

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF PURCHASED GAS)
ADJUSTMENT FILING OF DUKE)
ENERGY KENTUCKY, F/K/A/ THE) CASE NO. 2006-00196
UNION LIGHT, HEAT AND POWER)
COMPANY)

O R D E R

On December 22, 2005, in Case No. 2005-00042,¹ 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 ("Duke").

On May 11, 2006, Duke filed its GCA to be effective May 31, 2006. Duke previously obtained Commission approval to file its GCA within 20 days of the proposed effective date.²

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.
2. Duke's Expected Gas Cost ("EGC") is \$9.142 per Mcf, which is an increase of 1.1 cent per Mcf from its previous EGC of \$9.131.

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

² 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.

3. Duke's notice sets out no current refund adjustment ("RA"). Duke's notice sets out a total RA of (.4) cent per Mcf, which is an increase of .2 cent per Mcf from its previous total RA.

4. Duke's notice sets out a current quarter actual adjustment ("AA") of (7.3) cents per Mcf. Duke's notice sets out a total AA of 36.7 cents per Mcf which is a decrease of 14.3 cents per Mcf from its previous total AA.

5. Duke's notice sets out a current quarter balancing adjustment ("BA") of 4 cents per Mcf. Duke's notice sets out a total BA of 2.3 cents per Mcf which is a decrease of 1.2 cents per Mcf from its previous total BA.

6. Duke's gas cost recovery rate ("GCR") is \$9.528 per Mcf, which is a decrease of 14.2 cents per Mcf from its previous GCR of \$9.67.

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 May 31, 2006.

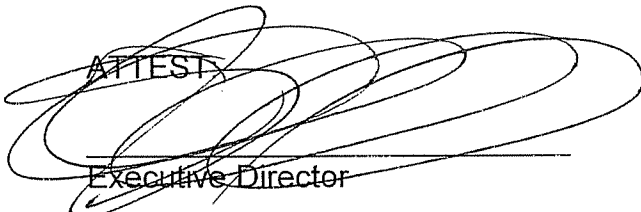
IT IS THEREFORE ORDERED that:

1. The rates in the Appendix to this Order are approved for final meter readings on and after May 31, 2006.

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

Done at Frankfort, Kentucky, this 22nd day of May, 2006.

By the Commission

ATTEST

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2006-00196 DATED May 22, 2006.

The following rates and charges are prescribed for the customers served by Duke Energy Kentucky. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this 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 | \$.9528 | \$ 1.21967 |

RATE GS GENERAL SERVICE

| | <u>Base Rate</u> | | <u>Gas Cost Adjustment</u> | <u>Total Rate</u> |
|--|----------------------|--|------------------------------------|-----------------------|
| Commodity Charge for All Ccf Consumed | \$.20949 | | \$.9528 | \$ 1.162290 |

RIDER GCAT GAS COST ADJUSTMENT TRANSITION RIDER

The amount of this charge or (credit) shall be .03860 cents per 100 cubic feet. This rate shall be in effect during the months of June 2006 through August 2006 and shall be updated quarterly, concurrent with the Company's GCA filings.