

Volume 2

Duke Energy's
Responses to Attorney
General's First Set of
Data Requests

08-31-09

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**PUBLIC SERVICE
COMMISSION**

**Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009**

AG-DR-01-026

REQUEST:

Please confirm that this Commission has never before accepted the use of a weather-normalized period in a gas rate case of 20 years. If you do not agree, provide the Order.

RESPONSE:

The Commission has never before accepted the use of a 20-year weather normalization methodology in a Duke Energy Kentucky, Inc., gas rate case.

PERSON RESPONSIBLE: Timothy A. Phillips

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-027

REQUEST:

As explained on page 14 of Mr. Phillips' testimony, the operating revenues in this case are based on a 10-year weather normal of 3,604 HDDs, using a base temperature of 59 degree Fahrenheit. This has resulted in pro forma normalized Current Revenues Less Gas Cost Revenue of \$45,741,980, as shown on Schedule M-2.2, page 1 of 7. In this regard, please provide the following information:

- a. A revised Schedule M-2.2, page 1 of 7 showing the Current Revenues Less Gas Cost Revenue dollar amount based on the same 10-year weather normalization approach except using a base temperature of 65 degree Fahrenheit rather than 59 degree Fahrenheit.
- b. Provide the 10-year weather normal HDD level using a base temperature of 65 degree Fahrenheit as compared to the 10-year weather normal of 3,604 HDDS using a base temperature of 59 degree Fahrenheit.
- c. A revised Schedule M-2.2, page 1 of 7 showing the Current Revenues Less Gas Cost Revenue dollar amount based on the use of a 25-year (1984 through 2008) weather normalization using a base temperature of 65 degree Fahrenheit.
- d. A revised Schedule M-2.2, page 1 of 7 showing the Current Revenues Less Gas Cost Revenue dollar amount based on the use of a 30-year (1979 through 2008) weather normalization using a base temperature of 65 degree Fahrenheit.

RESPONSE:

- a. Please see Attachment AG-DR-01-027(a).
- b. 4874
- c. Please see Attachment AG-DR-01-027(c).
- d. Please see Attachment AG-DR-01-027(d).

PERSON RESPONSIBLE: Timothy A. Phillips

DUKE ENERGY KENTUCKY
CASE NO. 2009- 00202
ANNUALIZED TEST YEAR REVENUES AT PROPOSED VS. MOST CURRENT RATES
FOR THE TWELVE MONTHS ENDED JANUARY 31, 2011
(GAS SERVICE)
10 Year Normalized

DATA: ___ BASE PERIOD ___ FORECASTED PERIOD
TYPE OF FILING: ___ ORIGINAL ___ UPDATED ___ REVISED
WORK PAPER REFERENCE NO(S):
12 MOS FORECASTED

SCHEDULE M-2.2
PAGE 1 OF 7
WITNESS:
J. ZIOLKOWSKI

EXCLUDES ALL RIDERS

CURRENT ANNUALIZED

LINE NO.	RATE CODE (A)	CLASS / DESCRIPTION (B)	CUSTOMER BILLS(1) (C)	SALES(2) (D)	MOST CURRENT RATES (J) (\$/MCF)	CURRENT REVENUE LESS GAS COST (K)		% OF REV TO TOTAL LESS GAS COST REVENUE (L)		REVENUE INCR LESS GAS COST REV (F - K) (M)	% INCR IN REV LESS GAS COST REV (M / K) (N)	GAS COST REVENUE(3) (H)	CURRENT TOTAL REVENUE (K + H) (Kt)	TOTAL REVENUE % INCREASE (M / K1) (O)
						(\$)	(%)	(\$)	(%)					
1	SALES SERVICE:													
2	RS	RESIDENTIAL	1,073,044	6,750,866	4.5761	30,892,564	100.00	14,777,535	47.8	50,198,197	18.2	81,090,761	18.2	
3	TOTAL RS		1,073,044	6,750,866	4.5761	30,892,564	67.24	14,777,535	47.8	50,198,197	18.2	81,090,761	18.2	
4	GS	COMMERCIAL	77,136	3,028,816	2.8589	8,659,147	80.45	1,906,273	22.0	22,521,718	6.1	31,180,865	6.1	
5	GS	INDUSTRIAL	2,746	382,449	2.3103	883,572	8.21	118,311	13.4	2,843,820	3.2	3,727,392	3.2	
6	GS	OTH PUB AUTH	4,452	518,696	2.3524	1,220,176	11.34	173,195	14.2	3,856,928	3.4	5,077,104	3.4	
7	TOTAL GS		84,334	3,929,961	2.7387	10,762,895	23.43	2,197,779	20.4	29,222,466	5.5	39,985,361	5.5	
8	TOTAL SALES SERVICE		1,157,378	10,680,827	3.9000	41,655,459	90.66	16,975,314	40.8	79,420,663	14.0	121,076,122	14.0	
9	TRANSPORTATION SERVICE:													
10	FT-LARGE	FIRM TRANSP - LARGE	1,020	1,174,531	2.1447	2,519,047	70.40	180,760	7.2	0	7.2	2,519,047	7.2	
11	IT	INTERRUPTIBLE	288	1,226,624	0.8636	1,059,263	29.60	309,600	29.2	0	29.2	1,059,263	29.2	
12	TOTAL TRANSP SERVICE		1,308	2,401,155	1.4902	3,578,310	7.79	490,360	13.7	0	13.7	3,578,310	13.7	
13	TOTAL THROUGHPUT		1,158,686	13,081,982	3.4577	45,233,769	98.45	17,465,674	38.6	79,420,663	14.0	124,654,432	14.0	
14	MISCELLANEOUS REVENUES:													
15	LATE PAYMENT CHARGES		0	0	0	0	0.00	0	0.0	0	0.0	0	0.0	
16	BAD CHECK CHARGES		0	0	0	10,116	1.42	0	0	0	10,116	10,116	10,116	
17	RECONNECTION CHARGES		0	0	0	21,876	3.08	0	0	0	21,876	21,876	21,876	
18	RENTS		0	0	0	34,176	4.81	0	0	0	34,176	34,176	34,176	
19	INTERDEPARTMENTAL		0	4,552	0	9,528	1.34	0	0	33,848	33,848	43,376	43,376	
20	SPECIAL CONTRACTS		0	0	0	0	0.00	0	0	0	0	0	0	
21	REVENUE TRANSP OF GAS-INTERCO		0	0	0	600,696	84.60	0	0	0	600,696	600,696	600,696	
22	PROVISION FOR RATE REFUNDS		0	0	0	0	0.00	0	0	0	0	0	0	
23	OTHER MISC		0	0	0	33,684	4.74	0	0	0	33,684	33,684	33,684	
24	TOTAL MISCELLANEOUS		0	4,552	0	710,076	1.55	0	0.0	33,848	33,848	743,924	743,924	
25	TOTAL COMPANY		1,158,686	13,086,534	3.5108	45,943,845	100.00	17,465,674	38.0	79,454,511	13.9	125,398,356	13.9	

(1) DETAIL CONTAINED ON SCHEDULES M-2.2, PAGES 2 THROUGH 7.
(2) REFLECTS NORMALIZED VOLUMES.
(3) REFLECTS AVERAGE EXPECTED GAS COST OF \$7.435816/MCF.
8/24/2009 14:55

DUKE ENERGY KENTUCKY
CASE NO. 2009- 00202
ANNUALIZED TEST YEAR REVENUES AT PROPOSED VS. MOST CURRENT RATES
FOR THE TWELVE MONTHS ENDED JANUARY 31, 2011
(GAS SERVICE)
25 Year Normalized

SCHEDULE M-2.2
PAGE 1 OF 7
WITNESS:
J. ZIOLKOWSKI

DATA: ___ BASE PERIOD ___ X ___ FORECASTED PERIOD
TYPE OF FILING: ___ X ___ ORIGINAL ___ UPDATED ___ REVISED
WORK PAPER REFERENCE NO(S):
12 MOS FORECASTED

EXCLUDES ALL RIDERS

CURRENT ANNUALIZED

LINE NO.	RATE CODE (A)	CLASS / DESCRIPTION (B)	CUSTOMER BILLS(1) (C)	SALES(2) (D)	MOST CURRENT RATES (\$/MCF) (J)	CURRENT REVENUE LESS GAS COST REVENUE(4) (K)		% OF REV TO TOTAL LESS GAS COST REVENUE (L) (%)	REVENUE INCR LESS GAS COST REV (F - K) (M)	% INCR IN REV LESS GAS COST REV (M / K) (N) (%)	GAS COST REVENUE(3) (H)	CURRENT TOTAL REVENUE (K + H) (K1)	TOTAL REVENUE INCREASE (M / K1) (O) (%)
						(\$)	(%)						
1	SALES SERVICE:												
2	RS	RESIDENTIAL	1,073,044	6,850,026	4.5485	31,157,192	100.00	14,710,890	47.2	50,935,533	82,092,725	17.9	
3		TOTAL RS	1,073,044	6,850,026	4.5485	31,157,192	67.24	14,710,890	47.2	50,935,533	82,092,725	17.9	
4	GS	COMMERCIAL	77,136	3,070,778	2.8485	8,747,053	80.48	1,913,982	21.9	22,833,740	31,580,793	6.1	
5	GS	INDUSTRIAL	2,746	385,646	2.3085	890,270	8.19	118,898	13.4	2,867,593	3,757,863	3.2	
6	GS	OTH PUB AUTH	4,452	523,797	2.3499	1,230,862	11.33	174,132	14.1	3,894,858	5,125,720	3.4	
7		TOTAL GS	84,334	3,980,221	2.7305	10,868,185	23.45	2,207,012	20.3	29,596,191	40,464,376	5.5	
8		TOTAL SALES SERVICE	1,157,378	10,830,247	3.8804	42,025,377	90.70	16,917,902	40.3	80,531,724	122,557,101	13.8	
9	TRANSPORTATION SERVICE:												
10	FT-LARGE	FIRM TRANSP - LARGE	1,020	1,185,859	2.1412	2,539,112	70.51	182,504	7.2	0	2,539,112	7.2	
11	IT	INTERRUPTIBLE	288	1,230,362	0.8633	1,062,114	29.49	310,543	29.2	0	1,062,114	29.2	
12		TOTAL TRANSP SERVICE	1,308	2,416,221	1.4904	3,601,226	7.77	493,047	13.7	0	3,601,226	13.7	
13		TOTAL THROUGHPUT	1,158,686	13,246,468	3.4444	45,626,603	98.47	17,410,949	38.2	80,531,724	126,158,327	13.8	
14	MISCELLANEOUS REVENUES:												
15	LATE PAYMENT CHARGES		0	0	0	0	0.00	0	0.0	0	0	0.0	
16	BAD CHECK CHARGES		0	0	0	10,116	1.42	0	0	0	10,116	0	
17	RECONNECTION CHARGES		0	0	0	21,876	3.08	0	0	0	21,876	0	
18	RENTS		0	0	0	34,176	4.81	0	0	0	34,176	0	
19	INTERDEPARTMENTAL		0	4,552	0	9,528	1.34	0	0	33,848	43,376	0	
20	SPECIAL CONTRACTS		0	0	0	0	0.00	0	0	0	0	0	
21	REVENUE TRANSF OF GAS-INTERCO		0	0	0	600,696	84.60	0	0	0	600,696	0	
22	PROVISION FOR RATE REFUNDS		0	0	0	0	0.00	0	0	0	0	0	
23	OTHER MISC		0	0	0	33,684	4.74	0	0	0	33,684	0	
24		TOTAL MISCELLANEOUS	0	4,552	0	710,076	1.53	0	0.0	33,848	743,924	0.0	
25		TOTAL COMPANY	1,158,686	13,251,020	3.4968	46,336,679	100.00	17,410,949	37.6	80,565,572	126,902,251	13.7	

(1) DETAIL CONTAINED ON SCHEDULES M-2.2, PAGES 2 THROUGH 7.
(2) REFLECTS NORMALIZED VOLUMES.
(3) REFLECTS AVERAGE EXPECTED GAS COST OF \$7.435816/MCF.
8/24/2009 15:31

DUKE ENERGY KENTUCKY
CASE NO. 2009-00202
ANNUALIZED TEST YEAR REVENUES AT PROPOSED VS. MOST CURRENT RATES
FOR THE TWELVE MONTHS ENDED JANUARY 31, 2011
(GAS SERVICE)
30 Year Normalized

SCHEDULE M-2.2
PAGE 1 OF 7
WITNESS:
J. ZIOLKOWSKI

DATA: ___ BASE PERIOD ___ X ___ FORECASTED PERIOD
TYPE OF FILING: ___ X ___ ORIGINAL ___ UPDATED ___ REVISED
WORK PAPER REFERENCE NO(S):
12 MOS FORECASTED

EXCLUDES ALL RIDERS

CURRENT ANNUALIZED

LINE NO.	RATE CODE (A)	CLASS / DESCRIPTION (B)	CUSTOMER BILLS(1) (C)	SALES(2) (D)	MOST CURRENT RATES (\$/MCF) (E)	CURRENT REVENUE LESS GAS COST (K)		% OF REV TO TOTAL LESS GAS COST (L)		REVENUE INCR LESS GAS COST REV (F - K) (M)		% INCR IN REV LESS GAS COST REV (N)		GAS COST REVENUE(3) (H)	CURRENT TOTAL REVENUE (K + H) (K1)	TOTAL REVENUE INCREASE (M / K1) (O)
						REVENUE (K)	REVENUE LESS GAS COST (K)	REVENUE (L)	REVENUE LESS GAS COST REV (M)	% INCR IN REV LESS GAS COST REV (N)	% INCR IN REV LESS GAS COST REV (N)	REVENUE (\$)	REVENUE (\$)			
1		SALES SERVICE: RESIDENTIAL	1,073,044	6,947,274	4.5222	31,416,718	100.00	14,645,529	46.6	51,658,651	83,075,369	17.6				
2	RS	TOTAL RS	1,073,044	6,947,274	4.5222	31,416,718	67.25	14,645,529	46.6	51,658,651	83,075,369	17.6				
4	GS	COMMERCIAL	77,136	3,109,213	2.8392	8,827,570	80.50	1,921,043	21.8	23,119,536	31,947,106	6.0				
5	GS	INDUSTRIAL	2,746	389,157	2.3066	897,625	8.19	119,543	13.3	2,893,700	3,791,325	3.2				
6	GS	OTH PUB AUTH	4,452	528,376	2.3477	1,240,455	11.31	174,973	14.1	3,928,907	5,169,362	3.4				
7		TOTAL GS	84,334	4,026,746	2.7232	10,965,650	23.47	2,215,559	20.2	29,942,143	40,907,793	5.4				
8		TOTAL SALES SERVICE	1,157,378	10,974,020	3.8621	42,382,368	90.73	16,861,088	39.8	81,600,794	123,983,162	13.6				
9		TRANSPORTATION SERVICE: FIRM TRANSP - LARGE	1,020	1,196,566	2.1378	2,558,077	70.61	184,152	7.2	0	2,558,077	7.2				
10	IT	INTERRUPTIBLE	288	1,233,581	0.8630	1,064,569	29.39	311,356	29.2	0	1,064,569	29.2				
12		TOTAL TRANSP SERVICE	1,308	2,430,147	1.4907	3,622,646	7.75	495,508	13.7	0	3,622,646	13.7				
13		TOTAL THROUGHPUT	1,158,686	13,404,167	3.4321	46,005,014	98.48	17,356,596	37.7	81,600,794	127,605,808	13.6				
14		MISCELLANEOUS REVENUES:	0	0	0	0	0.00	0	0.0	0	0	0.0				
15		LATE PAYMENT CHARGES	0	0	0	10,116	1.42	0	0	0	10,116	0				
16		BAD CHECK CHARGES	0	0	0	21,876	3.08	0	0	0	21,876	0				
17		RECONNECTION CHARGES	0	0	0	34,176	4.81	0	0	0	34,176	0				
18		RENTS	0	0	0	9,528	1.34	0	0	33,848	43,376	0				
19		INTERDEPARTMENTAL	0	4,552	0	0	0.00	0	0	0	0	0				
20		SPECIAL CONTRACTS	0	0	0	600,696	84.60	0	0	0	600,696	0				
21		REVENUE TRANSP OF GAS-INTERCO	0	0	0	0	0.00	0	0	0	0	0				
22		PROVISION FOR RATE REFUNDS	0	0	0	33,684	4.74	0	0	0	33,684	0				
23		OTHER MISC	0	0	0	710,076	1.52	0	0.0	33,848	743,924	0.0				
24		TOTAL MISCELLANEOUS	0	4,552	0	710,076	1.52	0	0.0	33,848	743,924	0.0				
25		TOTAL COMPANY	1,158,686	13,408,719	3.4839	46,715,090	100.00	17,356,596	37.2	81,634,642	128,349,732	13.5				

(1) DETAIL CONTAINED ON SCHEDULES M-2.2, PAGES 2 THROUGH 7.
(2) REFLECTS NORMALIZED VOLUMES.
(3) REFLECTS AVERAGE EXPECTED GAS COST OF \$7.435816/MCF.
8/24/2009 15:04

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-028

REQUEST:

On page 27, line 11 of his testimony, Mr. Parsons states that the test year includes \$338,344 of uncollectible expense. From the data shown on WPD-2.15a, provide calculations showing the derivation of the test year expense amount of \$338,344.

