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PUBLIC SERVICE
COMMISSION

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John J. Finnigan, Jr.
Associate General Counsel

VIA FAX AND OVERNIGHT MAIL

November 17, 2006

Ms. Joyce Speer
Public Service Commission
Commonwealth of Kentucky
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

Re: In the Matter of an Adjustment of Gas Rates of The Union Light, Heat and Power Company, Case No. 2001-00092; and

In the Matter of the Joint Application of Duke Energy Corporation, Duke Energy Holding Corp., Deer Acquisition Corp., Cougar Acquisition Corp., Cinergy Corp., The Cincinnati Gas & Electric Company and The Union Light, Heat and Power Company for Approval of a Transfer and Acquisition of Control, Case No. 2005-00228.

Dear Ms. Speer:

Pursuant to the Commission's January 31, 2002 Order in Case No. 2001-00092 and the Commission's November 29, 2005 Order in Case No. 2005-00228, Duke Energy Kentucky, Inc. is required to file quarterly financial statements and a report on the Company's capital structure. I have enclosed Duke Energy Kentucky, Inc.'s supplemental financial statement for the quarter ending September 30, 2006 and a capital structure report dated September 30, 2006. Please file-stamp the extra copy and return to me in the overnight envelope provided.

If you have any questions regarding the financial statements, please contact Ms. Peggy A. Laub, Manager, USFE&G Midwest Accounting at (513) 287-4291.

Very truly yours,

John J. Finnigan, Jr.
Associate General Counsel

Enclosure
JJF/sew

cc: Ms. Peggy A. Laub

The Union Light, Heat and Power Company dba Duke Energy Kentucky

**Quarterly Supplemental Financial Statements
Balance Sheet - Page 1
As of September 30, 2006
(Unaudited)**

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
Assets				
Utility Plant in Service	1,080,204,300	291,657,966	11,215,594	1,383,077,859
Construction Work in Progress	22,372,485	3,374,266	0	25,746,752
Less Accum. Depreciation	<u>(522,482,797)</u>	<u>(86,641,540)</u>	<u>(6,947,075)</u>	<u>(616,071,413)</u>
Net Utility Plant	<u>580,093,988</u>	<u>208,390,692</u>	<u>4,268,519</u>	<u>792,753,198</u>
Nonutility Property	0	0	14,813,637	14,813,637
Other Investments	0	0	2,500	2,500
Total Other Property & Investments	<u>0</u>	<u>0</u>	<u>14,816,137</u>	<u>14,816,137</u>
Cash	4,026,434	1,379,070	141,618	5,547,122
Special Deposits	(225,874)	(77,363)	(7,944)	(311,181)
Working Funds	1,815	622	64	2,500
Customer Accounts Receivable	1,128,137	663,820	0	1,791,957
Other Accounts Receivable	4,206,052	1,440,590	240,885	5,887,527
Less Provision for Uncollectibles	(212,711)	(79,643)	0	(292,355)
Notes Receivable from Assoc. Co.	4,459,623	1,527,440	156,854	6,143,918
Accounts Receivable from Assoc. Co.	(2,416,021)	(827,497)	(84,976)	(3,328,494)
Fuel Stock	9,226,098	2,080,767		11,306,865
Plant Materials & Operating Supplies	8,013,216	552,350	0	8,565,566
Other Materials & Supplies	(214,591)	(14,793)	0	(229,383)
Stores Expense Undistributed	345,250	23,798	0	369,048
Prepayments	3,783,245	1,791,008	0	5,574,252
Emission Allowances	13,703,617	0	0	13,703,617
Total Current & Accrued Assets	<u>45,824,290</u>	<u>8,460,168</u>	<u>446,500</u>	<u>54,730,959</u>
Unamortized Debt Expense	2,178,452	746,129	76,621	3,001,202
Other Regulatory Assets	6,515,534	5,714,579	0	12,230,113
Preliminary Survey & Investigation	104,541	35,806	3,677	144,023
Clearing Accounts	607,147	439,207	20,745	1,067,099
Temporary Facilities	(176,042)	0	0	(176,042)
Miscellaneous Deferred Debits	351,126	254,455	26,130	631,711
Unamortized Loss on Reacquired Debt	2,945,160	1,008,729	103,587	4,057,477
Accumulated Deferred Income Taxes	2,318,159	1,673,819	3,341,042	7,333,020
Unrecovered Purchased Gas Costs	0	282,053	0	282,053
Total Deferred Debits	<u>14,844,077</u>	<u>10,154,777</u>	<u>3,571,801</u>	<u>28,570,656</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>640,762,355</u></u>	<u><u>227,005,637</u></u>	<u><u>23,102,958</u></u>	<u><u>890,870,950</u></u>

