

September 29, 2006

Ms. Beth A. O'Donnell, Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

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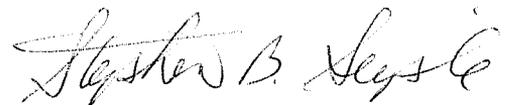
PUBLIC SERVICE
COMMISSION

Re: **PSC Case No. 2005-00184**

Dear Ms. O'Donnell,

Pursuant to the Commission's Order dated July 27, 2006, in the above docket the parties to the case were to report to the Commission by September 30, 2006 on settlement efforts in the case. We are pleased to inform the Commission that the parties have reached an agreement in principle and are finalizing their efforts in reducing the agreement to a written stipulation to be executed by the parties and filed with the Commission in the next week or two. With the settlement agreement, there should be no need for discovery or a hearing. Please call me at (614) 460-4648 should you have any questions about this matter.

Very truly yours,



Stephen B. Seiple
Lead Counsel

Enclosures

cc: Richard S. Taylor
Parties of Record