

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF PURCHASED GAS            )  
ADJUSTMENT FILING OF DUKE        )  
ENERGY KENTUCKY, INC., F/K/A/ THE)    CASE NO. 2007-00102  
UNION LIGHT, HEAT AND POWER        )  
COMPANY                                )

O R D E R

On December 22, 2005, in Case No. 2005-00042,<sup>1</sup> the Commission approved rates for The Union Light, Heat and Power Company ("ULH&P") and provided for their further adjustment in accordance with ULH&P's gas cost adjustment ("GCA") clause. On April 3, 2006, ULH&P changed its name to Duke Energy Kentucky, Inc. ("Duke").

On March 9, 2007, Duke filed its GCA to be effective March 30, 2007. Duke previously obtained Commission approval to file its GCA within 20 days of the proposed effective date.<sup>2</sup>

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Duke's notice includes rates designed to pass on to its customers its expected change in wholesale gas costs.

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<sup>1</sup> Case No. 2005-00042, Adjustment of the Gas Rates of The Union Light, Heat and Power Company.

<sup>2</sup> Case No. 2003-00386, The Application of The Union Light, Heat and Power Company for Authority to Make Monthly Adjustments to the Expected Gas Cost Component of Its Gas Cost Adjustment Rate, Order dated November 6, 2003.

2. Duke's expected gas cost ("EGC") is \$8.653 per Mcf, which is a decrease of 56.7 cents per Mcf from its previous EGC of \$9.220.

3. Duke's notice sets out no current refund adjustment ("RA"). Duke's notice sets out a total RA of (.2) cent per Mcf, which is no change from its previous total RA.

4. Duke's notice sets out a current quarter actual adjustment ("AA") of 53 cents per Mcf. Duke's notice sets out a total AA of 12.6 cents per Mcf, which is no change from its previous total AA.

5. Duke's notice sets out a current quarter balancing adjustment ("BA") of (.4) cent per Mcf. Duke's notice sets out a total BA of .5 cent per Mcf, which is no change from its previous total BA.

6. Duke's gas cost recovery rate ("GCR") is \$8.782 per Mcf, which is a decrease of 56.7 cents per Mcf from its previous GCR of \$9.349.

7. The rates in the Appendix to this Order are fair, just, and reasonable, and should be approved for final meter readings by Duke on and after March 30, 2007.

IT IS THEREFORE ORDERED that:

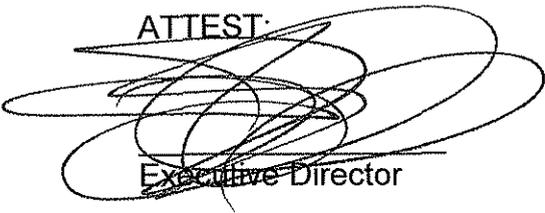
1. The rates in the Appendix to this Order are approved for final meter readings on and after March 30, 2007.

2. Within 20 days from the date of this Order, Duke shall file with the Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 27th day of March, 2007.

By the Commission

ATTEST:

A large, complex handwritten signature in black ink, consisting of multiple overlapping loops and lines, covering the text 'Executive Director'.

Executive Director

Case No. 2007-00102

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2007-00102 DATED MARCH 27, 2007.

The following rates and charges are prescribed for the customers served by Duke Energy Kentucky, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

GAS SERVICE RATES

RATE RS  
RESIDENTIAL SERVICE

	<u>Base Rate</u>		<u>Gas Cost Adjustment</u>	<u>Total Rate</u>
Commodity Charge for All Ccf Consumed	\$ .26687	plus	\$.8782	\$1.14507

RATE GS  
GENERAL SERVICE

	<u>Base Rate</u>		<u>Gas Cost Adjustment</u>	<u>Total Rate</u>
Commodity Charge for All Ccf Consumed	\$ .20949		\$.8782	\$1.08769

RIDER GCAT  
GAS COST ADJUSTMENT TRANSITION RIDER

The amount of this charge or (credit) shall be \$.01290 per 100 cubic feet. This rate shall be in effect during the months of March 2007 through May 2007 and shall be updated quarterly, concurrent with the Company's GCA filings.