RESPONSE:

The \$338,344 is the sum of the amounts on line 6 of WPD-2.15a that represent the breakdown of the components of the annualized uncollectible expense.

<u>Description</u>	<u>Amount</u>
Charge-offs	\$ 1,132,779
Collection Costs	61,969
Late Payment Charges	<u>(856,404)</u>
Annualized Uncollectible Expense	<u>\$ 338,344</u>

PERSON RESPONSIBLE: Robert M. Parsons

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-029

REQUEST:

Please provide the Company's actual gas uncollectible expenses booked in account 904 and the percentage ratio to gas revenues subject to uncollectibles in each of the years 2004 through 2008, for the base period and the Forecasted Period.

RESPONSE:

	Billed Gas Revenues	Actual Uncollectible Expense (a)	% Ratio
2004	\$120,662,133	\$1,173,953	0.973%
2005	\$144,321,114	\$ 872,376	0.604%
2006	\$138,846,783	\$1,403,518	1.011%
2007	\$139,367,280	\$1,480,607	1.062%
2008	\$150,940,900	\$1,196,497	0.793%
Base Period	\$127,913,065	\$1,279,385	1.000%
Forecasted Period	\$123,774,598	\$1,403,255	1.134%

(a) Unadjusted.

PERSON RESPONSIBLE: Robert M. Parsons

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-030

REQUEST:

With regard to Regulatory Commission Expenses, please provide a breakout of the Forecasted Period account 928 expenses of \$590,384 by regulatory activity and case number. In addition, provide a similar account 928 expense breakout for the years 2006, 2007 and 2008.

RESPONSE:

Description	2006	2007	2008	Forecasted Period	Case Number
KPSC Maintenance Fees	\$233,915	\$224,039	\$210,181	\$246,844	
Amortization of AMRP Study Costs	32,040	32,040	32,040	32,040	Case No. 2001-00092
Amortization of Merger Transaction Costs	-0-	325,864	290,187	290,184	Case No. 2005-00228
Amortization of Rate Case No. 2005-00042	65,004	65,004	51,459	-0-	Case No. 2005-00042
Other Miscellaneous	23,361	-0-	-0-	21,316	
Total Account 928	\$354,320	\$646,947	\$583,867	\$590,384	

PERSON RESPONSIBLE: Stephen R. Lee

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-031

REQUEST:

Please provide a copy of the relevant Commission Order page allowing the Company to amortize the AMRP study costs of \$320,428 over 10 years.

RESPONSE:

See Attachment AG-DR-01-031. These pages are from the Commission's Order in Case No. 2001-00092.

PERSON RESPONSIBLE: Robert M. Parsons

determine if the expense is specifically for electric or gas operations, before being treated as a common item and allocated to both operations. The Commission advises ULH&P and Cinergy to review their allocation processes and undertake any corrective action that will minimize the occurrence of similar allocation problems in the future.

Rate Case Amortization

ULH&P proposes to increase test-period expenses by \$165,000 to reflect the amortization of its estimated rate case expense of \$495,000 over a 3-year period.⁸⁴ The AG proposes to increase expenses by \$48,896, which reflects different amortization periods for specific expenses that comprise his total allowable rate case expense of \$263,525.⁸⁵ The AG proposes to amortize 50 percent of the expense associated with ULH&P's AMRP study over 10 years. While the AG strongly opposes the AMRP Rider proposal and believes that stockholders would be the primary beneficiaries of the AMRP Rider, the AG is willing to allow a portion of the study expenses associated with the determination of the most appropriate line replacement program to be recovered through rates. The AG proposes to amortize the expense of the depreciation study over 5 years, contending this is an appropriate amortization period. Lastly, the AG proposes that the remaining rate case expenses be amortized over 3 years, consistent with the Commission's previous decisions concerning the amortization of rate case expenses.⁸⁶

⁸⁴ Application Schedule F-6.

⁸⁵ The AG's total is based on actual rate case expenses incurred through July 31, 2001. See Henkes Direct Testimony, Schedule RJH-11.

⁸⁶ Id. at 36-37.

the period the actual line replacement program should be in place. However, the Commission does not agree with the AG's proposal to disallow 50 percent of the study expenses. We find it reasonable to allow ULH&P to recover the total actual expense of the study from ratepayers, based on the expense reported through October 2001.

The Commission agrees with ULH&P that the expense of the depreciation study and the remaining rate case expenses should be amortized over a 3-year period. We believe a 3-year amortization period for the depreciation study is reasonable in this case, given the impact the line replacement program could have on future depreciation analysis and the timing of ULH&P's next rate case, which is discussed later in this Order. Therefore, the Commission will include rate case amortization expenses of \$75,933 for rate-making purposes.⁸⁹

Overtime Expense

During discovery, ULH&P was asked whether it agreed that in order to determine a reasonable, ongoing level of overtime costs for rate-making purposes, one approach would be to base the ongoing level on the mathematical average of the test year and 4 previous calendar years of overtime expense. ULH&P agreed that such an approach would be reasonable for rate-making purposes.⁹⁰ The AG proposes an adjustment to overtime expense, using a historic average ratio approach. The ratio reflects the actual

⁸⁹ The actual expense of the AMRP study through October 2001 is \$320,428; a 10-year amortization of that amount results in an annual amortization expense of \$32,043. The depreciation study expenses and remaining rate case expenses total \$131,670; a 3-year amortization of these expenses results in an annual amortization expense of \$43,890. The sum of \$32,043 and \$43,890 is \$75,933.

⁹⁰ ULH&P's Response to the Commission Staff's Second Data Request dated July 10, 2001, Item 47(c).

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-032

REQUEST:

Please provide any changes that affect the Forecasted Period revenue requirement that should be made to the filing results based on information that has become available since the preparation of the filing.

RESPONSE:

No changes have occurred since the time of the filing that would impact the Forecast Period revenue requirement.

PERSON RESPONSIBLE: Robert M. Parsons

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-033

REQUEST:

With regard to the professional service expenses of \$1,904,139 shown on WPF-5b, please provide the following information:

- a. Provide the actual outside services expenses for each of the years 2006, 2007 and 2008, in total and as broken out in the same format and detail as per WPF-5b.
- b. Explain the nature and purpose of the expense amounts of \$1,072,410 for Contract Services; \$117,296 for Contract Services NLBR; and \$495,456 for Baseload Contract Labor.

RESPONSE:

- a. See Attachment AG-DR-01-033a.
- b. The nature and purpose of each item is described as follows:

Contract Services	<ul style="list-style-type: none">▪ Miscellaneous services provided that bring expertise beyond the capability or availability of Duke Energy Kentucky employees.
Contract Services NLBR	<ul style="list-style-type: none">▪ Specific non-labor Contract Services (ie: IT Hardware, IT Maintenance)
Baseload Contract Labor	<ul style="list-style-type: none">▪ Routine work that is on-going in nature▪ Contract employees typically integrated into existing workforce▪ Routine work that was bid by contractors▪ Typically specified by position descriptions

PERSON RESPONSIBLE: Brenda R. Melendez/Stephen R. Lee

DUKE ENERGY KENTUCKY, INC.
 ACTUAL OUTSIDE SERVICES EXPENSES
 FOR THE YEAR 2006

Line No.	Project / Description	Total	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
1	Legal	0	0	0	0	0	0	0	0	0	0	0	0	0
2	None	0	0	0	0	0	0	0	0	0	0	0	0	0
3	Total Legal Services	0	0	0	0	0	0	0	0	0	0	0	0	0
4														
5	Engineering	0	0	0	0	0	0	0	0	0	0	0	0	0
6	None	0	0	0	0	0	0	0	0	0	0	0	0	0
7	Total Engineering Services	0	0	0	0	0	0	0	0	0	0	0	0	0
8														
9	Accounting	0	0	0	0	0	0	0	0	0	0	0	0	0
10	None	0	0	0	0	0	0	0	0	0	0	0	0	0
11	Total Accounting Services	0	0	0	0	0	0	0	0	0	0	0	0	0
12														
13	Other	0	0	0	0	0	0	0	0	0	0	0	0	0
14	Postage & Freight	0	0	0	0	0	0	0	0	0	0	0	0	0
15	Dues - Deductible	0	0	3	(3)	0	0	0	0	0	0	0	0	0
16	Contract Services	1,028,218	89,044	52,677	127,022	249,230	97,809	44,953	82,377	51,531	53,360	43,229	55,426	81,560
17	Audit Fees	0	0	0	0	0	0	0	0	0	0	0	0	0
18	Contract Emp Exp - 50% Deduct	0	0	0	0	0	0	0	0	0	0	0	0	0
19	Vendor EMP EXP - Deductible	0	0	0	0	0	0	0	0	0	0	0	0	0
20	Contract/Outside Services NLBR	300	24	24	25	25	25	27	49	25	25	25	25	25
21	Consultant	0	0	0	0	0	0	0	0	0	0	0	0	0
22	Baseload Contract Labor	75,844	981	11,296	32,734	(19,935)	6,457	5,179	3,633	9,565	5,929	5,414	7,176	7,414
23	Turnkey Service Contract Labor	0	0	0	0	0	0	0	0	0	0	0	0	0
24	Accounting Entry	(79,742)	(76,795)	1,121	154,717	(10,529)	3,577	33,692	(98,992)	(9,556)	27,159	(127,878)	975	22,767
25	Other - Rounding	50,962	9,760	4,577	2,790	3,562	6,104	3,886	5,740	1,527	1,460	8,156	949	2,451
26	Total Other Services	1,075,581	23,013	69,698	317,285	222,353	113,972	87,736	(7,192)	53,992	87,934	(71,054)	64,526	114,218

DUKE ENERGY KENTUCKY, INC.
 ACTUAL OUTSIDE SERVICES EXPENSES
 FOR THE YEAR 2007

Line No.	Project / Description	Total	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
1	Legal	0	0	0	0	0	0	0	0	0	0	0	0	0
2	None	0	0	0	0	0	0	0	0	0	0	0	0	0
3		0	0	0	0	0	0	0	0	0	0	0	0	0
4	Total Legal Services	0	0	0	0	0	0	0	0	0	0	0	0	0
5	Engineering	0	0	0	0	0	0	0	0	0	0	0	0	0
6	None	0	0	0	0	0	0	0	0	0	0	0	0	0
7	Total Engineering Services	0	0	0	0	0	0	0	0	0	0	0	0	0
8	Accounting	0	0	0	0	0	0	0	0	0	0	0	0	0
9	None	0	0	0	0	0	0	0	0	0	0	0	0	0
10	Total Accounting Services	0	0	0	0	0	0	0	0	0	0	0	0	0
11		0	0	0	0	0	0	0	0	0	0	0	0	0
12		0	0	0	0	0	0	0	0	0	0	0	0	0
13	Other	0	0	0	0	0	0	0	0	0	0	0	0	0
14	Postage & Freight	0	0	0	0	0	0	0	0	0	0	0	0	0
15	Dues - Deductible	0	0	3	(3)	0	0	0	0	0	0	0	0	0
16	Contract Services	510,630	45,210	62,939	63,944	25,233	45,213	63,211	17,222	41,701	42,042	32,894	31,457	39,564
17	Audit Fees	0	0	0	0	0	0	0	0	0	0	0	0	0
18	Contract Emp Exp - 50% Deduct	0	0	0	0	0	0	0	0	0	0	0	0	0
19	Vendor EMP EXP - Deductible	0	0	0	0	0	0	0	0	0	0	0	0	0
20	Contract/Outside Services NLBR	301	34	0	0	0	0	0	0	(34)	0	0	212	89
21	Consultant	0	0	0	0	0	0	0	0	0	0	0	0	0
22	Baseload Contract Labor	172,438	7,455	5,557	8,062	4,933	4,662	7,133	10,316	16,201	7,290	49,952	9,475	41,403
23	Turnkey Service Contract Labor	0	0	0	0	0	0	0	0	0	0	0	0	0
24	Accounting Entry	(132,019)	(29,851)	1,948	16,632	(18,143)	1,947	20,947	(23,478)	(3,035)	20,257	(10,625)	56,218	(164,836)
25	Other - Rounding	943,353	2,439	5,071	1,694	19,948	2,975	3,419	8,033	104,809	206,088	82,310	97,670	408,947
26	Total Other Services	1,494,703	25,287	75,469	90,329	31,971	54,797	94,710	12,092	159,643	275,676	154,531	195,032	325,166

DUKE ENERGY KENTUCKY, INC.
 ACTUAL OUTSIDE SERVICES EXPENSES
 FOR THE YEAR 2008

Line No.	Project / Description	Total	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
1	Legal													
2	None	0	0	0	0	0	0	0	0	0	0	0	0	0
3		0	0	0	0	0	0	0	0	0	0	0	0	0
4	Total Legal Services													
5	Engineering													
6	None	0	0	0	0	0	0	0	0	0	0	0	0	0
7		0	0	0	0	0	0	0	0	0	0	0	0	0
8	Total Engineering Services													
9	Accounting													
10	None	0	0	0	0	0	0	0	0	0	0	0	0	0
11		0	0	0	0	0	0	0	0	0	0	0	0	0
12	Total Accounting Services													
13	Other													
14	Postage & Freight	18	0	0	0	0	0	0	0	0	8	0	0	0
15	Dues - Deductible	(1,258)	6	69	0	1	0	3	69	3	(1,890)	161	158	164
16	Contract Services	860,228	62,798	49,895	87,826	61,725	90,618	61,906	67,722	63,971	55,337	89,154	61,574	107,702
17	Audit Fees	88,142			24,758		(3)	24,758			23,960	(2)	2	14,669
18	Contract Emp Exp - 50% Deduct	236	0	0	0	0	22	0	177	2			35	
19	Vendor EMP EXP - Deductible	14,944	10	193	1,585	1,274	2,481	2,031	13,941	(7,528)	399	(991)	398	1,152
20	Contract/Outside Services NLBR	93,643	101	5,919	9,464	9,486	(1,612)	20,601	3,715	6,076	(472)	2,935	5,666	31,765
21	Consultant	218,546	1,930	18,126	49,743	586	38,627	21,056	(4,073)	16,378	19,836	(1,501)	23,796	34,044
22	Baseload Contract Labor	535,598	14,853	66,935	52,659	41,668	69,010	68,925	23,561	36,783	36,557	35,440	32,171	57,036
23	Turnkey Service Contract Labor	19,500	80	2,734	1,407	1,794	1,464	2,415	3,071	1,578	888	930	843	2,296
24	Accounting Entry	(104,585)	(44,773)	(10,770)	11,715	(14,581)	(13,849)	(10,670)	(3,644)	6,843	(13,825)	(67)	6	(10,971)
25	Other - Rounding	10,685	6,477	(4,353)	1,514	1,596	2,263	(25)	340	359	252	263	1,529	468
26	Total Other Services	1,735,696	41,482	128,748	240,670	103,550	189,022	190,999	104,878	124,465	121,050	126,321	126,188	238,324

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-034

REQUEST:

Please provide more legible copies of Attachments JRA-2 and JRA-3.

RESPONSE:

See Attachment AG-DR-01-034.

