discontinuance of the book-entry-only system for the Bonds, and upon 30 days' notice to the Depository and the Trustee, will agree to remove or replace the Depository or discontinue the book-entry-only system for the Bonds.

In the event that the book-entry-only system is discontinued, the following provisions will apply. The Bonds may be issued in Authorized Denominations. Bonds may be transferred or exchanged in Authorized Denominations upon surrender of such Bonds at the principal office of the Trustee, accompanied by an assignment satisfactory to the Trustee, duly executed by the Owner or the Owner's duly authorized attorney-in-fact. Neither the Issuer nor the Trustee will be required to make any such transfer or exchange of any Bond during the period beginning at the opening of business 15 days immediately preceding the mailing of a notice of Bonds selected for redemption and ending at the close of business on the day of such mailing, or, with respect to a Bond, after such Bond or any portion thereof has been selected for redemption. The Issuer or the Trustee may make a charge to the Owner for every transfer or exchange of a Bond sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such transfer or exchange, and may demand that such charge be paid before any new Bond is delivered.

THE LETTER OF CREDIT

The following summarizes certain provisions of the Letter of Credit and the Credit Agreement, to which reference is made for the detailed provisions thereof. Unless otherwise defined in this Official Statement, capitalized terms in the following summary are used as defined in the Letter of Credit and the Credit Agreement.

General

The initial Letter of Credit will be an irrevocable obligation of the Bank, issued in an amount equal to the aggregate principal amount of the Bonds, plus at least 48 days' interest thereon at the rate of 13% per annum (the "*Cap Interest Rate*"). Unless extended, the Letter of Credit will expire or terminate on the earliest to occur of the following dates (which earliest date is the "*Termination Date*"): (i) on the close of business on September 12, 2011, (ii) the date specified in a written notice from the Trustee provided in accordance with the Letter of Credit stating that the principal and interest on the Bonds have been paid in full or that all drawings required to be made under the Indenture and available under the Letter of Credit have been made and honored, (iii) the date specified in a written notice from the Trustee provided in accordance with the Letter of Credit stating that the interest rate on the Bonds has been adjusted to (a) an Auction Rate, or (b) a Term Rate or (c) a Commercial Paper Rate (all as defined in the Indenture), (iv) the date on which the Bank honors a drawing made to pay the principal and interest of the Bonds, other than the Pledged Bonds, at stated maturity, upon acceleration following an Event of Default (as defined in the Credit Agreement) that has resulted in the acceleration of obligations, and/or a termination of the Commitment, or upon redemption as a whole, or upon the mandatory tender as a whole, of the total unpaid principal of all of the Bonds which are presently outstanding, (v) the date specified in a written notice from the Bank to the Trustee provided in accordance with the Letter of Credit (which notice to be effective must be received by the Trustee at least fifteen calendar days before the date so specified) directing the Trustee to accelerate the Bonds as a result of the occurrence of an Event of Default (as defined in the Credit Agreement) that has resulted in the acceleration of obligations, and/or a termination of the Commitment under the Credit Agreement, and (vi) the date specified in a written notice from the Trustee provided in accordance with the Letter of Credit stating that the Letter of Credit is being surrendered for cancellation following acceptance by the Trustee of an Alternate Credit Facility (as defined in the Indenture).

Under the Indenture, an Event of Default will occur if the Trustee receives written notice from the Bank, on or before the close of business on the fourth Business Day following a drawing under the Letter of Credit to pay interest on the Bonds on an Interest Payment Date, that the interest component of the Letter of Credit will not be reinstated. See "THE INDENTURE – Events of Default."

Credit Agreement

The Bank will issue the Letter of Credit and certain other letters of credit in accordance with the terms of the Credit Agreement. Certain affiliates (each an "*Affiliate*") of the Company also are parties to the Credit Agreement. Additional letters of credit also may be issued by the Bank under the Credit Agreement for the benefit of the Company and/or an Affiliate. The Company has no obligation or liability with respect to any letter of credit issued for the benefit of an Affiliate and the Affiliates have no obligation or liability with respect to the Letter of Credit or any other letter of credit issued for the benefit of the Company. Under the Credit Agreement, the Company has agreed to certain affirmative and restrictive covenants and to pay certain fees and expenses to the Bank.

The following will be Events of Default as to the Company under the Credit Agreement (defined terms below are used as defined in the Credit Agreement):

(a) the Company fails to pay when due any principal of any Reimbursement Obligation owed by it or fails to pay, within five days of the due date thereof, any interest, fees or any other amount payable by it under the Credit Agreement;

(b) the Company fails to observe or perform certain covenants in the Credit Agreement relating to maintenance of existence; negative pledge; consolidations, mergers and sale of assets; use of proceeds; or indebtedness/capitalization ratio;

(c) the Company fails to observe or perform any covenant of agreement contained in the Credit Agreement (other than those covered by clauses (a) or (b) above) for 30 days after notice thereof has been given to the Company by the Administrative Agent at the request of any Bank;

(d) any representation, warranty, certification or statement made by the Company in the Credit Agreement or in any certificate, financial statement or other document delivered pursuant to the Credit Agreement proves to have been incorrect in any material respect when made (or deemed made);

(e) the Company or any of its Material Subsidiaries fails to make any payment in respect of Material Debt (other than Reimbursement Obligations of the Company under the Credit Agreement) when due or within any applicable grace period;

(f) any event or condition occurs and continues beyond the applicable grace or cure period, if any, provided with respect thereto so as to result in the acceleration of the maturity of Material Debt;

(g) Certain voluntary or involuntary events of bankruptcy, insolvency or reorganization with respect to the Company or any of its Material Subsidiaries occur;

(h) Certain events with respect to the Company's ERISA Group occur under ERISA;

(i) A judgment or other order for the payment of money in excess of $50,000,000 is rendered against the Company or any of its Material Subsidiaries and such judgment or order continues without being vacated, discharged, satisfied or stayed or bonded pending appeal for a period of 45 days; or

(j) Any person or group of persons (with certain exceptions for trustees or participants in employee benefit plans) acquires beneficial ownership (within the meaning of the rules of the Securities and Exchange Commission) of 50% or more of the outstanding shares of common stock of Duke Energy Corporation ("*Duke Energy*"), the Company's ultimate parent; during any period of twelve consecutive months, individuals who were directors of Duke Energy on the first day of such period (together with any successors nominated or appointed by such directors in the ordinary course) cease to constitute a majority of the board of directors of Duke Energy; or in the case of the Company, the Company ceases to be a Subsidiary of Duke Energy;

If an Event of Default on the part of the Company under the Credit Agreement occurs and is continuing, the Administrative Agent may, among other remedial actions, upon request of the requisite number of participating lenders, (i) direct the Company to deposit with the Administrative Agent an amount equal to the aggregate amount then available for drawing under all letters of credit for the account of the Company then outstanding at such time, (ii) terminate all Commitments to the Company and (iii) declare all Reimbursement Obligations of the Company under the Credit Agreement immediately due and payable. Under the Indenture, the Bank may (i) give written notice to the Trustee that the interest component of the Credit Facility will not be reinstated, and/or (ii) give notice of an acceleration or termination arising from an Event of Default under the Credit Agreement and instruct the Trustee to accelerate the Bonds. The Indenture directs the Trustee, upon receipt of the notice from the Bank described in clause (ii) of the preceding sentence, to immediately accelerate the Bonds and to make the required drawing under the Letter of Credit prior to the third business day following receipt of such notice.

A Default or Event of Default by another Affiliate of the Company under any of its obligations under the Credit Agreement will not be a Default or Event of Default as to the Company. However, if the Bank issues an additional letter of credit for the benefit of the Company under the Credit Agreement, an Event of Default with respect to such other letter of credit could result in an Event of Default with respect to the Letter of Credit.

THE LOAN AGREEMENT

The following is a brief summary of certain provisions of the Loan Agreement and does not purport to be comprehensive or definitive. Reference is made to the Loan Agreement for the detailed provisions thereof.

Loan of Proceeds

The Issuer will loan the proceeds of the sale of the Bonds to the Company, in accordance with the Loan Agreement and the Indenture, to pay a portion of the costs of redeeming the Refunded Bonds.

Application of Proceeds

Net proceeds of the Bonds will be deposited into the Refunding Fund and, together with all investment earnings thereon, will be transferred to the trustee for the Refunded Bonds to redeem the Refunded Bonds on a date not later than 90 days after the date of issuance of the Bonds.

Loan Payments

The Company is obligated to make Loan Payments under the Loan Agreement which correspond, as to time, and are equal in amount, to the amount then payable as principal of and premium, if any, and interest on the Bonds. All payments under the Loan Agreement related to the

Loan will be assigned to the Trustee, and the Company will make such payments directly to the Trustee for the account of the Issuer and for deposit in the Bond Fund created under the Indenture.

Obligation to Purchase Bonds

The Company will agree to pay or cause to be paid to the Trustee or the Paying Agent, on or before each day on which Bonds may be or are required to be tendered for purchase, amounts equal to the amounts to be paid by the Trustee or the Paying Agent with respect to the Bonds tendered for purchase on such dates pursuant to the Indenture; provided, however, that the obligation of the Company to make any such payment will be reduced by the amount of (A) moneys paid by the Remarketing Agent as proceeds of the remarketing of such Bonds by the Remarketing Agent, (B) moneys drawn under a Credit Facility, if any, for the purpose of paying such purchase price and (C) other moneys made available by the Company.

Term of Loan Agreement

The Loan Agreement will remain in full force and effect until such time as (i) all of the Bonds are fully paid (or provision has been made for such payment) pursuant to the Indenture and the Indenture has been released pursuant to the terms thereof and (ii) all other sums payable by the Company under the Loan Agreement have been paid.

Maintenance and Modification

During the term of the Loan Agreement, the Company will use its best efforts to keep and maintain the Project Facilities in good repair and good operating condition so that the Project Facilities will continue to constitute Pollution Control Facilities (as defined in the Loan Agreement) for the purposes of the operation thereof.

Subject to certain conditions, the Company has the right, from time to time, to remodel the Project Facilities or make additions, modifications and improvements thereto, the cost of which must be paid by the Company. The Company also has the right, subject to certain conditions, to substitute or remove any portion of the Project Facilities.

Maintenance of Corporate Existence

The Company agrees that during the term of the Loan Agreement, it will maintain its existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or other entity or permit one or more other corporations or other entities to consolidate with or merge into it; provided that the Company may, without violating its agreement contained in the Loan Agreement, consolidate with or merge into another corporation or other entity, or permit one or more other entities to consolidate with or merge into it, or sell or otherwise transfer to another entity all or substantially all of its assets as an entirety and thereafter dissolve, provided the surviving, resulting or transferee entity, as the case may be (if other than the Company), is a corporation or other entity organized and existing under the laws of one of the states of the United States, and assumes in writing all of the obligations of the Company in the Loan Agreement, and, if not organized under the laws of Kentucky, is qualified to do business in the State.

Tax Covenant

The Company will covenant and represent in the Loan Agreement that it has taken and caused to be taken and will take and cause to be taken all actions that may be required of it for the interest on the Bonds to be and remain excluded from the gross income of the owners thereof for federal income tax purposes, and that it has not taken or permitted to be taken on its behalf, and it will not take or permit to be taken on its behalf, any action which, if taken, would adversely affect that exclusion under the provisions of the Code.

Assignment by Company

Notwithstanding any other provisions of the Loan Agreement, the Loan Agreement may be assigned in whole or in part by the Company and the Project may be sold or conveyed by the Company without the necessity of obtaining the consent of either the Issuer or the Trustee and after providing written notice to the Issuer but, subject, however, to each of the following conditions:

(a) the Company must provide the Trustee and the Remarketing Agent with an Opinion of Bond Counsel that such action will not affect the exclusion of interest on the Bonds for federal income tax purposes;

(b) the Company must, within 30 days after the execution thereof, furnish or cause to be furnished to the Issuer and the Trustee a true and complete copy of each such assignment together with any instrument of assumption; and

(c) Any assignment from the Company may not materially impair fulfillment of the Project Purposes to be accomplished by operation of the Project as provided in the Loan Agreement.

Events of Default and Remedies

The Loan Agreement provides that the occurrence of each of the following events will constitute an "event of default":

(a) The occurrence of an event of default described in paragraphs (a), (b), (c) or (d) under "THE INDENTURE – Events of Default";

(b) Failure by the Company to observe and perform any other agreement, term or condition contained in the Loan Agreement, other than a failure as has resulted in an event of default described in (a) above, which failure continues for a period of 90 days after notice by the Issuer or the Trustee, or for such longer period as the Issuer and the Trustee agree to in writing; provided, that such failure will not constitute an event of default so long as the Company institutes curative action within the applicable period and diligently pursues that action to completion within 150 days after the expiration of the initial 90 day cure period or within such longer period as the Issuer and the Trustee may agree to in writing; and

(c) The occurrence of certain voluntary or involuntary events of bankruptcy, reorganization or receivership with respect to the Company.

A failure by the Company described in paragraph (b) above will not be a default if it occurs by reason of certain events of "force majeure" specified in the Loan Agreement not reasonably within the control of the Company.

Whenever any event of default under the Loan Agreement has happened and is subsisting, either or both of the following remedial steps may be taken by the Issuer or the Trustee:

(a) Have access to, inspect, examine and make copies of the books, records, accounts, and financial data of the Company, only, however, insofar as they pertain to the Project; or

(b) Pursue all remedies existing at law or in equity to recover all amounts then due and thereafter to become due under the Loan Agreement or to enforce performance and observance of any other obligation or agreement of the Company under the Loan Agreement.

Any amounts collected pursuant to action taken upon the happening of an event of default will be paid into the Bond Fund and applied pursuant to the Indenture.

Amendment to the Loan Agreement

The Indenture provides that the Loan Agreement may be amended without the consent of or notice to the holders of the Bonds only as may be required (i) by the provisions of the Loan Agreement or the Indenture, (ii) for the purpose of curing any ambiguity, inconsistency or formal defect or omission therein, (iii) in connection with an amendment or to effect any purpose for which there could be an amendment of the Indenture not requiring the consent of holders, or (iv) in connection with any other change therein which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the holders of the Bonds. The Loan Agreement may be amended, but only with the consent of the holders of all of the outstanding Bonds, to change the amounts or times as of which Loan Payments under the Loan Agreement are required to be made. Any other amendments to the Loan Agreement may be made only with the written approval or consent of the holders of not less than a majority in aggregate principal amount of the Bonds outstanding. Any such amendment, change or modification which affects any rights of any Credit Facility Issuer will not become effective unless and until such Credit Facility Issuer has consented in writing to such amendment, change or modification.

Before the Issuer and the Trustee may consent to any amendment to the Loan Agreement, there must be delivered to the Trustee an Opinion of Bond Counsel stating that such amendment is authorized or permitted by the Act and is authorized under the Indenture, that such amendment will, upon the execution and delivery thereof, be valid and binding in accordance with its terms, and that such amendment will not adversely affect the exclusion from gross income of the interest on the Bonds for federal income tax purposes.

THE INDENTURE

In addition to the description of certain provisions of the Indenture contained elsewhere herein, the following is a brief summary of certain provisions of the Indenture and does not purport to be comprehensive or definitive. Reference is made to the Indenture for the detailed provisions thereof.

Pledge of Revenues

Pursuant to the Indenture, all right, title and interest of the Issuer in and to the "Revenues" (as defined below) and under the Loan Agreement (except for certain rights of the Issuer), will be pledged or assigned to the Trustee to secure the payment of the principal or redemption price of and interest on the Bonds.

"Revenues" are defined to mean: (a) the Loan Payments, (b) all other moneys received or to be received by the Issuer (excluding any fees paid to the Issuer) or the Trustee in respect of repayment of the Loan including, without limitation, all moneys and investments in the Bond Fund, (c) any moneys and investments in the Refunding Fund, and (d) all income and profit from the investment of the foregoing moneys. The term "Revenues" does not include any moneys or investments in the Rebate Fund or the Bond Purchase Fund as those terms are defined in the Indenture.

Refunding Fund

The net proceeds of the sale of the Bonds, other than any accrued interest, will be deposited in and credited to the Refunding Fund created under the Indenture and will be used by the Trustee to pay a portion of the redemption price of the Refunded Bonds on the redemption date therefor.

Bond Fund

A Bond Fund will be established with the Issuer and maintained by the Trustee as a trust fund under the Indenture. The amounts with respect to the payment of principal of and premium, if any, and interest on the Bonds derived under the Loan Agreement and certain other amounts specified in the Indenture will be deposited in the Bond Fund. While the Bonds are outstanding, moneys in the Bond Fund will be used solely for the payment of the principal or redemption price of and interest on the Bonds as they become due on any Interest Payment Date or at stated maturity, by redemption or upon acceleration. Moneys for such purpose will be derived first from proceeds of a draw under the Credit Facility. If for any reason such funds are not timely received in response to such draw or the Credit Facility is repudiated, the Trustee may request that such funds be immediately remitted to the Trustee by the Company.

Bond Purchase Fund

A Bond Purchase Fund will be established and maintained by the Paying Agent for the benefit of the owners of the Bonds for the deposit of amounts to be used to pay the purchase price of Bonds. Moneys in the Bond Purchase Fund will be used solely for the payment of the purchase price of Bonds. Moneys in the Bond Purchase Fund will not be pledged to the payment of the principal of or interest or any premium on the Bonds and will not be invested.

Investments

Any moneys held as a part of the Refunding Fund, the Bond Fund and the Rebate Fund will be invested and reinvested by the Trustee as provided in the Indenture. Any such investments will be held by or under the control of the Trustee and will be deemed at all times a part of the respective Fund.

Events of Default

The Indenture provides that each of the following events will constitute an "Event of Default" thereunder:

(a) Payment of any interest on any Bond is not made when it becomes due and payable;

(b) Payment of the principal or redemption price of any Bond is not made when it becomes due and payable, whether at stated maturity, by redemption, by acceleration or otherwise;

(c) Payment of the purchase price of any Bond tendered for purchase pursuant to the provisions of the Indenture is not made when due and payable;

(d) Receipt by the Trustee of written notice from the Credit Facility Issuer of an acceleration or termination arising from an "event of default" under and as defined in the Reimbursement Agreement, by reason of which the Trustee has been directed by the Credit Facility Issuer to accelerate the Bonds;

(e) Failure by the Issuer to observe or perform any other covenant, agreement or obligation on its part to be observed or performed contained in the Bonds or the Indenture (other than a failure described in paragraphs (a), (b) or (c) above), which failure has continued for a period of 90 days after written notice (or for such longer period as the Trustee may agree to in writing), by registered or certified mail, to the Issuer and the Company given by the Trustee, either in its discretion or at the written request of the holders of not less than 35% in aggregate principal amount of Bonds then outstanding; provided, that failure will not constitute an Event of Default so long as the Issuer institutes curative action within the applicable period and diligently pursues that action to completion within 150 days after the expiration of the initial cure period as determined above, or within such longer period as the Trustee may agree to in writing;

(f) If no Credit Facility is then held by the Trustee, the occurrence and continuance of an event of default as described in paragraph (c) under "THE LOAN AGREEMENT – Events of Default and Remedies"; or

(g) If a Credit Facility is then held by the Trustee, receipt by the Trustee, on or before the close of business on the fourth Business Day following a drawing under such Credit Facility to pay interest on the Bonds on an Interest Payment Date, of written notice from the Credit Facility Issuer that the interest component of the Credit Facility will not be reinstated.

Remedies

Upon (i) the occurrence and continuance of any Event of Default (i) described in subsections (a), (b), (c), (e) or (f) under "Events of Default" above, the Trustee may, and upon the written request of the Holders of not less than 35% in aggregate principal amount of Bonds then outstanding, must, or (ii) upon the occurrence of any Event of Default described in subsections (d) or (g) under "Events of Default" above, the Trustee must, by written notice to the Issuer, the Company and any Credit Facility Issuer, declare the principal of all Bonds then outstanding (if not then due and payable), and the accrued and unpaid interest thereon, to be due and payable immediately.

Interest on the Bonds will accrue at the rates per annum borne by the Bonds to the date determined by the Trustee for the tender of payment to the Holders pursuant to that declaration, which date, if the Bonds are then secured by a Credit Facility, will be not more than three Business Days from the date of such declaration; provided, that interest on any unpaid principal of Bonds outstanding will continue to accrue from the date determined by the Trustee for the tender of payment to the Holders of those Bonds until that principal amount has been paid or made available to the Trustee for the benefit of the Holders. The Trustee will immediately give written notice of such declaration by mail to the Holders of all Bonds then outstanding as shown by the Register at the close of business on the day prior to the mailing of that notice, and the Trustee will, if the Bonds are then secured by a Credit Facility, immediately draw moneys under the Credit Facility in accordance with the terms of the Credit Facility, to the extent available thereunder, in an amount sufficient to pay the principal of and accrued and unpaid interest to the tender date on the Bonds. The Trustee will also request immediate payment from the Company of such amount in the event such amount is not timely received in response to a draw under the Credit Facility or the Credit Facility is repudiated.

If no Credit Facility is in effect, then the provisions above are subject to the condition that if at any time after declaration of acceleration and prior to the entry of a judgment in a court for enforcement (after an opportunity for hearing by the Issuer and the Company), all sums payable (except the principal of and interest on Bonds which have not reached their stated maturity dates but which are due and payable solely by reason of that declaration of acceleration), plus interest to the extent permitted by law on any overdue installments of interest at the rate then borne by the Bonds, have been duly paid or provision therefor having been made by deposit with the Trustee or Paying Agent and all existing Events of Default have been cured, then such payment or provision for payment will constitute an automatic waiver of the Event of Default and its consequences and will constitute an automatic rescission and annulment of that declaration.

The provisions in the first two paragraphs above are further subject to the condition that a written notice from the Credit Facility Issuer to the Trustee stating that the interest component of the Credit Facility has been reinstated in full following the declaration of an Event of Default described under subsections (d) or (g) under "Events of Default" above and which constitutes a rescission and annulment of any of the consequences thereof, or a written notice of any waiver by the Credit Facility Issuer of any other Event of Default under the Reimbursement Agreement and a rescission and annulment of its consequences following the giving of notice to the Trustee of any other Event of Default as described under "Events of Default" above together with a written indication from the Credit Facility Issuer that the Credit Facility has been reinstated in full and a written request from the Credit Facility Issuer that the Trustee waive such corresponding Event of Default under the Indenture will constitute a waiver of the corresponding Event of Default, and a rescission and annulment of the consequences thereof. In such event, the Trustee will promptly give written notice of such waiver, and of the waiver, rescission and annulment of the corresponding Events of Default under the Indenture, to the Issuer, the Company and the Remarketing Agent, and will mail such notice to the Holders of all Bonds then outstanding as shown by the Register at the close of business 15 days prior to the mailing of that notice and the Issuer, the Trustee and the Holders will be restored to their former positions and rights, respectively; but no such waiver, and waiver, rescission and annulment, will extend to or affect any subsequent Event of Default under the Indenture or impair any rights consequent thereon; provided, that if the Credit Facility has been drawn upon following any Event of Default, no such Event of Default will be considered to be rescinded or annulled unless the Credit Facility Issuer provides written notice to the Trustee that the Credit Facility has been reinstated in full.

With or without taking action to accelerate the Bonds as described above (other than the required actions under the Credit Facility), upon the occurrence and continuance of an Event of Default, the Trustee may pursue any available remedy to enforce the payment of Bond Service Charges or the observance and performance of any other covenant, agreement or obligation under the Indenture, the Agreement or any other instrument providing security, directly or indirectly, for the Bonds. If, upon the occurrence and continuance of an Event of Default, the Trustee is requested so to do by (i) the Credit Facility Issuer, if the Event of Default is under subsections (d) or (g) under "Events of Default" above, or (ii) the Holders of at least 35% in aggregate principal amount of Bonds outstanding, the Trustee (subject to the provisions of the Indenture), will exercise any rights and powers conferred by the Indenture.

Anything to the contrary in the Indenture notwithstanding, the Credit Facility Issuer, if the Event of Default is under subsections (d) or (g) under "Events of Default" above, or the Holders of a majority in aggregate principal amount of Bonds then outstanding, if the Event of Default is under any other subsection under "Events of Default" above, will have the right at any time to direct, by an instrument or document or instruments or documents in writing executed and delivered to the Trustee, the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings thereunder; provided, that (i) any direction may not be other than in accordance with the provisions of law and of the Indenture, (ii) the Trustee is indemnified as provided in the Indenture, (iii) the Trustee may take any other action which it deems to be proper and which is not inconsistent with the direction and (iv) the Credit Facility Issuer will have no rights to direct the Trustee or otherwise direct the exercise of remedies against the Credit Facility Issuer.

All moneys received under the Indenture by the Trustee upon the occurrence of an Event of Default (provided that moneys received under any Credit Facility will be used only for payment of the purchase price of or principal of and interest then due on the Bonds, other than Bonds held by or on behalf of the Company or a Credit Facility Issuer, and that moneys received from the proceeds of remarketing of Bonds will be used only for the purchase price of the Bonds as set forth in the Indenture) will be applied first to the payment of the costs and expenses of the proceedings resulting in the collection of such money and of the fees and expenses incurred by the Trustee, and the balance of such money will be deposited in the Bond Fund and applied to the payment of the principal of and premium, if any, and interest on the Bonds in the manner and in the priorities set forth in the Indenture. The Trustee will have a first lien against the trust estate, payable prior to debt service on the Bonds, excluding, however, any moneys received under the Credit Facility.

No holder of any Bond will have any right to institute any suit, action or proceeding for the enforcement of the Indenture or for the exercise of any other remedy under the Indenture, unless (i) an Event of Default has occurred and is continuing and the Trustee has or is deemed to have notice of the same, (ii) the holders of not less than 35% in aggregate principal amount of the then outstanding Bonds have made written request to the Trustee and have afforded the Trustee reasonable opportunity to proceed to exercise the remedies, rights and powers granted by the Indenture or to institute a suit, action or proceeding in its own name and have offered to the Trustee satisfactory indemnity as provided in the Indenture, and (iii) the Trustee thereafter has failed or refused to exercise the remedies, rights and powers granted under the Indenture or to institute such action, suit or proceeding in its own name. Notwithstanding the foregoing, each holder of a Bond will have a right to enforce the payment of the principal of and premium, if any, and interest on any Bond held or owned by that holder at and after the maturity thereof at the place, from the sources and in the manner expressed in said Bond.

Supplemental Indentures

The Issuer and the Trustee may, without the consent of, or notice to, any holder of a Bond, enter into supplemental indentures which will not, in the opinion of the Issuer and the Trustee, be inconsistent with the Indenture for any one or more of the following purposes:

(a) To cure any ambiguity, inconsistency or formal defect or omission in the Indenture;

(b) To grant to or confer upon the Trustee for the benefit of the holders of the Bonds any additional rights, remedies, powers or authority that lawfully may be granted to or conferred upon the holders or the Trustee;

(c) To assign additional revenues under the Indenture;

(d) To accept additional security and instruments and documents of further assurance with respect to the Project, including without limitation, first mortgage bonds of the Company;

(e) To add to the covenants, agreements and obligations of the Issuer under the Indenture, other covenants, agreements and obligations to be observed for the protection of the holders of the Bonds, or to surrender or limit any right, power or authority reserved to or conferred upon the Issuer in the Indenture;

(f) To evidence any succession to the Issuer and the assumption by its successor of the covenants, agreements and obligations of the Issuer under the Indenture, the Loan Agreement and the Bonds;

(g) To permit the exchange of Bonds, at the option of the holder or holders thereof, for coupon Bonds payable to bearer, if the Trustee has received an Opinion of Bond Counsel to the effect that the exchange would not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds outstanding;

(h) To permit the transfer of Bonds from one Depository to another, and the succession of Depositories, or the withdrawal of Bonds issued to a Depository for use in a book entry system and the issuance of replacement Bonds in fully registered form to others than a Depository;

(i) To permit the Trustee to comply with any obligations imposed upon it by law;

(j) To specify further the duties and responsibilities of, and to define further the relationship among, the Trustee, the Registrar, the Credit Facility Issuer, the Auction Agent, the Remarketing Agent and any authenticating agents or Paying Agents;

(k) To achieve compliance of the Indenture with any applicable federal securities or tax law;

(l) To make amendments to the provisions of the Indenture relating to arbitrage matters under Section 148(f) of the Code, if, in the opinion of Bond Counsel, those amendments would not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds outstanding;

(m) To make any amendments appropriate or necessary to provide for or facilitate the delivery of any Credit Facility or Alternate Credit Facility, any liquidity facility, any municipal bond insurance policy or any other type of credit enhancement or support facility;

(n) Prior to, or concurrently with, the conversion of the Bonds from a Daily, Weekly, Commercial Paper, or Term Rate Period to an ARS Rate Period, to make any amendments appropriate or necessary with respect to the Auction Rate Procedures and any definitions or provisions in the Indenture or exhibits thereto in order to provide for or facilitate the marketability of Auction Rate Bonds; and

(o) To permit any other amendment which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the holders of the Bonds.

Exclusive of such supplemental indentures, the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding, and, if required by the Indenture, of the Company, the Auction Agent, the Broker-Dealer and the Credit Facility Issuer, will have the right to consent to and approve any supplemental indenture, except that no supplemental indenture will permit:

(a) An extension of the maturity of the principal of or the date for payment of interest on any Bond, a reduction in the principal amount of any Bond or the rate of interest or premium thereon, a reduction in the purchase price of any Bond or an extension of the date for payment of the purchase price of any Bond without the consent of the holder of each Bond so affected; or

(b) The creation of a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or a reduction in the aggregate principal amount of the Bonds required for consent to a supplemental indenture, without the consent of the holders of all of the Bonds then outstanding.

Any supplemental indenture which affects the rights or obligations of the Company requires the written consent of the Company. Any supplemental indenture which adversely affects any rights, duties, privileges or immunities of the Auction Agent, the Broker-Dealer or Credit Facility Issuer requires the written consent of the party adversely affected. Before the Issuer and the Trustee may enter into any supplemental indenture, there must be delivered to the Trustee an Opinion of Bond Counsel stating that such supplemental indenture is authorized or permitted by the Act and is authorized under the Indenture, that such supplemental indenture will, upon the execution and delivery thereof, be valid and binding in accordance with its terms, and that such supplemental indenture will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

Discharge of Indenture

The lien created by the Indenture will be discharged when the Issuer pays or causes to be paid, or if there otherwise is paid, to or for the holders of the Bonds the principal, premium, if any, and interest due or to become due thereon and provision is also made for the payment of all other sums payable pursuant to the provisions of the Indenture and the Loan Agreement.

All of the Bonds will be deemed to have been paid and discharged within the meaning of the Indenture if:

(a) The Trustee as paying agent and any Paying Agents have received, in trust for and irrevocably committed thereto, sufficient moneys, or

(b) The Trustee has received, in trust for and irrevocably committed thereto, non-callable and non-prepayable Government Obligations which are certified by an independent public accounting firm of national reputation (with a copy of the certification being delivered to the Rating Agencies) to be of such maturities or redemption dates and interest payment dates, and to bear such interest as will be sufficient together with moneys referred to in (a) above, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, for the payment of all principal of and premium, if any, and interest on such Bonds (interest will be calculated at the Maximum Interest Rate unless the Bonds are in a Term Rate Period and the Bonds will mature or be redeemed on or prior to the last day of such Term Rate Period) at their maturity or redemption dates, as the case may be; provided, that if any of such Bonds are to be redeemed prior to maturity, notice of such redemption must have been duly given or irrevocable provision satisfactory to the Trustee must have been duly made for the giving of such notice; and provided, further, that if a Credit Facility is then held by the Trustee, (i) such payment and any payment of the purchase price of Bonds pursuant to the Indenture will be made only from proceeds of the Credit Facility deposited directly into the Credit Facility Account or the Credit Facility Proceeds Account, as applicable, or the Company has caused to be delivered to the Trustee an opinion of Bankruptcy Counsel, which opinion, if the Bonds are then rated by Moody's, must be satisfactory to Moody's, and if the Bonds are then rated by S&P, must be satisfactory to S&P, that any such payment and the payment of the purchase price of any Bonds pursuant to the Indenture will not be considered an avoidable transfer by the Company or the Issuer under Section 547 of the United States Bankruptcy Code or any other applicable federal bankruptcy law in the event of the occurrence of an Event of Bankruptcy and (ii) the Trustee has received written evidence from S&P, if the Bonds are then rated by S&P, and from Moody's, if the Bonds are then rated by Moody's, that the defeasance of the Indenture will not result in a reduction or withdrawal of the then current rating on the Bonds.

Cancellation of Credit Facility; Delivery of Alternate Credit Facility

The Trustee will, at the direction of the Company but subject to the conditions described in this paragraph and the receipt of an Opinion of Bond Counsel stating that the cancellation of such Credit Facility will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes, cancel any Credit Facility in accordance with the terms thereof which cancellation may be without substitution therefor or replacement thereof; provided, that any such cancellation will not become effective, surrender of such Credit Facility will not take place and that Credit Facility will not terminate, in any event, until (i) payment by the Credit Facility Issuer has been made for any and all drawings by the Trustee effected on or before such cancellation date (including, if applicable, any drawings for payment of the purchase price of Bonds to be purchased pursuant to the Indenture in connection with such cancellation) and (ii) if the Bonds are in a Term Rate Period, only if the then current Term Rate Period for the Bonds is ending on, or the Bonds are subject to optional redemption on, the Interest Payment Date immediately preceding the date of such cancellation. Upon written notice given by the Company to the Trustee at least 20 days (35 days if the Bonds are bearing interest at the Term Rate) prior to the date of cancellation of any Credit Facility of such cancellation and the effective date of such cancellation, the Trustee will surrender such Credit Facility to the Credit Facility Issuer by which it was issued on the effective date of such cancellation in accordance with its terms; provided, that such notice will not be given in any event, if the purchase price of any Bonds to be purchased pursuant to the Indenture in connection with such cancellation includes any premium unless the Trustee has confirmed that it can draw under a Credit Facility (other than any Alternate Credit Facility being delivered in connection with such cancellation) on the purchase date related to such purchase of Bonds in an aggregate amount sufficient to pay the premium due upon such purchase of Bonds on such purchase date.

The Company may, at its option, provide for the delivery to the Trustee of an Alternate Credit Facility in replacement of any Credit Facility then in effect. At least 20 days (35 days if the Interest Rate on the Bonds is a Term Rate) prior to the date of delivery of an Alternate Credit Facility to the Trustee, the Company must give notice, which notice, during any

Commercial Paper Rate Period, will also be given to the Remarketing Agent and will contain a certification with respect to the maximum length of each Commercial Paper Rate Period permitted under the Indenture after delivery of such Alternate Credit Facility, of such replacement to the Trustee, together with an Opinion of Bond Counsel stating that the delivery of such Alternate Credit Facility to the Trustee is authorized under the Indenture and complies with the terms thereof and that the delivery of such Alternate Credit Facility will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. The Trustee will then accept such Alternate Credit Facility and surrender the previously held Credit Facility, if any, to the previous Credit Facility Issuer for cancellation promptly on or after the 5th day after the Alternate Credit Facility becomes effective; provided, however, that such Alternate Credit Facility must become effective on an Interest Payment Date and, if the Bonds are in a Term Rate Period, such Alternate Credit Facility may only become effective on either the last Interest Payment Date for such Term Rate Period or an Interest Payment Date on which the Bonds are subject to optional redemption. If the purchase price of any Bonds to be purchased pursuant to the Indenture in connection with such cancellation includes any premium, the Trustee must confirm that it can draw under a Credit Facility then in effect on the purchase date related to such purchase of Bonds in an aggregate amount sufficient to pay the premium due upon such purchase of Bonds on such purchase date. Any Alternate Credit Facility delivered to the Trustee must be accompanied by an opinion of counsel to the issuer or provider of such Credit Facility stating that such Credit Facility is a legal, valid, binding and enforceable obligation of such issuer or obligor in accordance with its terms.

The Bonds will be subject to mandatory tender for purchase on the date of cancellation of a Credit Facility and on the date of the delivery of an Alternate Credit Facility. See "THE BONDS – Mandatory Tenders."

No Personal Liability of Issuer's Officials

No covenant, stipulation, obligation or agreement of the Issuer contained in the Indenture will be or be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the Issuer in other than his or her official capacity. No official of the Issuer executing the Bonds, the Indenture, the Loan Agreement (or amendments or supplements to either) will be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof or the execution of the Indenture or the Loan Agreement (or amendments or supplements to either).

The Trustee

Except for any period during which an Event of Default, of which the Trustee has been notified or is deemed to have knowledge, has occurred and is continuing, the Trustee (i) will undertake to perform only the duties specifically set forth in the Indenture and (ii) in the absence of bad faith on its part, may rely conclusively upon the truth of the statements and the correctness of the opinions furnished to it pursuant to the Indenture. In case an Event of Default has occurred and is continuing (of which the Trustee has been notified or is deemed to have notice), the Trustee will exercise the rights and powers vested in it by the Indenture and will use the same degree of care and skill as a prudent person would use under the circumstances in the conduct of his or her own affairs.

The Trustee will not be required to expend or risk its own funds in performing its duties under the Indenture and will be entitled to compensation and the reimbursement of its expenses.

The Trustee may resign at any time from the trusts created by the Indenture by giving written notice of the resignation to the Issuer, the Company, the Registrar, any Paying Agents, the Remarketing Agent, the Auction Agent, the Credit Facility Issuer and authenticating agents and by mailing written notice thereof to the holders of the Bonds. The resignation will take effect only upon the appointment of a successor Trustee and the successor's acceptance of the appointment.

The Trustee may be removed at any time by the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding. The removal will take effect only upon the appointment of a successor Trustee and such successor's acceptance of the appointment, all pursuant to the provisions of the Indenture. The Trustee also may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Issuer, upon its own volition or at the written request of the Company, the Credit Facility Issuer or the holders of not less than 35% in aggregate principal amount of the Bonds then outstanding under the Indenture. The removal will take effect only upon the appointment of a successor Trustee and such successor's acceptance of the appointment, all pursuant to the provisions of the Indenture.

Every successor Trustee appointed pursuant to the Indenture (i) must be a trust company or a bank having the powers of a trust company, (ii) must be willing to accept the trusteeship on the terms and conditions of the Indenture, (iii) must have a reported capital and surplus of not less than $75,000,000, (iv) so long as the Bonds are rated by Moody's, must be acceptable to Moody's, (v) so long as the Bonds are rated by S&P, must be acceptable to S&P, and (vi) must be reasonably acceptable to the Credit Facility Issuer.

Remarketing Agent

The principal office of the Remarketing Agent is as follows:

Wachovia Bank, National Association
301 South College Street
Mail Code NC0600
Charlotte, NC 28202
Attention: Rick White
Telephone: 704-383-6452
Fax: 704-383-0065
Rick.white@wachovia.com

The Remarketing Agent will determine the Variable Rates and the Commercial Paper Rate Periods for the Bonds and will remarket Bonds subject to optional or mandatory tender. The Remarketing Agent must have a capitalization of at least $50,000,000 and be authorized by law to perform all the duties imposed upon it by the Indenture. Any successor Remarketing Agent must be rated at least Baa3 or P-3 or otherwise be acceptable to Moody's.

If at any time the Remarketing Agent is unable or unwilling to act as a Remarketing Agent, the Remarketing Agent may resign upon the earlier to occur of (i) the twentieth day following receipt by the Company, the Issuer, the Trustee, the Auction Agent and the Paying Agent of written notice of resignation and (ii) the day of appointment by the Company of a successor Remarketing Agent pursuant to the Indenture and acceptance of such appointment by such successor Remarketing Agent. The Remarketing Agent may be removed at any time by the Company upon five days' written notice signed by the Company and delivered to the Remarketing Agent, the Issuer, the Trustee, the Credit Facility Issuer, the Auction Agent and the Paying Agent.

On October 3, 2008 Wachovia Corporation announced that Wells Fargo & Company and Wachovia Corporation signed a definitive agreement to merge in a transaction in which Wells Fargo & Company will acquire Wachovia Corporation in its entirety. On October 9, 2008 Wachovia Corporation issued a joint press release with Wells Fargo & Company confirming that the definitive agreement first announced on October 3, 2008 will proceed as planned. The proposed merger is anticipated to be consummated by year-end, subject to receipt of regulatory and shareholder approval.

TAX MATTERS

In the opinion of Frost Brown Todd LLC, Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Bonds is excludable from gross income under section 103 of the Code for federal income tax purposes, except for interest on any Bond for any period during which such Bond is owned by a person who is a "substantial user" of the facilities financed by the Bonds or a "related person" as defined in Section 147(a) of the Code. This opinion relates only to the exclusion from gross income of interest on the Bonds for federal income tax purposes under Section 103 of the Code and is conditioned on continuing compliance by the Issuer and the Company with the Tax Covenants (hereinafter defined). Failure to comply with the Tax Covenants could cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue. In the opinion of Frost Brown Todd LLC, Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Bonds is exempt from income taxation in the State. This opinion relates only to the exemption of interest on the Bonds for State income tax purposes. See Appendix D for the form of opinion of Bond Counsel.

The Code imposes certain requirements which must be met subsequent to the issuance of the Bonds as a condition to the exclusion from gross income of interest on the Bonds for federal income tax purposes. In the Indenture and the Loan Agreement, the Issuer has made certain covenants, and in the Loan Agreement the Company has made certain covenants (collectively, the "Tax Covenants") concerning actions to be or not to be taken to preserve the tax status of the Bonds. The Indenture, Loan Agreement and certain certificates and agreements to be delivered on the date of delivery of the Bonds establish procedures under which compliance with the requirements of the Code can be met.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS. After the date of issuance of the Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the market prices of the Bonds.

Interest on each issue of the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations.

The Code also subjects taxpayers to an alternate minimum tax on a taxpayer's "alternative minimum taxable income," which, in general terms, consists of a taxpayer's regular taxable income plus its preferences and special adjustments with respect to certain deductions used by a corporation to compute taxable income. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for the purpose of the corporate alternative minimum tax.

Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If an owner of Bonds is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the excludability of such interest from gross income for federal income tax purposes. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Bond Counsel will express no opinion regarding those consequences.

Prospective purchasers of the Bonds should consult their own tax advisers regarding pending or proposed federal and Kentucky tax legislation and court proceedings, and prospective purchasers of the Bonds at other than their original issuance at the price indicated on the cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Issuer, the Company or the beneficial owners regarding the tax status of interest on the Bonds in the event of an audit examination by the IRS. The IRS has a program to audit tax exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the Issuer as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market prices for the Bonds.

LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinions of Frost Brown Todd LLC, Bond Counsel. The form of such opinion is included as Appendix D hereto. Certain legal matters in connection with the issuance of the Bonds will be passed upon for the Issuer by Robert D. Neace, Esq., County Attorney of the Issuer. Certain legal matters will be passed upon for the Company by Robert T. Lucas III, Esq., Associate General Counsel of Duke Energy Corporation, and Richard G. Beach, Esq., Assistant General Counsel of Duke Energy Corporation, as counsel to the Company. Certain legal matters will be passed upon for the Bank by Bradford Bemis, Esq., Senior Counsel for the Bank. Certain legal matters will be passed upon for the Underwriter by Squire, Sanders & Dempsey L.L.P. From time to time, Squire, Sanders & Dempsey L.L.P. has represented affiliates of the Company or its predecessors in various matters.

UNDERWRITING

Under the terms of a Bond Purchase Agreement with the Issuer, Wachovia Bank, National Association will agree, subject to the approval of certain legal matters by counsel and to certain other conditions, to purchase the Bonds from the Issuer at a price of $50,000,000 (representing 100% of the aggregate principal amount of the Bonds). In consideration of the purchase of the Bonds, the Company will agree to pay Wachovia Bank, National Association an underwriting fee of $175,000 and to reimburse certain expenses.

The Underwriter will agree to purchase all of the Bonds, if any of the Bonds are purchased. After the Bonds are released for sale to the public, the offering price and other selling terms may from time to time be varied by the Underwriter, and such Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment accounts) and others at prices lower than the public offering price set forth on the cover page hereof.

The Company will agree to indemnify the Underwriter and the Issuer against certain liabilities, including certain liabilities under federal securities laws.

The Underwriter has been appointed to serve as Remarketing Agent and will be separately compensated by the Company.

In the ordinary course of its business, the Underwriter and certain of its affiliates have engaged, and may in the future engage, in investment banking, commercial banking or other transactions with the Company and its affiliates.

Wachovia Securities is the trade name under which Wachovia Corporation conducts its investment banking, capital markets and institutional securities business through Wachovia Capital Markets, LLC, member of the New York Stock Exchange, Inc., National Association of Securities Dealers, Inc. and Securities Investor Protection Corporation, and through other bank, non-bank and broker-dealer subsidiaries of Wachovia Corporation, including Wachovia Bank, National Association.

On October 3, 2008 Wachovia Corporation announced that Wells Fargo & Company and Wachovia Corporation signed a definitive agreement to merge in a transaction in which Wells Fargo & Company will acquire Wachovia Corporation in its entirety. On October 9, 2008 Wachovia Corporation issued a joint press release with Wells Fargo & Company confirming that the definitive agreement first announced on October 3, 2008 will proceed as planned. The proposed merger is anticipated to be consummated by year-end, subject to receipt of regulatory and shareholder approval.

This Official Statement has been duly authorized, executed and delivered by the Company.

DUKE ENERGY KENTUCKY, INC.

By: /s/ Stephen De May
Vice President and Treasurer

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APPENDIX A

DUKE ENERGY KENTUCKY, INC.

The information contained herein as Appendix A to the Official Statement relates to and has been supplied by the Company. The delivery of this Official Statement shall not create any implication that there has been no change in the affairs of the Company since the date hereof, or that the information contained in this Appendix A is correct as of any time subsequent to its date. The Issuer makes no representation or warranty as to the accuracy or completeness of the information contained in this Appendix A.

THE COMPANY

The following information is furnished solely to provide limited introductory information about the Company and does not purport to be comprehensive. ***As indicated in this Official Statement, payment of the principal and purchase price of and interest on the Bonds will be supported by the Letter of Credit. An investment decision to purchase the Bonds should be made solely on the basis of the creditworthiness of the Bank. This Official Statement does not contain any financial or operating information relating to the Company or its ability to make payments sufficient to pay the principal and purchase price of or interest on the Bonds. Prospective investors should look solely to the Bank and the Letter of Credit for payments of the principal and purchase price of or interest on the Bonds.***

The Company, a Kentucky corporation, is an electric and gas utility. The Company is primarily engaged in the generation of electric energy and in the transmission, distribution, and sale of electric energy and the sale and transportation of natural gas in Northern Kentucky. The Company serves approximately 135,000 electric customers and approximately 95,000 gas customers in its service territory, which covers approximately 500 square miles and includes the cities of Covington, Florence and Newport in Kentucky.

The Company is a wholly-owned subsidiary of Duke Energy Ohio, Inc., which is a wholly-owned subsidiary of Cinergy Corp. Cinergy Corp. in turn is a wholly-owned subsidiary of Duke Energy Corporation.

The Company's principal executive offices are located at 139 East Fourth Street, Cincinnati, Ohio 45202. The Company's telephone number is (513) 421-9500.

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APPENDIX B

WELLS FARGO BANK, NATIONAL ASSOCIATION

The information contained herein as Appendix B to the Official Statement has been obtained from Wells Fargo Bank, National Association (the "Bank"). None of the Issuer, the Company or the Underwriter makes any representations as to the accuracy or completeness of such information.

Wells Fargo Bank, National Association

The Bank is a national banking association organized under the laws of the United States of America with its main office at 101 North Phillips Avenue, Sioux Falls, South Dakota 57104, and engages in retail, commercial and corporate banking, real estate lending and trust and investment services. The Bank is an indirect, wholly owned subsidiary of Wells Fargo & Company, a diversified financial services company, a financial holding company and a bank holding company registered under the Bank Holding Company Act of 1956, as amended, with its principal executive offices located in San Francisco, California ("Wells Fargo").

As of September 30, 2008, the Bank had total consolidated assets of approximately $514.9 billion, total domestic and foreign deposits of approximately $356.2 billion and total equity capital of approximately $44.2 billion.

On October 3, 2008, Wells Fargo announced that it had entered into a merger agreement with Wachovia Corporation providing for the acquisition of Wachovia and its subsidiaries by Wells Fargo in a stock-for-stock transaction. This press release and other materials filed with the Securities and Exchange Commission ("SEC") by Wells Fargo relating to the proposed merger are available free of charge on the SEC's website at www.sec.gov. Copies of these filings are also available free of charge by writing to Wells Fargo's Corporate Secretary at the address given below.

Each quarter, the Bank files with the FDIC financial reports entitled "Consolidated Reports of Condition and Income for Insured Commercial Banks with Domestic and Foreign Offices," commonly referred to as the "Call Reports." The Bank's Call Reports are prepared in accordance with regulatory accounting principles, which may differ from generally accepted accounting principles. The publicly available portions of the Call Reports for the period ending September 30, 2008, and for Call Reports filed by the Bank with the FDIC after the date of this Official Statement may be obtained from the FDIC, Disclosure Group, Room F518, 550 17th Street, N.W., Washington, D.C. 20429 at prescribed rates, or from the FDIC on its Internet site at http://www.fdic.gov, or by writing to the Wells Fargo Corporate Secretary's Office, Wells Fargo Center, Sixth and Marquette, MAC N9305-173, Minneapolis, MN 55479.

The Letter of Credit will be solely an obligation of the Bank and will not be an obligation of, or otherwise guaranteed by, Wells Fargo & Company, and no assets of Wells Fargo & Company or any affiliate of the Bank or Wells Fargo & Company will be pledged to the payment thereof. Payment of the Letter of Credit will not be insured by the FDIC.

The information contained in this section, including financial information, relates to and has been obtained from the Bank, and is furnished solely to provide limited introductory information regarding the Bank and does not purport to be comprehensive. Any financial information provided in this section is qualified in its entirety by the detailed information appearing in the Call Reports referenced above. The delivery hereof shall not create any implication that there has been no change in the affairs of the Bank since the date hereof.

APPENDIX C

CERTAIN DEFINITIONS

Unless the context otherwise requires, as used herein the following terms will, have the following meanings. The defined terms should be read as referring separately to each issue of the Bonds.

"Auction Mode" means the period during which the Bonds are in an Initial Period or an ARS Rate Period (each as defined in the Auction Procedures).

"Auction Rate Bonds" means any Bonds which are in an Auction Mode.

"Authorized Denominations" means (i) with Term Bonds, denominations of $5,000 and integral multiples thereof, (ii) with Bonds at a Commercial Paper, a Daily or Weekly Rate, denominations of $100,000 with integral multiples of $5,000 in excess thereof, and (iii) with Auction Rate Bonds, denominations of $25,000 and integral multiples thereof.

"Book-Entry System" means the system maintained by the Depository and described herein under "THE BONDS – Book-Entry-Only System."

"Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in New York, New York, or the city or cities in which are located the corporate trust office or payment office of the Trustee, the Company, any Credit Facility Issuer, the Auction Agent, the Remarketing Agent, the Registrar or the Paying Agent are authorized by law to close or (iii) a day on which the New York Stock Exchange is closed.

"Code" means the Internal Revenue Code of 1986, as amended from time to time. References to the Code and Sections of the Code include relevant applicable regulations and proposed regulations thereunder and under the Internal Revenue Code of 1954, as amended, and any successor provisions to those Sections, regulations or proposed regulations and, in addition, all revenue rulings, announcements, notices, procedures and judicial determinations under the foregoing applicable to the Bonds.

"Commercial Paper Rate" means, when used with respect to any particular Bond, the interest rate determined for each Commercial Paper Rate Period applicable thereto pursuant to the Indenture.

"Commercial Paper Rate Period" means a period during which a Bond bears interest at a Commercial Paper Rate.

"Conversion Date" means a day on which the Bonds are converted to bear interest (i) from one Variable Rate Period to another Variable Rate Period in accordance with the terms of the Indenture, including any change from a Term Rate Period to a Term Rate Period of a different duration, or (ii) from an ARS Rate Period to a Variable Rate Period or (iii) from a Variable Rate Period to an ARS Rate Period.

"Credit Facility" means an irrevocable direct-pay letter of credit or other credit enhancement or liquidity support facility, or any combination thereof, delivered to and in favor of the Trustee for the benefit of the owners of the Bonds pursuant to the Indenture, and includes the Letter of Credit or any Alternate Credit Facility delivered to the Trustee pursuant to the Indenture.

"Credit Facility Issuer" means the Bank and the issuer of any Credit Facility subsequently in effect.

"Daily Rate" means the interest rate to be determined for the Bonds on each Business Day pursuant to the Indenture and described under the caption "THE BONDS–Interest Rate Determination Methods–*Daily Rate and Daily Rate Period.*"

"Daily Rate Period" means a period during which the Bonds bear interest at a Daily Rate is in effect.

"Depository" means The Depository Trust Company (a limited purpose trust company), New York, New York, until a successor Depository will have become such pursuant to the applicable provisions of the Indenture and thereafter, "Depository" will mean the successor Depository. Any Depository will be a securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a Book Entry System to record ownership of beneficial interests in Bonds or bond service charges thereon, and to effect transfers of beneficial interests in the Bonds, in a Book Entry Form.

"Government Obligations" means obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- U.S. treasury obligations
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA)
- State and Local Government Series

"Interest Payment Date" means initially January 2, 2009 and thereafter (a) when used with respect to Bonds bearing interest at the Daily or Weekly Rate, the first Business Day of each calendar month to which interest at such rate has accrued; (b) when used with respect to Bonds bearing interest at a Term Rate, the first day of the sixth calendar month following the month in which the Term Rate Period begins and the first day of each sixth calendar month thereafter to which interest at such rate has accrued, except that the last Interest Payment Date for any Term Rate Period which is followed by a conversion to a Daily, Weekly or Commercial Paper Rate Period (but not a conversion to a Term Rate Period of a different duration) will be the first Business Day of the sixth calendar month following the month in which the immediately preceding Interest Payment Date occurs; (c) when used with respect to any particular Bond bearing interest at a Commercial Paper Rate, the first Business Day following the last day of

each Commercial Paper Rate Period applicable thereto; and (d) when used with respect to any particular Auction Rate Bond, will have the meaning set forth in the Indenture. In any case, the final Interest Payment Date will be the Maturity Date.

"Interest Period" means, for Auction Rate Bonds, the Initial Period for the Auction Rate Bonds and each successive Auction Period thereafter. *"Interest Period"* for Bonds bearing interest at a Variable Rate means the period from and including any Interest Payment Date to and including the day immediately preceding the next following Interest Payment Date, as applicable, provided, however, that the first Interest Period for any Bond will begin on (and include) the date of original issuance of the Bonds and the final Interest Period will end on (and include) the day immediately preceding the Maturity Date.

"Maturity Date" means August 1, 2027.

"Maximum Interest Rate" means the least of (a) 13% per annum, (b) the maximum rate of interest permitted under State law, or (c) in the case of Bonds bearing interest at a Variable Rate, the maximum rate of interest permitted by any Credit Facility then in effect. The maximum rate of interest permitted by the Letter of Credit is 13% per annum.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, "Moody's" will be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer, with the approval of the Company, by notice to the Trustee and the Company.

"Opinion of Bond Counsel" means a written opinion of nationally-recognized bond counsel selected by the Company and acceptable to the Trustee and who is experienced in matters relating to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and their political subdivisions. Bond Counsel may be counsel to the Trustee or the Company.

"Outstanding Bonds," "Bonds outstanding" or *"outstanding"* as applied to Bonds, means, as of the applicable date, all Bonds which have been authenticated and delivered, or which are being delivered by the Trustee under the Indenture, except:

(a) Bonds cancelled upon surrender, exchange or transfer, or cancelled because of payment or redemption on or prior to that date;

(b) On or after any purchase date for Bonds pursuant to the Indenture, all Bonds (or portions of Bonds) which are tendered or deemed to have been tendered for purchase on such date, but which have not been delivered to the Paying Agent, provided that funds sufficient for such purchase are on deposit with the Paying Agent in the appropriate accounts in accordance with the provisions hereof;

(c) Bonds, or the portion thereof, for the payment, redemption or purchase for cancellation of which sufficient moneys have been deposited and credited with the Trustee or Paying Agent to the appropriate accounts on or prior to that date for the purpose (whether upon or prior to the maturity or redemption date of those Bonds); provided, that if any of those Bonds are to be redeemed prior to their maturity, notice of that redemption has been given or arrangements satisfactory to the Trustee have been made for giving notice of that redemption, or waiver by the affected Holders of that notice satisfactory in form to the Trustee has been filed with the Trustee;

(d) Bonds, or the portion thereof, which are deemed to have been paid and discharged or caused to have been paid and discharged pursuant to the provisions of the Indenture; and

(e) Bonds in lieu of which others have been authenticated under the Indenture; provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, Bonds owned by the Company or an affiliate thereof will be disregarded and deemed not to be Outstanding, except that in determining whether the Trustee will be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee knows to be so owned will be disregarded unless all Bonds are owned by the Company or any affiliate thereof and/or held by the Trustee for the account of the Company and/or an affiliate thereof, in which case such Bonds will be considered outstanding for the purpose of such determination.

"Paying Agent" means (i) Deutsche Bank National Trust Company, with a corporate trust office in Chicago, Illinois, or (ii) any bank or trust company designated as Paying Agent by or in accordance with the Indenture.

"Rate Period" means a period during which a particular rate of interest determined for the Bonds is to remain in effect until a subsequently determined rate of interest becomes effective pursuant to the Indenture. In any case, the final Rate Period will end on (and include) the day immediately preceding the Maturity Date.

"Refunded Bonds" means those bonds identified under "APPLICATION OF PROCEEDS."

"Registrar" means Deutsche Bank National Trust Company, until a successor Registrar has become such pursuant to the Indenture.

"Regular Record Date" means the close of business on (a) the fifteenth day of the month preceding each Interest Payment Date in the case of Bonds bearing interest at a Term Rate; (b) the last Business Day of the Interest Period in the case of Bonds bearing interest at the Daily or Weekly Rates; (c) the last day of the Commercial Paper Rate Period applicable to such Bond; and (d) the Business Day immediately preceding each Interest Payment Date for Auction Rate Bonds.

"*Reimbursement Agreement*" means a reimbursement agreement between the Company and a Credit Facility Issuer setting forth the obligations of the Company to such Credit Facility Issuer arising out of any payments under a Credit Facility.

"*S&P*" means Standard & Poor's Ratings Services, and its successors and assigns, except that if such Division is dissolved or liquidated or no longer performs the functions of a securities rating agency, "S&P" will be deemed to refer to any other nationally recognized securities rating organization designated by the Issuer, with the approval of the Company, by notice to the Trustee and the Company.

"*State*" means the Commonwealth of Kentucky.

"*Term Rate*" means the interest rate to be determined pursuant to the Indenture for the Bonds for a term of one or more whole years or for a term to the Maturity Date.

"*Term Rate Period*" means a period during which the Bonds bear interest at a particular Term Rate.

"*Term Rate Period of a different duration*" means a conversion to a Term Rate Period of a different duration than the then current Term Rate Period and, if the conversion is occurring on a date other than that originally scheduled as the last Interest Payment Date of the then current Term Rate Period, a conversion to a Term Rate Period of the same duration as the then current Term Rate Period.

"*Variable Rate*" means, as the context requires, the Commercial Paper, Daily, Weekly or Term Rate applicable from time to time to the Bonds.

"*Weekly Rate*" means the interest to be determined for the Bonds on a weekly basis pursuant to the Indenture and described under the caption "THE BONDS–Interest Rate Determination Methods–*Weekly Rate and Weekly Rate Period.*"

"*Weekly Rate Period*" means a period during which the Bonds bear interest at a Weekly Rate.

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APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

December __, 2008

County of Boone, Kentucky
Burlington, Kentucky

Duke Energy Kentucky, Inc.
Charlotte, North Carolina

Deutsche Bank National Trust Company
Chicago, Illinois

Wachovia Bank, National Association
Charlotte, North Carolina

Re: $50,000,000 principal amount of County of Boone, Kentucky Pollution Control Revenue Refunding Bonds, Series 2008A (Duke Energy Kentucky, Inc. Project)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the County of Boone, Kentucky (the "Issuer") of its Pollution Control Revenue Refunding Bonds, Series 2008A (Duke Energy Kentucky, Inc. Project), in an aggregate principal amount of $50,000,000 (the "Bonds"). The Bonds are being issued pursuant to Sections 103.200 to 103.286, inclusive, of the Kentucky Revised Statutes (the "Act"), an ordinance adopted by the Issuer on April 8, 2008 (the "Ordinance"), and under and pursuant to a Trust Indenture (the "Indenture") dated as of December 1, 2008, between the Issuer and Deutsche Bank National Trust Company, as trustee (the "Trustee"). In such capacity we have examined (a) a certified transcript containing the proceedings of the Issuer relating to the authorization, issuance and sale of the Bonds, the Loan Agreement (the "Agreement") dated as of December 1, 2008, between the Issuer and Duke Energy Kentucky, Inc., a Kentucky corporation (the "Company"), the Bond Purchase Agreement dated December ___, 2008 (the "Bond Purchase Agreement") between the Issuer and Wachovia Bank, National Association (the "Underwriter"); and the Official Statement relating to the Bonds dated December 3, 2008; (b) the Tax Certificate of the Issuer dated the date hereof; (c) the Tax Certificate of the Company dated the date hereof; (d) executed counterparts of the Indenture and the Agreement; (e) the executed and authenticated Bonds; (f) the opinions of Robert T. Lucas III, Associate General Counsel, and Richard G. Beach, Esq., Assistant General Counsel, as counsel for the Company; and (g) an opinion of Robert D. Neace, the Boone County Attorney, as counsel for the Issuer.

As to questions of fact material to our opinion, we have relied, without undertaking to verify the same by independent investigation, upon representations, covenants and certifications of public officials, the Company and others contained in the documents, instruments and certified proceedings described in the first paragraph of this opinion, including without limitation, the covenants and representations of the Issuer and the Company regarding compliance and continuing compliance with certain requirements and conditions imposed by the Internal Revenue Code of 1986, as amended (the "Code") with respect to the exclusion of interest on the Bonds pursuant to Section 103 of the Code from gross income for purposes of Federal income taxation (the "Tax Covenants").

Based upon the foregoing and our review of such other information, papers and documents as we believed necessary or advisable, we are of the opinion that:

1. The Issuer has full legal right, power and authority under the Constitution and laws of the Commonwealth of Kentucky, including the Act, to adopt the Ordinance, to issue, sell and deliver the Bonds and to enter into and perform its obligations under the Indenture and the Agreement.

2. The Indenture and Agreement have each been duly authorized, executed and delivered by the Issuer and constitute the legal, valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms.

3. The Bonds have been duly authorized, executed, authenticated, issued and delivered and are legal, valid and binding in accordance with the terms thereof. The Bonds constitute special and limited obligations of the Issuer, and the principal of and interest on the Bonds (collectively, "Debt Service") are payable solely from the revenues and other moneys assigned by the Indenture to secure such payment. Those revenues and other moneys include the payments required to be made by the Company under the Agreement. The Bonds do not constitute a debt or pledge of the faith and credit or taxing power of the Issuer, or the Commonwealth of Kentucky or any political subdivision thereof, and the holders or owners thereof have no right to have taxes levied by the Commonwealth of Kentucky or the Issuer for the payment of Debt Service on the Bonds.

4. Under existing federal statutes, decisions, regulations and rulings, the interest on the Bonds is excludable from gross income of the owners for federal income tax purposes pursuant to Section 103 of the Code, except for interest on any Bond for any period during which such Bond is held by a person who is a substantial user of the Project or a related person thereto within the meaning of Section 147(a) of the Code and the regulations promulgated pursuant thereto, and subject to continued compliance with the Tax Covenants. The interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, but the interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. We express no opinion herein as to any other federal tax consequences of acquiring carrying, owning or disposing of the Bonds.

5. Under statutes, decisions, regulations and rulings existing on this date, the interest on the Bonds is exempt from income taxation in the Commonwealth of Kentucky. This opinion relates only to the tax exemption of interest from Kentucky income taxes.

We do not express any opinion herein as to the adequacy or accuracy of the Official Statement of the Issuer, dated December 3, 2008, pertaining to the offering of the Bonds.

It is to be understood that the rights of the owners of the Bonds, as well as the rights of the Issuer, the Trustee and the Underwriter, and the enforceability of the Bonds, the Agreement, the Indenture and the Bond Purchase Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that the enforcement of the Bonds, the Agreement, the Indenture and the Bond Purchase Agreement may be subject to the exercise of judicial discretion in accordance with general principles of equity. It is to be further understood that the rights of the owners of the Bonds, as well as the rights of the Issuer, the Trustee and the Underwriter, and the enforceability of the Bonds, the Agreement, the Indenture and the Bond Purchase Agreement may be subject to the valid exercise of the constitutional powers of the Commonwealth of Kentucky and the Untied States of America.

Sincerely,

FROST BROWN TODD LLC

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DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 10(9)(k)

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807 KAR 5:001, SECTION 10(9)(k)

Description of Filing Requirement:

The most recent Federal Energy Regulatory Commission Form 1 (electric), Federal Energy Regulatory Commission Form 2 (gas), or the Automated Reporting Management Information System Report (telephone) and Public Service Commission Form T (telephone).

Response:

Duke Energy Kentucky's Form 1 and Form 2 for 2008 as filed with the Federal Energy Regulatory Commission are attached.

Sponsoring Witness: Brenda R. Melendez

THIS FILING IS	
Item 1: [X] An Initial (Original) Submission	OR [ ] Resubmission No. ____

Form 1 Approved
OMB No. 1902-0021
(Expires 12/31/2011)
Form 1-F Approved
OMB No. 1902-0029
(Expires 12/31/2011)
Form 3-Q Approved
OMB No. 1902-0205
(Expires 1/31/2012)

FERC FINANCIAL REPORT
FERC FORM No. 1: Annual Report of Major Electric Utilities, Licensees and Others and Supplemental Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Federal Power Act, Sections 3, 4(a), 304 and 309, and 18 CFR 141.1 and 141.400. Failure to report may result in criminal fines, civil penalties and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of confidential nature

Exact Legal Name of Respondent (Company)	Year/Period of Report
Duke Energy Kentucky, Inc.	End of 2008/Q4

Deloitte.

Deloitte & Touche LLP
1100 Carillon Building
227 West Trade Street
Charlotte, NC 28202
USA

Tel: +1 704 887 1500
Fax: +1 704 887 1570
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

Duke Energy Kentucky, Inc.

We have audited the balance sheet — regulatory basis of Duke Energy Kentucky, Inc. (the "Company") as of December 31, 2008, and the related statements of income — regulatory basis; retained earnings — regulatory basis; cash flows — regulatory basis, and accumulated other comprehensive income, comprehensive income, and hedging activities — regulatory basis for the year ended December 31, 2008, included on pages 110 through 123 of the accompanying Federal Energy Regulatory Commission Form 1. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed on page 123.1, these financial statements were prepared in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, such regulatory-basis financial statements present fairly, in all material respects, the assets, liabilities, and proprietary capital of the Company as of December 31, 2008, and the results of its operations and its cash flows for the year ended December 31, 2008, in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases.

This report is intended solely for the information and use of the board of directors and management of the Company and for filing with the Federal Energy Regulatory Commission and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP

April 17, 2009

FERC FORM NO. 1/3-Q:
REPORT OF MAJOR ELECTRIC UTILITIES, LICENSEES AND OTHER

IDENTIFICATION

01 Exact Legal Name of Respondent Duke Energy Kentucky, Inc.	02 Year/Period of Report End of 2008/Q4
03 Previous Name and Date of Change *(if name changed during year)*	/ /
04 Address of Principal Office at End of Period *(Street, City, State, Zip Code)* 1697 A. Monmouth Street, Newport, KY 41071	
05 Name of Contact Person Theresa Miller	06 Title of Contact Person Manager Accounting
07 Address of Contact Person *(Street, City, State, Zip Code)* 526 S. Church Street, Charlotte, NC 28202	

08 Telephone of Contact Person, *Including Area Code*	09 This Report Is	10 Date of Report *(Mo, Da, Yr)*
(704) 382-6084	(1) [X] An Original (2) [ ] A Resubmission	/ /

ANNUAL CORPORATE OFFICER CERTIFICATION

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

01 Name	03 Signature	04 Date Signed *(Mo, Da, Yr)*
David L. Hauser	David L. Hauser David L. Hauser	4/17/09
02 Title Chief Executive & CFO		

Title 18, U.S.C. 1001 makes it a crime for any person to knowingly and willingly to make to any Agency or Department of the United States any false, fictitious or fraudulent statements as to any matter within its jurisdiction.

Name of Respondent Duke Energy Kentucky, Inc	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

LIST OF SCHEDULES (Electric Utility)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".

Line No	Title of Schedule (a)	Reference Page No. (b)	Remarks (c)
1	General Information	101	
2	Control Over Respondent	102	
3	Corporations Controlled by Respondent	103	N/A
4	Officers	104	
5	Directors	105	
6	Important Changes During the Year	108-109	
7	Comparative Balance Sheet	110-113	
8	Statement of Income for the Year	114-117	
9	Statement of Retained Earnings for the Year	118-119	
10	Statement of Cash Flows	120-121	
11	Notes to Financial Statements	122-123	
12	Statement of Accum Comp Income, Comp Income, and Hedging Activities	122(a)(b)	
13	Summary of Utility Plant & Accumulated Provisions for Dep, Amort & Dep	200-201	
14	Nuclear Fuel Materials	202-203	N/A
15	Electric Plant in Service	204-207	
16	Electric Plant Leased to Others	213	N/A
17	Electric Plant Held for Future Use	214	N/A
18	Construction Work in Progress-Electric	216	
19	Accumulated Provision for Depreciation of Electric Utility Plant	219	
20	Investment of Subsidiary Companies	224-225	N/A
21	Materials and Supplies	227	
22	Allowances	228-229	
23	Extraordinary Property Losses	230	N/A
24	Unrecovered Plant and Regulatory Study Costs	230	N/A
25	Transmission Service and Generation Interconnection Study Costs	231	N/A
26	Other Regulatory Assets	232	
27	Miscellaneous Deferred Debits	233	
28	Accumulated Deferred Income Taxes	234	
29	Capital Stock	250-251	
30	Other Paid-in Capital	253	
31	Capital Stock Expense	254	N/A
32	Long-Term Debt	256-257	
33	Reconciliation of Reported Net Income with Taxable Inc for Fed Inc Tax	261	
34	Taxes Accrued, Prepaid and Charged During the Year	262-263	
35	Accumulated Deferred Investment Tax Credits	266-267	
36	Other Deferred Credits	269	

Name of Respondent	This Report Is.	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

LIST OF SCHEDULES (Electric Utility) (continued)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".

Line No.	Title of Schedule (a)	Reference Page No. (b)	Remarks (c)
37	Accumulated Deferred Income Taxes-Accelerated Amortization Property	272-273	N/A
38	Accumulated Deferred Income Taxes-Other Property	274-275	
39	Accumulated Deferred Income Taxes-Other	276-277	
40	Other Regulatory Liabilities	278	
41	Electric Operating Revenues	300-301	p. 302 is N/A
42	Sales of Electricity by Rate Schedules	304	
43	Sales for Resale	310-311	
44	Electric Operation and Maintenance Expenses	320-323	
45	Purchased Power	326-327	
46	Transmission of Electricity for Others	328-330	
47	Transmission of Electricity by ISO/RTOs	331	
48	Transmission of Electricity by Others	332	
49	Miscellaneous General Expenses-Electric	335	
50	Depreciation and Amortization of Electric Plant	336-337	
51	Regulatory Commission Expenses	350-351	
52	Research, Development and Demonstration Activities	352-353	
53	Distribution of Salaries and Wages	354-355	
54	Common Utility Plant and Expenses	356	
55	Amounts included in ISO/RTO Settlement Statements	397	
56	Purchase and Sale of Ancillary Services	398	
57	Monthly Transmission System Peak Load	400	
58	Monthly ISO/RTO Transmission System Peak Load	400a	N/A
59	Electric Energy Account	401	
60	Monthly Peaks and Output	401	
61	Steam Electric Generating Plant Statistics	402-403	
62	Hydroelectric Generating Plant Statistics	406-407	N/A
63	Pumped Storage Generating Plant Statistics	408-409	N/A
64	Generating Plant Statistics Pages	410-411	N/A
65	Transmission Line Statistics Pages	422-423	
66	Transmission Lines Added During the Year	424-425	N/A

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

LIST OF SCHEDULES (Electric Utility) (continued)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".

Line No.	Title of Schedule (a)	Reference Page No. (b)	Remarks (c)
67	Substations	426-427	
68	Footnote Data	450	

Stockholders' Reports Check appropriate box:

[ ] Four copies will be submitted

[X] No annual report to stockholders is prepared

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

GENERAL INFORMATION

1. Provide name and title of officer having custody of the general corporate books of account and address of office where the general corporate books are kept, and address of office where any other corporate books of account are kept, if different from that where the general corporate books are kept.

Steven K. Young, Senior Vice President & Controller
526 South Church Street
Charlotte, NC 28202

Other Corporate Books of Account:
139 East Fourth Street, Room 202
Cincinnati, OH 45202

2. Provide the name of the State under the laws of which respondent is incorporated, and date of incorporation. If incorporated under a special law, give reference to such law. If not incorporated, state that fact and give the type of organization and the date organized.

Incorporated under the laws of The Commonwealth of Kentucky on March 20, 1901

3. If at any time during the year the property of respondent was held by a receiver or trustee, give (a) name of receiver or trustee, (b) date such receiver or trustee took possession, (c) the authority by which the receivership or trusteeship was created, and (d) date when possession by receiver or trustee ceased.

Not Applicable

4. State the classes or utility and other services furnished by respondent during the year in each State in which the respondent operated.

Kentucky - Gas & Electric

5. Have you engaged as the principal accountant to audit your financial statements an accountant who is not the principal accountant for your previous year's certified financial statements?

(1) [ ] Yes...Enter the date when such independent accountant was initially engaged:
(2) [X] No

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

CONTROL OVER RESPONDENT

1. If any corporation, business trust, or similar organization or a combination of such organizations jointly held control over the repondent at the end of the year, state name of controlling corporation or organization, manner in which control was held, and extent of control. If control was in a holding company organization, show the chain of ownership or control to the main parent company or organization. If control was held by a trustee(s), state name of trustee(s), name of beneficiary or beneficiearies for whom trust was maintained, and purpose of the trust.

On April 3, 2006, Cinergy Corp. became a wholly owned subsidiary of Duke Energy Corporation. Cinergy Corp. is the parent company of Duke Energy Ohio, Inc. Duke Energy Ohio, Inc. is the parent company of Duke Energy Kentucky, Inc.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

OFFICERS

1. Report below the name, title and salary for each executive officer whose salary is $50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policy making functions.
2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and the date the change in incumbency was made.

Line No.	Title (a)	Name of Officer (b)	Salary for Year (c)
1	Chief Executive Officer	James E. Rogers	
2			
3	Senior Vice President, Tax	Keith G. Butler	
4			
5	Senior Vice President, Rates & Regulatory Accounting	Myron L. Caldwell	
6			
7	Vice President & Treasurer	Stephen G. De May	
8			
9	Senior Vice President, Strategy & Planning	Douglas F. Esamann	
10			
11	Group Executive & Chief Financial Officer	David L. Hauser	
12			
13	President, effective 12/1/2008	Julia S. Janson	
14			
15	Group Executive and Chief Strat, Pol & Reg Officer	B. Keith Trent	
16			
17	Senior Vice President & Controller	Steven K. Young	
18			
19	Group Executive & Chief Operating Officer	James L. Turner	
20			
21	Senior VP & Chief HR Officer, effective 11/10/2008	Jennifer L. Weber	
22			
23	Senior VP, Power Delivery, effective 12/10/ 2008	Sandra P. Meyer	
24			
25	Vice President & Chief Technology Officer	David W. Mohler	
26			
27	Senior Vice President, Wholesale Customers & Reg		
28	Commodities Management, effective 12/10/2008	Paul R. Newton	
29			
30	Senior Vice President & Chief Procurement Officer	Ronald R. Reising	
31			
32	Senior Vice President, Engineering & Tech Services	John J. Roebel	
33			
34	GrouP Executive & Chief Administration Officer	Christopher C. Rolfe	
35			
36	Senior Vice President & Chief Communications Officer	Cathy S. Roche	
37			
38	Group Executive & Chief Legal Officer	Marc E. Manly	
39			
40	Senior Vice President & Chief Information Officer	A.R. Mullinax	
41			
42	Vice President, Accounting, effective 6/16/2008	James D. Wiles	
43			
44			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

DIRECTORS

1. Report below the information called for concerning each director of the respondent who held office at any time during the year Include in column (a), abbreviated titles of the directors who are officers of the respondent.
2. Designate members of the Executive Committee by a triple asterisk and the Chairman of the Executive Committee by a double asterisk.

