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Mark David Goss  
Chairman

John W. Clay  
Commissioner

February 27, 2007

CERTIFICATE OF SERVICE

RE: Case No. 2007-00065  
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 February 27, 2007.

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

Executive Director

BOD/tw  
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. 2007-00065  
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 February 9, 2007, Duke filed its GCA to be effective March 1, 2007. 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 \$9.220 per Mcf, which is an increase of 50.8 cents per Mcf from its previous EGC of \$8.712.

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 a current quarter actual adjustment ("AA") of 53 cents per Mcf. Duke's notice sets out a total AA of 12.6 cents per Mcf, which is a decrease of 34.3 cents per Mcf from its previous total AA.

5. Duke's notice sets out a current quarter balancing adjustment ("BA") of (.4) cent per Mcf. Duke's notice sets out a total BA of .5 cent per Mcf, which is no change from its previous total BA.

6. Duke's gas cost recovery rate ("GCR") is \$9.349 per Mcf, which is an increase of 16.5 cents per Mcf from its previous GCR of \$9.184.

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 March 1, 2007.

IT IS THEREFORE ORDERED that:

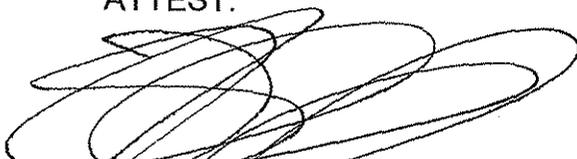
1. The rates in the Appendix to this Order are approved for final meter readings on and after March 1, 2007.

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 27th day of February, 2007.

By the Commission

ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2007-00065 DATED February 27, 2007.

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	\$ .9349	\$1.20177

RATE GS  
GENERAL SERVICE

	<u>Base Rate</u>		<u>Gas Cost Adjustment</u>	<u>Total Rate</u>
Commodity Charge for All Ccf Consumed	\$ .20949		\$ .9349	\$1.14439

RIDER GCAT  
GAS COST ADJUSTMENT TRANSITION RIDER

The amount of this charge or (credit) shall be \$.01290 per 100 cubic feet. This rate shall be in effect during the months of March 2007 through May 2007 and shall be updated quarterly, concurrent with the Company's GCA filings.