PERSON RESPONSIBLE: Jay R. Alvaro

OH/KY Gas Operations
 2009 Leadership Short Term Incentive Plan

Corporate Objectives			
Weight %	Minimum (Payout: 25%)	Target (Payout: 100%)	Maximum (Payout: 200%) Year-End Results Indicate Min, Target, Max Indicate attachments in documentation section
Achieve Corporate EPS			
50%	\$1.13	\$1.20	\$1.28 Year-End Results Indicate Min, Target, Max Indicate attachments in documentation section
Achieve O&M Expense Reduction			
20%	\$60 million	\$100 million	\$140 million
Achieve Reliability Measures			
10%	Results based on composite score of reliability metrics		
80%	Corporate Objectives Aggregate Results:		
Individual or Operational Objectives			
Weight %	Minimum (Payout: 50%)	Target (Payout 100%)	Maximum (Payout 150%) Year-End Results Indicate Min, Target, Max Indicate attachments in documentation section
Objective #1: Safety - Gas Operations			
5%	2.66	1.89	1.79
Objective #2: Reliability - Percent Reduction gas mains and services - leaks repaired			
5%	-8%	-10%	-12%
Objective #3: Customer Satisfaction - Duke Energy Customer Satisfaction - Overall (Operational Measure)			
5%	77.20%	79.50%	83.30%
Objective #4: AMRP Expenditure Target			
5%	2%/-4%	+1.2%	+1.1%
Aggregate for Individual or Operational Objectives:			
20%			
Total Corporate Objectives and Individual or Operational Objectives Aggregate Results:			
100%			

**OH/KY Gas Operations
 2009 Non-Leadership Short Term Incentive Plan**

Corporate Objectives				Year-End Results
Weight %	Minimum (Payout: 25%)	Target (Payout: 100%)	Maximum (Payout: 200%)	Indicate Min, Target, Max Indicate attachments in documentation
Achieve Corporate EPS				
31.25%	\$1.13	\$1.20	\$1.28	Year-End Results Indicate Min, Target, Max Indicate attachments in documentation
Weight %	Minimum (Payout: 50%)	Target (Payout: 100%)	Maximum (Payout: 200%)	Year-End Results Indicate Min, Target, Max Indicate attachments in documentation
Achieve O&M Expense Reduction				
12.50%	\$60 million	\$100 million	\$140 million	Year-End Results Indicate Min, Target, Max Indicate attachments in documentation
Achieve Reliability Measures				
6.25%	Results based on composite score of reliability metrics			
50%	Corporate Objectives Aggregate Results:			
Individual or Operational Objectives				
Weight %	Minimum (Payout: 50%)	Target (Payout: 100%)	Maximum (Payout: 150%)	Year-End Results Indicate Min, Target, Max Indicate attachments in documentation
Objective #1: Safety - Gas Operations				
10%	2.66	1.89	1.79	Year-End Results Indicate Min, Target, Max Indicate attachments in documentation
Weight %	Minimum (Payout: 50%)	Target (Payout: 100%)	Maximum (Payout: 150%)	Year-End Results Indicate Min, Target, Max Indicate attachments in documentation
Objective #2: Reliability - Percent Reduction gas mains and services - leaks repaired				
10%	-8%	-10%	-12%	Year-End Results Indicate Min, Target, Max Indicate attachments in documentation
Weight %	Minimum (Payout: 50%)	Target (Payout: 100%)	Maximum (Payout: 150%)	Year-End Results Indicate Min, Target, Max Indicate attachments in documentation
Objective #3: Customer Satisfaction - Residential Transactional Survey (OH/KY)				
10%	80.80%	81.70%	82.70%	Year-End Results Indicate Min, Target, Max Indicate attachments in documentation
Weight %	Minimum (Payout: 50%)	Target (Payout: 100%)	Maximum (Payout: 150%)	Year-End Results Indicate Min, Target, Max Indicate attachments in documentation
Objective #4: AMRP Expenditure Target				
10%	2%/-4%	+/-2%	+/-1%	Year-End Results Indicate Min, Target, Max Indicate attachments in documentation
Weight %	Minimum (Payout: 50%)	Target (Payout: 100%)	Maximum (Payout: 150%)	Year-End Results Indicate Min, Target, Max Indicate attachments in documentation
Objective #5: O&M				
10%	.5% over budget	budget	2% under budget	Year-End Results Indicate Min, Target, Max Indicate attachments in documentation
50%	Aggregate for Individual or Operational Objectives:			
100%	Total Corporate Objectives and Individual or Operational Objectives Aggregate Results:			

**2009 Employee Incentive Plan (UEIP)
 Mid-West Unions Only**

USWA - Traditional Pension Plan Participants Measure	2% Incentive Potential					
	Targets			Incentive Opportunity		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
EPS	1.13	1.20	1.28	0.50	1.00	2.00

USWA - Cash Balance Pension Plan Participants Measure	5% Incentive Potential					
	Targets			Incentive Opportunity		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
EPS	1.13	1.20	1.28	1.25	2.50	5.00

UWUA - Traditional Pension Plan Participants Measure	2% Incentive Potential					
	Targets			Incentive Opportunity		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
EPS	1.13	1.20	1.28	0.50%	0.750%	1.00%
Safety	4.26	3.18	3.02	0.25%	0.375%	0.50%
Customer Satisfaction	63.7%	65.2%	65.9%	0.25%	0.375%	0.50%

UWUA - Cash Balance Pension Plan Participants Measure	5% Incentive Potential					
	Targets			Incentive Opportunity		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
EPS	1.13	1.20	1.28	0.75%	1.500%	3.00%
Safety	4.26	3.18	3.02	0.50%	0.750%	1.00%
Customer Satisfaction	63.7%	65.2%	65.9%	0.50%	0.750%	1.00%

KyPSC 2009-00202
 Attachment JRA-3
 2 of 2

IBEW 1347 Generation	2% Safety Incentive Potential (1% Station + 1% Combined)					
	Targets (OSHA Recordable Injuries)			Incentive Opportunity		
Plant	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Miami Fort Station (UE1004)	4	3	2	0.50%	0.750%	1.00%
W.C. Beckjord Station (UE1006)	4	3	2	0.50%	0.750%	1.00%
Zimmer Station (UE1005)	4	3	2	0.50%	0.750%	1.00%
East Bend Station (UE1007)	3	2	1	0.50%	0.750%	1.00%
Woodsdale Station (UE1008)	1	0	0	0.50%	0.750%	1.00%
Combined Station	16	11	8	0.50%	0.750%	1.00%
EPS	Level 1 1.13	Level 2 1.20	Level 3 1.28	Level 1 0.50%	Level 2 0.750%	Level 3 1.00%

IBEW 1347 Non-generation Measure	2% Incentive Potential					
	Targets			Incentive Opportunity		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
OSHA Recordable Injuries	5.55	4.92	4.66	0.75%	1.125%	1.50%
Preventable Traffic Accidents	Level 1 26	Level 2 25	Level 3 23	Level 1 0.25%	Level 2 0.375%	Level 3 0.50%
EPS	Level 1 1.13	Level 2 1.20	Level 3 1.28	Level 1 0.50%	Level 2 0.750%	Level 3 1.00%

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-035

REQUEST:

With regard to the test period incentive compensation expenses of \$1,067,821 shown on WPD-2.26a, please provide the following information:

- a. Does the expense amount of \$1,068,821 only include incentive compensation for DE-Ky's employees or does it also include incentive compensation allocated to DE-Ky's from Duke Energy Business Services (DEBS)?
- b. If the former, provide the incentive compensation allocated to DE-Ky from DEBS in the Forecasted Period, in total and broken out as per WPD-2.26a.

RESPONSE:

- a. The \$1,067,821 includes incentive compensation for both Duke Energy Kentucky employees and DEBS employees allocated to Duke Energy Kentucky.
- b. See table below for incentive compensation in total and broken out per WPD-2.26a.

<u>Plan Description</u>	<u>Total</u>	<u>DEK</u>	<u>DEBS</u>
STI – Non Leadership	\$429,003	\$60,967	\$368,036
STI – Leadership	189,162	-0-	189,162
UEIP	123,598	85,487	38,111
Executive LTI	<u>326,058</u>	<u>-0-</u>	<u>326,058</u>
Total	\$1,067,821	\$146,454	\$921,367

PERSON RESPONSIBLE: Jay R. Alvaro / Robert M. Parsons

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-036

REQUEST:

In the same format and detail as the response to AG-1-208 in the prior case, please provide a listing and description of all employee benefits offered to DE-Ky and DEBS employees in the Forecasted Test Period.

RESPONSE:

Duke Energy provides all employees with the following benefits:

- Medical Plan
- Dental Plan
- Life insurance
- Long-Term Disability Plan
- Pension Plan
- Non-qualified Pension Excess Plan (only applicable if reach IRS income cap) – Executive Cash Balance Plan
- 401 (k) Savings Plan
- Flexible Spending Accounts (no expense incurred by the Company)
- Short-Term Disability
- Relocation Assistance
- Discount Vision Program
- Adoption Assistance Program
- Service and Retirement Awards
- Education Assistance Program
- Vacation / Personal Days
- Paid holidays
- Bereavement Leave
- Wellness Program

Certain top management receive the following additional benefits:

- Financial Planning Services
- Executive LTD (additional 16 2/3%)

In addition certain top management executives receive these benefits, subject to Board approval:

401(k) Excess Plan
Executive Savings Plan (ESP)
Non-qualified Deferred Compensation Plan

PERSON RESPONSIBLE: Jay R. Alvaro

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-037

REQUEST:

Schedule C-2.1 shows Account 926 Employee Pension and Benefit expenses of \$2,219,688 for the base period and \$1,243,304 for the Forecasted Period. In this regard, please provide the following information:

- a. Detailed component breakout of these two dollar amounts and an explanation as to why the Forecasted Period expenses are so much lower than the base period expenses.
- b. Actual Account 926 Employee Pension and Benefit expenses, in total and broken out by expense component, for each of the years 2006, 2007 and 2008. In addition, provide explanations for major expense changes from 2007 over 2006, 2008 over 2007 and the base period over 2008.
- c. Provide a reconciliation between the Forecasted Period expenses of \$1,243,304 as compared to the Forecasted Period expenses of \$1,810,173 on Schedule G-1. In addition, provide a component breakout of the expense amount of \$1,810,173.
- d. Provide a reconciliation between the Forecasted Period expenses of \$1,243,304 on Schedule C-2.1 and the Forecasted Period expenses of \$1,810,173 on Schedule G-1 as compared to the Forecasted Period Fringe Benefit O&M expenses of \$878,101 in the response to PSC-1-41, page 2 of 2.

RESPONSE:

- a. See Attachment AG-DR-01-037(a).
- b. See Attachment AG-DR-01-037(b).
- c. The forecasted benefits in Schedule C-2.1 were developed on a line by line expense basis taking cost trends into account. By contrast, the forecasted benefits in Schedule G-1 were developed by taking forecasted labor of \$7,735,785 and assuming that the actual benefit costs equate to the current labor loading rate of 23.4% for Kentucky employees.

<u>Description</u>	<u>Sch. C-2.1</u>	<u>Sch. G-1</u>
Pension (includes OPEB & FAS 112)	449,810	625,825
Employee Savings Plan	181,149	263,790
Medical	592,808	884,200
Other	19,537	36,358
Total Benefits	1,243,304	1,810,173
Labor		7,735,785
Loading Rate		23.40%

- d. Forecasted expenses on PSC 1-41 were based on current and budgeted expenses for the base period with an expected 3% increase in labor for the forecasted period. This forecast was also based solely on Duke Energy Kentucky labor with the assumption that of that labor 32.2% would be allocated to gas operations. The forecasted expenses in both Schedule C-1 and Schedule G-1 also took into account benefits from employees outside of the Duke Energy Kentucky payroll company but with labor charging into Kentucky gas operations into FERC account 0926.

<u>Description</u>	<u>Sch. C-2.1</u>	<u>Sch. G-1</u>	<u>PSC 1-41</u>
Pension (includes OPEB & FAS 112)	449,810	625,825	352,997
Employee Savings Plan	181,149	263,790	116,787
Medical (includes dental)	592,808	884,200	382,852
Other	19,537	36,358	25,465
Total Benefits	1,243,304	1,810,173	878,101

PERSON RESPONSIBLE: David L. Doss, Jr.

Kentucky Gas FERC 0926

	Base Period	Forecasted Period	Variance	
Pension	488,331	263,829	(224,502)	2
Employee Savings Plan	304,097	181,149	(122,948)	3
OPEB	133,181	111,773	(21,408)	
Retiree Medical	2,220	1,741	(479)	
Retiree Dental	-	497	497	
Retiree Life	-	995	995	
Medical	1,132,041	554,887	(577,154)	1
MSA/DCSA	2,220	1,243	(977)	
Dental	46,613	37,921	(8,692)	
Long Term Disability	15,538	13,552	(1,986)	
FAS 112	64,371	54,208	(10,163)	
Safety Awards	11,098	9,698	(1,400)	
Other Work / Family Benefits	6,659	3,481	(3,178)	
Basic Life	13,318	8,330	(4,988)	
Total Benefits	2,219,687	1,243,304	(976,383)	

1. Active medical costs were higher during the base year due to a true-up entry made in the 4th quarter of 2008 to adjust for an underfunded status in the VEBA trust account.

2. Forecast based on actuarially determined 2009 pension expenses which are lower than base period.

3. Base period reflects entry in first quarter 2009 for 401(k) incentive payout company match.

Kentucky Gas FERC 0926

	2006	2007	2008	Base Period
Pension	1,357,551	940,390	526,782	488,331
Employee Savings Plan	228,568	208,750	299,035	304,097
OPEB	554,998	622,685	124,875	133,181
Retiree Medical	-	-	1,687	2,220
Retiree Dental	-	-	506	-
Retiree Life	-	-	983	-
Medical	910,911	1,010,717	925,921	1,132,041
MSA/DCSA	-	-	2,466	2,220
Dental	64,804	47,647	37,673	46,613
Long & Short Term Disability	13,788	8,335	18,986	15,538
FAS 112	87,894	184,820	141,052	64,371
Safety Awards	-	6,260	7,528	11,098
Other Work / Family Benefits	1,471	-	577	6,659
Tuition Reimbursement	3,633	2,961	2,104	-
Basic Life	23,921	13,673	10,255	13,318
AD&D	-	-	528	-
Total Benefits	3,247,538	3,046,239	2,100,960	2,219,687

Variance of \$(201)k from 2006 to 2007 primarily due to a decrease in actuarially determined pension expenses partially offset by increases in active medical expenses and actuarially determined other post employment benefits.

Variance of \$(945)k from 2007 to 2008 primarily due to a decrease in actuarially determined other post employment benefits and pension expenses, and decreases in active medical expenses.

Variance of \$119k from 2008 to the base period primarily due to an increase in active medical expenses partially offset by decreases in actuarially determined pension and FAS 112 benefits.

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-038

REQUEST:

With regard to the Company's Supplemental Executive Retirement Plan (SERP), please provide the following information:

- a. Detailed description of the nature and purpose of the plan.
- b. Description of the workings of this plan (e.g., are the plan awards a function of the achievement of financial goals and parameters, and if so, list these goals and parameters).
- c. Listing of the recipients (titles only) of the benefits awarded under the plan during the Forecasted Period.
- d. SERP expenses included in the Forecasted Period O&M expenses. These SERP expenses should be provided in total and broken out between DE-Ky's "direct" SERP expenses and the SERP expenses allocated from DEBS and/or other affiliates to DE-Ky.

RESPONSE:

The Supplemental Executive Retirement Plan (SERP) is no longer an active plan at Duke Energy.

Duke Energy executives are now eligible to participate in an Excess Pension Plan. This plan follows one or both of the following program formulas: (i) a Traditional Program and (ii) the Duke Account Formula (which, in 2007, replaced the Balanced and Investor Programs). The Traditional Program formula is based on service and final average monthly pay. The Duke Account Formula (and the prior Balanced and Investor Programs) are "cash balance account" formulas.

The Excess Pension Plan, which is a noncontributory, defined benefit retirement plan that is not intended to satisfy the requirements for qualification under Section 401(a) of the Internal Revenue Code of 1986. Benefits earned under the Excess Pension Plan are attributable to: (i) compensation in excess of the annual compensation limit (\$245,000 for 2009) under the Internal Revenue Code of 1986 that applies to the determination of pay credits under the qualified pension plan, (ii) restoration of benefits in excess of a defined benefit plan maximum annual

benefit limit (\$195,000 for 2009) under the Internal Revenue Code of 1986 that applies to the qualified pension plan, and (iii) supplemental benefits granted to certain participants. Generally, benefits vest upon completion of three years of service, and, with certain exceptions, vested benefits generally become payable upon termination of employment with Duke Energy.

For reference purposes, the list below includes active Duke Energy Corporate-wide employees (listed by 2009 title) who currently participate in the Excess Pension Plan. Duke Energy Kentucky is allocated a proportional share of the total plan expense. This list is subject to change for the forecasted period of February 2010 – January 2011.