Line No.	Name (and Title) of Director (a)	Principal Business Address (b)
1	David L. Hauser, Group Executive & CFO	526 South Church Street, Charlotte, NC 28201
2	James E. Rogers, President & CEO	526 South Church Street, Charlotte, NC 28201
3	James L. Turner, Group Executive & COO	526 South Church Street, Charlotte, NC 28201
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Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

IMPORTANT CHANGES DURING THE QUARTER/YEAR

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none," "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears

1. Changes in and important additions to franchise rights: Describe the actual consideration given therefore and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact.
2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.
3. Purchase or sale of an operating unit or system. Give a brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission.
4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered. Give effective dates, lengths of terms, names of parties, rents, and other condition. State name of Commission authorizing lease and give reference to such authorization
5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements, etc.
6. Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees including issuance of short-term debt and commercial paper having a maturity of one year or less. Give reference to FERC or State Commission authorization, as appropriate, and the amount of obligation or guarantee.
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.
8. State the estimated annual effect and nature of any important wage scale changes during the year.
9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
10. Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on Page 106, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.
11. (Reserved.)
12. If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by Instructions 1 to 11 above, such notes may be included on this page.
13. Describe fully any changes in officers, directors, major security holders and voting powers of the respondent that may have occurred during the reporting period.
14. In the event that the respondent participates in a cash management program(s) and its proprietary capital ratio is less than 30 percent please describe the significant events or transactions causing the proprietary capital ratio to be less than 30 percent, and the extent to which the respondent has amounts loaned or money advanced to its parent, subsidiary, or affiliated companies through a cash management program(s). Additionally, please describe plans, if any to regain at least a 30 percent proprietary ratio.

PAGE 108 INTENTIONALLY LEFT BLANK
SEE PAGE 109 FOR REQUIRED INFORMATION.

1 None

2. None

3. None

4. None

5. there were no additions or reductions for Duke Energy Kentucky, Inc for the year 2008

6. In December 2008, Duke Energy Kentucky, Inc. (Duke Energy Kentucky) refunded $50 million of tax-exempt auction rate bonds through the issuance of $50 million of tax-exempt variable-rate demand bonds, which are supported by a direct-pay letter of credit. The variable-rate demand bonds, which are due August 1, 2027, had an initial interest rate of 0.65% which is reset on a weekly basis.

In September 2008, Duke Energy Kentucky entered into a $330 million three-year letter of credit agreement with a syndicate of banks, under which Duke Energy Kentucky may request the issuance of letters of credit up to $51 million on its behalf to support various series of variable rate demand bonds issued or to be issued on behalf of Duke Energy Kentucky. This credit facility, which is not part of Duke Energy's master credit facility, may not be used for any purpose other than to support the variable rate demand bonds issued by Duke Energy Kentucky.

7. None

8. There were no wage scale changes during the year for non-union or union employees.

9. See Notes 2 & 14 of the "Notes to Financial Statements"

10. None

11. [Reserved]

12. N/A

13. Duke Energy Kentucky, Inc. Officer and/or Director Changes:

Resignations

Effective 10/8/2008
Kay Pashos, Vice President, Regulatory Strategy

Effective: 12/1/2008
Julia S. Janson, Senior Vice President & Corporate Secretary
David S. Maltz, Assistant Secretary

Effective: 12/8/2008
Brett C. Carter, Vice President, Customer Origination and Retention and Customer Service

Effective: 12/10/2008
Theopolis Holeman, Senior Vice President, Power Delivery
Sandra P. Meyer, President
Paul R. Newton, Senior Vice President, Legal and Assistant Secretary

Effective: 12/31/2008
Theopolis Holeman, Senior Vice President

Appointments

Effective: 11/10/2008
John J. Finnigan, Vice President, Governmental and Regulatory Affairs
Kodwo Ghartey-Tagoe, Vice President, Legal and Assistant Secretary
Jennifer L. Weber, Chief Human Resources Officer and Senior Vice President

Effective: 12/1/2008
Julia S. Janson, President
David S. Maltz, Vice President & Corporate Secretary

Effective: 12/8/2008
Gianna Manes, Senior Vice President, Retail Customer Services

Effective: 12/10/2008
Theopolis Holeman, Senior Vice President
Sandra P. Meyer, Senior Vice President, Power Delivery
Paul R. Newton, Senior Vice President, Wholesale Customers and Regulated Commodity Management
Robert J. Ringel, Assistant Corporate Secretary

14. N/A

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref Page No (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	**UTILITY PLANT**			
2	Utility Plant (101-106, 114)	200-201	1,476,192,847	1,450,696,556
3	Construction Work in Progress (107)	200-201	36,504,269	24,571,781
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		1,512,697,116	1,475,268,337
5	(Less) Accum Prov. for Depr Amort Depl (108, 110, 111, 115)	200-201	650,100,350	641,505,019
6	Net Utility Plant (Enter Total of line 4 less 5)		862,596,766	833,763,318
7	Nuclear Fuel in Process of Ref , Conv ,Enrich , and Fab (120 1)	202-203	0	0
8	Nuclear Fuel Materials and Assemblies-Stock Account (120 2)		0	0
9	Nuclear Fuel Assemblies in Reactor (120 3)		0	0
10	Spent Nuclear Fuel (120 4)		0	0
11	Nuclear Fuel Under Capital Leases (120 6)		0	0
12	(Less) Accum. Prov. for Amort. of Nucl Fuel Assemblies (120.5)	202-203	0	0
13	Net Nuclear Fuel (Enter Total of lines 7-11 less 12)		0	0
14	Net Utility Plant (Enter Total of lines 6 and 13)		862,596,766	833,763,318
15	Utility Plant Adjustments (116)	122	0	0
16	Gas Stored Underground - Noncurrent (117)		0	0
17	**OTHER PROPERTY AND INVESTMENTS**			
18	Nonutility Property (121)		24,088,348	24,088,348
19	(Less) Accum Prov. for Depr. and Amort (122)		13,065,947	11,380,953
20	Investments in Associated Companies (123)		0	0
21	Investment in Subsidiary Companies (123 1)	224-225	0	0
22	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
23	Noncurrent Portion of Allowances	228-229	2,522,500	3,797,125
24	Other Investments (124)		1,500	1,500
25	Sinking Funds (125)		0	0
26	Depreciation Fund (126)		0	0
27	Amortization Fund - Federal (127)		0	0
28	Other Special Funds (128)		0	0
29	Special Funds (Non Major Only) (129)		0	0
30	Long-Term Portion of Derivative Assets (175)		0	0
31	Long-Term Portion of Derivative Assets – Hedges (176)		0	0
32	TOTAL Other Property and Investments (Lines 18-21 and 23-31)		13,546,401	16,506,020
33	**CURRENT AND ACCRUED ASSETS**			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		11,765,815	9,299,011
36	Special Deposits (132-134)		0	0
37	Working Fund (135)		2,500	2,500
38	Temporary Cash Investments (136)		0	0
39	Notes Receivable (141)		0	0
40	Customer Accounts Receivable (142)		4,829,524	1,728,806
41	Other Accounts Receivable (143)		8,615,474	9,386,480
42	(Less) Accum Prov for Uncollectible Acct -Credit (144)		432,105	314,686
43	Notes Receivable from Associated Companies (145)		28,529,163	29,165,216
44	Accounts Receivable from Assoc Companies (146)		10,764,510	3,659,896
45	Fuel Stock (151)	227	22,771,019	10,373,776
46	Fuel Stock Expenses Undistributed (152)	227	0	0
47	Residuals (Elec) and Extracted Products (153)	227	0	0
48	Plant Materials and Operating Supplies (154)	227	9,113,870	8,809,328
49	Merchandise (155)	227	0	0
50	Other Materials and Supplies (156)	227	0	0
51	Nuclear Materials Held for Sale (157)	202-203/227	0	0
52	Allowances (158 1 and 158 2)	228-229	4,782,941	7,063,735

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)(Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
53	(Less) Noncurrent Portion of Allowances		2,522,500	3,797,125
54	Stores Expense Undistributed (163)	227	1,160,098	431,577
55	Gas Stored Underground - Current (164.1)		0	7,776,574
56	Liquefied Natural Gas Stored and Held for Processing (164.2-164 3)		0	0
57	Prepayments (165)		5,818,858	16,775,371
58	Advances for Gas (166-167)		0	0
59	Interest and Dividends Receivable (171)		366,753	0
60	Rents Receivable (172)		0	0
61	Accrued Utility Revenues (173)		0	0
62	Miscellaneous Current and Accrued Assets (174)		9,825,521	0
63	Derivative Instrument Assets (175)		177,801	0
64	(Less) Long-Term Portion of Derivative Instrument Assets (175)		0	0
65	Derivative Instrument Assets - Hedges (176)		459,514	0
66	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176		0	0
67	Total Current and Accrued Assets (Lines 34 through 66)		116,028,756	100,360,459
68	DEFERRED DEBITS			
69	Unamortized Debt Expenses (181)		1,631,346	3,788,027
70	Extraordinary Property Losses (182 1)	230	0	0
71	Unrecovered Plant and Regulatory Study Costs (182.2)	230	0	0
72	Other Regulatory Assets (182.3)	232	22,801,592	8,559,097
73	Prelim. Survey and Investigation Charges (Electric) (183)		981,670	881,958
74	Preliminary Natural Gas Survey and Investigation Charges 183 1)		0	0
75	Other Preliminary Survey and Investigation Charges (183.2)		0	0
76	Clearing Accounts (184)		40,536	-167,246
77	Temporary Facilities (185)		-70,800	-47,318
78	Miscellaneous Deferred Debits (186)	233	34,539,004	13,182,834
79	Def. Losses from Disposition of Utility Plt. (187)		0	0
80	Research, Devel. and Demonstration Expend. (188)	352-353	0	0
81	Unamortized Loss on Reaquired Debt (189)		3,663,086	3,675,893
82	Accumulated Deferred Income Taxes (190)	234	19,000,108	12,553,285
83	Unrecovered Purchased Gas Costs (191)		-2,404,683	2,118,314
84	Total Deferred Debits (lines 69 through 83)		80,181,859	44,544,844
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		1,072,353,782	995,174,641

Name of Respondent	This Report is:	Date of Report (mo, da, yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Rresubmission	/ /	end of 2008/Q4

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	8,779,995	8,779,995
3	Preferred Stock Issued (204)	250-251	0	0
4	Capital Stock Subscribed (202, 205)	252	0	0
5	Stock Liability for Conversion (203, 206)	252	0	0
6	Premium on Capital Stock (207)	252	18,838,946	18,838,946
7	Other Paid-In Capital (208-211)	253	148,655,189	148,655,189
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254	0	0
11	Retained Earnings (215, 215.1, 216)	118-119	217,750,813	210,269,761
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	0	0
13	(Less) Reaquired Capital Stock (217)	250-251	0	0
14	Noncorporate Proprietorship (Non-major only) (218)		0	0
15	Accumulated Other Comprehensive Income (219)	122(a)(b)	0	-998,460
16	Total Proprietary Capital (lines 2 through 15)		394,024,943	385,545,431
17	LONG-TERM DEBT			
18	Bonds (221)	256-257	0	20,000,000
19	(Less) Reaquired Bonds (222)	256-257	0	0
20	Advances from Associated Companies (223)	256-257	0	0
21	Other Long-Term Debt (224)	256-257	326,088,539	252,571,494
22	Unamortized Premium on Long-Term Debt (225)		0	0
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		585,584	648,090
24	Total Long-Term Debt (lines 18 through 23)		325,502,955	271,923,404
25	OTHER NONCURRENT LIABILITIES			
26	Obligations Under Capital Leases - Noncurrent (227)		10,606,658	13,346,763
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		0	0
29	Accumulated Provision for Pensions and Benefits (228.3)		7,523,160	13,360,436
30	Accumulated Miscellaneous Operating Provisions (228.4)		2,019,334	2,019,334
31	Accumulated Provision for Rate Refunds (229)		7,517,628	0
32	Long-Term Portion of Derivative Instrument Liabilities		0	0
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		7,903,269	1,626,157
34	Asset Retirement Obligations (230)		6,390,326	6,179,300
35	Total Other Noncurrent Liabilities (lines 26 through 34)		41,960,375	36,531,990
36	CURRENT AND ACCRUED LIABILITIES			
37	Notes Payable (231)		0	0
38	Accounts Payable (232)		36,463,667	28,900,871
39	Notes Payable to Associated Companies (233)		3,241,044	27,470,089
40	Accounts Payable to Associated Companies (234)		13,477,827	26,429,344
41	Customer Deposits (235)		6,348,465	5,358,369
42	Taxes Accrued (236)	262-263	8,967,360	14,819,013
43	Interest Accrued (237)		4,803,361	3,568,991
44	Dividends Declared (238)		0	0
45	Matured Long-Term Debt (239)		0	0

Name of Respondent	This Report is:	Date of Report (mo, da, yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Rresubmission	/ /	end of 2008/Q4

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)(continued)

Line No	Title of Account (a)	Ref. Page No (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
46	Matured Interest (240)		0	0
47	Tax Collections Payable (241)		2,338,990	1,957,880
48	Miscellaneous Current and Accrued Liabilities (242)		7,327,220	3,661,519
49	Obligations Under Capital Leases-Current (243)		2,519,251	1,741,738
50	Derivative Instrument Liabilities (244)		41,901	0
51	(Less) Long-Term Portion of Derivative Instrument Liabilities		0	0
52	Derivative Instrument Liabilities - Hedges (245)		7,903,269	1,626,157
53	(Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges		7,903,269	1,626,157
54	Total Current and Accrued Liabilities (lines 37 through 53)		85,529,086	113,907,814
55	DEFERRED CREDITS			
56	Customer Advances for Construction (252)		1,674,369	1,948,099
57	Accumulated Deferred Investment Tax Credits (255)	266-267	4,518,749	5,581,056
58	Deferred Gains from Disposition of Utility Plant (256)		0	0
59	Other Deferred Credits (253)	269	34,349,471	9,713,845
60	Other Regulatory Liabilities (254)	278	1,531,763	2,529,146
61	Unamortized Gain on Reaquired Debt (257)		0	0
62	Accum. Deferred Income Taxes-Accel. Amort.(281)	272-277	0	0
63	Accum. Deferred Income Taxes-Other Property (282)		168,386,313	161,756,917
64	Accum. Deferred Income Taxes-Other (283)		14,875,758	5,736,939
65	Total Deferred Credits (lines 56 through 64)		225,336,423	187,266,002
66	TOTAL LIABILITIES AND STOCKHOLDER EQUITY (lines 16, 24, 35, 54 and 65)		1,072,353,782	995,174,641

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

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 columnin 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	500,129,281	490,610,673		
3	Operating Expenses					
4	Operation Expenses (401)	320-323	360,209,369	350,401,369		
5	Maintenance Expenses (402)	320-323	24,764,719	23,852,836		
6	Depreciation Expense (403)	336-337	35,147,534	34,346,152		
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-337	49			
8	Amort. & Depl. of Utility Plant (404-405)	336-337	2,314,793	2,439,306		
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)		-1,755,647	1,398,166		
13	(Less) Regulatory Credits (407.4)					
14	Taxes Other Than Income Taxes (408.1)	262-263	7,216,421	11,192,992		
15	Income Taxes - Federal (409.1)	262-263	7,159,047	17,374,215		
16	- Other (409.1)	262-263	1,544,713	2,200,100		
17	Provision for Deferred Income Taxes (410.1)	234, 272-277	45,527,502	25,217,864		
18	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277	34,547,608	18,778,800		
19	Investment Tax Credit Adj. - Net (411.4)	266	-213,376	-219,736		
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	1,202,928		
23	Losses from Disposition of Allowances (411.9)					
24	Accretion Expense (411.10)		561			
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		447,219,131	448,221,536		
26	Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117,line 27		52,910,150	42,389,137		

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

STATEMENT OF INCOME FOR THE YEAR (Continued)

9. Use page 122 for important notes regarding the statement of income for any account thereof.
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.
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 purches, and a summary of the adjustments made to balance sheet, income, and expense accounts.
12. If any notes appearing in the report to stokholders are applicable to the Statement of Income, such notes may be included at page 122.
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.
14. Explain in a footnote if the previous year's/quarter's figures are different from that reported in prior reports
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.

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
355,842,739	349,942,849	144,286,542	140,667,824			2
						3
234,309,913	230,693,811	125,899,456	119,707,558			4
22,673,576	21,878,712	2,091,143	1,974,124			5
27,503,270	27,350,123	7,644,264	6,996,029			6
49						7
1,681,043	1,826,458	633,750	612,848			8
						9
						10
						11
611,421	2,123,863	-2,367,068	-725,697			12
						13
5,410,470	7,642,095	1,805,951	3,550,897			14
2,849,807	18,695,941	4,309,240	-1,321,726			15
549,347	2,338,572	995,366	-138,472			16
34,614,369	20,448,869	10,913,133	4,768,995			17
19,249,704	14,697,446	15,297,904	4,081,354			18
-138,047	-143,846	-75,329	-75,890			19
						20
						21
148,946	1,202,928					22
						23
561						24
310,667,129	316,954,224	136,552,002	131,267,312			25
45,175,610	32,988,625	7,734,540	9,400,512			26

Name of Respondent Duke Energy Kentucky, Inc	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

STATEMENT OF INCOME FOR THE YEAR (continued)

Line No.	Title of Account (a)	(Ref.) Page No. (b)	TOTAL Current Year (c)	TOTAL Previous Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
27	Net Utility Operating Income (Carried forward from page 114)		52,910,150	42,389,137		
28	Other Income and Deductions					
29	Other Income					
30	Nonutilty Operating Income					
31	Revenues From Merchandising, Jobbing and Contract Work (415)		379,722	633,881		
32	(Less) Costs and Exp. of Merchandising, Job. & Contract Work (416)		89,576	355,992		
33	Revenues From Nonutility Operations (417)		509,869	17,643		
34	(Less) Expenses of Nonutility Operations (417.1)		10,823			
35	Nonoperating Rental Income (418)		-1,142,007	-559,232		
36	Equity in Earnings of Subsidiary Companies (418.1)	119				
37	Interest and Dividend Income (419)		4,020,483	3,655,723		
38	Allowance for Other Funds Used During Construction (419.1)		778,340	218,940		
39	Miscellaneous Nonoperating Income (421)		60,435	329,403		
40	Gain on Disposition of Property (421.1)		65,449			
41	TOTAL Other Income (Enter Total of lines 31 thru 40)		4,571,892	3,940,366		
42	Other Income Deductions					
43	Loss on Disposition of Property (421.2)					
44	Miscellaneous Amortization (425)	340				
45	Donations (426.1)	340	53,137	54,277		
46	Life Insurance (426.2)					
47	Penalties (426.3)		663	6,093		
48	Exp. for Certain Civic, Political & Related Activities (426.4)		148,001	8,658		
49	Other Deductions (426.5)		1,315,979	2,322,522		
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)		1,517,780	2,391,550		
51	Taxes Applic. to Other Income and Deductions					
52	Taxes Other Than Income Taxes (408.2)	262-263	258,355	396,230		
53	Income Taxes-Federal (409.2)	262-263	3,810,212	-5,986,624		
54	Income Taxes-Other (409.2)	262-263	687,027	164,193		
55	Provision for Deferred Inc. Taxes (410.2)	234, 272-277	528,766	1,008,488		
56	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234, 272-277	3,906,359	1,962,382		
57	Investment Tax Credit Adj.-Net (411.5)		-563,515	-564,901		
58	(Less) Investment Tax Credits (420)					
59	TOTAL Taxes on Other Income and Deductions (Total of lines 52-58)		814,486	-6,944,996		
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		2,239,626	8,493,812		
61	Interest Charges					
62	Interest on Long-Term Debt (427)		14,870,411	14,961,582		
63	Amort. of Debt Disc. and Expense (428)		260,459	424,688		
64	Amortization of Loss on Reaquired Debt (428.1)		302,126	181,428		
65	(Less) Amort. of Premium on Debt-Credit (429)					
66	(Less) Amortization of Gain on Reaquired Debt-Credit (429.1)					
67	Interest on Debt to Assoc. Companies (430)	340	82,070	949,091		
68	Other Interest Expense (431)	340	2,647,239	1,371,033		
69	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)		493,581	474,224		
70	Net Interest Charges (Total of lines 62 thru 69)		17,668,724	17,413,598		
71	Income Before Extraordinary Items (Total of lines 27, 60 and 70)		37,481,052	33,469,351		
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)		37,481,052	33,469,351		

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216)			
1	Balance-Beginning of Period		210,269,761	176,965,107
2	Changes			
3	Adjustments to Retained Earnings (Account 439)			
4				
5				
6				
7				
8				
9	TOTAL Credits to Retained Earnings (Acct. 439)			
10				
11				
12				
13				
14	FAS 158 Remeasurement			(164,697)
15	TOTAL Debits to Retained Earnings (Acct. 439)			(164,697)
16	Balance Transferred from Income (Account 433 less Account 418.1)		37,481,052	33,469,351
17	Appropriations of Retained Earnings (Acct. 436)			
18				
19				
20				
21				
22	TOTAL Appropriations of Retained Earnings (Acct. 436)			
23	Dividends Declared-Preferred Stock (Account 437)			
24				
25				
26				
27				
28				
29	TOTAL Dividends Declared-Preferred Stock (Acct. 437)			
30	Dividends Declared-Common Stock (Account 438)			
31				
32				
33				
34				
35	December 2008 Common Stock Dividends Declared		-30,000,000	
36	TOTAL Dividends Declared-Common Stock (Acct. 438)		-30,000,000	
37	Transfers from Acct 216.1, Unapprop. Undistrib. Subsidiary Earnings			
38	Balance - End of Period (Total 1,9,15,16,22,29,36,37)		217,750,813	210,269,761
	APPROPRIATED RETAINED EARNINGS (Account 215)			

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
39				
40				
41				
42				
43				
44				
45	TOTAL Appropriated Retained Earnings (Account 215)			
	APPROP. RETAINED EARNINGS - AMORT. Reserve, Federal (Account 215.1)			
46	TOTAL Approp. Retained Earnings-Amort. Reserve, Federal (Acct. 215.1)			
47	TOTAL Approp. Retained Earnings (Acct. 215, 215.1) (Total 45,46)			
48	TOTAL Retained Earnings (Acct 215, 215.1, 216) (Total 38, 47) (216.1)		217,750,813	210,269,761
	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account			
	Report only on an Annual Basis, no Quarterly			
49	Balance-Beginning of Year (Debit or Credit)			
50	Equity in Earnings for Year (Credit) (Account 418.1)			
51	(Less) Dividends Received (Debit)			
52				
53	Balance-End of Year (Total lines 49 thru 52)			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

STATEMENT OF CASH FLOWS

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.
(4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
1	Net Cash Flow from Operating Activities:		
2	Net Income (Line 78(c) on page 117)	37,481,052	33,469,351
3	Noncash Charges (Credits) to Income:		
4	Depreciation and Depletion	35,147,583	34,346,152
5	Amortization of		
6	PLANT ITEMS	2,314,793	2,439,306
7	AMORT OF DEBT DISCOUNT,PREMIUM,EXP,LOSS ON REACQ. DEBT	562,585	606,116
8	Deferred Income Taxes (Net)	7,602,301	5,485,170
9	Investment Tax Credit Adjustment (Net)	-776,891	-784,637
10	Net (Increase) Decrease in Receivables	-11,464,264	-10,857,589
11	Net (Increase) Decrease in Inventory	-4,157,367	1,610,861
12	Net (Increase) Decrease in Allowances Inventory	2,280,794	5,406,368
13	Net Increase (Decrease) in Payables and Accrued Expenses	-613,402	18,809,866
14	Net (Increase) Decrease in Other Regulatory Assets	-7,753,555	352,123
15	Net Increase (Decrease) in Other Regulatory Liabilities	-224,383	2,529,146
16	(Less) Allowance for Other Funds Used During Construction	778,340	218,940
17	(Less) Undistributed Earnings from Subsidiary Companies		
18	Other (provide details in footnote):	4,939,642	-14,153,003
19			
20			
21			
22	Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21)	64,560,548	79,040,290
23			
24	Cash Flows from Investment Activities:		
25	Construction and Acquisition of Plant (including land):		
26	Gross Additions to Utility Plant (less nuclear fuel)	-58,203,732	-55,666,715
27	Gross Additions to Nuclear Fuel		
28	Gross Additions to Common Utility Plant	-3,608,450	-8,750,487
29	Gross Additions to Nonutility Plant		
30	(Less) Allowance for Other Funds Used During Construction	-778,340	-218,940
31	Other (provide details in footnote):		
32			
33			
34	Cash Outflows for Plant (Total of lines 26 thru 33)	-61,033,842	-64,198,262
35			
36	Acquisition of Other Noncurrent Assets (d)		
37	Proceeds from Disposal of Noncurrent Assets (d)		
38			
39	Investments in and Advances to Assoc. and Subsidiary Companies		
40	Contributions and Advances from Assoc. and Subsidiary Companies		
41	Disposition of Investments in (and Advances to)		
42	Associated and Subsidiary Companies		
43			
44	Purchase of Investment Securities (a)		
45	Proceeds from Sales of Investment Securities (a)		

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

STATEMENT OF CASH FLOWS

(1) Codes to be used:(a) Net Proceeds or Payments,(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as *investments, fixed assets, intangibles, etc.*
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid
(4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies *Provide a reconciliation of assets acquired with liabilities assumed in the Notes to* the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost

Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
46	Loans Made or Purchased		
47	Collections on Loans		
48			
49	Net (Increase) Decrease in Receivables		
50	Net (Increase) Decrease in Inventory		
51	Net (Increase) Decrease in Allowances Held for Speculation		
52	Net Increase (Decrease) in Payables and Accrued Expenses		
53	Other (provide details in footnote):		
54			
55			
56	Net Cash Provided by (Used in) Investing Activities		
57	Total of lines 34 thru 55)	-61,033,842	-64,198,262
58			
59	Cash Flows from Financing Activities:		
60	Proceeds from Issuance of:		
61	Long-Term Debt (b)	123,517,045	
62	Preferred Stock		
63	Common Stock		
64	Other (provide details in footnote):		-150,364
65	Capital Contributions From Partners		3,150,000
66	Net Increase in Short-Term Debt (c)		
67	Other (provide details in footnote):		
68			
69			
70	Cash Provided by Outside Sources (Total 61 thru 69)	123,517,045	2,999,636
71			
72	Payments for Retirement of:		
73	Long-term Debt (b)	-70,000,000	
74	Preferred Stock		
75	Common Stock		
76	Other (provide details in footnote):	-24,229,045	-15,132,882
77	Premium payments and fees on deferred debt	-347,902	
78	Net Decrease in Short-Term Debt (c)		
79			
80	Dividends on Preferred Stock		
81	Dividends on Common Stock	-30,000,000	
82	Net Cash Provided by (Used in) Financing Activities		
83	(Total of lines 70 thru 81)	-1,059,902	-12,133,246
84			
85	Net Increase (Decrease) in Cash and Cash Equivalents		
86	(Total of lines 22,57 and 83)	2,466,804	2,708,782
87			
88	Cash and Cash Equivalents at Beginning of Period	9,301,511	6,592,729
89			
90	Cash and Cash Equivalents at End of period	11,768,315	9,301,511

Schedule Page: 120 Line No.: 18 Column: b

Other:

Unrecovered Purchased Gas Costs	4,522,997
Prepayments	10,410,065
Clearing Accounts	(207,782)
Misc Current and Accrued Assets	(9,825,521)
Derivative Instrument Assets	(637,315)
Miscellaneous Deferred Debits	(4,826,588)
Obligations Under Capital Leases - Non-current	(2,740,105)
Accumulated Provisions	1,680,352
Customer Advances for Construction	(273,730)
Other Deferred Credits	8,106,255
Temporary Facilities	23,482
Net Utility Plant and Non Utility Property	1,303,901
Cost of Removal	(1,234,472)
Deferred Income Taxes	(3,579,180)
Accumulated Other Comprehensive Income	(853,529)
Derivative Instruments Liabilities	265,101
Preliminary Survey and Investigation Charges	(99,712)
Debt Expenses	2,017,311
Derivative Instrument Liabilities-Hedges	888,112
	4,939,642

Schedule Page: 120 Line No.: 18 Column: c

Other:

Unrecovered Purchased Gas Costs	(1,348,858)
Prepayments	(8,368,939)
Clearing Accounts	129,592
Miscellaneous Current and Accrued Assets	429,956
Miscellaneous Deferred Debits	9,783,328
Obligations under Capital Leases-Non-current	1,151,700
Accumulated Provisions	147,046
Customer Advances for Construction	(166,899)
Other Deferred Credits	(4,465,087)
Contribution to Company Sponsored Pension Plan	(9,695,552)
Temporary Facilities	(145,427)
Net Utility Plant and Nonutility Property	1,716,024
Cost of Removal	(1,840,127)
Deferred Income Taxes	(1,066,827)
Accumulated Other Comprehensive Income	(257,174)
Derivative Instruments	(429,956)
Preliminary Survey and Investigation Charges	(85,287)
Debt Expenses	120,268
Derivative Instrument Liabilities-Hedges	402,913
Other Investments	1,000
FAS158 change in measurement date	(164,697)
Total Other Assets	(14,153,003)

Schedule Page: 120 Line No.: 64 Column: c

33,472	Financing setup fee for new revolver
111,244	Premium payments
5,648	Remarketing Fees
150,364	

Schedule Page: 120 Line No.: 76 Column: b

Moneypool - Net Intercompany Borrowing

Schedule Page: 120 Line No.: 76 Column: c

Moneypool - Net Intercompany Borrowing

Schedule Page: 120 Line No.: 90 Column: b

	12 Mths Ended Dec 31, 2008 (in thousands)
Supplemental Disclosure of Cash Flow Information	
Cash paid during the period for:	
Interest (net of amount capitalized)	$ 17,010
Income taxes	$ 14,143
Non-cash financing and investing activities:	
Allowance for funds used during construction (AFUDC) – equity component	$ 778
Accrued capital expenditures	$ 5,789

Schedule Page: 120 Line No.: 90 Column: c

	12 Mths Ended Dec 31, 2007 (in thousands)
Supplemental Disclosure of Cash Flow Information	
Cash paid during the period for:	
Interest (net of amount capitalized)	$ 16,669
Income taxes	$ 6,912
Non-cash financing and investing activities:	
Equity contribution from parent company for acquisition of net generating assets	$ -
Allowance for funds used during construction (AFUDC) – equity component	$ 219
Accrued capital expenditures	$ 2,885

Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Cormmission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.
7. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
8. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
9. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

PAGE 122 INTENTIONALLY LEFT BLANK
SEE PAGE 123 FOR REQUIRED INFORMATION.

This Federal Energy Regulatory Commission (FERC) Form 1 represents the financial statements of Duke Energy Kentucky, Inc. at December 31, 2008. Duke Energy Kentucky's financial statements have been prepared in conformity with the requirements of the FERC as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than generally accepted accounting principles. The following areas represent the significant differences between the Uniform System of Accounts and generally accepted accounting principles: (1) the presentation of significant non-cash transactions, (2) the presentation of current and non-current portions of long-term debt, preferred stock and other liabilities, (3) the presentation of extraordinary deductions, (4) the presentation of removal costs, and (5) the presentation of deferred gains related to emission allowance transactions.

Generally accepted accounting principles (GAAP) require that the current and non-current portions of long-term debt, preferred stock and other liabilities be appropriately identified and reported on the Balance Sheet. FERC requires that these items be reported as set forth in the Uniform System of Accounts and published accounting releases, which does not recognize any segregation between the current and non-current portions of these items for reporting purposes.

Generally accepted accounting principles require that public business enterprises report certain information about operating segments in complete sets of financial statements of the enterprise and certain information about their products and services, which are not included in the FERC reporting purposes. The item reported differently due to these guidelines is the non-current portion of profits from wholesale power sales to be shared with customers, reported as a deferred credit per GAAP and as a current liability per FERC.

FERC requires that losses of unusual nature and infrequent occurrence, which would significantly distort the current year's income, be recorded as extraordinary deductions.

Generally accepted accounting principles require that removal costs for property that does not have an associated legal retirement obligation be presented as a liability on the Balance Sheet. These costs are presented as accumulated depreciation on the Balance Sheet for FERC reporting purposes. The portion of accumulated depreciation related to removal costs was $37 million at December 31, 2008 and $31 million at December 31, 2007.

On May 25, 2007, in Docket No. AI07-2-000, the FERC issued accounting and financial reporting guidance related to the implementation of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" (FIN 48). Duke Energy Kentucky reflected this guidance beginning with the 2007 FERC Form 1 filed in 2008, as required.

Duke Energy Kentucky's Notes to Financial Statements have been prepared in conformity with generally accepted accounting principles. Accordingly, certain footnotes are not reflective of Duke Energy Kentucky's Financial Statements contained herein.

1. Summary of Significant Accounting Policies

Nature of Operations. Duke Energy Kentucky, a Kentucky corporation organized in 1901, is a combination electric and gas public utility company that provides service in northern Kentucky. Duke Energy Kentucky's principal lines of business include generation, transmission and distribution of electricity as well as the sale of and/or transportation of natural gas. Duke Energy Kentucky's common stock is wholly owned by Duke Energy Ohio, an Ohio corporation organized in 1837, which is wholly owned by Cinergy Corp. (Cinergy), a Delaware corporation organized in 1993.

On April 3, 2006, Duke Energy Corporation (Old Duke Energy) and Cinergy merged into wholly owned subsidiaries of Duke Energy Holding Corp. (Duke Energy HC), resulting in Duke Energy HC becoming the parent entity. In connection with the closing of the merger transactions, Duke Energy HC changed its name to Duke Energy Corporation (New Duke Energy or Duke Energy) and Old Duke Energy converted into a limited liability company named Duke Power Company LLC (subsequently renamed Duke Energy Carolinas LLC effective October 1, 2006). As a result of the merger transactions, each outstanding share of Cinergy common stock was converted into 1.56 shares of common stock of New Duke Energy, which resulted in the issuance of approximately 313 million shares of Duke Energy common stock. Both Old Duke Energy and New Duke Energy are referred to as Duke Energy herein. Duke Energy is a public registrant trading on the New York Stock Exchange under DUK.

The assets and liabilities of Duke Energy Kentucky were not adjusted to reflect their fair values as of the merger date since push-down accounting is not required by generally accepted accounting principles in the United States (GAAP).

These statements reflect Duke Energy Kentucky's proportionate share of the East Bend generating station which is jointly owned with Dayton Power & Light.

Use of Estimates. To conform to GAAP in the United States (U.S.), management makes estimates and assumptions that affect the amounts reported in the Financial Statements and Notes. Although these estimates are based on management's best available knowledge at the time, actual results could differ.

Cash and Cash Equivalents. All highly liquid investments with remaining maturities of three months or less at the date of purchase are considered cash equivalents

Inventory. Inventory consists primarily of coal held for electric generation, materials and supplies and natural gas held in storage for transmission and sales commitments. Inventory is recorded primarily using the average cost method.

Components of Inventory

	December 31, 2008	December 31, 2007
	(in thousands)	
Coal held for electric generation	$ 18,445	$ 9,010
Materials and supplies	13,360	9,241
Natural gas	1,240	9,140
Total Inventory	$ 33,045	$ 27,391

Effective November 1, 2008, Duke Energy Kentucky executed agreements with a third party to transfer title of natural gas inventory purchased by Duke Energy Kentucky to the third party. Under the agreements, the gas inventory will be stored and managed for Duke Energy Kentucky and will be delivered on demand. The gas storage agreements will expire on October 31, 2009, unless extended by the third party for an additional 12 months. As a result of the agreements, the commitment from a third party to provide natural gas inventory of approximately $10 million as of December 31, 2008 has been classified as Other within Current Assets on the Balance Sheets. At December 31, 2008, this balance exceeded 5% of total current assets.

Cost-Based Regulation. Duke Energy Kentucky accounts for certain of its regulated operations under the provisions of SFAS No. 71, *"Accounting for the Effects of Certain Types of Regulation"* (SFAS No. 71). The economic effects of regulation can result in a regulated company recording assets for costs that have been or are expected to be approved for recovery from customers in a future period or recording liabilities for amounts that are expected to be returned to customers in the rate-setting process in a period different from the period in which the amounts would be recorded by an unregulated enterprise. Accordingly, Duke Energy Kentucky records assets and liabilities that result from the regulated ratemaking process that would not be recorded under GAAP for non-regulated entities. Regulatory assets and liabilities are amortized consistent with the treatment of the related costs in the ratemaking process. Management continually assesses whether regulatory assets are probable of future recovery by considering factors such as applicable regulatory changes, recent rate orders applicable to other regulated entities and the status of any pending or potential deregulation legislation. Additionally, management continually assesses whether any regulatory liabilities have been incurred. Based on this continual assessment, management believes the existing regulatory assets are probable of recovery and that no regulatory liabilities, other than those recorded, have been incurred. These regulatory assets and liabilities are primarily classified in the Balance Sheets as Regulatory Assets and Deferred Debits, and Deferred Credits and Other Liabilities. Duke Energy Kentucky periodically evaluates the applicability of SFAS No. 71, and considers factors such as regulatory changes and the impact of competition. If cost-based regulation ends or competition increases, Duke Energy Kentucky may have to reduce its asset balances to reflect a market basis less than cost and write off their associated regulatory assets and liabilities. For further information see Note 2.

In order to apply the accounting provisions of SFAS No. 71 and record regulatory assets and liabilities, the scope criteria in SFAS No. 71 must be met. Management makes significant judgments in determining whether the scope criteria of SFAS No. 71 are met for its operations, including determining whether revenue rates for services provided to customers are subject to approval by an independent, third-party regulator, whether the regulated rates are designed to recover specific costs of providing the regulated service, and a determination of whether, in view of the demand for the regulated services and the level of competition, it is reasonable to assume that rates set at levels that will recover the operations' costs can be charged to and collected from customers. This final criterion requires consideration of anticipated changes in levels of demand or competition, direct and indirect, during the recovery period for any capitalized costs. If facts and circumstances change so that a portion of Duke Energy Kentucky's regulated operations meet all of the scope criteria set forth in SFAS No. 71 when such criteria had not been previously met, SFAS No. 71 would be reapplied to all or a separable portion of the operations. Such reapplication includes adjusting the balance sheet for amounts that meet the definition of a regulatory asset or regulatory liability of SFAS No. 71.

Accounting for Risk Management and Hedging Activities and Financial Instruments. All derivative instruments not designated and qualifying for the normal purchases and normal sales exception under SFAS No. 133, "*Accounting for Derivative Instruments and Hedging Activities*" as amended (SFAS No. 133), are recorded on the Balance Sheet at their fair value.

Since Duke Energy Kentucky receives regulatory treatment for derivatives related to its native load, those mark-to-market gains and losses associated with those derivative contracts are reflected as regulatory assets or regulatory liabilities on the Balance Sheets.

Cash Flow and Fair Value Hedges. Changes in the fair value of a derivative designated and qualified as a cash flow hedge, to the extent effective, are included in the Statements of Common Stockholder's Equity and Comprehensive Income as Accumulated Other Comprehensive Income (Loss) (AOCI) until earnings are affected by the hedged item. Duke Energy Kentucky discontinues hedge accounting prospectively when it has determined that a derivative no longer qualifies as an effective hedge, or when it is no longer probable that the hedged forecasted transaction will occur. When hedge accounting is discontinued because the derivative no longer qualifies as an effective hedge, the derivative is subject to the Mark-to-Market model of accounting (MTM Model) prospectively. Gains and losses related to discontinued hedges that were previously accumulated in AOCI will remain in AOCI until the underlying contract is reflected in earnings, unless it is probable that the hedged forecasted transaction will not occur at which time associated deferred amounts in AOCI are immediately recognized in current earnings.

Valuation. Quoted market prices or prices obtained through external sources are used to measure a contract's fair value.

Property, Plant and Equipment. Property, plant and equipment are stated at the lower of historical cost less accumulated depreciation or fair value, if impaired. Duke Energy Kentucky capitalizes all construction-related direct labor and material costs, as well as indirect construction costs. Indirect costs include general engineering, taxes and the cost of funds used during construction. The cost of renewals and betterments that extend the useful life of property, plant and equipment are also capitalized. The cost of repairs, replacements and major maintenance projects, which do not extend the useful life or increase the expected output of property, plant and equipment, is expensed as incurred. Depreciation is generally computed over the asset's estimated useful life using the straight-line method. The composite weighted-average depreciation rate was 2.6% for both 2008 and 2007. Depreciation studies are conducted periodically to update the composite rates and are approved by the Kentucky Public Service Commission (KPSC). Also, see "Allowance for Funds Used During Construction (AFUDC)," discussed below.

When Duke Energy Kentucky retires its regulated property, plant and equipment, it charges the original cost plus the cost of retirement, less salvage value, to accumulated depreciation and amortization. When it sells entire regulated operating units, the cost is removed from the property account and the related accumulated depreciation and amortization accounts are reduced. Any gain or loss is recorded in earnings, unless otherwise required by the applicable regulatory body (See Note 11).

Asset Retirement Obligations. Duke Energy Kentucky recognizes asset retirement obligations (ARO's) in accordance with SFAS No. 143, "*Accounting For Asset Retirement Obligations*" (SFAS No. 143), for legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal use of the asset and FIN No. 47, "*Accounting for Conditional Asset Retirement Obligations*" (FIN 47), for conditional ARO's. The term conditional asset retirement obligation as used in SFAS No. 143 and FIN 47 refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Thus, the timing and (or) method of settlement may be conditional on a future event. Both SFAS No. 143 and FIN 47 require that the present value of the projected liability for an ARO be recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made. The present value of the liability is added to the carrying amount of the associated asset. This additional carrying amount is then depreciated over the estimated useful life of the asset. See Note 5 for further information.

Unamortized Debt Premium, Discount and Expense. Premiums, discounts and expenses incurred with the issuance of outstanding long-term debt are amortized over the terms of the debt issues. Any call premiums or unamortized expenses associated with refinancing higher-cost debt obligations to finance regulated assets and operations are amortized consistent with regulatory treatment of those items, where appropriate. The amortization expense is recorded as a component of interest expense in the Statements of Operations and is reflected as Depreciation and amortization within Net cash provided by operating activities on the Statements of Cash Flows.

Loss Contingencies. Duke Energy Kentucky is involved in certain legal and environmental matters that arise in the normal course of business. Loss contingencies are accounted for under SFAS No. 5, "*Accounting for Contingencies*" (SFAS No. 5). Under SFAS No. 5, contingent losses are recorded when it is determined that it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. When a range of the probable loss exists and no amount within the range is a better estimate than any other amount, Duke Energy Kentucky records a loss contingency at the minimum amount in the range. Unless otherwise required by GAAP, legal fees are expensed as incurred. See Note 14 for further information.

Environmental Expenditures. Duke Energy Kentucky expenses environmental expenditures related to conditions caused by past operations that do not generate current or future revenues. Environmental expenditures related to operations that generate current or future revenues are expensed or capitalized, as appropriate. Liabilities are recorded on an undiscounted basis when the necessity for environmental remediation becomes probable and the costs can be reasonably estimated, or when other potential environmental liabilities are reasonably estimable and probable.

Revenue Recognition and Unbilled Revenue. Revenues on sales of electricity and gas are recognized when either the service is provided or the product is delivered. Unbilled revenues are estimated by applying an average revenue per kilowatt hour or per thousand cubic feet (Mcf) for all customer classes to the number of estimated kilowatt hours or Mcf's delivered but not billed. The amount of unbilled revenues can vary significantly from period to period as a result of factors, including seasonality, weather, customer usage patterns and customer mix. The receivables for unbilled revenues of approximately $26 million and $25 million at December 31, 2008 and 2007, respectively, related to retail accounts receivable at Duke Energy Kentucky are included in the sales of accounts receivable to Cinergy Receivables Company, LLC (Cinergy Receivables). See Note 10 for additional information.

Allowance for Funds Used During Construction (AFUDC). AFUDC, which represents the estimated debt and equity costs of capital funds necessary to finance the construction of new regulated facilities, consists of two components, an equity component and an interest component. The equity component is a non-cash item. AFUDC is capitalized as a component of Property, Plant and Equipment cost, with offsetting credits to the Statements of Operations. After construction is completed, Duke Energy Kentucky is permitted to recover these costs through inclusion in the rate base and in the depreciation provision. The total amount of AFUDC included in the Statements of Operations was $1 million in 2008. The total amount of AFUDC included in the Statements of Operations was less than $500 thousand in 2007.

Accounting For Purchases and Sales of Emission Allowances. Emission allowances are issued by the Environmental Protection Agency (EPA) at zero cost and permit the holder of the allowance to emit certain gaseous by-products of fossil fuel combustion, including sulfur dioxide (SO_2) and nitrogen oxide (NO_x). Allowances may also be bought and sold via third party transactions or consumed as the emissions are generated. Allowances allocated to or acquired by Duke Energy Kentucky are held primarily for consumption. Duke Energy Kentucky records emission allowances as Intangible Assets on its Balance Sheets and recognizes the allowances in earnings as they are consumed or sold. Any gains or losses on sales of recoverable emission allowances are returned to customers via profit sharing mechanism riders included in the rate structure of the regulated entity and are deferred as a regulatory asset or liability. Purchases and sales of emission allowances are presented gross as investing activities on the Statements of Cash Flows.

Income Taxes. The taxable income of Duke Energy Kentucky is reflected in Duke Energy's U.S. federal and state income tax returns. Duke Energy Kentucky has a tax sharing agreement with Duke Energy, where the separate return method is used to allocate tax expenses and benefits to the subsidiaries whose investments or results of operations provide these tax expenses and benefits. The accounting for income taxes essentially represents the income taxes that Duke Energy Kentucky would incur if Duke Energy Kentucky were a separate company filing its own federal tax return as a C-Corporation.

Management evaluates and records contingent tax liabilities and related interest based on the probability of ultimately sustaining the tax deductions or income positions. Management assesses the probabilities of successfully defending the tax deductions or income positions based upon statutory, judicial or administrative authority.

Management evaluates and records uncertain tax positions in accordance with FIN 48, "*Accounting For Uncertainty in Income Taxes – an Interpretation of FASB Statement 109*" (FIN 48), which was adopted by Duke Energy Kentucky on January 1, 2007. Duke Energy Kentucky records unrecognized tax benefits for positions taken or expected to be taken on tax returns, including the decision to exclude certain income or transactions from a return, when a more-likely-than-not threshold is met for a tax position and management believes that the position will be sustained upon examination by the taxing authorities. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. In accordance with FIN 48, Duke Energy Kentucky records the largest amount of the unrecognized tax benefit that is greater than 50% likely of being realized upon settlement or effective settlement. Management considers a tax position effectively settled for the purpose of recognizing previously unrecognized tax benefits when the following conditions exist: (i) the taxing authority has completed its examination procedures, including all appeals and administrative reviews that the taxing authority is required and expected to perform for the tax positions, (ii) Duke Energy Kentucky does not intend to appeal or litigate any aspect of the tax position included in the completed examination, and (iii) it is remote that the taxing authority would examine or reexamine any aspect of the tax position. See Note 4 for further information.

Duke Energy Kentucky records, as it relates to taxes, interest expense as Interest Expense and interest income and penalties in Other Income and Expenses, net, in the Statements of Operations.

New Accounting Standards. The following new accounting standards were adopted by Duke Energy Kentucky during the year ended December 31, 2008 and the impact of such adoption, if applicable, has been presented in the accompanying Financial Statements:

SFAS No. 157, "Fair Value Measurements" (SFAS No. 157). Refer to Note 7 for a discussion of Duke Energy Kentucky's adoption of SFAS No. 157.

SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities- including an amendment of FASB Statement No. 115" (SFAS No. 159) Refer to Note 7 for a discussion of Duke Energy Kentucky's adoption of SFAS No. 159.

FASB Staff Position (FSP) No. FIN 39-1, "Amendment of FASB Interpretation No 39, Offsetting of Amounts Related to Certain Contracts" (FSP No. FIN 39-1). The impact of adopting FSP FIN 39-1 was not significant in 2008.

The following new accounting standards were adopted by Duke Energy Kentucky during the year ended December 31, 2007 and the impact of such adoption, if applicable, has been presented in the accompanying Financial Statements:

SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments—an amendment of FASB Statements No. 133 and 140" (SFAS No. 155). In February 2006, the FASB issued SFAS No. 155, which amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS No. 155 allows financial instruments that have embedded derivatives to be accounted for at fair value at acquisition, at issuance, or when a previously recognized financial instrument is subject to a remeasurement (new basis) event, on an instrument-by-instrument basis, in cases in which a derivative would otherwise have to be bifurcated. SFAS No. 155 was effective for Duke Energy Kentucky for all financial instruments acquired, issued, or subject to remeasurement after January 1, 2007, and for certain hybrid financial instruments that have been bifurcated prior to the effective date, for which the effect is to be reported as a cumulative-effect adjustment to beginning retained earnings. The adoption of SFAS No. 155 did not have a material impact on Duke Energy Kentucky's results of operations, cash flows or financial position.

SFAS No. 156, "Accounting for Servicing of Financial Assets—an amendment of FASB Statement No 140" (SFAS No. 156). In March 2006, the FASB issued SFAS No. 156, which amends SFAS No. 140. SFAS No. 156 requires recognition of a servicing asset or liability when an entity enters into arrangements to service financial instruments in certain situations. Such servicing assets or servicing liabilities are required to be initially measured at fair value, if practicable. SFAS No. 156 also allows an entity to subsequently measure its servicing assets or servicing liabilities using either an amortization method or a fair value method. SFAS No. 156 was effective for Duke Energy Kentucky as of January 1, 2007, and must be applied prospectively, except that where an entity elects to remeasure separately recognized existing arrangements and reclassify certain available-for-sale securities to trading securities, any effects must be reported as a cumulative-effect adjustment to retained earnings. The adoption of SFAS No. 156 did not have a material impact on Duke Energy Kentucky's results of operations, cash flows or financial position.

SFAS No. 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No 87, 88, 106. and 132(R)" (SFAS No. 158). In October 2006, the FASB issued SFAS No. 158, which changes the recognition and disclosure provisions and measurement date requirements for an employer's accounting for defined benefit pension and other postretirement plans. The recognition and disclosure provisions require an employer to (1) recognize the funded status of a benefit plan—measured as the difference between plan assets at fair value and the benefit obligation—in its statement of financial position, (2) recognize as a component of other comprehensive loss, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost, and (3) disclose in the notes to financial statements certain additional information. SFAS No. 158 does not change the amounts recognized in the income statement as net periodic benefit cost. Duke Energy Kentucky recognized the funded status of its defined benefit pension and other postretirement plans and provided the required additional disclosures as of December 31, 2006. The adoption of SFAS No. 158 recognition and disclosure provisions resulted in an increase in regulatory assets of approximately $22 million and an increase in liabilities of approximately $22 million as of December 31, 2006. The adoption of SFAS No. 158 did not have a material impact on Duke Energy Kentucky's results of operations or cash flows.

Under the measurement date requirements of SFAS No. 158, an employer is required to measure defined benefit plan assets and obligations as of the date of the employer's fiscal year-end statement of financial position (with limited exceptions). Historically, Duke Energy Kentucky has measured its plan assets and obligations up to three months prior to the fiscal year-end, as allowed under the authoritative accounting literature. Duke Energy Kentucky adopted the change in measurement date effective January 1, 2007 by remeasuring plan assets and benefit obligations as of that date, pursuant to the transition requirements of SFAS No. 158. In the first quarter of 2007, the changes in plan assets and plan obligations between the September 30, 2006 and December 31, 2006 measurement dates not related to net periodic benefit cost was required to be recognized, net of tax, as a separate adjustment of the opening balance of accumulated other comprehensive income (loss) (AOCI) and regulatory assets. This adjustment was not material. During the second quarter of 2007, Duke Energy Kentucky completed these calculations. The finalization of these actuarial calculations resulted in an insignificant adjustment to AOCI and regulatory assets.

The adoption of SFAS No. 158 did not have a material impact on Duke Energy Kentucky's results of operations or cash flows.

FIN 48. In July 2006, the FASB issued FIN 48, which provides guidance on accounting for income tax positions about which Duke Energy Kentucky has concluded there is a level of uncertainty with respect to the recognition of a tax benefit in Duke Energy Kentucky's financial statements. FIN 48 prescribes the minimum recognition threshold a tax position is required to meet. Tax positions are defined very broadly and include not only tax deductions and credits but also decisions not to file in a particular jurisdiction, as well as the taxability of transactions. Duke Energy Kentucky adopted FIN 48 effective January 1, 2007. See Note 4 for additional information.

FASB Staff Position (FSP) No. FIN 48-1, Definition of "Settlement" in FASB Interpretation No. 48 (FSP No. FIN 48-1). In May 2007, the FASB staff issued FSP No. FIN 48-1 which clarifies the conditions under FIN 48 that should be met for a tax position to be considered effectively settled with the taxing authority. Duke Energy Kentucky's adoption of FIN 48 as of January 1, 2007 was consistent with the guidance in this FSP

2. Regulatory Matters

Regulatory Assets and Liabilities. Duke Energy Kentucky's regulated operations apply the provisions of SFAS No. 71. Accordingly, Duke Energy Kentucky records assets and liabilities that result from the regulated ratemaking process that would not be recorded under GAAP for non-regulated entities. See Note 1 for further information.

Duke Energy Kentucky's Regulatory Assets and Liabilities:

	As of December 31, 2008	As of December 31, 2007	Recovery/Refund Period Ends
	(in thousands)		
Regulatory Assets(a)(b)			
Accrued pension and post retirement	$ 29,149	$ 12,517	(g)
Merger Costs	2,319	3,278	(e)
Vacation accrual(h)	2,349	1,624	2009
Storm cost deferrals	4,913	-	(g)
Hedge Costs and Other Deferrals	10,236	-	2009
Unamortized costs of reacquiring debt(j)	3,663	3,676	2025
Other	4,706	3,415	(g)
Total Regulatory Assets	$ 57,335	$ 24,510	
Regulatory Liabilities(a)			
Removal costs(d)(k)	$ 33,208	$ 31,372	(f)
Amounts due from Customers – Income Taxes(e)(k)	1,554	1,756	(g)
Over-recovery of fuel costs(c)	7,696	-	2009
Other(i)(k)	117	680	(g)
Total Regulatory Liabilities	$ 42,575	$ 33,808	

(a) All regulatory assets and liabilities are excluded from rate base unless otherwise noted.
(b) Included in Regulatory Assets and Deferred Debits on the Balance Sheet unless otherwise noted.
(c) Included in Accounts payable on the Balance Sheet.
(d) Included in rate base.
(e) Recovery/refund is over the life of the associated asset or liability.
(f) Liability is extinguished over the lives of the associated assets.
(g) Recovery/Refund period currently unknown.
(h) Included in Other within Current Assets on the Balance Sheet.
(i) The current portion of the amounts in the other category are included in accounts payable on the balance sheet.
(j) Included in Deferred Debt Expense on the Balance Sheets.
(k) Included in Regulatory Liabilities within Deferred Credits and Other Liabilities on the Balance Sheets.

Regulatory Merger Approvals. As discussed in Note 1, on April 3, 2006, the merger between Duke Energy and Cinergy was consummated to create a newly formed company, Duke Energy Holding Corp (subsequently renamed Duke Energy Corporation). As a condition to the merger approval, the Kentucky Public Service Commission (KPSC) required that certain merger related savings be shared with consumers in Kentucky. The commission also required Duke Energy Kentucky to meet additional conditions. Key elements of these conditions include:

- The KPSC required that Duke Energy Kentucky provide $8 million in rate reductions to its customers over five years, ending when new rates are established in the next rate case after January 1, 2008. Approximately $2 million of the rate reduction was passed through to customers during each of the years ended December 31, 2008 and 2007.
- The FERC approved the merger without conditions.

Restrictions on the Ability of Duke Energy Kentucky to Make Dividends, Advances and Loans to Duke Energy Corporation. As a condition of the Duke Energy and Cinergy merger approval, the state utility commissions imposed conditions (the Merger Conditions) on the ability of Duke Energy Kentucky to transfer funds to Duke Energy through loans or advances, as well as restricted amounts available to pay dividends to Duke Energy. Pursuant to the Merger Conditions, Duke Energy Kentucky is required to pay dividends solely out of retained earnings and to maintain a minimum of 35% equity in its capital structure

Franchised Electric and Gas.

Rate Related Information. The KPSC approves rates for retail electric and gas services within the Commonwealth of Kentucky. The FERC approves rates for electric sales to wholesale customers served under cost-based rates.

Duke Energy Kentucky Gas Rate Cases. In 2002, the KPSC approved Duke Energy Kentucky's gas base rate case which included, among other things, recovery of costs associated with an accelerated gas main replacement program. The approval authorized a tracking mechanism to recover certain costs including depreciation and a rate of return on the program's capital expenditures. The Kentucky Attorney General appealed to the Franklin Circuit Court the KPSC's approval of the tracking mechanism as well as the KPSC's subsequent approval of annual rate adjustments under this tracking mechanism. In 2005, both Duke Energy Kentucky and the KPSC requested that the court dismiss these cases.

In February 2005, Duke Energy Kentucky filed a gas base rate case with the KPSC requesting approval to continue the tracking mechanism and for a $14 million annual increase in base rates. A portion of the increase is attributable to recovery of the current cost of the accelerated gas main replacement program in base rates. In June 2005, the Kentucky General Assembly enacted Kentucky Revised Statue 278.509 (KRS 278.509), which specifically authorizes the KPSC to approve tracker recovery for utilities' gas main replacement programs. In December 2005, the KPSC approved an annual rate increase of $8 million and re-approved the tracking mechanism through 2011. In February 2006, the Kentucky Attorney General appealed the KPSC's order to the Franklin Circuit Court, claiming that the order improperly allows Duke Energy Kentucky to increase its rates for gas main replacement costs in between general rate cases, and also claiming that the order improperly allows Duke Energy Kentucky to earn a return on investment for the costs recovered under the tracking mechanism which permits Duke Energy Kentucky to recover its gas main replacement costs.

In August 2007, the Franklin Circuit Court consolidated all the pending appeals and ruled that the KPSC lacks legal authority to approve the gas main replacement tracking mechanism, which were approved prior to the enactment of KRS 278.509. To date, Duke Energy Kentucky has collected approximately $9 million in annual rate adjustments under the tracking mechanism. Per the KPSC order, Duke Energy Kentucky collected these revenues subject to refund pending the final outcome of this litigation. Duke Energy Kentucky and the KPSC have requested that the Kentucky Court of Appeals grant a rehearing of its decision. On February 5, 2009, the Kentucky Court of Appeals denied the rehearing requests of both Duke Energy Kentucky and the KPSC. Duke Energy Kentucky filed a motion for discretionary review to the Kentucky Supreme Court on March 9, 2009. At this time, Duke Energy Kentucky cannot predict whether the Kentucky Supreme Court will accept the case for review.

Duke Energy Kentucky Electric Rate Case. In May 2006, Duke Energy Kentucky filed an application for an increase in its base electric rates of approximately $67 million in revenue, or approximately 28 percent, to be effective in January 2007 pursuant to the KPSC's 2003 Order approving the transfer of 1,100 MW of generating assets from Duke Energy Ohio to Duke Energy Kentucky. In the fourth quarter of 2006, the KPSC approved the settlement agreement resolving all the issues raised in the proceeding. Among other things, the settlement agreement provided for a $49 million increase in Duke Energy Kentucky's base electric rates and reinstitution of the fuel cost recovery mechanism, which had been frozen since 2001. The settlement agreement also provided for Duke Energy Kentucky to obtain KPSC approval for a back-up power supply plan. In January 2007, Duke Energy Kentucky filed a back-up power supply plan with the KPSC. The plan provided for Duke Energy Kentucky to purchase back-up power through bilateral contracts for unscheduled outages. Duke Energy Kentucky will recover these costs through base rates. The plan provided for Duke Energy Kentucky to purchase back-up power through the Midwest Independent System Operator, Inc. (Midwest ISO) energy markets for unscheduled outages. The KPSC issued an order in March 2007 approving Duke Energy Kentucky's back-up power supply plan.

Energy Efficiency. On November 15, 2007, Duke Energy Kentucky filed its annual application to continue existing energy efficiency programs, consisting of nine residential and two commercial and industrial programs, and to true-up its gas and electric tracking mechanism for recovery of lost revenues, program costs and shared savings. On February 11, 2008, Duke Energy Kentucky filed a motion to amend its energy efficiency programs and applied to reinstitute a low income Home Energy Assistance Program. The KPSC bifurcated the proposed Home Energy Assistance Program from the other energy efficiency programs. On May 14, 2008, the KPSC approved the energy efficiency programs. On September 25, 2008, the KPSC approved Duke Energy Kentucky's Home Energy Assistance program, making it available for customers at or below 150% of the federal poverty level. On December 1, 2008, Duke Energy Kentucky filed an application for a new save-a-watt Energy Efficiency Plan. The application seeks a new energy efficiency recovery mechanism similar to what was proposed in Ohio. An evidentiary hearing with the KPSC is expected to occur in the third quarter of 2009.

Other Franchised Electric and Gas Matters

Midwest Independent Transmission System Operator, Inc. (Midwest ISO) Resource Adequacy Filing. On December 28, 2007, the Midwest ISO filed its Electric Tariff Filing Regarding Resource Adequacy in compliance with the FERC's request of Midwest ISO to file Phase II of its long-term Resource Adequacy plan by December 2007. The proposal includes establishment of a resource adequacy requirement in the form of planning reserve margin. On March 26, 2008, the FERC ruled on the Midwest ISO's Resource Adequacy filing and ordered that the new Module E tariff be effective March 27, 2008. This action established a Midwest ISO-wide resource adequacy requirement for the first Planning Year, which begins June 2009. In the Order, the FERC, among other things, clarified that States have the authority to set their own Planning Reserve Margins, as long as they are not inconsistent with any reliability standard approved by the FERC.

Midwest ISO's Establishment of an Ancillary Services Market. On February 25, 2008, the FERC conditionally accepted the Midwest ISO proposal to implement a day-ahead and real-time ancillary services market (ASM), including a scarcity pricing proposal. By approving the ASM proposal, the FERC essentially approved the transfer and consolidation of Balancing Authority for the entire Midwest ISO area. This will allow the Midwest ISO to determine operating reserve requirements and procure operating reserves from all qualified resources from an organized market, in place of the current system of local management and procurement of reserves by the 24 Balancing Authorities. The Midwest ISO delayed the ASM launch date, previously scheduled for September 9, 2008 to January 6, 2009.

Other Matters.

Application for the Establishment of a Regulatory Asset. On November 14, 2008, Duke Energy Kentucky petitioned the KPSC for permission to create a regulatory asset to defer, for future recovery, approximately $5 million for its expenses incurred to repair damage and restore service to its customers following extensive storm-related damage caused by Hurricane Ike on September 14, 2008. The KPSC approved the requested accounting order on January 7, 2009.

3. Joint Ownership of Generating Facilities

Duke Energy Kentucky and Dayton Power & Light jointly own an electric generating unit.

Duke Energy Kentucky's share in the jointly-owned plant included on the December 31, 2008 Balance Sheet was as follows:

	Ownership Share	Property, Plant, and Equipment	Accumulated Depreciation	Construction Work in Progress
		(in thousands)		
Duke Energy Kentucky				
Production:				
East Bend Station	69.0	$ 422,532	$ 219,411	$ 4,652

Duke Energy Kentucky's share of revenues and operating costs of the above jointly owned generating facilities are included within the corresponding line on the Statements of Operations. Each participant in the jointly owned facilities must provide its own financing.

4. Income Taxes

The following details the components of income tax expense:

Income Tax Expense

	Year Ended December 31, 2008	Year Ended December 31, 2007
	(in thousands)	
Current income taxes		
Federal	$ 10,889	$ 11,387
State	2,217	2,364
Total current income taxes[(a)]	13,106	13,751
Deferred income taxes		
Federal	6,634	4,559
State	1,063	927
Total deferred income taxes	7,697	5,486
Investment tax credit amortization	(777)	(785)
Total income tax expense presented in Statements of Operations	$ 20,026	$ 18,452

(a) Included are FIN 48 benefits relating primarily to certain temporary differences of approximately $95 thousand for 2008 and no amount for 2007.

Reconciliation of Income Tax Expense at the U.S. Federal Statutory Tax Rate to the Actual Tax Expense (Statutory Rate Reconciliation)

	Year Ended December 31, 2008	Year Ended December 31, 2007
	(in thousands)	
Income tax expense, computed at the statutory rate of 35%	**$ 20,128**	$ 18,173
State income tax, net of federal income tax effect	**2,132**	2,139
Depreciation and other PP&E related differences	**51**	173
ITC amortization	**(777)**	(785)
Manufacturing Deduction	**(1,305)**	(477)
Other items, net	**(203)**	(771)
Total income tax expense from continuingoperations	**$20,026**	$ 18,452
Effective Tax Rates	**34.8%**	35.5%

The manufacturing deduction was created by the American Job Creation Act of 2004 (the Act). The Act provides a deduction for income from qualified domestic production activities. During the years ended December 31, 2008 and 2007, the Act provided for a 6% deduction on qualified production activities.

Net Deferred Income Tax Liability Components

	As of December 31, 2008	2007
	(in thousands)	
Deferred credits and other liabilities	$ 696	$ 6,273
Other	8,741	3,250
Total deferred income tax assets	9,437	9,523
Investments and other assets	9,178	6,164
Accelerated depreciation rates	164,930	159,444
Regulatory assets and deferred debits	(315)	(1,144)
Total deferred income tax liabilities	173,793	164,464
Total net deferred income tax liabilities	$ (164,356)	$ (154,941)

The above amounts have been classified in the Balance Sheets as follows.

Net Deferred Income Tax Liabilities

	As of December 31, 2008	2007
	(in thousands)	
Current deferred tax assets/(liabilities), included in other current assets/(liabilities)	$ 7,495	$ 1,626
Non-current deferred tax liabilities	(171,851)	(153,315)
Total net deferred income tax liabilities	$ (164,356)	$ (154,941)

Changes to Unrecognized Tax Benefits

	2008 Increase/(Decrease) (in thousands)	2007 Increase/(Decrease) (in thousands)
Unrecognized Tax Benefits – January 1	$ 252	$ 420
Unrecognized Tax Benefits Changes		
Gross increases – tax positions in prior periods	0	0
Gross decreases—tax positions in prior periods	(252)	(10)
Gross increases – current period tax positions	0	0
Settlements	0	(158)
Total Changes	(252)	(168)
Unrecognized Tax Benefits – December 31	$ 0	$ 252

At December 31, 2008, and December 31, 2007, no portion of the total unrecognized tax benefits would, if recognized, affect the effective tax rate

During the years ended December 31, 2008 and December 31, 2007, Duke Energy Kentucky recognized net interest income of approximately $224 thousand and net interest expense of approximately $215 thousand, respectively At December 31, 2008 and December 31, 2007, Duke Energy Kentucky had approximately $529 thousand and $305 thousand, respectively, of interest receivable which reflects all interest related to income taxes, and no amount has been accrued for the payment of penalties in the Balance Sheets.

Duke Energy Kentucky has the following tax years open.

Jurisdiction	Tax Years
Federal	2000 and after
State	*Closed through 2001, with the exception of any adjustments related to open federal years*

5. Asset Retirement Obligations

Asset retirement obligations, which represent legal obligations associated with the retirement of certain tangible long-lived assets, are computed as the present value of the projected costs for the future retirement of specific assets and are recognized in the period in which the liability is incurred, if a reasonable estimate of fair value can be made. The present value of the liability is added to the carrying amount of the associated asset in the period the liability is incurred. This additional carrying amount is then depreciated over the life of the asset. Subsequent to the initial recognition, the liability is adjusted for any revisions to the estimated future cash flows associated with the asset retirement obligation (with corresponding adjustments to property, plant and equipment), which can occur due to a number of factors including, but not limited to, cost escalation, changes in technology applicable to the assets to be retired and changes in federal, state or local regulations, as well as for accretion of the liability due to the passage of time until the obligation is settled. Depreciation expense is adjusted prospectively for any increases or decreases to the carrying amount of the associated asset.

Asset retirement obligations at Duke Energy Kentucky relate primarily to the retirement of gas mains, asbestos abatement at certain generating stations and closure and post-closure activities of landfills. In accordance with SFAS No 143, Duke Energy Kentucky identified certain assets that have an indeterminate life, and thus the fair value of the retirement obligation is not reasonably estimable. These assets include transmission pipelines. A liability for these asset retirement obligations will be recorded when a fair value is determinable.

The following table presents the changes to liability associated with asset retirement obligations during the years ended December 31, 2008 and 2007.

Reconciliation of Asset Retirement Obligation Liability

	Years Ended December 31, 2008	2007
	(in thousands)	
Balance as of January 1,	$ 6,179	$ 8,266
Accretion expense	345	466
Liabilities settled(a)	(134)	(2,553)
Balance as of December 31,	$ 6,390	$ 6,179

(a) Liabilities settled are related to the retirement of gas mains.

Upon adoption of SFAS No. 143, Duke Energy Kentucky's regulated electric and regulated natural gas operations classifies removal costs for property that does not have an associated legal retirement obligation as a regulatory liability, in accordance with regulatory treatment under SFAS No. 71. The total amount of removal costs included in Regulatory Liabilities within Deferred Credits and Other Liabilities on the Balance Sheets was $33 million and $31 million as of December 31, 2008 and 2007, respectively.

6. Risk Management and Hedging Activities and Credit Risk

Duke Energy Kentucky has limited exposure to market price changes of fuel and emission allowance costs incurred for its retail customers due to the use of cost tracking and recovery mechanisms in the state of Kentucky Duke Energy Kentucky does have exposure to the impact of market fluctuations in the prices of electricity, fuel and emission allowances associated with its generation output not utilized to serve native load or committed load (off-system, wholesale power sales). Exposure to interest rate risk exists as a result of the issuance of variable and fixed rate debt. Duke Energy Kentucky employs established policies and procedures to manage its risks associated with these market fluctuations using various commodity and financial derivative instruments, including swaps, futures, forwards and options

Interest Rate (Fair Value or Cash Flow) Hedges. Changes in interest rates expose Duke Energy Kentucky to risk as a result of its issuance of variable and fixed rate debt Duke Energy Kentucky manages its interest rate exposure by limiting its variable-rate exposures to a percentage of total capitalization and by monitoring the effects of market changes in interest rates. Duke Energy Kentucky also enters into financial derivative instruments, including, but not limited to, interest rate swaps, swaptions and U S Treasury lock agreements to manage and mitigate interest rate risk exposure Duke Energy Kentucky's existing interest rate derivative instruments and related ineffectiveness were insignificant to its results of operations, cash flows and financial position in 2008 and 2007

Credit Risk. Where exposed to credit risk, Duke Energy Kentucky analyzes the counterparties' financial condition prior to entering into an agreement, establishes credit limits and monitors the appropriateness of those limits on an ongoing basis.

Duke Energy Kentucky's industry has historically operated under negotiated credit lines for physical delivery contracts Duke Energy Kentucky may use master collateral agreements to mitigate certain credit exposures. The collateral agreements provide for a counterparty to post cash or letters of credit to the exposed party for exposure in excess of an established threshold. The threshold amount represents an unsecured credit limit, determined in accordance with the corporate credit policy. Collateral agreements also provide that the inability to post collateral is sufficient cause to terminate contracts and liquidate all positions.

Duke Energy Kentucky also obtains cash or letters of credit from customers to provide credit support outside of collateral agreements, where appropriate, based on its financial analysis of the customer and the regulatory or contractual terms and conditions applicable to each transaction

7. Fair Value of Financial Assets and Liabilities

On January 1, 2008, Duke Energy Kentucky adopted SFAS No. 157. Duke Energy Kentucky's adoption of SFAS No. 157 is currently limited to financial instruments and to non-financial derivatives as, in February 2008, the FASB issued FSP No. 157-2, which delayed the effective date of SFAS No 157 until January 1, 2009 for non-financial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. There was no cumulative effect adjustment to retained earnings for Duke Energy Kentucky as a result of the adoption of SFAS No. 157.

SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP in the U.S. and expands disclosure requirements about fair value measurements. Under SFAS No 157, fair value is considered to be the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The fair value definition under SFAS No. 157 focuses on an exit price, which is the price that would be received by Duke Energy Kentucky to sell an asset or paid to transfer a liability versus an entry price, which would be the price paid to acquire an asset or received to assume a liability. Although SFAS No. 157 does not require additional fair value measurements, it applies to other accounting pronouncements that require or permit fair value measurements In October 2008, the FASB issued FSP No FAS 157-3, which illustrated key considerations in determining the fair value of a financial asset when the market for that asset is not active. The application of FSP FAS 157-3 did not change the way Duke Energy Kentucky determined fair value of its financial assets and liabilities.

Duke Energy Kentucky determines fair value of financial assets and liabilities based on the following fair value hierarchy, as prescribed by SFAS No 157, which prioritizes the inputs to valuation techniques used to measure fair value into three levels.

Level 1 inputs – unadjusted quoted prices in active markets for identical assets or liabilities that Duke Energy Kentucky has the ability to access. An active market for the asset or liability is one in which transactions for the asset or liability occur with sufficient frequency and volume to provide ongoing pricing information Duke Energy Kentucky does not adjust quoted market prices on Level 1 inputs for any blockage factor.

Level 2 inputs – inputs other than quoted market prices included in Level 1 that are observable, either directly or indirectly, for the asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted market prices that are observable for the asset or liability, such as interest rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk and default rates.

Level 3 inputs – unobservable inputs for the asset or liability.

In February 2007, the FASB issued SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities-including an amendment of FASB Statement No. 115*" (SFAS No. 159), which permits entities to elect to measure many financial instruments and certain other items at fair value. For Duke Energy Kentucky, SFAS No 159 was effective as of January 1, 2008 and had no impact on amounts presented for periods prior to the effective date Duke Energy Kentucky does not currently have any financial assets or financial liabilities for which the provisions of SFAS No. 159 have been elected However, in the future, Duke Energy Kentucky may elect to measure certain financial instruments at fair value in accordance with this standard.

The following table provides the fair value measurement amounts for assets and liabilities recorded in Other in both Current Assets and Current Liabilities and Other within Deferred Credits and Other Liabilities on Duke Energy Kentucky's Balance Sheets at fair value at December 31, 2008:

Description	Total Fair Value Amounts at December 31, 2008	Level 1	Level 2	Level 3
		(in thousands)		
Derivatives Assets	$ 178	$ —	$ —	$ 178
Derivatives Liabilities	$ (7,977)	$ —	$ (7,977)	$ —

The following table provides a reconciliation of beginning and ending balances of assets measured at fair value on a recurring basis where the determination of fair value includes significant unobservable inputs (Level 3):

	Derivatives (net)
	(in thousands)
Balance at January 1, 2008	$ 0
Total gains included on balance sheet	841
Net purchases, sales, issuances and settlements	(663)
Balance at December 31, 2008	$ 178

The valuation method of the primary fair value measurements disclosed above is as follows:

Fair Value Disclosures Required Under SFAS No. 107, "*Disclosures About Fair Value of Financial Instruments.*" The fair value of financial instruments, excluding financial assets included in the scope of SFAS No. 157 disclosed in the tables above, is summarized in the following table. Judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates determined as of December 31, 2008 and 2007, are not necessarily indicative of the amounts Duke Energy Kentucky could have realized in current markets.

