



139 East Fourth Street, R. 25 At II
P.O. Box 960
Cincinnati, Ohio 45201-0960
Tel: 513-287-3601
Fax: 513-287-3810
John.Finnigan@duke-energy.com

John J. Finnigan, Jr.
Associate General Counsel

VIA OVERNIGHT MAIL

February 20, 2007

Mr. Michael F. Burford
Director, Division of Filings
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, KY 40602

Re: Case No. 2006-00563
Filing Deficiencies

Dear Mr. Burford:

This letter responds to your letters dated January 8 and February 15 regarding filing deficiencies in the Company's above-referenced application. The filing deficiencies noted by the Commission, and the Company's responses, are stated below.

807 KAR 5:001: Section 11(1)(c) Statement of how proceeds are to be used. Should show amounts for each type of use (i.e., property, debt refunding, etc.)

The Company seeks up to \$100 million principal amount of financing authority through December 31, 2008. The \$100 million in financing authority consists of a renewal of the Company's existing \$75 million in financing authority previously approved by the Commission in Case No. 2004-00435, plus \$25 million in additional financing authority.

The Company presently projects that it will need to issue \$20 million in long-term debt in 2008 to replace an existing issuance of long-term debt that will mature in 2008. The Company also projects that it will need to issue \$20 million in long-term debt in 2007 and \$30 million in long-term debt in 2008 in order to repay short-term debt and to pay for planned capital expenditures, in the normal course of the Company's business. The Company presently projects that it will make the following capital expenditures during this period.

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Table 1 – Planned Capital Expenditures

<u>Service</u>	<u>Year</u>	<u>Amount</u>¹
Gas	2007	\$26 million
Electric	2007	\$45 million
Gas	2008	\$27 million
Electric	2008	\$62 million

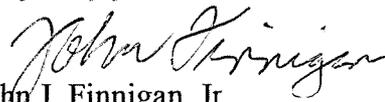
The remaining financing authority, if needed, would be used for similar re-financings and to pay for capital expenditures.

807 KAR 5:001: Section 11(2)(c) If property to be acquired: Detailed estimates by USOA account number.

The Company does not have any plans to acquire any specific property with the long-term debt financing authority that the Company seeks in this application. If the Commission grants the Company the financing authority it seeks, and if the Company later decides to acquire property and finance it by using such financing authority, the Company commits that it will provide the Commission with the details of such transaction.

The Company supplements its initial application with this additional information, and respectfully requests that the Commission accept the application for filing.

Very truly yours,


John J. Finnigan, Jr.

¹ These capital expenditures total \$160 million, slightly less than the \$162.9 million projected in the Company's initial application. The original amount was based on a budget that was updated after the Company filed the application.