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Dianne B. Kuhnell.
Senior Paralegal

VIA OVERNIGHT MAIL

April 8, 2010

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

RECEIVED

APR 09 2010

**PUBLIC SERVICE
COMMISSION**

Re: Case No. 2009-157

In the Matter of the Application of Duke Energy Kentucky, Inc. for a Certificate of Public Convenience and Necessity to Construct Gas Distribution Facilities within Its Service Territory

Dear Mr. Derouen:

Enclosed please find an original and twelve copies of Duke Energy Kentucky, Inc.'s Report on 2009 Construction Costs for Accelerated Main Replacement Program in the above-referenced case.

Please date stamp and return the two extra copies of the Report in the enclosed envelope.

If you have any questions, please do not hesitate to contact me at (513) 419-1837.

Sincerely,

Dianne B. Kuhnell
Senior Paralegal

cc: Hon. Larry Cook (with enclosure)

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

APR 09 2010

**PUBLIC SERVICE
COMMISSION**

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY, INC.)
FOR A CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY TO CONSTRUCT GAS)
DISTRIBUTION FACILITIES WITHIN ITS)
SERVICE TERRITORY)

CASE NO. 2009-00157

**DUKE ENERGY KENTUCKY'S
REPORT ON 2009 CONSTRUCTION COSTS
FOR ACCELERATED MAIN REPLACEMENT PROGRAM**

Pursuant to KRS 278.020, 807 KAR 5:001, Sections 8 and 9, and the Commission's Order dated September 3, 2009 in this proceeding, Duke Energy Kentucky (Duke Energy Kentucky) respectfully states as follows:

1. In its April 14, 2009 Application, Duke Energy Kentucky stated that the estimated cost of construction of the proposed facilities, including the cost of replacing metallic service lines connected to cast iron and bare steel mains for the 2009 construction program is \$21, 207, 000. The Commission's September 3, 2009 Order granted a certificate of Public Convenience and Necessity for Duke Energy Kentucky to add \$21,670,000 to its gas plant for its 2009 Accelerated Main Replacement Program (AMRP). The Commission's Order also granted Duke Energy Kentucky a deviation to exceed this amount by up to 20%. Finally, the Commission's Order required Duke Energy Kentucky to file a report by April 15, 2010 on the actual construction costs incurred during 2009.

2. Duke Energy Kentucky reports that the actual construction costs for new gas plant-in-service added through the AMRP in 2009 was \$23,374,984. This amount exceeds by 10.2% the \$21,670,000 amount approved in the Commission's Order; however, this amount is within the

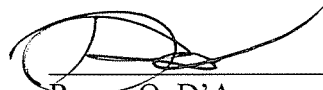
deviation granted in the Commission's Order, which allowed Duke Energy Kentucky to exceed the \$21,670,000 limit by up to 20%.

3. Attachment A is a report listing: (1) the estimated amount for each project in DE-Kentucky's 2009 AMRP construction program; (2) the actual amount added to gas plant-in-service through the AMRP program in 2009 for each type of project; and (3) the reason for any variance.

WHEREFORE, Duke Energy Kentucky respectfully requests that the Commission: (1) accept this report on actual construction costs for new gas plant-in-service added through the AMRP program in 2009; and (2) enter an Order closing this proceeding.

Respectfully submitted,

DUKE ENERGY KENTUCKY, INC.



Rocco O. D'Ascenzo (92796)

Senior Counsel

Amy B. Spiller (85309)

Assistant General Counsel

Duke Energy Business Services, Inc.

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing filing was served on the following via ordinary United States mail, postage prepaid, this 8th day of April, 2010:


Rocco O. D'Ascenzo

Larry Cook
Assistant Attorney General
The Kentucky Office of the Attorney General
1024 Capital Center Drive
Frankfort, Kentucky 40602-2000

Anita L. Mitchell
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Duke Energy Kentucky
2009 AMRP Construction Costs
Comparison of Estimated and Actual Costs