Financial Instruments

	As of December 31			
	2008		2007	
	Book Value	Approximate Fair Value	Book Value	Approximate Fair Value
	(in thousands)			
Long-term debt, including current maturities	**$ 338,629**	**$ 327,228**	$ 287,012	$ 283,183

The fair value of cash and cash equivalents, accounts receivable, accounts payable and notes payable are not materially different from their carrying amounts because of the short-term nature of these instruments and/or because the stated rates approximate market rates.

8. Intangibles

The carrying amount of emission allowances in intangible assets as of December 31, 2008 and December 31, 2007 were $11 million and $7 million, respectively.

The carrying values of emission allowances sold or consumed were $5 million and $6 million as of December 31, 2008 and December 31, 2007, respectively.

The table below shows the expected amortization expense for the next five years for intangible assets as of December 31, 2007. The expected amortization expense includes estimates of emission allowances consumption. The amortization amounts discussed below are estimates. Actual amounts may differ from these estimates due to such factors as changes in consumption patterns, sales or impairments of emission allowances or other intangible assets, additional intangible acquisitions and other events.

	2009	2010-2012
	(in thousands)	
Expected Amortization expense	$ 10,503	—

9. Related Party Transactions

Duke Energy Kentucky engages in related party transactions. These transactions are generally performed at cost and in accordance with the applicable state and federal commission regulations. Balances due to or due from related parties included in the Balance Sheets as of December 31, 2008 and December 31, 2007 are as follows:

	December 31, 2008	December 31,2007
	(in thousands)	
Accounts Receivable	$ 10,765	$ 3,660
Accounts Payable	$ 13,478	$ 26,429

Duke Energy Kentucky is charged its proportionate share of corporate governance and other costs by a consolidated affiliate of Duke Energy. Duke Energy Kentucky is also charged its proportionate share of other corporate governance costs from a consolidated affiliate of Cinergy. Corporate governance and other shared services costs are primarily related to human resources, legal and accounting fees, as well as other third party costs. The expenses associated with certain allocated corporate governance and other service costs for Duke Energy Kentucky, which are recorded in Operation, Maintenance and Other within Operating Expenses on the Statements of Operations were as follows:

	December 31, 2008	December 31, 2007
	(in thousands)	
Corporate governance and shared services expenses	$ 56,979	$ 47,495

Duke Energy Kentucky incurs expenses from Duke Energy Ohio related to purchasing network integration transmission service from the Midwest Independent Transmission System Operator (MISO) and ancillary services. These expenses, which are recorded in Operation, maintenance and other within Operating Expenses on the Consolidated Statements of Operations, were approximately $16 million and $17 million for the years ended December 31, 2008 and 2007, respectively.

See Note 15 for detail on expense amounts allocated from Cinergy to Duke Energy Kentucky related to Duke Energy Kentucky's participation in Cinergy's qualified and non-qualified defined benefit pension plans and post-retirement health care and insurance benefits. Additionally, Duke Energy Kentucky has been allocated accrued pension and other post-retirement and post-employment benefit obligations from Cinergy of approximately $39 million at December 31, 2008 and approximately $23 million at December 31, 2007. The above amounts have been classified in the Balance Sheet as follows.

	December 31,	December 31,

		2008		2007
		(in thousands)		
Other current liabilities	$	**108**	$	101
Accrued pension and other postretirement benefit costs	$	**39,195**	$	22,505

Additionally, certain trade receivables have been sold by Duke Energy Kentucky to Cinergy Receivables, an unconsolidated entity formed by Cinergy. The proceeds obtained from the sales of receivables are largely cash but do include a subordinated note from Cinergy Receivables for a portion of the purchase price. This subordinated note is classified by Duke Energy Kentucky as Receivables in the Balance Sheets and was approximately $29 million as of December 31, 2008 and 2007. See Note 10 for additional information. See Note 12 for information on money pool.

10. Sales of Accounts Receivable

Accounts Receivable Securitization. Duke Energy Kentucky sells, on a revolving basis, nearly all of its retail accounts receivable and related collections to Cinergy Receivables, a bankruptcy remote, special purpose entity that is a wholly-owned limited liability company of Cinergy. The securitization transaction was structured to meet the criteria for sale treatment under SFAS No. 140, and, accordingly, Cinergy does not consolidate Cinergy Receivables and the transfers of receivables are accounted for as sales.

The proceeds obtained from the sales of receivables are largely cash but do include a subordinated note from Cinergy Receivables for a portion of the purchase price (typically approximates 25 percent of the total proceeds). The note, which amounts to approximately $29 million at December 31, 2008 and 2007, is subordinate to senior loans that Cinergy Receivables obtain from commercial paper conduits controlled by unrelated financial institutions which is the source of funding for the subordinated note. This subordinated note is a retained interest (right to receive a specified portion of cash flows from the sold assets) under SFAS No. 140 and is classified within Receivables in the accompanying Balance Sheets at December 31, 2008 and 2007.

The carrying values of the retained interests are determined by allocating the carrying value of the receivables between the assets sold and the interests retained based on relative fair value. The key assumptions in estimating fair value are the anticipated credit losses, the selection of discount rates, and expected receivables turnover rate. Because (a) the receivables generally turnover in less than two months, (b) credit losses are reasonably predictable due to Duke Energy Kentucky's broad customer base and lack of significant concentration, and (c) the purchased beneficial interest is subordinate to all retained interests and thus would absorb losses first, the allocated bases of the subordinated notes are not materially different than their face value. Interest accrues to Duke Energy Kentucky on the retained interests using the accretable yield method, which generally approximates the stated rate on the notes since the allocated basis and the face value are nearly equivalent. An impairment charge is recorded against the carrying value of both the retained interests and purchased beneficial interest whenever it is determined that an other-than-temporary impairment has occurred (which is unlikely unless credit losses on the receivables far exceed the anticipated level).

The key assumptions used in estimating the fair value are as follows.

	Years Ended December 31, 2008	2007
Anticipated credit loss rate	**0.9%**	0.9%
Discount rate on expected cash flows	**5.3%**	7.7%
Receivables turnover rate	**12.1%**	11.9%

The hypothetical effect on the fair value of the retained interests assuming both a 10% and a 20% unfavorable variation in credit losses or discount rates is not material due to the short turnover of receivables and historically low credit loss history.

Duke Energy Kentucky retains servicing responsibilities for its role as a collection agent on the amounts due on the sold receivables. However, Cinergy Receivables assumes the risk of collection on the purchased receivables without recourse to Duke Energy Kentucky in the event of a loss. While no direct recourse to Duke Energy Kentucky exists, it risks loss in the event collections are not sufficient to allow for full recovery of its retained interests. No servicing asset or liability is recorded since the servicing fee paid to Duke Energy Kentucky approximates a market rate.

The following table shows the gross and net receivables sold, retained interests, sales, and cash flows during the periods ending:

		December 31, 2008		December 31, 2007
		(in thousands)		
Receivables sold as of period end	$	**71,340**	$	63,936
Less: Retained interests		**28,530**		29,165
Net receivables sold as of period end	$	**42,810**	$	34,771
Sales during period				
Receivables sold	$	**486,988**	$	468,617
Loss recognized on sale		**5,350**		6,583
Cash flows during period				
Cash proceeds from receivables sold	$	**484,916**	$	453,052
Return received on retained interests		**3,214**		3,694

11. Property, Plant and Equipment

	Estimated Useful Life (Years)	December 31, 2008	December 31, 2007
		(in thousands)	
Land	—	$ 17,755	$ 17,894
Plant			
Electric generation, distribution and transmission[a]	8 – 100	1,083,826	1,085,286
Natural gas transmission and distribution[a]	12 – 50	341,547	315,763
Other buildings and improvements[a]	15 – 100	29,063	29,064
Equipment	11 – 25	7,599	7,097
Vehicles	9 – 15	314	314
Construction in process	—	36,504	24,572
Other	5 – 10	20,177	19,367
Total property, plant and equipment		1,536,785	1,499,357
Total accumulated depreciation[b]		(625,727)	(617,530)
Total net property, plant and equipment		$ 911,058	$ 881,827

(a) Includes capitalized leases, for which the totals were $29 million for 2008 and $24 million for 2007.

(b) Includes accumulated amortization of capitalized leases: $3 million for 2008 and $2 million for 2007.

Capitalized interest, which includes the interest expense component of AFUDC, was less than $500 thousand for the years ended December 31, 2008 and 2007.

12. Debt and Credit Facilities

Summary of Debt and Related Terms

	Weighted Avg Rate	Year Due	Dec 31, 2008	Dec 31, 2007
			(in thousands)	
Unsecured debt	6.0%	2009 – 2036	$ **175,000**	$ 195,000
Capital leases	5.6%	2009 – 2020	**13,126**	15,089
Other debt[a]	1.5%	2009 – 2027	**77,572**	77,571
Notes payable	2.3%	2012	**73,517**	—
Money Pool	.5%		**3,241**	27,470
Unamortized debt discount and premium, net			**(586)**	(648)
Total debt			**341,870**	314,482
Current maturities of long-term debt			**(22,461)**	(21,678)
Short-term notes payable			**(3,241)**	(27,470)
Total long-term debt			$ **316,168**	$ 265,334

(a) Includes $77 million of Duke Energy Kentucky pollution control bonds as of December 31, 2008 and 2007

Unsecured and Other Debt. In December 2008, Duke Energy Kentucky refunded $50 million of tax-exempt auction rate bonds through the issuance of $50 million of tax-exempt variable-rate demand bonds, which are supported by a direct-pay letter of credit. The variable-rate demand bonds, which are due August 1, 2027, had an initial interest rate of 0.65% which is reset on a weekly basis.

Money Pool. Duke Energy Kentucky receives support for its short-term borrowing needs through its participation with Duke Energy and other Duke Energy subsidiaries in a money pool arrangement. Under this arrangement, those companies with short-term funds may provide short-term loans to affiliates participating under this arrangement. The money pool is structured such that Duke Energy Kentucky separately manages its cash needs and working capital requirements. Accordingly, there is no net settlement of receivables and payables of the participating subsidiaries, as each entity independently participates in the money pool. As of December 31, 2008 and December 31, 2007, Duke Energy Kentucky had amounts outstanding of approximately $3 million and $27 million, respectively, classified within Notes payable in the Balance Sheets. During the years ended December 31, 2008 and 2007, the $24 million and $15 million decrease, respectively, in the money pool activity is reflected as a cash outflow in Notes payable and commercial paper within Net cash (used in) provided by financing activities on the Statements of Cash Flows.

Floating Rate Debt. Unsecured debt and other debt included approximately $150 million and $77 million of floating-rate debt as of December 31, 2008 and 2007, respectively. Floating-rate debt is primarily based on commercial paper rates or a spread relative to an index such as a London Interbank Offered Rate (LIBOR). As of December 31, 2008 and 2007, the weighted-average interest rate associated with floating-rate debt was approximately 1.9% and 4.4%, respectively.

Auction Rate Debt. As of December 31, 2008 and 2007, Duke Energy Kentucky had approximately $27 million and $77 million, respectively, of auction rate pollution control bonds outstanding. While these debt instruments are long-term in nature and cannot be put back to Duke Energy Kentucky prior to maturity, the interest rates on these instruments are designed to reset periodically through an auction process. In February 2008, Duke Energy Kentucky began to experience failed auctions. When failed auctions occur on a series of this debt, Duke Energy Kentucky is required to pay the maximum auction rate as prescribed by the bond document. The maximum auction rate for the auction rate debt is 2.0 times one-month LIBOR. Payment of the failed-auction interest rates will continue until Duke Energy Kentucky is able to either successfully remarket these instruments through the auction process or refund and refinance the existing debt through the issuance of an equivalent amount of tax exempt bonds. As noted above, Duke Energy Kentucky refunded $50 million of these auction rate bonds in December 2008. While Duke Energy Kentucky intends to refund and refinance the remaining tax exempt auction rate bond, the timing of such refinancing transaction is uncertain and subject to market conditions. However, even if Duke Energy Kentucky is unable to successfully refund and refinance this debt instrument, the impact of paying higher interest rates on the outstanding auction rate debt is not expected to materially effect Duke Energy Kentucky's results of operations, cash flows or financial position. The weighted-average interest rate associated with Duke Energy Kentucky's auction rate pollution control bonds, was .94% as of December 31, 2008 and 4.39% as of December 31, 2007.

Maturities, Call Options and Acceleration Clauses.

Annual Maturities as of December 31, 2008

		(in thousands)
2009	$	22,461
2010		1,628
2011		1,439
2012		75,126
2013		1,408
Thereafter		236,567
Total long-term debt (including current maturities)	$	338,629

Duke Energy Kentucky has the ability under certain debt facilities to call and repay the obligation prior to its scheduled maturity. Therefore, the actual timing of future cash repayments could be materially different than the above as a result of Duke Energy Kentucky's ability to repay these obligations prior to their scheduled maturity.

***Available Credit Facilities* and Capacity Utilized Under Available Credit Facilities**. In June 2007, Duke Energy closed the syndication of an amended and restated credit facility, which replaced existing credit facilities, with a 5-year, $2.65 billion master credit facility. In March 2008, Duke Energy entered into an amendment to its $2.65 billion master credit facility whereby the borrowing capacity was increased by $550 million to $3.2 billion. In October 2008, Duke Energy terminated the participation of one of the financial institutions supplying approximately $63 million of credit commitment under its master credit facility. The total credit facility capacity under the master credit facility subsequent to this termination is approximately $3.14 billion. Duke Energy has the unilateral ability under the master credit facility to increase or decrease the borrowing sub limits of each borrower, subject to maximum cap limitation, at any time. At December 31, 2008, Duke Energy Kentucky had borrowing sub limit under Duke Energy's master credit facility of $100 million. The amount available to Duke Energy Kentucky under their sub limit to Duke Energy's master credit facility has been reduced by drawdowns of cash, borrowings through the money pool arrangement, and the use of the master credit facility to backstop issuances of letters of credit, as discussed below.

In September 2008, Duke Energy and its wholly-owned subsidiaries, including Duke Energy Kentucky, borrowed a total of approximately $1 billion under Duke Energy's master credit facility. As of December 31, 2008, outstanding borrowings totaled approximately $750 million under Duke Energy's master credit facility, of which Duke Energy Kentucky's portion is approximately $74 million. The loan, which is a revolving credit loan, bears interest at one-month LIBOR plus an applicable spread of 24 basis points and is due in September 2009; however, Duke Energy Kentucky has the ability under the master credit facility to renew the loan up through the date the master credit facility matures, which is in June 2012. As Duke Energy Kentucky has the intent and ability to refinance this obligation on a long-term basis, either through renewal of the terms of the loan through the master credit facility, which has non-cancelable terms in excess of one-year, or through issuance of long-term debt to replace the amounts drawn under the master credit facility, Duke Energy Kentucky's borrowing is reflected as Long-Term Debt on the Balance Sheets at December 31, 2008. This borrowing reduces Duke Energy Kentucky's available credit capacity under Duke Energy's Master Credit Facility, as discussed above.

At December 31, 2008 and December 31, 2007, approximately $50 million and $0 million, respectively, of certain pollution control bonds, which are short-term obligations by nature, are classified as Long-Term Debt on the Consolidated Balance Sheets due to Duke Energy Kentucky's intent and ability to utilize such borrowings as long-term financing. Duke Energy Kentucky's credit facility with non-cancelable terms in excess of one year as of the balance sheet date give Duke Energy Kentucky the ability to refinance these short-term obligations on a long-term basis. The specific credit facility discussed below backstopped the $50 million of pollution control bonds outstanding at December 31, 2008.

In September 2008, Duke Energy Kentucky and Duke Energy Indiana, Inc., a wholly-owned subsidiary of Duke Energy, collectively entered into a $330 million letter of credit agreement with a syndicate of banks. Under this letter of credit agreement, Duke Energy Kentucky may request the issuance of letters of credit up to approximately $51 million on its behalf to support various series of variable rate demand bonds issued or to be issued on behalf of Duke Energy Kentucky. This credit facility, which is not part of Duke Energy's master credit facility, may not be used for any purpose other than to support variable rate demand bonds issued by Duke Energy Kentucky and Duke Energy Indiana, Inc.

Restrictive Debt Covenants. Duke Energy's debt and credit agreement contains various financial and other covenants, including, but not limited to, a covenant regarding the debt-to-total capitalization ratio at Duke Energy and Duke Energy Kentucky to not exceed 65%. Duke Energy Kentucky's debt agreements also contain various financial and other covenants. Failure to meet these covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements. As of December 31, 2008, Duke Energy and Duke Energy Kentucky were in compliance with all covenants that would impact Duke Energy Kentucky's ability to borrow funds under the debt and credit facilities. In addition, some credit agreements may allow for acceleration of payments or termination of the agreements due to nonpayment, or the acceleration of other significant indebtedness of the borrower or some of its subsidiaries. None of the debt or credit agreements contain material adverse change clauses

13. Common Stock

Common Stock. Duke Energy Kentucky's common stock is wholly owned by Duke Energy Ohio. See Note 1 for additional information.

During the year ended December 31, 2008, Duke Energy Kentucky paid dividends of $30 million. Duke Energy Kentucky did not pay dividends during the year ended December 31, 2007.

14. Commitments and Contingencies

General Insurance

Effective with the date of the merger between Duke Energy and Cinergy, Duke Energy Kentucky carries, either directly or through Duke Energy's captive insurance company, Bison Insurance Company Limited, insurance and reinsurance coverages consistent with companies engaged in similar commercial operations with similar type properties. Duke Energy Kentucky's insurance coverage includes (1) commercial general public liability insurance for liabilities arising to third parties for bodily injury and property damage resulting from Duke Energy Kentucky's operations; (2) workers' compensation liability coverage to required statutory limits; (3) automobile liability insurance for all owned, non-owned and hired vehicles covering liabilities to third parties for bodily injury and property damage; (4) insurance policies in support of the indemnification provisions of Duke Energy Kentucky's by-laws and (5) property insurance covering the replacement value of all real and personal property damage, excluding electric transmission and distribution lines, including damages arising from boiler and machinery breakdowns, earthquake, flood damage and extra expense. All coverages are subject to certain deductibles, terms and conditions common for companies with similar types of operations

Duke Energy Kentucky also maintains excess liability insurance coverage above the established primary limits for commercial general liability and automobile liability insurance. Limits, terms, conditions and deductibles are comparable to those carried by other companies with similar types of operations.

The cost of Duke Energy Kentucky's general insurance coverages continued to fluctuate over the past year reflecting the changing conditions of the insurance markets.

Environmental

Duke Energy Kentucky is subject to federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. These regulations can be changed from time to time, imposing new obligations on Duke Energy Kentucky.

Remediation activities. Duke Energy Kentucky is responsible for environmental remediation at various contaminated sites. These include some properties that are part of ongoing Duke Energy Kentucky operations, sites formerly owned or used by Duke Energy Kentucky entities, and sites owned by third parties. Remediation typically involves management of contaminated soils and may involve groundwater remediation. Managed in conjunction with relevant federal, state and local agencies, activities vary with site conditions and locations, remedial requirements, complexity and sharing of responsibility. If remediation activities involve statutory joint and several liability provisions, strict liability, or cost recovery or contribution actions, Duke Energy Kentucky could potentially be held responsible for contamination caused by other parties. In some instances, Duke Energy Kentucky may share liability associated with contamination with other potentially responsible parties, and may also benefit from insurance policies or contractual indemnities that cover some or all cleanup costs. All of these sites generally are managed in the normal course of business or affiliate operations. Management, in the normal course of business, continually assesses the nature and extent of known or potential environmental-related contingencies and records liabilities when losses become probable and are reasonably estimable.

Clean Water Act 316(b). The Environmental Protection Agency (EPA) finalized its cooling water intake structures rule in July 2004. The rule established aquatic protection requirements for existing facilities that withdraw 50 million gallons or more of water per day from rivers, streams, lakes, reservoirs, estuaries, oceans, or other U.S. waters for cooling purposes. Coal-fired generating facilities in which Duke Energy Kentucky is either a whole or partial owner are affected sources under that rule. On January 25, 2007, the U.S. Court of Appeals for the Second Circuit issued its opinion in *Riverkeeper, Inc. v. EPA*, Nos. 04-6692-ag(L) et. al. (2d Cir. 2007) remanding most aspects of EPA's rule back to the agency. The court effectively disallowed those portions of the rule most favorable to industry, and the decision creates a great deal of uncertainty regarding future requirements and their timing. On April 14, 2008, the U.S. Supreme Court issued an order granting review of the case and briefs was filed on July 14, 2008. Oral argument occurred on December 2, 2008. A decision is expected in 2009. If the Supreme Court upholds the lower court decision, it is expected that costs will increase as a result of the court's decision; however, Duke Energy Kentucky is unable to estimate at this time its costs to comply.

Clean Air Interstate Rule (CAIR). The EPA finalized its CAIR in May 2005. The CAIR limits total annual and summertime NO_x emissions and annual SO_2 emissions from electric generating facilities across the Eastern U.S. through a two-phased cap-and-trade program. Phase 1 begins in 2009 for NO_x and in 2010 for SO_2. Phase 2 begins in 2015 for both NO_x and SO_2. On March 25, 2008, the U.S. Court of Appeals for the District of Columbia (D.C. Circuit) heard oral argument in a case involving multiple challenges to the CAIR. On July 11, 2008, the D.C. Circuit issued its decision in *North Carolina v. EPA* No. 05-1244 vacating the CAIR. The EPA filed a petition for rehearing on September 24, 2008 with the D.C. Circuit asking the court to reconsider various parts of its ruling vacating CAIR. In December 2008, the D.C. Circuit issued a decision remanding the CAIR to the EPA without vacatur. EPA must now conduct a new rulemaking to modify the CAIR in accordance with the court's July 11, 2008 opinion. This decision means that the CAIR as initially finalized in 2005 remains in effect until the new EPA rule takes effect. The court did not impose a deadline or schedule on the EPA. It is uncertain how long the current CAIR will remain in effect or how the new rulemaking will alter the CAIR.

Duke Energy Kentucky is currently unable to estimate the costs to comply with any new rule the EPA will issue in the future as a result of the D.C. District Court's December 2008 decision discussed above.

Clean Air Mercury Rule (CAMR). The EPA finalized its CAMR in May 2005. The CAMR was to have limited total annual mercury emissions from coal-fired power plants across the U.S. through a two-phased cap-and-trade program beginning in 2010. On February 8, 2008, the D.C. Circuit issued its opinion in *New Jersey v. EPA*, No. 05-1097 vacating the CAMR. Requests for rehearing were denied. The U.S. EPA and the Utility Air Regulatory Group have requested that the U.S. Supreme Court review the D.C. Circuit's decision. The D.C. Circuit's decision creates uncertainty regarding future mercury emission reduction requirements and their timing, but makes it fairly certain that there will be a delay in the implementation of federal mercury requirements for existing coal-fired power plants. On January 29, 2009, the EPA requested the U.S. Department of Justice withdraw its Petition for Writ of Certiorari filed on October 17, 2008. On February 23, 2009, the Supreme Court denied the Utility Air Regulatory Group's petition. The EPA will not develop emission standards for utility units under section 112 of the Clean Air Act, thus abiding by the D.C. Circuit's decision. At this point, Duke Energy Kentucky is unable to estimate the costs to comply with any future mercury regulations that might result from the D.C. Circuit's decision.

Coal Combustion Product (CCP) Management. Duke Energy Kentucky currently estimates that it will spend approximately $2 million over the period 2009-2013 to install synthetic caps and liners at existing and new CCP landfills and to convert CCP handling systems from wet to dry systems.

Comprehensive Environmental Response, Compensation, and Liability Act Matter. In August 2008, Duke Energy Kentucky received a notice from the EPA that it has been identified as a potentially responsible party under the Comprehensive Environmental Response, Compensation, and Liability Act at the LWD, Inc., Superfund Site in Calvert City, Kentucky. At this time, Duke Energy Kentucky does not have any further information regarding the scope of potential liability associated with this matter.

Extended Environmental Activities and Accruals. Included in Other within Deferred Credits and Other Liabilities on the Balance Sheets were total accruals related to extended environmental-related activities of approximately $2 million as of both December 31, 2008 and 2007. These accruals represent Duke Energy Kentucky's provisions for costs associated with remediation activities at some of its current and former sites, as well as other relevant environmental contingent liabilities. Management, in the normal course of business, continually assesses the nature and extent of known or potential environmental-related contingencies and records liabilities when losses become probable and are reasonably estimable.

Litigation

Section 126 Petitions. In March 2004, the state of North Carolina filed a petition under Section 126 of the CAA in which it alleges that sources in 13 upwind states, including Kentucky, significantly contribute to North Carolina's non-attainment with certain ambient air quality standards. In August 2005, the EPA issued a proposed response to the petition. The EPA proposed to deny the ozone portion of the petition based upon a lack of contribution to air quality by the named states. The EPA also proposed to deny the particulate matter portion of the petition based upon the CAIR Federal Implementation Plan (FIP) that would address the air quality concerns from neighboring states. On April 28, 2006, the EPA denied North Carolina's petition based upon the final CAIR FIP described above. North Carolina has filed a legal challenge to the EPA's denial. Briefing in that case is under way. The EPA has conceded that the D.C. Circuit's July 18, 2008 decision in the CAIR litigation, North Carolina v. EPA No. 05-1244, discussed above, and a subsequent order issued by the D.C. Circuit on December 23, 2008, have eliminated the legal basis for the EPA's denial of North Carolina's Section 126 petition. At this time, Duke Energy Kentucky cannot predict the outcome of this proceeding.

Carbon Dioxide (CO_2) Litigation. In July 2004, the states of Connecticut, New York, California, Iowa, New Jersey, Rhode Island, Vermont, Wisconsin and the City of New York brought a lawsuit in the U.S. District Court for the Southern District of New York against Cinergy, American Electric Power Company, Inc., American Electric Power Service Corporation, The Southern Company, Tennessee Valley Authority, and Xcel Energy Inc. A similar lawsuit was filed in the U.S. District Court for the Southern District of New York against the same companies by Open Space Institute, Inc., Open Space Conservancy, Inc., and The Audubon Society of New Hampshire. These lawsuits allege that the defendants' emissions of CO_2 from the combustion of fossil fuels at electric generating facilities contribute to global warming and amount to a public nuisance. The complaints also allege that the defendants could generate the same amount of electricity while emitting significantly less CO_2. The plaintiffs are seeking an injunction requiring each defendant to cap its CO_2 emissions and then reduce them by a specified percentage each year for at least a decade. In September 2005, the District Court granted the defendants' motion to dismiss the lawsuit. The plaintiffs have appealed this ruling to the Second Circuit Court of Appeals. Oral arguments were held before the Second Circuit Court of Appeals on June 7, 2006. It is not possible to predict with certainty whether Duke Energy Kentucky will incur any liability or to estimate the damages, if any, that Duke Energy Kentucky might incur in connection with this matter.

Hurricane Katrina Lawsuit. In April 2006, Cinergy was named in the third amended complaint of a purported class action lawsuit filed in the U.S. District Court for the Southern District of Mississippi. Plaintiffs claim that Cinergy, along with numerous other utilities, oil companies, coal companies and chemical companies, are liable for damages relating to losses suffered by victims of Hurricane Katrina. Plaintiffs claim that defendants' greenhouse gas emissions contributed to the frequency and intensity of storms such as Hurricane Katrina. On August 30, 2007, the court dismissed the case. The plaintiffs have filed their appeal to the Fifth Circuit Court of Appeals, and oral arguments were heard on August 6, 2008. Due to the late recusal of one of the judges on the Fifth Circuit panel, the court held a new oral argument on November 3, 2008. It is not possible to predict with certainty whether Duke Energy will incur any liability or to estimate the damages, if any, that Duke Energy might incur in connection with this matter.

Other Litigation and Legal Proceedings. Duke Energy Kentucky is involved in other legal, tax and regulatory proceedings arising in the ordinary course of business, some of which involve substantial amounts. Duke Energy Kentucky believes that the final disposition of these proceedings will not have a material adverse effect on its results of operations, cash flows or financial position.

Duke Energy Kentucky has exposure to certain legal matters that are described herein. As of December 31, 2008 and December 31, 2007, Duke Energy Kentucky has recorded insignificant reserves for these proceedings and exposures. Duke Energy Kentucky expenses legal costs related to the defense of loss contingencies as incurred.

Other Commitments and Contingencies

General. Duke Energy Kentucky enters into various commitments to purchase or sell power or capacity that may or may not be recognized on the Balance Sheets.

Operating and Capital Lease Commitments

Duke Energy Kentucky leases assets in several areas of its operations. Rental expense for operating leases was $6 million for the year ended December 31, 2008 and $4 million for the year ended December 31, 2007, which is included in Operation, Maintenance and Other on the Statements of Operations. Capitalized lease obligations are classified as debt on the Balance Sheets (see Note 12). Amortization of assets recorded under capital leases was included in Depreciation and Amortization on the Statements of Operations. The following is a summary of future minimum lease payments under operating leases, which at inception had a noncancelable term of more than one year, and capital leases as of December 31, 2008:

	Operating Leases	Capital Leases
	(in thousands)	
2009	$ 2,909	$ 2,519
2010	2,464	1,680
2011	2,135	1,492
2012	1,721	1,662
2013	1,550	1,461
Thereafter	4,044	4,311
Total future minimum lease payments	$14,823	$13,125

15. Employee Benefit Obligations

Cinergy Retirement Plans. Duke Energy Kentucky participates in qualified and non-qualified defined benefit pension plans as well as other post-retirement benefit plans sponsored by Cinergy. Cinergy allocates pension and other post-retirement obligations and costs related to these plans to Duke Energy Kentucky.

Upon consummation of the merger with Duke Energy, Cinergy's benefit plan obligations were remeasured. Cinergy updated the assumptions used to determine their accrued benefit obligations and prospective net periodic benefit/post-retirement costs to be allocated to Duke Energy Kentucky.

Cinergy adopted the change in measurement date transition requirements of SFAS No. 158 effective January 1, 2007 by remeasuring plan assets and benefit obligations as of that date. Previously, Cinergy used a September 30 measurement date for its defined benefit and other post-retirement plans. The adoption of SFAS No. 158 did not have a material impact on Duke Energy Kentucky's results of operations or cash flows. See Note 1 for additional information related to the adoption of SFAS No. 158.

Qualified Pension Plans

Cinergy's qualified defined benefit pension plans cover substantially all employees meeting certain minimum age and service requirements. The plans cover most employees using a cash balance formula. Under a cash balance formula, a plan participant accumulates a retirement benefit consisting of pay credits that are based upon a percentage (which varies with age and years of service) of current eligible earnings and current interest credits. Certain legacy Cinergy employees are covered under plans that use a final average earnings formula. Under a final average earnings formula, a plan participant accumulates a retirement benefit equal to a percentage of their highest 3-year average earnings, plus a percentage of the their highest 3-year average earnings in excess of covered compensation per year of participation (maximum of 35 years), plus a percentage of their highest 3-year average earnings times years of participation in excess of 35 years.

Funding for the qualified defined benefit pension plans is based on actuarially determined contributions, the maximum of which is generally the amount deductible for tax purposes and the minimum being that required by the Employee Retirement Income Security Act of 1974, as amended. The pension plans' assets consist of investments in equity and debt securities.

Actuarial gains and losses are amortized over the average remaining service period of the active employees. The average remaining service period of the active employees covered by the retirement plan is 11 years. Cinergy determines the market-related value of plan assets using a calculated value that recognizes changes in fair value of the plan assets over five years.

Duke Energy Kentucky's Qualified Pension Plan Pre-Tax Net Periodic Pension Benefit costs as allocated by Cinergy were as follows:

	December 31, 2008	December 31, 2007
	(in thousands)	
Qualified Pension Benefits	**$ 1,674**	$ 2,353

The fair value of Cinergy's plan assets was approximately $1,110 million and $1,701 million as of December 31, 2008 and 2007, respectively. The projected benefit obligation for the plans was approximately $1,992 million and $1,941 million as of December 31, 2008 and 2007, respectively. The accumulated benefit obligation for the plans was approximately $1,729 million as of December 31, 2008 and approximately $1,753 million at December 31, 2007. The accrued pension liability as allocated by Cinergy to Duke Energy Kentucky and recognized in Accrued pension and other postretirement benefit costs within the Balance Sheets at December 31, 2008 and 2007 was approximately $32 million and approximately $9 million, respectively. Regulatory assets, as allocated by Cinergy to Duke Energy Kentucky, and recognized in Other within Regulatory Assets and Deferred Debits on the Balance Sheets was approximately $28 million and $7 million as of December 31, 2008 and 2007, respectively.

Duke Energy's policy is to fund amounts on an actuarial basis to provide assets sufficient to meet benefits to be paid to plan participants. Duke Energy did not make any contributions to its defined benefit retirement plans in 2008. Duke Energy made qualified pension benefit contributions of approximately $350 million to the legacy Cinergy qualified pension benefit plans during the year ended December 31, 2007, of which approximately $9 million represents contributions made by Duke Energy Kentucky. In February 2009, Duke Energy Kentucky made a cash contribution of approximately $14 million, which represented its proportionate share of an approximate $500 million total contribution to Cinergy's and Duke Energy's qualified pension plans.

Qualified Plans - Assumptions Used for Cinergy's Pension Benefits Accounting

	2008	2007
	Percentages	
Benefit Obligations		
Discount rate	6.50	6.00
Salary increase	5.00	5.00
Net Periodic Benefit Cost		
Discount rate	6.00	5.75
Salary increase	5.00	5.00
Expected long-term rate of return on plan assets	8.50	8.50

Non-Qualified Pension Plans

In addition, Cinergy also maintains, and Duke Energy Kentucky participates in, non-qualified, non-contributory defined benefit retirement plans (plans that do not meet the criteria for certain tax benefits) that cover officers, certain other key employees, and non-employee directors. There are no plan assets. The projected benefit obligation for the plans was approximately $113 million as of December 31, 2008 and approximately $105 million as of December 31, 2007. The accumulated benefit obligation for the plans was approximately $104 million as of December 31, 2008 and approximately $102 million at December 31, 2007. The accrued pension liability as allocated by Cinergy to Duke Energy Kentucky and recognized in Accrued pension and other postretirement benefit costs within the Balance Sheets at December 31, 2008 and 2007 was approximately $155 thousand and $131 thousand, respectively, and as recognized in Other within Current Liabilities on the Balance Sheets at December 31, 2008 and 2007 was approximately $11 thousand and $10 thousand, respectively.

Duke Energy Kentucky's Non-Qualified Pension Plan pre-tax Net Periodic Pension Benefit Costs as allocated by Cinergy were as follows:

	December 31, 2008	December 31, 2007
	(in thousands)	
Non-Qualified Pension	$ 19	$ 19

Non-Qualified Plans—Assumptions Used for Cinergy's Pension Benefits Accounting

	2008	2007
	Percentages	
Benefit Obligations		
Discount rate	6.50	6.00
Salary increase	5.00	5.00
Net Periodic Benefit Cost		
Discount rate	6.00	5.75
Salary increase	5.00	5.00

Other Post-Retirement Benefit Plans

Duke Energy Kentucky participates in other postretirement benefit plans sponsored by Cinergy. Cinergy provides certain health care and life insurance benefits to retired employees and their eligible dependents on a contributory and non-contributory basis. These benefits are subject to minimum age and service requirements. The health care benefits include medical coverage, dental coverage, and prescription drug coverage and are subject to certain limitations, such as deductibles and co-payments. These benefit costs are accrued over an employee's active service period to the date of full benefits eligibility. The net unrecognized transition obligation is amortized over approximately 20 years. Actuarial gains and losses are amortized over the average remaining service period of the active employees. The average remaining service period of the active employees covered by the plan is 13 years. Duke Energy Kentucky's Other Post-Retirement Plan pre-tax Net Periodic Benefit costs as allocated by Cinergy were as follows:

	December 31, 2008	December 31, 2007
	(in thousands)	
Other Postretirement	$ 547	$ 1,559

The fair value of Cinergy's plans assets was approximately $23 million as of December 31, 2008 and $32 million as of December 31, 2007. The accumulated other post-retirement benefit obligation for the plans was approximately $330 million as of December 31, 2008 and $464 million as of December 31, 2007. The accrued other post-retirement liability as allocated by Cinergy to Duke Energy Kentucky and recognized in Accrued Pension and Other Postretirement Benefit Costs within the Balance Sheets at December 31, 2008 and 2007 was $7 million and $13 million, respectively. The accrued other post-retirement liability as allocated by Cinergy to Duke Energy Kentucky and recognized in Other within Current Liabilities on the Balance Sheets at December 31, 2008 and 2007 was $97 thousand and $86 thousand, respectively. Regulatory assets, as allocated by Cinergy to Duke Energy Kentucky, and recognized in Regulatory Assets and Deferred Debits within the Balance Sheets was approximately $1 million as of December 31, 2008 and $5 million as of December 31, 2007.

Duke Energy did not make any contributions to its other post-retirement plans in 2008. Duke Energy made other post-retirement plan contributions during 2007 of approximately $32 to the legacy Cinergy other post-retirement plans, of which approximately $1 million represents contribution made by Duke Energy Kentucky

Duke Energy Kentucky recognized regulatory assets related to its other post-retirement benefit plans of approximately a credit of $4 million and approximately zero as of December 31, 2008 and 2007, respectively, within the Balance Sheets.

Assumptions Used in Cinergy's Other Post-retirement Benefits Accounting

Determined Benefit Obligations	2008	2007
Discount rate	6.50	6.00

Determined Expense	2008	2007
Discount rate	6.00	5.75
Expected long-term rate of return on plan assets	8.50	8.50

Assumed Health Care Cost Trend Rates

	Medicare Trend Rate		Prescription Drug Trend Rate	
	2008	2007	2008	2007
Health care cost trend rate assumed for next year	8.50%	8.00%	11.00%	12.50%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	5.00%	5.00%	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2013	2013	2022	2022

16. Other Income and Expenses, net

The components of Other Income and Expenses, net on the Statements of Operations for the years ended December 31, 2008 and 2007 are as follows:

	December 31, 2008	December 31, 2007
	(in thousands)	
Income/(Expense):		
Interest Income	$ 4,020	$ 3,656
AFUDC Equity	778	219
Other	55	177
Total	$ 4,853	$ 4,052

17. Subsequent Events

For information on subsequent events related to regulatory matters, and commitments and contingencies, and employee benefit obligations, see Notes 2, 14 and 15, respectively.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

STATEMENTS OF ACCUMULATED COMPREHENSIVE INCOME, COMPREHENSIVE INCOME, AND HEDGING ACTIVITIES

1. Report in columns (b),(c),(d) and (e) the amounts of accumulated other comprehensive income items, on a net-of-tax basis, where appropriate.

2. Report in columns (f) and (g) the amounts of other categories of other cash flow hedges

3. For each category of hedges that have been accounted for as "fair value hedges", report the accounts affected and the related amounts in a footnote

Line No.	Item (a)	Unrealized Gains and Losses on Available-for-Sale Securities (b)	Minimum Pension Liability adjustment (net amount) (c)	Foreign Currency Hedges (d)	Other Adjustments (e)
1	Balance of Account 219 at Beginning of Preceding Year				
2	Preceding Qtr/Yr to Date Reclassifications from Acct 219 to Net Income				
3	Preceding Quarter/Year to Date Changes in Fair Value				
4	Total (lines 2 and 3)				
5	Balance of Account 219 at End of Preceding Quarter/Year				
6	Balance of Account 219 at Beginning of Current Year				
7	Current Qtr/Yr to Date Reclassifications from Acct 219 to Net Income				
8	Current Quarter/Year to Date Changes in Fair Value				
9	Total (lines 7 and 8)				
10	Balance of Account 219 at End of Current Quarter/Year				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

STATEMENTS OF ACCUMULATED COMPREHENSIVE INCOME, COMPREHENSIVE INCOME, AND HEDGING ACTIVITIES

Line No.	Other Cash Flow Hedges Interest Rate Swaps (f)	Other Cash Flow Hedges [Specify] (g)	Totals for each category of items recorded in Account 219 (h)	Net Income (Carried Forward from Page 117, Line 78) (i)	Total Comprehensive Income (j)
1	(741,286)		(741,286)		
2					
3	(257,174)		(257,174)		
4	(257,174)		(257,174)	33,469,351	33,212,177
5	(998,460)		(998,460)		
6	(998,460)		(998,460)		
7					
8	998,460		998,460		
9	998,460		998,460	37,481,052	38,479,512
10					

Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr) / /	End of 2008/Q4

SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION. AMORTIZATION AND DEPLETION

Report in Column (c) the amount for electric function, in column (d) the amount for gas function, in column (e), (f), and (g) report other (specify) and in column (f) common function.

Line No.	Classification (a)	Total Company for the Current Year/Quarter Ended (b)	Electric (c)
1	Utility Plant		
2	In Service		
3	Plant in Service (Classified)	1,327,825,111	1,021,370,944
4	Property Under Capital Leases	24,873,076	7,523,766
5	Plant Purchased or Sold		
6	Completed Construction not Classified	123,494,660	73,522,979
7	Experimental Plant Unclassified		
8	Total (3 thru 7)	1,476,192,847	1,102,417,689
9	Leased to Others		
10	Held for Future Use		
11	Construction Work in Progress	36,504,269	19,624,555
12	Acquisition Adjustments		
13	Total Utility Plant (8 thru 12)	1,512,697,116	1,122,042,244
14	Accum Prov for Depr, Amort, & Depl	650,100,350	535,775,884
15	Net Utility Plant (13 less 14)	862,596,766	586,266,360
16	Detail of Accum Prov for Depr, Amort & Depl		
17	In Service:		
18	Depreciation	632,243,093	533,684,404
19	Amort & Depl of Producing Nat Gas Land/Land Right		
20	Amort of Underground Storage Land/Land Rights		
21	Amort of Other Utility Plant	17,857,257	2,091,480
22	Total In Service (18 thru 21)	650,100,350	535,775,884
23	Leased to Others		
24	Depreciation		
25	Amortization and Depletion		
26	Total Leased to Others (24 & 25)		
27	Held for Future Use		
28	Depreciation		
29	Amortization		
30	Total Held for Future Use (28 & 29)		
31	Abandonment of Leases (Natural Gas)		
32	Amort of Plant Acquisition Adj		
33	Total Accum Prov (equals 14) (22,26,30,31,32)	650,100,350	535,775,884

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS
FOR DEPRECIATION AMORTIZATION AND DEPLETION

Gas (d)	Other (Specify) (e)	Other (Specify) (f)	Other (Specify) (g)	Common (h)	Line No
					1
					2
282,606,677				23,847,490	3
16,747,797				601,513	4
					5
45,709,865				4,261,816	6
					7
345,064,339				28,710,819	8
					9
					10
5,736,983				11,142,731	11
					12
350,801,322				39,853,550	13
97,881,791				16,442,675	14
252,919,531				23,410,875	15
					16
					17
96,467,419				2,091,270	18
					19
					20
1,414,372				14,351,405	21
97,881,791				16,442,675	22
					23
					24
					25
					26
					27
					28
					29
					30
					31
					32
97,881,791				16,442,675	33

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

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

1. Report below the original cost of electric plant in service according to the prescribed accounts
2. In addition to Account 101, Electric Plant in Service (Classified), this page and the next include Account 102, Electric Plant Purchased or Sold; Account 103, Experimental Electric Plant Unclassified; and Account 106, Completed Construction Not Classified-Electric.
3. Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year.
4. For revisions to the amount of initial asset retirement costs capitalized, included by primary plant account, increases in column (c) additions and reductions in column (e) adjustments.
5. Enclose in parentheses credit adjustments of plant accounts to indicate the negative effect of such accounts
6. Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d)

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)
1	1. INTANGIBLE PLANT		
2	(301) Organization		
3	(302) Franchises and Consents		
4	(303) Miscellaneous Intangible Plant	2,197,113	2,430
5	TOTAL Intangible Plant (Enter Total of lines 2, 3, and 4)	2,197,113	2,430
6	2. PRODUCTION PLANT		
7	A. Steam Production Plant		
8	(310) Land and Land Rights	1,686,548	
9	(311) Structures and Improvements	41,361,481	317,140
10	(312) Boiler Plant Equipment	333,649,209	3,111,780
11	(313) Engines and Engine-Driven Generators		
12	(314) Turbogenerator Units	82,601,021	337,241
13	(315) Accessory Electric Equipment	29,954,340	123,410
14	(316) Misc. Power Plant Equipment	9,536,974	449,385
15	(317) Asset Retirement Costs for Steam Production	555,696	
16	TOTAL Steam Production Plant (Enter Total of lines 8 thru 15)	499,345,269	4,338,956
17	B. Nuclear Production Plant		
18	(320) Land and Land Rights		
19	(321) Structures and Improvements		
20	(322) Reactor Plant Equipment		
21	(323) Turbogenerator Units		
22	(324) Accessory Electric Equipment		
23	(325) Misc. Power Plant Equipment		
24	(326) Asset Retirement Costs for Nuclear Production		
25	TOTAL Nuclear Production Plant (Enter Total of lines 18 thru 24)		
26	C. Hydraulic Production Plant		
27	(330) Land and Land Rights		
28	(331) Structures and Improvements		
29	(332) Reservoirs, Dams, and Waterways		
30	(333) Water Wheels, Turbines, and Generators		
31	(334) Accessory Electric Equipment		
32	(335) Misc. Power PLant Equipment		
33	(336) Roads, Railroads, and Bridges		
34	(337) Asset Retirement Costs for Hydraulic Production		
35	TOTAL Hydraulic Production Plant (Enter Total of lines 27 thru 34)		
36	D. Other Production Plant		
37	(340) Land and Land Rights	2,910,272	
38	(341) Structures and Improvements	33,728,919	77,734
39	(342) Fuel Holders, Products, and Accessories	15,507,516	
40	(343) Prime Movers		
41	(344) Generators	198,451,304	-67,043
42	(345) Accessory Electric Equipment	16,868,976	8,048
43	(346) Misc. Power Plant Equipment	3,780,215	8,056
44	(347) Asset Retirement Costs for Other Production		
45	TOTAL Other Prod. Plant (Enter Total of lines 37 thru 44)	271,247,202	26,795
46	TOTAL Prod. Plant (Enter Total of lines 16, 25, 35, and 45)	770,592,471	4,365,751

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

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

distributions of these tentative classifications in columns (c) and (d), including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Accounts 101 and 106 will avoid serious omissions of the reported amount of respondent's plant actually in service at end of year.

7. Show in column (f) reclassifications or transfers within utility plant accounts. Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits distributed in column (f) to primary account classifications.

8. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirement of these pages.

9. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchase, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give also date

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
					1
					2
					3
			2,199,543		4
			2,199,543		5
					6
					7
			1,686,548		8
52,248			41,626,373		9
3,572,224			333,188,765		10
					11
5,669,977			77,268,285		12
3,085			30,074,665		13
			9,986,359		14
			555,696		15
9,297,534			494,386,691		16
					17
					18
					19
					20
					21
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					23
					24
					25
					26
					27
					28
					29
					30
					31
					32
					33
					34
					35
					36
			2,910,272		37
22,463			33,784,190		38
			15,507,516		39
					40
11,539,368			186,844,893		41
6,268			16,870,756		42
			3,788,271		43
					44
11,568,099			259,705,898		45
20,865,633			754,092,589		46

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

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

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)
47	3. TRANSMISSION PLANT		
48	(350) Land and Land Rights	1,283,173	
49	(352) Structures and Improvements	1,673,279	-803,835
50	(353) Station Equipment	14,492,085	923,023
51	(354) Towers and Fixtures		
52	(355) Poles and Fixtures	5,653,679	250,090
53	(356) Overhead Conductors and Devices	4,727,296	119,220
54	(357) Underground Conduit		
55	(358) Underground Conductors and Devices		
56	(359) Roads and Trails		
57	(359.1) Asset Retirement Costs for Transmission Plant		
58	TOTAL Transmission Plant (Enter Total of lines 48 thru 57)	27,829,512	488,498
59	4. DISTRIBUTION PLANT		
60	(360) Land and Land Rights	9,563,642	4,719
61	(361) Structures and Improvements	309,259	35,448
62	(362) Station Equipment	38,922,894	3,941,437
63	(363) Storage Battery Equipment		
64	(364) Poles, Towers, and Fixtures	55,028,861	3,614,361
65	(365) Overhead Conductors and Devices	64,286,475	2,928,599
66	(366) Underground Conduit	14,629,916	705,932
67	(367) Underground Conductors and Devices	35,471,651	2,406,439
68	(368) Line Transformers	52,376,720	889,960
69	(369) Services	10,084,824	272,821
70	(370) Meters	14,406,151	2,657,707
71	(371) Installations on Customer Premises		27,993
72	(372) Leased Property on Customer Premises	9,647	
73	(373) Street Lighting and Signal Systems	7,217,566	40,396
74	(374) Asset Retirement Costs for Distribution Plant		
75	TOTAL Distribution Plant (Enter Total of lines 60 thru 74)	302,307,606	17,525,812
76	5. REGIONAL TRANSMISSION AND MARKET OPERATION PLANT		
77	(380) Land and Land Rights		
78	(381) Structures and Improvements		
79	(382) Computer Hardware		
80	(383) Computer Software		
81	(384) Communication Equipment		
82	(385) Miscellaneous Regional Transmission and Market Operation Plant		
83	(386) Asset Retirement Costs for Regional Transmission and Market Oper		
84	TOTAL Transmission and Market Operation Plant (Total lines 77 thru 83)		
85	6. GENERAL PLANT		
86	(389) Land and Land Rights		
87	(390) Structures and Improvements	16,287	
88	(391) Office Furniture and Equipment	29,386	
89	(392) Transportation Equipment	217,855	
90	(393) Stores Equipment		
91	(394) Tools, Shop and Garage Equipment	538,665	372,464
92	(395) Laboratory Equipment		
93	(396) Power Operated Equipment	12,045	
94	(397) Communication Equipment	201,144	
95	(398) Miscellaneous Equipment		
96	SUBTOTAL (Enter Total of lines 86 thru 95)	1,015,382	372,464
97	(399) Other Tangible Property		
98	(399.1) Asset Retirement Costs for General Plant		
99	TOTAL General Plant (Enter Total of lines 96, 97 and 98)	1,015,382	372,464
100	TOTAL (Accounts 101 and 106)	1,103,942,084	22,754,955
101	(102) Electric Plant Purchased (See Instr. 8)		
102	(Less) (102) Electric Plant Sold (See Instr. 8)		
103	(103) Experimental Plant Unclassified		
104	TOTAL Electric Plant in Service (Enter Total of lines 100 thru 103)	1,103,942,084	22,754,955

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.
					47
			1,283,173		48
			869,444		49
25,000			15,390,108		50
					51
43,933			5,859,836		52
64,045			4,782,471		53
					54
					55
					56
					57
132,978			28,185,032		58
					59
			9,568,361		60
			344,707		61
172,940			42,691,391		62
					63
406,689		-1,958,464	56,278,069		64
538,581		959,783	67,636,276		65
5,640		191,357	15,521,565		66
165,461		426,608	38,139,237		67
197,196		752,673	53,822,157		68
238,365			10,119,280		69
1,366,259		-757,722	14,939,877		70
			27,993		71
			9,647		72
82,229		282,038	7,457,771		73
					74
3,173,360		-103,727	316,556,331		75
					76
					77
					78
					79
					80
					81
					82
					83
					84
					85
					86
			16,287		87
3,652			25,734		88
			217,855		89
					90
			911,129		91
					92
			12,045		93
			201,144		94
					95
3,652			1,384,194		96
					97
					98
3,652			1,384,194		99
24,175,623		-103,727	1,102,417,689		100
					101
					102
					103
24,175,623		-103,727	1,102,417,689		104

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

CONSTRUCTION WORK IN PROGRESS - - ELECTRIC (Account 107)

1. Report below descriptions and balances at end of year of projects in process of construction (107)
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstrating (see Account 107 of the Uniform System of Accounts)
3. Minor projects (5% of the Balance End of the Year for Account 107 or $100,000, whichever is less) may be grouped.

Line No.	Description of Project (a)	Construction work in progress - Electric (Account 107) (b)
1	COVINGTON W 13TH ST. SUBSTATION - INSTALL 22-4 MVA TRANSFORMER	1,318,198
2	EAST BEND STATION UNIT 2 - REPLACE TURBINE BLADE ROW	1,562,363
3	MIAMI FORT STATION UNIT 6 - INSTALL COAL CONVEYOR & DR	1,596,514
4	WOODSDALE CT STATION UNIT 4 - MAJOR C OVERHAUL	6,414,514
5		
6	PROJECTS UNDER $1,000,000	8,732,966
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
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42		
43	TOTAL	19,624,555

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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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 electric 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.

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	532,200,019	532,200,019		
2	Depreciation Provisions for Year, Charged to				
3	(403) Depreciation Expense	27,133,783	27,133,783		
4	(403.1) Depreciation Expense for Asset Retirement Costs				
5	(413) Exp. of Elec. Plt. Leas. to Others				
6	Transportation Expenses-Clearing				
7	Other Clearing Accounts				
8	Other Accounts (Specify, details in footnote):	21,735	21,735		
9					
10	TOTAL Deprec. Prov for Year (Enter Total of lines 3 thru 9)	27,155,518	27,155,518		
11	Net Charges for Plant Retired:				
12	Book Cost of Plant Retired	24,171,971	24,171,971		
13	Cost of Removal	1,827,907	1,827,907		
14	Salvage (Credit)	568,075	568,075		
15	TOTAL Net Chrgs. for Plant Ret. (Enter Total of lines 12 thru 14)	25,431,803	25,431,803		
16	Other Debit or Cr. Items (Describe, details in footnote):	-239,330	-239,330		
17					
18	Book Cost or Asset Retirement Costs Retired				
19	Balance End of Year (Enter Totals of lines 1, 10, 15, 16, and 18)	533,684,404	533,684,404		
	Section B. Balances at End of Year According to Functional Classification				
20	Steam Production	279,191,324	279,191,324		
21	Nuclear Production				
22	Hydraulic Production-Conventional				
23	Hydraulic Production-Pumped Storage				
24	Other Production	124,066,016	124,066,016		
25	Transmission	10,836,662	10,836,662		
26	Distribution	119,447,029	119,447,029		
27	Regional Transmission and Market Operation				
28	General	143,373	143,373		
29	TOTAL (Enter Total of lines 20 thru 28)	533,684,404	533,684,404		

FOOTNOTE DATA

Schedule Page: 219 Line No.: 8 Column: c

ARO-$21,735

Schedule Page: 219 Line No.: 16 Column: c

Transfers/Adjustments- $(239,330)

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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MATERIALS AND SUPPLIES

1. For Account 154, report the amount of plant materials and operating supplies under the primary functional classifications as indicated in column (a); estimates of amounts by function are acceptable. In column (d), designate the department or departments which use the class of material.
2. Give an explanation of important inventory adjustments during the year (in a footnote) showing general classes of material and supplies and the various accounts (operating expenses, clearing accounts, plant, etc.) affected debited or credited. Show separately debit or credits to stores expense clearing, if applicable.

Line No.	Account (a)	Balance Beginning of Year (b)	Balance End of Year (c)	Department or Departments which Use Material (d)
1	Fuel Stock (Account 151)	10,373,776	22,771,019	Gas and Electric
2	Fuel Stock Expenses Undistributed (Account 152)			
3	Residuals and Extracted Products (Account 153)			
4	Plant Materials and Operating Supplies (Account 154)			
5	Assigned to - Construction (Estimated)	7,576,022		Gas and Electric
6	Assigned to - Operations and Maintenance	1,233,306		Gas and Electric
7	Production Plant (Estimated)		4,610,194	Gas and Electric
8	Transmission Plant (Estimated)		170,390	Electric
9	Distribution Plant (Estimated)		4,333,286	Gas and Electric
10	Regional Transmission and Market Operation Plant (Estimated)			
11	Assigned to - Other (provide details in footnote)			
12	TOTAL Account 154 (Enter Total of lines 5 thru 11)	8,809,328	9,113,870	
13	Merchandise (Account 155)			
14	Other Materials and Supplies (Account 156)			
15	Nuclear Materials Held for Sale (Account 157) (Not applic to Gas Util)			
16	Stores Expense Undistributed (Account 163)	431,577	1,160,098	Gas and Elecric
17				
18				
19				
20	TOTAL Materials and Supplies (Per Balance Sheet)	19,614,681	33,044,987	

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FOOTNOTE DATA

Schedule Page: 227 Line No.: 7 Column: b

$4,908,277 of Lines 5 and 6 is attributable to Production Plant on Line 7, column (b).

Schedule Page: 227 Line No.: 7 Column: c

$4,567,916 of Line 7, column (c) is attributable to Electric Production Plant.

Schedule Page: 227 Line No.: 8 Column: b

$177,263 of Lines 5 and 6 is attributable to Transmission Plant on Line 8, column (b).

Schedule Page: 227 Line No.: 8 Column: c

$170,390 of Line 8, column (c) is attributable to Electric Transmission Plant.

Schedule Page: 227 Line No.: 9 Column: b

$1,925,534 of LInes 5 and 6 is attributable to Distribution Plant on line 9, colums(b).

Schedule Page: 227 Line No.: 9 Column: c

$1,917,553 of Line 9 column (c) is attributable to Electric Distribution Plant.

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

Allowances (Accounts 158.1 and 158.2)

1. Report below the particulars (details) called for concerning allowances.
2. Report all acquisitions of allowances at cost.
3. Report allowances in accordance with a weighted average cost allocation method and other accounting as prescribed by General Instruction No. 21 in the Uniform System of Accounts.
4. Report the allowances transactions by the period they are first eligible for use: the current year's allowances in columns (b)-(c), allowances for the three succeeding years in columns (d)-(i), starting with the following year, and allowances for the remaining succeeding years in columns (j)-(k).
5. Report on line 4 the Environmental Protection Agency (EPA) issued allowances. Report withheld portions Lines 36-40.

Line No	Allowances Inventory (Account 158.1) (a)	Current Year No (b)	Current Year Amt. (c)	2009 No (d)	2009 Amt. (e)
1	Balance-Beginning of Year	30,053.00	4,541,235	24,065.00	2,522,500
2					
3	Acquired During Year:				
4	Issued (Less Withheld Allow)	60.00		213.00	
5	Returned by EPA				
6					
7					
8	Purchases/Transfers:				
9					
10	Other purchases-see notes	23,052.00			
11					
12					
13					
14					
15	Total	23,052.00			
16					
17	Relinquished During Year:				
18	Charges to Account 509	23,415.00	2,280,794		
19	Other:				
20					
21	Cost of Sales/Transfers:				
22					
23	Other Sales-See notes	2,400.00		1,100.00	
24					
25					
26					
27					
28	Total	2,400.00		1,100.00	
29	Balance-End of Year	27,350.00	2,260,441	23,178.00	2,522,500
30					
31	Sales:				
32	Net Sales Proceeds(Assoc. Co.)				
33	Net Sales Proceeds (Other)				
34	Gains				
35	Losses				
	Allowances Withheld (Acct 158.2)				
36	Balance-Beginning of Year	279.00		279.00	
37	Add: Withheld by EPA				
38	Deduct: Returned by EPA				
39	Cost of Sales	279.00			
40	Balance-End of Year			279.00	
41					
42	Sales:				
43	Net Sales Proceeds (Assoc. Co.)				
44	Net Sales Proceeds (Other)		110,485		
45	Gains		110,485		
46	Losses				

Allowances (Accounts 158.1 and 158.2) (Continued)

6. Report on Lines 5 allowances returned by the EPA. Report on Line 39 the EPA's sales of the withheld allowances. Report on Lines 43-46 the net sales proceeds and gains/losses resulting from the EPA's sale or auction of the withheld allowances.
7. Report on Lines 8-14 the names of vendors/transferors of allowances acquire and identify associated companies (See "associated company" under "Definitions" in the Uniform System of Accounts).
8. Report on Lines 22 - 27 the name of purchasers/ transferees of allowances disposed of an identify associated companies.
9. Report the net costs and benefits of hedging transactions on a separate line under purchases/transfers and sales/transfers.
10. Report on Lines 32-35 and 43-46 the net sales proceeds and gains or losses from allowance sales.

2010		2011		Future Years		Totals		Line
No. (f)	Amt (g)	No. (h)	Amt (i)	No. (j)	Amt. (k)	No. (l)	Amt (m)	No.
24,508.00		24,508.00		524,393.00		627,527.00	7,063,735	1
								2
								3
213.00		213.00		20,242.00		20,941.00		4
								5
								6
								7
								8
								9
						23,052.00		10
								11
								12
								13
								14
						23,052.00		15
								16
								17
						23,415.00	2,280,794	18
								19
								20
								21
								22
900.00		900.00				5,300.00		23
								24
								25
								26
								27
900.00		900.00				5,300.00		28
23,821.00		23,821.00		544,635.00		642,805.00	4,782,941	29
								30
								31
								32
								33
								34
								35
279.00		279.00		13,671.00		14,787.00		36
				558.00		558.00		37
								38
				279.00		558.00		39
279.00		279.00		13,950.00		14,787.00		40
								41
								42
								43
					38,460		148,945	44
					38,460		148,945	45
								46

Schedule Page: 228 Line No.: 10 Column: b

Counter Party		Quantity	Amount
AEP	(Note 1)	15,717	$ -
Constellation	(Note 1)	375	$ -
Koch Supply	(Note 1)	6,960	$ -
	Total	23,052	$ -

Note 1: Non-monetary - allowances were swapped

Schedule Page: 228 Line No.: 23 Column: b

Counter Party		Quantity	Amount
Constellation	(Note 1)	2,400	$ -
		2,400	$ -

Note 1: Non-monetary - allowances were swapped

Schedule Page: 228 Line No.: 23 Column: d

Counter Party		Quantity	Amount
AEP	(Note 1)	800	$ -
Koch Supply	(Note 1)	300	$ -
		1,100	$ -

Note 1: Non-monetary - allowances were swapped

Schedule Page: 228 Line No.: 23 Column: f

Counter Party		Quantity	Amount
AEP	(Note 1)	600	$ -
Koch Supply	(Note 1)	300	$ -
		900	$ -

Note 1: Non-monetary - allowances were swapped

Schedule Page: 228 Line No.: 23 Column: h

Counter Party		Quantity	Amount
AEP	(Note 1)	600	$ -
Koch Supply	(Note 1)	300	$ -
		900	$ -

Note 1: Non-monetary - allowances were swapped

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

OTHER REGULATORY ASSETS (Account 182 3)

1. Report below the particulars (details) called for concerning other regulatory assets, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 182.3 at end of period, or amounts less than $50,000 which ever is less), may be grouped by classes.
3. For Regulatory Assets being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Assets	Balance at Beginning of Current Quarter/Year	Debits	CREDITS Written off During the Quarter/Year Account Charged	CREDITS Written off During the Period Amount	Balance at end of Current Quarter/Year
	(a)	(b)	(c)	(d)	(e)	(f)
1	STATEMENT OF FINANCIAL ACCOUNTING		7,730,903		7,293,226	437,677
2	STANDARDS NO. 109: ACCOUNTING					
3	FOR INCOME TAXES					
4						
5	LIMITED EARLY RETIREMENT PROGRAM	74,186		930 2	18,168	56,018
6	DELAYED CASH COSTS - GAS					
7	(AMORTIZED 120 MONTHS FEBRUARY 2002 -					
8	JANUARY 2012)					
9						
10	AMRP STUDY COSTS - GAS (AMORTIZED 120	130,830		928	32,040	98,790
11	MONTHS FEBRUARY 2002 - JANUARY 2012)					
12						
13	DEMAND SIDE MANAGEMENT COSTS		6,532,940	916	3,311,834	3,221,106
14						
15	TRANSACTION COSTS - ACQUISITION OF	903,036		928	451,512	451,524
16	GENERATION RESOURCES					
17	(Amortized 36 months, beginning January 2007)					
18						
19	DUKE ENERGY KENTUCKY 2005 GAS RATE CASE	51,761		928	51,459	302
20	(Amortized 36 months, beginning January 2006)					
21						
22	DUKE ENERGY KENTUCKY 2006 ELECTRIC RATE CASE	136,715		928	78,336	58,379
23	(Amortized 36 months, beginning January 2007)					
24						
25	ARO OTHER REGULATORY ASSET	60,250	109,386			169,636
26						
27	GAS ARO OTHER REGULATORY ASSET	3,923,934	315,853	Various	178,077	4,061,710
28						
29	2005 MERGER TRANSACTION COSTS	3,278,385	491,538	928	1,450,935	2,318,988
30	(Amortized 60 months, beginning April 2006)					
31						
32	INTEREST RATE HEDGES		8,239,520	Various	1,224,742	7,014,778
33	HURRICANE IKE REGULATORY ASSET		4,912,684			4,912,684
34						
35						
36						
37						
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41						
42						
43						
44	TOTAL	8,559,097	28,332,824		14,090,329	22,801,592

Schedule Page: 232 Line No.: 1 Column: d

Accounts charged are: 190, 254, 282, 283

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

MISCELLANEOUS DEFFERED DEBITS (Account 186)

1. Report below the particulars (details) called for concerning miscellaneous deferred debits.
2. For any deferred debit being amortized, show period of amortization in column (a)
3. Minor item (1% of the Balance at End of Year for Account 186 or amounts less than $50,000, whichever is less) may be grouped by classes.

Line No.	Description of Miscellaneous Deferred Debits (a)	Balance at Beginning of Year (b)	Debits (c)	CREDITS Account Charged (d)	CREDITS Amount (e)	Balance at End of Year (f)
1	Items deferred pending	2,505	613,744	various	129,766	486,483
2	investigation					
3						
4	Private outdoor lighting	31,913	36,105	various	24,020	43,998
5						
6	LT lease receivable	935,231	39,094			974,325
7						
8	Vacation accrual	1,623,774	725,003			2,348,777
9						
10	Accrued pension post retire -	12,517,335	23,786,264	various	7,153,936	29,149,663
11	FAS158					
12						
13	Indirect overhead allocation		2,577,484	various	2,283,710	293,774
14	pool - undistributed					
15						
16	Joint owner		1,138,159			1,138,159
17						
18	Other miscellaneous items	-1,927,924	2,033,249	232	1,500	103,825
19						
20						
21						
22						
23						
24						
25						
26						
27						
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42						
43						
44						
45						
46						
47	Misc. Work in Progress					
48	Deferred Regulatory Comm Expenses (See pages 350 - 351)					
49	TOTAL	13,182,834				34,539,004

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

ACCUMULATED DEFERRED INCOME TAXES (Account 190)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes.
2. At Other (Specify), include deferrals relating to other income and deductions.

Line No.	Description and Location (a)	Balance of Begining of Year (b)	Balance at End of Year (c)
1	Electric		
2		5,775,920	2,355,651
3			
4			
5			
6			
7	Other		
8	TOTAL Electric (Enter Total of lines 2 thru 7)	5,775,920	2,355,651
9	Gas		
10		5,993,864	15,860,956
11			
12			
13			
14			
15	Other		
16	TOTAL Gas (Enter Total of lines 10 thru 15	5,993,864	15,860,956
17	Other (Specify)	783,501	783,501
18	TOTAL (Acct 190) (Total of lines 8, 16 and 17)	12,553,285	19,000,108

Notes

Schedule Page: 234 Line No.: 17 Column: b

	Beginning Balance
MGB Hazardous Clean up	783,501
Total	783,501

Schedule Page: 234 Line No.: 17 Column: c

	Ending Balance
MGB Hazardous Clean up	783,501
Total	783,501

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

CAPITAL STOCKS (Account 201 and 204)

1. Report below the particulars (details) called for concerning common and preferred stock at end of year, distinguishing separate series of any general class. Show separate totals for common and preferred stock. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form filing, a specific reference to report form (i.e., year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.
2. Entries in column (b) should represent the number of shares authorized by the articles of incorporation as amended to end of year.

Line No.	Class and Series of Stock and Name of Stock Series (a)	Number of shares Authorized by Charter (b)	Par or Stated Value per share (c)	Call Price at End of Year (d)
1	Common Stock (Account 201)	1,000,000	15.00	
2				
3	Total Common Stock	1,000,000		
4				
5	Preferred Stock (Account 204)			
6				
7	Total Preferred Stock			
8				
9				
10				
11				
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Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

CAPITAL STOCKS (Account 201 and 204) (Continued)

3. Give particulars (details) concerning shares of any class and series of stock authorized to be issued by a regulatory commission which have not yet been issued.
4. The identification of each class of preferred stock should show the dividend rate and whether the dividends are cumulative or non-cumulative.
5. State in a footnote if any capital stock which has been nominally issued is nominally outstanding at end of year.
Give particulars (details) in column (a) of any nominally issued capital stock, reacquired stock, or stock in sinking and other funds which is pledged, stating name of pledgee and purposes of pledge.

OUTSTANDING PER BALANCE SHEET (Total amount outstanding without reduction for amounts held by respondent)		HELD BY RESPONDENT				Line No
		AS REACQUIRED STOCK (Account 217)		IN SINKING AND OTHER FUNDS		
Shares (e)	Amount (f)	Shares (g)	Cost (h)	Shares (i)	Amount (j)	
585,333	8,779,995					1
						2
585,333	8,779,995					3
						4
						5
						6
						7
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

OTHER PAID-IN CAPITAL (Accounts 208-211, inc.)

Report below the balance at the end of the year and the information specified below for the respective other paid-in capital accounts. Provide a subheading for each account and show a total for the account, as well as total of all accounts for reconciliation with balance sheet, Page 112. Add more columns for any account if deemed necessary. Explain changes made in any account during the year and give the accounting entries effecting such change.

(a) Donations Received from Stockholders (Account 208)-State amount and give brief explanation of the origin and purpose of each donation.

(b) Reduction in Par or Stated value of Capital Stock (Account 209): State amount and give brief explanation of the capital change which gave rise to amounts reported under this caption including identification with the class and series of stock to which related.

(c) Gain on Resale or Cancellation of Reacquired Capital Stock (Account 210): Report balance at beginning of year, credits, debits, and balance at end of year with a designation of the nature of each credit and debit identified by the class and series of stock to which related.

(d) Miscellaneous Paid-in Capital (Account 211)-Classify amounts included in this account according to captions which, together with brief explanations, disclose the general nature of the transactions which gave rise to the reported amounts.

Line No.	Item (a)	Amount (b)
1	Account 208 Donations Received from Stockholders	
2	Balance - Beginning of Year	148,811,383
3		
4		
5		
6		
7	Subtotal Balance - End of Year	148,811,383
8		
9		
10	Account 211 - Miscellaneous Paid-In Capital	
11	Balance - Beginning of Year (Sharesaver)	-156,194
12		
13	Subtotal Balance - End of Year (Sharesaver)	-156,194
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
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39		
40	TOTAL	148,655,189

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Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

LONG-TERM DEBT (Account 221, 222, 223 and 224)

1. Report by balance sheet account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other long-Term Debt.
2. In column (a), for new issues, give Commission authorization numbers and dates.
3. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.
4. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
5. For receivers, certificates, show in column (a) the name of the court -and date of court order under which such certificates were issued.
6. In column (b) show the principal amount of bonds or other long-term debt originally issued.
7. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.
8. For column (c) the total expenses should be listed first for each issuance, then the amount of premium (in parentheses) or discount. Indicate the premium or discount with a notation, such as (P) or (D). The expenses, premium or discount should not be netted.
9. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.

Line No.	Class and Series of Obligation, Coupon Rate (For new issue, give commission Authorization numbers and dates) (a)	Principal Amount Of Debt issued (b)	Total expense, Premium or Discount (c)
1	ACCOUNT 221		
2	6.50% SERIES DUE IN 2008	20,000,000	-221,976
3			169,400 D
4			
5	SUBTOTAL ACCOUNT 221	20,000,000	-52,576
6			
7	ACCOUNTS 222 & 223 - NONE		
8			
9	ACCOUNT 224		
10	UNSECURED DEBENTURES:		
11	5.00% SERIES DUE IN 2014	40,000,000	410,000
12			379,200 D
13	7.875% SERIES DUE IN 2009	20,000,000	170,547
14			51,600 D
15	5.75% SERIES DUE IN 2016	50,000,000	390,200
16			30,000 D
17	6.20% SERIES DUE IN 2036	65,000,000	653,550
18			367,900 D
19	2006 SER A POLLUTION CONTROL BONDS DUE IN 2027	50,000,000	1,758,919
20			
21	2008 SER A POLLUTION CONTROL BONDS DUE IN 2027	50,000,000	178,560
22			
23	2006 SER B POLLUTION CONTROL BONDS DUE IN 2027	26,720,000	939,966
24			
25	TEPPCO-Todhunter Cavern Gas Storage	851,494	
26			
27	Long Term Notes Payable, variable rate	73,517,045	
28			
29	SUBTOTAL ACCOUNT 224	376,088,539	5,330,442
30			
31			
32	See footnote		
33	TOTAL	396,088,539	5,277,866

LONG-TERM DEBT (Account 221, 222, 223 and 224) (Continued)

10. Identify separate undisposed amounts applicable to issues which were redeemed in prior years.
11. Explain any debits and credits other than debited to Account 428, Amortization and Expense, or credited to Account 429, Premium on Debt - Credit.
12. In a footnote, give explanatory (details) for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year, (b) interest added to principal amount, and (c) principle repaid during year. Give Commission authorization numbers and dates.
13. If the respondent has pledged any of its long-term debt securities give particulars (details) in a footnote including name of pledgee and purpose of the pledge.
14. If the respondent has any long-term debt securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
15. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (i). Explain in a footnote any difference between the total of column (i) and the total of Account 427, interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.
16. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued

Nominal Date of Issue (d)	Date of Maturity (e)	AMORTIZATION PERIOD Date From (f)	AMORTIZATION PERIOD Date To (g)	Outstanding (Total amount outstanding without reduction for amounts held by respondent) (h)	Interest for Year Amount (i)	Line No
						1
04/30/98	04/30/08	04/30/98	04/30/08		433,273	2
						3
						4
					433,273	5
						6
						7
						8
						9
						10
12/06/04	12/15/14	12/06/04	12/15/14	40,000,000	2,000,000	11
						12
09/15/99	09/15/09	09/15/99	09/15/09	20,000,000	1,575,000	13
						14
03/07/06	03/10/16	03/10/06	03/10/16	50,000,000	2,875,000	15
						16
03/07/06	03/10/36	03/10/06	03/10/36	65,000,000	4,030,000	17
						18
07/26/06	08/01/27	08/02/06	08/01/27		2,580,382	19
						20
12/03/08	08/01/27	12/11/08	08/01/27	50,000,000	31,169	21
						22
07/26/06	08/01/27	08/02/06	08/01/27	26,720,000	1,345,587	23
						24
09/01/07	08/31/27			851,494		25
						26
09/25/08	2012			73,517,045	615,905	27
						28
				326,088,539	15,053,043	29
						30
						31
						32
				326,088,539	15,486,316	33

Schedule Page: 256 Line No.: 21 Column: a

Pollution Control Bonds Series 2008A were issued under the Kentucky PSC authority case No. 2008-00118.

Schedule Page: 256 Line No.: 27 Column: a

Funds received due to draw down on master credit facility and issuance of long-term commercial paper.

Schedule Page: 256 Line No.: 27 Column: i

Interest on Long Term Notes Payable was incurred in Account 431-Interest Expense-Other.

Schedule Page: 256 Line No.: 32 Column: a

On April 17, 2007 the Kentucky PSC approved Duke Energy Kentucky Case No. 2006-00563 for the authority to issue up to $100 million of secured and/or unsecured notes. The authorization will expire on December 31, 2008. On April 29, 2008, the Kentucky PSC approved Case No. 2008-00118 that amends the Company's existing financing authority to include the issuance of tax-exempt bonds. The authorization will expire on December 31, 2008.

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.
2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be field, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group member, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.
3. A substitute page, designed to meet a particular need of a company, may be used as Long as the data is consistent and meets the requirements of the above instructions. For electronic reporting purposes complete Line 27 and provide the substitute Page in the context of a footnote.