Asc Gen Consl & Ast Secy	SVP Regulated Fleet Operations
Asc Gen Counsel & Mng Attorney (7)	SVP Retail Customer Svcs
Associate General Counsel (16)	SVP Smart Grid and Cust Sys
Coal Origination Dir	SVP Strategy & Planning
Corp Medical Dir	SVP Tax
DEI VP Mrgrs AcqustnsGovAffrs	SVP Treasurer & Cf Risk Offr
Dir Asset Mgmt	SVP Whse Cust & RegComdtsMgmt
Dir Coal Transp & Logistics	SVP&Chief Sustainability Offr
Dir Financial Trading	SVP, Rates & Regulatory Acctg
Dir Gen Dispatch & Opers (2)	SVP,Comer Policy&Strtgc Intvs
Dir IT Vendor Mgmt Office	SVPSuppChain&CfProcurementOffr
Dir Medical	VP - Federal Regulatory Policy
Dir Origination	VP - Human Resources
Dir Phy Power Trading	VP & Chief Technology Officer
Dir Regulatory Strategy	VP & Proj Dir EAM
Dir Wholesale Actg	VP Analytical&Investment Engg
Dir, DEI Risk Mgmt & Credit	VP Asset Management
Dir, Portfolio Managment	VP Bulk Power Marketing
Dir, State Reg Affairs-SC	VP Business Origination
DirCorpAccountingResearch	VP Call Center Operations
Fed Energy Policy Dir-Wash DC	VP Central Operations
Gen Mgr Federal Tax	VP Cliffside Modern Project
General Manager - Projects (3)	VP Compliance & Integration
GM Cash Mgmt & Ast Treasurer	VP Customer Management
GM Central Operations	VP Deal Stru Anal & Cont Comp
GM Corp Fin Plng & Analysis	VP Engg & Opers
GM Corp Finance & AstTreasurer	VP Envir Health & Safety
GM Corporate Accounting	VP FE&G Business Support
GM Customer Service Systems	VP Fed Policy & Govmt Affairs
GM DE&VP US FE&G Frstg&Bdgtg	VP Field Operations-Carolinas

GM DE,VP Rates-Carolinas	VP Field Operations-Midwest
GM Distribution Design	VP Fleet Services
GM Duke Energy, VP DEI Acctg	VP Gen Opers Non-Regulated
GM Enterprise Protective Svcs	VP Generation Engineering
GM Fin Consolidation&Controls	VP Generation Equipment Svcs
GM Fin PO & Fin IT Support	VP GvnmtAffrs&Foundation Rels
GM Gas Field & Sysys Ops	VP HR Operations
GM Global Risk Mgmt&Insurance	VP Human Resources-FE&G
GM III - Reg Fossil Stations	VP IT Operations
GM Long Term Invest & Ast Trea	VP IT Operations Applications
GM Performance Support-PD	VP Large Bus Customers
GM Reporting & Analysis	VP Legal & Ast Corp Secretary
GM Smart Grid Imp Stra & PIng	VP Legal,Secur&FinRptg&AstSecy
GM Substation Opers & Maint	VP Legal-Commercial Bus Unit
GM Supply Chain (2)	VP Marketing & Bus Dvlmpt
GM Systems Operations	VP Mktg & Energy Efficiency
GM, Financial Plan & Analysis	VP Operations
GM, Gas Commercial Operations	VP Performance Support
Grp Exec & CFO	VP Planning & Integration
Grp Exec&Chief Generation Offr	VP Portfolio Risk Mgmt
GrpExec&Pres-Commer Businesses	VP Power Delivery Engg
GrpExec, Pres & COO of US FEG	VP Regulated CC/CT Ops
GrpExec,ChiefLegalOffr&CorpSec	VP Regulated Fossil Fleet
Managing Dir HR Client Svcs	VP Regulated Fossil New Gen
Managing Dir M&A	VP Regulated Fossil Station (2)
Mngng Dir Business Dvlpmt	VP Regulated Fuels
Mngng Dir Cust Market Analytics	VP Sales & Marketing
Mngng Dir Div Incl & WkfrcStrat	VP Systems Ops
Mngng Dir Emp Rels & Risk Ana	VP Total Rewards
Mngng ExecComp&Ben&Comp Dir	VP Wholesale Management
Mngng Dir Health & Insurance	VP, Business Development
Mngng Dir, IRP & Bus Analytics	VP, Commty Rel & Econ Dvlmpt
Mng Dir Cust Sales & Delivery	VP, EH&S Policy
Mng Dir Environmental	VP, Employee & Labor Relations
Mng Dir IT Client&SecuritySvcs	VP, Office of Nuclear Dvlmpt (2)
Mng Director Nuclear IT	VPAuditSvcs&CfEthicsComplOffr
Portfolio Optimization Mgr	VP-Mergers & Acquisitions
Portfolio Risk Dir	GM Project Accounting
Power Origination Dir	SVP Ohio and Kentucky Gas Oper
Power Trader (3)	SVP & Chief HR Officer

Pres Duke Net Communications	VP Generation Maintenance Svcs
Pres, Office Of Nuclear Dev	SVP Commercial Asset Mgmt
Pres-Duke Energy International	SVP Fin Program Office&Fin IT
Pres-Duke Energy Ohio&Kentucky	GM DE & VP US FE&G Accounting
President- Duke Energy Indiana	Mng Dir Compliance
President, DE Generation Svcs	SVP EHS & Pres Duke Foundation
Special Assignment ER/LR	GM Proj &International Finance
Special Assignment PMO	SVP Business Development-DEGS
Sr Director, Audit	VP Edwardsport IGCC Project
Sr Project Director (2)	VP Real Estate Services
Sr. Originator	VP Smart Energy Systems
SVP & Chief Communication Offr	Sr Director Audit-IT
SVP & Chief Information Officer	GM Travel & Support Svcs
SVP Const & Major Projects	SVP & Controller
SVP Engg & Tech Services	Dir Fin PO & Fin IT
SVP Enterprise Opers Services	VP, Commercial Analytics
SVP Legal, Franchised Elec&Gas	General Manager - Projects
SVP Power Delivery	

See Attachment AG-DR-01-038d for details on non-qualified pension expense.

PERSON RESPONSIBLE: Jay R. Alvaro / David L. Doss, Jr.

Duke Energy Kentucky
 SERP Plan Expense

Base Period (October 2008 - September 2009)

	2009												Total
	October	November	December	January	February	March	April	May	June	July	August	September	
Direct	\$ 1,550	\$ 1,550	\$ 1,550	\$ 1,666	\$ 1,666	\$ 1,666	\$ 1,666	\$ 1,666	\$ 1,666	\$ 1,617	\$ 1,617	\$ 1,617	\$ 19,205
Allocated													
Gas													
SERP	2,106	2,106	2,106	3,108	3,108	3,108	3,108	3,108	3,108	2,931	2,931	2,931	32,695
Excess	2,757	2,757	2,757	3,875	3,875	3,875	3,875	3,875	3,875	(809)	3,095	3,095	36,121
ECBP	1,254	1,254	1,254	1,430	1,430	1,430	1,430	1,430	1,430	1,842	1,842	1,842	20,307

A

Forecasted Test Period (February 2010 through January 2011)

	C		Total
	B 2010	2011	
Direct	\$ 18,133	\$ 1,666	\$ 19,798
Allocated			
Gas			
SERP	30,869	3,019	33,888
Excess	34,104	3,187	37,292
ECBP	19,173	1,898	21,071

Assumptions:

rate of inflation = 3%

Tick explanation:

- A Direct amount reflects true-up of 2009 YTD expense based on final calculation.
- B 2010 reflects eleven months (February through December).
- C 2011 reflects January only.

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-039

REQUEST:

With regard to the Company's 401(k) Excess Plan, please provide the following information:

- a. Detailed description of the nature and purpose of the plan.
- b. Description of the workings of this plan (e.g., are the plan awards a function of the achievement of financial goals and parameters, and if so, list these goals and parameters).
- c. Listing of the recipients (titles only) of the benefits awarded under the plan during the Forecasted Period.
- d. Excess Plan expenses included in the Forecasted Period O&M expenses. These expenses should be provided in total and broken out between DE-Ky's "direct" expenses and the Excess Plan expenses allocated from DEBS and/or other affiliates to DE-Ky.

RESPONSE:

Effective on December 31, 2007, the Cinergy Corp. 401(k) Excess Plan and the Cinergy Corp. Nonqualified Deferred Incentive Compensation Plan (collectively, the "Legacy Cinergy Nonqualified Deferred Compensation Plans") were merged into the Duke Energy Corporation Executive Savings Plan. Prior to this date, (i) under the terms of the Cinergy Corp. 401(k) Excess Plan, participants could elect to defer a portion of their base salary and receive a company matching contribution in excess of the contribution limits prescribed by the Internal Revenue Code of 1986 under the Cinergy Corp. Non-Union Employees' 401(k) Plan, and (ii) under the terms of the Cinergy Corp. Nonqualified Deferred Incentive Compensation Plan, participants could defer a portion of their annual bonus. Effective upon the plan merger, all benefits previously earned under the Legacy Cinergy Nonqualified Deferred Compensation Plans were transferred to and became payable under the terms of the Duke Energy Corporation Executive Savings Plan.

The Duke Energy Corporation Executive Savings Plan is offered to a select group of management. The plan enables these employees to defer compensation, and receive employer matching contributions, in excess of the limits of the Internal Revenue Code of 1986 that apply to qualified retirement plans such as the Duke Energy Retirement Savings Plan. Earnings on amounts credited to the Duke Energy Corporation Executive Savings Plan are determined by reference to investment options that are generally similar to those offered under the Duke Energy Retirement Savings Plan.

Employees are generally eligible to participate in the Duke Energy Corporation Executive Savings Plan if their expected annual base pay and target short-term incentive exceeds the IRS compensation limit. Participation is reviewed annually. The list below includes individuals (listed by 2009 title) who were eligible to participate in the Duke Energy Corporation Executive Savings Plan. Duke Energy Kentucky is allocated a proportional share of the total plan expense. This list is subject to change for the forecasted period of Feb 2010 – January 2011.

Asc Gen Consl & Ast Secy	SVP Retail Customer Services
Asc Gen Counsel & Mng Attorney (8)	SVP Smart Grid and Cust Sys
Associate General Counsel (11)	SVP Strategy & Planning
Chief Compliance Officer & VP Audit Services	SVP Tax
Corp Medical Dir	SVP Wholesale Customers & Regulated Commodity Mgmt
Dir Medical	SVP&Chief Sustainability Offr
DirCorpAccountingResearch	SVP, Fincl Re-Engg & Fin Info
Gen Mgr Federal Tax	SVP, Rates & Regulatory Acctg
GM Cash Mgmt & Ast Treasurer	SVP,Federal Gov't&Reg Affairs
GM Corp Fin Plng & Analysis	Vice President Labor Relations
GM Corp Finance & AstTreasurer	VP - Federal Regulatory Policy
GM DE & VP US FE&G Accounting	VP - Human Resources
GM DE&VP US FE&G Frcstg&Bdgtg	VP & Chief Technology Officer
GM DE, VP Non-Regulated Acctg	VP & Proj Dir EAM
GM DE,VP Rates-Carolinas	VP & Treasurer
GM Deal Structuring & Analysis	VP Asset Management
GM Duke Energy, VP DEI Acctg	VP Bulk Power Marketing
GM Fin Consolidation&Controls	VP Bus Dvlmpt & Origination
GM Global Risk Mgmt&Insurance	VP Bus Rel and Econ Devel
GM Long Term Invest & Ast Trea	VP Business Origination
GM Supply Chain	VP Central Operations
Grp Exec & CFO	VP Cliffside Modern Project
GrpExec & Chief Admin Offr	VP Corporate Human Resources

GrpExec & Chief Legal Officer	VP Edwardsport IGCC Project
GrpExec& Chief Nuclear Offr	VP Energy Efficiency
GrpExec&ChfStrat,&Pol&RegOffr	VP Envir Health & Safety
GrpExec&Pres-Commer Businesses	VP FE&G Business Support
GrpExec, Pres & COO of US FEG	VP Fed Policy & Govmt Affairs
Managing Dir M&A (2)	VP Field Operations-Carolinas
Mgng Dir Integ Resource Plng	VP Field Operations-Midwest
Pres - Office of Nuclear Development	VP Fleet Services
Pres Duke Net Communications	VP Generation Engineering
Pres, Duke Energy Ohio & Kentucky	VP Generation Equipment Svcs
Pres-Duke Energy International	VP IT Operations
President- Duke Energy Indiana	VP IT Operations Applications
President, DE Generation Svcs	VP Legal, Exec Comp & Benefits
Sr Director Audit-IT	VP Legal,Secur&FinRptg&AstSecy
SVP & Chief Communication Offr	VP Legal-Commercial Bus Unit
SVP & Chief HR Officer	VP Marketing & Bus Dvlmpt
SVP & Chief Information Officer	VP Operations
SVP & Chief Procurement Officer	VP Performance Support
SVP & Controller	VP Portfolio Risk Mgmt
SVP Business Development-DEGS	VP Power Delivery Engg
SVP Commercial Asset Mgmt	VP Real Estate Services
SVP Commercial Strategy	VP Regulated CC/CT Ops
SVP Const & Major Projects	VP Regulated Fossil Fleet
SVP Engg & Tech Services	VP Regulated Fossil Station
SVP Enterprise Field Services	VP Regulated Fuels
SVP Enterprise Opers Services	VP Smart Energy Systems
SVP Inv Relations & Finl Plng	VP Special Projects
SVP Legal, Corp Legal Services	VP, Business Development (2)
SVP Ohio and Kentucky Gas Oper	VP, Commercial Analytics
SVP Power Delivery	VP, EH&S Policy
SVP Regulated Fleet Operations	VP-Mergers & Acquisitions

The forecasted period includes \$99,019 related to the executive savings plan all of which were allocated from DEBS.

PERSON RESPONSIBLE: Jay R. Alvaro / David L. Doss, Jr.

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-040

REQUEST:

With regard to the Company's Non-Qualified Deferred Compensation Plan, please provide the following information:

- a. Detailed description of the nature and purpose of the plan.
- b. Description of the workings of this plan (e.g., are the plan awards a function of the achievement of financial goals and parameters, and if so, list these goals and parameters).
- c. Listing of the recipients (titles only) of the benefits awarded under the plan during the Forecasted Period.
- d. Plan expenses included in the Forecasted Period O&M expenses. These expenses should be provided in total and broken out between DE-Ky's "direct" expenses and the Plan expenses allocated from DEBS and/or other affiliates to DE-Ky.

RESPONSE:

See response to AG-DR-01-39 for parts a, b and c. See Attachment AG-DR-01-039d for part d.

See Attachment AG-DR-01-40d for Frozen Plan expenses related to the Non-Qualified Deferred Compensation Plan.

PERSON RESPONSIBLE: Jay R. Alvaro / David L. Doss, Jr.

Duke Energy Kentucky
 Deferred Compensation Plan Expense

Base Period (October 2008 - September 2009)

	2009												Total
	October	November	December	January	February	March	April	May	June	July	August	September	
Direct	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Allocated													
DEBS (Def Comp)	243	243	243	437	437	437	437	437	437	337	420	420	4,512
Gas	709	709	709	789	789	789	789	789	789	609	759	759	8,958
Total	\$ 953	\$ 953	\$ 953	\$ 1,226	\$ 1,226	\$ 1,226	\$ 1,226	\$ 1,226	\$ 1,226	\$ 947	\$ 1,179	\$ 1,179	\$ 13,470

Forecasted Test Period (February 2010 through January 2011)

	B		Total
	A	2011	
Direct	\$ -	\$ -	\$ -
Allocated			
DEBS (Def Comp)	4,260	433	4,693
Gas	8,457	782	9,239
Total	\$ 12,718	\$ 1,214	\$ 13,932

Assumptions:
 rate of inflation 3%

Tick explanation:
 A 2010 reflects eleven months (February through December).
 B 2011 reflects January only.

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-041

REQUEST:

If the Company provides its top officers with financial planning services (such as the assistance in tax preparation, financial planning, estate planning, investment planning, etc.), please provide the following information:

- a. Detailed description of the nature and purpose of the plan, including a description of the specific financial planning services offered.
- b. Listing of the recipients (titles only) of the benefits awarded under this plan during the Forecasted Period.
- c. Plan expenses included in the Forecasted Period O&M expenses. These expenses should be provided in total and broken out between DE-Ky's "direct" plan expenses and the plan expenses allocated from DEBS and/or other affiliates to DE-Ky.

