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John J. Finnigan, Jr.  
Associate General Counsel

**VIA FAX AND OVERNIGHT MAIL**

August 15, 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 is required to file quarterly financial statements and a report on the Company's capital structure. I have enclosed ULH&P's supplemental financial statement for the quarter ending June 30, 2006, and a capital structure report. 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.

Enclosure as stated  
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 June 30, 2006  
(Unaudited)**

	<u>Electric Jurisdictional</u>	<u>Gas Jurisdictional</u>	<u>Non- Jurisdictional</u>	<u>Total Company</u>
<b>Assets</b>				
Utility Plant in Service	1,073,258,167	284,985,288	10,992,352	1,369,235,807
Construction Work in Progress	23,708,306	8,258,657	0	31,966,963
Less Accum. Depreciation	<u>(516,585,923)</u>	<u>(86,564,785)</u>	<u>(6,917,386)</u>	<u>(610,068,094)</u>
Net Utility Plant	<u>580,380,550</u>	<u>206,679,160</u>	<u>4,074,966</u>	<u>791,134,676</u>
Nonutility Property	0	0	11,570,785	11,570,785
Other Investments	0	0	2,500	2,500
Special Funds	0	0	0	0
Total Other Property & Investments	<u>0</u>	<u>0</u>	<u>11,573,285</u>	<u>11,573,284</u>
Cash	4,683,188	1,604,011	164,717	6,451,916
Special Deposits	0	0	0	
Working Funds	1,815	622	64	2,500
Temporary Cash Investments	0	0	0	
Notes Receivable	0	0	0	
Customer Accounts Receivable	813,832	479,328	0	1,293,160
Other Accounts Receivable	2,829,594	981,348	164,984	3,975,926
Less Provision for Uncollectibles	<u>(168,898)</u>	<u>(63,239)</u>	<u>0</u>	<u>(232,136)</u>
Notes Receivable from Assoc. Co.	4,964,455	1,700,347	174,610	6,839,413
Accounts Receivable from Assoc. Co.	<u>(1,614,605)</u>	<u>(553,009)</u>	<u>(56,789)</u>	<u>(2,224,403)</u>
Fuel Stock	0	1,824,189	9,658,445	11,482,633
Plant Materials & Operating Supplies	7,869,245	546,749	0	8,415,994
Other Materials & Supplies	<u>(153,900)</u>	<u>(10,694)</u>	<u>0</u>	<u>(164,592)</u>
Stores Expense Undistributed	336,073	23,350	0	359,423
Gas Stored Underground - Current	0	0	0	0
Prepayments	4,232,016	2,003,459	0	6,235,474
Interest & Dividends Receivable	0	0	0	0
Misc. Current & Accrued Assets	9,733,916	0	0	9,733,916
Total Current & Accrued Assets	<u>33,526,731</u>	<u>8,536,461</u>	<u>10,106,029</u>	<u>52,169,222</u>
Unamortized Debt Expense	1,006,555	344,749	35,403	1,386,707
Extraordinary Property Losses	0	0	0	
Other Regulatory Assets	28,600,836	14,969,777	0	43,570,613
Preliminary Survey & Investigation	107,966	36,979	3,797	148,742
Clearing Accounts	253,848	183,633	8,674	446,154
Temporary Facilities	<u>(166,160)</u>	<u>0</u>	<u>0</u>	<u>(166,160)</u>
Miscellaneous Deferred Debits	1,696,270	279,479	28,700	2,004,449
Unamortized Loss on Reacquired Debt	2,369,467	811,552	83,339	3,264,359
Accumulated Deferred Income Taxes	1,923,259	1,193,775	5,902,627	9,019,661
Unrecovered Purchased Gas Costs	0	<u>(125,249)</u>	0	<u>(125,249)</u>
Total Deferred Debits	<u>35,792,041</u>	<u>17,694,696</u>	<u>6,062,539</u>	<u>59,549,276</u>
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<u><u>649,699,321</u></u>	<u><u>232,910,317</u></u>	<u><u>31,816,820</u></u>	<u><u>914,426,457</u></u>