Attachment A

	<u>Estimated Costs (1)</u>	<u>Actual Costs (2)</u>	<u>Difference</u>	<u>Variance Explanation (3)</u>
<u>Module Jobs</u>				
Module 310	2,699,508	3,320,397	620,889	
Module 322	2,463,234	3,249,350	786,116	
Module 376	1,228,771	1,391,213	162,442	
Module 378	2,669,764	2,937,477	267,713	
Module 384	227,295	259,758	32,463	
Module 557	492,607	683,505	190,898	
Module 600	2,127,668	2,434,408	306,740	
Module 601	2,400,981	2,919,232	518,251	
Module 385	2,158,000	2,000,540	(157,460)	
Module 379	662,500	1,246,442	583,942	
Module 386	2,307,000	1,647,870	(659,130)	
Module 605	674,700	674,018	(682)	
	<u>20,112,028</u>	<u>22,764,210</u>	<u>2,652,182</u>	
<u>CIMOS Jobs</u>				
Stevenson Rd	-	83,694	83,694	
Projected (4)	638,597	-	(638,597)	
	<u>638,597</u>	<u>83,694</u>	<u>(554,903)</u>	
<u>Street Improvement Jobs</u>				
Projected (4)	106,377	-	(106,377)	
	<u>106,377</u>	<u>-</u>	<u>(106,377)</u>	
2008 Carry-over	<u>350,000</u>	<u>527,080</u>	<u>177,080</u>	
Total for 2009	<u>21,207,002</u>	<u>23,374,984</u>	<u>2,167,982</u>	

Notes:

- (1) Includes contractor labor, materials, company labor, other and loadings.
- (2) Actual costs through December 31, 2009.
- (3) See 2009 Kentucky Variance Explanations.
- (4) Specific jobs were not known at the time the projection was made.

2009 Kentucky Variance Explanations

Module 386

This project variance is due to unanticipated field conditions. A reduction in backfill material and pavement restoration was a result of the favorable field conditions. These items were not contemplated at the time the work order was written.

Module 605

This project variance is due to unanticipated field conditions. A reduction in backfill material and restoration was a result of the favorable field conditions. These items were not contemplated at the time the work order was written.

Module 385

This project variance is due to unanticipated field conditions causing additional backfill and pavement restoration. The timing of the restoration being carried over into 2010 will actually cause a slight overrun. These items were not contemplated at the time the work order was written.

Module 379

This project variance is due timing of the restoration. The milling and grinding of project will be completed in 2010.

Module 384

This project variance is due to an additional 255' of 2" plastic gas main being installed. In addition, soil conditions contributed to unstable trenches requiring additional backfill and asphalt restoration. These items were not contemplated at the time the work order was written.

Module 376

This project variance is due to unanticipated field conditions requiring additional backfill and pavement restoration on Retreat St, Clark St, and Eden Avenue. Poor pavement and soil conditions contributed to these additional costs. In addition, extra sewer cleaning was necessary to enable an adequate video inspection of the sewers in the area of the gas main replacement. Sidewalk restoration was also charged to the main work order and should have been on the M-C service work order. This was incorrectly allocated and a correction will be made in March 2010. These items were not contemplated at the time the work order was written.

Module 557

This project variance is due to unanticipated field conditions causing additional CLSM backfill and asphalt restoration for tie-in holes and street car tracks. These items were not contemplated at the time the work order was written.

Module 600

This project variance is due to unanticipated field conditions requiring additional backfill and pavement restoration on Lafayette St and at tie-in holes. In addition, extra sewer cleaning was necessary to enable an adequate video inspection of the sewers in the area of the gas main replacement. Sidewalk restoration was also charged to the main work order and should have been on the M-C service work order. This was incorrectly allocated and a correction will be made in March 2010. These items were not contemplated at the time the work order was written.

Module 378

This project variance is due to unanticipated field conditions requiring additional backfill material and asphalt restoration. These items were not contemplated at the time the work order was written.

Module 601

This project variance is due to unanticipated field conditions requiring additional backfill material and pavement restoration. Poor pavement and soil conditions contributed to these additional costs. These items were not contemplated at the time the work order was written.

Module 310

This project variance is due to unanticipated field conditions requiring additional backfill material and pavement restoration. Part of the additional street restoration was brick pavers. This is more labor intensive. Poor pavement and soil conditions contributed to these additional costs. These items were not contemplated at the time the work order was written.

Module 322

This project variance is due to unanticipated field conditions requiring additional backfill material and pavement restoration. Poor pavement and soil conditions contributed to these additional costs. These items were not contemplated at the time the work order was written.

CIMOS Projects – Stevenson Rd

This project variance is due to only one project being installed under this category instead of the four anticipated projects. Therefore, the differential between dollars spent and dollars budgeted were used on the module work.

Street Improvement Projects – This project variance is due to no projects being performed under this category instead of four. Therefore, all dollars were used on module work.

2008 Carry-Over

All the projects in 2008 under this category were bid and installed by a unit cost price structure. The units installed in 2008 had other units associated with the project that were installed and paid in 2009. The 2008 actual unit quantities installed to be carried over in 2009 were greater than anticipated.