RESPONSE:

- a. Each year, Duke Energy reimburses members of the Executive Leadership Team for up to \$5,000 of expenses incurred for tax and financial planning services. This program is administered on a three-year cycle, such that participating executives can be reimbursed for up to \$15,000 of eligible expenses at any time during the three-year cycle. Certain legacy Cinergy employees will not be eligible to receive this benefit until 2010, at which time the lump sum transition perquisite payment described below is no longer payable.
- b. The list below includes individuals (listed by current title) who will be eligible to receive the Financial Planning benefit during 2010, Duke Energy Kentucky is allocated a proportional share of total program expenses. This list is subject to change based on changes in the membership of the Duke Energy Executive Leadership Team.

Grp Exec & CFO	SVP Ohio and Kentucky Gas Oper
Grp Exec&Chief Generation Offr	SVP Power Delivery
GrpExec&Pres-Commer Businesses	SVP Regulated Fleet Operations

GrpExec, Pres & COO of US FEG	SVP Retail Customer Svcs
GrpExec,ChiefLegalOffr&CorpSec	SVP Smart Grid and Cust Sys
Pres - Duke Energy Carolinas	SVP Strategy & Planning
Pres Duke Net Communications	SVP Tax
Pres, Office Of Nuclear Dev	SVP Treasurer & Cf Risk Offr
Pres-Duke Energy International	SVP Whse Cust & RegComdtsMgmt
Pres-Duke Energy Ohio&Kentucky	SVP&Chief Sustainability Offr
President- Duke Energy Indiana	SVP, Rates & Regulatory Acctg
President, DE Generation Svcs	SVP,Comer Policy&Strtgc Intvs
SVP & Chief Communication Offr	SVP,Federal Gov't&Reg Affairs
SVP & Chief HR Officer	SVPSuppChain&CfProcurementOffr
SVP & Chief Information Officer	VP & Chief Technology Officer
SVP & Controller	VP FE&G Business Support
SVP Commercial Asset Mgmt	VP Legal & Ast Corp Secretary
SVP Const & Major Projects	VP Legal,Secur&FinRptg&AstSecy
SVP EHS & Pres Duke Foundation	VP Legal-Commercial Bus Unit
SVP Engg & Tech Services	VP Mktg & Energy Efficiency
SVP Enterprise Opers Services	VP Nuclear Plant Development
SVP Fin Program Office&Fin IT	VP Nuclear Support
SVP Legal, Franchised Elec&Gas	VP Audit Svcs&Cf Ethics Compl Offr
SVP Midwest Gen Portfolio	VP-Mergers & Acquisitions
SVP Nuclear Operations	

c. The Forecasted amount for financial planning services to Duke Energy Kentucky is:

Duke Energy Kentucky Gas \$1,171.50

This is 100% allocated from DEBS.

PERSON RESPONSIBLE: Jay R. Alvaro / David L. Doss, Jr.

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-042

REQUEST:

The response to AG-1-208 in the prior case indicates that employees above the General Manager level are recipients of a “Perquisite pool to compensate executives for industry common perquisites.” In this regard, please provide the following information:

- a. Provide a detailed description of all perquisites offered out of this “perquisite pool.”
- b. Provide a listing of all employees (titles only) who are the recipients of such perquisites.
- c. Expenses associated with these perquisites that are included in the Forecasted Period O&M expenses. These expenses should be provided in total and broken out between DE-Ky’s “direct” perquisite expenses and the perquisite expenses allocated from DEBS and/or other affiliates to DE-Ky.

RESPONSE:

In connection with the merger of Duke Energy and Cinergy, certain perquisites previously provided by Cinergy were eliminated and each legacy Cinergy executive who was adversely affected by this change, was provided an annual transition lump sum perquisite payment during the three-year period from 2007-2009 contingent upon continued employment during this time. This transition perquisite payments will be fully paid by the end of 2009.

Direct reports of the CEO are participants in the Executive Physicals program which entitles them up to a \$2,500 reimbursement for the cost of a comprehensive physical examination. Pursuant to his employment agreement, in lieu of receiving a payment of up to \$2,500, Mr. Rogers can be reimbursed for the cost of a comprehensive physical examination at the Mayo Clinic.

The list below includes individuals (listed by current title) who will be eligible to participate in the Executive Physicals program during 2010. This list is subject to change based on organizational changes.

Chairman, President and CEO

Grp Exec & CFO
Grp Exec&Chief Generation Offr
GrpExec&Pres-Commer Businesses
GrpExec, Pres & COO of US FEG
GrpExec,ChiefLegalOffr&CorpSec
Pres, Office Of Nuclear Dev
SVP & Chief HR Officer
SVP&Chief Sustainability Offr
SVP,Federal Gov't&Reg Affairs
VP & Chief Technology Officer

The Forecasted amount for executive physicals to Duke Energy Kentucky is:

Duke Energy Kentucky Gas \$124.20

This is 100% allocated from DEBS.

PERSON RESPONSIBLE: Jay R. Alvaro / David Doss

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-043

REQUEST:

With regard to the response to PSC-1-32 (# of employees), please provide the following information:

- a. Explain whether these employees only represent DE-Ky employees or also include allocated DEBS employees.
- b. Reconcile the actual monthly 2007 employees to the actual monthly 2007 employees on Schedule G-2, page 2. In addition, explain the increase from 196 in November to 283 in December 2007 in PSC-1-32 and the similar increase from 164 to 240 on Schedule G-2, page 2.
- c. Reconcile the actual monthly 2008 employees to the actual monthly 2008 employees on Schedule G-2, page 2. In addition, explain why the average actual employee level of 266 was so much higher than the budgeted average employee level of 195.
- d. Reconcile the actual monthly base period employees from October 2008 through March 2009 to the corresponding actual monthly base period employee numbers on Schedule G-2.
- e. Explain the increase in budgeted base period employees from 195 in December 2008 to 248 in January 2009.
- f. Reconcile the actual December 2008 employee level of 245 to the actual December 2008 DE-Ky employee level of 254 referenced on page 3, lines 1-3 of Mr. Alvaro's testimony.

RESPONSE:

- a. The employee counts represent only Duke Energy Kentucky employees.
- b. The actual monthly 2007 employees provided in response to Staff-DR-01-032 represents the number of employees employed by Duke Energy Kentucky. The monthly employees provided on Schedule G-2, page 2, inadvertently included

only employees that have a Kentucky payroll tax code but may be employed by another Duke Energy subsidiary. The large increase in the number of employees is due to the transfer of East Bend Generating Station employees into Duke Energy Kentucky that occurred in December 2007.

- c. The actual monthly 2008 employees provided in response to Staff-DR-01-032 represents the number of employees employed by Duke Energy Kentucky. The monthly employees provided on Schedule G-2, page 2, inadvertently included only employees that have a Kentucky payroll tax code but may be employed by another Duke Energy subsidiary. The large increase in the number of employees is due to the transfer of East Bend Generating Station employees into Duke Energy Kentucky that occurred in December 2007 but was not reflected in the 2008 budget.
- d. The actual monthly 2009 employees provided in response to Staff-DR-01-032 represents the number of employees employed by Duke Energy Kentucky. The monthly employees provided on Schedule G-2, page 2, inadvertently included only employees that have a Kentucky payroll tax code but may be employed by another Duke Energy subsidiary.
- e. The increase in budgeted base period employees from December 2008 to January 2009 is primarily due to the fact that the transfer of East Bend Generating Station employees into Duke Energy Kentucky that occurred in December 2007 was not reflected in the 2008 budget .
- f. The difference is 9 employees classified as temporary or on disability as explained on page 3 of Mr. Alvaro's testimony.

PERSON RESPONSIBLE: Robert M. Parsons

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-044

REQUEST:

Schedule G-1 indicates that the Company's Forecasted Period O&M expenses include \$7,735,765 for payroll expenses. In this regard, please provide the following information:

- a. Provide a breakout of this total O&M expense amount between DE-Ky payroll and payroll allocated from DEBS. If the DE-Ky O&M expense amount is different from the amount of \$2,720,597 shown on Schedule G-2, page 1 of 8, explain the difference.
- b. Monthly number of DEBS employees underlying the DEBS-allocated payroll to be provided in response to part (a).
- c. Provide the actual payroll O&M expenses, in total and broken out between DE-Ky and DEBS allocated labor, for the years 2006, 2007, 2008, the actual 12-month period ended 5/31/09 and for the base period.

RESPONSE:

- a. The amount of payroll directly charged by Duke Energy Kentucky employees was \$3,842,198 and the amount allocated from DEBS employees was \$3,893,567. The directly charged amount of \$3,842,198 on Schedule G-1 does not agree with the \$2,720,597 on Schedule G-2 because the amounts provided on Schedule G-2 were calculated incorrectly.
- b. See response to AG-DR-01-045, item b. The forecasted period labor was based on employee levels budgeted for 2009.
- c. See below for gas O&M expense labor. The Company has provided 12 months ended June 30, 2009 since it was the most recent 12 month period available.

<u>Description</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>6-30-09</u>	<u>Base Period</u>
DEK Direct	3,683,472	3,231,113	3,269,686	3,236,985	3,516,952
Other Allocations	1,529,808	1,614,571	1,666,700	536,632	1,468,635
Allocated from DESS	1,055,065	592,077	-0-	-0-	-0-
Allocated from DEBS	999,231	2,546,614	1,754,698	2,439,856	2,190,512

PERSON RESPONSIBLE: Robert M. Parsons

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-045

REQUEST:

With regard to the DEBS employees, please provide the following information:

- a. Actual number of DEBS employees for each month in 2006, 2007, 2008 and 2009 to date as compared to the budgeted monthly DEBS employee numbers for these same time periods. In addition, provide explanations for any major variances between actual and budgeted results.
- b. Monthly DEBS employee numbers assumed for the base period and Forecasted Period in this case.
- c. Monthly number of DEBS employees allocated to DE-Ky in each of the years 2006, 2007, 2008 and in the base period and Forecasted Period.

RESPONSE:

- a. See Attachment AG-DR-01-045. There was a significant increase in the number of employees from November to December 2008 because employees in the call center and power delivery functions were moved into the service company.
- b. See Attachment AG-DR-01-045.
- c. DEBS employees are not allocated to Duke Energy Kentucky. Labor charged by DEBS employees is allocated to Duke Energy Kentucky.

PERSON RESPONSIBLE: Robert M. Parsons

Duke Energy Kentucky, Inc.
 Number of DEBS Employees
 Calendar Years 2006-2009

Actual												
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	0	0	0	4,359	4,180	4,125	4,091	4,079	4,042	3,833	3,827	4,452
2007	5,618	5,587	5,595	5,645	5,658	5,667	5,657	5,799	5,631	5,640	5,635	5,619
2008	5,641	5,657	5,674	5,662	5,686	5,754	5,834	5,830	5,899	5,916	5,949	6,661
2009	6,887	6,878	6,863	6,884	6,901	6,937	6,915	N/A	N/A	N/A	N/A	N/A

Budget												
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	0	0	0	6,359	6,351	6,331	6,295	6,233	6,228	6,178	6,178	6,143
2007	6,040	6,040	6,040	6,041	6,041	6,041	6,028	6,028	6,028	6,012	6,012	6,012
2008	5,853	5,853	5,853	5,866	5,866	5,866	5,856	5,856	5,856	5,834	5,834	5,834
2009	6,596	6,596	6,596	6,550	6,550	6,550	6,552	6,552	6,552	6,555	6,555	6,555

Variance												
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	0	0	0	(2,000)	(2,171)	(2,206)	(2,204)	(2,154)	(2,186)	(2,345)	(2,351)	(1,691)
2007	(422)	(453)	(445)	(396)	(383)	(374)	(371)	(229)	(397)	(372)	(377)	(393)
2008	(212)	(196)	(179)	(204)	(180)	(112)	(22)	(26)	43	82	115	827
2009	291	282	267	334	351	387	363	N/A	N/A	N/A	N/A	N/A

Year	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09
Base Period	5,916	5,949	6,661	6,596	6,596	6,596	6,550	6,550	6,550	6,552	6,552	6,552

Year	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11
Forecasted Period	6,596	6,596	6,550	6,550	6,550	6,552	6,552	6,552	6,555	6,555	6,555	6,596

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-046

REQUEST:

Please provide a gas-allocated dollar amount listing and description of all amortization expenses included in the Forecasted Test Period. For each amortization item, provide the current unamortized balance, the amortization expiration year and indicate whether the amortization was authorized by the PSC.

RESPONSE:

See Attachment AG-DR-01-046.

PERSON RESPONSIBLE: Robert M. Parsons

DUKE ENERGY KENTUCKY
AMORTIZATION IN THE FORECASTED TEST PERIOD

<u>Description</u>	Unamortized Balance at June 30, 2009	Authorized Amortization Period	Forecasted Period Expense	Amortization Expiration Date	Order Authorizing Amortization	Note
Merger Transaction Costs - Gas	\$241,835	5 years or effective date of new rates	\$290,184	Effective date of new rates	Case No. 2005-00228	Eliminated on Sch. D-2.28
AMRP Study Costs	\$82,770	10 years	\$32,040	February 2012	Case No. 2001-00092	

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-047

REQUEST:

In the same format as the response to AG-1-216 in the prior rate case, please provide a detailed listing and dollar amount breakout of all of the expense components making up the Forecasted Period Account 910000 – Miscellaneous Customer Service and Info expenses of \$373,459.

- a. In addition, if this expense breakout includes advertising, dues and community relations expenses, then for each of these expense items, provide detailed descriptions and dollar breakout of the items making up these expense items.

RESPONSE:

<u>Process</u>	<u>Description</u>	<u>Amount</u>
ADMGEN, ADMNSTR, STAFF	A & G Administrative	\$ 246,231
ADVMISC	Misc. Advertising	803
CUSTREL	Customer Relations	14,556
ECONDEV	Plans & Strategies - Econdev	1,337
PMGT	Project Management	110,332
TRAIN	Training	<u>200</u>
Total Account 910000		<u>\$ 373,459</u>

PERSON RESPONSIBLE: Stephen R. Lee

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-048

REQUEST:

Please provide a detailed listing and dollar amount breakout of all of the expense components making up the Forecasted Period Account 908000 – Customer Assistance expenses of \$159,070.

RESPONSE:

<u>Description</u>	<u>Amount</u>
Labor	\$150,179
Other	\$8,891
Total Account 908000	<u><u>\$159,070</u></u>

PERSON RESPONSIBLE: Stephen R. Lee

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-049

REQUEST:

Please provide a detailed listing and dollar amount breakout of all of the expense components making up the Forecasted Period Account 930000 – Miscellaneous General expenses of \$116,979.

In addition, if this expense breakout includes advertising and dues expenses, then for each of these expense items, provide detailed descriptions and dollar breakout of the items making up these expense items.

RESPONSE:

Association Dues & Fees	\$34,149	Membership fee for American Gas Association (AGA)
Contract/Outside Services	\$59,654	
Gas Delivery Expenses	\$18,621	
Property Insurance	\$1,610	
Employee Expenses	\$2,945	
Total Account 930000	<u><u>\$116,979</u></u>	

PERSON RESPONSIBLE: Stephen R. Lee

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-050

REQUEST:

In the same format as the response to AG-1-219 in the prior rate case, please provide a detailed listing and dollar amount breakout of all of the expense components making up the Forecasted Period Account 921000 – Office Supplies and Expenses of \$1,353,416.

RESPONSE:

<u>Process</u>	<u>Description</u>	<u>Amount</u>
ADMGEN	A & G Administrative	\$26,401
HWCOMPT	Hardware Expense	\$1,884
MTCEPRE	Maintenance Preventative	\$4,563
STAFF	General & Administrative supt	\$4,238
TRAIN	Training	\$868
	Bank Service Fees	\$1,400
	Contract Services	\$13,684
	Direct Purchases	\$248,609
	Dues	\$41,281
	Computer SW/HW Maint. & Leases	\$544,487
	Letter of Credit Fees	\$2,510
	Office Supplies & Expenses	\$36,613
	Postage & Freight	\$24,596
	Telephone/Communications	\$121,182
	Employee Travel Expense	\$252,502
	Vehicle & Equip.	\$28,598
Total Account 921000		<u><u>\$1,353,416</u></u>

PERSON RESPONSIBLE: Stephen R. Lee

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-051

REQUEST:

In the exact same format and detail as the response to PSC-3-57 in the prior case, provide detailed breakouts and dollar amount numbers for the following expense items included in the Forecasted Period above-the-line gas O&M expenses:

- a. Association Dues and Fees
- b. Dues paid for Social Clubs
- c. Employee Recognition
- d. Government Affairs
- e. External Affairs
- f. Lobbying expenses
- g. Miscellaneous Events/Tickets
- h. Corporate Sponsorships
- i. Spousal expenses
- j. Penalty expenses.
- k. Charitable Contributions

RESPONSE:

See table below.

