

VIA E-MAIL AND OVERNIGHT MAIL

May 25, 2007

RECEIVED

Ms. Elizabeth O'Donnell
 Executive Director
 Kentucky Public Service Commission
 211 Sower Boulevard
 P.O. Box 615
 Frankfort, Kentucky 40602-0615

MAY 29 2007

PUBLIC SERVICE
COMMISSION

Re: Notice of Rate Decrease for Rider PSM – Profit Sharing Mechanism Rider

Dear Ms. O'Donnell:

Case No. 2007-00209

Pursuant to KRS 278.180(2), Duke Energy Kentucky, Inc. ("DE-Kentucky") requests a shortened notice period for an adjustment to its Rider PSM – Profit Sharing Mechanism Rider, in order to allow the new rates to take effect for the first billing cycle in June, 2007.

A copy of the new Rider PSM rates is enclosed with this letter. The Commission originally approved Rider PSM in Case No. 2005-00228, and re-approved it in Case No. 2006-00172. The Rider provides for DE-Kentucky to share with customers the revenues from off-system sales, and to flow through net margins from net sales of emission allowances.

DE-Kentucky originally filed the new rates for this Rider via a letter from Ms. Lisa Steinkuhl dated May 18, 2007. Although the normal notice period to adjust rates is 30 days, DE-Kentucky respectfully submits that a shortened notice period is reasonable because the new Rider rates provide for larger credits to customers as compared to the current credits, so the new Rider rates provide for a rate decrease. Allowing the new Rider rates to take effect in less than the normal 30-day period would therefore benefit customers, and allowing the new Rider rates to take effect at the beginning of the June, 2007 billing cycle would benefit the Company by making the new Rider rates simpler to implement.

Thank you for your consideration in this matter. If you have any questions, please do not hesitate to contact me at (513) 287-3601.

Sincerely,

John J. Finnigan, Jr.
 Associate General Counsel

JJF/sew
 Enclosures