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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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COMMISSION

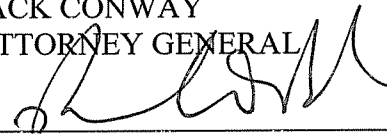
In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY,) Case No. 2009-00202
INC. FOR AN ADJUSTMENT OF GAS RATES)

**ATTORNEY GENERAL'S CORRECTIONS/REVISIONS TO SCHEDULES
CONTAINED IN THE TESTIMONY OF WITNESS ROBERT J. HENKES**

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and states that certain Schedules contained in the testimony of witness, Robert J. Henkes, contained an error which affected Schedules RJH-1, RJH-2, RJH-8, RJH-9 and RJH-10. The Attorney General files herein the revisions to the aforementioned Schedules.

Respectfully submitted,
JACK CONWAY
ATTORNEY GENERAL



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Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of the foregoing were served and filed by hand delivery to Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail, postage pre-paid, to:

Rocco O D'Ascenzo
Duke Energy Kentucky, Inc.
P. O. Box 960
Cincinnati, OH 45201

Julie S. Janson, President
Duke Energy Kentucky, Inc.
P. O. Box 960
Cincinnati, OH 45201

this 26th day of October, 2009



Assistant Attorney General

**DUKE ENERGY KENTUCKY
REVENUE DEFICIENCY**

	<u>DEK</u> (1)	<u>Adjustment</u>	<u>AG</u>	
1. Capitalization Allocated to Gas	\$ 253,750,235	\$ (426,590)	\$ 253,323,645	RJH-3
2. Rate of Return	<u>7.671%</u>		<u>6.440%</u>	RJH-2
3. Operating Income Requirement	19,465,181		<u>16,315,174</u>	
4. Pro Forma Operating Income	<u>8,822,559</u>	<u>3,356,416</u>	<u>12,178,975</u>	RJH-8
5. Operating Income Deficiency	10,642,622		<u>4,136,199</u>	
6. Gross Revenue Conversion Factor	<u>1.64378</u>		<u>1.64378</u>	
7. Revenue Deficiency	<u>\$ 17,494,336</u>	<u>\$ (10,695,336)</u>	<u>\$ 6,799,000</u>	

(1) Filing Schedule A

**DUKE ENERGY KENTUCKY
RATE OF RETURN**

<u>DEK PROPOSED RATE OF RETURN</u>	<u>Ratios</u>	<u>Cost Rates</u>	<u>Weighted Cost Rates</u>
	(1)	(1)	(1)
Common Equity	49.901%	11.000%	5.489%
Long-Term Debt	44.585%	4.657%	2.076%
Short-Term Debt	<u>5.514%</u>	1.928%	<u>0.106%</u>
Total	<u>100.000%</u>		<u>7.671%</u>

<u>AG's RECOMMENDED RATE OF RETURN</u>	<u>Ratios</u>	<u>Cost Rates</u>	<u>Weighted Cost Rates</u>
	(2)	(2)	(2)
Common Equity	49.901%	9.000%	4.491%
Long-Term Debt	44.585%	4.230%	1.886%
Short-Term Debt	<u>5.514%</u>	1.150%	0.063%
Total	<u>100.000%</u>		6.440%

(1) Filing Schedule J-1, page 2.

(2) Testimony of Dr. J. Randall Woolridge, Schedule JRW-1

**DUKE ENERGY KENTUCKY
PRO FORMA OPERATING INCOME**

1. Pro Forma Operating Income Proposed by DEK	\$ 8,822,559	(1)
<u>AG-Recommended Operating Income Adjustments:</u>		
2. Slippage Factor Depreciation Expense Adjustment	19,687	RJH-5, L9
3. AFUDC Income Adjustment	(57,570)	RJH-9
4. Interest Synchronization Adjustment	(205,825)	RJH-10
5. Property Tax Adjustment	435,003	RJH-11
6. Weather Normalization Adjustment	361,788	RJH-12
7. Incentive Compensation Expense Adjustment	27,940	RJH-13
8. Payroll Tax and 401(K) Adjustments	25,599	RJH-14
9. Removal of Various DEBS-Allocated Expenses	131,711	RJH-15
10. Excess Benefit Expense Adjustments	129,679	RJH-16
11. Depreciation Expense Adjustment	2,488,403	RJH-17
12. AG-Recommended Income Adjustments	<u>\$ 3,356,416</u>	
13. AG-Recommended Pro Forma Operating Income	<u>\$ 12,178,975</u>	

(1) Filing Schedule C-1

(2) Response to PSC-2-21, p. 9 of 40: revised income of \$6,337,059 vs. original income of \$6,312,696

(3) Responses to AG-1-182 and AG2-11.

(4) Response to AG-2-33

**DUKE ENERGY KENTUCKY
AFUDC INCOME ADJUSTMENT**

	<u>DEK</u> (1)	<u>Adjustment</u>	<u>AG</u>	
1. Jurisdictional CWIP Subject to AFUDC	\$ 3,777,154		\$ 3,604,954	RJH-4, L2
2. AFUDC Rate (Overall Rate of Return)	<u>7.671%</u>		<u>6.440%</u>	RJH-2
3. Annualized AFUDC Income	<u>\$ 289,745</u>	<u>\$ (57,570)</u>	<u>\$ 232,175</u>	

(1) WPD-2.20a

**DUKE ENERGY KENTUCKY
INTEREST SYNCHRONIZATION ADJUSTMENT**

	<u>DEK</u> (1)	<u>Adjustment</u>	<u>AG</u>	
1. Gas-Allocated Capitalization	\$ 253,750,235	\$ (426,589)	\$ 253,323,645	RJH-1, L1
2. Less: CWIP Subject to AFUDC	<u>(3,777,154)</u>		<u>(3,604,954)</u>	RJH-4, L2
3. Net Capitalization	249,973,081	(254,389)	249,718,691	
4. Weighted Debt Cost Rates:				
a. Long Term Debt	2.076%		1.886%	RJH-2
b. Short Term Debt	0.106%		0.063%	RJH-2
c. Total Weighted Debt Cost	<u>2.183%</u>		<u>1.949%</u>	
5. Pro Forma Interest [L3 x L4c]	5,455,996	(588,088)	4,867,908	
6. Forecasted Period Per Books Interest	<u>5,244,336</u>	<u>(58,976)</u>	<u>5,185,360</u>	(2)
7. Tax-Deductible Interest Adjustment	<u>\$ 211,660</u>	(529,112)	<u>\$ (317,452)</u>	
8. Composite Income Tax Rate		<u>38.90%</u>		(3)
9. Impact on Operating Income		<u>\$ (205,825)</u>		

(1) WPD-2.18a

(2) Response to AG-1-16

(3) Composite of SIT of 6.0% and FIT of 35% = 38.90%.