The Union Light, Heat and Power Company dba Duke Energy Kentucky

**Quarterly Supplemental Financial Statements
Balance Sheet - Page 2
As of September 30, 2006
(Unaudited)**

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<u>Proprietary Capital</u>				
Common Stock Issued	6,373,047	2,182,795	224,153	8,779,995
Premium on Capital Stock	13,674,437	4,683,550	480,958	18,838,946
Other Paid-in Capital Stock	172,486,620	(19,643,047)	(8,067,602)	144,775,972
Retained Earnings	(83,196,674)	226,488,414	31,293,931	174,585,676
Accumulated Other Comprehensive Income	(2,110,480)	(722,848)	(74,230)	(2,907,558)
Total Proprietary Capital	107,226,950	212,988,864	23,857,210	344,073,032
<u>Liabilities</u>				
Bonds	197,230,679	67,552,309	6,937,012	271,720,000
Unamortized Premium on Long-Term Debt				
Less Unamortized Discount on Long-Term Debt	(538,661)	(184,493)	(18,945)	(742,100)
Total Long-Term Debt	196,692,018	67,367,816	6,918,067	270,977,900
Obligations Under Capital Leases - Noncurrent	7,556,503	2,565,395	0	10,121,898
Asset Retirement Obligation	6,594,019	1,805,415	0	8,399,434
Accum. Provision for Injuries & Damages	137,278	0	0	137,278
Accum. Misc. Operating Provisions	5,528,167	3,999,048	188,882	9,716,096
Total Other Noncurrent Liabilities	19,815,968	8,369,858	188,882	28,374,706
Accounts Payable	7,375,242	2,526,050	259,403	10,160,694
Notes Payable to Assoc. Co	19,729,722	6,757,510	693,935	27,181,167
Accounts Payable to Assoc. Co.	9,783,180	3,350,779	344,095	13,478,053
Customer Deposits	2,850,644	1,917,117	0	4,767,761
Taxes Accrued	141,447,330	(125,732,637)	(6,445,198)	9,269,494
Interest Accrued	1,454,411	498,142	51,155	2,003,707
Tax Collections Payable	653,856	394,259	33,653	1,081,767
Misc. Current & Accrued Liabilities	1,459,597	1,055,865	49,870	2,565,332
Obligations Under Capital Leases - Current	996,243	338,220	0	1,334,463
Total Current & Accrued Liabilities	185,750,225	(108,894,695)	(5,013,086)	71,842,438
Customer Advances for Construction	0	2,172,021	0	2,172,021
Accum. Deferred Investment Tax Credits	5,525,430	1,378,728	0	6,904,158
Other Deferred Credits	3,920,548	8,551,705	0	12,472,253
Other Regulatory Liabilities	1,057,541	453,102	0	1,510,643
Accumulated Deferred Income Taxes	120,773,676	34,618,238	(2,848,116)	152,543,798
Total Deferred Credits	131,277,195	47,173,794	(2,848,116)	175,602,874
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	640,762,355	227,005,637	23,102,958	890,870,950