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

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

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<b><u>Proprietary Capital</u></b>				
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
Less Capital Stock Expense	0	0	0	0
Retained Earnings	47,069,889	94,721,775	32,362,169	174,153,833
Accumulated Other Comprehensive Income	(1,686,034)	(577,474)	(59,301)	(2,322,809)
Total Proprietary Capital	<u>237,917,959</u>	<u>81,367,599</u>	<u>24,940,377</u>	<u>344,225,937</u>
<b><u>Liabilities</u></b>				
Bonds	141,542,700	48,478,950	4,978,350	195,000,000
Less Reacquired Bonds	0	0	0	0
Other Long-Term Debt	0	0	0	0
Unamortized Premium on Long-Term Debt	0	0	0	0
Less Unamortized Discount on Long-Term Debt	(552,308)	(189,168)	(19,425)	(760,902)
Less Current Portion of Long-Term Debt	0	0	0	0
Total Long-Term Debt	<u>140,990,392</u>	<u>48,289,782</u>	<u>4,958,925</u>	<u>194,239,098</u>
Obligations Under Capital Leases - Noncurrent	13,981,313	4,746,586	0	18,727,899
Accum. Provision for Injuries & Damages	453,748	0	0	453,748
Accum. Misc. Operating Provisions	5,356,079	3,874,560	183,002	9,413,641
Total Other Noncurrent Liabilities	<u>19,791,140</u>	<u>8,621,146</u>	<u>183,002</u>	<u>28,595,288</u>
Current Portion of Long-Term Debt	0	0	0	0
Notes Payable	0	0	0	0
Accounts Payable	9,895,640	3,389,297	348,050	13,632,987
Notes Payable to Assoc. Co.	62,586,848	21,436,250	2,201,309	86,224,407
Accounts Payable to Assoc. Co.	11,547,948	3,955,219	406,165	15,909,333
Customer Deposits	2,695,394	1,812,707	0	4,508,101
Taxes Accrued	4,237,377	6,501,737	265,388	11,004,501
Interest Accrued	3,287,302	1,125,914	115,621	4,528,837
Tax Collections Payable	617,677	471,473	47,012	1,136,162
Misc. Current & Accrued Liabilities	940,492	680,347	32,134	1,652,973
Obligations Under Capital Leases - Current	959,775	325,839	0	1,285,614
Total Current & Accrued Liabilities	<u>96,768,453</u>	<u>39,698,783</u>	<u>3,415,680</u>	<u>139,882,914</u>
Customer Advances for Construction	0	2,335,249	0	2,335,249
Accum. Deferred Investment Tax Credits	5,776,785	1,397,865	0	7,174,650
Other Deferred Credits	4,795,326	9,381,250	0	14,176,576
Other Regulatory Liabilities	23,374,789	10,014,905	0	33,389,694
Accumulated Deferred Income Taxes	120,284,477	31,803,738	(1,681,165)	150,407,051
Total Deferred Credits	<u>154,231,377</u>	<u>54,933,007</u>	<u>(1,681,165)</u>	<u>207,483,220</u>
<b>TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS</b>	<u><u>649,699,321</u></u>	<u><u>232,910,317</u></u>	<u><u>31,816,820</u></u>	<u><u>914,426,457</u></u>

