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Mark David Goss  
Chairman

Teresa J. Hill  
Vice Chairman

September 25, 2006

CERTIFICATE OF SERVICE

RE: Case No. 2006-00405  
Duke Energy Kentucky, Inc.

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on September 25, 2006.

A handwritten signature in black ink, appearing to read "Beth O'Donnell", written over a horizontal line.

Executive Director

BOD/jc  
Enclosure

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. 2006-00405
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 ("Duke").

On September 8, 2006, Duke filed its GCA to be effective September 28, 2006. 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 \$8.176 per Mcf, which is a decrease of \$1.06 per Mcf from its previous EGC of \$9.236.

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 no current quarter actual adjustment ("AA"). Duke's notice sets out a total AA of 41.7 cents per Mcf, which is no change from its previous total AA.

5. Duke's notice sets out no current quarter balancing adjustment ("BA"). Duke's notice sets out a total BA of 3.2 cents per Mcf, which is no change from its previous total BA.

6. Duke's gas cost recovery rate ("GCR") is \$8.623 per Mcf, which is a decrease of \$1.06 per Mcf from its previous GCR of \$9.683.

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 September 28, 2006.

IT IS THEREFORE ORDERED that:

1. The rates in the Appendix to this Order are approved for final meter readings on and after September 28, 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 25th day of September, 2006.

By the Commission

ATTEST:

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2006-00405 DATED September 25, 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	\$.8623	\$1.12917

RATE GS  
GENERAL SERVICE

	<u>Base Rate</u>		<u>Gas Cost Adjustment</u>	<u>Total Rate</u>
Commodity Charge for All Ccf Consumed	\$.20949		\$.8623	\$1.07179

RIDER GCAT  
GAS COST ADJUSTMENT TRANSITION RIDER

The amount of this charge or (credit) shall be \$.04470 per 100 cubic feet. This rate shall be in effect during the months of September 2006 through November 2006 and shall be updated quarterly, concurrent with the Company's GCA filings.