Line No.	Particulars (Details) (a)	Amount (b)
1	Net Income for the Year (Page 117)	37,481,052
2		
3		
4	Taxable Income Not Reported on Books	
5	Contributions In Aid Of Construction	529,109
6		
7		
8		
9	Deductions Recorded on Books Not Deducted for Return	
10	See Footnote For Details	47,332,662
11		
12		
13		
14	Income Recorded on Books Not Included in Return	
15	Allowance For Funds Used During Construction	1,621,942
16	Amortization Of Investment Tax Credits	776,891
17		
18		
19	Deductions on Return Not Charged Against Book Income	
20	See Footnote For Details	55,901,539
21		
22		
23		
24		
25		
26		
27	Federal Tax Net Income	27,042,451
28	Show Computation of Tax:	
29		
30	Tax At 35% Of Federal Tax Net Income Of 27,042,451	9,464,858
31		
32	Plus: Prior Period Adjustments - FIT	1,510,971
33	Less: Service Company Taxes Allocated - FIT	5,960
34	Less: Adjustments Of Current Year Tax Credit - FIT	610
35		
36	Tax Of Respondent	10,969,259
37		
38		
39		
40		
41		
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43		
44		

Schedule Page: 261 Line No.: 10 Column: b

Deductions Recorded On Books - Not Deducted For Return:

Federal Income Tax Expense	17,522,901
State Income Tax Expense	1,435,522
Tax Interest Capitalized	915,042
Uncollectable Accounts Provision	117,419
Unrecovered Fuel Costs	4,522,998
Vacation Pay Accrual	1,803,527
Leased Meters	769,494
Offsite Gas Storage Costs	9,833,699
Rate Costs	180,003
Asset Retirement Obligation	211,027
Emissions Allowance Trading	8,143,005
Post-Retirement Benefits - FAS 112	311,758
Duke Merger - Timing	891,333
Deferred Expenses - Caleb Project	451,512
Other	223,422
Total	47,332,662

Schedule Page: 261 Line No.: 20 Column: b

Deductions On Return - Not Charged Against Book Income:

Depreciation Deducted In Excess Of Amount Booked	5,382,150
Demand Side Management Costs	3,994,135
Employee Medical & Hospital Adjustment	261,428
Loss On Disposal Of ACRS / MACRS Property	1,784,135
Cost Of Removal Adjustment	241,806
Midwest Storm Damage Accrual	4,912,684
Pension Cost - FAS 87	4,184,576
Post-Retirement Benefits - Life Insurance	5,717,090
Post-Retirement Benefits - Health Care	260,043
Annual Incentive Plan	759,600
Emissions Allowance Deduction	4,451,617
Section 174 Adjustment	1,260,175
Tax Gains & Losses - Wind Storm	5,165,808
Domestic Production Deduction	3,727,426
Regulated Asset/Liability - Cash Flow Hedge	7,014,778
Asset Retirement Obligation	247,162
Regulated Asset - Vacation Pay Accrual	725,003
Non-Cash Overhead Basis Adjustment	735,522
Regulated Asset - Accrued Pension - Post-Retirement Benefits - FAS 158	428,706
Regulated Asset/Liability - Deferred Revenue	4,186,691
Tax Interest Accrual	223,518
Other	237,486
Total	55,901,539

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

1. Give particulars (details) of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual, or estimated amounts of such taxes are know, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes.) Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b)amounts credited to proportions of prepaid taxes chargeable to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

Line No.	Kind of Tax (See instruction 5) (a)	BALANCE AT BEGINNING OF YEAR Taxes Accrued (Account 236) (b)	Prepaid Taxes (Include in Account 165) (c)	Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjust- ments (f)
1						
2	FEDERAL TAXES					
3						
4	INCOME	4,698,003		10,969,259	14,143,144	-124,929
5	FUEL TAXES	5,980		939	6,919	
6	FEDERAL INSURANCE	51,899		2,335,373	2,385,050	
7	UNEMPLOYMENT			24,508	24,508	
8						
9						
10	STATE TAXES.					
11						
12	INCOME	2,181,149		2,231,740	2,604,013	
13	FUEL TAXES	59			59	
14	UNEMPLOYMENT			20,948	20,948	
15	PROPERTY	3,802,913		674,755	864,406	2,763,434
16	SALES & USE TAXES	-113,621		82,300	341,970	
17	PUBLIC UTILITIES		340,426		52,251	
18	FRANCHISE	-28,300			37,000	
19						
20						
21	OTHER TAXES.					
22						
23	PROPERTY	4,220,931		4,335,953	6,158,269	-2,697,363
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41	TOTAL	14,819,013	340,426	20,675,775	26,638,537	-58,858

Name of Respondent Duke Energy Kentucky, Inc	This Report Is (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)

5. If any tax (exclude Federal and State income taxes)- covers more then one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a foot- note Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Report in columns (i) through (l) how the taxes were distributed Report in column (l) only the amounts charged to Accounts 408.1 and 409.1 pertaining to electric operations. Report in column (l) the amounts charged to Accounts 408.1 and 109.1 pertaining to other utility departments and amounts charged to Accounts 408.2 and 409.2 Also shown in column (l) the taxes charged to utility plant or other balance sheet accounts
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.

BALANCE AT END OF YEAR		DISTRIBUTION OF TAXES CHARGED				Line No
(Taxes accrued Account 236) (g)	Prepaid Taxes (Incl in Account 165) (h)	Electric (Account 408.1, 409.1) (i)	Extraordinary Items (Account 409.3) (j)	Adjustments to Ret. Earnings (Account 439) (k)	Other (l)	
						1
						2
						3
1,649,047		2,849,808			8,119,451	4
		-206			1,145	5
2,222		1,646,589			688,784	6
		18,047			6,461	7
						8
						9
						10
						11
1,808,876		549,347			1,682,393	12
						13
		15,492			5,456	14
849,828		458,126			216,629	15
-373,291		8,972			73,328	16
	392,677					17
-65,300						18
						19
						20
						21
						22
5,095,978		3,263,449			1,072,504	23
						24
						25
						26
						27
						28
						29
						30
						31
						32
						33
						34
						35
						36
						37
						38
						39
						40
8,967,360	392,677	8,809,624			11,866,151	41

Schedule Page: 262 Line No.: 4 Column: f

Detail of Adjustments - Page 262 - Column (f)

Line 4: Detail of Federal Income Tax Adjustments

Intercompany Adjustment (124,929)

Line 15: Detail of State Property Tax Adjustments

Intercompany Adjustment 2,763,434

Line 23: Detail of Other Property Tax Adjustments

Intercompany Adjustment (2,697,363)

Schedule Page: 262 Line No.: 40 Column: l

Kind of Tax - Column (a)

Federal Taxes	Other (1)	Gas Accounts 408.1-409.1	Other Accounts 408.2-409.2
Income	8,119,451	4,309,239	3,810,212
Fuel Taxes	1,145	1,145	0
Federal Insurance	688,784	503,732	185,052
Unemployment	6,461	6,461	0
State Taxes			
Income	1,682,393	995,366	687,027
Unemployment	5,456	5,456	0
Property	216,629	216,629	0
Sales & Use Taxes	73,328	25	73,303
Other Taxes			
Property	1,072,504	1,072,504	0
Total	11,866,151	7,110,557	4,755,594

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Name of Respondent Duke Energy Kentucky, Inc	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)

Report below information applicable to Account 255. Where appropriate, segregate the balances and transactions by utility and nonutility operations. Explain by footnote any correction adjustments to the account balance shown in column (g). Include in column (i) the average period over which the tax credits are amortized.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Deferred for Year Account No (c)	Deferred for Year Amount (d)	Allocations to Current Year's Income Account No (e)	Allocations to Current Year's Income Amount (f)	Adjustments (g)
1	Electric Utility						
2	3%						
3	4%	-11			411.4	-27	
4	7%						
5	10%	627,117			411.4	138,074	
6							
7							
8	TOTAL	627,106				138,047	
9	Other (List separately and show 3%, 4%, 7%, 10% and TOTAL)						
10	Gas - 3%	22,203			411.4	6,199	
11	Gas - 4%	58,033			411.4	5,204	
12	Gas - 10%	1,203,469			411.4	63,926	-18,089
13							
14	Total - Gas	1,283,705				75,329	-18,089
15							
16							
17	Other 4%	38			411.5	201	332
18	Other 10%	3,670,207			411.5	563,314	-267,659
19							
20	Total - Other	3,670,245				563,515	-267,327
21							
22							
23							
24							
25							
26							
27							
28							
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48							

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255) (continued)

Balance at End of Year (h)	Average Period of Allocation to Income (i)	ADJUSTMENT EXPLANATION	Line No.
			1
			2
16	30 Years		3
			4
489,043	30 Years		5
			6
			7
489,059			8
			9
16,004	43 Years		10
52,829	46 Years		11
1,121,454	45 Years		12
			13
1,190,287			14
			15
			16
169	33 Years		17
2,839,234	33 Years		18
			19
2,839,403			20
			21
			22
			23
			24
			25
			26
			27
			28
			30
			31
			32
			33
			34
			35
			36
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			46
			47
			48

Schedule Page: 266 Line No.: 12 Column: g

The adjustment affects the account group 190.

Schedule Page: 266 Line No.: 17 Column: g

Intercompany Adjustment 332

Schedule Page: 266 Line No.: 18 Column: g

The adjustment affects the account group 190.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

OTHER DEFFERED CREDITS (Account 253)

1. Report below the particulars (details) called for concerning other deferred credits.
2. For any deferred credit being amortized, show the period of amortization
3. Minor items (5% of the Balance End of Year for Account 253 or amounts less than $10,000, whichever is greater) may be grouped by classes.

Line No.	Description and Other Deferred Credits (a)	Balance at Beginning of Year (b)	DEBITS Contra Account (c)	DEBITS Amount (d)	Credits (e)	Balance at End of Year (f)
1	Gas Refunds	-152,469	191, 805	751.526	591,043	-312,952
2						
3	Supplemental Pension					
4	- Excess Plan	131,488	186, 926	9,690	33,138	154,936
5						
6	Pension Cost Adj FAS 87	9,468,239	186, 228	100	22,706,527	32,174,666
7						
8	Pension Cost Adj DPL Share	86,084	143, 186	53,005	2,694,317	2,727,396
9						
10	Tyrone Synfuel Escrow	300,000	242	300,000		
11						
12	Post Retirement Benefits					
13	- Health DPL	-108,008	143,186	270,412		-378,420
14						
15	Misc. Deferred Credits and Other	-11,489	Various	17,850	13,184	-16,155
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
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35						
36						
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38						
39						
40						
41						
42						
43						
44						
45						
46						
47	TOTAL	9,713,845		1,402,583	26,038,209	34,349,471

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

ACCUMULATED DEFFERED INCOME TAXES - OTHER PROPERTY (Account 282)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes rating to property not subject to accelerated amortization
2. For other (Specify),*include deferrals relating to other income and deductions.*

Line No.	Account (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR Amounts Debited to Account 410.1 (c)	CHANGES DURING YEAR Amounts Credited to Account 411.1 (d)
1	Account 282			
2	Electric	126,520,198	15,688,980	9,413,618
3	Gas	37,987,446	6,708,468	3,655,015
4				
5	TOTAL (Enter Total of lines 2 thru 4)	164,507,644	22,397,448	13,068,633
6	Other	-2,750,727		
7				
8				
9	TOTAL Account 282 (Enter Total of lines 5 thru	161,756,917	22,397,448	13,068,633
10	Classification of TOTAL			
11	Federal Income Tax	140,633,346	19,201,654	11,065,958
12	State Income Tax	21,123,571	3,195,794	2,002,675
13	Local Income Tax			

NOTES

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

ACCUMULATED DEFERRED INCOME TAXES - OTHER PROPERTY (Account 282) (Continued)

3. Use footnotes as required.

CHANGES DURING YEAR		ADJUSTMENTS					
Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	Debits		Credits		Balance at End of Year	Line No.
		Account Credited	Amount	Account Debited	Amount		
(e)	(f)	(g)	(h)	(i)	(j)	(k)	
							1
71,247	3,647,539			See Note	562,325	129,781,593	2
119,533	258,820			See Note	115,849	41,017,461	3
							4
190,780	3,906,359				678,174	170,799,054	5
337,986						-2,412,741	6
							7
							8
528,766	3,906,359				678,174	168,386,313	9
							10
470,467	3,349,862				677,339	146,566,986	11
58,299	556,497				835	21,819,327	12
							13

NOTES (Continued)

Schedule Page: 274 Line No.: 2 Column: b

1. Pursuant to an agreement reached in a Federal Energy Regulatory Commission Audit for the years of 1982 through 1985, the Respondent agreed to transfer the balance as of December 31, 1985 for certain property related items (Payroll Taxes Capitalized and Allowance for Funds Used During Construction) from Account 283 - Accumulated Deferred Income Taxes - Other to Account 282 - Accumulated Deferred Income Taxes - Other Property and to continue to reflect such activity in Account 282.

2. Beginning in January 1987, the Respondent, in accordance with the Tax Reform Act of 1986, began to capitalize interest for tax purposes on required projects. The Respondent deferred the Federal and State income tax effects of this timing difference in Account 282.

Schedule Page: 274 Line No.: 2 Column: i

The adjustments affect the following account groups:

146 and 182.

Schedule Page: 274 Line No.: 3 Column: i

The adjustments affect the following account group:

182.

Schedule Page: 274 Line No.: 5 Column: b

1. Beginning in 1987, in accordance with the Tax Reform Act of 1986, the Respondent included in Taxable Income and Tax Depreciable Plant, amounts received as Contributions in Aid of Construction and included in Gas Taxable Income and Gas Tax Depreciable Plant, amounts received as Customer Advances for Construction. Pursuant to a Kentucky Public Service Commission order dated April 15, 1988 in Case No. 316, the Respondent began to include in Gas and Electric Taxable Income and Tax Depreciable Plant, amounts received as Contributions in Aid of Construction for Gas and Electric Operations. These amounts were previously recognized in Non-Utility Operations. This Non-Utility balance was transferred to the Gas and Electric Account 282 balances in September 1988. None of the above amounts are recognized as income for financial reporting purposes. The Respondent deferred the Federal and State Income Tax effect of this timing difference in Account 282.

2. Beginning in 1993, the Respondent began to defer the Federal and State Income Tax effect of FAS 109 in Account 282 with offsetting entries to Regulatory Asset and Regulatory Liability accounts.

Schedule Page: 274 Line No.: 6 Column: b

Non-Utility Depreciation	(2,750,727)

Schedule Page: 274 Line No.: 6 Column: k

Non-Utility Depreciation	(2,412,741)

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

ACCUMULATED DEFFERED INCOME TAXES - OTHER (Account 283)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to amounts recorded in Account 283.
2. For other (Specify),include deferrals relating to other income and deductions.

Line No.	Account (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR Amounts Debited to Account 410.1 (c)	CHANGES DURING YEAR Amounts Credited to Account 411.1 (d)
1	Account 283			
2	Electric			
3		2,333,286	5,135,018	5,715,311
4				
5				
6				
7				
8				
9	TOTAL Electric (Total of lines 3 thru 8)	2,333,286	5,135,018	5,715,311
10	Gas			
11		3,403,653	3,964,478	1,416,638
12				
13				
14				
15				
16				
17	TOTAL Gas (Total of lines 11 thru 16)	3,403,653	3,964,478	1,416,638
18				
19	TOTAL (Acct 283) (Enter Total of lines 9, 17 and 18)	5,736,939	9,099,496	7,131,949
20	Classification of TOTAL			
21	Federal Income Tax	4,749,080	7,803,506	6,211,856
22	State Income Tax	987,859	1,295,990	920,093
23	Local Income Tax			

NOTES

ACCUMULATED DEFERRED INCOME TAXES - OTHER (Account 283) (Continued)

3. Provide in the space below explanations for Page 276 and 277. Include amounts relating to insignificant items listed under Other.
4. Use footnotes as required.

CHANGES DURING YEAR		ADJUSTMENTS					
		Debits		Credits			
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Account Credited (g)	Amount (h)	Account Debited (i)	Amount (j)	Balance at End of Year (k)	Line No
							1
							2
				See Note	5,567,156	7,320,149	3
							4
							5
							6
							7
							8
					5,567,156	7,320,149	9
							10
				See Note	1,604,116	7,555,609	11
							12
							13
							14
							15
							16
					1,604,116	7,555,609	17
							18
					7,171,272	14,875,758	19
							20
					6,173,887	12,514,617	21
					997,385	2,361,141	22
							23

NOTES (Continued)

Schedule Page: 276 Line No.: 3 Column: i

The adjustments affect account group 190.

Schedule Page: 276 Line No.: 11 Column: i

The adjustments affect account group 190.

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

OTHER REGULATORY LIABILITIES (Account 254)

1. Report below the particulars (details) called for concerning other regulatory liabilities, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 254 at end of period, or amounts less than $50,000 which ever is less), may be grouped by classes.
3. For Regulatory Liabilities being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Liabilities	Balance at Begining of Current Quarter/Year	DEBITS		Credits	Balance at End of Current Quarter/Year
			Account Credited	Amount		
	(a)	(b)	(c)	(d)	(e)	(f)
1	STATEMENT OF FINANCIAL ACCOUNTING	1,756,117		34,601,031	34,376,677	1,531,763
2	STANDARDS NO. 109: ACCOUNTING FOR					
3	INCOME TAXES					
4						
5	DSM ENERGY EFFICIENCY	773,029		773,029		
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
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32						
33						
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35						
36						
37						
38						
39						
40						
41	TOTAL	2,529,146		35,374,060	34,376,677	1,531,763

Schedule Page: 278 Line No.: 1 Column: c

Accounts charged are 182.3, 190, 282 & 283

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

ELECTRIC OPERATING REVENUES (Account 400)

1. The following instructions generally apply to the annual version of these pages Do not report quarterly data in columns (c), (e), (f), and (g) Unbilled revenues and MWH related to unbilled revenues need not be reported separately as required in the annual version of these pages.
2. Report below operating revenues for each prescribed account, and manufactured gas revenues in total.
3. Report number of customers, columns (f) and (g), on the basis of meters, in addition to the number of flat rate accounts, except that where separate meter readings are added for billing purposes, one customer should be counted for each group of meters added. The -average number of customers means the average of twelve figures at the close of each month.
4 If increases or decreases from previous period (columns (c),(e), and (g)), are not derived from previously reported figures, explain any inconsistencies in a footnote

Line No	Title of Account (a)	Operating Revenues Year to Date Quarterly/Annual (b)	Operating Revenues Previous year (no Quarterly) (c)
1	Sales of Electricity		
2	(440) Residential Sales	121,502,234	121,368,409
3	(442) Commercial and Industrial Sales		
4	Small (or Comm.) (See Instr. 4)	110,687,015	107,319,096
5	Large (or Ind.) (See Instr. 4)	54,136,477	52,482,884
6	(444) Public Street and Highway Lighting	1,712,470	1,662,196
7	(445) Other Sales to Public Authorities	23,365,930	22,501,328
8	(446) Sales to Railroads and Railways		
9	(448) Interdepartmental Sales	58,317	46,673
10	TOTAL Sales to Ultimate Consumers	311,462,443	305,380,586
11	(447) Sales for Resale	26,680,150	23,614,482
12	TOTAL Sales of Electricity	338,142,593	328,995,068
13	(Less) (449.1) Provision for Rate Refunds	-291,025	-1,551,802
14	TOTAL Revenues Net of Prov. for Refunds	338,433,618	330,546,870
15	Other Operating Revenues		
16	(450) Forfeited Discounts		
17	(451) Miscellaneous Service Revenues	210,476	388,487
18	(453) Sales of Water and Water Power		
19	(454) Rent from Electric Property	550,636	1,430,059
20	(455) Interdepartmental Rents		
21	(456) Other Electric Revenues	15,985,353	16,694,449
22	(456.1) Revenues from Transmission of Electricity of Others	662,656	882,984
23	(457.1) Regional Control Service Revenues		
24	(457.2) Miscellaneous Revenues		
25			
26	TOTAL Other Operating Revenues	17,409,121	19,395,979
27	TOTAL Electric Operating Revenues	355,842,739	349,942,849

Name of Respondent Duke Energy Kentucky, Inc	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

ELECTRIC OPERATING REVENUES (Account 400)

5 Commercial and industrial Sales. Account 442, may be classified according to the basis of classification (Small or Commercial, and Large or Industrial) regularly used by the respondent if such basis of classification is not generally greater than 1000 Kw of demand (See Account 442 of the Uniform System of Accounts Explain basis of classification in a footnote)
6. See pages 108-109, Important Changes During Period, for important new territory added and important rate increase or decreases
7. For Lines 2,4,5.and 6. see Page 304 for amounts relating to unbilled revenue by accounts
8 Include unmetered sales Provide details of such Sales in a footnote

MEGAWATT HOURS SOLD		AVG NO. CUSTOMERS PER MONTH		Line No.
Year to Date Quarterly/Annual (d)	Amount Previous year (no Quarterly) (e)	Current Year (no Quarterly) (f)	Previous Year (no Quarterly) (g)	
				1
1,472.798	1,537,077	119,534	118,843	2
				3
1,441,559	1,460,620	13,423	13,302	4
796,826	807,792	390	392	5
16,001	15,988	378	355	6
313,360	319,972	978	976	7
				8
833	703			9
4,041,377	4,142,152	134,703	133,868	10
538,826	542,845	9	8	11
4,580,203	4,684,997	134,712	133,876	12
				13
4,580,203	4,684,997	134,712	133,876	14

Line 12, column (b) includes $ 1,581,000 of unbilled revenues.
Line 12, column (d) includes -6,071 MWH relating to unbilled revenues

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

SALES OF ELECTRICITY BY RATE SCHEDULES

1. Report below for each rate schedule in effect during the year the MWH of electricity sold, revenue, average number of customer, average Kwh per customer, and average revenue per Kwh, excluding date for Sales for Resale which is reported on Pages 310-311.
2. Provide a subheading and total for each prescribed operating revenue account in the sequence followed in "Electric Operating Revenues," Page 300-301. If the sales under any rate schedule are classified in more than one revenue account, List the rate schedule and sales data under each applicable revenue account subheading.
3. Where the same customers are served under more than one rate schedule in the same revenue account classification (such as a general residential schedule and an off peak water heating schedule), the entries in column (d) for the special schedule should denote the duplication in number of reported customers.
4. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (12 if all billings are made monthly).
5. For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto.
6. Report amount of unbilled revenue as of end of year for each applicable revenue account subheading.

Line No	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
1	(440) RESIDENTIAL OR					
2	DOMESTIC SALES					
3						
4						
5	RESIDENTIAL SERVICE					
6	SHEET 30 (1)	1,471,405	120,388,662	119,534	12,310	0.0818
7	SHEET 32 (2)					
8	SHEET 40 (3)					
9	SHEET 41 (4)					
10						
11	OUTDOOR LIGHTING SERVICE					
12	SHEET 65 (5)	904	137,213			0.1518
13	SHEET 67 (6)	98	19,359			0.1975
14						
15	UNBILLED REVENUE	391	957,000			2.4476
16						
17	TOTAL (440) RESIDENTIAL	1,472,798	121,502,234	119,534	12,321	0.0825
18						
19						
20						
21						
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27						
28						
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30						
31						
32						
33						
34						
35						
36						
37						
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39						
40						
41	TOTAL Billed	4,047,448	309,881,443	134,703	30,047	0.0766
42	Total Unbilled Rev.(See Instr. 6)	-6,071	1,581,000	0	0	-0.2604
43	TOTAL	4,041,377	311,462,443	134,703	30,002	0.0771

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

SALES OF ELECTRICITY BY RATE SCHEDULES

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6. Report amount of unbilled revenue as of end of year for each applicable revenue account subheading.

Line No.	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
1						
2	COMMERCIAL AND INDUSTRIAL					
3						
4	RESIDENTIAL SERVICE					
5	SHEET 30 (7)	14,464	1,215,036	1,833	7,891	0.0840
6						
7	DISTRIBUTION SERVICE					
8	SHEET 40 (8)	910,857	75,158,088	11,388	79,984	0.0825
9	SHEET 42 (9)	5,130	335,073	93	55,161	0.0653
10	SHEET 43 (10)	40	3,255	1	40,000	0.0814
11	SHEET 44 (11)	5,998	501,435	113	53,080	0.0836
12						
13	PRIMARY SERVICE					
14	SHEET 45 (12)	7,631	534,094	4	1,907,750	0.0700
15						
16	TIME OF DAY DISTRIBUTION					
17	SERVICES					
18	SHEET 41 (13)	1,087,942	72,380,689	192	5,666,365	0.0665
19						
20	TIME OF DAY TRANSMISSION					
21	SERVICE					
22	SHEET 51 (14)	177,518	11,034,826	6	29,586,333	0.0622
23						
24	OUTDOOR LIGHTING SERVICE					
25	SHEET 65(15)	3,480	400,770			0.1152
26	SHEET 67 (16)	140	28,044			0.2003
27						
28	TRAFFIC LIGHTING SERVICE					
29	SHEET 61 (17)	1	13	1	1,000	0.0130
30						
31	STREET LIGHTING SERVICE					
32	SHEET 60 (18)	114	41,302	40	2,850	0.3623
33	SHEET 69 (19)	216	30,391	33	6,545	0.1407
34						
35						
36						
37						
38						
39						
40						
41	TOTAL Billed	4,047,448	309,881,443	134,703	30,047	0.0766
42	Total Unbilled Rev.(See Instr. 6)	-6,071	1,581,000	0	0	-0.2604
43	TOTAL	4,041,377	311,462,443	134,703	30,002	0.0771

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5. For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto.
6. Report amount of unbilled revenue as of end of year for each applicable revenue account subheading.

Line No.	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
1						
2						
3						
4	SPECIAL CONTRACTS					
5	METERED (20)					
6	UNMETERED (21)					
7						
8	LOAD MANAGEMENT RIDERS					
9	SHEET 73(22)	31,111	2,666,476	109	285,422	0.0857
10	SHEET 74 (23)					
11						
12	UNBILLED REVENUE	-6,257	494,000			-0.0790
13						
14	TOTAL (442) COMMERCIAL	2,238,385	164,823,492	13,813	162,049	0.0736
15						
16						
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20						
21						
22						
23						
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30						
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39						
40						
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SALES OF ELECTRICITY BY RATE SCHEDULES

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5. For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto.
6. Report amount of unbilled revenue as of end of year for each applicable revenue account subheading.

Line No	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
1						
2	(444) PUBLIC STREET AND					
3	HIGHWAY LIGHTING					
4						
5	DISTRIBUTION SERVICE					
6	SHEET 40 (24)	1,127	95,248	17	66,294	0.0845
7						
8	STREET LIGHTING SERVICE					
9	SHEET 60(25)	11,811	1,409,201	221	53,443	0.1193
10	SHEET 66(26)	413	65,403			0.1584
11	SHEET 68 (27)					
12	SHEET 69(28)					
13						
14	TRAFFIC LIGHTING SERVICE					
15	SHEET 61 (29)	2,650	142,618	140	18,929	0.0538
16						
17	UNBILLED REVENUE					
18						
19	TOTAL (444) PUBLIC STREET	16,001	1,712,470	378	42,331	0.1070
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
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34						
35						
36						
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39						
40						
41	TOTAL Billed	4,047,448	309,881,443	134,703	30,047	0.0766
42	Total Unbilled Rev (See Instr. 6)	-6,071	1,581,000	0	0	-0.2604
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Line No.	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
1						
2	(445) SALES TO OTHER PUBLIC					
3	AUTHORITIES					
4						
5	RESIDENTIAL SERVICE					
6	SHEET 30 (30)	1	153	1	1,000	0.1530
7						
8	DISTRIBUTION SERVICE					
9	SHEET 40(31)	118,144	10,160,088	846	139,650	0.0860
10	SHEET 42(32)	8,213	507,314	19	432,263	0.0618
11	SHEET 43 (33)	284	31,526	21	13,524	0.1110
12	SHEET 44 (34)	190	17,207	44	4,318	0.0906
13						
14	PRIMARY SERVICE					
15	SHEET 45 (35)	9,781	697,500	7	1,397,286	0.0713
16						
17	TIME OF DAY DISTRIBUTION					
18	SERVICE					
19	SHEET 41 (36)	133,662	9,217,276	29	4,609,034	0.0690
20						
21	TIME OF DAY TRANSMISSION					
22	SERVICE					
23	SHEET 51 (37)	40,058	2,320,273	4	10,014,500	0.0579
24						
25	OUTDOOR LIGHTING SERVICE					
26	SHEET 65 (38)	711	79,964			0.1125
27	SHEET 67 (39)	44	5,501			0.1250
28						
29	SPECIAL CONTRACTS					
30	METERED (40)					
31						
32	LOAD MANAGEMENT RIDERS					
33	SHEET 73 (41)	2,132	182,363	7	304,571	0.0855
34	SHEET 74 (42)					
35	SHEET 61 (43)	345	16,765			0.0486
36						
37	UNBILLED REVENUE	-205	130,000			-0.6341
38						
39	TOTAL (445) SALES TO OTHER	313,360	23,365,930	978	320,409	0.0746
40	PUBLIC AUTHORITIES					
41	TOTAL Billed	4,047,448	309,881,443	134,703	30,047	0.0766
42	Total Unbilled Rev.(See Instr. 6)	-6,071	1,581,000	0	0	-0.2604
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Line No.	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
1						
2	(448) INTERDEPARTMENTAL					
3	SALES (44)	833	58,317			0 0700
4						
5	TOTAL (448) INTER-DEPART	833	58,317			0 0700
6						
7						
8						
9						
10						
11						
12						
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16						
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31						
32						
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35						
36						
37						
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39						
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FOOTNOTE DATA

Schedule Page: 304 Line No.: 6 Column: c

ALL REFERENCES REPRESENT THE DETAIL OF ADDITIONAL REVENUE NOT INCLUDED IN THE BASE RATES FROM FUEL ADJUSTMENT CLAUSE:

-7681529

Schedule Page: 304 Line No.: 12 Column: c

-4599

Schedule Page: 304 Line No.: 13 Column: c

-498

Schedule Page: 304.1 Line No.: 5 Column: c

-70948

Schedule Page: 304.1 Line No.: 8 Column: c

-4858932.

Schedule Page: 304.1 Line No.: 9 Column: c

-18682

Schedule Page: 304.1 Line No.: 10 Column: c

-246

Schedule Page: 304.1 Line No.: 11 Column: c

-30880

Schedule Page: 304.1 Line No.: 14 Column: c

-40405

Schedule Page: 304.1 Line No.: 18 Column: c

-5742326

Schedule Page: 304.1 Line No.: 22 Column: c

-953109

Schedule Page: 304.1 Line No.: 25 Column: c

-17794

Schedule Page: 304.1 Line No.: 26 Column: c

-723

Schedule Page: 304.1 Line No.: 29 Column: c

-1

Schedule Page: 304.1 Line No.: 32 Column: c

-588

Schedule Page: 304.1 Line No.: 33 Column: c

-1100

Schedule Page: 304.2 Line No.: 9 Column: c

-168433

Schedule Page: 304.3 Line No.: 6 Column: c

-6098

Schedule Page: 304.3 Line No.: 9 Column: c

-60654

Schedule Page: 304.3 Line No.: 10 Column: c

-2123

Schedule Page: 304.3 Line No.: 15 Column: c
-22727

Schedule Page: 304.4 Line No.: 6 Column: c
-7

Schedule Page: 304.4 Line No.: 9 Column: c
-632311

Schedule Page: 304.4 Line No.: 10 Column: c
-30806

Schedule Page: 304.4 Line No.: 11 Column: c
-1972

Schedule Page: 304.4 Line No.: 12 Column: c
-980

Schedule Page: 304.4 Line No.: 15 Column: c
-54517

Schedule Page: 304.4 Line No.: 19 Column: c
-740111

Schedule Page: 304.4 Line No.: 23 Column: c
-208262

Schedule Page: 304.4 Line No.: 26 Column: c
-3650

Schedule Page: 304.4 Line No.: 27 Column: c
-226

Schedule Page: 304.4 Line No.: 33 Column: c
-11960

Schedule Page: 304.4 Line No.: 35 Column: c
-625

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SALES FOR RESALE (Account 447)

1. Report all sales for resale (i.e., sales to purchasers other than ultimate consumers) transacted on a settlement basis other than power exchanges during the year. Do not report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges on this schedule. Power exchanges must be reported on the Purchased Power schedule (Page 326-327).
2. Enter the name of the purchaser in column (a). Do note abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the purchaser.
3. In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:
RQ - for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projected load for this service in its system resource planning). In addition, the reliability of requirements service must be the same as, or second only to, the supplier's service to its own ultimate consumers.
LF - for tong-term service. "Long-term" means five years or Longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for Long-term firm service which meets the definition of RQ service. For all transactions identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or setter can unilaterally get out of the contract.
IF - for intermediate-term firm service. The same as LF service except that "intermediate-term" means longer than one year but Less than five years.
SF - for short-term firm service. Use this category for all firm services where the duration of each period of commitment for service is one year or less.
LU - for Long-term service from a designated generating unit. "Long-term" means five years or Longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of designated unit.
IU - for intermediate-term service from a designated generating unit. The same as LU service except that "intermediate-term" means Longer than one year but Less than five years.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	FERC Rate Schedule or Tariff Number (c)	Average Monthly Billing Demand (MW) (d)	Actual Demand (MW)	
					Average Monthly NCP Demand (e)	Average Monthly CP Demand (f)
1	Ameren Services Company on behalf of					
2	Union Electric Co	OS	9			
3	American Electric Power Service					
4	Corporation as agent for the AEP					
5	Operating Companies	OS	1/15			
6	Basin Electric Power Cooperative	OS	9			
7	Big Rivers Electric Corporation	OS	9			
8	Cargill Power Markets, LLC	OS	1/1			
9	Constellation Energy Commodities					
10	Group, Inc.	OS	1/11			
11	Consumers Energy Company	OS	9			
12	Detroit Edison Company (The)	OS	9			
13	East Kentucky Power Cooperative, Inc.	OS	1/12 & 9			
14	FirstEnergy Solutions Corp	OS	1/5			
	Subtotal RQ			0	0	0
	Subtotal non-RQ			0	0	0
	Total			**0**	**0**	**0**

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SALES FOR RESALE (Account 447) (Continued)

OS - for other service. use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote.
AD - for Out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.
4. Group requirements RQ sales together and report them starting at line number one. After listing all RQ sales, enter "Subtotal - RQ" in column (a). The remaining sales may then be listed in any order. Enter "Subtotal-Non-RQ" in column (a) after this Listing. Enter "Total" in column (a) as the Last Line of the schedule. Report subtotals and total for columns (9) through (k)
5. In Column (c), identify the FERC Rate Schedule or Tariff Number. On separate Lines, List all FERC rate schedules or tariffs under which service, as identified in column (b), is provided.
6. For requirements RQ sales and any type of-service involving demand charges imposed on a monthly (or Longer) basis, enter the average monthly billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP)
demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.
7. Report in column (g) the megawatt hours shown on bills rendered to the purchaser.
8. Report demand charges in column (h), energy charges in column (i), and the total of any other types of charges, including out-of-period adjustments, in column (j). Explain in a footnote all components of the amount shown in column (j). Report in column (k) the total charge shown on bills rendered to the purchaser.
9. The data in column (g) through (k) must be subtotaled based on the RQ/Non-RQ grouping (see instruction 4), and then totaled on the Last -line of the schedule. The "Subtotal - RQ" amount in column (g) must be reported as Requirements Sales For Resale on Page 401, line 23. The "Subtotal - Non-RQ" amount in column (g) must be reported as Non-Requirements Sales For Resale on Page 401,iine 24.
10. Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Sold (g)	REVENUE Demand Charges ($) (h)	Energy Charges ($) (i)	Other Charges ($) (j)	Total ($) (h+i+j) (k)	Line No
					1
14		434		434	2
					3
					4
		-12,259		-12,259	5
8		458	43	501	6
462		20,373	829	21,202	7
		-1,226		-1,226	8
					9
		-2,175		-2,175	10
5		425		425	11
7		177	71	248	12
32		987	525	1,512	13
		133,066		133,066	14
0	0	0	0	0	
538,826	0	26,602,399	77,751	26.680,150	
538,826	**0**	**26,602,399**	**77,751**	**26,680,150**	

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Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr) / /	End of 2008/Q4

SALES FOR RESALE (Account 447)

1. Report all sales for resale (i.e., sales to purchasers other than ultimate consumers) transacted on a settlement basis other than power exchanges during the year. Do not report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges on this schedule. Power exchanges must be reported on the Purchased Power schedule (Page 326-327).
2. Enter the name of the purchaser in column (a). Do note abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the purchaser.
3. In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:
RQ - for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projected load for this service in its system resource planning). In addition, the reliability of requirements service must be the same as, or second only to, the supplier's service to its own ultimate consumers.
LF - for tong-term service. "Long-term" means five years or Longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for Long-term firm service which meets the definition of RQ service. For all transactions identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or setter can unilaterally get out of the contract.
IF - for intermediate-term firm service. The same as LF service except that "intermediate-term" means longer than one year but Less than five years.
SF - for short-term firm service. Use this category for all firm services where the duration of each period of commitment for service is one year or less.
LU - for Long-term service from a designated generating unit. "Long-term" means five years or Longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of designated unit.
IU - for intermediate-term service from a designated generating unit. The same as LU service except that "intermediate-term" means Longer than one year but Less than five years.

Line No.	Name of Company or Public Authority (Footnote Affiliations)	Statistical Classification	FERC Rate Schedule or Tariff Number	Average Monthly Billing Demand (MW)	Actual Demand (MW)	
					Average Monthly NCP Demand	Average Monthly CP Demand
	(a)	(b)	(c)	(d)	(e)	(f)
1	First Energy Service Company on behalf					
2	of The Cleveland Electric					
3	Illuminating Company, Ohio Edison					
4	Company, Pennsylvania Power					
5	Company, The Toledo Edison Company					
6	and FirstEnergy Solutions and on					
7	behalf of American Transmission					
8	Systems, Incorporated	OS	9			
9	Fortis Energy Marketing & Trading GP	OS	1/14			
10	Indianapolis Power and Light Company	OS	9			
11	Louisville Gas and Electric Company/					
12	Kentucky Utilities Company	OS	9			
13	MidAmerican Energy Company	OS	9			
14	Missouri River Energy Services	OS	9			
	Subtotal RQ			0	0	0
	Subtotal non-RQ			0	0	0
	Total			**0**	**0**	**0**

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

SALES FOR RESALE (Account 447) (Continued)

OS - for other service. use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote.
AD - for Out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.
4. Group requirements RQ sales together and report them starting at line number one. After listing all RQ sales, enter "Subtotal - RQ" in column (a). The remaining sales may then be listed in any order. Enter "Subtotal-Non-RQ" in column (a) after this Listing. Enter "Total" in column (a) as the Last Line of the schedule. Report subtotals and total for columns (9) through (k)
5. In Column (c), identify the FERC Rate Schedule or Tariff Number. On separate Lines, List all FERC rate schedules or tariffs under which service, as identified in column (b), is provided.
6. For requirements RQ sales and any type of-service involving demand charges imposed on a monthly (or Longer) basis, enter the average monthly billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP)
demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.
7. Report in column (g) the megawatt hours shown on bills rendered to the purchaser.
8. Report demand charges in column (h), energy charges in column (i), and the total of any other types of charges, including out-of-period adjustments, in column (j). Explain in a footnote all components of the amount shown in column (j). Report in column (k) the total charge shown on bills rendered to the purchaser.
9. The data in column (g) through (k) must be subtotaled based on the RQ/Non-RQ grouping (see instruction 4), and then totaled on the Last -line of the schedule. The "Subtotal - RQ" amount in column (g) must be reported as Requirements Sales For Resale on Page 401, line 23. The "Subtotal - Non-RQ" amount in column (g) must be reported as Non-Requirements Sales For Resale on Page 401,iine 24.
10. Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Sold (g)	REVENUE Demand Charges ($) (h)	Energy Charges ($) (i)	Other Charges ($) (j)	Total ($) (h+i+j) (k)	Line No.
					1
					2
					3
					4
					5
					6
					7
85		4,505	249	4,754	8
		126,379		126,379	9
5		101		101	10
					11
63		1,924	208	2,132	12
41		1,454	84	1,538	13
2			151	151	14
0	0	0	0	0	
538,826	0	26,602,399	77,751	26,680,150	
538,826	**0**	**26,602,399**	**77,751**	**26,680,150**	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

SALES FOR RESALE (Account 447)

1. Report all sales for resale (i.e., sales to purchasers other than ultimate consumers) transacted on a settlement basis other than power exchanges during the year. Do not report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges on this schedule. Power exchanges must be reported on the Purchased Power schedule (Page 326-327).
2. Enter the name of the purchaser in column (a). Do note abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the purchaser.
3. In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:
RQ - for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projected load for this service in its system resource planning). In addition, the reliability of requirements service must be the same as, or second only to, the supplier's service to its own ultimate consumers.
LF - for tong-term service. "Long-term" means five years or Longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for Long-term firm service which meets the definition of RQ service. For all transactions identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or setter can unilaterally get out of the contract.
IF - for intermediate-term firm service. The same as LF service except that "intermediate-term" means longer than one year but Less than five years.
SF - for short-term firm service. Use this category for all firm services where the duration of each period of commitment for service is one year or less.
LU - for Long-term service from a designated generating unit. "Long-term" means five years or Longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of designated unit.
IU - for intermediate-term service from a designated generating unit. The same as LU service except that "intermediate-term" means Longer than one year but Less than five years.

Line No.	Name of Company or Public Authority (Footnote Affiliations)	Statistical Classifi-cation	FERC Rate Schedule or Tariff Number	Average Monthly Billing Demand (MW)	Actual Demand (MW)	
					Average Monthly NCP Demand	Average Monthly CP Demand
	(a)	(b)	(c)	(d)	(e)	(f)
1	Midwest Independent System					
2	Operator, Inc.	OS	1/MISO			
3	Nebraska Public Power District	OS	9			
4	Northern Indiana Public Service Company	OS	9			
5	Northern States Power Company	OS	1/10 & 9			
6	Omaha Public Power District	OS	9			
7	Prudential Bache Commodities, LLC	OS	NJ			
8	Southern Minnesota Municipal Power					
9	Agency	OS	9			
10	The Dayton Power and Light Company	OS	1/4			
11	The Manitoba Hydro Electric Board	OS	9			
12	Western Area Power Administration	OS	9			
13						
14						
	Subtotal RQ			0	0	0
	Subtotal non-RQ			0	0	0
	Total			**0**	**0**	0

SALES FOR RESALE (Account 447) (Continued)

OS - for other service. use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote.
AD - for Out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.
4. Group requirements RQ sales together and report them starting at line number one. After listing all RQ sales, enter "Subtotal - RQ" in column (a). The remaining sales may then be listed in any order. Enter "Subtotal-Non-RQ" in column (a) after this Listing. Enter "Total" in column (a) as the Last Line of the schedule. Report subtotals and total for columns (9) through (k)
5. In Column (c), identify the FERC Rate Schedule or Tariff Number. On separate Lines, List all FERC rate schedules or tariffs under which service, as identified in column (b), is provided.
6. For requirements RQ sales and any type of-service involving demand charges imposed on a monthly (or Longer) basis, enter the average monthly billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP)
demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.
7. Report in column (g) the megawatt hours shown on bills rendered to the purchaser.
8. Report demand charges in column (h), energy charges in column (i), and the total of any other types of charges, including out-of-period adjustments, in column (j). Explain in a footnote all components of the amount shown in column (j). Report in column (k) the total charge shown on bills rendered to the purchaser.
9. The data in column (g) through (k) must be subtotaled based on the RQ/Non-RQ grouping (see instruction 4), and then totaled on the Last -line of the schedule. The "Subtotal - RQ" amount in column (g) must be reported as Requirements Sales For Resale on Page 401, line 23. The "Subtotal - Non-RQ" amount in column (g) must be reported as Non-Requirements Sales For Resale on Page 401,iine 24.
10. Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Sold (g)	REVENUE Demand Charges ($) (h)	Energy Charges ($) (i)	Other Charges ($) (j)	Total ($) (h+i+j) (k)	Line No
					1
537,993		26,703.403	73,539	26,776,942	2
8		312		312	3
22		1,251		1,251	4
7		276	82	358	5
2		120		120	6
		-366,781		-366,781	7
					8
2		130		130	9
		-12,983	2	-12,981	10
30		2,048		2,048	11
38			1,968	1,968	12
					13
					14
0	0	0	0	0	
538,826	0	26,602,399	77,751	26,680,150	
538,826	**0**	**26,602,399**	**77,751**	**26,680,150**	

Schedule Page: 310 Line No.: 2 Column: c

The number "9" notation is used to designate those sales transactions that occurred under Duke Energy Kentucky, Inc.'s MISO Rate Schedule No. 9.

Schedule Page: 310 Line No.: 5 Column: c

The number "1" notation is used to designate those sales transactions that occurred under Duke Energy Kentucky, Inc.'s MBR Tariff Volume No. 1. The FERC assigned service agreement number follows the number "1".

Schedule Page: 310.2 Line No.: 2 Column: c

MISO Operating Agreement under Duke Energy Kentucky, Inc.'s MBR Tariff Volume No. 1.

Schedule Page: 310.2 Line No.: 7 Column: c

NJ - Non-Jurisdictional Agreement.

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Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

ELECTRIC OPERATION AND MAINTENANCE EXPENSES

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
1	1. POWER PRODUCTION EXPENSES		
2	A. Steam Power Generation		
3	Operation		
4	(500) Operation Supervision and Engineering	2,020,015	2,150,133
5	(501) Fuel	98,068,501	71,980,364
6	(502) Steam Expenses	10,021,378	8,263,696
7	(503) Steam from Other Sources		
8	(Less) (504) Steam Transferred-Cr.		
9	(505) Electric Expenses	699,759	754,792
10	(506) Miscellaneous Steam Power Expenses	1,351,230	1,927,386
11	(507) Rents	444,924	419,124
12	(509) Allowances	2,280,794	6,428,747
13	TOTAL Operation (Enter Total of Lines 4 thru 12)	114,886,601	91,924,242
14	Maintenance		
15	(510) Maintenance Supervision and Engineering	1,299,206	775,775
16	(511) Maintenance of Structures	1,844,570	1,387,013
17	(512) Maintenance of Boiler Plant	7,353,204	9,975,516
18	(513) Maintenance of Electric Plant	1,681,140	1,983,474
19	(514) Maintenance of Miscellaneous Steam Plant	937,525	859,538
20	TOTAL Maintenance (Enter Total of Lines 15 thru 19)	13,115,645	14,981,316
21	TOTAL Power Production Expenses-Steam Power (Entr Tot lines 13 & 20)	128,002,246	106,905,558
22	B. Nuclear Power Generation		
23	Operation		
24	(517) Operation Supervision and Engineering		
25	(518) Fuel		
26	(519) Coolants and Water		
27	(520) Steam Expenses		
28	(521) Steam from Other Sources		
29	(Less) (522) Steam Transferred-Cr.		
30	(523) Electric Expenses		
31	(524) Miscellaneous Nuclear Power Expenses		
32	(525) Rents		
33	TOTAL Operation (Enter Total of lines 24 thru 32)		
34	Maintenance		
35	(528) Maintenance Supervision and Engineering		
36	(529) Maintenance of Structures		
37	(530) Maintenance of Reactor Plant Equipment		
38	(531) Maintenance of Electric Plant		
39	(532) Maintenance of Miscellaneous Nuclear Plant		
40	TOTAL Maintenance (Enter Total of lines 35 thru 39)		
41	TOTAL Power Production Expenses-Nuc. Power (Entr tot lines 33 & 40)		
42	C. Hydraulic Power Generation		
43	Operation		
44	(535) Operation Supervision and Engineering		
45	(536) Water for Power		
46	(537) Hydraulic Expenses		
47	(538) Electric Expenses		
48	(539) Miscellaneous Hydraulic Power Generation Expenses		
49	(540) Rents		
50	TOTAL Operation (Enter Total of Lines 44 thru 49)		
51	C. Hydraulic Power Generation (Continued)		
52	Maintenance		
53	(541) Mainentance Supervision and Engineering		
54	(542) Maintenance of Structures		
55	(543) Maintenance of Reservoirs, Dams, and Waterways		
56	(544) Maintenance of Electric Plant		
57	(545) Maintenance of Miscellaneous Hydraulic Plant		
58	TOTAL Maintenance (Enter Total of lines 53 thru 57)		
59	TOTAL Power Production Expenses-Hydraulic Power (tot of lines 50 & 58)		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
60	D. Other Power Generation		
61	Operation		
62	(546) Operation Supervision and Engineering	228,130	140,063
63	(547) Fuel	12,363,666	14,313,615
64	(548) Generation Expenses	450,428	542,324
65	(549) Miscellaneous Other Power Generation Expenses	424,596	514,988
66	(550) Rents		
67	TOTAL Operation (Enter Total of lines 62 thru 66)	13,466,820	15,510,990
68	Maintenance		
69	(551) Maintenance Supervision and Engineering	20,697	8,957
70	(552) Maintenance of Structures	130,414	41,865
71	(553) Maintenance of Generating and Electric Plant	2,406,950	1,132,275
72	(554) Maintenance of Miscellaneous Other Power Generation Plant	538,614	35,295
73	TOTAL Maintenance (Enter Total of lines 69 thru 72)	3,096,675	1,218,392
74	TOTAL Power Production Expenses-Other Power (Enter Tot of 67 & 73)	16,563,495	16,729,382
75	E. Other Power Supply Expenses		
76	(555) Purchased Power	48,741,108	62,077,740
77	(556) System Control and Load Dispatching	114,968	216,412
78	(557) Other Expenses	-3,052,640	729,679
79	TOTAL Other Power Supply Exp (Enter Total of lines 76 thru 78)	45,803,436	63,023,831
80	TOTAL Power Production Expenses (Total of lines 21, 41, 59, 74 & 79)	190,369,177	186,658,771
81	2. TRANSMISSION EXPENSES		
82	Operation		
83	(560) Operation Supervision and Engineering	55,350	98,717
84	(561) Load Dispatching		178,470
85	(561.1) Load Dispatch-Reliability	102,646	66,501
86	(561.2) Load Dispatch-Monitor and Operate Transmission System	43,701	9,523
87	(561.3) Load Dispatch-Transmission Service and Scheduling	-257	
88	(561.4) Scheduling, System Control and Dispatch Services	709,796	715,531
89	(561.5) Reliability, Planning and Standards Development		
90	(561.6) Transmission Service Studies		
91	(561.7) Generation Interconnection Studies		
92	(561.8) Reliability, Planning and Standards Development Services	43,274	43,289
93	(562) Station Expenses	115,821	69,078
94	(563) Overhead Lines Expenses	22,451	14,348
95	(564) Underground Lines Expenses		
96	(565) Transmission of Electricity by Others	16,813,303	17,325,885
97	(566) Miscellaneous Transmission Expenses	8,717	61,450
98	(567) Rents	1,934,700	1,934,700
99	TOTAL Operation (Enter Total of lines 83 thru 98)	19,849,502	20,517,492
100	Maintenance		
101	(568) Maintenance Supervision and Engineering	4,235	7,912
102	(569) Maintenance of Structures	9,736	10,459
103	(569.1) Maintenance of Computer Hardware	2,346	
104	(569.2) Maintenance of Computer Software	41,700	
105	(569.3) Maintenance of Communication Equipment		
106	(569.4) Maintenance of Miscellaneous Regional Transmission Plant		
107	(570) Maintenance of Station Equipment	196,460	79,007
108	(571) Maintenance of Overhead Lines	226,912	158,295
109	(572) Maintenance of Underground Lines	2,570	
110	(573) Maintenance of Miscellaneous Transmission Plant	-994	4,145
111	TOTAL Maintenance (Total of lines 101 thru 110)	482,965	259,818
112	TOTAL Transmission Expenses (Total of lines 99 and 111)	20,332,467	20,777,310

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
113	3. REGIONAL MARKET EXPENSES		
114	Operation		
115	(575.1) Operation Supervision		
116	(575.2) Day-Ahead and Real-Time Market Facilitation		
117	(575.3) Transmission Rights Market Facilitation		
118	(575.4) Capacity Market Facilitation		
119	(575.5) Ancillary Services Market Facilitation		
120	(575.6) Market Monitoring and Compliance		
121	(575.7) Market Facilitation, Monitoring and Compliance Services	794,621	750,811
122	(575.8) Rents		
123	Total Operation (Lines 115 thru 122)	794,621	750,811
124	Maintenance		
125	(576.1) Maintenance of Structures and Improvements		
126	(576.2) Maintenance of Computer Hardware		
127	(576.3) Maintenance of Computer Software		
128	(576.4) Maintenance of Communication Equipment		
129	(576.5) Maintenance of Miscellaneous Market Operation Plant		
130	Total Maintenance (Lines 125 thru 129)		
131	TOTAL Regional Transmission and Market Op Expns (Total 123 and 130)	794,621	750,811
132	4. DISTRIBUTION EXPENSES		
133	Operation		
134	(580) Operation Supervision and Engineering	116,245	216,780
135	(581) Load Dispatching	436,999	16,680
136	(582) Station Expenses	325,643	185,125
137	(583) Overhead Line Expenses	277,063	353,201
138	(584) Underground Line Expenses	149,853	54,602
139	(585) Street Lighting and Signal System Expenses	6,975	25,886
140	(586) Meter Expenses	288,965	29,512
141	(587) Customer Installations Expenses	713,015	356,856
142	(588) Miscellaneous Expenses	413,634	387,983
143	(589) Rents	494,928	494,928
144	TOTAL Operation (Enter Total of lines 134 thru 143)	3,223,320	2,121,553
145	Maintenance		
146	(590) Maintenance Supervision and Engineering	115,351	201,966
147	(591) Maintenance of Structures	62,996	25,935
148	(592) Maintenance of Station Equipment	298,083	208,730
149	(593) Maintenance of Overhead Lines	4,314,182	3,788,910
150	(594) Maintenance of Underground Lines	311,783	346,369
151	(595) Maintenance of Line Transformers	88,571	105,586
152	(596) Maintenance of Street Lighting and Signal Systems	96,905	56,301
153	(597) Maintenance of Meters	239,063	187,054
154	(598) Maintenance of Miscellaneous Distribution Plant	-29,948	37,311
155	TOTAL Maintenance (Total of lines 146 thru 154)	5,496,986	4,958,162
156	TOTAL Distribution Expenses (Total of lines 144 and 155)	8,720,306	7,079,715
157	5. CUSTOMER ACCOUNTS EXPENSES		
158	Operation		
159	(901) Supervision	14,235	24,798
160	(902) Meter Reading Expenses	986,864	933,492
161	(903) Customer Records and Collection Expenses	3,221,753	3,247,759
162	(904) Uncollectible Accounts	2,564,991	2,675,399
163	(905) Miscellaneous Customer Accounts Expenses	-46,234	75,852
164	TOTAL Customer Accounts Expenses (Total of lines 159 thru 163)	6,741,609	6,957,300

Name of Respondent Duke Energy Kentucky, Inc	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
165	6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
166	Operation		
167	(907) Supervision		
168	(908) Customer Assistance Expenses	161,900	374,142
169	(909) Informational and Instructional Expenses	1,260	75,166
170	(910) Miscellaneous Customer Service and Informational Expenses	837,387	431,955
171	TOTAL Customer Service and Information Expenses (Total 167 thru 170)	1,000,547	881,263
172	7. SALES EXPENSES		
173	Operation		
174	(911) Supervision	555	2,572
175	(912) Demonstrating and Selling Expenses		
176	(913) Advertising Expenses		
177	(916) Miscellaneous Sales Expenses		-2,606
178	TOTAL Sales Expenses (Enter Total of lines 174 thru 177)	555	-34
179	8. ADMINISTRATIVE AND GENERAL EXPENSES		
180	Operation		
181	(920) Administrative and General Salaries	7,828,637	8,173,251
182	(921) Office Supplies and Expenses	4,083,382	3,314,022
183	(Less) (922) Administrative Expenses Transferred-Credit	33,348	6,608
184	(923) Outside Services Employed	5,345,994	2,391,756
185	(924) Property Insurance	831,101	227,704
186	(925) Injuries and Damages	370,848	223,515
187	(926) Employee Pensions and Benefits	6,333,174	9,725,767
188	(927) Franchise Requirements	8	
189	(928) Regulatory Commission Expenses	2,113,586	2,120,806
190	(929) (Less) Duplicate Charges-Cr.	1,223,243	124,172
191	(930.1) General Advertising Expenses	2,543	
192	(930.2) Miscellaneous General Expenses	687,332	462,938
193	(931) Rents	2,202,888	2,497,384
194	TOTAL Operation (Enter Total of lines 181 thru 193)	28,542,902	29,006,363
195	Maintenance		
196	(935) Maintenance of General Plant	481,305	461,024
197	TOTAL Administrative & General Expenses (Total of lines 194 and 196)	29,024,207	29,467,387
198	TOTAL Elec Op and Maint Expns (Total 80,112,131,156,164,171,178,197)	256,983,489	252,572,523

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

PURCHASED POWER (Account 555)
(Including power exchanges)

1. Report all power purchases made during the year. Also report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges.
2. Enter the name of the seller or other party in an exchange transaction in column (a). Do not abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the seller.
3. In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:

RQ - for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projects load for this service in its system resource planning). In addition, the reliability of requirement service must be the same as, or second only to, the supplier's service to its own ultimate consumers.

LF - for long-term firm service. "Long-term" means five years or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for long-term firm service firm service which meets the definition of RQ service. For all transaction identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or seller can unilaterally get out of the contract.

IF - for intermediate-term firm service. The same as LF service expect that "intermediate-term" means longer than one year but less than five years.

SF - for short-term service. Use this category for all firm services, where the duration of each period of commitment for service is one year or less.

LU - for long-term service from a designated generating unit. "Long-term" means five years or longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of the designated unit.

IU - for intermediate-term service from a designated generating unit. The same as LU service expect that "intermediate-term" means longer than one year but less than five years.

EX - For exchanges of electricity. Use this category for transactions involving a balancing of debits and credits for energy, capacity, etc. and any settlements for imbalanced exchanges.

OS - for other service. Use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote for each adjustment.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	FERC Rate Schedule or Tariff Number (c)	Average Monthly Billing Demand (MW) (d)	Actual Demand (MW) Average Monthly NCP Demand (e)	Average Monthly CP Demand (f)
1	American Electric Power Service					
2	Corporation as agent for the AEP					
3	Operating Companies	OS	(1)			
4	Cargill Power Markets, LLC	OS	(1)			
5	Constellation Energy Commodities					
6	Group, Inc.	OS	(1)			
7	East Kentucky Power Cooperative, Inc.	OS	(1)			
8	FirstEnergy Solutions Corp.	OS	(1)			
9	Fortis Energy Marketing & Trading GP	OS	(1)			
10	Midwest Independent System					
11	Operator, Inc.	OS	(1)			
12	Northern States Power Company	OS	(1)			
13	Prudential Bache Commodities, LLC	OS	NJ			
14	The Dayton Power and Light Company	OS	(1)			
	Total					

PURCHASED POWER(Account 555) (Continued)
(Including power exchanges)

AD - for out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.

4. In column (c), identify the FERC Rate Schedule Number or Tariff, or, for non-FERC jurisdictional sellers, include an appropriate designation for the contract. On separate lines, list all FERC rate schedules, tariffs or contract designations under which service, as identified in column (b), is provided.
5. For requirements RQ purchases and any type of service involving demand charges imposed on a monnthly (or longer) basis, enter the monthly average billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP) demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.
6. Report in column (g) the megawatthours shown on bills rendered to the respondent. Report in columns (h) and (i) the megawatthours of power exchanges received and delivered, used as the basis for settlement. Do not report net exchange.
7. Report demand charges in column (j), energy charges in column (k), and the total of any other types of charges, including out-of-period adjustments, in column (l). Explain in a footnote all components of the amount shown in column (l). Report in column (m) the total charge shown on bills received as settlement by the respondent. For power exchanges, report in column (m) the settlement amount for the net receipt of energy. If more energy was delivered than received, enter a negative amount. If the settlement amount (l) include credits or charges other than incremental generation expenses, or (2) excludes certain credits or charges covered by the agreement, provide an explanatory footnote.
8. The data in column (g) through (m) must be totalled on the last line of the schedule. The total amount in column (g) must be reported as Purchases on Page 401, line 10. The total amount in column (h) must be reported as Exchange Received on Page 401, line 12. The total amount in column (i) must be reported as Exchange Delivered on Page 401, line 13.
9. Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Purchased (g)	POWER EXCHANGES		COST/SETTLEMENT OF POWER				Line No.
	MegaWatt Hours Received (h)	MegaWatt Hours Delivered (i)	Demand Charges ($) (j)	Energy Charges ($) (k)	Other Charges ($) (l)	Total (j+k+l) of Settlement ($) (m)	
							1
							2
				-7,866		-7,866	3
				-19,556		-19,556	4
							5
				15,531		15,531	6
1,159				72,666		72,666	7
				-29,516		-29,516	8
				63,766		63,766	9
							10
796,549				48,965,728	-681,767	48,283,961	11
				17,250		17,250	12
				286,147		286,147	13
				41,457		41,457	14
797,708				49,422,875	-681,767	48,741,108	

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

PURCHASED POWER (Account 555)
(Including power exchanges)

1. Report all power purchases made during the year. Also report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges.
2. Enter the name of the seller or other party in an exchange transaction in column (a). Do not abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the seller.
3. In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:

RQ - for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projects load for this service in its system resource planning). In addition, the reliability of requirement service must be the same as, or second only to, the supplier's service to its own ultimate consumers.

LF - for long-term firm service. "Long-term" means five years or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for long-term firm service firm service which meets the definition of RQ service. For all transaction identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or seller can unilaterally get out of the contract.

IF - for intermediate-term firm service. The same as LF service expect that "intermediate-term" means longer than one year but less than five years.

SF - for short-term service. Use this category for all firm services, where the duration of each period of commitment for service is one year or less.

LU - for long-term service from a designated generating unit. "Long-term" means five years or longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of the designated unit.

IU - for intermediate-term service from a designated generating unit. The same as LU service expect that "intermediate-term" means longer than one year but less than five years.

EX - For exchanges of electricity. Use this category for transactions involving a balancing of debits and credits for energy, capacity, etc. and any settlements for imbalanced exchanges.

OS - for other service. Use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote for each adjustment.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	FERC Rate Schedule or Tariff Number (c)	Average Monthly Billing Demand (MW) (d)	Actual Demand (MW) Average Monthly NCP Demand (e)	Actual Demand (MW) Average Monthly CP Demand (f)
1	Westar Energy, Inc	OS	(1)			
2	LaFarge Gypsum	OS	NJ			
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
	Total					

PURCHASED POWER(Account 555) (Continued)
(Including power exchanges)

AD - for out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.

4. In column (c), identify the FERC Rate Schedule Number or Tariff, or, for non-FERC jurisdictional sellers, include an appropriate designation for the contract. On separate lines, list all FERC rate schedules, tariffs or contract designations under which service, as identified in column (b), is provided.
5. For requirements RQ purchases and any type of service involving demand charges imposed on a monnthly (or longer) basis, enter the monthly average billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP) demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.
6. Report in column (g) the megawatthours shown on bills rendered to the respondent. Report in columns (h) and (i) the megawatthours of power exchanges received and delivered, used as the basis for settlement. Do not report net exchange.
7. Report demand charges in column (j), energy charges in column (k), and the total of any other types of charges, including out-of-period adjustments, in column (l). Explain in a footnote all components of the amount shown in column (l). Report in column (m) the total charge shown on bills received as settlement by the respondent. For power exchanges, report in column (m) the settlement amount for the net receipt of energy. If more energy was delivered than received, enter a negative amount. If the settlement amount (l) include credits or charges other than incremental generation expenses, or (2) excludes certain credits or charges covered by the agreement, provide an explanatory footnote.
8. The data in column (g) through (m) must be totalled on the last line of the schedule. The total amount in column (g) must be reported as Purchases on Page 401, line 10. The total amount in column (h) must be reported as Exchange Received on Page 401, line 12. The total amount in column (i) must be reported as Exchange Delivered on Page 401, line 13.
9. Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Purchased (g)	POWER EXCHANGES		COST/SETTLEMENT OF POWER				Line No
	MegaWatt Hours Received (h)	MegaWatt Hours Delivered (i)	Demand Charges ($) (j)	Energy Charges ($) (k)	Other Charges ($) (l)	Total (j+k+l) of Settlement ($) (m)	
				-5,321		-5,321	1
				22,589		22,589	2
							3
							4
							5
							6
							7
							8
							9
							10
							11
							12
							13
							14
797,708				49,422,875	-681,767	48,741,108	

Schedule Page: 326 Line No.: 3 Column: c
The number "1" notation designates FERC Approved Tariff and/or Rate Schedule as on file with the Commission.

Schedule Page: 326 Line No.: 13 Column: c
NJ - Non-Jurisdictional Agreement.

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456.1)
(Including transactions referred to as 'wheeling')

1. Report all transmission of electricity, i.e., wheeling, provided for other electric utilities, cooperatives, other public authorities, qualifying facilities, non-traditional utility suppliers and ultimate customers for the quarter.
2. Use a separate line of data for each distinct type of transmission service involving the entities listed in column (a), (b) and (c).
3. Report in column (a) the company or public authority that paid for the transmission service. Report in column (b) the company or public authority that the energy was received from and in column (c) the company or public authority that the energy was delivered to. Provide the full name of each company or public authority. Do not abbreviate or truncate name or use acronyms. Explain in a footnote any ownership interest in or affiliation the respondent has with the entities listed in columns (a), (b) or (c)
4. In column (d) enter a Statistical Classification code based on the original contractual terms and conditions of the service as follows: FNO - Firm Network Service for Others, FNS - Firm Network Transmission Service for Self, LFP - "Long-Term Firm Point to Point Transmission Service, OLF - Other Long-Term Firm Transmission Service, SFP - Short-Term Firm Point to Point Transmission Reservation, NF - non-firm transmission service, OS - Other Transmission Service and AD - Out-of-Period Adjustments. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting periods. Provide an explanation in a footnote for each adjustment. See General Instruction for definitions of codes.

Line No.	Payment By (Company of Public Authority) (Footnote Affiliation) (a)	Energy Received From (Company of Public Authority) (Footnote Affiliation) (b)	Energy Delivered To (Company of Public Authority) (Footnote Affiliation) (c)	Statistical Classification (d)
1	Williamstown			OS
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
	TOTAL			

Name of Respondent Duke Energy Kentucky, Inc	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456)(Continued)
(Including transactions reffered to as 'wheeling')

5. In column (e), identify the FERC Rate Schedule or Tariff Number, On separate lines, list all FERC rate schedules or contract designations under which service, as identified in column (d), is provided.
6. Report receipt and delivery locations for all single contract path, "point to point" transmission service. In column (f), report the designation for the substation, or other appropriate identification for where energy was received as specified in the contract. In column (g) report the designation for the substation, or other appropriate identification for where energy was delivered as specified in the contract.
7. Report in column (h) the number of megawatts of billing demand that is specified in the firm transmission service contract. Demand reported in column (h) must be in megawatts. Footnote any demand not stated on a megawatts basis and explain.
8. Report in column (i) and (j) the total megawatthours received and delivered.

FERC Rate Schedule of Tariff Number (e)	Point of Receipt (Subsatation or Other Designation) (f)	Point of Delivery (Substation or Other Designation) (g)	Billing Demand (MW) (h)	TRANSFER OF ENERGY MegaWatt Hours Received (i)	TRANSFER OF ENERGY MegaWatt Hours Delivered (j)	Line No
5/226				11,072	11,072	1
						2
						3
						4
						5
						6
						7
						8
						9
						10
						11
						12
						13
						14
						15
						16
						17
						18
						19
						20
						21
						22
						23
						24
						25
						26
						27
						28
						29
						30
						31
						32
						33
						34
			0	**11,072**	**11,072**	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456) (Continued)
(Including transactions reffered to as 'wheeling')

9. In column (k) through (n), report the revenue amounts as shown on bills or vouchers. In column (k), provide revenues from demand charges related to the billing demand reported in column (h). In column (l), provide revenues from energy charges related to the amount of energy transferred. In column (m), provide the total revenues from all other charges on bills or vouchers rendered, including out of period adjustments. Explain in a footnote all components of the amount shown in column (m). Report in column (n) the total charge shown on bills rendered to the entity Listed in column (a). If no monetary settlement was made, enter zero (11011) in column (n). Provide a footnote explaining the nature of the non-monetary settlement, including the amount and type of energy or service rendered.
10. The total amounts in columns (i) and (j) must be reported as Transmission Received and Transmission Delivered for annual report purposes only on Page 401, Lines 16 and 17, respectively.
11. Footnote entries and provide explanations following all required data.

REVENUE FROM TRANSMISSION OF ELECTRICITY FOR OTHERS

Demand Charges ($) (k)	Energy Charges ($) (l)	(Other Charges) ($) (m)	Total Revenues ($) (k+l+m) (n)	Line No
		295	295	1
				2
				3
				4
				5
				6
				7
				8
				9
				10
				11
				12
				13
				14
				15
				16
				17
				18
				19
				20
				21
				22
				23
				24
				25
				26
				27
				28
				29
				30
				31
				32
				33
				34
0	**0**	**295**	**295**	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

TRANSMISSION OF ELECTRICITY BY ISO/RTOs

1. Report in Column (a) the Transmission Owner receiving revenue for the transmission of electricity by the ISO/RTO.
2. Use a separate line of data for each distinct type of transmission service involving the entities listed in Column (a).
3. In Column (b) enter a Statistical Classification code based on the original contractual terms and conditions of the service as follows: FNO – Firm Network Service for Others, FNS – Firm Network Transmission Service for Self, LFP – Long-Term Firm Point-to-Point Transmission Service, OLF – Other Long-Term Firm Transmission Service, SFP – Short-Term Firm Point-to-Point Transmission Reservation, NF – Non-Firm Transmission Service, OS – Other Transmission Service and AD- Out-of-Period Adjustments. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting periods. Provide an explanation in a footnote for each adjustment. See General Instruction for definitions of codes.
4. In column (c) identify the FERC Rate Schedule or tariff Number, on separate lines, list all FERC rate schedules or contract designations under which service, as identified in column (b) was provided.
5. In column (d) report the revenue amounts as shown on bills or vouchers.
6. Report in column (e) the total revenues distributed to the entity listed in column (a).

Line No.	Payment Received by (Transmission Owner Name) (a)	Statistical Classification (b)	FERC Rate Schedule or Tariff Number (c)	Total Revenue by Rate Schedule or Tarirff (d)	Total Revenue (e)
1	Duke Energy Kentucky, Inc	OS		834	834
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40	TOTAL			834	834

Name of Respondent Duke Energy Kentucky, Inc	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

TRANSMISSION OF ELECTRICITY BY OTHERS (Account 565)
(Including transactions referred to as "wheeling")

1. Report all transmission, i.e. wheeling or electricity provided by other electric utilities, cooperatives, municipalities, other public authorities, qualifying facilities, and others for the quarter.
2. In column (a) report each company or public authority that provided transmission service. Provide the full name of the company, abbreviate if necessary, but do not truncate name or use acronyms. Explain in a footnote any ownership interest in or affiliation with the transmission service provider. Use additional columns as necessary to report all companies or public authorities that provided transmission service for the quarter reported.
3. In column (b) enter a Statistical Classification code based on the original contractual terms and conditions of the service as follows: FNS - Firm Network Transmission Service for Self, LFP - Long-Term Firm Point-to-Point Transmission Reservations. OLF - Other Long-Term Firm Transmission Service, SFP - Short-Term Firm Point-to- Point Transmission Reservations, NF - Non-Firm Transmission Service, and OS - Other Transmission Service. See General Instructions for definitions of statistical classifications.
4. Report in column (c) and (d) the total megawatt hours received and delivered by the provider of the transmission service.
5. Report in column (e), (f) and (g) expenses as shown on bills or vouchers rendered to the respondent. In column (e) report the demand charges and in column (f) energy charges related to the amount of energy transferred. On column (g) report the total of all other charges on bills or vouchers rendered to the respondent, including any out of period adjustments. Explain in a footnote all components of the amount shown in column (g). Report in column (h) the total charge shown on bills rendered to the respondent. If no monetary settlement was made, enter zero in column (h). Provide a footnote explaining the nature of the non-monetary settlement, including the amount and type of energy or service rendered.
6. Enter "TOTAL" in column (a) as the last line.
7. Footnote entries and provide explanations following all required data.

Line No	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	TRANSFER OF ENERGY: Magawatt-hours Received (c)	TRANSFER OF ENERGY: Magawatt-hours Delivered (d)	EXPENSES FOR TRANSMISSION OF ELECTRICITY BY OTHERS: Demand Charges ($) (e)	Energy Charges ($) (f)	Other Charges ($) (g)	Total Cost of Transmission ($) (h)
1	Duke Energy Ohio, Inc	OS	4,796,359			16,438,146		16,438,146
2	Midwest ISO	LFP				178,252		178,252
3	Transmission							
4	East Kentucky Power	OLF				196,905		196,905
5	Cooperative, Inc							
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
	TOTAL		4,796,359			16,813,303		16,813,303

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (ELECTRIC)

Line No.	Description (a)	Amount (b)
1	Industry Association Dues	3,341
2	Nuclear Power Research Expenses	
3	Other Experimental and General Research Expenses	283,043
4	Pub & Dist Info to Stkhldrs. expn servicing outstanding Securities	
5	Oth Expn >=5,000 show purpose, recipient, amount. Group if < $5,000	
6	Business & Service Company Support	321,496
7	Leased Circuit Charges	51,696
8	Directors' Fees and Expenses	17,657
9	Dues and Subscriptions to Various Organizations	613
10	Miscellaneous	9,486
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
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32		
33		
34		
35		
36		
37		
38		
39		
40		
41		
42		
43		
44		
45		
46	TOTAL	687,332

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Account 403, 404, 405)

(Except amortization of aquisition adjustments)

1. Report in section A for the year the amounts for : (b) Depreciation Expense (Account 403; (c) Depreciation Expense for Asset Retirement Costs (Account 403.1; (d) Amortization of Limited-Term Electric Plant (Account 404); and (e) Amortization of Other Electric Plant (Account 405).
2. Report in Section 8 the rates used to compute amortization charges for electric plant (Accounts 404 and 405). State the basis used to compute charges and whether any changes have been made in the basis or rates used from the preceding report year.
3. Report all available information called for in Section C every fifth year beginning with report year 1971, reporting annually only changes to columns (c) through (g) from the complete report of the preceding year.

Unless composite depreciation accounting for total depreciable plant is followed, list numerically in column (a) each plant subaccount, account or functional classification, as appropriate, to which a rate is applied. Identify at the bottom of Section C the type of plant included in any sub-account used.

In column (b) report all depreciable plant balances to which rates are applied showing subtotals by functional Classifications and showing composite total. Indicate at the bottom of section C the manner in which column balances are obtained. If average balances, state the method of averaging used.

For columns (c), (d), and (e) report available information for each plant subaccount, account or functional classification Listed in column (a). If plant mortality studies are prepared to assist in estimating average service Lives, show in column (f) the type mortality curve selected as most appropriate for the account and in column (g), if available, the weighted average remaining life of surviving plant. If composite depreciation accounting is used, report available information called for in columns (b) through (g) on this basis

4. If provisions for depreciation were made during the year in addition to depreciation provided by application of reported rates, state at the bottom of section C the amounts and nature of the provisions and the plant items to which related.

A. Summary of Depreciation and Amortization Charges

Line No.	Functional Classification (a)	Depreciation Expense (Account 403) (b)	Depreciation Expense for Asset Retirement Costs (Account 403.1) (c)	Amortization of Limited Term Electric Plant (Account 404) (d)	Amortization of Other Electric Plant (Acc 405) (e)	Total (f)
1	Intangible Plant			236,529		236,529
2	Steam Production Plant	12,054,986	49			12,055,035
3	Nuclear Production Plant					
4	Hydraulic Production Plant-Conventional					
5	Hydraulic Production Plant-Pumped Storage					
6	Other Production Plant	6,042,280				6,042,280
7	Transmission Plant	598,512				598,512
8	Distribution Plant	8,326,925				8,326,925
9	Regional Transmission and Market Operation					
10	General Plant	13,939		32,263		46,202
11	Common Plant-Electric	466,628		1,412,251		1,878,879
12	TOTAL	27,503,270	49	1,681,043		29,184,362

B. Basis for Amortization Charges

The rate used to compute amortization charges for intangible electric plant is primarily 20%. There are some software projects, such as the EDSIP and Customer Management System, that have a 10% rate No changes have been made in the types of items included in the base or in the rates used from the preceding report year

The Respondent determines its monthly Provision for Depreciation by the application of rates to the previous month-end balance of property capitalized in each primary plant account plus property in Account 106 - Completed Construction Not Classified.

