

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE UNION)	
LIGHT, HEAT AND POWER COMPANY)	
D/B/A DUKE ENERGY KENTUCKY FOR)	CASE NO.
AUTHORITY TO CONTINUE MAKING)	2006-00144
MONTHLY ADJUSTMENTS TO THE)	
EXPECTED GAS COST COMPONENT)	
OF ITS GAS COST ADJUSTMENT RATE)	
)	

O R D E R

On April 4, 2006, The Union Light, Heat and Power Company d/b/a Duke Energy Kentucky (“Duke”) filed its application for authority to continue making monthly changes to the expected gas cost component (“EGC”) in its gas cost adjustment (“GCA”), as approved in Case No. 2003-00386,¹ until such time as the Commission may order some other timetable.

In Case No. 2003-00386, the Commission permitted Duke to revise its EGC every month with 20 days notice using the New York Mercantile Exchange price for the upcoming month as its estimate. Approval was granted for a 30-month trial during which Duke tracked the EGC it would have proposed under its traditional quarterly filing method for later comparison.² Duke’s purpose in proposing monthly filings was to reduce the large over- and under-recoveries realized when natural gas prices are

¹ 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 30-month trial period will expire in June 2006.

volatile. Duke provided an analysis of the impact of its monthly filings versus quarterly filings as part of its application. The results indicate that the monthly GCAs mitigated the magnitude of the adjustments needed to true up the difference between the proposed EGC and the actual gas costs Duke incurred, thereby protecting its customers from extreme price swings.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Duke's monthly filings of its GCA have mitigated the impact of the volatility of natural gas prices on its customers; therefore, Duke should be allowed to continue filing its GCA monthly until the Commission orders a different filing timetable.

IT IS THEREFORE ORDERED that Duke's request to continue filing its GCA as approved in Case No. 2003-000386 is granted.

Done at Frankfort, Kentucky, this 22nd day of May, 2006.

By the Commission

ATTEST:


Executive Director