The Union Light, Heat and Power Company dba Duke Energy Kentucky

Quarterly Supplemental Financial Statements
Income Statement
For the 12 Months Ended September 30, 2006
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
Revenues				
Residential Sales	92,255,873	94,267,475	0	186,523,349
Commercial Sales	99,241,340	39,119,194	0	138,360,534
Industrial Sales	40,185,622	6,618,208	0	46,803,830
Sales to Public Authorities	17,239,459	6,324,210	0	23,563,669
Public Street & Highway Lighting	1,451,829	0	0	1,451,829
Inter-Departmental Sales	168,879	86,654	0	255,532
Misc. Service Revenues	236,104	33,622	434,020	703,745
Revenues from Transportation	0	4,675,043	0	4,675,043
Rents from Property	1,445,638	34,176	1,186,955	2,666,769
Other Revenues	4,238,625	14,386	0	4,253,011
Total Revenues	256,463,369	151,172,968	1,620,975	409,257,312
Operating Expenses				
Operation Expense	188,181,503	124,484,490	73,881	312,739,874
Maintenance Expense	21,049,817	1,556,797	90,173	22,696,787
Depreciation Expense	9,824,935	6,410,229	14,651,752	30,886,916
Amortization and Depletion	1,439,721	941,462	0	2,381,182
Taxes Other than Income Taxes	5,434,644	3,276,954	279,711	8,991,310
Income Taxes - Federal & Other	(3,743,750)	3,327,822	170,588	(245,340)
Provision of Deferred Income Taxes - Net	4,452,424	(519,277)	1,749,685	5,682,832
Investment Tax Credit Adjustment	0	(24,963)	24,963	0
Total Operating Expenses	226,639,293	139,453,514	17,040,753	383,133,560
NET OPERATING INCOME	29,824,076	11,719,454	(15,419,778)	26,123,752
Other Income & Deductions				
Revenues from Merchandising, Jobbing and Contract Work	0	0	869,918	869,918
Less Expense of Merchandising, Jobbing and Contract Work	0	0	(588,352)	(588,352)
Revenues from Nonutility Operations	0	0	16,935	16,935
Interest & Dividend Income	400,405	307,499	2,987,062	2,987,062
AFUDC	0	0	0	0
Gain on Disposition of Property	0	0	(60,081)	(60,081)
Loss on Disposition of Property	0	0	(1,880,656)	(1,880,656)
Misc. Income Deductions	0	0	0	0
Taxes Other than Income Taxes	0	0	(461,315)	(461,315)
Income Taxes - Federal & Other	0	0	0	0
Provision for Deferred Income Taxes - Net	0	0	0	0
Total Other Income & Deductions	400,405	307,499	883,511	1,591,415
Interest Charges				
Interest on Long Term Debt	(7,121,066)	(2,438,994)	(250,463)	(9,810,523)
Amortization of Debt Disc. And Expense	(400,380)	(137,132)	(14,082)	(551,594)
Amortization of Loss on Reacquired Debt	0	0	0	0
Interest on Debt to Assoc Co	(2,514,591)	(861,257)	(88,443)	(3,464,291)
Other Interest Expense	(621,963)	(213,025)	(21,876)	(856,863)
Less Allowance for Borrowed Fund Used During Construction - Credit	181,973	167,218	266,578	615,769
Net interest Charges	(10,476,027)	(3,483,190)	(108,286)	(14,067,503)
Extraordinary Items after Taxes	0	0	0	0
NET INCOME	19,748,454	8,543,762	(14,644,553)	13,647,664

Union Light Heat & Power Company
DBA Duke Energy of Kentucky
Capital Structure
September 30, 2006

	Actual June 2006	Activity	Actual September 2006
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
M2310 Long-term debt	\$ 254,959,098	\$ 16,018,802	\$ 270,977,900
M2430 Obligations under Capital Lease-Noncurr	\$ 10,450,381	\$ (328,484)	\$ 10,121,898
Total Long-term debt	\$ 265,409,480	\$ 15,690,318	\$ 281,099,798
Common Stock Equity			
201000 Common Stock	\$ 8,779,995	-	\$ 8,779,995
207000 Prem On Capital Stock Common	\$ 18,838,946	-	\$ 18,838,946
208000 Donat Recvd From Stkhld	\$ 139,855,098	-	\$ 139,855,098
208010 Donat Recvd From Stkhld Tax	\$ 5,077,068	-	\$ 5,077,068
211110 PIC - Sharesaver	\$ (156,194)	-	\$ (156,194)
216000 Unappropriated RE Bal	\$ 176,600,155	-	\$ 176,600,155
216990 Unapp Ret Erngs-Curr Yr Net In	\$ (2,446,321)	\$ 431,843	\$ (2,014,478)
438000 Dividends Declared On Common S	\$ -	-	-
S2750 Accum other comprehensive income (loss)	\$ (2,322,809)	\$ (584,748)	\$ (2,907,558)
Total Common Stock Equity	\$ 344,225,937	\$ (152,906)	\$ 344,073,032
TOTAL CAPITALIZATION	\$ 609,635,417	\$ 15,537,413	\$ 625,172,830