In 1997, the Respondent adopted vintage year accounting for General Plant accounts in accordance with FERC Accounting Release No. 15.

Name of Respondent Duke Energy Kentucky, Inc	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Continued)

C. Factors Used in Estimating Depreciation Charges

Line No.	Account No. (a)	Depreciable Plant Base (In Thousands) (b)	Estimated Avg. Service Life (c)	Net Salvage (Percent) (d)	Applied Depr. rates (Percent) (e)	Mortality Curve Type (f)	Average Remaining Life (g)
12	Steam Production Plant						
13	311 - Miami Fort	3,193	100.00	-4.00	0.28	R2.5	14.20
14	311 - East Bend	38,476	100.00	-3.00	1.28	R2.5	33.30
15	312 - Miami Fort	42,446	55.00	-13.00	5.35	S1	7.80
16	312 - East Bend	276,828	55.00	-11.00	2.32	S1	26.90
17	312 - MF Retrofit Prec	11,773	50.00	-12.00	1.24	S1.5	13.80
18	312 - EB Catalyst	2,230	8.00		15.28	S2.5	4.00
19	314 - Miami Fort	11,942	55.00	-9.00	1.16	R2.5	13.80
20	314 - East Bend	68,696	55.00	-8.00	2.26	R2.5	27.40
21	315 - Miami Fort	4,162	60.00	-4.00	1.13	R2.5	14.00
22	315 - East Bend	25,866	60.00	-4.00	1.72	R2.5	27.80
23	316 - Miami Fort	1,065	55.00		5.53	S0.5	13.60
24	316 - East Bend	8,477	55.00		2.15	S0.5	26.30
25	Subtotal	495,154					
26							
27	Other Production Plant						
28	340 - R/W	652	40.00		3.63	SQ	26.50
29	341	33,798		-3.00	2.04	SQUARE	26.50
30	342	15,508		-3.00	1.75	SQUARE	26.50
31	343	8		-5.00	3.96	SQUARE	26.50
32	344	186,984	75.00	-4.00	2.38	R2.5	24.90
33	345	16,871	55.00		1.80	S2	24.00
34	346	3,788	50.00		2.00	R2.5	22.50
35	Subtotal	257,609					
36							
37	Transmission Plant						
38	350 - R/W	1,092	65.00		1.48	R4	32.80
39	352	869	55.00	-5.00	0.41	R3	27.90
40	353	9,926	50.00	-5.00	2.25	R1.5	31.10
41	353 - Major	5,434	50.00	-10.00	2.27	R3	35.70
42	353 - Electronic	30	15.00		9.55	R2	10.30
43	355	5,821	50.00	-20.00	2.10	R1.5	29.90
44	356	4,758	44.00	-10.00	2.31	R0.5	23.90
45	Subtotal	27,930					
46							
47	Distribution Plant						
48	360 - R/W	4,460	70.00		1.07	R3	45.40
49	361	324	55.00	-5.00	0.94	R3	35.40
50	362	24,054	50.00	-10.00	2.91	R2	28.90

Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr) / /	End of 2008/Q4

DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Continued)

C. Factors Used in Estimating Depreciation Charges

Line No	Account No. (a)	Depreciable Plant Base (In Thousands) (b)	Estimated Avg. Service Life (c)	Net Salvage (Percent) (d)	Applied Depr. rates (Percent) (e)	Mortality Curve Type (f)	Average Remaining Life (g)
12	362 - Major	18,124	50.00	-10.00	2.77	R3	32.00
13	362 - Electronic	513	15.00		9.65	R2	10.30
14	364	55,701	44.00	-15.00	3.29	R0.5	23.40
15	365	66,780	46.00	-20.00	2.46	R1.5	28.40
16	366	15,228	65.00	-15.00	2.00	R3	48.00
17	367	37,372	65.00	-25.00	2.29	R3	45.60
18	368	53,172	38.00		2.42	R1.5	22.10
19	368 - Line Trans Cust	274	50.00			R1.5	
20	369 - Services UG	439	55.00	-25.00	2.73	R2	35.80
21	369 - Services OH	9,473	50.00	-50.00	2.45	R1	29.50
22	370	11,135	28.00		5.82	S0	12.90
23	370 - Leased	5,171	28.00		5.61	S0	16.80
24	372	10	25.00			L2	
25	373 - Street Lgt OH	2,992	30.00	-5.00	0.92	L1	18.50
26	373 - Street Lgt Blvd	2,936	30.00	-5.00	3.62	L1	16.60
27	373 - Street Lgt Cust	1,536	33.00	-15.00	1.47	R1.5	20.90
28	Subtotal	309,694					
29							
30	General Plant						
31	390	16	35.00	-5.00	1.77	R2.5	26.00
32	391	29	20.00		18.56	SQ	2.60
33	392	218	15.00		6.53	SQ	10.70
34	394	716	25.00		4.14	SQ	13.00
35	396	12	14.00			R3	
36	397	201	15.00		6.93	SQ	2.50
37	Subtotal	1,192					
38							
39	Total	1,091,579					
40							
41							
42							
43							
44							
45							
46							
47							
48							
49							
50							

Schedule Page: 336 Line No.: 12 Column: b

The Respondent determines its monthly provision for depreciation by the application of rates to the previous month-end balance of property capitalized in each primary plant account plus property in account 106 - Completed Construction Not Classified. The amounts shown are the depreciable plant balances as of December 31, 2007.

Name of Respondent Duke Energy Kentucky, Inc	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

REGULATORY COMMISSION EXPENSES

1. Report particulars (details) of regulatory commission expenses incurred during the current year (or incurred in previous years, if being amortized) relating to format cases before a regulatory body, or cases in which such a body was a party.
2. Report in columns (b) and (c), only the current year's expenses that are not deferred and the current year's amortization of amounts deferred in previous years.

Line No	Description (Furnish name of regulatory commission or body the docket or case number and a description of the case) (a)	Assessed by Regulatory Commission (b)	Expenses of Utility (c)	Total Expense for Current Year (b) + (c) (d)	Deferred in Account 182.3 at Beginning of Year (e)
1	KPSC Commission Expense				
2	Gas Related	210.181		210,181	
3	Electric Related	522,923		522,923	
4					
5	Midwest Independent System Operator (MISO)				
6	FERC Annual Assessment	190,254		190,254	
7					
8	AMRP Rate Study Case No. 2001-092		32,040	32,040	130,830
9					
10	Kentucky Public Service Commission				
11	Case No. 2005-042				
12	Request for Rate Increase-Gas		51,459	51,459	51,761
13					
14	Kentucky Public Service Commission				
15	Case No. 2006-00172				
16	Request for Rate Increase-Electric		78,336	78,336	136,715
17					
18	2005 Merger Transaction Costs				
19	Case No. 2005-00228				
20	Gas Related		290,187	290,187	
21	Electric Related		870,561	870,561	3,278,385
22					
23	Kentucky Public Service Commission				
24	Case No. 2003-00252				
25	Request to move Assets - Electric		451,512	451,512	903,036
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45					
46	TOTAL	923,358	1,774,095	2,697,453	4,500,727

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

REGULATORY COMMISSION EXPENSES (Continued)

3. Show in column (k) any expenses incurred in prior years which are being amortized. List in column (a) the period of amortization.
4. List in column (f), (g), and (h) expenses incurred during year which were charged currently to income, plant, or other accounts.
5. Minor items (less than $25,000) may be grouped.

EXPENSES INCURRED DURING YEAR				AMORTIZED DURING YEAR			
CURRENTLY CHARGED TO			Deferred to Account 182 3	Contra Account	Amount	Deferred in Account 182 3 End of Year	Line No.
Department (f)	Account No. (g)	Amount (h)	(i)	(j)	(k)	(l)	
							1
Gas	928	210,181					2
Electric	928	522,923					3
							4
							5
Electric	928	190,254					6
							7
Gas	928	32,040			32,040	98,790	8
							9
							10
							11
Gas	928	51,459			51,459	302	12
							13
							14
							15
Electric	928	78,336			78,336	58,379	16
							17
							18
							19
Gas	928	290,187			290,187		20
Electric	928	870,561	201,351		870,561	2,318,988	21
							22
							23
							24
Electric	928	451,512			451,512	451,524	25
							26
							27
							28
							29
							30
							31
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							41
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							43
							44
							45
		2,697,453	201,351		1,774,095	2,927,983	46

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

RESEARCH, DEVELOPMENT, AND DEMONSTRATION ACTIVITIES

1. Describe and show below costs incurred and accounts charged during the year for technological research, development, and demonstration (R, D & D) project initiated, continued or concluded during the year. Report also support given to others during the year for jointly-sponsored projects (Identify recipient regardless of affiliation.) For any R, D & D work carried with others, show separately the respondent's cost for the year and cost chargeable to others (See definition of research, development, and demonstration in Uniform System of Accounts).
2. Indicate in column (a) the applicable classification, as shown below:

Classifications:

A. Electric R, D & D Performed Internally:
- (1) Generation
  - a. hydroelectric
    - i. Recreation fish and wildlife
    - ii Other hydroelectric
  - b. Fossil-fuel steam
  - c. Internal combustion or gas turbine
  - d. Nuclear
  - e. Unconventional generation
  - f. Siting and heat rejection
- (2) Transmission
  - a. Overhead
  - b. Underground
- (3) Distribution
- (4) Regional Transmission and Market Operation
- (5) Environment (other than equipment)
- (6) Other (Classify and include items in excess of $5,000.)
- (7) Total Cost Incurred

B. Electric, R, D & D Performed Externally:
- (1) Research Support to the electrical Research Council or the Electric Power Research Institute

Line No.	Classification (a)	Description (b)
1	B. ELECTRIC R, D & D PERFORMED EXTERNALLY	
2		
3	(1) RESEARCH SUPPORT TO THE ELECTRIC	ELECTRIC POWER RESEARCH INSTITUTE DUES AND FEES
4	POWER RESEARCH INSTITUTE	
5		
6		
7	TOTAL	
8		
9		
10		
11		
12		
13		
14		
15		
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37		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

RESEARCH, DEVELOPMENT, AND DEMONSTRATION ACTIVITIES (Continued)

(2) Research Support to Edison Electric Institute
(3) Research Support to Nuclear Power Groups
(4) Research Support to Others (Classify)
(5) Total Cost Incurred

3. Include in column (c) all R, D & D items performed internally and in column (d) those items performed outside the company costing $5,000 or more, briefly describing the specific area of R, D & D (such as safety, corrosion control, pollution, automation, measurement, insulation, type of appliance, etc.). Group items under $5,000 by classifications and indicate the number of items grouped. Under Other, (A (6) and B (4)) classify items by type of R, D & D activity.
4. Show in column (e) the account number charged with expenses during the year or the account to which amounts were capitalized during the year, listing Account 107, Construction Work in Progress, first. Show in column (f) the amounts related to the account charged in column (e)
5. Show in column (g) the total unamortized accumulating of costs of projects. This total must equal the balance in Account 188, Research, Development, and Demonstration Expenditures, Outstanding at the end of the year.
6. If costs have not been segregated for R, D &D activities or projects, submit estimates for columns (c), (d), and (f) with such amounts identified by "Est."
7. Report separately research and related testing facilities operated by the respondent.

Costs Incurred Internally Current Year (c)	Costs Incurred Externally Current Year (d)	AMOUNTS CHARGED IN CURRENT YEAR Account (e)	AMOUNTS CHARGED IN CURRENT YEAR Amount (f)	Unamortized Accumulation (g)	Line No.
					1
					2
	283,043	930 2	283,043		3
					4
					5
					6
	283,043		283,043		7
					8
					9
					10
					11
					12
					13
					14
					15
					16
					17
					18
					19
					20
					21
					22
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					31
					32
					33
					34
					35
					36

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

RESEARCH, DEVELOPMENT, AND DEMONSTRATION ACTIVITIES

1. Describe and show below costs incurred and accounts charged during the year for technological research, development, and demonstration (R, D & D) project initiated, continued or concluded during the year. Report also support given to others during the year for jointly-sponsored projects (Identify recipient regardless of affiliation.) For any R, D & D work carried with others, show separately the respondent's cost for the year and cost chargeable to others (See definition of research, development, and demonstration in Uniform System of Accounts).
2. Indicate in column (a) the applicable classification, as shown below:

Classifications:

A. Electric R, D & D Performed Internally:
- (1) Generation
  - a. hydroelectric
    - i. Recreation fish and wildlife
    - ii Other hydroelectric
  - b. Fossil-fuel steam
  - c. Internal combustion or gas turbine
  - d. Nuclear
  - e. Unconventional generation
  - f. Siting and heat rejection
- (2) Transmission
  - a. Overhead
  - b. Underground
- (3) Distribution
- (4) Regional Transmission and Market Operation
- (5) Environment (other than equipment)
- (6) Other (Classify and include items in excess of $5,000.)
- (7) Total Cost Incurred

B. Electric, R, D & D Performed Externally:
- (1) Research Support to the electrical Research Council or the Electric Power Research Institute

Line No.	Classification (a)	Description (b)
38		

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

RESEARCH, DEVELOPMENT, AND DEMONSTRATION ACTIVITIES (Continued)

(2) Research Support to Edison Electric Institute
(3) Research Support to Nuclear Power Groups
(4) Research Support to Others (Classify)
(5) Total Cost Incurred

3. Include in column (c) all R, D & D items performed internally and in column (d) those items performed outside the company costing $5,000 or more, briefly describing the specific area of R, D & D (such as safety, corrosion control, pollution, automation, measurement, insulation, type of appliance, etc.) Group items under $5,000 by classifications and indicate the number of items grouped. Under Other, (A (6) and B (4)) classify items by type of R, D & D activity.

4. Show in column (e) the account number charged with expenses during the year or the account to which amounts were capitalized during the year, listing Account 107, Construction Work in Progress, first. Show in column (f) the amounts related to the account charged in column (e)

5. Show in column (g) the total unamortized accumulating of costs of projects. This total must equal the balance in Account 188, Research, Development, and Demonstration Expenditures, Outstanding at the end of the year.

6. If costs have not been segregated for R, D &D activities or projects, submit estimates for columns (c), (d), and (f) with such amounts identified by "Est."

7. Report separately research and related testing facilities operated by the respondent.

Costs Incurred Internally Current Year (c)	Costs Incurred Externally Current Year (d)	AMOUNTS CHARGED IN CURRENT YEAR Account (e)	AMOUNTS CHARGED IN CURRENT YEAR Amount (f)	Unamortized Accumulation (g)	Line No
					37
					38

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

DISTRIBUTION OF SALARIES AND WAGES

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for Clearing Accounts (c)	Total (d)
1	Electric			
2	Operation			
3	Production	7,012,936		
4	Transmission	193,645		
5	Regional Market			
6	Distribution	1,914,010		
7	Customer Accounts	2,613,424		
8	Customer Service and Informational	412,225		
9	Sales			
10	Administrative and General	7,151,364		
11	TOTAL Operation (Enter Total of lines 3 thru 10)	19,297,604		
12	Maintenance			
13	Production	4,790,282		
14	Transmission	184,103		
15	Regional Market			
16	Distribution	2,734,246		
17	Administrative and General	184,710		
18	TOTAL Maintenance (Total of lines 13 thru 17)	7,893,341		
19	Total Operation and Maintenance			
20	Production (Enter Total of lines 3 and 13)	11,803,218		
21	Transmission (Enter Total of lines 4 and 14)	377,748		
22	Regional Market (Enter Total of Lines 5 and 15)			
23	Distribution (Enter Total of lines 6 and 16)	4,648,256		
24	Customer Accounts (Transcribe from line 7)	2,613,424		
25	Customer Service and Informational (Transcribe from line 8)	412,225		
26	Sales (Transcribe from line 9)			
27	Administrative and General (Enter Total of lines 10 and 17)	7,336,074		
28	TOTAL Oper. and Maint. (Total of lines 20 thru 27)	27,190,945	-2,469,097	24,721,848
29	Gas			
30	Operation			
31	Production-Manufactured Gas	47,293		
32	Production-Nat. Gas (Including Expl. and Dev.)			
33	Other Gas Supply	285,606		
34	Storage, LNG Terminaling and Processing	23		
35	Transmission	571		
36	Distribution	2,319,279		
37	Customer Accounts	1,559,491		
38	Customer Service and Informational	269,853		
39	Sales			
40	Administrative and General	2,518,678		
41	TOTAL Operation (Enter Total of lines 31 thru 40)	7,000,794		
42	Maintenance			
43	Production-Manufactured Gas	177,432		
44	Production-Natural Gas (Including Exploration and Development)			
45	Other Gas Supply			
46	Storage, LNG Terminaling and Processing			
47	Transmission			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

DISTRIBUTION OF SALARIES AND WAGES (Continued)

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for Clearing Accounts (c)	Total (d)
48	Distribution	699,369		
49	Administrative and General	38,733		
50	TOTAL Maint. (Enter Total of lines 43 thru 49)	915,534		
51	Total Operation and Maintenance			
52	Production-Manufactured Gas (Enter Total of lines 31 and 43)	224,725		
53	Production-Natural Gas (Including Expl. and Dev.) (Total lines 32,			
54	Other Gas Supply (Enter Total of lines 33 and 45)	285,606		
55	Storage, LNG Terminaling and Processing (Total of lines 31 thru	23		
56	Transmission (Lines 35 and 47)	571		
57	Distribution (Lines 36 and 48)	3,018,648		
58	Customer Accounts (Line 37)	1,559,491		
59	Customer Service and Informational (Line 38)	269,853		
60	Sales (Line 39)			
61	Administrative and General (Lines 40 and 49)	2,557,411		
62	TOTAL Operation and Maint. (Total of lines 52 thru 61)	7,916,328	-269,229	7,647,099
63	Other Utility Departments			
64	Operation and Maintenance			
65	TOTAL All Utility Dept. (Total of lines 28, 62, and 64)	35,107,273	-2,738,326	32,368,947
66	Utility Plant			
67	Construction (By Utility Departments)			
68	Electric Plant	5,877,861	-551,781	5,326,080
69	Gas Plant	3,449,304	-60,499	3,388,805
70	Other (provide details in footnote):			
71	TOTAL Construction (Total of lines 68 thru 70)	9,327,165	-612,280	8,714,885
72	Plant Removal (By Utility Departments)			
73	Electric Plant	402,450		402,450
74	Gas Plant	66,724		66,724
75	Other (provide details in footnote):			
76	TOTAL Plant Removal (Total of lines 73 thru 75)	469,174		469,174
77	Other Accounts (Specify, provide details in footnote):			
78	Projects for Duke's Subsidiaries and Merchandising	8,234		8,234
79	Other Work in Progress	288,038		288,038
80	Other Accounts	171,427		171,427
81				
82				
83				
84				
85				
86				
87				
88				
89				
90				
91				
92				
93				
94				
95	TOTAL Other Accounts	467,699		467,699
96	TOTAL SALARIES AND WAGES	45,371,311	-3,350,606	42,020,705

COMMON UTILITY PLANT AND EXPENSES

1. Describe the property carried in the utility's accounts as common utility plant and show the book cost of such plant at end of year classified by accounts as provided by Plant Instruction 13, Common Utility Plant, of the Uniform System of Accounts. Also show the allocation of such plant costs to the respective departments using the common utility plant and explain the basis of allocation used, giving the allocation factors.
2. Furnish the accumulated provisions for depreciation and amortization at end of year, showing the amounts and classifications of such accumulated provisions, and amounts allocated to utility departments using the Common utility plant to which such accumulated provisions relate, including explanation of basis of allocation and factors used.
3. Give for the year the expenses of operation, maintenance, rents, depreciation, and amortization for common utility plant classified by accounts as provided by the Uniform System of Accounts. Show the allocation of such expenses to the departments using the common utility plant to which such expenses are related. Explain the basis of allocation used and give the factors of allocation.
4. Give date of approval by the Commission for use of the common utility plant classification and reference to order of the Commission or other authorization.

1. COMMON UTILITY PLANT EXPENSE ACCOUNTS ARE NOT MAINTAINED, BUT SUCH EXPENSES ARE ALLOCATED TO GAS AND ELECTRIC DEPARTMENTS PRINCIPALLY ON ONE OR MORE OF THE FOLLOWING BASIS :

FLOOR SPACE UTILIZED FOR BUILDINGS AND OFFICE EQUIPMENT
GENERAL LABOR - TOTAL COMPANY
NUMBER OF GAS AND ELECTRIC CUSTOMERS
IT OPERATIONS

2. PRIOR TO ESTABLISHMENT OF ORIGINAL COST, MESSRS. BRENNER AND EILERS OF THE RESPONDENT AND CAMPBELL AND SCHWARTZ FROM COLUMBIA SYSTEM MET WITH MR. SMITH OF THE FEDERAL POWER COMMISSION TO DISCUSS AMONGST OTHER THINGS, THE FEDERAL POWER COMMISSION'S PERMISSION TO USE THE COMMON UTILITY PLANT ACCOUNTS. IT WAS POINTED OUT BY THE REPRESENTATIVES OF THE RESPONDENT THAT BECAUSE OF THE NATURE OF THE RESPONDENT'S OPERATIONS IT WAS IMPOSSIBLE AND IMPRACTICAL TO ASSIGN CERTAIN TYPES OF EQUIPMENT DIRECTLY TO EITHER GAS OR ELECTRIC UTILITY PLANT. BECAUSE OF THE FACTS PRESENTED, MR. SMITH GAVE THE RESPONDENT'S REPRESENTATIVES VERBAL PERMISSION TO USE THE COMMON PLANT ACCOUNTS.

ACCOUNT TITLE	BALANCE BEGINNING OF YEAR	ADDITIONS(1)	RETIREMENTS	TRANSFERS(2)	BALANCE END OF YEAR
COMMON PLANT IN SERVICE					
Misc Intangible Plant	16,705,077	808,144			17,513,221
Leased Meters		601,513			601,513
Land	154,249				154,249
Structures & Improvements	5,997,659	(651)	(95)		5,996,913
Office Furniture & Equip	397,229	6,169	(842)		402,556
Stores Equipment	5,563				5,563
Tools, Shop & Garage Equip	172,672	6,231	(209)		178,694
Communication Equipment	3,846,738				3,846,738
Miscellaneous Equipment	11,372				11,372
Total Common Plant in Service	27,290,559	1,421,406	(1,146)		28,710,819
Construction Work in Progress	8,949,519	2,193,212			11,142,731
Total Common Utility Plant	36,240,078	3,614,618	(1,146)		39,853,550

ALLOCATION OF COMMON PLANT TO UTILITY DEPARTMENTS(3)

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

COMMON UTILITY PLANT AND EXPENSES

1. Describe the property carried in the utility's accounts as common utility plant and show the book cost of such plant at end of year classified by accounts as provided by Plant Instruction 13, Common Utility Plant, of the Uniform System of Accounts. Also show the allocation of such plant costs to the respective departments using the common utility plant and explain the basis of allocation used, giving the allocation factors.
2. Furnish the accumulated provisions for depreciation and amortization at end of year, showing the amounts and classifications of such accumulated provisions, and amounts allocated to utility departments using the Common utility plant to which such accumulated provisions relate, including explanation of basis of allocation and factors used.
3. Give for the year the expenses of operation, maintenance, rents, depreciation, and amortization for common utility plant classified by accounts as provided by the Uniform System of Accounts. Show the allocation of such expenses to the departments using the common utility plant to which such expenses are related. Explain the basis of allocation used and give the factors of allocation.
4. Give date of approval by the Commission for use of the common utility plant classification and reference to order of the Commission or other authorization.

Summary by Account Estimated as of 12/31/2008

Gas Department	26.97%	10,748,502
Elec Department	73.03%	29,105,048
	------	-----------
	100.00%	39,853,550

(1) Classification of Account 106, Completed Construction Not Classified, included in the Additions column.
Summary by Account Estimated as of 12/31/2008

Account	Beginning Balance	Amounts Included In Additions & Transfers Columns	Ending Balance
Office Furniture		6,170	6,170
Leased Meters		601,513	601,513
Structures & Improvements	4,187,350	(125)	4,187,225
Tools, Shop & Garage Equip	11,566	6,231	17,797
Communication Equipment	2,499,478	(2,460,226)	39,252
Miscellaneous Equipment	11,372		11,372
	-----------	-------------------	------------
Total Account 106 - Common	6,709,766	(1,846,437)	4,863,329

(2) Represents reclassification between common utility/nonutility departments and primary plant accounts.
(3) The percentages used to allocate Common Plant to utility departments are the weighted average resulting from the application of allocation factors to the investment based on Net Plant as of 12/31/2005.

ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF COMMON UTILITY PLANT

Summary by Account Estimated as of 12/31/2007		13,850,385
Depreciation provision for the year charged to :		
(403) Depreciation expense (1)	659,548	
(404) Amortization - Limited Term Plant	1,933,889	
Transportation expense - Clearing	0	

		2,593,437
Net Charges for Plant Retired :		
Book Cost of Plant Retired	(1,147)	
Cost of Removal	0	
Salvage (Credit)	0	
Transfers / Adjustments	0	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

COMMON UTILITY PLANT AND EXPENSES

1. Describe the property carried in the utility's accounts as common utility plant and show the book cost of such plant at end of year classified by accounts as provided by Plant Instruction 13, Common Utility Plant, of the Uniform System of Accounts. Also show the allocation of such plant costs to the respective departments using the common utility plant and explain the basis of allocation used, giving the allocation factors.
2. Furnish the accumulated provisions for depreciation and amortization at end of year, showing the amounts and classifications of such accumulated provisions, and amounts allocated to utility departments using the Common utility plant to which such accumulated provisions relate, including explanation of basis of allocation and factors used.
3. Give for the year the expenses of operation, maintenance, rents, depreciation, and amortization for common utility plant classified by accounts as provided by the Uniform System of Accounts. Show the allocation of such expenses to the departments using the common utility plant to which such expenses are related. Explain the basis of allocation used and give the factors of allocation.
4. Give date of approval by the Commission for use of the common utility plant classification and reference to order of the Commission or other authorization.

	(1,147)
Balance - End of the Year	16,442,675

ALLOCATION OF ACCUMULATED PROVISION FOR DEPRECIATION TO UTILITY DEPARTMENTS(3)

Gas Department	26.97%	4,434,589
Elec Department	73.03%	12,008,086
Total	100.00%	16,442,675

METHOD OF DETERMINATION OF DEPRECIATION & AMORTIZATION

Common Plant in Service	Rate
Miscellaneous Intangible Plant	Note (2)
Structures & Improvements	5.94 %
Office Furniture & Equipment	Note (4)
Electronic Data Processing Equipment	Note (4)
Stores Equipment	Note (4)
Tools, Shop, & Garage Equipment	Note (4)
Communication Equipment	13.62 %
Miscellaneous Equipment	Note (4)

(1) The Respondent determines its monthly provision for depreciation by the application of rates to the previous month's balance of property capitalized in each primary plant account plus total Account 106-Completed Construction Not Classified. The rates became effective January 1, 2007 with the approval of the Kentucky Public Service Commission in Case No. 2006-00172.
(2) The Respondent amortized its investment in Miscellaneous Intangible Plant equally over 60 months for certain projects and 120 for other certain projects.
(3) The percentages used to allocate the Common Plant Accumulated Provision for Depreciation balances to utility departments are the weighted average resulting from the application of allocation factors to the balance of Common Plant Accumulated Provision at 12/31/2008. These factors are based on Net Plant as of 12/31/2006.
(4) In 1997, the Respondent adopted vintage year accounting for general plant accounts in accordance with FERC Accounting Release No. 15.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

AMOUNTS INCLUDED IN ISO/RTO SETTLEMENT STATEMENTS

1. The respondent shall report below the details called for concerning amounts it recorded in Account 555, Purchase Power, and Account 447, Sales for Resale, for items shown on ISO/RTO Settlement Statements. Transactions should be separately netted for each ISO/RTO administered energy market for purposes of determining whether an entity is a net seller or purchaser in a given hour. Net megawatt hours are to be used as the basis for determining whether a net purchase or sale has occurred. In each monthly reporting period, the hourly sale and purchase net amounts are to be aggregated and separately reported in Account 447, Sales for Resale, or Account 555, Purchased Power, respectively.

Line No.	Description of Item(s) (a)	Balance at End of Quarter 1 (b)	Balance at End of Quarter 2 (c)	Balance at End of Quarter 3 (d)	Balance at End of Year (e)
1	Energy				
2	Net Purchases (Account 555)				48,994,374
3	Net Sales (Account 447)				26,776,940
4	Transmission Rights				662,656
5	Ancillary Services				
6	Other Items (list separately)				
7					
8					
9					
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43					
44					
45					
46	TOTAL				76,433,970

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

PURCHASES AND SALES OF ANCILLARY SERVICES

Report the amounts for each type of ancillary service shown in column (a) for the year as specified in Order No. 888 and defined in the respondents Open Access Transmission Tariff.

In columns for usage, report usage-related billing determinant and the unit of measure.

(1) On line 1 columns (b), (c), (d), (e), (f) and (g) report the amount of ancillary services purchased and sold during the year.

(2) On line 2 columns (b) (c), (d), (e), (f), and (g) report the amount of reactive supply and voltage control services purchased and sold during the year.

(3) On line 3 columns (b) (c), (d), (e), (f), and (g) report the amount of regulation and frequency response services purchased and sold during the year.

(4) On line 4 columns (b), (c), (d), (e), (f), and (g) report the amount of energy imbalance services purchased and sold during the year.

(5) On lines 5 and 6, columns (b), (c), (d), (e), (f), and (g) report the amount of operating reserve spinning and supplement services purchased and sold during the period.

(6) On line 7 columns (b), (c), (d), (e), (f), and (g) report the total amount of all other types ancillary services purchased or sold during the year. Include in a footnote and specify the amount for each type of other ancillary service provided.

		Amount Purchased for the Year			Amount Sold for the Year		
		Usage - Related Billing Determinant			Usage - Related Billing Determinant		
Line No.	Type of Ancillary Service (a)	Number of Units (b)	Unit of Measure (c)	Dollars (d)	Number of Units (e)	Unit of Measure (f)	Dollars (g)
1	Scheduling, System Control and Dispatch	4,796,359	MWH	513,082			
2	Reactive Supply and Voltage	4,796,359	MWH	1,808,810			
3	Regulation and Frequency Response	4,796,359	MWH	555,874			
4	Energy Imbalance						
5	Operating Reserve - Spinning						
6	Operating Reserve - Supplement						
7	Other						
8	Total (Lines 1 thru 7)	14,389,077		2,877,766			

Name of Respondent Duke Energy Kentucky, Inc	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

MONTHLY TRANSMISSION SYSTEM PEAK LOAD

(1) Report the monthly peak load on the respondent's transmission system. If the respondent has two or more power systems which are not physically integrated, furnish the required information for each non-integrated system.
(2) Report on Column (b) by month the transmission system's peak load.
(3) Report on Columns (c) and (d) the specified information for each monthly transmission - system peak load reported on Column (b).
(4) Report on Columns (e) through (j) by month the system' monthly maximum megawatt load by statistical classifications. See General Instruction for the definition of each statistical classification.

NAME OF SYSTEM:

Line No.	Month (a)	Monthly Peak MW - Total (b)	Day of Monthly Peak (c)	Hour of Monthly Peak (d)	Firm Network Service for Self (e)	Firm Network Service for Others (f)	Long-Term Firm Point-to-point Reservations (g)	Other Long-Term Firm Service (h)	Short-Term Firm Point-to-point Reservation (i)	Other Service (j)
1	January									
2	February									
3	March									
4	Total for Quarter 1									
5	April									
6	May									
7	June									
8	Total for Quarter 2									
9	July									
10	August									
11	September									
12	Total for Quarter 3									
13	October									
14	November									
15	December									
16	Total for Quarter 4									
17	Total Year to Date/Year									

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

ELECTRIC ENERGY ACCOUNT

Report below the information called for concerning the disposition of electric energy generated, purchased, exchanged and wheeled during the year.

Line No.	Item (a)	MegaWatt Hours (b)	Line No.	Item (a)	MegaWatt Hours (b)
1	SOURCES OF ENERGY		21	DISPOSITION OF ENERGY	
2	Generation (Excluding Station Use):		22	Sales to Ultimate Consumers (Including Interdepartmental Sales)	4,041,377
3	Steam	3,966,080			
4	Nuclear		23	Requirements Sales for Resale (See instruction 4, page 311.)	
5	Hydro-Conventional				
6	Hydro-Pumped Storage		24	Non-Requirements Sales for Resale (See instruction 4, page 311.)	538,826
7	Other	32,570			
8	Less Energy for Pumping		25	Energy Furnished Without Charge	
9	Net Generation (Enter Total of lines 3 through 8)	3,998,650	26	Energy Used by the Company (Electric Dept Only, Excluding Station Use)	860
10	Purchases	797,708	27	Total Energy Losses	215,295
11	Power Exchanges:		28	TOTAL (Enter Total of Lines 22 Through 27) (MUST EQUAL LINE 20)	4,796,358
12	Received				
13	Delivered				
14	Net Exchanges (Line 12 minus line 13)				
15	Transmission For Other (Wheeling)				
16	Received	11,072			
17	Delivered	11,072			
18	Net Transmission for Other (Line 16 minus line 17)				
19	Transmission By Others Losses				
20	TOTAL (Enter Total of lines 9, 10, 14, 18 and 19)	4,796,358			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

MONTHLY PEAKS AND OUTPUT

(1) Report the monthly peak load and energy output If the respondent has two or more power which are not physically integrated, furnish the required information for each non- integrated system.
(2) Report on line 2 by month the system's output in Megawatt hours for each month.
(3) Report on line 3 by month the non-requirements sales for resale. Include in the monthly amounts any energy losses associated with the sales.
(4) Report on line 4 by month the system's monthly maximum megawatt load (60 minute integration) associated with the system
(5) Report on lines 5 and 6 the specified information for each monthly peak load reported on line 4.

NAME OF SYSTEM: Duke Energy Kentucky, Inc.

Line No.	Month	Total Monthly Energy	Monthly Non-Requirments Sales for Resale & Associated Losses	MONTHLY PEAK		
				Megawatts (See Instr. 4)	Day of Month	Hour
	(a)	(b)	(c)	(d)	(e)	(f)
29	January	417,314	31,093	725	25	800
30	February	378,199	25,639	681	21	800
31	March	426,612	86,146	603	7	2000
32	April	304,536	7,693	553	25	1500
33	May	367,721	56,015	602	27	1400
34	June	481,716	97,908	817	9	1600
35	July	430,714	13,847	821	29	1700
36	August	415,537	6,394	804	1	1500
37	September	435,926	85,372	853	2	1700
38	October	345,179	27,365	613	15	1600
39	November	342,657	20,946	595	17	1900
40	December	450,247	80,408	706	22	900
41	TOTAL	4,796,358	538,826			

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Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

STEAM-ELECTRIC GENERATING PLANT STATISTICS (Large Plants)

1. Report data for plant in Service only. 2. Large plants are steam plants with installed capacity (name plate rating) of 25,000 Kw or more. Report in this page gas-turbine and internal combustion plants of 10,000 Kw or more, and nuclear plants. 3. Indicate by a footnote any plant leased or operated as a joint facility. 4. If net peak demand for 60 minutes is not available, give data which is available, specifying period. 5. If any employees attend more than one plant, report on line 11 the approximate average number of employees assignable to each plant. 6. If gas is used and purchased on a therm basis report the Btu content or the gas and the quantity of fuel burned converted to Mct. 7. Quantities of fuel burned (Line 38) and average cost per unit of fuel burned (Line 41) must be consistent with charges to expense accounts 501 and 547 (Line 42) as show on Line 20. 8. If more than one fuel is burned in a plant furnish only the composite heat rate for all fuels burned.

Line No.	Item (a)	Plant Name: *East Bend* (b)			Plant Name: *Miami Fort 6* (c)		
1	Kind of Plant (Internal Comb, Gas Turb, Nuclear			Steam			Steam
2	Type of Constr (Conventional, Outdoor, Boiler, etc)			Conventional			Conventional
3	Year Originally Constructed			1981			1960
4	Year Last Unit was Installed			1981			1960
5	Total Installed Cap (Max Gen Name Plate Ratings-MW)			447.00			168.00
6	Net Peak Demand on Plant - MW (60 minutes)			432			167
7	Plant Hours Connected to Load			7843			8318
8	Net Continuous Plant Capability (Megawatts)			414			163
9	When Not Limited by Condenser Water			414			163
10	When Limited by Condenser Water			0			0
11	Average Number of Employees			108			0
12	Net Generation, Exclusive of Plant Use - KWh			2886875000			1076915000
13	Cost of Plant: Land and Land Rights			1686453			95
14	Structures and Improvements			38433186			3193188
15	Equipment Costs			378911687			71606386
16	Asset Retirement Costs			378873			176823
17	Total Cost			419410199			74976492
18	Cost per KW of Installed Capacity (line 17/5) Including			938.2779			446.2886
19	Production Expenses: Oper, Supv, & Engr			1540905			439112
20	Fuel			68842038			27279691
21	Coolants and Water (Nuclear Plants Only)			0			0
22	Steam Expenses			9257898			763769
23	Steam From Other Sources			0			0
24	Steam Transferred (Cr)			0			0
25	Electric Expenses			225587			474609
26	Misc Steam (or Nuclear) Power Expenses			970707			379562
27	Rents			0			444924
28	Allowances			0			0
29	Maintenance Supervision and Engineering			914176			374219
30	Maintenance of Structures			992676			851894
31	Maintenance of Boiler (or reactor) Plant			4514310			2838910
32	Maintenance of Electric Plant			1382812			299158
33	Maintenance of Misc Steam (or Nuclear) Plant			676451			257121
34	Total Production Expenses			89317560			34402969
35	Expenses per Net KWh			0.0309			0.0319
36	Fuel: Kind (Coal, Gas, Oil, or Nuclear)	Coal		Oil	Coal		Oil
37	Unit (Coal-tons/Oil-barrel/Gas-mcf/Nuclear-indicate)	Tons		Barrels	Tons		Barrels
38	Quantity (Units) of Fuel Burned	1276444	0	12841	468291	0	4974
39	Avg Heat Cont - Fuel Burned (btu/indicate if nuclear)	11796	0	137167	12413	0	137907
40	Avg Cost of Fuel/unit, as Delvd f.o.b. during year	55.624	0.000	121.097	58.697	0.000	0.000
41	Average Cost of Fuel per Unit Burned	52.681	0.000	124.382	56.963	0.000	121.550
42	Average Cost of Fuel Burned per Million BTU	2.233	0.000	21.590	2.295	0.000	20.985
43	Average Cost of Fuel Burned per KWh Net Gen	0.023	0.000	0.001	0.025	0.000	0.001
44	Average BTU per KWh Net Generation	10432.000	0.000	0.000	10795.000	0.000	0.000

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

STEAM-ELECTRIC GENERATING PLANT STATISTICS (Large Plants)*(Continued)*

9. Items under Cost of Plant are based on U. S. of A. Accounts. Production expenses do not include Purchased Power, System Control and Load Dispatching, and Other Expenses Classified as Other Power Supply Expenses. 10. For IC and GT plants, report Operating Expenses, Account Nos. 547 and 549 on Line 25 "Electric Expenses," and Maintenance Account Nos. 553 and 554 on Line 32, "Maintenance of Electric Plant." Indicate plants designed for peak load service. Designate automatically operated plants. 11. For a plant equipped with combinations of fossil fuel steam, nuclear steam, hydro, internal combustion or gas-turbine equipment, report each as a separate plant. However, if a gas-turbine unit functions in a combined cycle operation with a conventional steam unit, include the gas-turbine with the steam plant. 12. If a nuclear power generating plant, briefly explain by footnote (a) accounting method for cost of power generated including any excess costs attributed to research and development, (b) types of cost units used for the various components of fuel cost, and (c) any other informative data concerning plant type fuel used, fuel enrichment type and quantity for the report period and other physical and operating characteristics of plant.

Plant Name: *Woodsdale GT* (d)	Plant Name: (e)	Plant Name: (f)	Line No
Gas Turbine			1
Conventional			2
1992			3
1993			4
490.00	0.00	0.00	5
357	0	0	6
1138	0	0	7
564	0	0	8
564	0	0	9
0	0	0	10
16	0	0	11
32570000	0	0	12
2910272	0	0	13
33784191	0	0	14
223011435	0	0	15
0	0	0	16
259705898	0	0	17
530.0120	0.0000	0.0000	18
268128	0	0	19
12363666	0	0	20
0	0	0	21
450139	0	0	22
0	0	0	23
0	0	0	24
424159	0	0	25
961	0	0	26
0	0	0	27
0	0	0	28
31508	0	0	29
130414	0	0	30
-16	0	0	31
2406120	0	0	32
542567	0	0	33
16617646	0	0	34
0.5102	0.0000	0.0000	35

(d)	(d)	(d)	(e)	(e)	(e)	(f)	(f)	(f)	Line No
Gas		Propane							36
Mcfs		Barrels							37
1260733	0	-3865	0	0	0	0	0	0	38
1	0	91723	0	0	0	0	0	0	39
9.923	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	40
9.923	0.000	37.800	0.000	0.000	0.000	0.000	0.000	0.000	41
9.652	0.000	9.812	0.000	0.000	0.000	0.000	0.000	0.000	42
0.384	0.000	-0.004	0.000	0.000	0.000	0.000	0.000	0.000	43
39335.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	44

Schedule Page: 402 Line No.: 1 Column: b

East Bend is commonly owned by the respondent and the Dayton Power and Light Company with undivided interest of 69% and 31% respectively. Fuel expenses are shared on the basis of energy usage and other expenses are shared on an ownership basis.

Schedule Page: 402 Line No.: 11 Column: c

Miami Fort Unit 6 number of employeees is included in the average number of employees for the total station under Duke Energy Ohio as Station operator.

Schedule Page: 402 Line No.: 20 Column: b

Does not include fuel oil and coal handling expense at the station level of 1,946,772.

Schedule Page: 402 Line No.: 20 Column: c

Does not include fuel oil and coal handling expense at the station level of 1,946,772.

Schedule Page: 402 Line No.: 20 Column: d

Does not include fuel oil and coal handling expense at the station level of 1,946,772.

Schedule Page: 402 Line No.: 28 Column: b

In accordance with FERC's Order No. 552, Duke Energy Kentucky, Inc. is not required to report emission allowance charges to Account 509 on a per station basis. The FERC states the following on Page 22 of the Final Order dated March 31, 1993:

> "The Commission does not perceive the merits of classifying allowances by affected generating unit and decline to require this approach."

Duke Energy Kentucky, Inc. interprets this ruling to not only apply to the asset classification of allowaces but to the associated expense classification for allowances charged to Account 509. Duke Energy Kentucky, Inc.'s charges to Account 509 for the year were $2,280,794.

Schedule Page: 402 Line No.: 28 Column: c

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Schedule Page: 402 Line No.: 28 Column: d

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Schedule Page: 402 Line No.: 38 Column: d3

Inventory was adjusted due to recirculating propane done for system check.

Schedule Page: 402 Line No.: 40 Column: c3

Fuel purchases for Miami Fort Unit 6 are performed by Duke Energy Ohio for Total station fuel requirements.

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Name of Respondent Duke Energy Kentucky, Inc	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

TRANSMISSION LINE STATISTICS

1. Report information concerning transmission lines, cost of lines, and expenses for year List each transmission line having nominal voltage of 132 kilovolts or greater. Report transmission lines below these voltages in group totals only for each voltage.
2. Transmission lines include all lines covered by the definition of transmission system plant as given in the Uniform System of Accounts. Do not report substation costs and expenses on this page.
3. Report data by individual lines for all voltages if so required by a State commission
4. Exclude from this page any transmission lines for which plant costs are included in Account 121, Nonutility Property.
5. Indicate whether the type of supporting structure reported in column (e) is (1) single pole wood or steel; (2) H-frame wood, or steel poles, (3) tower; or (4) underground construction If a transmission line has more than one type of supporting structure, indicate the mileage of each type of construction by the use of brackets and extra lines Minor portions of a transmission line of a different type of construction need not be distinguished from the remainder of the line.
6. Report in columns (f) and (g) the total pole miles of each transmission line. Show in column (f) the pole miles of line on structures the cost of which is reported for the line designated, conversely, show in column (g) the pole miles of line on structures the cost of which is reported for another line. Report pole miles of line on leased or partly owned structures in column (g). In a footnote, explain the basis of such occupancy and state whether expenses with respect to such structures are included in the expenses reported for the line designated

Line No.	DESIGNATION From (a)	DESIGNATION To (b)	VOLTAGE (KV) (Indicate where other than 60 cycle, 3 phase) Operating (c)	VOLTAGE (KV) Designed (d)	Type of Supporting Structure (e)	LENGTH (Pole miles) (In the case of underground lines report circuit miles) On Structure of Line Designated (f)	LENGTH On Structures of Another Line (g)	Number Of Circuits (h)
1	69KV TRANSMISSION POOL		69.00	69.00	POLE	102 14	3.04	
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
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22								
23								
24								
25								
26								
27								
28								
29								
30								
31								
32								
33								
34								
35								
36					TOTAL	102 14	3 04	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

TRANSMISSION LINE STATISTICS (Continued)

7. Do not report the same transmission line structure twice. Report Lower voltage Lines and higher voltage lines as one line. Designate in a footnote if you do not include Lower voltage lines with higher voltage lines. If two or more transmission line structures support lines of the same voltage, report the pole miles of the primary structure in column (f) and the pole miles of the other line(s) in column (g)
8. Designate any transmission line or portion thereof for which the respondent is not the sole owner. If such property is leased from another company, give name of lessor, date and terms of Lease, and amount of rent for year. For any transmission line other than a leased line, or portion thereof, for which the respondent is not the sole owner but which the respondent operates or shares in the operation of, furnish a succinct statement explaining the arrangement and giving particulars (details) of such matters as percent ownership by respondent in the line, name of co-owner, basis of sharing expenses of the Line, and how the expenses borne by the respondent are accounted for, and accounts affected. Specify whether lessor, co-owner, or other party is an associated company.
9. Designate any transmission line leased to another company and give name of Lessee, date and terms of lease, annual rent for year, and how determined. Specify whether lessee is an associated company.
10. Base the plant cost figures called for in columns (j) to (l) on the book cost at end of year.

Size of Conductor and Material (i)	COST OF LINE (Include in Column (j) Land, Land rights, and clearing right-of-way)			EXPENSES, EXCEPT DEPRECIATION AND TAXES				Line No.
	Land (j)	Construction and Other Costs (k)	Total Cost (l)	Operation Expenses (m)	Maintenance Expenses (n)	Rents (o)	Total Expenses (p)	
	1,094,542	10,642,307	11,736,849	22,451	229,482	1,934,700	2,186,633	1
								2
								3
								4
								5
								6
								7
								8
								9
								10
								11
								12
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								31
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								33
								34
								35
	1,094,542	10,642,307	11,736,849	22,451	229,482	1,934,700	2,186,633	36

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

TRANSMISSION LINES ADDED DURING YEAR

1. Report below the information called for concerning Transmission lines added or altered during the year. It is not necessary to report minor revisions of lines.
2. Provide separate subheadings for overhead and under- ground construction and show each transmission line separately. If actual costs of competed construction are not readily available for reporting columns (l) to (o), it is permissible to report in these columns the

Line No.	LINE DESIGNATION		Line Length in Miles	SUPPORTING STRUCTURE		CIRCUITS PER STRUCTURE	
	From (a)	To (b)	(c)	Type (d)	Average Number per Miles (e)	Present (f)	Ultimate (g)
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
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37							
38							
39							
40							
41							
42							
43							
44	TOTAL						

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

TRANSMISSION LINES ADDED DURING YEAR (Continued)

costs. Designate, however, if estimated amounts are reported. Include costs of Clearing Land and Rights-of-Way, and Roads and Trails, in column (l) with appropriate footnote, and costs of Underground Conduit in column (m).

3. If design voltage differs from operating voltage, indicate such fact by footnote; also where line is other than 60 cycle, 3 phase, indicate such other characteristic.

CONDUCTORS			Voltage	LINE COST					Line
Size (h)	Specification (i)	Configuration and Spacing (j)	KV (Operating) (k)	Land and Land Rights (l)	Poles, Towers and Fixtures (m)	Conductors and Devices (n)	Asset Retire. Costs (o)	Total (p)	No.
									1
									2
									3
									4
									5
									6
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									42
									43
									44

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

SUBSTATIONS

1. Report below the information called for concerning substations of the respondent as of the end of the year.
2. Substations which serve only one industrial or street railway customer should not be listed below.
3. Substations with capacities of Less than 10 MVa except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
4. Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation (a)	Character of Substation (b)	VOLTAGE (In MVa) Primary (c)	Secondary (d)	Tertiary (e)
1	ALEXANDRIA SOUTH-CAMPBELL CO	UNATTENDED - D	69.00	13.20	
2	AUGUSTINE-COVINGTON, KY	UNATTENDED - D	138.00	13.20	
3	BEAVER-BOONE CO.	UNATTENDED - D	69.00	13.20	
4	BELLEVUE-CAMPBELL CO.	UNATTENDED - D	138.00	13.20	
5	BLACKWELL-GRANT CO.	UNATTENDED - T	138.00	69.00	
6	BUFFINGTON-KENTON CO.	UNATTENDED - T&D	138.00	69.00	13.20
7	CLARYVILLE-CAMBELL CO.	UNATTENDED - D	69.00	13.20	
8	COLD SPRING-KENTON CO.	UNATTENDED - D	138.00	13.20	
9	CONSTANCE-KENTON CO.	UNATTENDED - D	138.00	13.20	
10	COVINGTON - KENTON CO.	UNATTENDED - D	69.00	13.20	
11	CRESCENT-KENTON CO.	UNATTENDED - D	138.00	13.20	
12	CRITTENDEN-GRANT CO.	UNATTENDED - D	69.00	13.20	
13	DAYTON - CAMPBELL CO.	UNATTENDED - D	138.00	13.20	
14	DECOURSEY-KENTON CO.	UNATTENDED - D	69.00	13.20	
15	DIXIE-BOONE CO.	UNATTENDED - D	69.00	13.20	
16	DONALDSON-KENTON CO.	UNATTENDED - D	138.00	13.20	
17	DRY RIDGE-GRANT CO.	UNATTENDED - D	69.00	13.20	
18	EMPIRE - BOONE CO.	UNATTENDED - D	69.00	13.20	
19	FLORENCE-BOONE CO.	UNATTENDED - D	138.00	13.20	
20	GRANT-GRANT CO.	UNATTENDED - D	69.00	13.20	
21	HANDS-KENTON CO.	UNATTENDED - D	138.00	13.20	
22	HEBRON- BOONE CO.	UNATTENDED - D	138.00	13.20	
23	KENTON-KENTON CO.	UNATTENDED - T&D	138.00	13.20	
24	KY. UNIVERSITY-CAMP. CO.	UNATTENDED - D	138.00	13.20	
25	LIMABURG-BOONE CO.	UNATTENDED - D	69.00	13.20	
26	LONGBRANCH- BOONE CO.	UNATTENDED - D	138.00	13.20	
27	MARSHALL-CAMPBELL CO.	UNATTENDED - D	69.00	13.20	
28	MT ZION - BOONE CO.	UNATTENDED - D	138.00	13.20	
29	OAKBROOK - BOONE CO	UNATTENDED - D	69.00	13.20	
30	RICHWOOD-BOONE CO.	UNATTENDED - D	69.00	13.20	
31	THOMAS MORE - KENTON CO.	UNATTENDED - D	69.00	13.20	
32	VERONA - KENTON CO	UNATTENDED - D	69.00	13.20	
33	VILLA-CRESTVIEW HLS., KY	UNATTENDED - D	69.00	13.20	
34	WHITE TOWER-KENTON CO.	UNATTENDED - D	69.00	13.20	
35	WILDER-WILDER, KY.	UNATTENDED - T&D	138.00	69.00	13.20
36	YORK-NEWPORT, KY.	UNATTENDED - D	138.00	13.20	
37	1 STATION UNDER 10 MVA	UNATTENDED - D	13.20	4.30	
38					
39					
40	Summary of Listed Stations Above				

SUBSTATIONS (Continued)

5. Show in columns (I), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation (In Service) (In MVa) (f)	Number of Transformers In Service (g)	Number of Spare Transformers (h)	CONVERSION APPARATUS AND SPECIAL EQUIPMENT Type of Equipment (i)	Number of Units (j)	Total Capacity (In MVa) (k)	Line No
11	1					1
72	2					2
21	2					3
45	2					4
150	1					5
328	5					6
32	3					7
33	2					8
45	2					9
22	1					10
45	2					11
21	2					12
22	1					13
11	1					14
42	2					15
45	2					16
11	1					17
25	2					18
67	3					19
21	2					20
45	2					21
22	1					22
165	3					23
22	1					24
31	3					25
22	1					26
11	1					27
22	1					28
22	1					29
32	3					30
22	1					31
11	1					32
45	2					33
21	2					34
167	3					35
22	1					36
8	2					37
						38
						39
						40

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

SUBSTATIONS

1. Report below the information called for concerning substations of the respondent as of the end of the year.
2. Substations which serve only one industrial or street railway customer should not be listed below.
3. Substations with capacities of Less than 10 MVa except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
4. Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation (a)	Character of Substation (b)	VOLTAGE (In MVa) Primary (c)	Secondary (d)	Tertiary (e)
1	(By Function) not including Commonly Owned				
2	Substations				
3					
4	UNATTENDED - T&D				
5	UNATTENDED - D				
6	UNATTENDED - T				
7	ATTENDED - T&D				
8	ATTENDED - D				
9	ATTENDED - T				
10					
11					
12	Note				
13					
14					
15					
16					
17					
18					
19					
20					
21					
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23					
24					
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39					
40					

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

SUBSTATIONS (Continued)

5. Show in columns (I), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company

Capacity of Substation (In Service) (In MVa) (f)	Number of Transformers In Service (g)	Number of Spare Transformers (h)	CONVERSION APPARATUS AND SPECIAL EQUIPMENT Type of Equipment (i)	Number of Units (j)	Total Capacity (In MVa) (k)	Line No
						1
						2
						3
660						4
948						5
150						6
						7
						8
						9
						10
						11
						12
						13
						14
						15
						16
						17
						18
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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) X An Original (2) _ A Resubmission	/ /	2008/Q4

FOOTNOTE DATA

Schedule Page: 426.1 Line No.: 12 Column: a

Note: The voltages reported in column (c), (d) and (e) are the highest and lowest in the substation by not necessarily on the same transformer. Column (g)represents the number of three phase transformers and/or transformerbanks rather than the number of individual transformers.

THIS FILING IS	
Item 1: [X] An Initial (Original) Submission	OR [ ] Resubmission No. ____

Form 2 Approved
OMB No. 1902-0028
(Expires 6/30/2011)
Form 3-Q: Approved
OMB No.1902-0205
(Expires 1/31/2012)

FERC FINANCIAL REPORT
FERC FORM No. 2: Annual Report of Major Natural Gas Companies and Supplemental Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Natural Gas Act, Sections 10(a), and 16 and 18 CFR Parts 260.1 and 260.300. Failure to report may result in criminal fines, civil penalties, and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of a confidential nature.

Exact Legal Name of Respondent (Company)	Year/Period of Report
Duke Energy Kentucky, Inc.	End of 2008/Q4

Deloitte.

Deloitte & Touche LLP
1100 Carillon Building
227 West Trade Street
Charlotte, NC 28202
USA

Tel: +1 704 887 1500
Fax: +1 704 887 1570
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

Duke Energy Kentucky, Inc.

We have audited the balance sheet — regulatory basis of Duke Energy Kentucky, Inc. (the "Company") as of December 31, 2008, and the related statements of income — regulatory basis; retained earnings — regulatory basis; cash flows — regulatory basis, and accumulated comprehensive income and hedging activities — regulatory basis for the year ended December 31, 2008, included on pages 110 through 122 of the accompanying Federal Energy Regulatory Commission Form 2. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed on page 122.1, these financial statements were prepared in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, such regulatory-basis financial statements present fairly, in all material respects, the assets, liabilities, and proprietary capital of the Company as of December 31, 2008, and the results of its operations and its cash flows for the year ended December 31, 2008, in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases.

This report is intended solely for the information and use of the board of directors and management of the Company and for filing with the Federal Energy Regulatory Commission and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

April 17, 2009

QUARTERLY/ANNUAL REPORT OF MAJOR NATURAL GAS COMPANIES

IDENTIFICATION

01 Exact Legal Name of Respondent Duke Energy Kentucky, Inc.	Year/Period of Report End of 2008/Q4	
03 Previous Name and Date of Change (If name changed during year)		
04 Address of Principal Office at End of Year (Street, City, State, Zip Code) 1697 A. Monmouth Street, Newport, KY 41071		
05 Name of Contact Person Theresa Miller	06 Title of Contact Person Manager Accounting	
07 Address of Contact Person (Street, City, State, Zip Code) 526 South Church Street, Charlotte, NC 28202		
08 Telephone of Contact Person, Including Area Code 704-382-6084	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	10 Date of Report *(Mo, Da, Yr)*

ANNUAL CORPORATE OFFICER CERTIFICATION

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

11 Name David L. Hauser	12 Title Group Executive & CFO
13 Signature David L Hauser	14 Date Signed / / 4/17/09

Title 18, U.S.C. 1001, makes it a crime for any person knowingly and willingly to make to any Agency or Department of the United States any false, fictitious or fraudulent statements as to any matter within its jurisdiction.

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

List of Schedules (Natural Gas Company)

Enter in column (d) the terms "none," "not applicable," or "NA" as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the responses are "none," "not applicable," or "NA."

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

List of Schedules (Natural Gas Company) (continued)

Enter in column (d) the terms "none," "not applicable," or "NA" as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the responses are "none," "not applicable," or "NA."

Line No.	Title of Schedule (a)	Reference Page No. (b)	Date Revised (c)	Remarks (d)
38	Unamortized Loss and Gain on Reacquired Debt	260		
39	Reconciliation of Reported Net Income with Taxable Income for Federal Income Taxes	261		
40	Taxes Accrued, Prepaid, and Charged During Year	262-263		
41	Miscellaneous Current and Accrued Liabilities	268		
42	Other Deferred Credits	269		
43	Accumulated Deferred Income Taxes-Other Property	274-275		
44	Accumulated Deferred Income Taxes-Other	276-277		
45	Other Regulatory Liabilities	278		
	INCOME ACCOUNT SUPPORTING SCHEDULES			
46	Monthly Quantity & Revenue Data by Rate Schedule	299		
47	Gas Operating Revenues	300-301		
48	*Revenues from Transportation of Gas of Others Through Gathering Facilities*	302-303		N/A
49	Revenues from Transportation of Gas of Others Through Transmission Facilities	304-305		
50	Revenues from Storage Gas of Others	306-307		N/A
51	Other Gas Revenues	308		
52	Discounted Rate Services and Negotiated Rate Services	313		
53	Gas Operation and Maintenance Expenses	317-325		
54	Exchange and Imbalance Transactions	328		N/A
55	Gas Used in Utility Operations	331		N/A
56	Transmission and Compression of Gas by Others	332		N/A
57	Other Gas Supply Expenses	334		N/A
58	Miscellaneous General Expenses-Gas	335		
59	Depreciation, Depletion, and Amortization of Gas Plant	336-338		
60	Particulars Concerning Certain Income Deduction and Interest Charges Accounts	340		
	COMMON SECTION			
61	Regulatory Commission Expenses	350-351		
62	Employee Pensions and Benefits (Account 926)	352		
63	Distribution of Salaries and Wages	354-355		
64	Charges for Outside Professional and Other Consultative Services	357		
65	Transactions with Associated (Affiliated) Companies	358		
	GAS PLANT STATISTICAL DATA			
66	Compressor Stations	508-509		N/A
67	Gas Storage Projects	512-513		N/A
68	Transmission Lines	514		N/A
69	Transmission System Peak Deliveries	518		N/A
70	Auxiliary Peaking Facilities	519		
71	Gas Account-Natural Gas	520		
72	Shipper Supplied Gas for the Current Quarter	521		N/A
73	System Map	522		
74	Footnote Reference	551		
75	Footnote Text	552		
76	*Stockholder's Reports (check appropriate box)*			
	[ ] Four copies will be submitted [X] No annual report to stockholders is prepared			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

General Information

1. Provide name and title of officer having custody of the general corporate books of account and address of office where the general corporate books are kept and address of office where any other corporate books of account are kept, if different from that where the general corporate books are kept

Corporate Books:
Steven K. Young, Senior Vice President & Controller
526 South Church Street
Charlotte, NC 28202

Other Corporate Books of Account:
139 East Fourth Street, Room 202
Cinncinati, OH 45202

2. Provide the name of the State under the laws of which respondent is incorporated and date of incorporation. If incorporated under a special law, give reference to such law. If not incorporated, state that fact and give the type of organization and the date organized.

Incorporated under the laws of The Commonwealth of Kentucky on March 20, 1901.

3. If at any time during the year the property of respondent was held by a receiver or trustee, give (a) name of receiver or trustee, (b) date such receiver or trustee took possession, (c) the authority by which the receivership or trusteeship was created, and (d) date when possession by receiver or trustee ceased

Not applicable

4. State the classes of utility and other services furnished by respondent during the year in each State in which the respondent operated.

State of Kentucky - Gas and Electric

5. Have you engaged as the principal accountant to audit your financial statements an accountant who is not the principal accountant for your previous year's certified financial statements?

(1) [ ] Yes... Enter the date when such independent accountant was initially engaged:
(2) [X] No

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Control Over Respondent

1. Report in column (a) the names of all corporations, partnerships, business trusts, and similar organizations that directly, indirectly, or jointly held control (see page 103 for definition of control) over the respondent at the end of the year. If control is in a holding company organization, report in a footnote the chain of organization.
2. If control is held by trustees, state in a footnote the names of trustees, the names of beneficiaries for whom the trust is maintained, and the purpose of the trust.
3. In column (b) designate type of control over the respondent. Report an "M" if the company is the main parent or controlling company having ultimate control over the respondent. Otherwise, report a "D" for direct, an "I" for indirect, or a "J" for joint control.

Line No	Company Name (a)	Type of Control (b)	State of Incorporation (c)	Percent Voting Stock Owned (d)
1	Duke Energy Ohio, Inc.	M	OH	100.00
2				
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Security Holders and Voting Powers

1. Give the names and addresses of the 10 security holders of the respondent who, at the date of the latest closing of the stock book or compilation of list of stockholders of the respondent, prior to the end of the year, had the highest voting powers in the respondent, and state the number of votes that each could cast on that date if a meeting were held. If any such holder held in trust, give in a footnote the known particulars of the trust (whether voting trust, etc.), duration of trust, and principal holders of beneficiary interests in the trust. If the company did not close the stock book or did not compile a list of stockholders within one year prior to the end of the year, or if since it compiled the previous list of stockholders, some other class of security has become vested with voting rights, then show such 10 security holders as of the close of the year. Arrange the names of the security holders in the order of voting power, commencing with the highest. Show in column (a) the titles of officers and directors included in such list of 10 security holders.

2. If any security other than stock carries voting rights, explain in a supplemental statement how such security became vested with voting rights and give other important details concerning the voting rights of such security. State whether voting rights are actual or contingent; if contingent, describe the contingency.

3. If any class or issue of security has any special privileges in the election of directors, trustees or managers, or in the determination of corporate action by any method, explain briefly in a footnote.

4. Furnish details concerning any options, warrants, or rights outstanding at the end of the year for others to purchase securities of the respondent or any securities or other assets owned by the respondent, including prices, expiration dates, and other material information relating to exercise of the options, warrants, or rights. Specify the amount of such securities or assets any officer, director, associated company, or any of the 10 largest security holders is entitled to purchase. This instruction is inapplicable to convertible securities or to any securities substantially all of which are outstanding in the hands of the general public where the options, warrants,

1. Give date of the latest closing of the stock book prior to end of year, and, in a footnote, state the purpose of such closing:	2. State the total number of votes cast at the latest general meeting prior to the end of year for election of directors of the respondent and number of such votes cast by proxy.	3. Give the date and place of such meeting:
	Total: 585333 By Proxy:	

Line No.	Name (Title) and Address of Security Holder (a)	VOTING SECURITIES 4. Number of votes as of (date): Total Votes (b)	Common Stock (c)	Preferred Stock (d)	Other (e)
5	TOTAL votes of all voting securities	585,333	585,333		
6	TOTAL number of security holders	1	1		
7	TOTAL votes of security holders listed below	585,333	585,333		
8					
9					
10	Duke Energy Ohio, Inc				
11	139 East Fourth Street				
12	Cincinnati, OH 45202				
13					
14					
15					
16					
17					
18					
19					
20					

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) X An Original (2) _ A Resubmission	(Mo, Da, Yr) / /	2008/Q4

Important Changes During the Quarter/Year

Give details concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Answer each inquiry. Enter "none" or "not applicable" where applicable. If the answer is given elsewhere in the report, refer to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration and state from whom the franchise rights were acquired. If the franchise rights were acquired without the payment of consideration, state that fact.
2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies. Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.
3. Purchase or sale of an operating unit or system: Briefly describe the property, and the related transactions, and cite Commission authorization, if any was required. Give date journal entries called for by Uniform System of Accounts were submitted to the Commission.
4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents, and other conditions. State name of Commission authorizing lease and give reference to such authorization.
5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and cite Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service.
Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements, etc.
6. Obligations incurred or assumed by respondent as guarantor for the performance by another of any agreement or obligation, including ordinary commercial paper maturing on demand or not later than one year after date of issue: State on behalf of whom the obligation was assumed and amount of the obligation. Cite Commission authorization if any was required.
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.
8. State the estimated annual effect and nature of any important wage scale changes during the year.
9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
10. Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.
11. Estimated increase or decrease in annual revenues caused by important rate changes: State effective date and approximate amount of increase or decrease for each revenue classification. State the number of customers affected.
12. Describe fully any changes in officers, directors, major security holders and voting powers of the respondent that may have occurred during the reporting period.
13. In the event that the respondent participates in a cash management program(s) and its proprietary capital ratio is less than 30 percent please describe the significant events or transactions causing the proprietary capital ratio to be less than 30 percent, and the extent to which the respondent has amounts loaned or money advanced to its parent, subsidiary, or affiliated companies through a cash management program(s). Additionally, please describe plans, if any to regain at least a 30 percent proprietary ratio.

1. None

2. None

3. None

4. None

5. An extension of 11,553 ft. of 6" SWPC high pressure gas pipeline "AM03" near Walton, KY was made operational on September 2, 2008. This extension has improved pressure and supply to the Critteden and Dry Ridge areas.

6. In December 2008, Duke Energy Kentucky, Inc. (Duke Energy Kentucky) refunded $50 million of tax-exempt auction rate bonds through the issuance of $50 million of tax-exempt variable-rate demand bonds, which are supported by a direct-pay letter of credit. The variable-rate demand bonds, which are due August 1, 2027, had an initial interest rate of 0.65% which is reset on a weekly basis.

In September 2008, Duke Energy Kentucky entered into a $330 million three-year letter of credit agreement with a syndicate of banks, under which Duke Energy Kentucky may request the issuance of letters of credit up to $279 million and $51 million on its behalf to support various series of variable rate bonds issued or to be issued on behalf of Duke Energy Kentucky. This credit facility, which is not part of Duke Energy's master credit facility, may not be used for any purpose other than to support the variable rate demand bonds issued by Duke Energy Kentucky.

7. None

8. There were no wage scale changes during the year for non-union or union employees.

9. See Notes 2 & 14 of the "Notes to Financial Statements"

10. None

11. In January, 2005, Duke Energy Kentucky filed with the Kentucky Public Service Commission (KPSC) to increase its gas base rates and to continue its Accelerated Gas Main Replacement Program (AMRP) tracker. In late 2005, the KPSC issued its order approving an increase of $8.1 million which includes $4.5 million in AMRP recovery in base rates and the AMRP rider was reset to zero. The order approved continuation of the AMRP through 2010. In August 2007, the Franklin Circuit Court ruled that the KPSC lacks legal authority to approve the has main replacement tracking mechanisn, and any other annual rate adjustments under the tracking mechanism. To date Duke Energy Kentucky has collected approximately $9 million in annual rate customers. Duke Energy Kentucky and the KPSC appealed these cases to the Kentucky Court of Appeals. In November, 2008, the Kentucky Court of Appeals ruled that the KPSC had no legal authority to approve tracker recovery of gas main replacement costs prior to 2005. Duke Energy Kentucky is evaluating this ruling and cannot predict the outcome of these proceedings.

12. Duke Energy Kentucky, Inc. Officer and/or Director Changes:

Resignations:

Effective 10/8/2008
Kay Pashos, Vice President, Regulatory Strategy

Effective 12/1/2008
Julia S. Janson, Senior Vice President and Corporate Secretary
David S. Maltz, Assistant Secretary

Effective 12/8/2008
Brett C. Carter, Vice President, Customer Origination and Retention and Customer Service

Effective 12/10/2008
Theopolis Holeman, Senior Vice President, Power Delivery
Sandra P. Meyer, President
Paul R. Newton, Senior Vice President, Legal and Assistant Secretary

Effective 12/31/2008
Theopolis Holeman, Senior Vice President

Appointments

Effective: 11/10/2008
John J. Finnigan, Vice President, Governmental and Regulatory Affairs
Kodwo Ghartey-Tagoe, Vice President, Legal and Assistant Secretary
Jennifer L. Weber, Chief Human Resources Officer and Senior Vice President

Effective: 12/1/2008
Julia S. Janson, President
David S. Maltz, Vice President and Corporate Secretary

Effective: 12/8/2008
Gianna Manes, Senior Vice President, Retail Customer Services

Effective: 12/10/2008
Theopolis Holeman, Senior Vice President
Sandra P. Meyer, Senior Vice Presidewnt, Power Delivery
Paul R. Newton, Senior Vice President, Wholesale Customers and Regulated Commodity Management
Robert J. Ringel, Assistant Corporate Secretary

13. N/A

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Comparative Balance Sheet (Assets and Other Debits)

Line No.	Title of Account (a)	Reference Page Number (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	**UTILITY PLANT**			
2	Utility Plant (101-106, 114)	200-201	1,476,192,847	1,450,696.556
3	Construction Work in Progress (107)	200-201	36,504,269	24,571,781
4	TOTAL Utility Plant (Total of lines 2 and 3)	200-201	1,512,697,116	1,475,268.337
5	(Less) Accum. Provision for Depr., Amort., Depl. (108, 111, 115)		650,100,350	641.505.019
6	Net Utility Plant (Total of line 4 less 5)		862,596,766	833,763,318
7	Nuclear Fuel (120.1 thru 120.4, and 120.6)		0	0
8	(Less) Accum. Provision for Amort., of Nuclear Fuel Assemblies (120.5)		0	0
9	Nuclear Fuel (Total of line 7 less 8)		0	0
10	Net Utility Plant (Total of lines 6 and 9)		862,596,766	833,763.318
11	Utility Plant Adjustments (116)	122	0	0
12	Gas Stored-Base Gas (117.1)	220	0	0
13	System Balancing Gas (117.2)	220	0	0
14	Gas Stored in Reservoirs and Pipelines-Noncurrent (117.3)	220	0	0
15	Gas Owed to System Gas (117.4)	220	0	0
16	**OTHER PROPERTY AND INVESTMENTS**			
17	Nonutility Property (121)		24,088,348	24,088.348
18	(Less) Accum. Provision for Depreciation and Amortization (122)		13,065,947	11.380,953
19	Investments in Associated Companies (123)	222-223	0	0
20	Investments in Subsidiary Companies (123.1)	224-225	0	0
21	(For Cost of Account 123.1 See Footnote Page 224, line 40)			
22	Noncurrent Portion of Allowances		2,522,500	3,797,125
23	Other Investments (124)	222-223	1,500	1.500
24	Sinking Funds (125)		0	0
25	Depreciation Fund (126)		0	0
26	Amortization Fund - Federal (127)		0	0
27	Other Special Funds (128)		0	0
28	Long-Term Portion of Derivative Assets (175)		0	0
29	Long-Term Portion of Derivative Assets - Hedges (176)		0	0
30	TOTAL Other Property and Investments (Total of lines 17-20, 22-29)		13,546,401	16,506,020
31	**CURRENT AND ACCRUED ASSETS**			
32	Cash (131)		11,765,815	9,299,011
33	Special Deposits (132-134)		0	0
34	Working Funds (135)		2,500	2,500
35	Temporary Cash Investments (136)	222-223	0	0
36	Notes Receivable (141)		0	0
37	Customer Accounts Receivable (142)		4,829,524	1,728,806
38	Other Accounts Receivable (143)		8,615,474	9,386,480
39	(Less) Accum. Provision for Uncollectible Accounts - Credit (144)		432,105	314,686
40	Notes Receivable from Associated Companies (145)		28,529,163	29,165,216
41	Accounts Receivable from Associated Companies (146)		10,764,510	3,659,896
42	Fuel Stock (151)		22,771,019	10,373.776
43	Fuel Stock Expenses Undistributed (152)		0	0

Name of Respondent Duke Energy Kentucky, Inc	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

Comparative Balance Sheet (Assets and Other Debits)(continued)

Line No	Title of Account (a)	Reference Page Number (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
44	Residuals (Elec) and Extracted Products (Gas) (153)		0	0
45	Plant Materials and Operating Supplies (154)		9,113,870	8,809,328
46	Merchandise (155)		0	0
47	Other Materials and Supplies (156)		0	0
48	Nuclear Materials Held for Sale (157)		0	0
49	Allowances (158.1 and 158.2)		4,782,941	7,063,735
50	(Less) Noncurrent Portion of Allowances		2,522,500	3,797,125
51	Stores Expense Undistributed (163)		1,160,098	431,577
52	Gas Stored Underground-Current (164.1)	220	0	7,776,574
53	Liquefied Natural Gas Stored and Held for Processing (164.2 thru 164.3)	220	0	0
54	Prepayments (165)	230	5,818,858	16,775,371
55	Advances for Gas (166 thru 167)		0	0
56	Interest and Dividends Receivable (171)		366,753	0
57	Rents Receivable (172)		0	0
58	Accrued Utility Revenues (173)		0	0
59	Miscellaneous Current and Accrued Assets (174)		9,825,521	0
60	Derivative Instrument Assets (175)		177,801	0
61	(Less) Long-Term Portion of Derivative Instrument Assets (175)		0	0
62	Derivative Instrument Assets - Hedges (176)		459,514	0
63	(Less) Long-Term Portion of Derivative Instrument Assests - Hedges (176)		0	0
64	TOTAL Current and Accrued Assets (Total of lines 32 thru 63)		116,028,756	100,360,459
65	DEFERRED DEBITS			
66	Unamortized Debt Expense (181)		1,631,346	3,788,027
67	Extraordinary Property Losses (182.1)	230	0	0
68	Unrecovered Plant and Regulatory Study Costs (182.2)	230	0	0
69	Other Regulatory Assets (182.3)	232	22,801,592	8,559,097
70	Preliminary Survey and Investigation Charges (Electric)(183)		981,670	881,958
71	Preliminary Survey and Investigation Charges (Gas)(183.1 and 183.2)		0	0
72	Clearing Accounts (184)		40,536	(167,246)
73	Temporary Facilities (185)		(70,800)	(47,318)
74	Miscellaneous Deferred Debits (186)	233	34,539,004	13,182,834
75	Deferred Losses from Disposition of Utility Plant (187)		0	0
76	Research, Development, and Demonstration Expend. (188)		0	0
77	Unamortized Loss on Reacquired Debt (189)		3,663,086	3,675,893
78	Accumulated Deferred Income Taxes (190)	234-235	19,000,108	12,553,285
79	Unrecovered Purchased Gas Costs (191)		(2,404,683)	2,118,314
80	TOTAL Deferred Debits (Total of lines 66 thru 79)		80,181,859	44,544,844
81	TOTAL Assets and Other Debits (Total of lines 10-15,30,64,and 80)		1,072,353,782	995,174,641

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Comparative Balance Sheet (Liabilities and Other Credits)

Line No.	Title of Account (a)	Reference Page Number (b)	Current Year End of Quarter/Year Balance	Prior Year End Balance 12/31 (d)
1	**PROPRIETARY CAPITAL**			
2	Common Stock Issued (201)	250-251	8,779,995	8,779,995
3	Preferred Stock Issued (204)	250-251	0	0
4	Capital Stock Subscribed (202, 205)	252	0	0
5	Stock Liability for Conversion (203, 206)	252	0	0
6	Premium on Capital Stock (207)	252	18,838,946	18,838,946
7	Other Paid-In Capital (208-211)	253	148,655,189	148,655,189
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254	0	0
11	Retained Earnings (215, 215.1, 216)	118-119	217,750,813	210,269,761
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	0	0
13	(Less) Reacquired Capital Stock (217)	250-251	0	0
14	Accumulated Other Comprehensive Income (219)	117	0	(998,460)
15	TOTAL Proprietary Capital (Total of lines 2 thru 14)		394,024,943	385,545,431
16	**LONG TERM DEBT**			
17	Bonds (221)	256-257	0	20,000,000
18	(Less) Reacquired Bonds (222)	256-257	0	0
19	Advances from Associated Companies (223)	256-257	0	0
20	Other Long-Term Debt (224)	256-257	326,088,539	252,571,494
21	Unamortized Premium on Long-Term Debt (225)	258-259	0	0
22	(Less) Unamortized Discount on Long-Term Debt-Dr (226)	258-259	585,584	648,090
23	(Less) Current Portion of Long-Term Debt		20,000,000	0
24	TOTAL Long-Term Debt (Total of lines 17 thru 23)		305,502,955	271,923,404
25	**OTHER NONCURRENT LIABILITIES**			
26	Obligations Under Capital Leases-Noncurrent (227)		10,606,658	13,346,763
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		0	0
29	Accumulated Provision for Pensions and Benefits (228.3)		7,523,160	13,360,436
30	Accumulated Miscellaneous Operating Provisions (228.4)		2,019,334	2,019,334
31	Accumulated Provision for Rate Refunds (229)		7,517,628	0

Comparative Balance Sheet (Liabilities and Other Credits)(continued)

Line No	Title of Account (a)	Reference Page Number (b)	Current Year End of Quarter/Year Balance	Prior Year End Balance 12/31 (d)
32	Long-Term Portion of Derivative Instrument Liabilities		0	0
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		7,903,269	1,626,157
34	Asset Retirement Obligations (230)		6,390,326	6,179,300
35	TOTAL Other Noncurrent Liabilities (Total of lines 26 thru 34)		41,960,375	36,531,990
36	CURRENT AND ACCRUED LIABILITIES			
37	Current Portion of Long-Term Debt		20,000,000	0
38	Notes Payable (231)		0	0
39	Accounts Payable (232)		36,463,667	28,900,871
40	Notes Payable to Associated Companies (233)		3,241,044	27,470,089
41	Accounts Payable to Associated Companies (234)		13,477,827	26,429,344
42	Customer Deposits (235)		6,348,465	5,358,369
43	Taxes Accrued (236)	262-263	8,967,360	14,819,013
44	Interest Accrued (237)		4,803,361	3,568,991
45	Dividends Declared (238)		0	0
46	Matured Long-Term Debt (239)		0	0
47	Matured Interest (240)		0	0
48	Tax Collections Payable (241)		2,338,990	1,957,880
49	Miscellaneous Current and Accrued Liabilities (242)	268	7,327,220	3,661,519
50	Obligations Under Capital Leases-Current (243)		2,519,251	1,741,738
51	Derivative Instrument Liabilities (244)		41,901	0
52	(Less) Long-Term Portion of Derivative Instrument Liabilities		0	0
53	Derivative Instrument Liabilities - Hedges (245)		7,903,269	1,626,157
54	(Less) Long-Term Portion of Derivative Instrument Liabilities - Hedges		7,903,269	1,626,157
55	TOTAL Current and Accrued Liabilities (Total of lines 37 thru 54)		105,529,086	113,907,814
56	DEFERRED CREDITS			
57	Customer Advances for Construction (252)		1,674,369	1,948,099
58	Accumulated Deferred Investment Tax Credits (255)		4,518,749	5,581,056
59	Deferred Gains from Disposition of Utility Plant (256)		0	0
60	Other Deferred Credits (253)	269	34,349,471	9,713,845
61	Other Regulatory Liabilities (254)	278	1,531,763	2,529,146
62	Unamortized Gain on Reacquired Debt (257)	260	0	0
63	Accumulated Deferred Income Taxes - Accelerated Amortization (281)		0	0
64	Accumulated Deferred Income Taxes - Other Property (282)		168,386,313	161,756,917
65	Accumulated Deferred Income Taxes - Other (283)		14,875,758	5,736,939
66	TOTAL Deferred Credits (Total of lines 57 thru 65)		225,336,423	187,266,002
67	TOTAL Liabilities and Other Credits (Total of lines 15,24,35,55,and 66)		1,072,353,782	995,174,641

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 columnin 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
9. Use page 122 for important notes regarding the statement of income for any account thereof
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
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 purches, and a summary of the adjustments made to balance sheet, income, and expense accounts
12. If any notes appearing in the report to stokholders are applicable to the Statement of Income. such notes may be included at page 122.
13. Enter on page 122 a concise explanation of only those changes in accounting mehods 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
14. Explain in a footnote if the previous year's/quarter's figures are different from that reported in prior reports.
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.