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

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

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<b>Revenues</b>				
Residential Sales	96,340,726	93,867,282	0	190,208,009
Commercial Sales	93,236,004	38,992,042	0	132,228,047
Industrial Sales	40,721,699	6,798,449	0	47,520,148
Sales to Public Authorities	17,533,296	6,330,609	0	23,863,905
Public Street & Highway Lighting	1,416,368	0	0	1,416,368
Inter-Departmental Sales	205,289	90,161	0	295,451
Forfeited Discounts	0	0	0	0
Misc. Service Revenues	289,533	30,453	435,556	755,542
Revenues from Transportation	0	4,604,501	0	4,604,501
Rents from Property	1,086,987	34,176	1,395,699	2,516,862
Interdepartmental Rents	0	0	0	0
Other Revenues	4,507,310	26,453	0	4,533,763
Less Provision for Rate Refunds	0	0	0	0
<b>Total Revenues</b>	<b>255,337,213</b>	<b>150,774,126</b>	<b>1,831,255</b>	<b>407,942,595</b>
<b>Operating Expenses</b>				
Operation Expense	196,724,746	125,035,501	83,633	321,843,880
Maintenance Expense	14,607,223	1,710,832	123,042	16,441,096
Depreciation Expense	9,690,326	6,848,479	10,110,767	26,649,572
Amortization and Depletion	1,293,527	1,032,261	0	2,325,787
Taxes Other than Income Taxes	3,690,564	2,817,007	280,892	6,788,463
Income Taxes - Federal & Other	2,167,700	3,326,070	135,763	5,629,533
Provision of Deferred Income Taxes - Net	(1,285,783)	1,045,832	1,792,486	1,552,535
Investment Tax Credit Adjustment	0	(24,514)	24,514	0
<b>Total Operating Expenses</b>	<b>226,888,301</b>	<b>141,791,468</b>	<b>12,551,097</b>	<b>381,230,867</b>
<b>NET OPERATING INCOME</b>	<b>28,448,912</b>	<b>8,982,658</b>	<b>(10,719,842)</b>	<b>26,711,728</b>
<b>Other Income &amp; Deductions</b>				
Revenues from Merchandising, Jobbing and Contract Work	0	0	965,682	965,682
Less Expense of Merchandising, Jobbing and Contract Work	0	0	(515,814)	(515,814)
Revenues from Nonutility Operations	0	0	11,751	11,751
Less Expenses from Nonutility Operations	0	0	0	0
Interest & Dividend Income	0	0	2,983,385	2,983,385
AFUDC	397,735	305,449	0	703,184
Gain on Disposition of Property	0	0	0	0
Loss on Disposition of Property	0	0	(60,081)	(60,081)
Misc. Income Deductions	0	0	1,442,782	1,442,782
Taxes Other than Income Taxes	0	0	0	0
Income Taxes - Federal & Other	0	0	(1,395,943)	(1,395,943)
Provision for Deferred Income Taxes - Net	0	0	0	0
<b>Total Other Income &amp; Deductions</b>	<b>397,735</b>	<b>305,449</b>	<b>3,431,762</b>	<b>4,134,946</b>
<b>Interest Charges</b>				
Interest on Long Term Debt	(5,719,446)	(1,958,933)	(201,165)	(7,879,544)
Amortization of Debt Disc. And Expense	(369,405)	(126,523)	(12,993)	(508,921)
Amortization of Loss on Reacquired Debt	0	0	0	0
Interest on Debt to Assoc Co	(1,918,618)	(657,134)	(67,482)	(2,643,234)
Other Interest Expense	(592,844)	(203,051)	(20,852)	(816,747)
Less Allowance for Borrowed Fund Used During Construction - Credit	118,875	97,894	113,074	538,502
<b>Net interest Charges</b>	<b>(8,481,438)</b>	<b>(2,847,747)</b>	<b>(189,418)</b>	<b>(11,518,603)</b>
Extraordinary Items after Taxes	0	0	0	0
<b>NET INCOME</b>	<b>20,365,209</b>	<b>6,440,361</b>	<b>(7,477,498)</b>	<b>19,328,072</b>

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

	Actual March 2006	Activity	Actual June 2006
<b>Liabilities and Shareholders' Equity</b>			
<b>Non-Current Liabilities</b>			
M2310 Long-term debt	\$ 269,749,908	\$ (14,790,810)	\$ 254,959,098
M2430 Obligations under Capital Lease-Noncurr	\$ 10,774,245	\$ (323,864)	\$ 10,450,381
<b>Total Long-term debt</b>	<b>\$ 280,524,153</b>	<b>\$ (15,114,674)</b>	<b>\$ 265,409,480</b>
<b>Common Stock Equity</b>			
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)	\$ (2,446,321)
438000 Dividends Declared On Common S	\$ -	\$ -	\$ -
S2750 Accum other comprehensive income (loss)	\$ (2,322,809)	\$ -	\$ (2,322,809)
<b>Total Common Stock Equity</b>	<b>\$ 346,672,258</b>	<b>\$ (2,446,321)</b>	<b>\$ 344,225,937</b>
<b>TOTAL CAPITALIZATION</b>	<b>\$ 627,196,411</b>	<b>\$ (17,560,995)</b>	<b>\$ 609,635,417</b>