<u>Item</u>	<u>Account Description</u>	<u>Account</u>	<u>Test Period Amount</u>	<u>Nature</u>	<u>Rate Making Treatment</u>
a.	Association Dues and Fees		34,149		
b.	Dues Paid for Social Clubs		-		
c.	Employee Recognition	880	<u>1,217</u>	Employee Recognition Expense	Eliminated on Schedule D-2.22
d.	Governmental Affairs	920	7,039	Governmental Affairs Expense	These expenses are for Governmental Affairs activities which include meetings With elected officials for information and educational purposes, and civic activities such as board memberships / meetings and should be recovered in rates.
		921	8,402		
		923	12,237		
		926	<u>1,319</u>		
d.	Total Governmental Affairs		<u>28,997</u>		
e.	External Affairs		-		
f.	Lobbying Expenses		-		
g.	Miscellaneous Events / Tickets		-		
h.	Corporate Sponsorships		<u>2,139</u>	Corporate Sponsorships	Eliminated on Schedule D-2.22
i.	Spousal Expense		-		
j.	Penalty Expense		-		
k.	Charitable Contributions		-		

PERSON RESPONSIBLE: Stephen R. Lee

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-052

REQUEST:

With regard to the DEBS-allocated costs charged to DE-Ky gas operations, please provide the following information:

- a. Actual DEBS-allocated costs charged to DE-Ky's O&M expenses in each of the years 2006, 2007, 2008, and the 12-month period ended 5/31/09.
- b. Originally budgeted DEBS-allocated costs charged to DE-Ky's O&M expenses in each of the years 2006, 2007, 2008, and the 12-month period ended 5/31/09.
- c. The DEBS-allocated costs charged to DE-Ky's O&M expenses included in the base period and Forecasted Period.

RESPONSE:

See Attachment AG-DR-01-052 for details on actual Service Company costs allocated to Duke Energy Kentucky gas operations, and for the Base and Forecasted Period. Budget dollars are only available for the 12 month period ended 5/31/09.

Budget dollars for Service Company allocations for the legacy DESS Service Company were only available during each budget season, but were wiped clean and reloaded at the start of each new budget season, therefore details related to allocations were not kept from year to year for budget. Only summary level information for Kentucky Operations is available; not the details such as allocation information. Budget information is available for the surviving DEBS organization, but would not provide a complete view of the budget.

PERSON RESPONSIBLE: David L. Doss, Jr.

Duke Energy Kentucky

DR #52abc - Service Company Allocations charged to DEK Gas Operation

For the Years Ended December 31, 2006, 2007 and 2008, 12 mos ended 5/31/09, Base Period, and Forecasted Test Period

	Years Ended		12 mos Ended May-09	Base Period (1)	Forecasted Test Period (2)
	December 31, 2006	2007			
Actuals	8,837,782	12,029,447	9,105,636	11,849,986	12,205,486
Budget (DEBS only) (3)			8,837,782		

52a
 52b
 52c

(1) Base period represents October 2008 - March 2009 Actuals and April 2009 - September 2009 Budget

(2) Forecasted test period represents February 2010 - January 2011

(3) Cannot determine DESS's portion allocated to DEK due to the fact that details related to the allocations were not captured in a way that can be recorded in this format

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-053

REQUEST:

Please provide the dollar amounts of the following items that are included in the DEBS costs allocated to DE-Ky's gas O&M expenses for the Forecasted Period in this case:

- a. Incentive compensation (in total and broken out by incentive compensation program)
- b. Government Affairs expenses
- c. External Affairs expenses
- d. Lobbying expenses
- e. Charitable Contributions
- f. Community Relations/Affairs expenses
- g. Employee Recognition expenses
- h. Miscellaneous Events/Tickets expenses
- i. Advertising and promotional expenses
- j. Business Development/Promotion expenses
- k. Corporate Sponsorship expenses

RESPONSE:

See table below.

<u>Description</u>	<u>Amount</u>
a. Incentive Compensation	See Response to AG-DR-01-035
b. Government Affairs Expense	\$30,816 (1)
c. External Affairs Expense	-0-
d. Lobbying Expense	\$32,954 (2)
e. Charitable Contributions	-0-
f. Community Relations/Affairs Expense	\$12,634
g. Employee Recognition Expense	-0-
h. Miscellaneous Events/Tickets Expense	\$30,338 (3)
i. Advertising and Promotional Expense	\$173,936
j. Business Development/Promotion Expense	-0-
k. Corporate Sponsorship Expense	-0-

(1) Includes \$1,819 charged below-the-line to account 426.

(2) 100% of the dollars in this item is charged to a below the line account. All of item (h) is included in this amount. Excluding item (h) the amount would be \$2,616.

(3) 100% of the dollars in this item is charged to a below the line account. All of item (h) is included in item (d).

PERSON RESPONSIBLE: Stephen R. Lee / David L. Doss, Jr.

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-054 PUBLIC

REQUEST:

Please provide copies of all presentations made to rating agencies and/or investment firms by Duke Energy and/or Duke Energy Kentucky, Inc. between January 1, 2008 and the present.

RESPONSE:

CONFIDENTIAL PROPRIETARY TRADE SECRET

This response has been provided to the Commission in this case under a Petition for Confidential Treatment.

PERSON RESPONSIBLE: N/A

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-055

REQUEST:

Please provide copies of all prospectuses for any security issuances by Duke Energy and/or Duke Energy Kentucky, Inc. since January 1, 2008.

RESPONSE:

There have been 2 debt issuances by Duke Energy Corporation since January 1, 2008. The first was a \$500 MM debt offering in total, with a \$250 MM tranche due 6/15/2013 and a \$250 MM tranche due 6/15/2018. The second was a \$750 MM debt offering due 2/1/2014. Please see the 2 prospectuses provided electronically on CD "AG-DR-01-055 Attachments."

There has been 1 debt issuance by Duke Energy Kentucky since January 1, 2008. This offering was a \$50 MM pollution control bond due 8/1/2027. Please see the prospectus provided electronically on CD at "AG-DR-01-055 Attachments."

PERSON RESPONSIBLE: Stephen G. De May

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-056 PUBLIC

REQUEST:

Please provide copies of all studies performed by Duke Energy and/or Duke Energy Kentucky, Inc. and/or by consultants or investment firms hired by Duke Energy and/or Duke Energy Kentucky, Inc. to assess (1) Duke Energy Kentucky, Inc.'s financial performance, (2) the performance of Duke Energy Kentucky, Inc. relative to other utilities, or (3) the adequacy of Duke Energy Kentucky, Inc.'s return on equity or overall rate of return.

RESPONSE:

CONFIDENTIAL PROPRIETARY TRADE SECRET

This response was provided to be Commission in this case under a Petition for Confidential Treatment.

PERSON RESPONSIBLE: N/A

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-057 PUBLIC

REQUEST:

Please provide copies of credit reports for Duke Energy and/or Duke Energy Kentucky, Inc. from the major credit rating agencies published since January 1, 2007.

RESPONSE:

CONFIDENTIAL PROPRIETARY TRADE SECRET

This response is provided to the Commission in this case under a Petition for Confidential Treatment.

PERSON RESPONSIBLE: N/A

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-058 PUBLIC

REQUEST:

Please provide copies of all correspondence between Duke Energy and/or Duke Energy Kentucky, Inc. and any of the three major bond rating agencies (S&P, Moody's, and Fitch) from January 1, 2007 to the present. These include copies of letters, reports, presentations, emails, and notes from telephone conversations.

RESPONSE:

CONFIDENTIAL PROPRIETARY TRADE SECRET

This response is being provided to the Commission in this case under a Petition for Confidential Treatment.

PERSON RESPONSIBLE: N/A

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-059

REQUEST:

Please provide the corporate credit and bond ratings assigned to Duke Energy and/or Duke Energy Kentucky, Inc. since the year 2000 by S&P, Moody's, and Fitch). For any change in the credit and/or bond rating, please provide a copy of the associated report.

RESPONSE:

Please see the response and related attachments to AG-DR-01-081.

PERSON RESPONSIBLE: Stephen G. De May

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-060

REQUEST:

Please provide the breakdown in the expected return on pension plan assets. Specifically, please provide the expected return on different assets classes (bonds, US stocks, international stocks, etc.) used in determining the expected return on plan assets. Please provide all associated source documents and work papers.

RESPONSE:

The long-term rate of return of 8.5% as of December 31, 2008 was developed using a weighted average calculation of expected returns based primarily on future expected returns across classes considering the use of active asset managers. As shown on Attachment AG-DR-01-060(a), Duke Energy calculated a weighted average expected long-term rate of return of 8.65%, which was rounded to 8.5%. As a reasonableness check, Duke Energy compared its expected long-term rate of return calculation to one prepared by its actuary, Hewitt. Hewitt's calculation, as shown on Attachment AG-DR-01-060(b), was reasonably close to Duke Energy's calculation.

PERSON RESPONSIBLE: Stephen G. De May / David L. Doss, Jr.

Long-Term Rate of Return

Source: Duke Energy

December 2007	Policy Allocation	Equilibrium ROR	Duke Expected Value Added (basis points)	Weighted EVA
U.S. Large Cap Equity	28.2%	8.5%	50	14.1
U.S. Small Cap Equity	5.5%	8.5%	120	6.6
Non-U.S. Equity- Developed	18.0%	8.5%	70	12.6
Non-U.S. Equity- Emerging Market	2.0%	10.0%	120	2.4
Global Equity	10.0%	8.7%	90	9.0
Long Duration Bonds	32.0%	7.4%	20	6.4
Private Equity	0.3%	11.5%	0	0.0
Public Real Estate	0.6%	7.3%	50	0.3
Private Real Estate	<u>3.4%</u>	<u>6.5%</u>	<u>0</u>	<u>0.0</u>
	100.0%	8.13%		51.4

Expected Net Excess Return

0.51%

Expected ROR

8.65%

Notes:

1. Policy allocation per Duke.
2. Expected asset class returns per Russell 20 year capital market assumptions as of September 2008 (preliminary).
3. Expected excess return after fees per Duke.



Long-Term Rate of Return

Source: Hewitt Long-Term Asset Modeling Tool

December 2007	Policy Allocation	Expected Real Return
U.S. Large Cap Equity	32.2%	9.00%
U.S. Small Cap Equity	5.5%	9.50%
Developed International	24.0%	9.00%
Emerging Markets	2.0%	11.00%
Fixed Income (Long Duration)	32.0%	6.30%
Real Estate	4.0%	7.00%
Private Equity	<u>0.3%</u>	<u>11.00%</u>
	100%	8.28%
Rebalancing/Diversification Effect		0.61%
Active Management Effect		<u>0.00%</u>
Expected ROR		<u>8.89%</u>

Notes:

1. Policy allocation per Duke Investment Policy.
2. Expected real returns based on a 3.00% inflation rate.



Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-061

REQUEST:

For the past five years, please provide the dates and amount of: (1) cash dividend payments made by Duke Energy Kentucky, Inc. to Duke Energy; and (2) cash equity infusions made by Duke Energy into Duke Energy Kentucky, Inc.

RESPONSE:

Duke Energy Kentucky, Inc. routinely makes dividend payments to Duke Energy Ohio, Inc. Duke Energy Kentucky, Inc. has never made any dividend payments directly to Duke Energy Corporation. The following chart shows the cash dividend payments made by Duke Energy Kentucky, Inc. to Duke Energy Ohio, Inc. in the last five years:

<u>Effective</u>	<u>Payable</u>	<u>Amount</u>
December 30, 2004	December 31, 2004	14,600,000
December 21, 2005	December 31, 2005	9,965,521
December 14, 2008	December 16, 2008	30,000,000

In the last five years, there have been no cash equity infusions made by Duke Energy Corporation into Duke Energy Kentucky, Inc.

PERSON RESPONSIBLE: Brenda R. Melendez

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-062

REQUEST:

Please provide Duke Energy Kentucky, Inc.'s authorized and earned return on common equity over the past ten years. Please show the figures used in calculating the earned return on common equity for each year, including all adjustments to net income and/or common equity. Please provide copies of all associated work papers and source documents. Please provide copies of the source documents, work papers, and data in both hard copy and electronic (Microsoft Excel) formats, with all data and formulae intact.

RESPONSE:

Duke Energy Kentucky's authorized return on common equity for the last ten years is as follows:

Case No.	Jurisdiction	ROE	Years Effective
92-00346	Gas	11.50%	1999-2001
2001-00092	Gas	11.00%	2002-2004
2005-00042	Gas	10.20%	2005-Present
91-00370	Electric	11.50%	1999-2006
2006-00172	Electric	11.00%	2007-Present

The earned return on common equity for the last ten years is shown on Schedule K, page 4 of 5. See the response to AG-DR-01-087 for the electronic version of Schedule K. There were no other source documents or workpapers used in the calculation

PERSON RESPONSIBLE: Robert M. Parsons / Stephen G. De May

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-063

REQUEST:

Please provide copies of the financial statements (balance sheet, income statement, statement of cash flows, and the notes to the financial statements) for Duke Energy and Duke Energy Kentucky, Inc. for the past three years. Please provide copies of the financial statements in both hard copy and electronic (Microsoft Excel) formats, with all data and formulae intact.

RESPONSE:

In FR 10(9)(p), I have already provided Duke Energy Kentucky, Inc.'s annual financial statements for 2008 and 2007. See Attachment AG-DR-01-063 for 2006. Electronic versions of the financial statements are not available.

See Attachment AG-DR-01-063 on enclosed CD for copies of Duke Energy Corporation's 10-K for 2008, 2007, and 2006.

PERSON RESPONSIBLE: Brenda R. Melendez

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-064

REQUEST:

Please provide a copy of the testimony of Dr. Morin in Microsoft Word.

RESPONSE:

See file "AG-DR-01-064 – Roger A. Morin, PhD.docx" provided via CD.

PERSON RESPONSIBLE: Dr. Roger A. Morin

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-065

REQUEST:

Please provide copies of all articles, publications, and or other documents cited in the testimony of Dr. Morin.

RESPONSE:

See response to Staff No. 18 and response to AG questions No. 71 and 76.

PERSON RESPONSIBLE: Dr. Roger A. Morin

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-066

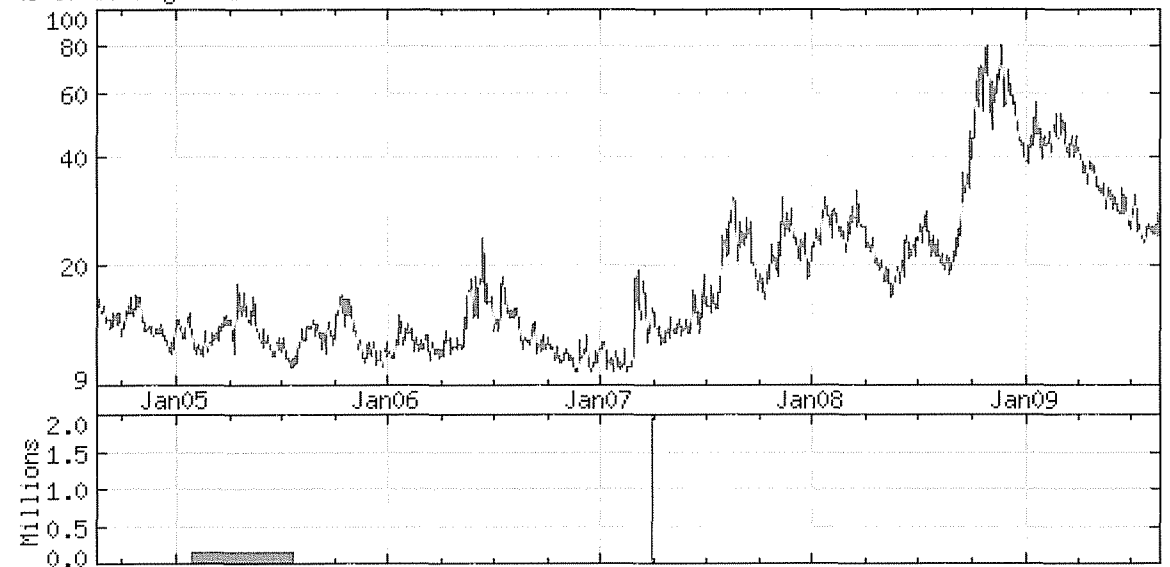
REQUEST:

With respect to page 9, lines 8-10, please provide the studies and data that support the statement regarding the volatility of the markets.