Line No.	Title of Account (a)	Reference Page Number (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current Three Months Ended Quarterly Only No Fourth Quarter (e)	Prior Three Months Ended Quarterly Only No Fourth Quarter (f)
1	UTILITY OPERATING INCOME					
2	Gas Operating Revenues (400)	300-301	500,129,281	490,610,673	0	0
3	Operating Expenses					
4	Operation Expenses (401)	317-325	360,209,369	350,401,369	0	0
5	Maintenance Expenses (402)	317-325	24,764,719	23,852,836	0	0
6	Depreciation Expense (403)	336-338	35,147,534	34,346,152	0	0
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-338	49	0	0	0
8	Amortization and Depletion of Utility Plant (404-405)	336-338	2,314,793	2,439,306	0	0
9	Amortization of Utility Plant Acu Adjustment (406)	336-338	0	0	0	0
10	Amort of Prop Losses, Unrecovered Plant and Reg Study Costs (407.1)		0	0	0	0
11	Amortization of Conversion Expenses (407.2)		0	0	0	0
12	Regulatory Debits (407.3)		(1,755,647)	1,398,166	0	0
13	(Less) Regulatory Credits (407.4)		0	0	0	0
14	Taxes Other than Income Taxes (408.1)	262-263	7,216,421	11,192,992	0	0
15	Income Taxes-Federal (409.1)	262-263	7,159,047	17,374,215	0	0
16	Income Taxes-Other (409.1)	262-263	1,544,713	2,200,100	0	0
17	Provision of Deferred Income Taxes (410.1)	234-235	45,527,502	25,217,864	0	0
18	(Less) Provision for Deferred Income Taxes-Credit (411.1)	234-235	34,547,608	18,778,800	0	0
19	Investment Tax Credit Adjustment-Net (411.4)		(213,376)	(219,736)	0	0
20	(Less) Gains from Disposition of Utility Plant (411.6)		0	0	0	0
21	Losses from Disposition of Utility Plant (411.7)		0	0	0	0
22	(Less) Gains from Disposition of Allowances (411.8)		148,946	1,202,928	0	0
23	Losses from Disposition of Allowances (411.9)		0	0	0	0
24	Accretion Expense (411.10)		561	0	0	0
25	TOTAL Utility Operating Expenses (Total of lines 4 thru 24)		447,219,131	448,221,536	0	0
26	Net Utility Operating Income (Total of lines 2 less 25) (Carry forward to page 116, line 27)		52,910,150	42,389,137	0	0

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

Statement of Income

Line No.	Elec. Utility Current Year to Date (in dollars) (g)	Elec. Utility Previous Year to Date (in dollars) (h)	Gas Utility Current Year to Date (in dollars) (i)	Gas Utility Previous Year to Date (in dollars) (j)	Other Utility Current Year to Date (in dollars) (k)	Other Utility Previous Year to Date (in dollars) (l)
1						
2	355,842,739	349,942,849	144,286,542	140,667,824	0	0
3						
4	234,309,913	230,693,811	125,899,456	119,707,558	0	0
5	22,673,576	21,878,712	2,091,143	1,974,124	0	0
6	27,503,270	27,350,123	7,644,264	6,996,029	0	0
7	49	0	0	0	0	0
8	1,681,043	1,826,458	633,750	612,848	0	0
9	0	0	0	0	0	0
10	0	0	0	0	0	0
11	0	0	0	0	0	0
12	611,421	2,123,863	(2,367,068)	(725,697)	0	0
13	0	0	0	0	0	0
14	5,410,470	7,642,095	1,805,951	3,550,897	0	0
15	2,849,807	18,695,941	4,309,240	(1,321,726)	0	0
16	549,347	2,338,572	995,366	(138,472)	0	0
17	34,614,369	20,448,869	10,913,133	4,768,995	0	0
18	19,249,704	14,697,446	15,297,904	4,081,354	0	0
19	(138,047)	(143,846)	(75,329)	(75,890)	0	0
20	0	0	0	0	0	0
21	0	0	0	0	0	0
22	148,946	1,202,928	0	0	0	0
23	0	0	0	0	0	0
24	561	0	0	0	0	0
25	310,667,129	316,954,224	136,552,002	131,267,312	0	0
26	45,175,610	32,988,625	7,734,540	9,400,512	0	0

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Statement of Income(continued)

Line No.	Title of Account (a)	Reference Page Number (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current Three Months Ended Quarterly Only No Fourth Quarter (e)	Prior Three Months Ended Quarterly Only No Fourth Quarter (f)
27	Net Utility Operating Income (Carried forward from page 114)		52,910,150	42,389,137	0	0
28	OTHER INCOME AND DEDUCTIONS					
29	Other Income					
30	Nonutility Operating Income					
31	Revenues form Merchandising, Jobbing and Contract Work (415)		379,722	633,881	0	0
32	(Less) Costs and Expense of Merchandising, Job & Contract Work (416)		89,576	355,992	0	0
33	Revenues from Nonutility Operations (417)		509,869	17,643	0	0
34	(Less) Expenses of Nonutility Operations (417 1)		10,823	0	0	0
35	Nonoperating Rental Income (418)		(1,142,007)	(559,232)	0	0
36	Equity in Earnings of Subsidiary Companies (418 1)	119	0	0	0	0
37	Interest and Dividend Income (419)		4,020,483	3,655,723	0	0
38	Allowance for Other Funds Used During Construction (419 1)		778,340	218,940	0	0
39	Miscellaneous Nonoperating Income (421)		60,435	329,403	0	0
40	Gain on Disposition of Property (421 1)		65,449	0	0	0
41	TOTAL Other Income (Total of lines 31 thru 40)		4,571,892	3,940,366	0	0
42	Other Income Deductions					
43	Loss on Disposition of Property (421 2)		0	0	0	0
44	Miscellaneous Amortization (425)		0	0	0	0
45	Donations (426.1)	340	53,137	54,277	0	0
46	Life Insurance (426 2)		0	0	0	0
47	Penalties (426 3)		663	6,093	0	0
48	Expenditures for Certain Civic, Political and Related Activities (426 4)		148,001	8,658	0	0
49	Other Deductions (426 5)		1,315,979	2,322,522	0	0
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)	340	1,517,780	2,391,550	0	0
51	Taxes Applic to Other Income and Deductions					
52	Taxes Other than Income Taxes (408 2)	262-263	258,355	396,230	0	0
53	Income Taxes-Federal (409 2)	262-263	3,810,212	(5,986,624)	0	0
54	Income Taxes-Other (409 2)	262-263	687,027	164,193	0	0
55	Provision for Deferred Income Taxes (410 2)	234-235	528,766	1,008,488	0	0
56	(Less) Provision for Deferred Income Taxes-Credit (411 2)	234-235	3,906,359	1,962,382	0	0
57	Investment Tax Credit Adjustments-Net (411 5)		(563,515)	(564,901)	0	0
58	(Less) Investment Tax Credits (420)		0	0	0	0
59	TOTAL Taxes on Other Income and Deductions (Total of lines 52-58)		814,486	(6,944,996)	0	0
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		2,239,626	8,493,812	0	0
61	INTEREST CHARGES					
62	Interest on Long-Term Debt (427)		14,870,411	14,961,582	0	0
63	Amortization of Debt Disc and Expense (428)	258-259	260,459	424,688	0	0
64	Amortization of Loss on Reacquired Debt (428.1)		302,126	181,428	0	0
65	(Less) Amortization of Premium on Debt-Credit (429)	258-259	0	0	0	0
66	(Less) Amortization of Gain on Reacquired Debt-Credit (429 1)		0	0	0	0
67	Interest on Debt to Associated Companies (430)	340	82,070	949,091	0	0
68	Other Interest Expense (431)	340	2,647,239	1,371,033	0	0
69	(Less) Allowance for Borrowed Funds Used During Construction-Credit (432)		493,581	474,224	0	0
70	Net Interest Charges (Total of lines 62 thru 69)		17,668,724	17,413,598	0	0
71	Income Before Extraordinary Items (Total of lines 27,60 and 70)		37,481,052	33,469,351	0	0
72	EXTRAORDINARY ITEMS					
73	Extraordinary Income (434)		0	0	0	0
74	(Less) Extraordinary Deductions (435)		0	0	0	0
75	Net Extraordinary Items (Total of line 73 less line 74)		0	0	0	0
76	Income Taxes-Federal and Other (409 3)	262-263	0	0	0	0
77	Extraordinary Items after Taxes (Total of line 75 less line 76)		0	0	0	0
78	Net Income (Total of lines 71 and 77)		37,481,052	33,469,351	0	0

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Statement of Accumulated Comprehensive Income and Hedging Activities

1. Report in columns (b) (c) and (e) the amounts of accumulated other comprehensive income items, on a net-of-tax basis, where appropriate.

2. Report in columns (f) and (g) the amounts of other categories of other cash flow hedges.

3. For each category of hedges that have been accounted for as "fair value hedges", report the accounts affected and the related amounts in a footnote.

Line No.	Item (a)	Unrealized Gains and Losses on available-for-sale securities (b)	Minimum Pension liabililty Adjustment (net amount) (c)	Foreign Currency Hedges (d)	Other Adjustments (e)
1	Balance of Account 219 at Beginning of Preceding Year				
2	Preceding Quarter/Year to Date Reclassifications from Account 219 to Net Income				
3	Preceding Quarter/Year to Date Changes in Fair Value				
4	Total (lines 2 and 3)				
5	Balance of Account 219 at End of Preceding Quarter/Year				
6	Balance of Account 219 at Beginning of Current Year				
7	Current Quarter/Year to Date Reclassifications from Account 219 to Net Income				
8	Current Quarter/Year to Date Changes in Fair Value				
9	Total (lines 7 and 8)				
10	Balance of Account 219 at End of Current Quarter/Year				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Statement of Accumulated Comprehensive Income and Hedging Activities(continued)

Line No	Other Cash Flow Hedges Interest Rate Swaps (f)	Other Cash Flow Hedges (Insert Category) (g)	Totals for each category of items recorded in Account 219 (h)	Net Income (Carried Forward from Page 116, Line 78) (i)	Total Comprehensive Income (j)
1	(741,286)		(741,286)		
2					
3	(257,174)		(257,174)		
4	(257,174)		(257,174)	33,469,351	33,212,177
5	(998,460)		(998,460)		
6	(998,460)		(998,460)		
7					
8	998,460		998,460		
9	998,460		998,460	37,481,052	38,479,512
10					

Name of Respondent Duke Energy Kentucky, Inc	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

Statement of Retained Earnings

1. Report all changes in appropriated retained earnings, unappropriated retained earnings, and unappropriated undistributed subsidiary earnings for the year
2. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436-439 inclusive) Show the contra primary account affected in column (b).
3. State the purpose and amount for each reservation or appropriation of retained earnings
4. List first Account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings Follow by credit, then debit items, in that order
5. Show dividends for each class and series of capital stock.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter Year to Date Balance (c)	Previous Quarter Year to Date Balance (d)
	UNAPPROPRIATED RETAINED EARNINGS			
1	Balance-Beginning of Period		210,269,761	176,965,107
2	Changes (Identify by prescribed retained earnings accounts)			
3	Adjustments to Retained Earnings (Account 439)			
4	TOTAL Credits to Retained Earnings (Account 439) (footnote details)			
5	TOTAL Debits to Retained Earnings (Account 439) (footnote details)			164,697
6	Balance Transferred from Income (Acct 433 less Acct 418.1)		37,481,052	33,469,351
7	Appropriations of Retained Earnings (Account 436)			
8	TOTAL Appropriations of Retained Earnings (Account 436) (footnote details)			
9	Dividends Declared-Preferred Stock (Account 437)			
10	TOTAL Dividends Declared-Preferred Stock (Account 437) (footnote details)			
11	Dividends Declared-Common Stock (Account 438)			
12	TOTAL Dividends Declared-Common Stock (Account 438) (footnote details)		30,000,000	
13	Transfers from Account 216.1, Unappropriated Undistributed Subsidiary Earnings			
14	Balance-End of Period (Total of lines 1, 4, 5, 6, 8, 10, 12, and 13)		217,750,813	210,269,761
15	APPROPRIATED RETAINED EARNINGS (Account 215)			
16	TOTAL Appropriated Retained Earnings (Account 215) (footnote details)			
17	APPROPRIATED RETAINED EARNINGS-AMORTIZATION RESERVE, FEDERAL (Account			
18	TOTAL Appropriated Retained Earnings-Amortization Reserve, Federal (Account			
19	TOTAL Appropriated Retained Earnings (Accounts 215, 215.1) (Total of lines			
20	TOTAL Retained Earnings (Accounts 215, 215.1, 216) (Total of lines 14 and 1		217,750,813	210,269,761
21	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account 216.1)			
	Report only on an Annual Basis no Quarterly			
22	Balance-Beginning of Year (Debit or Credit)			
23	Equity in Earnings for Year (Credit) (Account 418.1)			
24	(Less) Dividends Received (Debit)			
25	Other Changes (Explain)			
26	Balance-End of Year			

FOOTNOTE DATA

Schedule Page: 118 Line No.: 5 Column: d
FAS 158 Remeasurement

Schedule Page: 118 Line No.: 12 Column: c
December 2008 Common Stock Dividends Declared

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Statement of Cash Flows

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.
(4) Investing Activities: Include at Other (line 25) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

Line No.	Description (See Instructions for explanation of codes) (a)	Current Year to Date Quarter/Year	Previous Year to Date Quarter/Year
1	Net Cash Flow from Operating Activities		
2	Net Income (Line 78(c) on page 116)	37,481,052	33,469,351
3	Noncash Charges (Credits) to Income:		
4	Depreciation and Depletion	35,147,583	34,346,152
5	Amortization of (Specify) (footnote details)	2,877,378	3,045,422
6	Deferred Income Taxes (Net)	7,602,301	5,485,170
7	Investment Tax Credit Adjustments (Net)	(776,891)	(784,637)
8	Net (Increase) Decrease in Receivables	(11,464,264)	(10,857,589)
9	Net (Increase) Decrease in Inventory	(4,157,367)	1,610,861
10	Net (Increase) Decrease in Allowances Inventory	2,280,794	5,406,368
11	Net Increase (Decrease) in Payables and Accrued Expenses	(613,402)	18,809,866
12	Net (Increase) Decrease in Other Regulatory Assets	(7,753,555)	352,123
13	Net Increase (Decrease) in Other Regulatory Liabilities	(224,383)	2,529,146
14	(Less) Allowance for Other Funds Used During Construction	778,340	218,940
15	(Less) Undistributed Earnings from Subsidiary Companies		
16	Other (footnote details):	4,939,642	(14,153,003)
17	Net Cash Provided by (Used in) Operating Activities		
18	(Total of Lines 2 thru 16)	64,560,548	79,040,290
19			
20	Cash Flows from Investment Activities:		
21	Construction and Acquisition of Plant (including land):		
22	Gross Additions to Utility Plant (less nuclear fuel)	(58,203,732)	(55,666,715)
23	Gross Additions to Nuclear Fuel		
24	Gross Additions to Common Utility Plant	(3,608,450)	(8,750,487)
25	Gross Additions to Nonutility Plant		
26	(Less) Allowance for Other Funds Used During Construction	(778,340)	(218,940)
27	Other (footnote details):		
28	Cash Outflows for Plant (Total of lines 22 thru 27)	(61,033,842)	(64,198,262)
29			
30	Acquisition of Other Noncurrent Assets (d)		
31	Proceeds from Disposal of Noncurrent Assets (d)		
32			
33	Investments in and Advances to Assoc. and Subsidiary Companies		
34	Contributions and Advances from Assoc. and Subsidiary Companies		
35	Disposition of Investments in (and Advances to)		
36	Associated and Subsidiary Companies		
37			
38	Purchase of Investment Securities (a)		
39	Proceeds from Sales of Investment Securities (a)		

Statement of Cash Flows (continued)

Line No.	Description (See Instructions for explanation of codes) (a)	Current Year to Date Quarter/Year	Previous Year to Date Quarter/Year
40	Loans Made or Purchased		
41	Collections on Loans		
42			
43	Net (Increase) Decrease in Receivables		
44	Net (Increase) Decrease in Inventory		
45	Net (Increase) Decrease in Allowances Held for Speculation		
46	Net Increase (Decrease) in Payables and Accrued Expenses		
47	Other (footnote details):		
48	Net Cash Provided by (Used in) Investing Activities		
49	(Total of lines 28 thru 47)	(61,033,842)	(64,198,262)
50			
51	Cash Flows from Financing Activities:		
52	Proceeds from Issuance of:		
53	Long-Term Debt (b)	123,517,045	
54	Preferred Stock		
55	Common Stock		
56	Other (footnote details):		2,999,636
57	Net Increase in Short-term Debt (c)		
58	Other (footnote details):		
59	Cash Provided by Outside Sources (Total of lines 53 thru 58)	123,517,045	2,999,636
60			
61	Payments for Retirement of:		
62	Long-Term Debt (b)	(70,000,000)	
63	Preferred Stock		
64	Common Stock		
65	Other (footnote details):	(24,576,947)	(15,132,882)
66	Net Decrease in Short-Term Debt (c)		
67			
68	Dividends on Preferred Stock		
69	Dividends on Common Stock	(30,000,000)	
70	Net Cash Provided by (Used in) Financing Activities		
71	(Total of lines 59 thru 69)	(1,059,902)	(12,133,246)
72			
73	Net Increase (Decrease) in Cash and Cash Equivalents		
74	(Total of line 18, 49 and 71)	2,466,804	2,708,782
75			
76	Cash and Cash Equivalents at Beginning of Period	9,301,511	6,592,729
77			
78	Cash and Cash Equivalents at End of Period	11,768,315	9,301,511

Schedule Page: 120 Line No.: 5 Column: c

2,439,306 Plants
606,116 Debt discount, premium, expense and loss on reacquired debt
3,045,422

Schedule Page: 120 Line No.: 5 Column: b

2,314,793 Plants
562,585 Debt discount, premium, expense and loss on reacquired debt
2,877,378

Schedule Page: 120 Line No.: 16 Column: b

Other:

Unrecovered Purchased Gas Costs	4,522,997
Prepayments	10,410,065
Clearing Accounts	(207,782)
Misc Current and Accrued Assets	(9,825,521)
Derivative Instrument Assets	(637,315)
Miscellaneous Deferred Debits	(4,826,588)
Obligations Under Capital Leases - Non-current	(2,740,105)
Accumulated Provisions	1,680,352
Customer Advances for Construction	(273,730)
Other Deferred Credits	8,106,255
Temporary Facilities	23,482
Net Utility Plant and Non Utility Property	1,303,901
Cost of Removal	(1,234,472)
Deferred Income Taxes	(3,579,180)
Accumulated Other Comprehensive Income	(853,529)
Derivative Instruments Liabilities	265,101
Preliminary Survey and Investigation Charges	(99,712)
Debt Expenses	2,017,311
Derivative Instrument Liabilities-Hedges	888,112
	4,939,642

Schedule Page: 120 Line No.: 16 Column: c

Other:

Unrecovered Purchased Gas Costs	(1,348,858)
Prepayments	(8,368,939)
Clearing Accounts	129,592
Miscellaneous Current and Accrued Assets	429,956
Miscellaneous Deferred Debits	9,783,328
Obligations under Capital Leases-Non-current	1,151,700
Accumulated Provisions	147,046
Customer Advances for Construction	(166,899)
Other Deferred Credits	(4,465,087)
Contribution to Company Sponsored Pension Plan	(9,695,552)
Temporary Facilities	(145,427)
Net Utility Plant and Nonutility Property	1,716,024
Cost of Removal	(1,840,127)
Deferred Income Taxes	(1,066,827)
Accumulated Other Comprehensive Income	(257,174)
Derivative Instruments	(429,956)
Preliminary Survey and Investigation Charges	(85,287)
Debt Expenses	120,268
Derivative Instrument Liabilities-Hedges	402,913
Other Investments	1,000
FAS158 change in measurement date	(164,697)
Total Other Assets	(14,153,003)

Schedule Page: 120 Line No.: 65 Column: b

63,142	Premium Payments
13,325	Auction Rate bond Refunding Fees
3,125	Revolver Fees
178,560	New Issuance-VRDB
89,750	Misc Fees
347,902	

$24,229,045 Moneypool - Net Intercompany Borrowing

Schedule Page: 120 Line No.: 56 Column: c

33,472	Financing setup fee for new revolver
111,244	Premium payments
5,648	Remarketing Fees
3,150,000	Capital contributions from Partners
2,999,636	

Schedule Page: 120 Line No.: 65 Column: c

$15,132,882 Moneypool - Net Intercompany Borrowing

Schedule Page: 120 Line No.: 78 Column: b

	12 Mths Ended Dec 31, 2008 (in thousands)
Supplemental Disclosure of Cash Flow Information	
Cash paid during the period for:	
Interest (net of amount capitalized)	$ 17,010
Income taxes	$ 14,143
Non-cash financing and investing activities:	
Allowance for funds used during construction (AFUDC) – equity component	$ 778
Accrued capital expenditures	$ 5,789

Schedule Page: 120 Line No.: 78 Column: c

	12 Mths Ended Dec 31, 2007 (in thousands)
Supplemental Disclosure of Cash Flow Information	
Cash paid during the period for:	
Interest (net of amount capitalized)	$ 16,669
Income taxes	$ 6,912
Non-cash financing and investing activities:	
Equity contribution from parent company for acquisition of net generating assets	$ -
Allowance for funds used during construction (AFUDC) – equity component	$ 219
Accrued capital expenditures	$ 2,885

Notes to Financial Statements

1. Provide important disclosures regarding the Balance Sheet, Statement of Income for the Year, Statement of Retained Earnings for the Year, and Statement of Cash Flow, or any account thereof. Classify the disclosures according to each financial statement, providing a subheading for each statement except where a disclosure is applicable to more than one statement. The disclosures must be on the same subject matters and in the same level of detail that would be required if the respondent issued general purpose financial statements to the public or shareholders.
2. Furnish details as to any significant contingent assets or liabilities existing at year end, and briefly explain any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or a claim for refund of income taxes of a material amount initiated by the utility. Also, briefly explain any dividends in arrears on cumulative preferred stock.
3. Furnish details on the respondent's pension plans, post-retirement benefits other than pensions (PBOP) plans, and post-employment benefit plans as required by instruction no. 1 and, in addition, disclose for each individual plan the current year's cash contributions. Furnish details on the accounting for the plans and any changes in the method of accounting for them. Include details on the accounting for transition obligations or assets, gains or losses, the amounts deferred and the expected recovery periods. Also, disclose any current year's plan or trust curtailments, terminations, transfers, or reversions of assets. Entities that participate in multiemployer postretirement benefit plans (e.g. parent company sponsored pension plans) disclose in addition to the required disclosures for the consolidated plan, (1) the amount of cost recognized in the respondent's financial statements for each plan for the period presented, and (2) the basis for determining the respondent's share of the total plan costs.
4. Furnish details on the respondent's asset retirement obligations (ARO) as required by instruction no. 1 and, in addition, disclose the amounts recovered through rates to settle such obligations. Identify any mechanism or account in which recovered funds are being placed (i.e. trust funds, insurance policies, surety bonds). Furnish details on the accounting for the asset retirement obligations and any changes in the measurement or method of accounting for the obligations. Include details on the accounting for settlement of the obligations and any gains or losses expected or incurred on the settlement.
5. Provide a list of all environmental credits received during the reporting period.
6. Provide a summary of revenues and expenses for each tracked cost and special surcharge.
7. Where Account 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these item. See General Instruction 17 of the Uniform System of Accounts.
8. Explain concisely any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
9. Disclose details on any significant financial changes during the reporting year to the respondent or the respondent's consolidated group that directly affect the respondent's gas pipeline operations, including: sales, transfers or mergers of affiliates, investments in new partnerships, sales of gas pipeline facilities or the sale of ownership interests in the gas pipeline to limited partnerships, investments in related industries (i.e., production, gathering), major pipeline investments, acquisitions by the parent corporation(s), and distributions of capital.
10. Explain concisely unsettled rate proceedings where a contingency exists such that the company may need to refund a material amount to the utility's customers or that the utility may receive a material refund with respect to power or gas purchases. State for each year affected the gross revenues or costs to which the contingency relates and the tax effects and explain the major factors that affect the rights of the utility to retain such revenues or to recover amounts paid with respect to power and gas purchases.
11. Explain concisely 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 summarize the adjustments made to balance sheet, income, and expense accounts.
12. Explain concisely only those significant 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 approximate dollar effect of such changes.
13. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
14. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
15. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

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See next page for required information.

This Federal Energy Regulatory Commission (FERC) Form 2 represents the financial statements of Duke Energy Kentucky, Inc. at December 31, 2008. Duke Energy Kentucky's financial statements have been prepared in conformity with the requirements of the FERC as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than generally accepted accounting principles. The following areas represent the significant differences between the Uniform System of Accounts and generally accepted accounting principles: (1) the presentation of significant non-cash transactions, (2) the presentation of current and non-current portions of long-term debt, preferred stock and other liabilities, (3) the presentation of extraordinary deductions, (4) the presentation of removal costs, and (5) the presentation of deferred gains related to emission allowance transactions.

Generally accepted accounting principles (GAAP) require that the current and non-current portions of long-term debt, preferred stock and other liabilities be appopriately identified and reported on the Balance Sheet. FERC requires that these items be reported as set forth in the Uniform System of Accounts and published accounting releases, which does not recognize any segregation between the current and non-current portions of these items for reporting purposes.

Generally accepted accounting principles require that public business enterprises report certain information about operating segments in complete sets of financial statements of the enterprise and certain information about their products and services, which are not included in the FERC reporting purposes. The item reported differently due to these guidelines is the non-current portion of profits from wholesale power sales to be shared with customers, reported as a deferred credit per GAAP and as a current liability per FERC.

FERC requires that losses of unusual nature and infrequent occurrence, which would significantly distort the current year's income, be recorded as extraordinary deductions.

Generally accepted accounting principles require that removal costs for property that does not have an associated legal reitrement obligation be presented as a liability on the Balance Sheet. These costs are presented as accumulated depreciation on the Balance Sheet for FERC reporting purposes. The portion of accumulated depreciation related to removal costs was $37 million at December 31, 2008 and $31 million at December 31, 2007.

On May 25, 2007, in Docket No. AI07-2-000, the FERC issued accounting and financial reporting guidance related to the implementation of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" (FIN 48). Duke Energy Kentucky reflected this guidance beginning with the 2007 FERC Form 2 filed in 2008, as required.

Duke Energy Kentucky's Notes to Financial Statements have been prepared in conformity with generally accepted accounting principles. Accordingly, certain footnotes are not reflective of Duke Energy Kentucky's Financial Statements contained herein.

1. Summary of Significant Accounting Policies

Nature of Operations. Duke Energy Kentucky, a Kentucky corporation organized in 1901, is a combination electric and gas public utility company that provides service in northern Kentucky. Duke Energy Kentucky's principal lines of business include generation, transmission and distribution of electricity as well as the sale of and/or transportation of natural gas. Duke Energy Kentucky's common stock is wholly owned by Duke Energy Ohio, an Ohio corporation organized in 1837, which is wholly owned by Cinergy Corp. (Cinergy), a Delaware corporation organized in 1993.

On April 3, 2006, Duke Energy Corporation (Old Duke Energy) and Cinergy merged into wholly owned subsidiaries of Duke Energy Holding Corp (Duke Energy HC), resulting in Duke Energy HC becoming the parent entity. In connection with the closing of the merger transactions, Duke Energy HC changed its name to Duke Energy Corporation (New Duke Energy or Duke Energy) and Old Duke Energy converted into a limited liability company named Duke Power Company LLC (subsequently renamed Duke Energy Carolinas LLC effective October 1, 2006). As a result of the merger transactions, each outstanding share of Cinergy common stock was converted into 1 56 shares of common stock of New Duke Energy, which resulted in the issuance of approximately 313 million shares of Duke Energy common stock. Both Old Duke Energy and New Duke Energy are referred to as Duke Energy herein. Duke Energy is a public registrant trading on the New York Stock Exchange under DUK.

The assets and liabilities of Duke Energy Kentucky were not adjusted to reflect their fair values as of the merger date since push-down accounting is not required by generally accepted accounting principles in the United States (GAAP).

These statements reflect Duke Energy Kentucky's proportionate share of the East Bend generating station which is jointly owned with Dayton Power & Light

Use of Estimates. To conform to GAAP in the United States (U S), management makes estimates and assumptions that affect the amounts reported in the Financial Statements and Notes. Although these estimates are based on management's best available knowledge at the time, actual results could differ.

Cash and Cash Equivalents. All highly liquid investments with remaining maturities of three months or less at the date of purchase are considered cash equivalents

Inventory. Inventory consists primarily of coal held for electric generation, materials and supplies and natural gas held in storage for transmission and sales commitments. Inventory is recorded primarily using the average cost method

Components of Inventory

	December 31, 2008		December 31, 2007	
	(in thousands)			
Coal held for electric generation	$	18,445	$	9,010
Materials and supplies		13,360		9,241
Natural gas		1,240		9,140
Total Inventory	$	33,045	$	27,391

Effective November 1, 2008, Duke Energy Kentucky executed agreements with a third party to transfer title of natural gas inventory purchased by Duke Energy Kentucky to the third party. Under the agreements, the gas inventory will be stored and managed for Duke Energy Kentucky and will be delivered on demand. The gas storage agreements will expire on October 31, 2009, unless extended by the third party for an additional 12 months. As a result of the agreements, the commitment from a third party to provide natural gas inventory of approximately $10 million as of December 31, 2008 has been classified as Other within Current Assets on the Balance Sheets. At December 31, 2008, this balance exceeded 5% of total current assets.

Cost-Based Regulation. Duke Energy Kentucky accounts for certain of its regulated operations under the provisions of SFAS No. 71, *"Accounting for the Effects of Certain Types of Regulation"* (SFAS No. 71). The economic effects of regulation can result in a regulated company recording assets for costs that have been or are expected to be approved for recovery from customers in a future period or recording liabilities for amounts that are expected to be returned to customers in the rate-setting process in a period different from the period in which the amounts would be recorded by an unregulated enterprise. Accordingly, Duke Energy Kentucky records assets and liabilities that result from the regulated ratemaking process that would not be recorded under GAAP for non-regulated entities. Regulatory assets and liabilities are amortized consistent with the treatment of the related costs in the ratemaking process. Management continually assesses whether regulatory assets are probable of future recovery by considering factors such as applicable regulatory changes, recent rate orders applicable to other regulated entities and the status of any pending or potential deregulation legislation. Additionally, management continually assesses whether any regulatory liabilities have been incurred. Based on this continual assessment, management believes the existing regulatory assets are probable of recovery and that no regulatory liabilities, other than those recorded, have been incurred. These regulatory assets and liabilities are primarily classified in the Balance Sheets as Regulatory Assets and Deferred Debits, and Deferred Credits and Other Liabilities. Duke Energy Kentucky periodically evaluates the applicability of SFAS No. 71, and considers factors such as regulatory changes and the impact of competition. If cost-based regulation ends or competition increases, Duke Energy Kentucky may have to reduce its asset balances to reflect a market basis less than cost and write off their associated regulatory assets and liabilities. For further information see Note 2.

In order to apply the accounting provisions of SFAS No. 71 and record regulatory assets and liabilities, the scope criteria in SFAS No. 71 must be met. Management makes significant judgments in determining whether the scope criteria of SFAS No. 71 are met for its operations, including determining whether revenue rates for services provided to customers are subject to approval by an independent, third-party regulator, whether the regulated rates are designed to recover specific costs of providing the regulated service, and a determination of whether, in view of the demand for the regulated services and the level of competition, it is reasonable to assume that rates set at levels that will recover the operations' costs can be charged to and collected from customers. This final criterion requires consideration of anticipated changes in levels of demand or competition, direct and indirect, during the recovery period for any capitalized costs. If facts and circumstances change so that a portion of Duke Energy Kentucky's regulated operations meet all of the scope criteria set forth in SFAS No. 71 when such criteria had not been previously met, SFAS No. 71 would be reapplied to all or a separable portion of the operations. Such reapplication includes adjusting the balance sheet for amounts that meet the definition of a regulatory asset or regulatory liability of SFAS No. 71.

Accounting for Risk Management and Hedging Activities and Financial Instruments. All derivative instruments not designated and qualifying for the normal purchases and normal sales exception under SFAS No. 133, "*Accounting for Derivative Instruments and Hedging Activities*" as amended (SFAS No. 133), are recorded on the Balance Sheet at their fair value.

Since Duke Energy Kentucky receives regulatory treatment for derivatives related to its native load, those mark-to-market gains and losses associated with those derivative contracts are reflected as regulatory assets or regulatory liabilities on the Balance Sheets.

Cash Flow and Fair Value Hedges. Changes in the fair value of a derivative designated and qualified as a cash flow hedge, to the extent effective, are included in the Statements of Common Stockholder's Equity and Comprehensive Income as Accumulated Other Comprehensive Income (Loss) (AOCI) until earnings are affected by the hedged item. Duke Energy Kentucky discontinues hedge accounting prospectively when it has determined that a derivative no longer qualifies as an effective hedge, or when it is no longer probable that the hedged forecasted transaction will occur. When hedge accounting is discontinued because the derivative no longer qualifies as an effective hedge, the derivative is subject to the Mark-to-Market model of accounting (MTM Model) prospectively. Gains and losses related to discontinued hedges that were previously accumulated in AOCI will remain in AOCI until the underlying contract is reflected in earnings, unless it is probable that the hedged forecasted transaction will not occur at which time associated deferred amounts in AOCI are immediately recognized in current earnings.

Valuation. Quoted market prices or prices obtained through external sources are used to measure a contract's fair value.

Property, Plant and Equipment. Property, plant and equipment are stated at the lower of historical cost less accumulated depreciation or fair value, if impaired. Duke Energy Kentucky capitalizes all construction-related direct labor and material costs, as well as indirect construction costs. Indirect costs include general engineering, taxes and the cost of funds used during construction. The cost of renewals and betterments that extend the useful life of property, plant and equipment are also capitalized. The cost of repairs, replacements and major maintenance projects, which do not extend the useful life or increase the expected output of property, plant and equipment, is expensed as incurred. Depreciation is generally computed over the asset's estimated useful life using the straight-line method. The composite weighted-average depreciation rate was 2.6% for both 2008 and 2007. Depreciation studies are conducted periodically to update the composite rates and are approved by the Kentucky Public Service Commission (KPSC). Also, see "Allowance for Funds Used During Construction (AFUDC)," discussed below.

When Duke Energy Kentucky retires its regulated property, plant and equipment, it charges the original cost plus the cost of retirement, less salvage value, to accumulated depreciation and amortization. When it sells entire regulated operating units, the cost is removed from the property account and the related accumulated depreciation and amortization accounts are reduced. Any gain or loss is recorded in earnings, unless otherwise required by the applicable regulatory body (See Note 11).

Asset Retirement Obligations. Duke Energy Kentucky recognizes asset retirement obligations (ARO's) in accordance with SFAS No. 143, "*Accounting For Asset Retirement Obligations*" (SFAS No. 143), for legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal use of the asset and FIN No. 47, "*Accounting for Conditional Asset Retirement Obligations*" (FIN 47), for conditional ARO's. The term conditional asset retirement obligation as used in SFAS No. 143 and FIN 47 refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Thus, the timing and (or) method of settlement may be conditional on a future event. Both SFAS No. 143 and FIN 47 require that the present value of the projected liability for an ARO be recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made. The present value of the liability is added to the carrying amount of the associated asset. This additional carrying amount is then depreciated over the estimated useful life of the asset. See Note 5 for further information.

Unamortized Debt Premium, Discount and Expense. Premiums, discounts and expenses incurred with the issuance of outstanding long-term debt are amortized over the terms of the debt issues. Any call premiums or unamortized expenses associated with refinancing higher-cost debt obligations to finance regulated assets and operations are amortized consistent with regulatory treatment of those items, where appropriate. The amortization expense is recorded as a component of interest expense in the Statements of Operations and is reflected as Depreciation and amortization within Net cash provided by operating activities on the Statements of Cash Flows.

Loss Contingencies. Duke Energy Kentucky is involved in certain legal and environmental matters that arise in the normal course of business. Loss contingencies are accounted for under SFAS No. 5, "*Accounting for Contingencies*" (SFAS No. 5). Under SFAS No. 5, contingent losses are recorded when it is determined that it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. When a range of the probable loss exists and no amount within the range is a better estimate than any other amount, Duke Energy Kentucky records a loss contingency at the minimum amount in the range. Unless otherwise required by GAAP, legal fees are expensed as incurred. See Note 14 for further information.

Environmental Expenditures. Duke Energy Kentucky expenses environmental expenditures related to conditions caused by past operations that do not generate current or future revenues. Environmental expenditures related to operations that generate current or future revenues are expensed or capitalized, as appropriate. Liabilities are recorded on an undiscounted basis when the necessity for environmental remediation becomes probable and the costs can be reasonably estimated, or when other potential environmental liabilities are reasonably estimable and probable.

Revenue Recognition and Unbilled Revenue. Revenues on sales of electricity and gas are recognized when either the service is provided or the product is delivered. Unbilled revenues are estimated by applying an average revenue per kilowatt hour or per thousand cubic feet (Mcf) for all customer classes to the number of estimated kilowatt hours or Mcf's delivered but not billed. The amount of unbilled revenues can vary significantly from period to period as a result of factors, including seasonality, weather, customer usage patterns and customer mix. The receivables for unbilled revenues of approximately $26 million and $25 million at December 31, 2008 and 2007, respectively, related to retail accounts receivable at Duke Energy Kentucky are included in the sales of accounts receivable to Cinergy Receivables Company, LLC (Cinergy Receivables). See Note 10 for additional information.

Allowance for Funds Used During Construction (AFUDC). AFUDC, which represents the estimated debt and equity costs of capital funds necessary to finance the construction of new regulated facilities, consists of two components, an equity component and an interest component. The equity component is a non-cash item. AFUDC is capitalized as a component of Property, Plant and Equipment cost, with offsetting credits to the Statements of Operations. After construction is completed, Duke Energy Kentucky is permitted to recover these costs through inclusion in the rate base and in the depreciation provision. The total amount of AFUDC included in the Statements of Operations was $1 million in 2008. The total amount of AFUDC included in the Statements of Operations was less than $500 thousand in 2007.

Accounting For Purchases and Sales of Emission Allowances. Emission allowances are issued by the Environmental Protection Agency (EPA) at zero cost and permit the holder of the allowance to emit certain gaseous by-products of fossil fuel combustion, including sulfur dioxide (SO_2) and nitrogen oxide (NO_x). Allowances may also be bought and sold via third party transactions or consumed as the emissions are generated. Allowances allocated to or acquired by Duke Energy Kentucky are held primarily for consumption. Duke Energy Kentucky records emission allowances as Intangible Assets on its Balance Sheets and recognizes the allowances in earnings as they are consumed or sold. Any gains or losses on sales of recoverable emission allowances are returned to customers via profit sharing mechanism riders included in the rate structure of the regulated entity and are deferred as a regulatory asset or liability. Purchases and sales of emission allowances are presented gross as investing activities on the Statements of Cash Flows.

Income Taxes. The taxable income of Duke Energy Kentucky is reflected in Duke Energy's U.S. federal and state income tax returns. Duke Energy Kentucky has a tax sharing agreement with Duke Energy, where the separate return method is used to allocate tax expenses and benefits to the subsidiaries whose investments or results of operations provide these tax expenses and benefits. The accounting for income taxes essentially represents the income taxes that Duke Energy Kentucky would incur if Duke Energy Kentucky were a separate company filing its own federal tax return as a C-Corporation.

Management evaluates and records contingent tax liabilities and related interest based on the probability of ultimately sustaining the tax deductions or income positions. Management assesses the probabilities of successfully defending the tax deductions or income positions based upon statutory, judicial or administrative authority.

Management evaluates and records uncertain tax positions in accordance with FIN 48, "*Accounting For Uncertainty in Income Taxes – an Interpretation of FASB Statement 109*" (FIN 48), which was adopted by Duke Energy Kentucky on January 1, 2007. Duke Energy Kentucky records unrecognized tax benefits for positions taken or expected to be taken on tax returns, including the decision to exclude certain income or transactions from a return, when a more-likely-than-not threshold is met for a tax position and management believes that the position will be sustained upon examination by the taxing authorities. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. In accordance with FIN 48, Duke Energy Kentucky records the largest amount of the unrecognized tax benefit that is greater than 50% likely of being realized upon settlement or effective settlement. Management considers a tax position effectively settled for the purpose of recognizing previously unrecognized tax benefits when the following conditions exist: (i) the taxing authority has completed its examination procedures, including all appeals and administrative reviews that the taxing authority is required and expected to perform for the tax positions, (ii) Duke Energy Kentucky does not intend to appeal or litigate any aspect of the tax position included in the completed examination, and (iii) it is remote that the taxing authority would examine or reexamine any aspect of the tax position. See Note 4 for further information.

Duke Energy Kentucky records, as it relates to taxes, interest expense as Interest Expense and interest income and penalties in Other Income and Expenses, net, in the Statements of Operations.

New Accounting Standards. The following new accounting standards were adopted by Duke Energy Kentucky during the year ended December 31, 2008 and the impact of such adoption, if applicable, has been presented in the accompanying Financial Statements:

SFAS No. 157, "Fair Value Measurements" (SFAS No. 157). Refer to Note 7 for a discussion of Duke Energy Kentucky's adoption of SFAS No. 157.

SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities- including an amendment of FASB Statement No. 115" (SFAS No. 159)

Refer to Note 7 for a discussion of Duke Energy Kentucky's adoption of SFAS No. 159.

FASB Staff Position (FSP) No. FIN 39-1, "Amendment of FASB Interpretation No 39, Offsetting of Amounts Related to Certain Contracts" (FSP No. FIN 39-1). The impact of adopting FSP FIN 39-1 was not significant in 2008.

The following new accounting standards were adopted by Duke Energy Kentucky during the year ended December 31, 2007 and the impact of such adoption, if applicable, has been presented in the accompanying Financial Statements:

SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments—an amendment of FASB Statements No. 133 and 140" (SFAS No. 155). In February 2006, the FASB issued SFAS No. 155, which amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS No. 155 allows financial instruments that have embedded derivatives to be accounted for at fair value at acquisition, at issuance, or when a previously recognized financial instrument is subject to a remeasurement (new basis) event, on an instrument-by-instrument basis, in cases in which a derivative would otherwise have to be bifurcated. SFAS No. 155 was effective for Duke Energy Kentucky for all financial instruments acquired, issued, or subject to remeasurement after January 1, 2007, and for certain hybrid financial instruments that have been bifurcated prior to the effective date, for which the effect is to be reported as a cumulative-effect adjustment to beginning retained earnings. The adoption of SFAS No. 155 did not have a material impact on Duke Energy Kentucky's results of operations, cash flows or financial position.

SFAS No. 156, "Accounting for Servicing of Financial Assets—an amendment of FASB Statement No. 140" (SFAS No. 156). In March 2006, the FASB issued SFAS No. 156, which amends SFAS No. 140. SFAS No. 156 requires recognition of a servicing asset or liability when an entity enters into arrangements to service financial instruments in certain situations. Such servicing assets or servicing liabilities are required to be initially measured at fair value, if practicable. SFAS No. 156 also allows an entity to subsequently measure its servicing assets or servicing liabilities using either an amortization method or a fair value method. SFAS No. 156 was effective for Duke Energy Kentucky as of January 1, 2007, and must be applied prospectively, except that where an entity elects to remeasure separately recognized existing arrangements and reclassify certain available-for-sale securities to trading securities, any effects must be reported as a cumulative-effect adjustment to retained earnings. The adoption of SFAS No. 156 did not have a material impact on Duke Energy Kentucky's results of operations, cash flows or financial position.

SFAS No. 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)" (SFAS No. 158). In October 2006, the FASB issued SFAS No. 158, which changes the recognition and disclosure provisions and measurement date requirements for an employer's accounting for defined benefit pension and other postretirement plans. The recognition and disclosure provisions require an employer to (1) recognize the funded status of a benefit plan—measured as the difference between plan assets at fair value and the benefit obligation—in its statement of financial position, (2) recognize as a component of other comprehensive loss, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost, and (3) disclose in the notes to financial statements certain additional information. SFAS No. 158 does not change the amounts recognized in the income statement as net periodic benefit cost. Duke Energy Kentucky recognized the funded status of its defined benefit pension and other postretirement plans and provided the required additional disclosures as of December 31, 2006. The adoption of SFAS No. 158 recognition and disclosure provisions resulted in an increase in regulatory assets of approximately $22 million and an increase in liabilities of approximately $22 million as of December 31, 2006. The adoption of SFAS No. 158 did not have a material impact on Duke Energy Kentucky's results of operations or cash flows.

Under the measurement date requirements of SFAS No. 158, an employer is required to measure defined benefit plan assets and obligations as of the date of the employer's fiscal year-end statement of financial position (with limited exceptions). Historically, Duke Energy Kentucky has measured its plan assets and obligations up to three months prior to the fiscal year-end, as allowed under the authoritative accounting literature. Duke Energy Kentucky adopted the change in measurement date effective January 1, 2007 by remeasuring plan assets and benefit obligations as of that date, pursuant to the transition requirements of SFAS No. 158. In the first quarter of 2007, the changes in plan assets and plan obligations between the September 30, 2006 and December 31, 2006 measurement dates not related to net periodic benefit cost was required to be recognized, net of tax, as a separate adjustment of the opening balance of accumulated other comprehensive income (loss) (AOCI) and regulatory assets. This adjustment was not material. During the second quarter of 2007, Duke Energy Kentucky completed these calculations. The finalization of these actuarial calculations resulted in an insignificant adjustment to AOCI and regulatory assets.

The adoption of SFAS No. 158 did not have a material impact on Duke Energy Kentucky's results of operations or cash flows.

FIN 48. In July 2006, the FASB issued FIN 48, which provides guidance on accounting for income tax positions about which Duke Energy Kentucky has concluded there is a level of uncertainty with respect to the recognition of a tax benefit in Duke Energy Kentucky's financial statements. FIN 48 prescribes the minimum recognition threshold a tax position is required to meet. Tax positions are defined very broadly and include not only tax deductions and credits but also decisions not to file in a particular jurisdiction, as well as the taxability of transactions. Duke Energy Kentucky adopted FIN 48 effective January 1, 2007. See Note 4 for additional information.

FASB Staff Position (FSP) No. FIN 48-1, Definition of "Settlement" in FASB Interpretation No. 48 (FSP No. FIN 48-1). In May 2007, the FASB staff issued FSP No. FIN 48-1 which clarifies the conditions under FIN 48 that should be met for a tax position to be considered effectively settled with the taxing authority. Duke Energy Kentucky's adoption of FIN 48 as of January 1, 2007 was consistent with the guidance in this FSP.

2. Regulatory Matters

Regulatory Assets and Liabilities. Duke Energy Kentucky's regulated operations apply the provisions of SFAS No. 71. Accordingly, Duke Energy Kentucky records assets and liabilities that result from the regulated ratemaking process that would not be recorded under GAAP for non-regulated entities. See Note 1 for further information

Duke Energy Kentucky's Regulatory Assets and Liabilities:

	As of December 31,		Recovery/Refund Period Ends
	2008	2007	
	(in thousands)		
Regulatory Assets(a)(b)			
Accrued pension and post retirement	$ 29,149	$ 12,517	(g)
Merger Costs	2,319	3,278	(e)
Vacation accrual(h)	2,349	1,624	2009
Storm cost deferrals	4,913	-	(g)
Hedge Costs and Other Deferrals	10,236	-	2009
Unamortized costs of reacquiring debt(j)	3,663	3,676	2025
Other	4,706	3,415	(g)
Total Regulatory Assets	$ 57,335	$ 24,510	
Regulatory Liabilities(a)			
Removal costs(d)(k)	$ 33,208	$ 31,372	(f)
Amounts due from Customers – Income Taxes(e)(k)	1,554	1,756	(g)
Over-recovery of fuel costs(c)	7,696	-	2009
Other(i)(k)	117	680	(g)
Total Regulatory Liabilities	$ 42,575	$ 33,808	

(a) All regulatory assets and liabilities are excluded from rate base unless otherwise noted.
(b) Included in Regulatory Assets and Deferred Debits on the Balance Sheet unless otherwise noted
(c) Included in Accounts payable on the Balance Sheet
(d) Included in rate base.
(e) Recovery/refund is over the life of the associated asset or liability.
(f) Liability is extinguished over the lives of the associated assets.
(g) Recovery/Refund period currently unknown.
(h) Included in Other within Current Assets on the Balance Sheet
(i) The current portion of the amounts in the other category are included in accounts payable on the balance sheet.
(j) Included in Deferred Debt Expense on the Balance Sheets.
(k) Included in Regulatory Liabilities within Deferred Credits and Other Liabilities on the Balance Sheets.

Regulatory Merger Approvals. As discussed in Note 1, on April 3, 2006, the merger between Duke Energy and Cinergy was consummated to create a newly formed company, Duke Energy Holding Corp. (subsequently renamed Duke Energy Corporation). As a condition to the merger approval, the Kentucky Public Service Commission (KPSC) required that certain merger related savings be shared with consumers in Kentucky. The commission also required Duke Energy Kentucky to meet additional conditions. Key elements of these conditions include:

- The KPSC required that Duke Energy Kentucky provide $8 million in rate reductions to its customers over five years, ending when new rates are established in the next rate case after January 1, 2008. Approximately $2 million of the rate reduction was passed through to customers during each of the years ended December 31, 2008 and 2007.
- The FERC approved the merger without conditions.

Restrictions on the Ability of Duke Energy Kentucky to Make Dividends, Advances and Loans to Duke Energy Corporation. As a condition of the Duke Energy and Cinergy merger approval, the state utility commissions imposed conditions (the Merger Conditions) on the ability of Duke Energy Kentucky to transfer funds to Duke Energy through loans or advances, as well as restricted amounts available to pay dividends to Duke Energy. Pursuant to the Merger Conditions, Duke Energy Kentucky is required to pay dividends solely out of retained earnings and to maintain a minimum of 35% equity in its capital structure.

Franchised Electric and Gas.

Rate Related Information. The KPSC approves rates for retail electric and gas services within the Commonwealth of Kentucky. The FERC approves rates for electric sales to wholesale customers served under cost-based rates.

Duke Energy Kentucky Gas Rate Cases. In 2002, the KPSC approved Duke Energy Kentucky's gas base rate case which included, among other things, recovery of costs associated with an accelerated gas main replacement program. The approval authorized a tracking mechanism to recover certain costs including depreciation and a rate of return on the program's capital expenditures. The Kentucky Attorney General appealed to the Franklin Circuit Court the KPSC's approval of the tracking mechanism as well as the KPSC's subsequent approval of annual rate adjustments under this tracking mechanism. In 2005, both Duke Energy Kentucky and the KPSC requested that the court dismiss these cases.

In February 2005, Duke Energy Kentucky filed a gas base rate case with the KPSC requesting approval to continue the tracking mechanism and for a $14 million annual increase in base rates. A portion of the increase is attributable to recovery of the current cost of the accelerated gas main replacement program in base rates. In June 2005, the Kentucky General Assembly enacted Kentucky Revised Statue 278.509 (KRS 278.509), which specifically authorizes the KPSC to approve tracker recovery for utilities' gas main replacement programs. In December 2005, the KPSC approved an annual rate increase of $8 million and re-approved the tracking mechanism through 2011. In February 2006, the Kentucky Attorney General appealed the KPSC's order to the Franklin Circuit Court, claiming that the order improperly allows Duke Energy Kentucky to increase its rates for gas main replacement costs in between general rate cases, and also claiming that the order improperly allows Duke Energy Kentucky to earn a return on investment for the costs recovered under the tracking mechanism which permits Duke Energy Kentucky to recover its gas main replacement costs.

In August 2007, the Franklin Circuit Court consolidated all the pending appeals and ruled that the KPSC lacks legal authority to approve the gas main replacement tracking mechanism, which were approved prior to the enactment of KRS 278.509. To date, Duke Energy Kentucky has collected approximately $9 million in annual rate adjustments under the tracking mechanism. Per the KPSC order, Duke Energy Kentucky collected these revenues subject to refund pending the final outcome of this litigation. Duke Energy Kentucky and the KPSC have requested that the Kentucky Court of Appeals grant a rehearing of its decision. On February 5, 2009, the Kentucky Court of Appeals denied the rehearing requests of both Duke Energy Kentucky and the KPSC. Duke Energy Kentucky filed a motion for discretionary review to the Kentucky Supreme Court on March 9, 2009. At this time, Duke Energy Kentucky cannot predict whether the Kentucky Supreme Court will accept the case for review.

Duke Energy Kentucky Electric Rate Case. In May 2006, Duke Energy Kentucky filed an application for an increase in its base electric rates of approximately $67 million in revenue, or approximately 28 percent, to be effective in January 2007 pursuant to the KPSC's 2003 Order approving the transfer of 1,100 MW of generating assets from Duke Energy Ohio to Duke Energy Kentucky. In the fourth quarter of 2006, the KPSC approved the settlement agreement resolving all the issues raised in the proceeding. Among other things, the settlement agreement provided for a $49 million increase in Duke Energy Kentucky's base electric rates and reinstitution of the fuel cost recovery mechanism, which had been frozen since 2001. The settlement agreement also provided for Duke Energy Kentucky to obtain KPSC approval for a back-up power supply plan. In January 2007, Duke Energy Kentucky filed a back-up power supply plan with the KPSC. The plan provided for Duke Energy Kentucky to purchase back-up power through bilateral contracts for unscheduled outages. Duke Energy Kentucky will recover these costs through base rates. The plan provided for Duke Energy Kentucky to purchase back-up power through the Midwest Independent System Operator, Inc. (Midwest ISO) energy markets for unscheduled outages. The KPSC issued an order in March 2007 approving Duke Energy Kentucky's back-up power supply plan.

Energy Efficiency. On November 15, 2007, Duke Energy Kentucky filed its annual application to continue existing energy efficiency programs, consisting of nine residential and two commercial and industrial programs, and to true-up its gas and electric tracking mechanism for recovery of lost revenues, program costs and shared savings. On February 11, 2008, Duke Energy Kentucky filed a motion to amend its energy efficiency programs and applied to reinstitute a low income Home Energy Assistance Program. The KPSC bifurcated the proposed Home Energy Assistance Program from the other energy efficiency programs. On May 14, 2008, the KPSC approved the energy efficiency programs. On September 25, 2008, the KPSC approved Duke Energy Kentucky's Home Energy Assistance program, making it available for customers at or below 150% of the federal poverty level. On December 1, 2008, Duke Energy Kentucky filed an application for a new save-a-watt Energy Efficiency Plan. The application seeks a new energy efficiency recovery mechanism similar to what was proposed in Ohio. An evidentiary hearing with the KPSC is expected to occur in the third quarter of 2009.

Other Franchised Electric and Gas Matters

Midwest Independent Transmission System Operator, Inc. (Midwest ISO) Resource Adequacy Filing. On December 28, 2007, the Midwest ISO filed its Electric Tariff Filing Regarding Resource Adequacy in compliance with the FERC's request of Midwest ISO to file Phase II of its long-term Resource Adequacy plan by December 2007. The proposal includes establishment of a resource adequacy requirement in the form of planning reserve margin. On March 26, 2008, the FERC ruled on the Midwest ISO's Resource Adequacy filing and ordered that the new Module E tariff be effective March 27, 2008. This action established a Midwest ISO-wide resource adequacy requirement for the first Planning Year, which begins June 2009. In the Order, the FERC, among other things, clarified that States have the authority to set their own Planning Reserve Margins, as long as they are not inconsistent with any reliability standard approved by the FERC.

Midwest ISO's Establishment of an Ancillary Services Market. On February 25, 2008, the FERC conditionally accepted the Midwest ISO proposal to implement a day-ahead and real-time ancillary services market (ASM), including a scarcity pricing proposal. By approving the ASM proposal, the FERC essentially approved the transfer and consolidation of Balancing Authority for the entire Midwest ISO area. This will allow the Midwest ISO to determine operating reserve requirements and procure operating reserves from all qualified resources from an organized market, in place of the current system of local management and procurement of reserves by the 24 Balancing Authorities. The Midwest ISO delayed the ASM launch date, previously scheduled for September 9, 2008 to January 6, 2009.

Other Matters.

Application for the Establishment of a Regulatory Asset. On November 14, 2008, Duke Energy Kentucky petitioned the KPSC for permission to create a regulatory asset to defer, for future recovery, approximately $5 million for its expenses incurred to repair damage and restore service to its customers following extensive storm-related damage caused by Hurricane Ike on September 14, 2008. The KPSC approved the requested accounting order on January 7, 2009.

3. Joint Ownership of Generating Facilities

Duke Energy Kentucky and Dayton Power & Light jointly own an electric generating unit.

Duke Energy Kentucky's share in the jointly-owned plant included on the December 31, 2008 Balance Sheet was as follows:

	Ownership Share	Property, Plant, and Equipment	Accumulated Depreciation	Construction Work in Progress
		(in thousands)		
Duke Energy Kentucky				
Production:				
East Bend Station	69.0	$ 422,532	$ 219,411	$ 4,652

Duke Energy Kentucky's share of revenues and operating costs of the above jointly owned generating facilities are included within the corresponding line on the Statements of Operations. Each participant in the jointly owned facilities must provide its own financing.

4. Income Taxes

The following details the components of income tax expense:

Income Tax Expense

	Year Ended December 31, 2008	Year Ended December 31, 2007
	(in thousands)	
Current income taxes		
Federal	$ 10,889	$ 11,387
State	2,217	2,364
Total current income taxes(a)	13,106	13,751
Deferred income taxes		
Federal	6,634	4,559
State	1,063	927
Total deferred income taxes	7,697	5,486
Investment tax credit amortization	(777)	(785)
Total income tax expense presented in Statements of Operations	$ 20,026	$ 18,452

(a) Included are FIN 48 benefits relating primarily to certain temporary differences of approximately $95 thousand for 2008 and no amount for 2007.

Reconciliation of Income Tax Expense at the U.S. Federal Statutory Tax Rate to the Actual Tax Expense (Statutory Rate Reconciliation)

	Year Ended December 31, 2008	Year Ended December 31, 2007
	(in thousands)	
Income tax expense, computed at the statutory rate of 35%	$ **20,128**	$ 18,173
State income tax, net of federal income tax effect	**2,132**	2,139
Depreciation and other PP&E related differences	**51**	173
ITC amortization	**(777)**	(785)
Manufacturing Deduction	**(1,305)**	(477)
Other items, net	**(203)**	(771)
Total income tax expense from continuing operations	$ **20,026**	$ 18,452
Effective Tax Rates	**34.8%**	35.5%

The manufacturing deduction was created by the American Job Creation Act of 2004 (the Act). The Act provides a deduction for income from qualified domestic production activities. During the years ended December 31, 2008 and 2007, the Act provided for a 6% deduction on qualified production activities.

Net Deferred Income Tax Liability Components

	As of December 31, 2008	2007
	(in thousands)	
Deferred credits and other liabilities	$ 696	$ 6,273
Other	8,741	3,250
Total deferred income tax assets	9,437	9,523
Investments and other assets	9,178	6,164
Accelerated depreciation rates	164,930	159,444
Regulatory assets and deferred debits	(315)	(1,144)
Total deferred income tax liabilities	173,793	164,464
Total net deferred income tax liabilities	$(164,356)	$ (154,941)

The above amounts have been classified in the Balance Sheets as follows:

Net Deferred Income Tax Liabilities

	As of December 31, 2008	2007
	(in thousands)	
Current deferred tax assets/(liabilities), included in other current assets/(liabilities)	$ 7,495	$ 1,626
Non-current deferred tax liabilities	(171,851)	(153,315)
Total net deferred income tax liabilities	$ (164,356)	$ (154,941)

Changes to Unrecognized Tax Benefits

	2008 Increase/(Decrease) (in thousands)	2007 Increase/(Decrease) (in thousands)
Unrecognized Tax Benefits – January 1	$ 252	$ 420
Unrecognized Tax Benefits Changes		
Gross increases – tax positions in prior periods	0	0
Gross decreases—tax positions in prior periods	(252)	(10)
Gross increases – current period tax positions	0	0
Settlements	0	(158)
Total Changes	(252)	(168)
Unrecognized Tax Benefits – December 31	$ 0	$ 252

At December 31, 2008, and December 31, 2007, no portion of the total unrecognized tax benefits would, if recognized, affect the effective tax rate.

During the years ended December 31, 2008 and December 31, 2007, Duke Energy Kentucky recognized net interest income of approximately $224 thousand and net interest expense of approximately $215 thousand, respectively. At December 31, 2008 and December 31, 2007, Duke Energy Kentucky had approximately $529 thousand and $305 thousand, respectively, of interest receivable which reflects all interest related to income taxes, and no amount has been accrued for the payment of penalties in the Balance Sheets.

Duke Energy Kentucky has the following tax years open:

Jurisdiction	Tax Years
Federal	2000 and after
State	Closed through 2001, with the exception of any adjustments related to open federal years

5. Asset Retirement Obligations

Asset retirement obligations, which represent legal obligations associated with the retirement of certain tangible long-lived assets, are computed as the present value of the projected costs for the future retirement of specific assets and are recognized in the period in which the liability is incurred, if a reasonable estimate of fair value can be made. The present value of the liability is added to the carrying amount of the associated asset in the period the liability is incurred. This additional carrying amount is then depreciated over the life of the asset. Subsequent to the initial recognition, the liability is adjusted for any revisions to the estimated future cash flows associated with the asset retirement obligation (with corresponding adjustments to property, plant and equipment), which can occur due to a number of factors including, but not limited to, cost escalation, changes in technology applicable to the assets to be retired and changes in federal, state or local regulations, as well as for accretion of the liability due to the passage of time until the obligation is settled. Depreciation expense is adjusted prospectively for any increases or decreases to the carrying amount of the associated asset.

Asset retirement obligations at Duke Energy Kentucky relate primarily to the retirement of gas mains, asbestos abatement at certain generating stations and closure and post-closure activities of landfills. In accordance with SFAS No.143, Duke Energy Kentucky identified certain assets that have an indeterminate life, and thus the fair value of the retirement obligation is not reasonably estimable. These assets include transmission pipelines. A liability for these asset retirement obligations will be recorded when a fair value is determinable.

The following table presents the changes to liability associated with asset retirement obligations during the years ended December 31, 2008 and 2007.

Reconciliation of Asset Retirement Obligation Liability

	Years Ended December 31, 2008 (in thousands)	Years Ended December 31, 2007 (in thousands)
Balance as of January 1,	$ 6,179	$ 8,266
Accretion expense	345	466
Liabilities settled[(a)]	(134)	(2,553)
Balance as of December 31,	$ 6,390	$ 6,179

(a) Liabilities settled are related to the retirement of gas mains.

Upon adoption of SFAS No. 143, Duke Energy Kentucky's regulated electric and regulated natural gas operations classifies removal costs for property that does not have an associated legal retirement obligation as a regulatory liability, in accordance with regulatory treatment under SFAS No. 71. The total amount of removal costs included in Regulatory Liabilities within Deferred Credits and Other Liabilities on the Balance Sheets was $33 million and $31 million as of December 31, 2008 and 2007, respectively.

6. Risk Management and Hedging Activities and Credit Risk

Duke Energy Kentucky has limited exposure to market price changes of fuel and emission allowance costs incurred for its retail customers due to the use of cost tracking and recovery mechanisms in the state of Kentucky. Duke Energy Kentucky does have exposure to the impact of market fluctuations in the prices of electricity, fuel and emission allowances associated with its generation output not utilized to serve native load or committed load (off-system, wholesale power sales). Exposure to interest rate risk exists as a result of the issuance of variable and fixed rate debt. Duke Energy Kentucky employs established policies and procedures to manage its risks associated with these market fluctuations using various commodity and financial derivative instruments, including swaps, futures, forwards and options.

Interest Rate (Fair Value or Cash Flow) Hedges. Changes in interest rates expose Duke Energy Kentucky to risk as a result of its issuance of variable and fixed rate debt. Duke Energy Kentucky manages its interest rate exposure by limiting its variable-rate exposures to a percentage of total capitalization and by monitoring the effects of market changes in interest rates. Duke Energy Kentucky also enters into financial derivative instruments, including, but not limited to, interest rate swaps, swaptions and U.S. Treasury lock agreements to manage and mitigate interest rate risk exposure. Duke Energy Kentucky's existing interest rate derivative instruments and related ineffectiveness were insignificant to its results of operations, cash flows and financial position in 2008 and 2007.

Credit Risk. Where exposed to credit risk, Duke Energy Kentucky analyzes the counterparties' financial condition prior to entering into an agreement, establishes credit limits and monitors the appropriateness of those limits on an ongoing basis.

Duke Energy Kentucky's industry has historically operated under negotiated credit lines for physical delivery contracts. Duke Energy Kentucky may use master collateral agreements to mitigate certain credit exposures. The collateral agreements provide for a counterparty to post cash or letters of credit to the exposed party for exposure in excess of an established threshold. The threshold amount represents an unsecured credit limit, determined in accordance with the corporate credit policy. Collateral agreements also provide that the inability to post collateral is sufficient cause to terminate contracts and liquidate all positions.

Duke Energy Kentucky also obtains cash or letters of credit from customers to provide credit support outside of collateral agreements, where appropriate, based on its financial analysis of the customer and the regulatory or contractual terms and conditions applicable to each transaction.

7. Fair Value of Financial Assets and Liabilities

On January 1, 2008, Duke Energy Kentucky adopted SFAS No. 157. Duke Energy Kentucky's adoption of SFAS No. 157 is currently limited to financial instruments and to non-financial derivatives as, in February 2008, the FASB issued FSP No. 157-2, which delayed the effective date of SFAS No. 157 until January 1, 2009 for non-financial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. There was no cumulative effect adjustment to retained earnings for Duke Energy Kentucky as a result of the adoption of SFAS No. 157.

SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP in the U.S. and expands disclosure requirements about fair value measurements. Under SFAS No. 157, fair value is considered to be the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The fair value definition under SFAS No. 157 focuses on an exit price, which is the price that would be received by Duke Energy Kentucky to sell an asset or paid to transfer a liability versus an entry price, which would be the price paid to acquire an asset or received to assume a liability. Although SFAS No. 157 does not require additional fair value measurements, it applies to other accounting pronouncements that require or permit fair value measurements. In October 2008, the FASB issued FSP No. FAS 157-3, which illustrated key considerations in determining the fair value of a financial asset when the market for that asset is not active. The application of FSP FAS 157-3 did not change the way Duke Energy Kentucky determined fair value of its financial assets and liabilities.

Duke Energy Kentucky determines fair value of financial assets and liabilities based on the following fair value hierarchy, as prescribed by SFAS No. 157, which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs – unadjusted quoted prices in active markets for identical assets or liabilities that Duke Energy Kentucky has the ability to access. An active market for the asset or liability is one in which transactions for the asset or liability occur with sufficient frequency and volume to provide ongoing pricing information. Duke Energy Kentucky does not adjust quoted market prices on Level 1 inputs for any blockage factor.

Level 2 inputs – inputs other than quoted market prices included in Level 1 that are observable, either directly or indirectly, for the asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted market prices that are observable for the asset or liability, such as interest rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk and default rates.

Level 3 inputs – unobservable inputs for the asset or liability.

In February 2007, the FASB issued SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities-including an amendment of FASB Statement No. 115*" (SFAS No. 159), which permits entities to elect to measure many financial instruments and certain other items at fair value. For Duke Energy Kentucky, SFAS No. 159 was effective as of January 1, 2008 and had no impact on amounts presented for periods prior to the effective date. Duke Energy Kentucky does not currently have any financial assets or financial liabilities for which the provisions of SFAS No. 159 have been elected. However, in the future, Duke Energy Kentucky may elect to measure certain financial instruments at fair value in accordance with this standard.

The following table provides the fair value measurement amounts for assets and liabilities recorded in Other in both Current Assets and Current Liabilities and Other within Deferred Credits and Other Liabilities on Duke Energy Kentucky's Balance Sheets at fair value at December 31, 2008:

Description	Total Fair Value Amounts at December 31, 2008	Level 1	Level 2	Level 3
		(in thousands)		
Derivatives Assets	$ 178	$ —	$ —	$ 178
Derivatives Liabilities	$ (7,977)	$ —	$ (7,977)	$ —

The following table provides a reconciliation of beginning and ending balances of assets measured at fair value on a recurring basis where the determination of fair value includes significant unobservable inputs (Level 3):

	Derivatives (net)
	(in thousands)
Balance at January 1, 2008	$ 0
Total gains included on balance sheet	841
Net purchases, sales, issuances and settlements	(663)
Balance at December 31, 2008	$ 178

The valuation method of the primary fair value measurements disclosed above is as follows:

Fair Value Disclosures Required Under SFAS No. 107, "*Disclosures About Fair Value of Financial Instruments*." The fair value of financial instruments, excluding financial assets included in the scope of SFAS No. 157 disclosed in the tables above, is summarized in the following table. Judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates determined as of December 31, 2008 and 2007, are not necessarily indicative of the amounts Duke Energy Kentucky could have realized in current markets.

Financial Instruments

	As of December 31, 2008 Book Value	2008 Approximate Fair Value	2007 Book Value	2007 Approximate Fair Value
	(in thousands)			
Long-term debt, including current maturities	**$ 338,629**	**$ 327,228**	$ 287,012	$ 283,183

The fair value of cash and cash equivalents, accounts receivable, accounts payable and notes payable are not materially different from their carrying amounts because of the short-term nature of these instruments and/or because the stated rates approximate market rates.

8. Intangibles

The carrying amount of emission allowances in intangible assets as of December 31, 2008 and December 31, 2007 were $11 million and $7 million, respectively.

The carrying values of emission allowances sold or consumed were $5 million and $6 million as of December 31, 2008 and December 31, 2007, respectively.

The table below shows the expected amortization expense for the next five years for intangible assets as of December 31, 2007. The expected amortization expense includes estimates of emission allowances consumption. The amortization amounts discussed below are estimates. Actual amounts may differ from these estimates due to such factors as changes in consumption patterns, sales or impairments of emission allowances or other intangible assets, additional intangible acquisitions and other events.

	2009	2010-2012
	(in thousands)	
Expected Amortization expense	$ 10,503	—

9. Related Party Transactions

Duke Energy Kentucky engages in related party transactions. These transactions are generally performed at cost and in accordance with the applicable state and federal commission regulations. Balances due to or due from related parties included in the Balance Sheets as of December 31, 2008 and December 31, 2007 are as follows:

	December 31, 2008	December 31, 2007
	(in thousands)	
Accounts Receivable	$ **10,765**	$3,660
Accounts Payable	$ **13,478**	$26,429

Duke Energy Kentucky is charged its proportionate share of corporate governance and other costs by a consolidated affiliate of Duke Energy. Duke Energy Kentucky is also charged its proportionate share of other corporate governance costs from a consolidated affiliate of Cinergy. Corporate governance and other shared services costs are primarily related to human resources, legal and accounting fees, as well as other third party costs. The expenses associated with certain allocated corporate governance and other service costs for Duke Energy Kentucky, which are recorded in Operation, Maintenance and Other within Operating Expenses on the Statements of Operations were as follows:

	December 31, 2008	December 31, 2007
	(in thousands)	
Corporate governance and shared services expenses	$ **56,979**	$ 47,495

Duke Energy Kentucky incurs expenses from Duke Energy Ohio related to purchasing network integration transmission service from the Midwest Independent Transmission System Operator (MISO) and ancillary services. These expenses, which are recorded in Operation, maintenance and other within Operating Expenses on the Consolidated Statements of Operations, were approximately $16 million and $17 million for the years ended December 31, 2008 and 2007, respectively.

See Note 15 for detail on expense amounts allocated from Cinergy to Duke Energy Kentucky related to Duke Energy Kentucky's participation in Cinergy's qualified and non-qualified defined benefit pension plans and post-retirement health care and insurance benefits. Additionally, Duke Energy Kentucky has been allocated accrued pension and other post-retirement and post-employment benefit obligations from Cinergy of approximately $39 million at December 31, 2008 and approximately $23 million at December 31, 2007. The above amounts have been classified in the Balance Sheet as follows:

	December 31,	December 31,

	2008	2007
	(in thousands)	
Other current liabilities	$ 108	$ 101
Accrued pension and other postretirement benefit costs	$ 39,195	$ 22,505

Additionally, certain trade receivables have been sold by Duke Energy Kentucky to Cinergy Receivables, an unconsolidated entity formed by Cinergy. The proceeds obtained from the sales of receivables are largely cash but do include a subordinated note from Cinergy Receivables for a portion of the purchase price. This subordinated note is classified by Duke Energy Kentucky as Receivables in the Balance Sheets and was approximately $29 million as of December 31, 2008 and 2007. See Note 10 for additional information. See Note 12 for information on money pool.

10. Sales of Accounts Receivable

Accounts Receivable Securitization. Duke Energy Kentucky sells, on a revolving basis, nearly all of its retail accounts receivable and related collections to Cinergy Receivables, a bankruptcy remote, special purpose entity that is a wholly-owned limited liability company of Cinergy. The securitization transaction was structured to meet the criteria for sale treatment under SFAS No. 140, and, accordingly, Cinergy does not consolidate Cinergy Receivables and the transfers of receivables are accounted for as sales.

The proceeds obtained from the sales of receivables are largely cash but do include a subordinated note from Cinergy Receivables for a portion of the purchase price (typically approximates 25 percent of the total proceeds). The note, which amounts to approximately $29 million at December 31, 2008 and 2007, is subordinate to senior loans that Cinergy Receivables obtain from commercial paper conduits controlled by unrelated financial institutions which is the source of funding for the subordinated note. This subordinated note is a retained interest (right to receive a specified portion of cash flows from the sold assets) under SFAS No. 140 and is classified within Receivables in the accompanying Balance Sheets at December 31, 2008 and 2007.

The carrying values of the retained interests are determined by allocating the carrying value of the receivables between the assets sold and the interests retained based on relative fair value. The key assumptions in estimating fair value are the anticipated credit losses, the selection of discount rates, and expected receivables turnover rate. Because (a) the receivables generally turnover in less than two months, (b) credit losses are reasonably predictable due to Duke Energy Kentucky's broad customer base and lack of significant concentration, and (c) the purchased beneficial interest is subordinate to all retained interests and thus would absorb losses first, the allocated bases of the subordinated notes are not materially different than their face value. Interest accrues to Duke Energy Kentucky on the retained interests using the accretable yield method, which generally approximates the stated rate on the notes since the allocated basis and the face value are nearly equivalent. An impairment charge is recorded against the carrying value of both the retained interests and purchased beneficial interest whenever it is determined that an other-than-temporary impairment has occurred (which is unlikely unless credit losses on the receivables far exceed the anticipated level).

The key assumptions used in estimating the fair value are as follows:

	Years Ended December 31, 2008	2007
Anticipated credit loss rate	0.9%	0.9%
Discount rate on expected cash flows	5.3%	7.7%
Receivables turnover rate	12.1%	11.9%

The hypothetical effect on the fair value of the retained interests assuming both a 10% and a 20% unfavorable variation in credit losses or discount rates is not material due to the short turnover of receivables and historically low credit loss history.

Duke Energy Kentucky retains servicing responsibilities for its role as a collection agent on the amounts due on the sold receivables. However, Cinergy Receivables assumes the risk of collection on the purchased receivables without recourse to Duke Energy Kentucky in the event of a loss. While no direct recourse to Duke Energy Kentucky exists, it risks loss in the event collections are not sufficient to allow for full recovery of its retained interests. No servicing asset or liability is recorded since the servicing fee paid to Duke Energy Kentucky approximates a market rate.

The following table shows the gross and net receivables sold, retained interests, sales, and cash flows during the periods ending.

	December 31, 2008	December 31, 2007
	(in thousands)	
Receivables sold as of period end	$ 71,340	$ 63,936
Less: Retained interests	28,530	29,165
Net receivables sold as of period end	$ 42,810	$ 34,771
Sales during period		
Receivables sold	$ 486,988	$ 468,617
Loss recognized on sale	5,350	6,583
Cash flows during period		
Cash proceeds from receivables sold	$ 484,916	$ 453,052
Return received on retained interests	3,214	3,694

11. Property, Plant and Equipment

	Estimated Useful Life (Years)	December 31, 2008	December 31, 2007
		(in thousands)	
Land	—	$ 17,755	$ 17,894
Plant			
Electric generation, distribution and transmission[a]	8 – 100	1,083,826	1,085,286
Natural gas transmission and distribution[a]	12 – 50	341,547	315,763
Other buildings and improvements[a]	15 – 100	29,063	29,064
Equipment	11 – 25	7,599	7,097
Vehicles	9 – 15	314	314
Construction in process	—	36,504	24,572
Other	5 – 10	20,177	19,367
Total property, plant and equipment		1,536,785	1,499,357
Total accumulated depreciation[b]		(625,727)	(617,530)
Total net property, plant and equipment		$ 911,058	$ 881,827

(a) Includes capitalized leases, for which the totals were $29 million for 2008 and $24 million for 2007.

(b) Includes accumulated amortization of capitalized leases: $3 million for 2008 and $2 million for 2007.

Capitalized interest, which includes the interest expense component of AFUDC, was less than $500 thousand for the years ended December 31, 2008 and 2007

12. Debt and Credit Facilities

Summary of Debt and Related Terms

	Weighted-Avergae Rate	Year Due	December 31, 2008	December 31, 2007
			(in thousands)	
Unsecured debt	6.0%	2009 – 2036	$ 175,000	$ 195,000
Capital leases	5.6%	2009 – 2020	13,126	15,089
Other debt(a)	1.5%	2009 – 2027	77,572	77,571
Notes payable	2.3%	2012	73,517	—
Money Pool	.5%		3,241	27,470
Unamortized debt discount and premium, net			(586)	(648)
Total debt			341,870	314,482
Current maturities of long-term debt			(22,461)	(21,678)
Short-term notes payable			(3,241)	(27,470)
Total long-term debt			$ 316,168	$ 265,334

(a) Includes $77 million of Duke Energy Kentucky pollution control bonds as of December 31, 2008 and 2007.

Unsecured and Other Debt. In December 2008, Duke Energy Kentucky refunded $50 million of tax-exempt auction rate bonds through the issuance of $50 million of tax-exempt variable-rate demand bonds, which are supported by a direct-pay letter of credit. The variable-rate demand bonds, which are due August 1, 2027, had an initial interest rate of 0.65% which is reset on a weekly basis.

Money Pool. Duke Energy Kentucky receives support for its short-term borrowing needs through its participation with Duke Energy and other Duke Energy subsidiaries in a money pool arrangement. Under this arrangement, those companies with short-term funds may provide short-term loans to affiliates participating under this arrangement. The money pool is structured such that Duke Energy Kentucky separately manages its cash needs and working capital requirements. Accordingly, there is no net settlement of receivables and payables of the participating subsidiaries, as each entity independently participates in the money pool. As of December 31, 2008 and December 31, 2007, Duke Energy Kentucky had amounts outstanding of approximately $3 million and $27 million, respectively, classified within Notes payable in the Balance Sheets. During the years ended December 31, 2008 and 2007, the $24 million and $15 million decrease, respectively, in the money pool activity is reflected as a cash outflow in Notes payable and commercial paper within Net cash (used in) provided by financing activities on the Statements of Cash Flows.

Floating Rate Debt. Unsecured debt and other debt included approximately $150 million and $77 million of floating-rate debt as of December 31, 2008 and 2007, respectively. Floating-rate debt is primarily based on commercial paper rates or a spread relative to an index such as a London Interbank Offered Rate (LIBOR). As of December 31, 2008 and 2007, the weighted-average interest rate associated with floating-rate debt was approximately 1.9% and 4.4%, respectively.

Auction Rate Debt. As of December 31, 2008 and 2007, Duke Energy Kentucky had approximately $27 million and $77 million, respectively, of auction rate pollution control bonds outstanding. While these debt instruments are long-term in nature and cannot be put back to Duke Energy Kentucky prior to maturity, the interest rates on these instruments are designed to reset periodically through an auction process. In February 2008, Duke Energy Kentucky began to experience failed auctions. When failed auctions occur on a series of this debt, Duke Energy Kentucky is required to pay the maximum auction rate as prescribed by the bond document. The maximum auction rate for the auction rate debt is 2.0 times one-month LIBOR. Payment of the failed-auction interest rates will continue until Duke Energy Kentucky is able to either successfully remarket these instruments through the auction process or refund and refinance the existing debt through the issuance of an equivalent amount of tax exempt bonds. As noted above, Duke Energy Kentucky refunded $50 million of these auction rate bonds in December 2008. While Duke Energy Kentucky intends to refund and refinance the remaining tax exempt auction rate bond, the timing of such refinancing transaction is uncertain and subject to market conditions. However, even if Duke Energy Kentucky is unable to successfully refund and refinance this debt instrument, the impact of paying higher interest rates on the outstanding auction rate debt is not expected to materially effect Duke Energy Kentucky's results of operations, cash flows or financial position. The weighted-average interest rate associated with Duke Energy Kentucky's auction rate pollution control bonds, was .94% as of December 31, 2008 and 4.39% as of December 31, 2007.

Maturities, Call Options and Acceleration Clauses.

Annual Maturities as of December 31, 2008

	(in thousands)
2009	$ 22,461
2010	1,628
2011	1,439
2012	75,126
2013	1,408
Thereafter	236,567
Total long-term debt (including current maturities)	$ 338,629

Duke Energy Kentucky has the ability under certain debt facilities to call and repay the obligation prior to its scheduled maturity. Therefore, the actual timing of future cash repayments could be materially different than the above as a result of Duke Energy Kentucky's ability to repay these obligations prior to their scheduled maturity.

Available Credit Facilities and Capacity Utilized Under Available Credit Facilities. In June 2007, Duke Energy closed the syndication of an amended and restated credit facility, which replaced existing credit facilities, with a 5-year, $2.65 billion master credit facility. In March 2008, Duke Energy entered into an amendment to its $2.65 billion master credit facility whereby the borrowing capacity was increased by $550 million to $3.2 billion. In October 2008, Duke Energy terminated the participation of one of the financial institutions supplying approximately $63 million of credit commitment under its master credit facility. The total credit facility capacity under the master credit facility subsequent to this termination is approximately $3.14 billion. Duke Energy has the unilateral ability under the master credit facility to increase or decrease the borrowing sub limits of each borrower, subject to maximum cap limitation, at any time. At December 31, 2008, Duke Energy Kentucky had borrowing sub limit under Duke Energy's master credit facility of $100 million. The amount available to Duke Energy Kentucky under their sub limit to Duke Energy's master credit facility has been reduced by drawdowns of cash, borrowings through the money pool arrangement, and the use of the master credit facility to backstop issuances of letters of credit, as discussed below.

In September 2008, Duke Energy and its wholly-owned subsidiaries, including Duke Energy Kentucky, borrowed a total of approximately $1 billion under Duke Energy's master credit facility. As of December 31, 2008, outstanding borrowings totaled approximately $750 million under Duke Energy's master credit facility, of which Duke Energy Kentucky's portion is approximately $74 million. The loan, which is a revolving credit loan, bears interest at one-month LIBOR plus an applicable spread of 24 basis points and is due in September 2009; however, Duke Energy Kentucky has the ability under the master credit facility to renew the loan up through the date the master credit facility matures, which is in June 2012. As Duke Energy Kentucky has the intent and ability to refinance this obligation on a long-term basis, either through renewal of the terms of the loan through the master credit facility, which has non-cancelable terms in excess of one-year, or through issuance of long-term debt to replace the amounts drawn under the master credit facility, Duke Energy Kentucky's borrowing is reflected as Long-Term Debt on the Balance Sheets at December 31, 2008. This borrowing reduces Duke Energy Kentucky's available credit capacity under Duke Energy's Master Credit Facility, as discussed above.

At December 31, 2008 and December 31, 2007, approximately $50 million and $0 million, respectively, of certain pollution control bonds, which are short-term obligations by nature, are classified as Long-Term Debt on the Consolidated Balance Sheets due to Duke Energy Kentucky's intent and ability to utilize such borrowings as long-term financing. Duke Energy Kentucky's credit facility with non-cancelable terms in excess of one year as of the balance sheet date give Duke Energy Kentucky the ability to refinance these short-term obligations on a long-term basis. The specific credit facility discussed below backstopped the $50 million of pollution control bonds outstanding at December 31, 2008.

In September 2008, Duke Energy Kentucky and Duke Energy Indiana, Inc., a wholly-owned subsidiary of Duke Energy, collectively entered into a $330 million letter of credit agreement with a syndicate of banks. Under this letter of credit agreement, Duke Energy Kentucky may request the issuance of letters of credit up to approximately $51 million on its behalf to support various series of variable rate demand bonds issued or to be issued on behalf of Duke Energy Kentucky. This credit facility, which is not part of Duke Energy's master credit facility, may not be used for any purpose other than to support variable rate demand bonds issued by Duke Energy Kentucky and Duke Energy Indiana, Inc.

Restrictive Debt Covenants. Duke Energy's debt and credit agreement contains various financial and other covenants, including, but not limited to, a covenant regarding the debt-to-total capitalization ratio at Duke Energy and Duke Energy Kentucky to not exceed 65%. Duke Energy Kentucky's debt agreements also contain various financial and other covenants. Failure to meet these covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements. As of December 31, 2008, Duke Energy and Duke Energy Kentucky were in compliance with all covenants that would impact Duke Energy Kentucky's ability to borrow funds under the debt and credit facilities. In addition, some credit agreements may allow for acceleration of payments or termination of the agreements due to nonpayment, or the acceleration of other significant indebtedness of the borrower or some of its subsidiaries. None of the debt or credit agreements contain material adverse change clauses.

13. Common Stock

Common Stock. Duke Energy Kentucky's common stock is wholly owned by Duke Energy Ohio. See Note 1 for additional information.

During the year ended December 31, 2008, Duke Energy Kentucky paid dividends of $30 million. Duke Energy Kentucky did not pay dividends during the year ended December 31, 2007.

14. Commitments and Contingencies

General Insurance

Effective with the date of the merger between Duke Energy and Cinergy, Duke Energy Kentucky carries, either directly or through Duke Energy's captive insurance company, Bison Insurance Company Limited, insurance and reinsurance coverages consistent with companies engaged in similar commercial operations with similar type properties. Duke Energy Kentucky's insurance coverage includes (1) commercial general public liability insurance for liabilities arising to third parties for bodily injury and property damage resulting from Duke Energy Kentucky's operations; (2) workers' compensation liability coverage to required statutory limits; (3) automobile liability insurance for all owned, non-owned and hired vehicles covering liabilities to third parties for bodily injury and property damage; (4) insurance policies in support of the indemnification provisions of Duke Energy Kentucky's by-laws and (5) property insurance covering the replacement value of all real and personal property damage, excluding electric transmission and distribution lines, including damages arising from boiler and machinery breakdowns, earthquake, flood damage and extra expense. All coverages are subject to certain deductibles, terms and conditions common for companies with similar types of operations.

Duke Energy Kentucky also maintains excess liability insurance coverage above the established primary limits for commercial general liability and automobile liability insurance. Limits, terms, conditions and deductibles are comparable to those carried by other companies with similar types of operations.

The cost of Duke Energy Kentucky's general insurance coverages continued to fluctuate over the past year reflecting the changing conditions of the insurance markets.

Environmental

Duke Energy Kentucky is subject to federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. These regulations can be changed from time to time, imposing new obligations on Duke Energy Kentucky.

Remediation activities. Duke Energy Kentucky is responsible for environmental remediation at various contaminated sites. These include some properties that are part of ongoing Duke Energy Kentucky operations, sites formerly owned or used by Duke Energy Kentucky entities, and sites owned by third parties. Remediation typically involves management of contaminated soils and may involve groundwater remediation. Managed in conjunction with relevant federal, state and local agencies, activities vary with site conditions and locations, remedial requirements, complexity and sharing of responsibility. If remediation activities involve statutory joint and several liability provisions, strict liability, or cost recovery or contribution actions, Duke Energy Kentucky could potentially be held responsible for contamination caused by other parties. In some instances, Duke Energy Kentucky may share liability associated with contamination with other potentially responsible parties, and may also benefit from insurance policies or contractual indemnities that cover some or all cleanup costs. All of these sites generally are managed in the normal course of business or affiliate operations. Management, in the normal course of business, continually assesses the nature and extent of known or potential environmental-related contingencies and records liabilities when losses become probable and are reasonably estimable.

Clean Water Act 316(b). The Environmental Protection Agency (EPA) finalized its cooling water intake structures rule in July 2004. The rule established aquatic protection requirements for existing facilities that withdraw 50 million gallons or more of water per day from rivers, streams, lakes, reservoirs, estuaries, oceans, or other U.S. waters for cooling purposes. Coal-fired generating facilities in which Duke Energy Kentucky is either a whole or partial owner are affected sources under that rule. On January 25, 2007, the U.S. Court of Appeals for the Second Circuit issued its opinion in *Riverkeeper, Inc. v. EPA*, Nos. 04-6692-ag(L) et. al. (2d Cir. 2007) remanding most aspects of EPA's rule back to the agency. The court effectively disallowed those portions of the rule most favorable to industry, and the decision creates a great deal of uncertainty regarding future requirements and their timing. On April 14, 2008, the U.S. Supreme Court issued an order granting review of the case and briefs was filed on July 14, 2008. Oral argument occurred on December 2, 2008. A decision is expected in 2009. If the Supreme Court upholds the lower court decision, it is expected that costs will increase as a result of the court's decision; however, Duke Energy Kentucky is unable to estimate at this time its costs to comply.

Clean Air Interstate Rule (CAIR). The EPA finalized its CAIR in May 2005. The CAIR limits total annual and summertime NO_x emissions and annual SO_2 emissions from electric generating facilities across the Eastern U.S. through a two-phased cap-and-trade program. Phase 1 begins in 2009 for NO_x and in 2010 for SO_2. Phase 2 begins in 2015 for both NO_x and SO_2. On March 25, 2008, the U.S. Court of Appeals for the District of Columbia (D.C. Circuit) heard oral argument in a case involving multiple challenges to the CAIR. On July 11, 2008, the D.C. Circuit issued its decision in *North Carolina v. EPA* No. 05-1244 vacating the CAIR. The EPA filed a petition for rehearing on September 24, 2008 with the D.C. Circuit asking the court to reconsider various parts of its ruling vacating CAIR. In December 2008, the D.C. Circuit issued a decision remanding the CAIR to the EPA without vacatur. EPA must now conduct a new rulemaking to modify the CAIR in accordance with the court's July 11, 2008 opinion. This decision means that the CAIR as initially finalized in 2005 remains in effect until the new EPA rule takes effect. The court did not impose a deadline or schedule on the EPA. It is uncertain how long the current CAIR will remain in effect or how the new rulemaking will alter the CAIR.

Duke Energy Kentucky is currently unable to estimate the costs to comply with any new rule the EPA will issue in the future as a result of the D.C. District Court's December 2008 decision discussed above.

Clean Air Mercury Rule (CAMR). The EPA finalized its CAMR in May 2005. The CAMR was to have limited total annual mercury emissions from coal-fired power plants across the U.S. through a two-phased cap-and-trade program beginning in 2010. On February 8, 2008, the D.C. Circuit issued its opinion in *New Jersey v. EPA*, No. 05-1097 vacating the CAMR. Requests for rehearing were denied. The U.S. EPA and the Utility Air Regulatory Group have requested that the U.S. Supreme Court review the D.C. Circuit's decision. The D.C. Circuit's decision creates uncertainty regarding future mercury emission reduction requirements and their timing, but makes it fairly certain that there will be a delay in the implementation of federal mercury requirements for existing coal-fired power plants. On January 29, 2009, the EPA requested the U.S. Department of Justice withdraw its Petition for Writ of Certiorari filed on October 17, 2008. On February 23, 2009, the Supreme Court denied the Utility Air Regulatory Group's petition. The EPA will not develop emission standards for utility units under section 112 of the Clean Air Act, thus abiding by the D.C. Circuit's decision. At this point, Duke Energy Kentucky is unable to estimate the costs to comply with any future mercury regulations that might result from the D.C. Circuit's decision.

Coal Combustion Product (CCP) Management. Duke Energy Kentucky currently estimates that it will spend approximately $2 million over the period 2009-2013 to install synthetic caps and liners at existing and new CCP landfills and to convert CCP handling systems from wet to dry systems.

Comprehensive Environmental Response, Compensation, and Liability Act Matter. In August 2008, Duke Energy Kentucky received a notice from the EPA that it has been identified as a potentially responsible party under the Comprehensive Environmental Response, Compensation, and Liability Act at the LWD, Inc., Superfund Site in Calvert City, Kentucky. At this time, Duke Energy Kentucky does not have any further information regarding the scope of potential liability associated with this matter.

Extended Environmental Activities and Accruals. Included in Other within Deferred Credits and Other Liabilities on the Balance Sheets were total accruals related to extended environmental-related activities of approximately $2 million as of both December 31, 2008 and 2007. These accruals represent Duke Energy Kentucky's provisions for costs associated with remediation activities at some of its current and former sites, as well as other relevant environmental contingent liabilities. Management, in the normal course of business, continually assesses the nature and extent of known or potential environmental-related contingencies and records liabilities when losses become probable and are reasonably estimable.

Litigation

Section 126 Petitions. In March 2004, the state of North Carolina filed a petition under Section 126 of the CAA in which it alleges that sources in 13 upwind states, including Kentucky, significantly contribute to North Carolina's non-attainment with certain ambient air quality standards. In August 2005, the EPA issued a proposed response to the petition. The EPA proposed to deny the ozone portion of the petition based upon a lack of contribution to air quality by the named states. The EPA also proposed to deny the particulate matter portion of the petition based upon the CAIR Federal Implementation Plan (FIP) that would address the air quality concerns from neighboring states. On April 28, 2006, the EPA denied North Carolina's petition based upon the final CAIR FIP described above. North Carolina has filed a legal challenge to the EPA's denial. Briefing in that case is under way. The EPA has conceded that the D.C. Circuit's July 18, 2008 decision in the CAIR litigation, North Carolina v. EPA No. 05-1244, discussed above, and a subsequent order issued by the D.C. Circuit on December 23, 2008, have eliminated the legal basis for the EPA's denial of North Carolina's Section 126 petition. At this time, Duke Energy Kentucky cannot predict the outcome of this proceeding.

Carbon Dioxide (CO_2) Litigation. In July 2004, the states of Connecticut, New York, California, Iowa, New Jersey, Rhode Island, Vermont, Wisconsin and the City of New York brought a lawsuit in the U.S. District Court for the Southern District of New York against Cinergy, American Electric Power Company, Inc., American Electric Power Service Corporation, The Southern Company, Tennessee Valley Authority, and Xcel Energy Inc. A similar lawsuit was filed in the U.S. District Court for the Southern District of New York against the same companies by Open Space Institute, Inc., Open Space Conservancy, Inc., and The Audubon Society of New Hampshire. These lawsuits allege that the defendants' emissions of CO_2 from the combustion of fossil fuels at electric generating facilities contribute to global warming and amount to a public nuisance. The complaints also allege that the defendants could generate the same amount of electricity while emitting significantly less CO_2. The plaintiffs are seeking an injunction requiring each defendant to cap its CO_2 emissions and then reduce them by a specified percentage each year for at least a decade. In September 2005, the District Court granted the defendants' motion to dismiss the lawsuit. The plaintiffs have appealed this ruling to the Second Circuit Court of Appeals. Oral arguments were held before the Second Circuit Court of Appeals on June 7, 2006. It is not possible to predict with certainty whether Duke Energy Kentucky will incur any liability or to estimate the damages, if any, that Duke Energy Kentucky might incur in connection with this matter.

Hurricane Katrina Lawsuit. In April 2006, Cinergy was named in the third amended complaint of a purported class action lawsuit filed in the U.S. District Court for the Southern District of Mississippi. Plaintiffs claim that Cinergy, along with numerous other utilities, oil companies, coal companies and chemical companies, are liable for damages relating to losses suffered by victims of Hurricane Katrina. Plaintiffs claim that defendants' greenhouse gas emissions contributed to the frequency and intensity of storms such as Hurricane Katrina. On August 30, 2007, the court dismissed the case. The plaintiffs have filed their appeal to the Fifth Circuit Court of Appeals, and oral arguments were heard on August 6, 2008. Due to the late recusal of one of the judges on the Fifth Circuit panel, the court held a new oral argument on November 3, 2008. It is not possible to predict with certainty whether Duke Energy will incur any liability or to estimate the damages, if any, that Duke Energy might incur in connection with this matter.

Other Litigation and Legal Proceedings. Duke Energy Kentucky is involved in other legal, tax and regulatory proceedings arising in the ordinary course of business, some of which involve substantial amounts. Duke Energy Kentucky believes that the final disposition of these proceedings will not have a material adverse effect on its results of operations, cash flows or financial position.

Duke Energy Kentucky has exposure to certain legal matters that are described herein. As of December 31, 2008 and December 31, 2007, Duke Energy Kentucky has recorded insignificant reserves for these proceedings and exposures. Duke Energy Kentucky expenses legal costs related to the defense of loss contingencies as incurred.

Other Commitments and Contingencies

General. Duke Energy Kentucky enters into various commitments to purchase or sell power or capacity that may or may not be recognized on the Balance Sheets.

Operating and Capital Lease Commitments

Duke Energy Kentucky leases assets in several areas of its operations. Rental expense for operating leases was $6 million for the year ended December 31, 2008 and $4 million for the year ended December 31, 2007, which is included in Operation, Maintenance and Other on the Statements of Operations. Capitalized lease obligations are classified as debt on the Balance Sheets (see Note 12). Amortization of assets recorded under capital leases was included in Depreciation and Amortization on the Statements of Operations. The following is a summary of future minimum lease payments under operating leases, which at inception had a noncancelable term of more than one year, and capital leases as of December 31, 2008:

	Operating Leases	Capital Leases
	(in thousands)	
2009	$ 2,909	$ 2,519
2010	2,464	1,680
2011	2, 135	1,492
2012	1,721	1,662
2013	1,550	1,461
Thereafter	4,044	4,311
Total future minimum lease payments	$14,823	$13,125

15. Employee Benefit Obligations

Cinergy Retirement Plans. Duke Energy Kentucky participates in qualified and non-qualified defined benefit pension plans as well as other post-retirement benefit plans sponsored by Cinergy. Cinergy allocates pension and other post-retirement obligations and costs related to these plans to Duke Energy Kentucky.

Upon consummation of the merger with Duke Energy, Cinergy's benefit plan obligations were remeasured. Cinergy updated the assumptions used to determine their accrued benefit obligations and prospective net periodic benefit/post-retirement costs to be allocated to Duke Energy Kentucky.

Cinergy adopted the change in measurement date transition requirements of SFAS No. 158 effective January 1, 2007 by remeasuring plan assets and benefit obligations as of that date. Previously, Cinergy used a September 30 measurement date for its defined benefit and other post-retirement plans. The adoption of SFAS No. 158 did not have a material impact on Duke Energy Kentucky's results of operations or cash flows. See Note 1 for additional information related to the adoption of SFAS No. 158.

Qualified Pension Plans

Cinergy's qualified defined benefit pension plans cover substantially all employees meeting certain minimum age and service requirements. The plans cover most employees using a cash balance formula. Under a cash balance formula, a plan participant accumulates a retirement benefit consisting of pay credits that are based upon a percentage (which varies with age and years of service) of current eligible earnings and current interest credits. Certain legacy Cinergy employees are covered under plans that use a final average earnings formula. Under a final average earnings formula, a plan participant accumulates a retirement benefit equal to a percentage of their highest 3-year average earnings, plus a percentage of the their highest 3-year average earnings in excess of covered compensation per year of participation (maximum of 35 years), plus a percentage of their highest 3-year average earnings times years of participation in excess of 35 years.

Funding for the qualified defined benefit pension plans is based on actuarially determined contributions, the maximum of which is generally the amount deductible for tax purposes and the minimum being that required by the Employee Retirement Income Security Act of 1974, as amended. The pension plans' assets consist of investments in equity and debt securities.

Actuarial gains and losses are amortized over the average remaining service period of the active employees. The average remaining service period of the active employees covered by the retirement plan is 11 years. Cinergy determines the market-related value of plan assets using a calculated value that recognizes changes in fair value of the plan assets over five years.

Duke Energy Kentucky's Qualified Pension Plan Pre-Tax Net Periodic Pension Benefit costs as allocated by Cinergy were as follows:

	December 31, 2008	December 31, 2007
	(in thousands)	
Qualified Pension Benefits	**$ 1,674**	$ 2,353

The fair value of Cinergy's plan assets was approximately $1,110 million and $1.701 million as of December 31, 2008 and 2007, respectively. The projected benefit obligation for the plans was approximately $1,992 million and $1,941 million as of December 31, 2008 and 2007, respectively. The accumulated benefit obligation for the plans was approximately $1,729 million as of December 31, 2008 and approximately $1,753 million at December 31, 2007. The accrued pension liability as allocated by Cinergy to Duke Energy Kentucky and recognized in Accrued pension and other postretirement benefit costs within the Balance Sheets at December 31, 2008 and 2007 was approximately $32 million and approximately $9 million, respectively. Regulatory assets, as allocated by Cinergy to Duke Energy Kentucky, and recognized in Other within Regulatory Assets and Deferred Debits on the Balance Sheets was approximately $28 million and $7 million as of December 31, 2008 and 2007, respectively.

Duke Energy's policy is to fund amounts on an actuarial basis to provide assets sufficient to meet benefits to be paid to plan participants. Duke Energy did not make any contributions to its defined benefit retirement plans in 2008. Duke Energy made qualified pension benefit contributions of approximately $350 million to the legacy Cinergy qualified pension benefit plans during the year ended December 31, 2007, of which approximately $9 million represents contributions made by Duke Energy Kentucky. In February 2009, Duke Energy Kentucky made a cash contribution of approximately $14 million, which represented its proportionate share of an approximate $500 million total contribution to Cinergy's and Duke Energy's qualified pension plans.

Qualified Plans - Assumptions Used for Cinergy's Pension Benefits Accounting

	2008	2007
	Percentages	
Benefit Obligations		
Discount rate	6.50	6.00
Salary increase	5.00	5.00
Net Periodic Benefit Cost		
Discount rate	6.00	5.75
Salary increase	5.00	5.00
Expected long-term rate of return on plan assets	8.50	8.50

Non-Qualified Pension Plans

In addition, Cinergy also maintains, and Duke Energy Kentucky participates in, non-qualified, non-contributory defined benefit retirement plans (plans that do not meet the criteria for certain tax benefits) that cover officers, certain other key employees, and non-employee directors There are no plan assets. The projected benefit obligation for the plans was approximately $113 million as of December 31, 2008 and approximately $105 million as of December 31, 2007. The accumulated benefit obligation for the plans was approximately $104 million as of December 31, 2008 and approximately $102 million at December 31, 2007 The accrued pension liability as allocated by Cinergy to Duke Energy Kentucky and recognized in Accrued pension and other postretirement benefit costs within the Balance Sheets at December 31, 2008 and 2007 was approximately $155 thousand and $131 thousand, respectively, and as recognized in Other within Current Liabilities on the Balance Sheets at December 31, 2008 and 2007 was approximately $11 thousand and $10 thousand, respectively.

Duke Energy Kentucky's Non-Qualified Pension Plan pre-tax Net Periodic Pension Benefit Costs as allocated by Cinergy were as follows:

	December 31, 2008	December 31, 2007
	(in thousands)	
Non-Qualified Pension	$ 19	$ 19

Non-Qualified Plans—Assumptions Used for Cinergy's Pension Benefits Accounting

	2008	2007
	Percentages	
Benefit Obligations		
Discount rate	6.50	6.00
Salary increase	5.00	5.00
Net Periodic Benefit Cost		
Discount rate	6.00	5.75
Salary increase	5.00	5.00

Other Post-Retirement Benefit Plans

Duke Energy Kentucky participates in other postretirement benefit plans sponsored by Cinergy Cinergy provides certain health care and life insurance benefits to retired employees and their eligible dependents on a contributory and non-contributory basis. These benefits are subject to minimum age and service requirements The health care benefits include medical coverage, dental coverage, and prescription drug coverage and are subject to certain limitations, such as deductibles and co-payments. These benefit costs are accrued over an employee's active service period to the date of full benefits eligibility. The net unrecognized transition obligation is amortized over approximately 20 years. Actuarial gains and losses are amortized over the average remaining service period of the active employees The average remaining service period of the active employees covered by the plan is 13 years. Duke Energy Kentucky's Other Post-Retirement Plan pre-tax Net Periodic Benefit costs as allocated by Cinergy were as follows:

	December 31, 2008	December 31, 2007
	(in thousands)	
Other Postretirement	$ 547	$ 1,559

The fair value of Cinergy's plans assets was approximately $23 million as of December 31, 2008 and $32 million as of December 31, 2007. The accumulated other post-retirement benefit obligation for the plans was approximately $330 million as of December 31, 2008 and $464 million as of December 31, 2007. The accrued other post-retirement liability as allocated by Cinergy to Duke Energy Kentucky and recognized in Accrued Pension and Other Postretirement Benefit Costs within the Balance Sheets at December 31, 2008 and 2007 was $7 million and $13 million, respectively. The accrued other post-retirement liability as allocated by Cinergy to Duke Energy Kentucky and recognized in Other within Current Liabilities on the Balance Sheets at December 31, 2008 and 2007 was $97 thousand and $86 thousand, respectively. Regulatory assets, as allocated by Cinergy to Duke Energy Kentucky, and recognized in Regulatory Assets and Deferred Debits within the Balance Sheets was approximately $1 million as of December 31, 2008 and $5 million as of December 31, 2007.

Duke Energy did not make any contributions to its other post-retirement plans in 2008. Duke Energy made other post-retirement plan contributions during 2007 of approximately $32 to the legacy Cinergy other post-retirement plans, of which approximately $1 million represents contribution made by Duke Energy Kentucky.

Duke Energy Kentucky recognized regulatory assets related to its other post-retirement benefit plans of approximately a credit of $4 million and approximately zero as of December 31, 2008 and 2007, respectively, within the Balance Sheets.

Assumptions Used in Cinergy's Other Post-retirement Benefits Accounting

Determined Benefit Obligations	2008	2007
Discount rate	6.50	6.00

Determined Expense	2008	2007
Discount rate	6.00	5.75
Expected long-term rate of return on plan assets	8.50	8.50

Assumed Health Care Cost Trend Rates

	Medicare Trend Rate		Prescription Drug Trend Rate	
	2008	2007	2008	2007
Health care cost trend rate assumed for next year	8.50%	8.00%	11.00%	12.50%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	5.00%	5.00%	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2013	2013	2022	2022

16. Other Income and Expenses, net

The components of Other Income and Expenses, net on the Statements of Operations for the years ended December 31, 2008 and 2007 are as follows:

	December 31, 2008	December 31, 2007
	(in thousands)	
Income/(Expense):		
Interest Income	$ 4,020	$ 3,656
AFUDC Equity	778	219
Other	55	177
Total	$ 4,853	$ 4,052

17. Subsequent Events

For information on subsequent events related to regulatory matters, and commitments and contingencies, and employee benefit obligations, see Notes 2, 14 and 15, respectively. .

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Summary of Utility Plant and Accumulated Provisions for Depreciation, Amortization and Depletion

Line No.	Item (a)	Total Company For the Current Quarter/Year
1	UTILITY PLANT	
2	In Service	
3	Plant in Service (Classified)	1,327,825,111
4	Property Under Capital Leases	24,873,076
5	Plant Purchased or Sold	
6	Completed Construction not Classified	123,494,660
7	Experimental Plant Unclassified	
8	TOTAL Utility Plant (Total of lines 3 thru 7)	1,476,192,847
9	Leased to Others	
10	Held for Future Use	
11	Construction Work in Progress	36,504,269
12	Acquisition Adjustments	
13	TOTAL Utility Plant (Total of lines 8 thru 12)	1,512,697,116
14	Accumulated Provisions for Depreciation, Amortization, & Depletion	650,100,350
15	Net Utility Plant (Total of lines 13 and 14)	862,596,766
16	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION	
17	In Service:	
18	Depreciation	632,243,093
19	Amortization and Depletion of Producing Natural Gas Land and Land Rights	
20	Amortization of Underground Storage Land and Land Rights	
21	Amortization of Other Utility Plant	17,857,257
22	TOTAL In Service (Total of lines 18 thru 21)	650,100,350
23	Leased to Others	
24	Depreciation	
25	Amortization and Depletion	
26	TOTAL Leased to Others (Total of lines 24 and 25)	
27	Held for Future Use	
28	Depreciation	
29	Amortization	
30	TOTAL Held for Future Use (Total of lines 28 and 29)	
31	Abandonment of Leases (Natural Gas)	
32	Amortization of Plant Acquisition Adjustment	
33	TOTAL Accum. Provisions (Should agree with line 14 above)(Total of lines 22, 26, 30, 31, and 32)	650,100,350

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

Summary of Utility Plant and Accumulated Provisions for Depreciation, Amortization and Depletion (continued)

Line No	Electric (c)	Gas (d)	Other (specify) (e)	Common (f)
1				
2				
3	1,021,370,944	282,606,677		23,847,490
4	7,523,766	16,747,797		601,513
5				
6	73,522,979	45,709,865		4,261,816
7				
8	1,102,417,689	345,064,339		28,710,819
9				
10				
11	19,624,555	5,736,983		11,142,731
12				
13	1,122,042,244	350,801,322		39,853,550
14	535,775,884	97,881,791		16,442,675
15	586,266,360	252,919,531		23,410,875
16				
17				
18	533,684,404	96,467,419		2,091,270
19				
20				
21	2,091,480	1,414,372		14,351,405
22	535,775,884	97,881,791		16,442,675
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33	535,775,884	97,881,791		16,442,675

Name of Respondent Duke Energy Kentucky, Inc	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

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

1. Report below the original cost of gas plant in service according to the prescribed accounts
2. In addition to Account 101, Gas Plant in Service (Classified), this page and the next include Account 102, Gas Plant Purchased or Sold, Account 103, Experimental Gas Plant Unclassified, and Account 106, Completed Construction Not Classified-Gas
3. Include in column (c) and (d), as appropriate corrections of additions and retirements for the current or preceding year
4. Enclose in parenthesis credit adjustments of plant accounts to indicate the negative effect of such accounts
5. Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c) Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d) reversals of tentative distributions of prior year's unclassified retirements Attach supplemental statement showing the account distributions of these tentative classifications in columns (c) and (d),

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
1	INTANGIBLE PLANT		
2	301 Organization		
3	302 Franchises and Consents		
4	303 Miscellaneous Intangible Plant	464,096	
5	TOTAL Intangible Plant (Enter Total of lines 2 thru 4)	464,096	
6	PRODUCTION PLANT		
7	Natural Gas Production and Gathering Plant		
8	325.1 Producing Lands		
9	325.2 Producing Leaseholds		
10	325.3 Gas Rights		
11	325.4 Rights-of-Way		
12	325.5 Other Land and Land Rights		
13	326 Gas Well Structures		
14	327 Field Compressor Station Structures		
15	328 Field Measuring and Regulating Station Equipment		
16	329 Other Structures		
17	330 Producing Gas Wells-Well Construction		
18	331 Producing Gas Wells-Well Equipment		
19	332 Field Lines		
20	333 Field Compressor Station Equipment		
21	334 Field Measuring and Regulating Station Equipment		
22	335 Drilling and Cleaning Equipment		
23	336 Purification Equipment		
24	337 Other Equipment		
25	338 Unsuccessful Exploration and Development Costs		
26	339 Asset Retirement Costs for Natural Gas Production and		
27	TOTAL Production and Gathering Plant (Enter Total of lines 8		
28	PRODUCTS EXTRACTION PLANT		
29	340 Land and Land Rights		
30	341 Structures and Improvements		
31	342 Extraction and Refining Equipment		
32	343 Pipe Lines		
33	344 Extracted Products Storage Equipment		

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

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

including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Account 101 and 106 will avoid serious omissions of respondent's reported amount for plant actually in service at end of year.

6. Show in column (f) reclassifications or transfers within utility plant accounts. Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102. In showing the clearance of Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits to primary account classifications.

7. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirements of these pages.

8. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchaser, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give date of such filing.

Line No.	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)
1				
2				
3				
4				464,096
5				464,096
6				
7				
8				
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10				
11				
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

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

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
34	345 Compressor Equipment		
35	346 Gas Measuring and Regulating Equipment		
36	347 Other Equipment		
37	348 Asset Retirement Costs for Products Extraction Plant		
38	TOTAL Products Extraction Plant (Enter Total of lines 29 thru 37)		
39	TOTAL Natural Gas Production Plant (Enter Total of lines 27 and		
40	Manufactured Gas Production Plant (Submit Supplementary	5,846,444	36,623
41	TOTAL Production Plant (Enter Total of lines 39 and 40)	5,846,444	36,623
42	NATURAL GAS STORAGE AND PROCESSING PLANT		
43	Underground Storage Plant		
44	350.1 Land		
45	350.2 Rights-of-Way		
46	351 Structures and Improvements		
47	352 Wells		
48	352.1 Storage Leaseholds and Rights		
49	352.2 Reservoirs		
50	352.3 Non-recoverable Natural Gas		
51	353 Lines		
52	354 Compressor Station Equipment		
53	355 Other Equipment		
54	356 Purification Equipment		
55	357 Other Equipment		
56	358 Asset Retirement Costs for Underground Storage Plant		
57	TOTAL Underground Storage Plant (Enter Total of lines 44 thru		
58	Other Storage Plant		
59	360 Land and Land Rights		
60	361 Structures and Improvements		
61	362 Gas Holders		
62	363 Purification Equipment		
63	363.1 Liquefaction Equipment		
64	363.2 Vaporizing Equipment		
65	363.3 Compressor Equipment		
66	363.4 Measuring and Regulating Equipment		
67	363.5 Other Equipment		
68	363.6 Asset Retirement Costs for Other Storage Plant		
69	TOTAL Other Storage Plant (Enter Total of lines 58 thru 68)		
70	Base Load Liquefied Natural Gas Terminaling and Processing Plant		
71	364.1 Land and Land Rights		
72	364.2 Structures and Improvements		
73	364.3 LNG Processing Terminal Equipment		
74	364.4 LNG Transportation Equipment		
75	364.5 Measuring and Regulating Equipment		
76	364.6 Compressor Station Equipment		
77	364.7 Communications Equipment		
78	364.8 Other Equipment		
79	364.9 Asset Retirement Costs for Base Load Liquefied Natural Gas		
80	TOTAL Base Load Liquefied Nat'l Gas, Terminaling and		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/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)
34				
35				
36				
37				
38				
39				
40				5,883,067
41				5,883,067
42				
43				
44				
45				
46				
47				
48				
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

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

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
81	TOTAL Nat'l Gas Storage and Processing Plant (Total of lines 57,		
82	TRANSMISSION PLAN		
83	365.1 Land and Land Rights		
84	365.2 Rights-of-Way		
85	366 Structures and Improvements		
86	367 Mains		
87	368 Compressor Station Equipment		
88	369 Measuring and Regulating Station Equipment		
89	370 Communication Equipment		
90	371 Other Equipment		
91	372 Asset Retirement Costs for Transmission Plant		
92	TOTAL Transmission Plant (Enter Totals of lines 83 thru 91)		
93	DISTRIBUTION PLANT		
94	374 Land and Land Rights	1,116,419	10,163
95	375 Structures and Improvements	158,514	
96	376 Mains	194,959,472	16,285,270
97	377 Compressor Station Equipment		
98	378 Measuring and Regulating Station Equipment-General	4,768,471	243,039
99	379 Measuring and Regulating Station Equipment-City Gate		
100	380 Services	81,018,082	9,252,633
101	381 Meters	10,590,308	720,745
102	382 Meter Installations	8,181,156	678,580
103	383 House Regulators	4,673,210	691,488
104	384 House Regulator Installations	4,056,553	935,172
105	385 Industrial Measuring and Regulating Station Equipment	504,476	
106	386 Other Property on Customers' Premises		
107	387 Other Equipment	138,495	
108	388 Asset Retirement Costs for Distribution Plant	1,009,714	
109	TOTAL Distribution Plant (Enter Total of lines 94 thru 108)	311,174,870	28,817,090
110	GENERAL PLANT		
111	389 Land and Land Rights		
112	390 Structures and Improvements		
113	391 Office Furniture and Equipment	23,008	
114	392 Transportation Equipment	96,158	
115	393 Stores Equipment		
116	394 Tools, Shop, and Garage Equipment	1,686,554	121,847
117	395 Laboratory Equipment		
118	396 Power Operated Equipment	47,221	
119	397 Communication Equipment		
120	398 Miscellaneous Equipment	125,562	
121	Subtotal (Enter Total of lines 111 thru 120)	1,978,503	121,847
122	399 Other Tangible Property		
123	399.1 Asset Retirement Costs for General Plant		
124	TOTAL General Plant (Enter Total of lines 121, 122 and 123)	1,978,503	121,847
125	TOTAL (Accounts 101 and 106)	319,463,913	28,975,560
126	Gas Plant Purchased (See Instruction 8)		
127	(Less) Gas Plant Sold (See Instruction 8)		
128	Experimental Gas Plant Unclassified		
129	TOTAL Gas Plant In Service (Enter Total of lines 125 thru 128)	319,463,913	28,975,560

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/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)
81				
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89				
90				
91				
92				
93				
94				1,126,582
95				158,514
96	902,897			210,341,845
97				
98				5,011,510
99				
100	1,910,519			88,360,196
101	356,538		(209,505)	10,745,010
102				8,859,736
103				5,364,698
104				4,991,725
105				504,476
106				
107				138,495
108	(4,325)			1,014,039
109	3,165,629		(209,505)	336,616,826
110				
111				
112				
113				23,008
114				96,158
115				
116				1,808,401
117				
118				47,221
119				
120				125,562
121				2,100,350
122				
123				
124				2,100,350
125	3,165,629		(209,505)	345,064,339
126				
127				
128				
129	3,165,629		(209,505)	345,064,339

Schedule Page: 204 Line No.: 40 Column: g

304-Land and Land Rights	$ 142,150
305-Structures and Improvements	1,567,370
311-Liquified Petroleum Gas Equip	4,173,547
	$ 5,883,067

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Gas Property and Capacity Leased from Others

1. Report below the information called for concerning gas property and capacity leased from others for gas operations.
2. For all leases in which the average annual lease payment over the initial term of the lease exceeds $500,000, describe in column (c), if applicable: the property or capacity leased. Designate associated companies with an asterisk in column (b).

Line No.	Name of Lessor (a)	* (b)	Description of Lease (c)	Lease Payments for Current Year (d)
1	1999 Bank of America Leasing & Capital		meters	283,353
2	2000 Bank of America Leasing & Capital		meters	493,390
3	2001 Bank of America Leasing & Capital		meters	182,076
4	2002 Bank of America Leasing & Capital		meters	128,881
5	2003 Bank of America Leasing & Capital		meters	250,860
6	2004 Bank of America Leasing & Capital		meters	248,030
7	2005 Bank of America Leasing & Capital		meters	254,900
8	2006 Bank of America Leasing & Capital		meters	296,326
9	2007 Bank of America Leasing & Capital		meters	379,605
10				
11				
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13				
14				
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44				
45	**Total**			**2,517,421**

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Construction Work in Progress-Gas (Account 107)

1. Report below descriptions and balances at end of year of projects in process of construction (Account 107).
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstration (see Account 107 of the Uniform System of Accounts).
3. Minor projects (less than $1,000,000) may be grouped.

Line No.	Description of Project (a)	Construction Work in Progress-Gas (Account 107) (b)	Estimated Additional Cost of Project (c)
1	PROJECTS UNDER $1,000,000	5,736,983	
2			
3			
4			
5			
6			
7			
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44			
45	**Total**	**5,736,983**	

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General Description of Construction Overhead Procedure

1. For each construction overhead explain (a) the nature and extent of work, etc., the overhead charges are intended to cover, (b) the general procedure for determining the amount capitalized, (c) the method of distribution to construction jobs, (d) whether different rates are applied to different types of construction, (e) basis of differentiation in rates for different types of construction, and (f) whether the overhead is directly or indirectly assigned.
2. Show below the computation of allowance for funds used during construction rates, in accordance with the provisions of Gas Plant Instructions 3 (17) of the Uniform System of Accounts
3. Where a net-of-tax rate for borrowed funds is used, show the appropriate tax effect adjustment to the computations below in a manner that clearly indicates the amount of reduction in the gross rate for tax effects.

1. CONSTRUCTION OVERHEAD COSTS INCLUDE ENGINEERING AND SUPERVISORY SALARIES, ADMINISTRATIVE AND GENERAL SALARIES AND ASSOCIATED PAYROLL TAXES AND BENEFITS AND EMPLOYEE EXPENSES.

SALARIES, ASSOCIATED PAYROLL TAXES AND BENEFITS RELATED TO ENGINEERING, SUPERVISION, AND ADMINISTRATIVE AND GENERAL FUNCTIONS ARE GENERALLY CHARGED TO THE APPROPRIATE EXPENSE ACCOUNTS. HOWEVER, IN SOME INSTANCES THE EMPLOYEES CONCERNED DEVOTE PART OF THEIR TIME TO CONSTRUCTION ACTIVITIES. IN THESE CASES, A PORTION OF THE EMPLOYEES' SALARIES AND ASSOCIATED PAYROLL TAXES AND BENEFITS ARE CHARGED TO A BLANKET WORK ORDER AND FROM THERE TRANSFERRED TO SPECIFIC WORK ORDERS USING VARIOUS LAODING RATES APPLIED AGAINST DIRECT CONSTRUCTION COSTS. THE AMOUNTS TRANSFERRED AND THE LOADING RATES USED ARE BASED ON (1) A DEVOTED STUDY AND (2) AN ANALYSIS OF THE BLANKET WORK ORDER CHARGED WITH THESE EXPENSES.

EXCEPTIONS WERE MADE TO THIS GENERAL PRACTICE IN THE CASE OF CERTAIN MAJOR CONSTRUCTION ROJECTS WHERE ENGINEERING, SUPERVISORY, AND CLERICAL EMPLOYEES DEVOTE ALL OR SUBSTANTIALLY ALL OF THEIR TIME TO SUCH PROJECTS. IN THESE INSTANCES, THE SALARIES AND RELATED EXPENSES ARE CHARGED DIRECTLY TO THE PROPER CONSTRUCTION WORK ORDERS. CERTAIN ENGINEERING AND SUPERVISION COSTS (INCLUDING OUTSIDE SERVICES) WHICH CAN BE ESTABLISHED AS DIRECTLY CHARGEABLE TO SPECIFIC PROJECTS ARE SO CHARGED. REMAINING AMOUNTS OF OVERHEAD ARE DETERMINED BASED ON THE ABOVE-MENTIONED STUDY.

2. ALLOWANCE FOR FUNDS USED DURING CONSTUCTION (AFUDC) IS APPLIED TO THE TOTAL CONSTRUCTION EXPENDITURES, LESS CERTAIN EXCLUSIONS, ON JOBS UNDER CONSTRUCTION. EFFECTIVE JULY 1, 1982, THE RESPONDENT ADOPTED THE PRACTICE OF UPDATING THE AFUDC RATE MONTHLY, AS AUTHORIZED BY THE FEDERAL ENERGY REGULATORY COMMISSION IN A LETTER DATED MAY 27, 1982. THE AVERAGE AFUDC RATE FOR 2008 WAS 6.32%. THE MONTHLY RATE DOES NOT INCLUDE A REDUCTION FOR THE INCOME TAX EFFECT ON THE COST OF DEBT.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

General Description of Construction Overhead Procedure (continued)

COMPUTATION OF ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION RATES

1. For line (5), column (d) below, enter the rate granted in the last rate proceeding. If not available, use the average rate earned during the preceding 3 years
2. Identify, in a footnote, the specific entity used as the source for the capital structure figures.
3. Indicate, in a footnote, if the reported rate of return is one that has been approved in a rate case, black-box settlement rate, or an actual three-year average rate

1. Components of Formula (Derived from actual book balances and actual cost rates):

Line No.	Title (a)	Amount (b)	Capitalization Ration (percent) (c)	Cost Rate Percentage (d)
	(1) Average Short-Term Debt	S		
	(2) Short-Term Interest			s
	(3) Long-Term Debt	D		d
	(4) Preferred Stock	P		p
	(5) Common Equity	C		c
	(6) Total Capitalization			
	(7) Average Construction Work In Progress Balance	W		

2. Gross Rate for Borrowed Funds $s(S/W) + d[(D/(D+P+C)) (1-(S/W))]$

3. Rate for Other Funds $[1-(S/W)] [p(P/(D+P+C)) + c(C/(D+P+C))]$

4. Weighted Average Rate Actually Used for the Year
   - a. Rate for Borrowed Funds -
   - b. Rate for Other Funds -

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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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 gas 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, etc.

Line No.	Item (a)	Total (c+d+e) (b)	Gas Plant in Service (c)	Gas Plant Held for Future Use (d)	Gas Plant Leased to Others (e)
	Section A BALANCES AND CHANGES DURING YEAR				
1	Balance Beginning of Year	92,338,989	92,338,989		
2	Depreciation Provisions for Year, Charged to				
3	(403) Depreciation Expense	7,484,340	7,484,340		
4	(403.1) Depreciation Expense for Asset Retirement Costs				
5	(413) Expense of Gas Plant Leased to Others				
6	Transportation Expenses - Clearing				
7	Other Clearing Accounts	18,725	18,725		
8	Other Clearing (Specify) (footnote details):				
9					
10	TOTAL Deprec. Prov. for Year (Total of lines 3 thru 8)	7,503,065	7,503,065		
11	Net Charges for Plant Retired:				
12	Book Cost of Plant Retired	(3,169,954)	(3,169,954)		
13	Cost of Removal	(110,839)	(110,839)		
14	Salvage (Credit)				
15	TOTAL Net Chrgs for Plant Ret. (Total of lines 12 thru 14)	(3,280,793)	(3,280,793)		
16	Other Debit or Credit Items (Describe) (footnote details):	(93,842)	(93,842)		
17					
18	Book Cost of Asset Retirement Costs				
19	Balance End of Year (Total of lines 1,10,15,16 and 18)	96,467,419	96,467,419		
	Section B BALANCES AT END OF YEAR ACCORDING TO FUNCTIONAL CLASSIFICATIONS				
21	Productions-Manufactured Gas	3,322,073	3,322,073		
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				
28	Distribution	93,099,273	93,099,273		
29	General	46,073	46,073		
30	TOTAL (Total of lines 21 thru 29)	96,467,419	96,467,419		

Schedule Page: 219 Line No.: 7 Column: c

ARO $18,725

Schedule Page: 219 Line No.: 16 Column: c

Transfers & Adjustments - $(93,842)

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

Gas Stored (Accounts 117.1, 117.2, 117.3, 117.4, 164.1, 164.2, and 164.3)

1. If during the year adjustments were made to the stored gas inventory reported in columns (d), (f), (g), and (h) (such as to correct cumulative inaccuracies of gas measurements), explain in a footnote the reason for the adjustments, the Dth and dollar amount of adjustment, and account charged or credited.
2. Report in column (e) all encroachments during the year upon the volumes designated as base gas, column (b), and system balancing gas, column (c), and gas property recordable in the plant accounts.
3. State in a footnote the basis of segregation of inventory between current and noncurrent portions. Also, state in a footnote the method used to report storage (i.e., fixed asset method or inventory method).

Line No.	Description (a)	(Account 117.1) (b)	(Account 117.2) (c)	Noncurrent (Account 117.3) (d)	(Account 117.4) (e)	Current (Account 164.1) (f)	LNG (Account 164.2) (g)	LNG (Account 164.3) (h)	Total (i)
1	Balance at Beginning of					7,776,574			7,776,574
2	Gas Delivered to Storage					11,146,751			11,146,751
3	Gas Withdrawn from					5,731,665			5,731,665
4	Other Debits and Credits					(13,191,660)			(13,191,660)
5	Balance at End of Year					0			
6	Dth								
7	Amount Per Dth								

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) X An Original (2) __ A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2008/Q4

FOOTNOTE DATA

Schedule Page: 220 Line No.: 5 Column: f

Stored gas inventory was reclassified from account 164.1 to account 174.273 during November, 2008. Gas inventory is now stored and managed by Duke Energy's new Asset Manager.

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Investments (Account 123, 124, and 136)

1. Report below investments in Accounts 123, Investments in Associated Companies, 124, Other Investments, and 136, Temporary Cash Investments.
2. Provide a subheading for each account and list thereunder the information called for:
   (a) Investment in Securities-List and describe each security owned, giving name of issuer, date acquired and date of maturity. For bonds, also give principal amount, date of issue, maturity, and interest rate. For capital stock (including capital stock of respondent reacquired under a definite plan for resale pursuant to authorization by the Board of Directors, and included in Account 124, Other Investments) state number of shares, class, and series of stock. Minor investments may be grouped by classes. Investments included in Account 136, Temporary Cash Investments, also may be grouped by classes.
   (b) Investment Advances-Report separately for each person or company the amounts of loans or investment advances that are properly includable in Account 123. Include advances subject to current repayment in Account 145 and 146. With respect to each advance, show whether the advance is a note or open account.

Line No	Description of Investment (a)	* (b)	Book Cost at Beginning of Year (If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference) (c)	Purchases or Additions During the Year (d)
1	124-9 CAMPBELL COUNTY BUSINESS DEV CORP		1,500	
2	DATE ACQUIRED 06/18/62			
3	DATE OF MATURITY			
4	CAPITAL STOCK			
5				
6	124-6 PENDLETON COUNTY INDUSTRIAL FOUNDATION, IN			
7	DATE ACQUIRED 02/09/88			
8	DATE OF MATURITY			
9	CAPITAL STOCK			
10				
11				
12				
13				
14	TOTAL ACCOUNT 124		1,500	
15				
16	136 TEMPORARY CASH INVESTMENTS			
17	DATE ACQUIRED			
18	DATE OF MATURITY			
19				
20	TOTAL ACCOUNT 136			
21				
22				
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Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

Investments (Account 123, 124, and 136) (continued)

List each note, giving date of issuance, maturity date, and specifying whether note is a renewal. Designate any advances due from officers, directors, stockholders, or employees.

3. Designate with an asterisk in column (b) any securities, notes or accounts that were pledged, and in a footnote state the name of pledges and purpose of the pledge.
4. If Commission approval was required for any advance made or security acquired, designate such fact in a footnote and cite Commission, date of authorization, and case or docket number.
5. Report in column (h) interest and dividend revenues from investments including such revenues from securities disposed of during the year.
6. In column (i) report for each investment disposed of during the year the gain or loss represented by the difference between cost of the investment (or the other amount at which carried in the books of account if different from cost) and the selling price thereof, not including any dividend or interest adjustment includible in column (h).

Line No	Sales or Other Dispositions During Year (e)	Principal Amount or No. of Shares at End of Year (f)	Book Cost at End of Year (If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference) (g)	Revenues for Year (h)	Gain or Loss from Investment Disposed of (i)
1			1,500		
2					
3					
4					
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Prepayments (Acct 165), Extraordinary Property Losses (Acct 182.1), Unrecovered Plant and Regulatory Study Costs (Acct 182.2)

PREPAYMENTS (ACCOUNT 165)

1. Report below the particulars (details) on each prepayment.

Line No.	Nature of Payment (a)	Balance at End of Year (in dollars) (b)
1	Prepaid Insurance	1
2	Prepaid Rents	
3	Prepaid Taxes	1,173,117
4	Prepaid Interest	
5	Miscellaneous Prepayments	4,645,740
6	TOTAL	5,818,858

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Other Regulatory Assets (Account 182.3)

1. Report below the details called for concerning other regulatory assets which are created through the ratemaking actions of regulatory agencies (and not includable in other accounts)
2. For regulatory assets being amortized, show period of amortization in column (a).
3. Minor items (5% of the Balance at End of Year for Account 182.3 or amounts less than $250,000, whichever is less) may be grouped by classes.
4. Report separately any "Deferred Regulatory Commission Expenses" that are also reported on pages 350-351, Regulatory Commission Expenses
5. Provide in a footnote, for each line item, the regulatory citation where authorization for the regulatory asset has been granted (e.g. Commission Order, state commission order, court decision)

Line No.	Description and Purpose of Other Regulatory Assets (a)	Balance at Beginning Current Quarter/Year (b)	Debits (c)	Written off During Quarter/Year Account Charged (d)	Written off During Period Amount Recovered (e)	Written off During Period Amount Deemed Unrecoverable (f)	Balance at End of Current Quarter/Year (g)
1	STATEMENT OF FINANCIAL ACCOUNTING		7,730,903		7,293,226		437,677
2	STANDARDS NO. 109.						
3	ACCOUNTING FOR INCOME TAXES						
4							
5	LIMITED EARLY RETIREMENT PROGRAM DELAYED CASH COSTS - GAS	74,186		930 2	18,168		56,018
6	(Amortized 120 months, Feb , 2002 - Jan., 2012)						
7							
8	AMRP STUDY COSTS - GAS (Amortized 120 Months February 2002 - January 2012)	130,830		928	32,040		98,790
9							
10	DEMAND SIDE MANAGEMENT COSTS		6,532,940	916	3,311,834		3,221,106
11							
12	TRANSACTION COSTS - ACQUISITION OF GENERATION RESOURCES	903,036		928	451,512		451,524
13	(Amortized 36 months, beginning January 2007)						
14	DUKE ENERGY KENTUCKY 2005 GAS RATE CASE	51,761		928	51,459		302
15	(Amortized 36 months, beginning January, 2006)						
16							
17	DUKE ENERGY KENTUCKY 2006 ELECTRIC RATE CASE	136,715		928	78,336		58,379
18	(Amortized 36 months, beginning January, 2007)						
19							
20	ARO OTHER REGULATORY ASSET	60,250	109,386				169,636
21							
22	GAS ARO OTHER REGULATORY ASSET	3,923,934	315,853	Various	178,077		4,061,710
23							
24	2005 MERGER TRANSACTION COSTS	3,278,385	491,538	928	1,450,935		2,318,988
25	(Amortized 60 months, beginning April 2006)						
26							
27	INTEREST RATE HEDGES		8,239,520	Various	1,224,742		7,014,778
28							
29	HURRICANE IKE REGULATORY ASSET		4,912,684				4,912,684
30							
31							
32							
33							
34							
35							
36							
37							
40	**Total**	**8,559,097**	**28,332,824**		**14,090,329**	**0**	**22,801,592**

Schedule Page: 232 Line No.: 1 Column: d

Accounts charged are: 190, 254, 282, 283

Name of Respondent Duke Energy Kentucky, Inc	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

Miscellaneous Deferred Debits (Account 186)

1. Report below the details called for concerning miscellaneous deferred debits.
2. For any deferred debit being amortized, show period of amortization in column (a).
3. Minor items (less than $250,000) may be grouped by classes.

Line No.	Description of Miscellaneous Deferred Debits (a)	Balance at Beginning of Year (b)	Debits (c)	Credits Account Charged (d)	Credits Amount (e)	Balance at End of Year (f)
1	Items deferred pending investigation	2,505	613,744	various	129,766	486,483
2						
3	Private outdoor lighting	31,913	36,105	various	24,020	43,998
4						
5	LT lease receivable	935,231	39,094			974,325
6						
7	Vacation accrual	1,623,774	725,003			2,348,777
8						
9	Accrued pension post retire - FAS158	12,517,335	23,786,264	various	7,153,936	29,149,663
10						
11	Indirect overhead allocation		2,577,484	various	2,283,710	293,774
12	pool - undistributed					
13						
14	Joint owner		1,138,159			1,138,159
15						
16	Other miscellaneous items	(1,927,924)	2,033,249	232	1,500	103,825
17						
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38						
39	Miscellaneous Work in Progress					
40	**Total**	**13,182,834**	**30,949,102**		**9,592,932**	**34,539,004**

Accumulated Deferred Income Taxes (Account 190)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes.
2. At Other (Specify), include deferrals relating to other income and deductions.
3. Provide in a footnote a summary of the type and amount of deferred income taxes reported in the beginning-of-year and end-of-year balances for deferred income taxes that the respondent estimates could be included in the development of jurisdictional recourse rates.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Changes During Year Amounts Debited to Account 410.1 (c)	Changes During Year Amounts Credited to Account 411.1 (d)
1	Account 190			
2	Electric	5,775,920	8,551,516	4,120,775
3	Gas	5,993,864	240,187	10,226,251
4	Other (Define) (footnote details)			
5	Total (Total of lines 2 thru 4)	11,769,784	8,791,703	14,347,026
6	*Other (Specify) (footnote details)*	783,501		
7	TOTAL Account 190 (Total of lines 5 thru 6)	12,553,285	8,791,703	14,347,026
8	Classification of TOTAL			
9	Federal Income Tax	10,833,433	7,532,667	12,304,271
10	State Income Tax	1,719,852	1,259,036	2,042,755
11	Local Income Tax			

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

Accumulated Deferred Income Taxes (Account 190) (continued)

Line No.	Changes During Year Amounts Debited to Account 410.2 (e)	Changes During Year Amounts Credited to Account 411.2 (f)	Adjustments Debits Account No. (g)	Adjustments Debits Amount (h)	Adjustments Credits Account No. (i)	Adjustments Credits Amount (j)	Balance at End of Year (k)
1							
2					See Note	1,010,472	2,355,651
3			See Note	118,972			15,860,956
4							
5				118,972		1,010,472	18,216,607
6							783,501
7				118,972		1,010,472	19,000,108
8							
9				102,270		849,013	16,351,780
10				16,702		161,459	2,648,328
11							

Schedule Page: 234 Line No.: 2 Column: i

The adjustments affect the following account groups:

219, 236, 254, 283 and 411.5.

Schedule Page: 234 Line No.: 3 Column: g

The adjustments affect the following account groups:

254 and 283.

Schedule Page: 234 Line No.: 6 Column: b

	Beginning Balance
MGB Hazardous Clean Up	783,501
Total	783,501

Schedule Page: 234 Line No.: 6 Column: k

	Ending Balance
MGB Hazardous Clean Up	783,501
Total	783,501

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Capital Stock (Accounts 201 and 204)

1. Report below the details called for concerning common and preferred stock at end of year, distinguishing separate series of any general class. Show separate totals for common and preferred stock.
2. Entries in column (b) should represent the number of shares authorized by the articles of incorporation as amended to end of year.
3. Give details concerning shares of any class and series of stock authorized to be issued by a regulatory commission which have not yet been issued

Line No.	Class and Series of Stock and Name of Stock Exchange (a)	Number of Shares Authorized by Charter (b)	Par or Stated Value per Share (c)	Call Price at End of Year (d)
1	COMMON STOCK	1,000,000	15.00	
2	TOTAL COMMON STOCK	1,000,000		
3				
4				
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Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

Capital Stock (Accounts 201 and 204)

4 The identification of each class of preferred stock should show the dividend rate and whether the dividends are cumulative or noncumulative

5 State in a footnote if any capital stock that has been nominally issued is nominally outstanding at end of year.

6 Give particulars (details) in column (a) of any nominally issued capital stock, reacquired stock, or stock in sinking and other funds which is pledged, stating name of pledgee and purpose of pledge.

Line No.	Outstanding per Bal. Sheet (total amt outstanding without reduction for amts held by respondent) Shares (e)	Outstanding per Bal Sheet Amount (f)	Held by Respondent As Reacquired Stock (Acct 217) Shares (g)	Held by Respondent As Reacquired Stock (Acct 217) Cost (h)	Held by Respondent In Sinking and Other Funds Shares (i)	Held by Respondent In Sinking and Other Funds Amount (j)
1	585,333	8,779,995				
2	585,333	8,779,995				
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Capital Stock: Subscribed, Liability for Conversion, Premium on, and Installments Recieved on (Accts 202, 203, 205, 206, 207, and 212)

1. Show for each of the above accounts the amounts applying to each class and series of capital stock.
2. For Account 202, Common Stock Subscribed, and Account 205, Preferred Stock Subscribed, show the subscription price and the balance due on each class at the end of year.
3. Describe in a footnote the agreement and transactions under which a conversion liability existed under Account 203, Common Stock Liability for Conversion, or Account 206, Preferred Stock Liability for Conversion, at the end of year.
4. For Premium on Account 207, Capital Stock, designate with an asterisk in column (b), any amounts representing the excess of consideration received over stated values of stocks without par value.

Line No	Name of Account and Description of Item (a)	* (b)	Number of Shares (c)	Amount (d)
1	Accounts 202, 203, 205, 206, AND 212			
2	Accounts 207-Premium of $15 per Share on Capital Stock in 1955		62,419	936,287
3	Accounts 207-Premium of $17 per Share on Capital Stock in 1957		104,000	1,768,003
4	Accounts 207-Premium of $38 per Share on Capital Stock in 1961		69,333	2,634,656
5	Accounts 207-Premium of $135 per Share on Capital Stock in 1992		100,000	13,500,000
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40	**Total**		**335,752**	**18,838,946**

Name of Respondent Duke Energy Kentucky, Inc	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

Other Paid-In Capital (Accounts 208-211)

1. Report below the balance at the end of the year and the information specified below for the respective other paid-in capital accounts. Provide a subheading for each account and show a total for the account, as well as a total of all accounts for reconciliation with the balance sheet, page 112. Explain changes made in any account during the year and give the accounting entries effecting such change.

(a) Donations Received from Stockholders (Account 208) - State amount and briefly explain the origin and purpose of each donation.

(b) Reduction in Par or Stated Value of Capital Stock (Account 209) - State amount and briefly explain the capital changes that gave rise to amounts reported under this caption including identification with the class and series of stock to which related.

(c) Gain or Resale or Cancellation of Reacquired Capital Stock (Account 210) - Report balance at beginning of year, credits, debits, and balance at end of year with a designation of the nature of each credit and debit identified by the class and series of stock to which related.

(d) Miscellaneous Paid-In Capital (Account 211) - Classify amounts included in this account according to captions that, together with brief explanations, disclose the general nature of the transactions that gave rise to the reported amounts.

Line No	Item (a)	Amount (b)
1	Account 208 Donations Received from Stockholders	
2	Balance - Beginning of Year	148,811,383
3		
4		
5		
6		
7	Subtotal Balance - End of Year	148,811,383
8		
9		
10	Account 211 - *Miscellaneous Paid-in Capital*	
11	Balance - Beginning of Year (Sharesaver)	(156,194)
12		
13	Subtotal Balance - End of Year (Sharesaver)	(156,194)
14		
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40	**Total**	**148,655,189**

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) X An Original (2) _ A Resubmission	/ /	2008/Q4

Securities Issued or Assumed and Securities Refunded or Retired During the Year

1. Furnish a supplemental statement briefly describing security financing and refinancing transactions during the year and the accounting for the securities, discounts, premiums, expenses, and related gains or losses. Identify as to Commission authorization numbers and dates.
2. Provide details showing the full accounting for the total principal amount, par value, or stated value of each class and series of security issued, assumed, retired, or refunded and the accounting for premiums, discounts, expenses, and gains or losses relating to the securities. Set forth the facts of the accounting clearly with regard to redemption premiums, unamortized discounts, expenses, and gain or losses relating to securities retired or refunded, including the accounting for such amounts carried in the respondent's accounts at the date of the refunding or refinancing transactions with respect to securities previously refunded or retired.

3. Include in the identification of each class and series of security, as appropriate, the interest or dividend rate, nominal date of issuance, maturity date, aggregate principal amount, par value or stated value, and number of shares. Give also the issuance of redemption price and name of the principal underwriting firm through which the security transactions were consummated
4. Where the accounting for amounts relating to securities refunded or retired is other than that specified in General Instruction 17 of the Uniform System of Accounts, cite the Commission authorization for the different accounting and state the accounting method.
5. For securities assumed, give the name of the company for which the liability on the securities was assumed as well as details of the transactions whereby the respondent undertook to pay obligations of another company. If any unamortized discount, premiums, expenses, and gains or losses were taken over onto the respondent's books, furnish details of these amounts with amounts relating to refunded securities clearly earmarked.

The following securities were refunded:

Type of Redemption:	Refunding
Series:	2006A Pollution Control Bonds
Issued:	July 26, 2006
Due:	August 1, 2027
Principal:	$50,000,000
Redemption Price:	$50,000,000
Unamortized Expenses:	$ 289,319
(moved to loss on reacqired debt)	

The following securities were issued:

Series:	2008A Pollution Control Bonds
Issued:	December 3, 2008
Due:	August 1, 2027
Principal:	$50,000,000
Unamortized Expenses:	$ 178,560

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Long-Term Debt (Accounts 221, 222, 223, and 224)

1. Report by Balance Sheet Account the details concerning long-term debt included in Account 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt.
2. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.
3. For Advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
4. For receivers' certificates, show in column (a) the name of the court and date of court order under which such certificates were issued.

Line No	Class and Series of Obligation and Name of Stock Exchange (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Outstanding (Total amount outstanding without reduction for amts held by respondent) (d)
1	ACCOUNT 221			
2				
3	UNSECURED DEBENTURES 6.50% DUE IN 2008	04/30/1998	04/30/2008	
4				
5	ACCOUNT 222 & 223-NONE			
6				
7	ACCOUNT 224			
8				
9	UNSECURED DEBENTURES 7.875% DUE IN 2009	09/15/1999	09/15/2009	20,000,000
10	UNSECURED DEBENTURES 5.00% DUE IN 2014	12/06/2004	12/15/2014	40,000,000
11	UNSECURED DEBENTURES 5.75% DUE IN 2016	03/07/2006	03/10/2016	50,000,000
12	UNSECURED DEBENTURES 6.20% DUE IN 2036	03/07/2006	03/10/2036	65,000,000
13	POLLUTION CONTROL BONDS 2006 SER A DUE IN 2027	07/26/2006	08/01/2027	
14	POLLUTION CONTROL BONDS 2008 SER A DUE IN 2027	12/03/2008	08/01/2027	50,000,000
15	POLLUTION CONTROL BONDS 2006 SER B DUE IN 2027	07/26/2006	08/01/2027	26,720,000
16	GAS STORAGE FROM SALE OF TODHUNTER CAVERN(TEPPCO)			851,494
17	LONG TERM NOTES PAYABLE, VARIABLE RATE	09/25/2008		73,517,045
18				
19	SEE FOOTNOTE			
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40	**TOTAL**			326,088,539

Long-Term Debt (Accounts 221, 222, 223, and 224)

5. In a supplemental statement, give explanatory details for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year (b) interest added to principal amount, and (c) principal repaid during year. Give Commission authorization numbers and dates.
6. If the respondent has pledged any of its long-term debt securities, give particulars (details) in a footnote, including name of the pledgee and purpose of the pledge.
7. If the respondent has any long-term securities that have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
8. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (f). Explain in a footnote any difference between the total of column (f) and the total Account 427, Interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.
9. Give details concerning any long-term debt authorized by a regulatory commission but not yet issued.