RESPONSE:

Market volatility has intensified since the financial crisis began last summer. Three indicators of such volatility are noteworthy. First, the Chicago Board Options Exchange Volatility Index .VIX, or VIX, is one of the most widely accepted ways of gauging stock market volatility. It is often referred to as the "investor fear gauge", and has lived up to this name in its ability to measure times of uncertainty and times of complacency in the market. Figure 1 shows the VIX indicator from April 2007 to February 2009. As seen from the graph, the VIX spiked in September 2008. This unprecedented rise in the VIX coincided with extreme panic and one of the sharpest drops in the history of the financial markets. At the time of this writing, the VIX posted its biggest daily percentage gain since April, suggesting additional volatility in months ahead and that fear is taking root in the market once again.

CBOE SPX MARKET VOLATILITY INDE
as of 17-Aug-2009



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Second, the S&P 500 volatility as measured by daily changes of at least 1% have soared during 2008 and early 2009 since the financial crisis commenced last summer and stood at a 70 year high. Since the bear-market turnaround in 2002, the number of significant daily market moves has gone down from 49.6% to 11.6% in 2006, and was 12.9% for the first half of 2007. Then, with the emergence of the credit uncertainty, market volatility shot up to 38.6% in 2007, to 51.9% for 2008 - a level not seen since 1938. The same is true of the Dow Jones Industrial Index, whose daily percentage changes have experienced unprecedented swings.

Third, as documented in Dr. Morin's direct testimony, yield spreads of corporate bonds over Treasury bonds reached record high and so have the yield spreads of lower quality corporate bonds versus higher quality corporate bonds. Such spreads are indicative of market uncertainty, investor fears, and investment risk.

PERSON RESPONSIBLE: Dr. Roger A. Morin

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-067

REQUEST:

With respect to page 34, please provide the data used in constructing the graph entitled “CAPM: Predicted vs. Observed Returns.”

RESPONSE:

The graph on page 34 was constructed as an illustration and is based on: 1) the results of Dr. Morin’s empirical findings discussed in Appendix B of his direct testimony and also described in Chapter 6 of his The New Regulatory Finance textbook, and 2) the current academic thinking on the subject summarized in Chapter 6 of the aforementioned text.

PERSON RESPONSIBLE: Dr. Roger A. Morin

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-068

REQUEST:

With respect to page 34, lines 8-11, please copies of all studies used to determine that the appropriate value of alpha is in the 1%-2% range.

RESPONSE:

The studies are listed and discussed in Appendix A of Dr. Morin's testimony. This vast literature and related bibliography are also summarized in Dr. Morin's book The New Regulatory Finance, Chapter 6. Most, if not all, articles are available from university libraries and/or publisher's web sites. Dr. Morin does not archive academic journal articles reaching back some 20 years. The articles were consulted by Dr. Morin at the university library, are available from most university libraries, and are also commercially available from publishers' websites (e.g. available at SSRN website – <http://ssrn.com/>).

PERSON RESPONSIBLE: Dr. Roger A. Morin

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-069

REQUEST:

With respect to page 36, lines 4-17, please indicate for all studies used to determine that the appropriate value of alpha is in the 1%-2% range: (1) which of the studies used adjusted betas; and (2) for each of the studies that used adjusted betas, what procedure was used to adjust the betas.

RESPONSE:

Most of the academic research on the ECAPM utilizes raw betas rather than Value Line adjusted betas because the latter were not available over most of the time periods covered in these studies. Value Line adjusted betas, Merrill Lynch adjusted betas, Morningstar (Ibbotson), and Bloomberg adjusted betas were not available during that period. Value Line adjusted betas were utilized in the later studies performed by Dr. Morin and discussed in Appendix A. Dr. Morin also points out that an alpha range of 1% - 2% in the ECAPM formulation is somewhat lower than that estimated empirically. The use of a lower value for alpha leads to a lower estimate of the cost of capital for low-beta stocks such as regulated utilities. This is because the use of adjusted betas rather than raw betas also incorporate some of the desired effect of using the ECAPM.

Note: The Value Line beta estimates used by Dr. Morin are adjusted betas in keeping with investment practices and in keeping with the academic literature on the subject. The adjusted betas reported by *Value Line* give 2/3 weight to the "raw" or calculated beta and 1/3 weight to the market beta of 1.0. The definition of Adjusted Beta used by Value Line is as follows:

$$\text{Adjusted Beta} = 0.3333 + 0.6666 \times \text{Raw Beta}$$

PERSON RESPONSIBLE: Dr. Roger A. Morin

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-070

REQUEST:

With respect to page 37, lines 1-4, please provide copies of all data and studies used to conclude that 9.0%-9.4% is not significantly above the cost of new debt capital.

RESPONSE:

9.0% -9.4% is not significantly above the cost of debt as indicated by the various DCF estimates and Risk Premium estimates in Dr. Morin's testimony in the 10.0% - 12.4% range, suggesting a risk premium of 4.0% - 6.4% over a cost of debt of approximately 6.0%. At a more aggregate level, the Morningstar (formerly Ibbotson Associates) Valuation 2009 Yearbook derives a historical return difference of 5.6% (6.5% using the income component of bond returns) between stocks and corporate bonds over the 1926-2008 period, which far exceeds the yield spread of 3% - 4% implied by the 9.0% - 9.4% CAPM estimates.

PERSON RESPONSIBLE: Dr. Roger A. Morin

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-071

REQUEST:

With respect to page 39, lines 19-20, and Attachment RAM-4, please provide: (1) the source documents for the 6.3% utility bond yield; (2) copies of the source documents and data used to compute the risk premium of 5.0% in Attachment RAM-4; (3) copies of the source documents and data used to compute the flotation cost adjustment of 0.3%; and (4) please provide copies of the source documents, work papers, and data in (1), (2) and (3) both hard copy and electronic (Microsoft Excel) formats, with all data and formulae intact.

RESPONSE:

(1) The 6.3% utility bond yield was obtained directly from Value Line Investment Reports, Selection and Opinion, Selected Yields page, May 8, 2009. See Attachment AG-DR-01-071.

(2) The computational details of the 5.0% risk premium are shown on Attachment RAM-4 and footnotes of Dr. Morin's direct testimony.

(3) The 30 basis points magnitude of the flotation cost adjustment is derived on Page 5 of Appendix B of Dr. Morin's testimony.

(4) The utility bond yields were obtained directly from the Bloomberg Web site. Please refer to response to AG-DR-01-077 for electronic version of Attachment RAM-4. A hard copy of Attachment RAM-4 was provided in the Company's July 1, 2009 filing.

PERSON RESPONSIBLE: Dr. Roger A. Morin

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Ticker	Last	Last FY Actual	Last Reported FY	This FY Estimate	Next FY Estimate	Q1 Estimate	YR Over YR			LTG %
							Growth	Next EPS Report Date		
AEE	22.29	2.95	12/31/08	2.89	2.76	.58	140.63	04/24/2009	4	
AEP	27.00	3.24	12/31/08	2.84	3.11	.91	56.99	04/24/2009	5.5	
ALE	25.79	2.82	12/31/08	2.13	2.23	.69	34.76	05/01/2009	6.5	
AVA	14.38	1.36	12/31/08	1.49	1.71	.51	97.87	04/29/2009	8.67	
AYE	26.54	2.3	12/31/08	2.46	3.21	.79	61.25	05/05/2009	17.25	
BKH	19.01	1.77	12/31/08	1.75	2.03	.55	51.16	04/22/2009	6	
CEG	22.82	3.57	12/31/08	2.9	3.03	.61	49.47	05/05/2009	12	
CHG	44.67	2.22	12/31/08	2.45	2.9	1.2	8.2	05/01/2009	N/A	
CMS	11.99	1.25	12/31/08	1.26	1.33	.42	54.55	04/30/2009	6.5	
CNL	22.26	1.69	12/31/08	1.81	2.16	.33	125	05/05/2009	14.5	
CNP	10.36	1.3	12/31/08	1.11	1.23	.31	59.26	04/29/2009	N/A	
CV	17.14	1.52	12/31/08	N/A	N/A	N/A	N/A	05/08/2009	N/A	
D	29.94	3.16	12/31/08	3.21	3.31	.88	59.33	04/23/2009	7.2	
DPL	23.00	2.05	12/31/08	2.21	2.43	.69	81.73	04/29/2009	10.33	
DTE	29.01	2.9	12/31/08	2.82	3.02	.68	24.04	04/22/2009	6	
DUK	13.75	1.21	12/31/08	1.21	1.29	.32	72.57	05/05/2009	5	
ED	38.52	3	12/31/08	3.21	3.37	.84	59.63	05/01/2009	3.5	
EDE	14.94	1.17	12/31/08	1.43	1.46	.23	97.62	04/16/2009	N/A	
EE	14.56	1.77	12/31/08	1.34	1.74	.19	83.33	05/05/2009	N/A	
EIX	28.21	3.83	12/31/08	3.13	3.52	.74	67.39	05/08/2009	7	
ETR	66.88	6.51	12/31/08	6.95	7.3	1.28	101.53	05/04/2009	7.25	
EXC	45.48	4.17	12/31/08	4.14	4.23	1.16	107.31	04/23/2009	9	
FE	40.20	4.43	12/31/08	4.52	4.47	.92	101.48	05/05/2009	7.33	
FPL	50.74	3.84	12/31/08	4.07	4.56	.8	112.63	04/28/2009	8.83	
FPU	10.45	.57	12/31/08	N/A	N/A	N/A	N/A	05/11/2009	N/A	

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<u>GXP</u>	14.49	1.37	12/31/08	1.21	1.49	.02	140	05/06/2009	8.5
<u>HE</u>	16.28	1.49	12/31/08	1.46	1.73	.3	80.49	05/11/2009	9
<u>IDA</u>	23.47	2.17	12/31/08	2.37	2.46	.54	95.14	05/07/2009	6
<u>LNT</u>	24.43	2.19	12/31/08	2.33	2.66	.57	61.29	04/30/2009	5.95
<u>MAM</u>	35.00	2.17	12/31/08	2.25	N/A	N/A	N/A	05/11/2009	N/A
<u>MDU</u>	17.51	2.05	12/31/08	1.2	1.4	.2	65.64	05/01/2009	8.8
<u>MGEE</u>	30.77	2.38	12/31/08	N/A	N/A	N/A	N/A	05/06/2009	N/A
<u>NI</u>	10.66	1.26	12/31/08	1.07	1.13	.66	5.07	05/01/2009	2.5
<u>NST</u>	30.84	2.22	12/31/08	2.35	2.52	.55	88.64	04/23/2009	7.4
<u>NU</u>	21.12	1.86	12/31/08	1.86	2.07	.55	61.99	04/23/2009	9.5
<u>NVE</u>	9.86	.89	12/31/08	.97	1.17	.05	70	04/29/2009	9
<u>OGE</u>	24.38	2.49	12/31/08	2.45	2.6	.14	328.57	05/06/2009	N/A
<u>OTTR</u>	22.54	1.09	12/31/08	1.31	1.7	.33	71.6	05/11/2009	11.67
<u>PCG</u>	37.83	2.54	12/31/08	3.19	3.42	.71	135.65	05/06/2009	7.13
<u>PEG</u>	29.23	2.92	12/31/08	3.07	3.2	.82	77.5	05/04/2009	8.33
<u>PGN</u>	34.76	2.98	12/31/08	3.01	3.18	.62	120.61	05/05/2009	4.75
<u>PNM</u>	8.80	.12	12/31/08	.48	.82	-.07	160	05/05/2009	6.67
<u>PNW</u>	27.77	2.44	12/31/08	2.37	2.73	-.01	-1850	04/28/2009	5.5
<u>POM</u>	12.29	1.93	12/31/08	1.54	1.67	.34	94.56	05/07/2009	7
<u>PPL</u>	29.18	2.02	12/31/08	1.77	3.77	.45	71.72	05/01/2009	15
<u>SCG</u>	30.95	2.95	12/31/08	2.81	3.06	.67	48.94	04/23/2009	5
<u>SO</u>	29.74	2.37	12/31/08	2.4	2.52	.43	131.38	04/29/2009	5.25
<u>SRE</u>	46.40	4.43	12/31/08	4.4	4.93	1.02	110.68	04/24/2009	6.5
<u>TE</u>	10.50	.87	12/31/08	1.08	1.23	.16	161.67	05/01/2009	11.16
<u>TEG</u>	26.32	1.83	12/31/08	2.58	2.84	1.24	17.8	05/06/2009	13.5
<u>UIL</u>	23.34	1.9	12/31/08	1.94	2.07	.29	171.8	05/05/2009	6.5
<u>UNS</u>	26.69	.39	12/31/08	2.83	3.1	.13	-1285.71	05/07/2009	5
<u>UTL</u>	19.51	1.65	12/31/08	1.73	1.79	.59	56.14	04/16/2009	10
<u>VVC</u>	20.36	1.71	12/31/08	1.82	2.04	.81	13.1	04/29/2009	6.4
<u>WEC</u>	40.17	3.03	12/31/08	3.09	3.74	.97	56.92	04/28/2009	9
<u>WR</u>	17.75	1.33	12/31/08	1.78	1.83	.23	143.48	05/08/2009	6
<u>XEL</u>	18.39	1.45	12/31/08	1.52	1.61	.36	72.38	04/30/2009	6

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Ticker	Last	Last FY		Last Reported FY	This FY Estimate	Next FY Estimate	Q1 Estimate	YR Over YR		
		Actual	Reported					Q1 Growth	Next Report Date	EPS %
EEE	1.12	-0.51	12/31/08	N/A	N/A	N/A	N/A	05/08/2009	N/A	N/A
NWE	21.38	1.77	12/31/08	1.91	2.09	.71	61.02	04/23/2009	10	
POR	17.34	1.79	12/31/08	1.8	1.98	.53	119.32	05/04/2009	7	
USEYQ	0.02	N/A	12/31/08	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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Ticker	Last	Last FY Actual	Last Reported FY	This FY Estimate	Next FY Estimate	Q1 Estimate	YR Over YR		
							Q1 Growth	Next EPS Report Date	LTG %
<u>AGL</u>	26.89	2.71	12/31/08	2.68	2.92	1.28	23.71	04/29/2009	5.33
<u>APU</u>	30.02	2.7	09/30/08	2.92	2.86	2.05	-12.76	04/30/2009	9.5
<u>ATO</u>	23.39	2	09/30/08	2.08	2.17	1.34	-6.68	04/30/2009	6
<u>EGN</u>	32.24	4.38	12/31/08	3.41	4.17	1.3	42.05	04/22/2009	7
<u>GAS</u>	32.76	2.63	12/31/08	2.51	2.84	.8	49.08	04/23/2009	6.53
<u>LG</u>	36.28	2.64	09/30/08	2.69	2.52	1.26	23.26	04/16/2009	10
<u>NJR</u>	32.05	2.22	09/30/08	2.37	2.57	1.99	-2.55	04/29/2009	8
<u>NWN</u>	41.79	2.61	12/31/08	2.69	2.77	1.67	10.58	05/01/2009	7.5
<u>PNY</u>	25.44	1.4	10/31/08	1.54	1.65	.68	102.53	06/08/2009	7.33
<u>SJI</u>	34.76	2.27	12/31/08	2.44	2.59	1.33	22.73	05/08/2009	8.6
<u>SUG</u>	16.30	1.81	12/31/08	1.7	1.65	.51	47.14	05/07/2009	10
<u>SWX</u>	21.37	1.4	12/31/08	2.05	2.02	1.26	-5.7	04/24/2009	8
<u>UGI</u>	22.99	1.99	09/30/08	2.26	2.34	1.22	10.47	04/30/2009	6
<u>WGL</u>	31.30	2.34	09/30/08	2.56	2.45	1.67	2.29	04/22/2009	6.67