Line No.	Interest for Year Rate (in %) (e)	Interest for Year Amount (f)	Held by Respondent Reacquired Bonds (Acct 222) (g)	Held by Respondent Sinking and Other Funds (h)	Redemption Price per $100 at End of Year (i)
1					
2					
3	6.500	433,273			0.15
4					
5					
6					
7					
8					
9	7.875	1,575,000			0.25
10	5.000	2,000,000			0.25
11	5.750	2,875,000			0.20
12	6.200	4,030,000			0.20
13		2,580,382			
14		31,169			
15		1,345,587			
16					
17		615,905			
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40		15,486,316			

Schedule Page: 256 Line No.: 3 Column: i

Redemption price of the Debenture is based on the preset value of the future interest and principal payments discounted at a rate equal to the yield of US government securities with a maturity similar to the Debenture plus a certain spread. This spread is presented in Column (i) and is shown as basis points. The calculated Redemption price can never be less than $100.

Schedule Page: 256 Line No.: 9 Column: i

See Footnote for line 3.

Schedule Page: 256 Line No.: 10 Column: i

See Footnote for line 3.

Schedule Page: 256 Line No.: 11 Column: i

See Footnote for line 3.

Schedule Page: 256 Line No.: 12 Column: i

See Footnote for line 3.

Schedule Page: 256 Line No.: 19 Column: a

On April 17, 2007 the Kentucky PSC approved Duke Energy Kentucky long-term financing Case No. 2006-00563 authorizing the issuance of up to $100 million of secured and/or unsecured notes. The authorization will expire on December 31, 2008. On April 29, 2008 the Kentucky PSC approved Case No. 2008-00118 that amends the Company's existing financing authority to include the issuance of tax-exemp bonds. The authorization will expire on December 31, 2008.

Schedule Page: 256 Line No.: 14 Column: a

Pollution Control Bonds Series 2008A were issued under Kentucky PSC authorization case No. 2008-00118.

Schedule Page: 256 Line No.: 17 Column: f

Interest on Long Term Notes Payable was incurred in Account 431-Interest Expense-Other.

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Name of Respondent Duke Energy Kentucky, Inc	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

Unamortized Debt Expense, Premium and Discount on Long-Term Debt (Accounts 181, 225, 226)

1. Report under separate subheadings for Unamortized Debt Expense, Unamortized Premium on Long-Term Debt and Unamortized Discount on Long-Term Debt, details of expense, premium or discount applicable to each class and series of long-term debt.
2. Show premium amounts by enclosing the figures in parentheses.
3. In column (b) show the principal amount of bonds or other long-term debt originally issued.
4. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.

Line No.	Designation of Long-Term Debt (a)	Principal Amount of Debt Issued (b)	Total Expense Premium or Discount (c)	Amortization Period Date From (d)	Amortization Period Date To (e)
1	UNAMORTIZED EXPENSE:				
2	REVOLVING CREDIT FACILITY DUE 2012	73,517,045	33,472	06/28/2007	06/29/2012
3	6.50% UNSECURED DEBENTURES DUE 2008	20,000,000	(221,976)	04/30/1998	04/30/2008
4	7.875% UNSECURED DEBENTURES DUE 2009	20,000,000	170,547	09/15/1999	09/15/2009
5	5.00% UNSECURED DEBENTURES DUE 2014	40,000,000	410,000	12/06/2004	12/15/2014
6	6.20% UNSECURED DEBENTURES DUE 2036	65,000,000	653,550	03/10/2006	03/10/2036
7	5.75% UNSECURED DEBENTURES DUE 2016	50,000,000	390,200	03/10/2006	03/10/2016
8	POLLUTION CONTROL BONDS 2006 SER A DUE 2027	50,000,000	1,758,919	08/02/2006	08/01/2027
9	POLLUTION CONTROL BONDS 2006 SER B DUE 2027	26,720,000	939,966	08/02/2006	08/01/2027
10	POLLUTION CONTROL BONDS 2008 SER A DUE 2027	50,000,000	178,560	12/03/2008	08/01/2027
11					
12	TOTAL ACCOUNT 181	395,237,045	4,313,238		
13					
14	UNAMORTIZED PREMIUM ON LONG-TERM DEBT:				
15					
16					
17	TOTAL ACCOUNT 225 - NONE				
18					
19					
20					
21					
22	UNAMORTIZED DISCOUNT ON LONG-TERM DEBT.				
23					
24					
25					
26	6.50% UNSECURED DEBENTURES DUE 2008	20,000,000	169,400	04/30/1998	04/30/2008
27	7.875% UNSECURED DEBENTURES DUE 2009	20,000,000	51,600	09/15/1999	09/15/2009
28	5.00% UNSECURED DEBENTURES DUE 2014	40,000,000	379,200	12/06/2004	12/15/2014
29	6.20% UNSECURED DEBENTURES DUE 2036	65,000,000	367,900	03/10/2006	03/10/2036
30	5.75% UNSECURED DEBENTURES DUE 2016	50,000,000	30,000	03/10/2006	03/10/2016
31					
32	TOTAL ACCOUNT 226	195,000,000	998,100		
33					
34					
35					
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37					
38					
39					
40					

Name of Respondent Duke Energy Kentucky, Inc	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

Unamortized Debt Expense, Premium and Discount on Long-Term Debt (Accounts 181, 225, 226)

5. Furnish in a footnote details regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts
6. Identify separately undisposed amounts applicable to issues which were redeemed in prior years.
7. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount and Expense, or credited to Account 429, Amortization of Premium on Debt-Credit

Line No	Balance at Beginning of Year (f)	Debits During Year (g)	Credits During Year (h)	Balance at End of Year (i)
1				
2	30,097	3,125	7,360	25.862
3	(7,353)	11,979	4,626	
4	29,835		17,464	12,371
5	284,718		40,928	243,790
6	614,161		21,782	592,379
7	319,668		39,004	280,664
8	1,640,316		1,640,316	
9	876,585		695,414	181,171
10		295,109		295,109
11				
12	3,788,027	310,213	2,466,894	1,631,346
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26	5,646		4,234	1,412
27	8,811		5,158	3,653
28	263,329		37,853	225,476
29	345,727		12,262	333,465
30	24,577		2,999	21,578
31				
32	648,090		62,506	585,584
33				
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40				

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

Unamortized Loss and Gain on Reacquired Debt (Accounts 189, 257)

1. Report under separate subheadings for Unamortized Loss and Unamortized Gain on Reacquired Debt, details of gain and loss, including maturity date, on reacquisition applicable to each class and series of long-term debt. If gain or loss resulted from a refunding transaction, include also the maturity date of the new issue.
2. In column (c) show the principal amount of bonds or other long-term debt reacquired.
3. In column (d) show the net gain or net loss realized on each debt reacquisition as computed in accordance with General Instruction 17 of the Uniform Systems of Accounts.
4. Show loss amounts by enclosing the figures in parentheses.
5. Explain in a footnote any debits and credits other than amortization debited to Account 428.1, Amortization of Loss on Reacquired Debt, or credited to Account 429.1, Amortization of Gain on Reacquired Debt-Credit.

Line No	Designation of Long-Term Debt (a)	Date Reacquired (b)	Principal of Debt Reacquired (c)	Net Gain or Loss (d)	Balance at Beginning of Year (e)	Balance at End of Year (f)
1	10-1/4% SERIES	06/01/1995	15,000,000	(925,479)	487,677	448,401
2	9.7% SERIES	09/01/1995	20,000,000	(1,596,748)	770,454	703,458
3	10-1/4% SERIES	02/15/1996	15,000,000	(917,675)	482,349	444,885
4	9.5% SERIES	05/01/1996	10,000,000	(464,850)	34,551	
5	7.65% SERIES	04/06/2006	15,000,000	(1,230,503)	1,121,302	1,057,380
6	5.5% SERIES	09/01/2006	48,000,000	(669,996)	618,458	579,804
7	1985A Floating	09/01/2006	16,000,000	(115,521)	93,252	76,550
8	6.5% SERIES	09/01/2006	12,720,663	(73,931)	67,850	63,289
9	2006A SERIES	12/26/2008	50,000,000	(289,319)		289,319
10	TOTAL 189		201,720,663	(6,284,022)	3,675,893	3,663,086
11						
12	TOTAL 257					
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Reconciliation of Reported Net Income with Taxable Income for Feder Income Taxes

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal Income Tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.
2. If the utility is a member of a group that files consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignments, or sharing of the consolidated tax among the group members.

Line No.	Details (a)	Amount (b)
1	Net Income for the Year (Page 116)	37,481,052
2	Reconciling Items for the Year	
3		
4	Taxable Income Not Reported on Books	
5	Contributions In Aid Of Construction	529,109
6		
7		
8	TOTAL	529,109
9	Deductions Recorded on Books Not Deducted for Return	
10	See Footnote For Details	47,332,662
11		
12		
13	TOTAL	47,332,662
14	Income Recorded on Books Not Included in Return	
15	Allowance For Funds Used During Construction	1,621,942
16	Amortization Of Investment Tax Credits	776,891
17		
18	TOTAL	2,398,833
19	Deductions on Return Not Charged Against Book Income	
20	See Footnote For Details	55,901,539
21		
22		
23		
24		
25		
26	TOTAL	55,901,539
27	Federal Tax Net Income	27,042,451
28	Show Computation of Tax:	
29		
30	Tax At 35% Of Federal Tax Net Income Of 27,042,451	9,464,858
31	Plus: Prior Period Adjustments - FIT	1,510,971
32	Less: Service Company Taxes Allocated	5,960
33	Less: Adjustments Of Current Year Tax Credit	610
34		
35	Tax Of Respondent	10,969,259

Schedule Page: 261 Line No.: 10 Column: b

Deductions Recorded On Books - Not Deducted For Return:

Federal Income Tax Expense	17,522,901
State Income Tax Expense	1,435,522
Tax Interest Capitalized	915,042
Uncollectable Accounts Provision	117,419
Unrecovered Fuel Costs	4,522,998
Vacation Pay Accrual	1,803,527
Leased Meters	769,494
Offsite Gas Storage Costs	9,833,699
Rate Costs	180,003
Asset Retirement Obligation	211,027
Emissions Allowance Trading	8,143,005
Post-Retirement Benefits - FAS 112	311,758
Duke Merger - Timing	891,333
Deferred Expenses - Caleb Project	451,512
Other	223,422
Total	47,332,662

Schedule Page: 261 Line No.: 20 Column: b

Deductions On Return - Not Charged Against Book Income:

Depreciation Deducted In Excess Of Amount Booked	5,382,150
Demand Side Management Costs	3,994,135
Employee Medical & Hospital Adjustment	261,428
Loss On Disposal Of ACRS / MACRS Property	1,784,135
Cost Of Removal Adjustment	241,806
Midwest Storm Damage Accrual	4,912,684
Pension Cost - FAS 87	4,184,576
Post- Retirement Benefits - Life Insurance	5,717,090
Post- Retirement Benefits - Health Care	260,043
Annual Incentive Plan	759,600
Emissions Allowance Deduction	4,451,617
Section 174 Adjustment	1,260,175
Tax Gains & Losses - Wind Storm	5,165,808
Domestic Production Deduction	3,727,426
Regulated Asset/Liability - Cash Flow Hedge	7,014,778
Asset Retirement Obligation	247,162
Regulated Asset - Vacation Pay Accrual	725,003
Non-Cash Overhead Basis Adjustment	735,522
Regulated Asset - Accrued Pension - Post-Retirement Benefits - FAS 158	428,706
Regulated Asset/Liability - Deferred Revenue	4,186,691
Tax Interest Accrual	223,518
Other	237,486
Total	55,901,539

Name of Respondent Duke Energy Kentucky, Inc	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged)

1 Give details of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual or estimated amounts of such taxes are known, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes). Enter the amounts in both columns (d) and (e). The balancing of this
page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b) amounts credited to the portion of prepaid taxes charged to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

Line No.	Kind of Tax (See Instruction 5) (a)	Balance at Beg of Year Taxes Accrued (b)	Balance at Beg of Year Prepaid Taxes (c)
1			
2	FEDERAL TAXES		
3			
4	INCOME	4,698,003	
5	FUEL TAXES	5,980	
6	FEDERAL INSURANCE	51,899	
7	UNEMPLOYMENT		
8			
9			
10	STATE TAXES:		
11			
12	INCOME	2,181,149	
13	FUEL TAXES	59	
14	UNEMPLOYMENT		
15	PROPERTY	3,802,913	
16	SALES & USE TAXES	(113,621)	
17	PUBLIC UTILITIES		340,426
18	FRANCHISE	(28,300)	
19			
20			
21	OTHER TAXES:		
22			
23	PROPERTY	4,220,931	
24			
25			
26			
27			
28			
29			
30			
31			
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39			
	TOTAL	14,819,013	340,426

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged) (continued)

5. If any tax (exclude Federal and State income taxes) covers more than one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a footnote. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Show in columns (i) thru (p) how the taxes accounts were distributed. Show both the utility department and number of account charged. For taxes charged to utility plant, show the number of the appropriate balance sheet plant account or subaccount.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.
10. Items under $250,000 may be grouped.
11. Report in column (q) the applicable effective state income tax rate.

Line No.	Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjustments (f)	Balance at End of Year Taxes Accrued (Account 236) (g)	Balance at End of Year Prepaid Taxes (Included in Acct 165) (h)
1					
2					
3					
4	10,969,259	14,143,144	(124,929)	1,649,047	
5	939	6,919			
6	2,335,373	2,385,050		2,222	
7	24,508	24,508			
8					
9					
10					
11					
12	2,231,740	2,604,013		1,808,876	
13		59			
14	20,948	20,948			
15	674,755	864,406	2,763,434	849,828	
16	82,300	341,970		(373,291)	
17		52,251			392,677
18		37,000		(65,300)	
19					
20					
21					
22					
23	4,335,953	6,158,269	(2,697,363)	5,095,978	
24					
25					
26					
27					
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31					
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39					
TOTAL	20,675,775	26,638,537	(58,858)	8,967,360	392,677

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged)

1. Give details of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual or estimated amounts of such taxes are known, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes). Enter the amounts in both columns (d) and (e) The balancing of this page is not affected by the inclusion of these taxes
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b) amounts credited to the portion of prepaid taxes charged to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained

DISTRIBUTION OF TAXES CHARGED (Show utility department where applicable and account charged.)

Line No.	Electric (Account 408.1, 409.1) (i)	Gas (Account 408.1, 409.1) (j)	Other Utility Dept (Account 408.1, 409.1) (k)	Other Income and Deductions (Account 408.2, 409.2) (l)
1				
2				
3				
4	2,849,808	4,309,239		3,810,212
5	(206)	1,145		
6	1,646,589	503,732		185,052
7	18,047	6,461		
8				
9				
10				
11				
12	549,347	995,366		687,027
13				
14	15,492	5,456		
15	458,126	216,629		
16	8,972	25		73,303
17				
18				
19				
20				
21				
22				
23	3,263,449	1,072,504		
24				
25				
26				
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39				
TOTAL	8,809,624	7,110,557		4,755,594

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged) (continued)

5. If any tax (exclude Federal and State income taxes) covers more than one year, show the required information separately for each tax year, identifying the year in column (a)
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a footnote. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Show in columns (i) thru (p) how the taxes accounts were distributed. Show both the utility department and number of account charged. For taxes charged to utility plant, show the number of the appropriate balance sheet plant account or subaccount.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax
10. Items under $250,000 may be grouped.
11. Report in column (q) the applicable effective state income tax rate

DISTRIBUTION OF TAXES CHARGED (*Show utility department where applicable and account charged.*)

Line No.	Extraordinary Items (Account 409 3) (m)	Other Utility Opn. Income (Account 408.1, 409 1) (n)	Adjustment to Ret Earnings (Account 439) (o)	Other (p)	State/Local Income Tax Rate (q)
1					
2					
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39					
TOTAL					

FOOTNOTE DATA

Schedule Page: 262 Line No.: 4 Column: f

Detail of Adjustments - Page 262 - Column (f)

Line 4: Detail of Federal Income Tax Adjustments

Intercompany Adjustment (124,929)

Line 15: Detail of State Property Tax Adjustments

Intercompany Adjustment 2,763,434

Line 23: Detail of Other Property Tax Adjustments

Intercompany Adjustment (2,697,363)

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Miscellaneous Current and Accrued Liabilities (Account 242)

1. Describe and report the amount of other current and accrued liabilities at the end of year.
2. Minor items (less than $250,000) may be grouped under appropriate title.

Line No.	Item (a)	Balance at End of Year (b)
1	Vacation Entitlement Reserve	2,365,675
2	Retirement Bank Accrual	2,065,380
3	Accrued Salaries and Wages	1,356,000
4	Provision for Incentive Benefit Programs	1,069,194
5	FAS 158 Current Liabilities	287,355
6	Other	183,616
7		
8		
9		
10		
11		
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45	**Total**	7,327,220

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Other Deferred Credits (Account 253)

1. Report below the details called for concerning other deferred credits.
2. For any deferred credit being amortized, show the period of amortization.
3. Minor items (less than $250,000) may be grouped by classes.

Line No.	Description of Other Deferred Credits (a)	Balance at Beginning of Year (b)	Debit Contra Account (c)	Debit Amount (d)	Credits (e)	Balance at End of Year (f)
1	Gas Refunds	(152,469)	191,805	751,526	591,043	(312,952)
2						
3	Supplemental Pension					
4	- Excess Plan	131,488	186,926	9,690	33,138	154,936
5						
6	Pension Cost Adj. FAS 87	9,468,239	186,228	100	22,706,527	32,174,666
7						
8	Pension Cost Adj. DPL Share	86,084	143,186	53,005	2,694,317	2,727,396
9						
10	Tyrone Synfuel Escrow	300,000	242	300,000		
11						
12	Post Retirement Benefits					
13	- Health DPL	(108,008)	143,186	270,412		(378,420)
14						
15	Misc. Deferred Credits and Other	(11,489)	Various	17,850	13,184	(16,155)
16						
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44						
45	**Total**	**9,713,845**		**1,402,583**	**26,038,209**	**34,349,471**

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Accumulated Deferred Income Taxes-Other Property (Account 282)

1 Report the information called for below concerning the respondent's accounting for deferred income taxes relating to property not subject to accelerated amortization.

2 At Other (Specify), include deferrals relating to other income and deductions.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Amounts Debited to Account 410.1 (c)	Amounts Credited to Account 411.1 (d)
1	Account 282			
2	Electric	126,520,198	15,688,980	9,413,618
3	Gas	37,987,446	6,708,468	3,655,015
4	Other (Define) (footnote details)			
5	Total (Enter Total of lines 2 thru 4)	164,507,644	22,397,448	13,068,633
6	Other (Specify) (footnote details)	(2,750,727)		
7	TOTAL Account 282 (Enter Total of lines 5 thr	161,756,917	22,397,448	13,068,633
8	Classification of TOTAL			
9	Federal Income Tax	140,633,346	19,201,654	11,065,958
10	State Income Tax	21,123,571	3,195,794	2,002,675
11	Local Income Tax			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Accumulated Deferred Income Taxes-Other Property (Account 282) (continued)

3. Provide in a footnote a summary of the type and amount of deferred income taxes reported in the beginning-of-year and end-of-year balances for deferred income taxes that the respondent estimates could be included in the development of jurisdictional recourse rates

Line No.	Changes during Year Amounts Debited to Account 410.2 (e)	Changes during Year Amounts Credited to Account 411.2 (f)	Adjustments Debits Acct. No. (g)	Adjustments Debits Amount (h)	Adjustments Credits Account No. (i)	Adjustments Credits Amount (j)	Balance at End of Year (k)
1							
2	71,247	3,647,539			See Note	(562,325)	129,781,593
3	119,533	258,820			See Note	(115,849)	41,017,461
4							
5	190,780	3,906,359				(678,174)	170,799,054
6	337,986						(2,412,741)
7	528,766	3,906,359				(678,174)	168,386,313
8							
9	470,467	3,349,862				(677,339)	146,566,986
10	58,299	556,497				(835)	21,819,327
11							

Schedule Page: 274 Line No.: 2 Column: i

The adjustments affect the following account groups:

146 and 182.

Schedule Page: 274 Line No.: 3 Column: i

The adjustments affect the following account group:

182.

Schedule Page: 274 Line No.: 6 Column: b

Non-Utility Depreciation (2,750,727)

Schedule Page: 274 Line No.: 6 Column: k

Non-Utility Depreciation (2,412,741)

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Accumulated Deferred Income Taxes-Other (Account 283)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to amounts recorded in Account 283
2. At Other (Specify), include deferrals relating to other income and deductions

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Changes During Year Amounts Debited to Account 410 1 (c)	Changes During Year Amounts Credited to Account 411 1 (d)
1	Account 283			
2	Electric	2,333,286	5,135,018	5,715,311
3	Gas	3,403,653	3,964,478	1,416,638
4	Other (Define) (footnote details)			
5	Total (Total of lines 2 thru 4)	5,736,939	9,099,496	7,131,949
6	Other (Specify) (footnote details)			
7	TOTAL Account 283 (Total of lines 5 thru	5,736,939	9,099,496	7,131,949
8	Classification of TOTAL			
9	Federal Income Tax	4,749,080	7,803,506	6,211,856
10	State Income Tax	987,859	1,295,990	920,093
11	Local Income Tax			

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Accumulated Deferred Income Taxes-Other (Account 283) (continued)

3. Provide in a footnote a summary of the type and amount of deferred income taxes reported in the beginning-of-year and end-of-year balances for deferred income taxes that the respondent estimates could be included in the development of jurisdictional recourse rates

Line No	Changes during Year Amounts Debited to Account 410.2 (e)	Changes during Year Amounts Credited to Account 411.2 (f)	Adjustments Debits Acct No (g)	Adjustments Debits Amount (h)	Adjustments Credits Account No (i)	Adjustments Credits Amount (j)	Balance at End of Year (k)
1							
2					See Note	(5,567,156)	7,320,149
3					See Note	(1,604,116)	7,555,609
4							
5						(7,171,272)	14,875,758
6							
7						(7,171,272)	14,875,758
8							
9						(6,173,887)	12,514,617
10						(997,385)	2,361,141
11							

Schedule Page: 276 Line No.: 2 Column: i

The adjustments affect account group 190.

Schedule Page: 276 Line No.: 3 Column: i

The adjustments affect account group 190.

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Other Regulatory Liabilities (Account 254)

1. Report below the details called for concerning other regulatory liabilities which are created through the ratemaking actions of regulatory agencies (and not includable in other amounts)
2. For regulatory liabilities being amortized, show period of amortization in column (a).
3. Minor items (5% of the Balance at End of Year for Account 254 or amounts less than $250,000, whichever is less) may be grouped by classes
4. Provide in a footnote, for each line item, the regulatory citation where the respondent was directed to refund the regulatory liability (e g Commission Order, state commission order, court decision).

Line No.	Description and Purpose of Other Regulatory Liabilities (a)	Balance at Beginning of Current Quarter/Year (b)	Written off during Quarter/Period Account Credited (c)	Written off During Period Amount Refunded (d)	Written off During Period Amount Deemed Non-Refundable (e)	Credits (f)	Balance at End of Current Quarter/Year (g)
1	STATEMENT OF FINANCIAL	1,756,117		34,601,031		34,376,677	1,531,763
2	ACCOUNTING STANDARDS NO. 109.						
3	ACCOUNTING FOR INCOME TAXES						
4							
5	DSM ENERGY EFFICIENCY	773,029		773,029			
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43							
44							
45	**Total**	2,529,146		35,374,060	0	34,376,677	1,531,763

Schedule Page: 278 Line No.: 1 Column: c

Accounts charged are 182.3, 190, 282 & 283

Schedule Page: 278 Line No.: 5 Column: a

DSM Settlement Agreement, Dec 1996

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Gas Operating Revenues

1. Report below natural gas operating revenues for each prescribed account total. The amounts must be consistent with the detailed data on succeeding pages.
2. Revenues in columns (b) and (c) include transition costs from upstream pipelines.
3. Other Revenues in columns (f) and (g) include reservation charges received by the pipeline plus usage charges, less revenues reflected in columns (b) through (e). Include in columns (f) and (g) revenues for Accounts 480-495.

Line No.	Title of Account (a)	Revenues for Transition Costs and Take-or-Pay Amount for Current Year (b)	Revenues for Transition Costs and Take-or-Pay Amount for Previous Year (c)	Revenues for GRI and ACA Amount for Current Year (d)	Revenues for GRI and ACA Amount for Previous Year (e)
1	480 Residential Sales				
2	481 Commercial and Industrial Sales				
3	482 Other Sales to Public Authorities				
4	483 Sales for Resale				
5	484 Interdepartmental Sales				
6	485 Intracompany Transfers				
7	487 Forfeited Discounts				
8	488 Miscellaneous Service Revenues				
9	489.1 Revenues from Transportation of Gas of Others Through Gathering Facilities				
10	489.2 Revenues from Transportation of Gas of Others Through Transmission Facilities				
11	489.3 Revenues from Transportation of Gas of Others Through Distribution Facilities				
12	489.4 Revenues from Storing Gas of Others				
13	490 Sales of Prod. Ext. from Natural Gas				
14	491 Revenues from Natural Gas Proc. by Others				
15	492 Incidental Gasoline and Oil Sales				
16	493 Rent from Gas Property				
17	494 Interdepartmental Rents				
18	495 Other Gas Revenues				
19	Subtotal:				
20	496 (Less) Provision for Rate Refunds				
21	TOTAL:				

Gas Operating Revenues

4. If increases or decreases from previous year are not derived from previously reported figures, explain any inconsistencies in a footnote.
5. On Page 108, include information on major changes during the year, new service, and important rate increases or decreases.
6. Report the revenue from transportation services that are bundled with storage services as transportation service revenue.

Line No	Other Revenues Amount for Current Year (f)	Other Revenues Amount for Previous Year (g)	Total Operating Revenues Amount for Current Year (h)	Total Operating Revenues Amount for Previous Year (i)	Dekatherm of Natural Gas Amount for Current Year (j)	Dekatherm of Natural Gas Amount for Previous Year (k)
1	93,793,581	86,650,321	93,793,581	86,650,321	6,873,389	6,496,479
2	46,223,260	42,964,100	46,223,260	42,964,100	3,737,601	3,681,736
3	6,164,297	5,624,424	6,164,297	5,624,424	512,773	499,834
4						
5	53,843	40,966	53,843	40,966	4,685	3,689
6						
7						
8	555,325	495,594	555,325	495,594		
9						
10	597,526	595,080	597,526	595,080	7,388,961	6,673,451
11	4,362,756	4,257,455	4,362,756	4,257,455	3,092,732	3,050,715
12						
13						
14						
15						
16	34,176	34,176	34,176	34,176		
17						
18	19,406	5,708	19,406	5,708		
19	151,804,170	140,667,824	151,804,170	140,667,824		
20	7,517,628		7,517,628			
21	144,286,542	140,667,824	144,286,542	140,667,824		

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Revenues from Transportation of Gas of Others Through Transmission Facilities (Account 489.2)

1. Report revenues and Dth of gas delivered by Zone of Delivery by Rate Schedule. Total by Zone of Delivery and for all zones. If respondent does not have separate zones, provide totals by rate schedule.
2. Revenues for penalties including penalties for unauthorized overruns must be reported on page 308.
3. Other Revenues in columns (f) and (g) include reservation charges received by the pipeline plus usage charges for transportation and hub services, less revenues reflected in columns (b) through (e).

Line No.	Zone of Delivery, Rate Schedule (a)	Revenues for Transition Costs and Take-or-Pay Amount for Current Year (b)	Revenues for Transition Costs and Take-or-Pay Amount for Previous Year (c)	Revenues for GRI and ACA Amount for Current Year (d)	Revenues for GRI and ACA Amount for Previous Year (e)
1	No-Notice Interstate Transportation Service				
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3					
4					
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Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

Revenues from Transportation of Gas of Others Through Transmission Facilities (Account 489.2)

4. Delivered Dth of gas must not be adjusted for discounting
5. Each incremental rate schedule and each individually certificated rate schedule must be separately reported.
6. Where transportation services are bundled with storage services, report total revenues but only transportation Dth.

Line No.	Other Revenues Amount for Current Year (f)	Other Revenues Amount for Previous Year (g)	Total Operating Revenues Amount for Current Year (h)	Total Operating Revenues Amount for Previous Year (i)	Dekatherm of Natural Gas Amount for Current Year (j)	Dekatherm of Natural Gas Amount for Previous Year (k)
1	597,526	595,080	597,526	595,080	7,388,961	6,673,451
2						
3						
4						
5						
6						
7						
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9						
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24						
25						

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Other Gas Revenues (Account 495)

Report below transactions of $250,000 or more included in Account 495, Other Gas Revenues. Group all transactions below $250,000 in one amount and provide the number of items.

Line No.	Description of Transaction (a)	Amount (in dollars) (b)
1	Commissions on Sale or Distribution of Gas of Others	
2	Compensation for Minor or Incidental Services Provided for Others	
3	Profit or Loss on Sale of Material and Supplies not Ordinarily Purchased for Resale	
4	Sales of Stream, Water, or Electricity, including Sales or Transfers to Other Departments	
5	Miscellaneous Royalties	
6	Revenues from Dehydration and Other Processing of Gas of Others except as provided for in the Instructions to Account 495	
7	Revenues for Right and/or Benefits Received from Others which are Realized Through Research, Development, and Demonstration Ventures	
8	Gains on Settlements of Imbalance Receivables and Payables	
9	Revenues from Penalties earned Pursuant to Tariff Provisions, including Penalties Associated with Cash-out Settlements	
10	Revenues from Shipper Supplied Gas	
11	Other revenues (Specify):	
12	Items under the threshold. (3)	19,406
13		
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27		
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38		
39		
	Total	**19,406**

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

Gas Operation and Maintenance Expenses

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
1	1. PRODUCTION EXPENSES		
2	A. Manufactured Gas Production		
3	Manufactured Gas Production (Submit Supplemental Statement)	266,760	665,849
4	B. Natural Gas Production		
5	B1. Natural Gas Production and Gathering		
6	Operation		
7	750 Operation Supervision and Engineering	0	0
8	751 Production Maps and Records	0	0
9	752 Gas Well Expenses	0	0
10	753 Field Lines Expenses	0	0
11	754 Field Compressor Station Expenses	0	0
12	755 Field Compressor Station Fuel and Power	0	0
13	756 Field Measuring and Regulating Station Expenses	0	0
14	757 Purification Expenses	0	0
15	758 Gas Well Royalties	0	0
16	759 Other Expenses	0	0
17	760 Rents	0	0
18	TOTAL Operation (Total of lines 7 thru 17)	0	0
19	Maintenance		
20	761 Maintenance Supervision and Engineering	0	0
21	762 Maintenance of Structures and Improvements	0	0
22	763 Maintenance of Producing Gas Wells	0	0
23	764 Maintenance of Field Lines	0	0
24	765 Maintenance of Field Compressor Station Equipment	0	0
25	766 Maintenance of Field Measuring and Regulating Station Equipment	0	0
26	767 Maintenance of Purification Equipment	0	0
27	768 Maintenance of Drilling and Cleaning Equipment	0	0
28	769 Maintenance of Other Equipment	0	0
29	TOTAL Maintenance (Total of lines 20 thru 28)	0	0
30	TOTAL Natural Gas Production and Gathering (Total of lines 18 and 29)	0	0

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Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
31	B2. Products Extraction		
32	Operation		
33	770 Operation Supervision and Engineering	0	0
34	771 Operation Labor	0	0
35	772 Gas Shrinkage	0	0
36	773 Fuel	0	0
37	774 Power	0	0
38	775 Materials	0	0
39	776 Operation Supplies and Expenses	0	0
40	777 Gas Processed by Others	0	0
41	778 Royalties on Products Extracted	0	0
42	779 Marketing Expenses	0	0
43	780 Products Purchased for Resale	0	0
44	781 Variation in Products Inventory	0	0
45	(Less) 782 Extracted Products Used by the Utility-Credit	0	0
46	783 Rents	0	0
47	TOTAL Operation (Total of lines 33 thru 46)	0	0
48	Maintenance		
49	784 Maintenance Supervision and Engineering	0	0
50	785 Maintenance of Structures and Improvements	0	0
51	786 Maintenance of Extraction and Refining Equipment	0	0
52	787 Maintenance of Pipe Lines	0	0
53	788 Maintenance of Extracted Products Storage Equipment	0	0
54	789 Maintenance of Compressor Equipment	0	0
55	790 Maintenance of Gas Measuring and Regulating Equipment	0	0
56	791 Maintenance of Other Equipment	0	0
57	TOTAL Maintenance (Total of lines 49 thru 56)	0	0
58	TOTAL Products Extraction (Total of lines 47 and 57)	0	0

Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
59	C. Exploration and Development		
60	Operation		
61	795 Delay Rentals	0	0
62	796 Nonproductive Well Drilling	0	0
63	797 Abandoned Leases	0	0
64	798 Other Exploration	0	0
65	TOTAL Exploration and Development (Total of lines 61 thru 64)	0	0
66	*D. Other Gas Supply Expenses*		
67	Operation		
68	800 Natural Gas Well Head Purchases	0	0
69	800.1 Natural Gas Well Head Purchases, Intracompany Transfers	0	0
70	801 Natural Gas Field Line Purchases	103,103,103	96,810,549
71	802 Natural Gas Gasoline Plant Outlet Purchases	0	0
72	803 Natural Gas Transmission Line Purchases	0	0
73	804 Natural Gas City Gate Purchases	0	0
74	804.1 Liquefied Natural Gas Purchases	0	0
75	805 Other Gas Purchases	3,809,950	0
76	(Less) 805.1 Purchases Gas Cost Adjustments	0	1,879,897
77	TOTAL Purchased Gas (Total of lines 68 thru 76)	106,913,053	94,930,652
78	806 Exchange Gas	0	0
79	Purchased Gas Expenses		
80	807.1 Well Expense-Purchased Gas	0	0
81	807.2 Operation of Purchased Gas Measuring Stations	109,123	82,595
82	807.3 Maintenance of Purchased Gas Measuring Stations	48,671	42,553
83	807.4 Purchased Gas Calculations Expenses	0	0
84	807.5 Other Purchased Gas Expenses	292,722	252,840
85	TOTAL Purchased Gas Expenses (Total of lines 80 thru 84)	450,516	377,988

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Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
86	808.1 Gas Withdrawn from Storage-Debit	0	0
87	(Less) 808.2 Gas Delivered to Storage-Credit	0	0
88	809.1 Withdrawals of Liquefied Natural Gas for Processing-Debit	0	0
89	(Less) 809.2 Deliveries of Natural Gas for Processing-Credit	0	0
90	Gas used in Utility Operation-Credit		
91	810 Gas Used for Compressor Station Fuel-Credit	0	0
92	811 Gas Used for Products Extraction-Credit	0	0
93	812 Gas Used for Other Utility Operations-Credit	0	0
94	TOTAL Gas Used in Utility Operations-Credit (Total of lines 91 thru 93)	0	0
95	813 Other Gas Supply Expenses	0	0
96	TOTAL Other Gas Supply Exp. (Total of lines 77,78,85,86 thru 89,94,95)	107,363,569	95,308,640
97	TOTAL Production Expenses (Total of lines 3, 30, 58, 65, and 96)	107,630,329	95,974,489
98	2. NATURAL GAS STORAGE, TERMINALING AND PROCESSING EXPENSES		
99	A. Underground Storage Expenses		
100	Operation		
101	814 Operation Supervision and Engineering	0	0
102	815 Maps and Records	0	0
103	816 Wells Expenses	0	0
104	817 Lines Expense	0	0
105	818 Compressor Station Expenses	0	0
106	819 Compressor Station Fuel and Power	0	0
107	820 Measuring and Regulating Station Expenses	0	0
108	821 Purification Expenses	0	0
109	822 Exploration and Development	0	0
110	823 Gas Losses	0	0
111	824 Other Expenses	0	0
112	825 Storage Well Royalties	0	0
113	826 Rents	0	0
114	TOTAL Operation (Total of lines of 101 thru 113)	0	0

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Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
115	Maintenance		
116	830 Maintenance Supervision and Engineering	0	0
117	831 Maintenance of Structures and Improvements	0	0
118	832 Maintenance of Reservoirs and Wells	0	0
119	833 Maintenance of Lines	0	0
120	834 Maintenance of Compressor Station Equipment	0	0
121	835 Maintenance of Measuring and Regulating Station Equipment	0	0
122	836 Maintenance of Purification Equipment	0	0
123	837 Maintenance of Other Equipment	0	0
124	TOTAL Maintenance (Total of lines 116 thru 123)	0	0
125	TOTAL Underground Storage Expenses (Total of lines 114 and 124)	0	0
126	B. Other Storage Expenses		
127	Operation		
128	840 Operation Supervision and Engineering	0	0
129	841 Operation Labor and Expenses	0	0
130	842 Rents	0	0
131	842.1 Fuel	0	0
132	842.2 Power	0	0
133	842.3 Gas Losses	0	0
134	TOTAL Operation (Total of lines 128 thru 133)	0	0
135	Maintenance		
136	843.1 Maintenance Supervision and Engineering	0	0
137	843.2 Maintenance of Structures	0	0
138	843.3 Maintenance of Gas Holders	0	0
139	843.4 Maintenance of Purification Equipment	0	0
140	843.5 Maintenance of Liquefaction Equipment	0	0
141	843.6 Maintenance of Vaporizing Equipment	0	0
142	843.7 Maintenance of Compressor Equipment	0	0
143	843.8 Maintenance of Measuring and Regulating Equipment	0	0
144	843.9 Maintenance of Other Equipment	0	0
145	TOTAL Maintenance (Total of lines 136 thru 144)	0	0
146	TOTAL Other Storage Expenses (Total of lines 134 and 145)	0	0

Gas Operation and Maintenance Expenses(continued)

Line No	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
147	C. Liquefied Natural Gas Terminaling and Processing Expenses		
148	Operation		
149	844.1 Operation Supervision and Engineering	0	0
150	844.2 LNG Processing Terminal Labor and Expenses	0	0
151	844.3 Liquefaction Processing Labor and Expenses	0	0
152	844.4 Liquefaction Transportation Labor and Expenses	0	0
153	844.5 Measuring and Regulating Labor and Expenses	0	0
154	844.6 Compressor Station Labor and Expenses	0	0
155	844.7 Communication System Expenses	0	0
156	844.8 System Control and Load Dispatching	0	0
157	845.1 Fuel	0	0
158	845.2 Power	0	0
159	845.3 Rents	0	0
160	845.4 Demurrage Charges	0	0
161	(less) 845.5 Wharfage Receipts-Credit	0	0
162	845.6 Processing Liquefied or Vaporized Gas by Others	0	0
163	846.1 Gas Losses	0	0
164	846.2 Other Expenses	0	0
165	TOTAL Operation (Total of lines 149 thru 164)	0	0
166	Maintenance		
167	847.1 Maintenance Supervision and Engineering	0	0
168	847.2 Maintenance of Structures and Improvements	0	0
169	847.3 Maintenance of LNG Processing Terminal Equipment	0	0
170	847.4 Maintenance of LNG Transportation Equipment	0	0
171	847.5 Maintenance of Measuring and Regulating Equipment	0	0
172	847.6 Maintenance of Compressor Station Equipment	0	0
173	847.7 Maintenance of Communication Equipment	0	0
174	847.8 Maintenance of Other Equipment	0	0
175	TOTAL Maintenance (Total of lines 167 thru 174)	0	0
176	TOTAL Liquefied Nat Gas Terminaling and Proc Exp (Total of lines 165 and 175)	0	0
177	TOTAL Natural Gas Storage (Total of lines 125, 146, and 176)	0	0

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Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
178	3. TRANSMISSION EXPENSES		
179	Operation		
180	850 Operation Supervision and Engineering	0	0
181	851 System Control and Load Dispatching	0	0
182	852 Communication System Expenses	0	0
183	853 Compressor Station Labor and Expenses	0	0
184	854 Gas for Compressor Station Fuel	0	0
185	855 Other Fuel and Power for Compressor Stations	0	0
186	856 Mains Expenses	571	766
187	857 Measuring and Regulating Station Expenses	0	0
188	858 Transmission and Compression of Gas by Others	0	0
189	859 Other Expenses	0	1,237
190	860 Rents	0	0
191	TOTAL Operation (Total of lines 180 thru 190)	571	2,003
192	Maintenance		
193	861 Maintenance Supervision and Engineering	0	0
194	862 Maintenance of Structures and Improvements	0	0
195	863 Maintenance of Mains	0	0
196	864 Maintenance of Compressor Station Equipment	0	0
197	865 Maintenance of Measuring and Regulating Station Equipment	0	0
198	866 Maintenance of Communication Equipment	0	0
199	867 Maintenance of Other Equipment	0	0
200	TOTAL Maintenance (Total of lines 193 thru 199)	0	0
201	TOTAL Transmission Expenses (Total of lines 191 and 200)	571	2,003
202	4. DISTRIBUTION EXPENSES		
203	Operation		
204	870 Operation Supervision and Engineering	120,853	130,588
205	871 Distribution Load Dispatching	130,018	100,787
206	872 Compressor Station Labor and Expenses	0	0
207	873 Compressor Station Fuel and Power	0	0

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Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
208	874 Mains and Services Expenses	1,692,440	1,705,576
209	875 Measuring and Regulating Station Expenses-General	29,086	16,401
210	876 Measuring and Regulating Station Expenses-Industrial	19,008	35,499
211	877 Measuring and Regulating Station Expenses-City Gas Check Station	0	0
212	878 Meter and House Regulator Expenses	21,719	(27,585)
213	879 Customer Installations Expenses	933,054	604,482
214	880 Other Expenses	420,988	840,912
215	881 Rents	387,624	387,624
216	TOTAL Operation (Total of lines 204 thru 215)	3,754,790	3,794,284
217	Maintenance		
218	885 Maintenance Supervision and Engineering	30,601	39,301
219	886 Maintenance of Structures and Improvements	0	0
220	887 Maintenance of Mains	617,174	701,985
221	888 Maintenance of Compressor Station Equipment	0	0
222	889 Maintenance of Measuring and Regulating Station Equipment-General	42,696	64,143
223	890 Maintenance of Meas. and Reg. Station Equipment-Industrial	807	175
224	891 Maintenance of Meas. and Reg. Station Equip-City Gate Check Station	0	0
225	892 Maintenance of Services	685,986	655,185
226	893 Maintenance of Meters and House Regulators	489,199	284,129
227	894 Maintenance of Other Equipment	23,466	19,954
228	TOTAL Maintenance (Total of lines 218 thru 227)	1,889,929	1,764,872
229	TOTAL Distribution Expenses (Total of lines 216 and 228)	5,644,719	5,559,156
230	5. CUSTOMER ACCOUNTS EXPENSES		
231	Operation		
232	901 Supervision	10,072	17,561
233	902 Meter Reading Expenses	658,543	562,531
234	903 Customer Records and Collection Expenses	1,980,829	2,125,486

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Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
235	904 Uncollectible Accounts	1,196,497	1,480,607
236	905 Miscellaneous Customer Accounts Expenses	(14,986)	67,590
237	TOTAL Customer Accounts Expenses (Total of lines 232 thru 236)	3,830,955	4,253,775
238	6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
239	Operation		
240	907 Supervision	0	0
241	908 Customer Assistance Expenses	140,222	293,662
242	909 Informational and Instructional Expenses	0	58,269
243	910 Miscellaneous Customer Service and Informational Expenses	423,124	368,674
244	TOTAL Customer Service and Information Expenses (Total of lines 240 thru 243)	563,346	720,605
245	7. SALES EXPENSES		
246	Operation		
247	911 Supervision	20	53
248	912 Demonstrating and Selling Expenses	0	0
249	913 Advertising Expenses	0	0
250	916 Miscellaneous Sales Expenses	0	0
251	TOTAL Sales Expenses (Total of lines 247 thru 250)	20	53
252	8. ADMINISTRATIVE AND GENERAL EXPENSES		
253	Operation		
254	920 Administrative and General Salaries	2,943,891	4,960,683
255	921 Office Supplies and Expenses	1,818,391	3,114,351
256	(Less) 922 Administrative Expenses Transferred-Credit	(337)	(932)
257	923 Outside Services Employed	1,735,697	1,495,974
258	924 Property Insurance	112,303	359,025
259	925 Injuries and Damages	72,378	(1,759)
260	926 Employee Pensions and Benefits	2,100,968	3,053,157
261	927 Franchise Requirements	163	0
262	928 Regulatory Commission Expenses	583,867	646,947
263	(Less) 929 Duplicate Charges-Credit	341,846	317
264	930.1General Advertising Expenses	0	0
265	930.2Miscellaneous General Expenses	179,731	204,610
266	931 Rents	998,692	1,222,377
267	TOTAL Operation (Total of lines 254 thru 266)	10,204,572	15,055,980
268	Maintenance		
269	932 Maintenance of General Plant	116,087	115,621
270	TOTAL Administrative and General Expenses (Total of lines 267 and 269)	10,320,659	15,171,601
271	TOTAL Gas O&M Expenses (Total of lines 97,177,201,229,237,244,251, and 270)	127,990,599	121,681,682

Schedule Page: 317 Line No.: 3 Column: b

OPERATION:

	2008	2007
710 Supervision & Engineering	$ -	$ -
711 Steam Expenses	7,850	5,579
712 Other Power Expenses	5,674	4,084
717 Liquified Petroleum Gas Expense	2,680	10,283
728 Liquified Petroleum Gas	78,042	504,598
735 Misc. Production Expenses	20,387	19,757
736 Rents	67,000	27,917
Total Operation	$181,633	$572,218

MAINTENANCE:

740 Supervision & Engineering	-	-
741 Structures & Improvements	-	-
742 Production Equipment	85,127	93,631
Total Maintenance	85,127	93,631
Total Manufactured Gas Production	$266,760	$665,849

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Miscellaneous General Expenses (Account 930.2)

1. Provide the information requested below on miscellaneous general expenses.
2. For Other Expenses, show the (a) purpose, (b) recipient and (c) amount of such items. List separately amounts of $250,000 or more however, amounts less than $250,000 may be grouped if the number of items of so grouped is shown.

Line No.	Description (a)	Amount (in dollars) (b)
1	Industry association dues.	8,983
2	Experimental and general research expenses	
	a. Gas Research Institute (GRI)	
	b. Other	
3	Publishing and distributing information and reports to stockholders, trustee, registrar, and transfer	
	agent fees and expenses, and other expenses of servicing outstanding securities of the respondent	
4	Other expenses	
5	Business & Service Company Support	129,900
6	Limited Early Retirement Plan Costs-Delayed Cash Amortization	18,168
7	Leased Circuit Charges	16,469
8	Directors' Fees & Expenses	9,779
9	Miscellaneous	(3,568)
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25	**Total**	179,731

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Depreciation, Depletion and Amortization of Gas Plant (Accts 403, 404.1, 404.2, 404.3, 405) (Except Amortization of Acquisition Adjustments)

1. Report in Section A the amounts of depreciation expense, depletion and amortization for the accounts indicated and classified according to the plant functional groups shown
2. Report in Section B, column (b) all depreciable or amortizable plant balances to which rates are applied and show a composite total (If more desirable, report by plant account, subaccount or functional classifications other than those pre-printed in column (a). Indicate in a footnote the manner in which column (b) balances are

Section A. Summary of Depreciation, Depletion, and Amortization Charges

Line No.	Functional Classification (a)	Depreciation Expense (Account 403) (b)	Amortization Expense for Asset Retirement Costs (Account 403.1) (c)	Amortization and Depletion of Producing Natural Gas Land and Land Rights (Account 404.1) (d)	Amortization of Underground Storage Land and Land Rights (Account 404.2) (e)
1	Intangible plant				
2	Production plant, manufactured gas	107,068			
3	Production and gathering plant, natural gas				
4	Products extraction plant				
5	Underground gas storage plant				
6	Other storage plant				
7	Base load LNG terminaling and processing plant				
8	Transmission plant				
9	Distribution plant	7,344,277			
10	General plant				
11	Common plant-gas	192,919			
12	TOTAL	7,644,264			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Depreciation, Depletion and Amortization of Gas Plant (Accts 403, 404.1, 404.2, 404.3, 405) (Except Amortization of Acquisition Adjustments) (continued)

obtained. If average balances are used, state the method of averaging used. For column (c) report available information for each plant functional classification listed in column (a). If composite depreciation accounting is used, report available information called for in columns (b) and (c) on this basis. Where the unit-of-production method is used to determine depreciation charges, show in a footnote any revisions made to estimated gas reserves.

3. If provisions for depreciation were made during the year in addition to depreciation provided by application of reported rates, state in a footnote the amounts and nature of the provisions and the plant items to which related.

Section A. Summary of Depreciation, Depletion, and Amortization Charges

Line No	Amortization of Other Limited-term Gas Plant (Account 404 3) (f)	Amortization of Other Gas Plant (Account 405) (g)	Total (b to g) (h)	Functional Classification (a)
1	41,317		41,317	Intangible plant
2			107,068	Production plant, manufactured gas
3				Production and gathering plant, natural gas
4				Products extraction plant
5				Underground gas storage plant
6				Other storage plant
7				Base load LNG terminaling and processing plant
8				Transmission plant
9			7,344,277	Distribution plant
10	70,794		70,794	General plant
11	521,639		714,558	Common plant-gas
12	633,750		8,278,014	TOTAL

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Depreciation, Depletion and Amortization of Gas Plant (Accts 403, 404.1, 404.2, 404.3, 405) (Except Amortization of Acquisition Adjustments) (continued)

4. Add rows as necessary to completely report all data. Number the additional rows in sequence as 2.01, 2.02, 3.01, 3.02, etc.

Section B. Factors Used in Estimating Depreciation Charges

Line No.	Functional Classification (a)	Plant Bases (in thousands) (b)	Applied Depreciation or Amortization Rates (percent) (c)
1	Production and Gathering Plant		
2	Offshore (footnote details)		
3	Onshore (footnote details)	5,741	1.88
4	Underground Gas Storage Plant (footnote details)		
5	Transmission Plant		
6	Offshore (footnote details)		
7	Onshore (footnote details)		
8	General Plant (footnote details)	1,957	3.60
9	Distribution Plant	335,356	2.27
10	Intangible Plant	464	20.00
11			
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14			
15			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Particulars Concerning Certain Income Deductions and Interest Charges Accounts

Report the information specified below, in the order given, for the respective income deduction and interest charges accounts

(a) Miscellaneous Amortization (Account 425)-Describe the nature of items included in this account, the contra account charged, the total of amortization charges for the year, and the period of amortization.

(b) Miscellaneous Income Deductions-Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2, Life Insurance. 426.3, Penalties, 426.4, Expenditures for Certain Civic, Political and Related Activities; and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less than $250,000 may be grouped by classes within the above accounts.

(c) Interest on Debt to Associated Companies (Account 430)-For each associated company that incurred interest on debt during the year, indicate the amount and interest rate respectively for (a) advances on notes, (b) advances on open account, (c) notes payable, (d) accounts payable, and (e) other debt, and total interest. Explain the nature of other debt on which interest was incurred during the year.

(d) Other Interest Expense (Account 431) - Report details including the amount and interest rate for other interest charges incurred during the year

Line No.	Item (a)	Amount (b)
1	Account 425-Miscellaneous Amortization-None	
2	Total Account 425	
3		
4	Account 426.1-Donations:	
5	Customer Assistance Programs	48,999
6	Items Under Threshold	4,137
7		
8	Account 426.2-Life Insurance-None	
9		
10	Account 426.3-Penalties:	
11	Items Under Threshold	663
12		
13	Account 426.4-Expenditures	
14	Civic, Political and Related Activities	148,001
15		
16	Account 426.5-Other Deductions.	
17	Sale of A/R Fees	1,302,107
18	Items Under Threshold	13,873
19	Total Account 426	1,517,780
20		
21	Account 430-Interest to Debt to Associated Companies:	
22	Moneypool-Duke Energy Kentucky to Cinergy Corp (4.18%)	75,444
23	Moneypool-Duke Energy Kentucky to Service Company (2.38%)	4,941
24	Moneypool-Duke Energy Kentucky to Duke Energy Indiana, Inc. (2.21%)	1,310
25	Moneypool-Duke Energy Kentucky to Duke Energy Ohio (2.44%)	280
26	Moneypool-Duke Energy Kentucky to Duke Power Group Operations (0.35%)	95
27	Total Account 430	82,070
28		
29	Account 431-Other Interest Expense:	
30	Establishment of Interest Reserve	1,052,476
31	Credit Facility	654,024
32	Capital Meter Lease Interest	636,902
33	Customer Service Deposits @ 6% Annum	358,506
34	FIN 48	(93,036)
35	Swap Net Interest	(87,376)

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Particulars Concerning Certain Income Deductions and Interest Charges Accounts (continued)

Line No.	Item (a)	Amount (b)
1	Monthly Lease Interest	7,864
2	Interest-Assigned from Service Company	71,888
3	Bank Fees	30,461
4	Deferred Compensation for Board of Directors	7,460
5	Revolver Fees	7,360
6	Gas Refund/Recon Adj in Accordance with PUCO Rule 28	710
7	Total Account 431	2,647,239
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Regulatory Commission Expenses (Account 928)

1. Report below details of regulatory commission expenses incurred during the current year (or in previous years, if being amortized) relating to formal cases before a regulatory body, or cases in which such a body was a party.
2. In column (b) and (c), indicate whether the expenses were assessed by a regulatory body or were otherwise incurred by the utility.

Line No.	Description (Furnish name of regulatory commission or body, the docket number, and a description of the case.) (a)	Assessed by Regulatory Commission (b)	Expenses of Utility (c)	Total Expenses to Date (d)	Deferred in Account 182.3 at Beginning of Year (e)
1	KPSC Commission Expense				
2	Gas Related	210,181		210,181	
3	Electric Related	522,923		522,923	
4					
5	Midwest Independent System Operator (MISO)				
6	FERC Annual Assessment	190,254		190,254	
7					
8	AMRP Rate Study Case No. 2001-092		32,040	32,040	130,830
9					
10	Kentucky Public Service Commission				
11	Case No. 2005-042				
12	Request for Rate Increase-Gas		51,459	51,459	51,761
13					
14	Kentucky Public Service Commission				
15	Case No. 2006-00172				
16	Request for Rate Increase-Electric		78,336	78,336	136,715
17					
18	2005 Merger Transaction Costs				
19	Case No. 2005-00228				
20	Gas Related		290,187	290,187	
21	Electric Related		870,561	870,561	3,278,385
22					
23	Kentucky Public Service Commission				
24	Case No. 2003-00252				

Name of Respondent Duke Energy Kentucky, Inc	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

Regulatory Commission Expenses (Account 928)

3. Show in column (k) any expenses incurred in prior years that are being amortized. List in column (a) the period of amortization
4. Identify separately all annual charge adjustments (ACA).
5. List in column (f), (g), and (h) expenses incurred during year which were charges currently to income, plant, or other accounts
6. Minor items (less than $250,000) may be grouped.

Line No.	Expenses Incurred During Year Charged Currently To Department (f)	Expenses Incurred During Year Charged Currently To Account No. (g)	Expenses Incurred During Year Charged Currently To Amount (h)	Expenses Incurred During Year Deferred to Account 182.3 (i)	Amortized During Year Contra Account (j)	Amortized During Year Amount (k)	Deferred in Account 182.3 End of Year (l)
1							
2	Gas	928	210,181				
3	Electric	928	522,923				
4							
5							
6	Electric	928	190,254				
7							
8	Gas	928	32,040			32,040	98,790
9							
10							
11							
12	Gas	928	51,459			51,459	302
13							
14							
15							
16	Electric	928	78,336			78,336	58,379
17							
18							
19							
20	Gas	928	290,187			290,187	
21	Electric	928	870,561	201,351		870,561	2,318,988
22							
23							
24							

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Regulatory Commission Expenses (Account 928) (continued)

Line No	Description (Furnish name of regulatory commission or body, the docket number, and a description of the case) (a)	Assessed by Regulatory Commission (b)	Expenses of Utility (c)	Total Expenses to Date (d)	Deferred in Account 182 3 at Beginning of Year (e)
1	Request to move Assets from CGE to ULHP		451,512	451,512	903,036
2					
3					
4					
5					
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24					
25	**Total**	923,358	1,774,095	2,697,453	4,500,727

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

Regulatory Commission Expenses (Account 928) (continued)

Line No.	Expenses Incurred During Year Charged Currently To Department (f)	Expenses Incurred During Year Charged Currently To Account No (g)	Expenses Incurred During Year Charged Currently To Amount (h)	Expenses Incurred During Year Deferred to Account 182.3 (i)	Amortized During Year Contra Account (j)	Amortized During Year Amount (k)	Deferred in Account 182.3 End of Year (l)
1	Electric	928	451,512			451,512	451.524
2							
3							
4							
5							
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23							
24							
25			2,697,453	201,351		1,774,095	2,927,983

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Employee Pensions and Benefits (Account 926)

1. Report below the items contained in Account 926, Employee Pensions and Benefits.

Line No.	Expense (a)	Amount (b)
1	Pensions – defined benefit plans	181,842
2	Pensions – other	44,893
3	Post-retirement benefits other than pensions (PBOP)	(454,593)
4	Post- employment benefit plans	11,330
5	Other (Specify)	
6	Medical and Dental	592,939
7	Vacation Carryover	90,780
8	Life Insurance	8,447
9	Service/Safety Award	4,153
10	Other Work/Family Benefits/Tuition	1,224
11	MSA/DCSA Fees	313
12	Benefits Distribution	(307,733)
13	Other	(135,692)
14		
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	Total	**37,903**

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) X An Original (2) _ A Resubmission	/ /	2008/Q4

FOOTNOTE DATA

Schedule Page: 352 Line No.: 13 Column: a

Other expenses credit is primarily due to decrease in executive savings plan phantom investments.

Schedule Page: 352 Line No.: 12 Column: a

Includes allocated benefits from DE Kentucky, DE Ohio and Service Company through a system generated journal entry that adds a loaded percentage for benefits to all labor charged to DE Kentucky with an offset to the 926 account on the originating entity.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Distribution of Salaries and Wages

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals and Other Accounts, and enter such amounts in the appropriate lines and columns provided. Salaries and wages billed to the Respondent by an affiliated company must be assigned to the particular operating function(s) relating to the expenses.

In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used. When reporting detail of other accounts, enter as many rows as necessary numbered sequentially starting with 75.01, 75.02, etc.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Payroll Billed by Affiliated Companies (c)	Allocation of Payroll Charged for Clearing Accounts (d)	Total (e)
1	Electric				
2	Operation				
3	Production	3,789,721	3,223,215	(897,294)	6,115,642
4	Transmission	11,497	182,148	(24,777)	168,868
5	Distribution	920,319	993,691	(244,894)	1,669,116
6	Customer Accounts	1,356,025	1,257,399	(334,383)	2,279,041
7	Customer Service and Informational	40,959	371,266	(52,744)	359,481
8	Sales				
9	Administrative and General	25,556	7,125,808	(915,005)	6,236,359
10	TOTAL Operation (Total of lines 3 thru 9)	6,144,077	13,153,527	(2,469,097)	16,828,507
11	Maintenance				
12	Production	2,564,485	2,225,797		4,790,282
13	Transmission	17,048	167,055		184,103
14	Distribution	1,388,907	1,345,339		2,734,246
15	Administrative and General	70	184,640		184,710
16	TOTAL Maintenance (Total of lines 12 thru 15)	3,970,510	3,922,831		7,893,341
17	Total Operation and Maintenance				
18	Production (Total of lines 3 and 12)	6,354,206	5,449,012	(897,294)	10,905,924
19	Transmission (Total of lines 4 and 13)	28,545	349,203	(24,777)	352,971
20	Distribution (Total of lines 5 and 14)	2,309,226	2,339,030	(244,894)	4,403,362
21	Customer Accounts (line 6)	1,356,025	1,257,399	(334,383)	2,279,041
22	Customer Service and Informational (line 7)	40,959	371,266	(52,744)	359,481
23	Sales (line 8)				
24	Administrative and General (Total of lines 9 and 15)	25,626	7,310,448	(915,005)	6,421,069
25	TOTAL Operation and Maintenance (Total of lines 18 thru 24)	10,114,587	17,076,358	(2,469,097)	24,721,848
26	Gas				
27	Operation				
28	Production - Manufactured Gas	46,141	1,152	(1,819)	45,474
29	Production - Natural Gas(Including Exploration and Development)				
30	Other Gas Supply	(14,362)	299,968	(10,984)	274,622
31	Storage, LNG Terminaling and Processing		23		23
32	Transmission		571	(22)	549
33	Distribution	2,024,846	294,433	(89,192)	2,230,087
34	Customer Accounts	752,877	806,614	(59,973)	1,499,518
35	Customer Service and Informational	5,153	264,700	(10,378)	259,475
36	Sales				
37	Administrative and General	(2,198)	2,520,876	(96,861)	2,421,817
38	TOTAL Operation (Total of lines 28 thru 37)	2,812,457	4,188,337	(269,229)	6,731,565
39	Maintenance				
40	Production - Manufactured Gas	146,525	30,907		177,432
41	Production - Natural Gas(Including Exploration and Development)				
42	Other Gas Supply				
43	Storage, LNG Terminaling and Processing				
44	Transmission				
45	Distribution	326,762	372,607		699,369

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Distribution of Salaries and Wages (continued)

Line No	Classification (a)	Direct Payroll Distribution (b)	Payroll Billed by Affiliated Companies (c)	Allocation of Payroll Charged for Clearing Accounts (d)	Total (e)
46	Administrative and General		38,733		38,733
47	TOTAL Maintenance (Total of lines 40 thru 46)	473,287	442,247		915,534
48	Gas (Continued)				
49	Total Operation and Maintenance				
50	Production - Manufactured Gas (Total of lines 28 and 40)	192,666	32,059	(1,819)	222,906
51	Production - Natural Gas (Including Expl. and Dev.)(ll. 29 and 41)				
52	Other Gas Supply (Total of lines 30 and 42)	(14,362)	299,968	(10,984)	274,622
53	Storage, LNG Terminaling and Processing (Total of ll. 31 and 43)		23		23
54	Transmission (Total of lines 32 and 44)		571	(22)	549
55	Distribution (Total of lines 33 and 45)	2,351,608	667,040	(89,192)	2,929,456
56	Customer Accounts (Total of line 34)	752,877	806,614	(59,973)	1,499,518
57	Customer Service and Informational (Total of line 35)	5,153	264,700	(10,378)	259,475
58	Sales (Total of line 36)				
59	Administrative and General (Total of lines 37 and 46)	(2,198)	2,559,609	(96,861)	2,460,550
60	Total Operation and Maintenance (Total of lines 50 thru 59)	3,285,744	4,630,584	(269,229)	7,647,099
61	Other Utility Departments				
62	Operation and Maintenance				
63	TOTAL ALL Utility Dept. (Total of lines 25, 60, and 62)	13,400,331	21,706,942	(2,738,326)	32,368,947
64	Utility Plant				
65	Construction (By Utility Departments)				
66	Electric Plant	2,020,216	3,857,645	(551,781)	5,326,080
67	Gas Plant	1,626,549	1,822,755	(60,499)	3,388,805
68	Other				
69	TOTAL Construction (Total of lines 66 thru 68)	3,646,765	5,680,400	(612,280)	8,714,885
70	Plant Removal (By Utility Departments)				
71	Electric Plant	267,773	134,677		402,450
72	Gas Plant	57,808	8,916		66,724
73	Other				
74	TOTAL Plant Removal (Total of lines 71 thru 73)	325,581	143,593		469,174
75	Other Accounts (Specify) (footnote details)	(148,860)	616,559		467,699
76	TOTAL Other Accounts	(148,860)	616,559		467,699
77	TOTAL SALARIES AND WAGES	17,223,817	28,147,494	(3,350,606)	42,020,705

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) X An Original (2) __ A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2008/Q4

FOOTNOTE DATA

Schedule Page: 354 Line No.: 75 Column: b

Projects for Duke Subsidiaries and Merchandising	$ 8,234
Other Work in Progrss	$288,038
Other Accounts	$171,427

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Charges for Outside Professional and Other Consultative Services

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising,labor relations, and public relations, rendered for the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation partnership, organization of any kind, or individual (other than for services as an employee or for payments made for medical and related services) amounting to more than $250,000, including payments for legislative services. except those which should be reported in Account 426 4 Expenditures for Certain Civic, Political and Related Activities.
(a) Name of person or organization rendering services
(b) Total charges for the year
2. Sum under a description "Other", all of the aforementioned services amounting to $250,000 or less.
3 Total under a description "Total", the total of all of the aforementioned services
4. Charges for outside professional and other consultative services provided by associated (affiliated) companies should be excluded from this schedule and be reported on Page 358, according to the instructions for that schedule.

Line No.	Description (a)	Amount (in dollars) (b)
1	Energy Management & Svcs Corp. - Consultant - Engineering	422,076
2	Jones Lang LaSalle Americas Inc - Consultant - Logistics	312,644
3	Other	656,592
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5	Total	1,391,312
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Transactions with Associated (Affiliated) Companies

1. Report below the information called for concerning all goods or services received from or provided to associated (affiliated) companies amounting to more than $250,000
2. Sum under a description "Other", all of the aforementioned goods and services amounting to $250,000 or less
3. Total under a description "Total", the total of all of the aforementioned goods and services.
4. Where amounts billed to or received from the associated (affiliated) company are based on an allocation process, explain in a footnote the basis of the allocation.

Line No.	Description of the Good or Service (a)	Name of Associated/Affiliated Company (b)	Account(s) Charged or Credited (c)	Amount Charged or Credited (d)
1	Goods or Services Provided by Affiliated Company			
2	Duke Energy Ohio employees provide services for Miami Fort Unit 6 generating station and Woodsdale station	Duke Energy Ohio, Inc	various	8,523,479
3	Duke Energy Ohio employees provide O&M and capital services for the electric transmission and distribution systems	Duke Energy Ohio, Inc	various	9,323,370
4	Duke Energy Ohio employees provide O&M and capital services for the gas distribution system	Duke Energy Ohio, Inc	various	8,426,852
5				
6				
7				
8	Other Goods or Services Provided by Duke Energy Carolinas	Duke Energy Carolinas, LLC	various	86,935
9	Services provided by Duke Energy Shared Services and Duke Energy Business Services (Service Company transactions)	Duke Energy Shared Services, Inc and Duke Energy Business Services, LLC	various	50,568,610
10	Other Goods or Services Provided by Duke Energy Ohio	Duke Energy Ohio, Inc	various	836,248
11	Duke Energy Ohio employees provide services for customer service operations	Duke Energy Ohio, Inc	various	378,375
12	Duke Energy Indiana employees provide O&M and capital services for the gas distribuiton system	Duke Energy Indiana, Inc	various	154,405
13	Other Goods or Services Provided by Duke Energy Indiana	Duke Energy Indiana, Inc	various	636,879
14	Duke Energy Indiana fossil/hydro adjustment	Duke Energy Indiana, Inc	various	(1,044,789)
15				
16	Total			77,890,364
17				
18				
19				
20	Goods or Services Provided for Affiliated Company			
21				
22	DE Kentucky employees provide services to Duke Energy One for equipment installation, T&D construction and maintenance	Duke Energy One	various	27,755
23	DE Kentucky provide services to DE Indiana for admin, training, and support services at various combustion turbine sites	Duke Energy Indiana, Inc	various	915,983
24	DE Kentucky employees provide services to DE Shared Services and DE Business Services (Service Company)	Duke Energy Shared Services, Inc and Duke Energy Business Services, LLC	various	103,581
25	DE Kentucky employees provide O&M and capital services to DE Indiana for the electric T&D systems	Duke Energy Indiana, Inc	various	1,240,156
26	DE Kentucky employees provide O&M and capital services to DE Ohio for the electric T&D systems	Duke Energy Ohio, Inc	various	4,171,365
27	DE Kentucky employees provide O&M and capital services to DE Ohio for the gas distribution systems	Duke Energy Ohio, Inc	various	23,134,941
28	Other goods or services provided by DE Kentucky to DE Ohio	Duke Energy Ohio, Inc	various	(9,761)
29	Other goods or services provided by DE Kentucky to DE Carolinas	Duke Energy Carolinas, LLC	various	(5,879)
30	Other goods or services provided by DE Kentucky to KO Transmission	KO Transmission	various	8,372
31	Other goods or services provided by DE Kentucky to DE Indiana	Duke Energy Indiana, Inc	various	6,688
32				
33	Total			29,593,201
34				
35				
36				

Schedule Page: 358 Line No.: 9 Column: a

When an employee of the Service Company performs services for a Client Company, costs will be directly assigned or distributed or allocated. For allocated services, the allocation method will be on a basis reasonably related to the service perfomed. The Service Company Utility Service Agreement prescribes 23 Service Company functions and approximately 20 allocation methods.

Functions and Allocation Methods:

Information Systems

- Number of Central Processing Unit Seconds Ratio
- Number of Personal Computer Workstations Ratio
- Number of Information Systems Servers Ratio
- Number of Employees Ratio
- Three Factor Formula

Meters

- Number of Customers Ratio

Transportation

- Number of Employees Ratio
- Three Factor Formula

Electric System Maintenance

- Circuit Miles of Electric Transmission Lines Ratio
- Circuit Miles of Electric Distribution Lines Ratio

Marketing and Customer Relations

- Sales Ratio
- Number of Customers Ratio

Electric Transmission & Distribution Engineering & Construction

- Electric Transmission Plant Construction - Expenditures Ratio
- Electric Distribution Plant Construction - Expenditures Ratio

Power Engineering & Construction

- Electric Production Plant Construction - Expenditures Ratio

Human Resources

- Number of Employees Ratio

Materials Management

- Procurement Spending Ratio
- Inventory Ratio

Facilities

- Square Footage Ratio

Accounting

- Three Factor Formula

Power Planning Operations

- Electric Peak Load Ratio
- Weighted Avg of the Circuit Miles of Electric Distribution Lines Ratio and the Electric Peak Load Ratio
- Sales Ratio
- Weighted Avg of the Circuit Miles of Electric Transmission Line Ratio and the Electric Peak Load Ratio
- Generating Unit MW Capacity Ratio

Public Affairs

- Three Factor Formula
- Weighted Avg of the Number of Customers Ratio and Number of Employees Ratio

Legal

- Three Factor Formula

Rates

- Sales Ratio

Finance

- Three Factor Formula

Rights of Way
- Circuit Miles of Electric Transmission Lines Ratio
- Circuit Miles of Electric Distribution Lines Ratio

Internal Auditing
- Three Factor Formula

Environmental, Health and Safety
- Three Factor Formula
- Sales Ratio

Fuels
- Sales Ratio

Investor Relations
- Three Factor Formula

Planning
- Three Factor Formula

Executive
- Three Factor Formula

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2008/Q4

Auxiliary Peaking Facilities

1. Report below auxiliary facilities of the respondent for meeting seasonal peak demands on the respondent's system, such as underground storage projects, liquefied petroleum gas installations, gas liquefaction plants, oil gas sets, etc.
2. For column (c), for underground storage projects, report the delivery capacity on February 1 of the heating season overlapping the year-end for which this report is submitted. For other facilities, report the rated maximum daily delivery capacities.
3. For column (d), include or exclude (as appropriate) the cost of any plant used jointly with another facility on the basis of predominant use, unless the auxiliary peaking facility is a separate plant as contemplated by general instruction 12 of the Uniform System of Accounts.

Line No.	Location of Facility (a)	Type of Facility (b)	Maximum Daily Delivery Capacity of Facility Dth (c)	Cost of Facility (in dollars) (d)	Was Facility Operated on Day of Highest Transmission Peak Delivery?
1	Erlanger (KY)	Liq. Petroleum	20,825	4,852,502	Yes
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Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q4

Gas Account - Natural Gas

1 The purpose of this schedule is to account for the quantity of natural gas received and delivered by the respondent.
2 Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.
3 Enter in column (c) the year to date Dth as reported in the schedules indicated for the items of receipts and deliveries.
4. Enter in column (d) the respective quarter's Dth as reported in the schedules indicated for the items of receipts and deliveries.
5 Indicate in a footnote the quantities of bundled sales and transportation gas and specify the line on which such quantities are listed.
6 If the respondent operates two or more systems which are not interconnected, submit separate pages for this purpose.
7 Indicate by footnote the quantities of gas not subject to Commission regulation which did not incur FERC regulatory costs by showing (1) the local distribution volumes another jurisdictional pipeline delivered to the local distribution company portion of the reporting pipeline (2) the quantities that the reporting pipeline transported or sold through its local distribution facilities or intrastate facilities and which the reporting pipeline received through gathering facilities or intrastate facilities, but not through any of the interstate portion of the reporting pipeline, and (3) the gathering line quantities that were not destined for interstate market or that were not transported through any interstate portion of the reporting pipeline.
8 Indicate in a footnote the specific gas purchase expense account(s) and related to which the aggregate volumes reported on line No. 3 relate.
9. Indicate in a footnote (1) the system supply quantities of gas that are stored by the reporting pipeline, during the reporting year and also reported as sales,transportation and compression volumes by the reporting pipeline during the same reporting year, (2) the system supply quantities of gas that are stored by the reporting pipeline during the reporting year which the reporting pipeline intends to sell or transport in a future reporting year, and (3) contract storage quantities.
10 Also indicate the volumes of pipeline production field sales that are included in both the company's total sales figure and the company's total transportation figure. Add additional information as necessary to the footnotes.

Line No.	Item (a)	Ref. Page No of FERC Form Nos. 2/2-A (b)	Total Amount of Dth Year to Date (c)	Current 3 months Ended Amount of Dth Quarterly Only (d)
01 Name of System.				
2	GAS RECEIVED			
3	Gas Purchases (Accounts 800-805)		11,148,042	
4	Gas of Others Received for Gathering (Account 489.1)	303		
5	Gas of Others Received for Transmission (Account 489.2)	305	7,388,961	
6	Gas of Others Received for Distribution (Account 489.3)	301	3,202,737	
7	Gas of Others Received for Contract Storage (Account 489.4)	307		
8	Exchanged Gas Received from Others (Account 806)	328		
9	Gas Received as Imbalances (Account 806)	328		
10	Receipts of Respondent's Gas Transported by Others (Account 858)	332		
11	Other Gas Withdrawn from Storage (Explain)			
12	Gas Received from Shippers as Compressor Station Fuel			
13	Gas Received from Shippers as Lost and Unaccounted for			
14	Other Receipts (Specify) (footnote details)		15,030	
15	Total Receipts (Total of lines 3 thru 14)		21,754,770	
16	GAS DELIVERED			
17	Gas Sales (Accounts 480-484)		11,128,449	
18	Deliveries of Gas Gathered for Others (Account 489.1)	303		
19	Deliveries of Gas Transported for Others (Account 489.2)	305	7,388,961	
20	Deliveries of Gas Distributed for Others (Account 489.3)	301	3,092,732	
21	Deliveries of Contract Storage Gas (Account 489.4)	307		
22	Exchange Gas Delivered to Others (Account 806)	328		
23	Gas Delivered as Imbalances (Account 806)	328		
24	Deliveries of Gas to Others for Transportation (Account 858)	332		
25	Other Gas Delivered to Storage (Explain)			
26	Gas Used for Compressor Station Fuel	509		
27	Other Deliveries (Specify) (footnote details)		7,506	
28	Total Deliveries (Total of lines 17 thru 27)		21,617,648	
29	GAS UNACCOUNTED FOR			
30	Production System Losses			
31	Gathering System Losses			
32	Transmission System Losses			
33	Distribution System Losses		137,122	
34	Storage System Losses			
35	Other Losses (Specify) (footnote details)			
36	Total Unaccounted For (Total of lines 30 thru 35)		137,122	
37	Total Deliveries & Unaccounted For (Total of lines 28 and 36)		21,754,770	

FOOTNOTE DATA

Schedule Page: 520 Line No.: 14 Column: c

Propane produced from peaking facility, also includes annual invenntory adjustmennt.

Schedule Page: 520 Line No.: 27 Column: c

Company use.