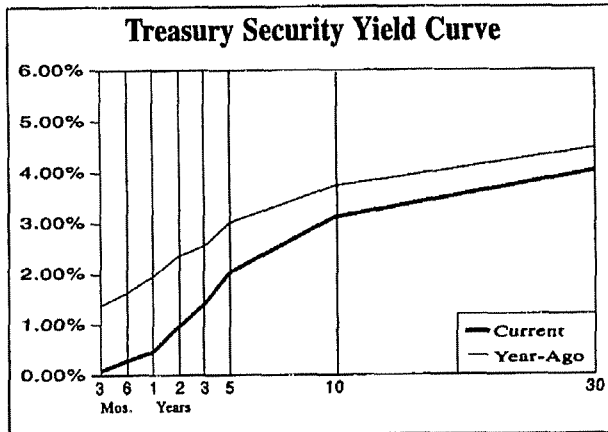


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Selected Yields

	Recent (4/29/09)	3 Months Ago (1/28/09)	Year Ago (4/30/08)		Recent (4/29/09)	3 Months Ago (1/28/09)	Year Ago (4/30/08)
TAXABLE							
Market Rates							
Discount Rate	0.50	0.50	2.25				
Federal Funds	0.00-0.25	0.00-0.25	2.00				
Prime Rate	3.25	3.25	5.00				
30-day CP (A1/P1)	0.40	0.45	2.60				
3-month LIBOR	1.03	1.17	2.85				
Bank CDs							
6-month	0.79	0.88	1.75				
1-year	0.98	1.25	1.77				
5-year	1.93	2.39	2.96				
U.S. Treasury Securities							
3-month	0.09	0.18	1.38				
6-month	0.28	0.33	1.62				
1-year	0.46	0.47	1.94				
5-year	2.03	1.69	3.01				
10-year	3.11	2.67	3.73				
10-year (inflation-protected)	1.57	1.78	1.35				
30-year	4.03	3.42	4.47				
30-year Zero	4.05	3.29	4.54				
Mortgage-Backed Securities							
GNMA 6.5%	3.30	3.90	5.02				
FHLMC 6.5% (Gold)	2.61	3.50	5.21				
FNMA 6.5%	2.45	3.50	4.93				
FNMA ARM	3.15	4.27	4.40				
Corporate Bonds							
Financial (10-year) A	7.84	7.96	5.91				
Industrial (25/30-year) A	6.41	6.18	6.00				
Utility (25/30-year) A	6.33	6.10	6.12				
Utility (25/30-year) Baa/BBB	7.36	7.04	6.31				
Foreign Bonds (10-Year)							
Canada	3.08	2.96	3.59				
Germany	3.13	3.23	4.12				
Japan	1.42	1.27	1.59				
United Kingdom	3.46	3.64	4.67				
Preferred Stocks							
Utility A	7.53	5.98	6.19				
Financial A	8.96	8.89	6.65				
Financial Adjustable A	5.50	5.50	5.50				



TAX-EXEMPT							
Bond Buyer Indexes							
20-Bond Index (GOs)	4.57	5.13	4.68				
25-Bond Index (Revs)	5.49	5.82	5.01				
General Obligation Bonds (GOs)							
1-year Aaa	0.54	0.55	1.80				
1-year A	1.04	0.65	1.90				
5-year Aaa	1.80	1.84	3.00				
5-year A	2.23	2.14	3.10				
10-year Aaa	3.19	3.00	3.69				
10-year A	3.55	3.50	3.90				
25/30-year Aaa	4.67	5.05	4.61				
25/30-year A	5.11	6.05	4.81				
Revenue Bonds (Revs) (25/30-Year)							
Education AA	5.80	6.05	4.90				
Electric AA	5.90	6.10	4.95				
Housing AA	6.20	6.40	5.05				
Hospital AA	6.15	6.45	5.10				
Toll Road Aaa	5.95	6.15	4.95				

Federal Reserve Data

BANK RESERVES							
<i>(Two-Week Period; in Millions, Not Seasonally Adjusted)</i>							
	Recent Levels			Average Levels Over the Last...			
	4/22/09	4/8/09	Change	12 Wks.	26 Wks.	52 Wks.	
Excess Reserves	862392	804794	57598	733986	671008	356363	
Borrowed Reserves	565360	595938	-30578	587381	624561	419423	
Net Free/Borrowed Reserves	297032	208856	88176	146606	46447	-63060	

MONEY SUPPLY							
<i>(One-Week Period; in Billions, Seasonally Adjusted)</i>							
	Recent Levels			Growth Rates Over the Last...			
	4/13/09	4/6/09	Change	3 Mos.	6 Mos.	12 Mos.	
M1 (Currency+demand deposits)	1576.3	1644.4	-68.1	-6.3%	15.4%	14.8%	
M2 (M1+savings+small time deposits)	8249.3	8247.7	1.6	3.0%	9.3%	8.3%	

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Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-072

REQUEST:

With respect to page 43, lines 15-17, please explain why Zacks was used as a source of EPS growth rate forecasts as opposed to one of the other sources of analysts EPS growth rate forecasts such as Reuters or Yahoo!.

RESPONSE:

Dr. Morin does not object to the use of other sources of growth forecasts. However, not only are the Zacks forecasts conveniently available in the Value Line Investment Analyzer software but, for all practical purposes, cover the same analyst population as Reuters, Thomson, First Call, Yahoo, and others. It would be somewhat redundant to include growth forecasts from other published sources and possibly result in double-counting.

PERSON RESPONSIBLE: Dr. Roger A. Morin.

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-073

REQUEST:

With respect to page 48, lines 5-9, please list: (1) the universe of companies considered on lines 5-7; and (2) the companies eliminated by the \$100M and 50% screens.

RESPONSE:

The original sample consisted of all the companies identified as natural gas distribution utilities by Value Line. The original set of companies is shown in the table below.

Natural Gas Distribution Utilities					
1	2	3	4	5	6
Company Name	Ticker		Divid Yield	Market Cap	% Reg Rev
1	AGL Resources	AGL	5.35	\$2,413	56
2	AmeriGas Partners	APU	8.08	\$1,806	
3	Atmos Energy	ATO	5.32	\$2,245	52
4	Chesapeake Utilities Corp.	CPK	4.32	\$193	72
5	Corning Natural Gas Corp	CNIG	-	\$11	
6	Energy West Inc.	EWST	5.44	\$38	76
7	Ferrellgas Partners L P	FGP	13.13	\$962	
8	Laclede Group	LG	3.31	\$1,023	50
9	New Jersey Resources	NJR	3.09	\$1,686	30
10	Nicor Inc.	GAS	5.33	\$1,577	85

11	Northwest Nat. Gas	NWN	3.64	\$1,150	98
12	Penn Octane Corp	POCC	-	\$21	
13	Piedmont Natural Gas	PNY	3.97	\$1,918	75
14	RGC Resources Inc	RGCO	5.11	\$55	99
15	SMF Energy Corporation	FUEL	-	\$4	
16	South Jersey Inds.	SJI	3.18	\$1,106	58
17	Southwest Gas	SWX	3.49	\$1,128	84
18	Star Gas Partners L P	SGU	-	\$180	
19	UGI Corp.	UGI	3.01	\$2,745	18
20	WGL Holdings Inc.	WGL	4.32	\$1,641	59
21	Williams Partners LP	WPZ	-	\$897	13

Companies with less than \$100 market cap were eliminated, as shown in the shaded cells Column 5 of the above table.

Companies do not pay dividends were also eliminated, as shown in the shaded cells in Column 4 of the above table.

Companies with less than 50% regulated gas revenues were also eliminated, as shown in the shaded cells in Column 6 of the above table.

Companies involved primarily in propane gas, APU and FGP, were also eliminated.

PERSON RESPONSIBLE: Dr. Roger A. Morin

Duke Energy Kentucky, Inc.
Case No. 2009-00202
First Set Attorney General Data Requests
Date Received: August 17, 2009

AG-DR-01-074

REQUEST:

With respect to page 49, line 1-23, please list: (1) the universe of companies considered on lines 11-14; (2) the companies eliminated each of the screens listed on lines 15-22 and the figure and/or reason for eliminating each company; (3) why a selected utility must be a combination utility company when rates are being set for a gas distribution company in this proceeding; and (4) all studies performed which compare the riskiness of gas distribution and combination companies.

RESPONSE:

(1) (2) The screening process was performed with the Value Line Investment Analyzer software as follows: First, all electric utilities with SIC Code 4911 to 4913 with Value Line coverage constituted the initial sample. Second, foreign utilities, non-dividend paying utilities, non-investment grade utilities, acquired utilities, and all utilities with less than \$500 million market capitalization were eliminated. Third, only those utilities designated as “combination gas & electric utilities” by AUS Utility Reports were retained. Fourth, utilities with less than 50% electric utility revenues were eliminated. The table below displays the screening process with the companies eliminated shown as shaded cells.

Company Name	Combo	Indicated	Divid	Market	%	SIC
	G&E	Ann Divid	Yield	Cap	Elec Rev	Code
ALLETE	1	\$1.72	5.49	\$990	89	4911
Allegheny Energy		\$0.60	1.74	\$5,824	79	4911
Alliant Energy	1	\$1.50	5.12	\$3,235	65	4911
Amer. Elec. Power		\$1.64	5.01	\$13,178	92	4911

Ameren Corp.	1	\$2.54	7.33	\$7,308	81	4911
Avista Corp.	1	\$0.72	3.70	\$1,060	50	4913
Black Hills	1	\$1.40	5.28	\$1,019	46	4913
CH Energy Group	1	\$2.16	4.24	\$804	46	4911
CMS Energy Corp.	1	\$0.36	3.05	\$2,670	53	4911
Cen. Vermont Pub. Serv.		\$0.92	3.97	\$240	100	4911
CenterPoint Energy	1	\$0.73	5.35	\$4,678	14	4911
Cleco Corp.		\$0.90	3.92	\$1,378	96	4911
Consol. Edison	1	\$2.34	5.69	\$11,247	63	4911
Constellation Energy	1	\$1.91	7.07	\$4,819	13	4911
DPL Inc.		\$1.10	5.07	\$2,515	100	4911
DTE Energy	1	\$2.12	6.07	\$5,695	52	4911
Dominion Resources	1	\$1.58	4.36	\$21,050	42	4911
Duke Energy	1	\$0.92	5.97	\$19,498	71	4911
Edison Int'l		\$1.24	3.76	\$10,732	80	4913
El Paso Electric		\$0.00	\$0.00	\$748	100	4913
Empire Dist. Elec.	1	\$1.28	7.10	\$612	86	4911
Entergy Corp.	1	\$3.00	3.87	\$14,719	77	4911
Evergreen Energy Inc		\$0.00	\$0.00	\$83		4911
Exelon Corp.	1	\$2.10	3.72	\$37,094	55	4911
FPL Group		\$1.78	3.48	\$20,915	71	4911
FirstEnergy Corp.		\$2.20	4.18	\$16,025	89	4911
Florida Public Utilities	1	\$0.47	4.52	\$63	44	4911
G't Plains Energy		\$1.66	8.51	\$2,318	76	4911
Hawaiian Elec.		\$1.24	5.68	\$1,856	85	4913
IDACORP Inc.		\$1.20	4.06	\$1,347	100	4913
ITC Holdings		\$1.22	2.93	\$2,064		4911

Integrus Energy	1	\$2.68	6.43	\$3,168	9	4911
MGE Energy	1	\$1.45	4.51	\$716	58	4911
Maine & Maritimes Corp		\$0.00	\$0.00	\$68	80	4911
NSTAR	1	\$1.50	4.40	\$3,638	79	4911
NV Energy Inc.	1	\$0.40	3.69	\$2,538	48	4913
NorthWestern Corp	1	\$1.32	5.41	\$876	61	4911
Northeast Utilities	1	\$0.85	3.53	\$3,744	81	4911
OGE Energy		\$1.42	5.64	\$2,336	48	4911
Otter Tail Corp.		\$1.19	5.81	\$725	26	4911
PG&E Corp.	1	\$1.56	4.01	\$13,945	68	4913
PNM Resources		\$0.50	4.85	\$891	100	4913
PPL Corp.		\$1.34	4.24	\$11,861	51	4911
Pepco Holdings	1	\$1.08	5.95	\$3,672	73	4911
Pinnacle West Capital		\$2.10	6.17	\$3,433	93	4913
Portland General		\$0.98	5.05	\$1,214	98	4913
Progress Energy		\$2.48	6.28	\$10,339	100	4911
Public Serv. Enterprise	1	\$1.29	3.93	\$16,620	42	4911
Puget Energy Inc.		\$1.00	3.43	\$3,781		4913
SCANA Corp.	1	\$1.84	5.31	\$4,076	47	4911
Sempra Energy	1	\$1.40	3.13	\$11,056	94	4913
Southern Co.		\$1.68	4.96	\$26,227	99	4911
TECO Energy	1	\$0.80	6.45	\$2,641	62	4911
U.S. Energy Sys Inc		\$0.00	\$0.00	\$0		4911
UIL Holdings		\$1.73	6.52	\$668	100	4911
UNITIL Corp.	1	\$1.38	6.87	\$116	79	4911
UniSource Energy	1	\$0.96	3.40	\$1,001	85	4913
Vectren Corp.	1	\$1.34	5.16	\$2,104	21	4911

Westar Energy		\$1.16	5.73	\$2,192	70	4911
Wisconsin Energy	1	\$1.08	2.38	\$5,309	61	4911
Xcel Energy Inc.	1	\$0.95	5.07	\$8,407	78	4913

(3) (4) The combination electric and gas companies in Dr. Morin's proxy group all possess economic characteristics similar to those of Pepco's electric utility T&D operations. All are involved in the delivery of energy services at regulated rates in a cyclical and weather-sensitive market, all employ a capital-intensive network with similar physical characteristics, and all subject to rate of return regulation. Because of this convergence and similarity, all these utilities are lumped in the same group by Standard and Poor's in defining bond rating benchmarks and assigning business risk scores. Not only are the betas of combination utilities and distribution utilities virtually identical, but so are their standard deviation of returns, another widely-used measure of risk by investors.

PERSON RESPONSIBLE: Dr. Roger A. Morin

REQUEST:

With respect to page 58, lines 1-5, please provide copies of the cited empirical finance literature that indicates a 1% change in the common equity ratio changes the return on equity by 10 basis points.

RESPONSE:

See the following copyrighted extract from Chapter 16 of Dr. Morin's text The New Regulatory Finance and relevant literature.

16.4 Empirical Evidence on Capital Structure

Several researchers have studied the empirical relationship between the cost of capital, capital structure changes, and the value of the firm's securities. Comprehensive and rigorous empirical studies of the relationship between cost of capital and leverage for public utilities, summarized in Patterson (1983), include Modigliani and Miller (1958, 1963), Miller (1977), Brigham and Gordon (1968), Gordon (1974), Robichek, Higgins, and Kinsman (1973), Mehta, Moses, Deschamps, and Walker (1980), Brigham, Shome, and Vinson (1985), and Gapenski (1986). Copeland and Weston (1993) provided a comprehensive summary of the empirical evidence. Although it is not easy in such empirical tests to hold all other relevant factors constant, the evidence partially supports the existence of a tax benefit from leverage and that leverage increases firm value. The evidence also strongly favors a positive relationship between leverage and the cost of equity, which is consistent with the Modigliani Miller propositions.

In a study of public utility capital structures, Patterson (1983) concluded that firm value rises with leverage and revenue requirements decline at low levels of leverage, and he confirmed the existence of a cost-minimizing capital structure. Whether this optimal capital structure also minimizes revenue requirements depends on the effectiveness of regulation in passing interest tax savings through to

ratepayers. Patterson also found that utilities tend to operate at a debt ratio slightly less than the optimal level, in the interest of flexibility and maintaining borrowing reserves.

The empirical effects of leverage on common equity return are summarized in Brigham, Gapenski, and Aberwald (1987). Tables 16-4 and 16-5 show the results of empirical studies and theoretical studies obtained when the debt ratio increases from 40% to 50%. The studies report that equity costs increase anywhere from a low of 34 to a high of 237 basis points when the debt ratio increases from 40% to 50%. The average increase is 138 basis points from the theoretical studies and 76 basis points from the empirical studies, or a range of 7.6 to 13.8 basis points per one percentage increase in the debt ratio. The more recent studies indicate that the upper end of that range is more indicative of the repercussions on equity costs.

Table 16-4

Effects of Leverage on Common Equity: Empirical Studies

<i>Study</i>	<i>Result</i>
<i>MM (1958)</i>	<i>115 basis points</i>
<i>MM (1963)</i>	<i>62</i>
<i>Miller (1977)</i>	<i><u>237</u></i>
<i>Average</i>	<i>138</i>

Table 16-5

Effects of Leverage on Common Equity: Theoretical Studies

<i>Study</i>	<i>Result</i>
<i>Brigham and Gordon (1968)</i>	<i>34 basis points</i>
<i>Gordon (1974)</i>	<i>45</i>
<i>Robichek, Higgins, and Kinsman (1973)</i>	<i>75</i>

<i>Mehta, Moses, Deschamps and Walker (1980)</i>	109
<i>Gapenski (1986)</i>	72
<i>Brigham, Gapenski, and Aberwald (1987)</i>	<u>117</u>
<i>Average</i>	76

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PERSON RESPONSIBLE: Dr. Roger A. Morin