



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

RECEIVED
OCT 17 2006
PUBLIC SERVICE
COMMISSION

VIA OVERNIGHT DELIVERY

October 16, 2006

Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

Re: In the Matter of an Adjustment of the Electric Rates of The Union Light, Heat and Power
Company d/b/a Duke Energy Kentucky, Inc.
Case No. 2006-00172

Dear Ms. O'Donnell:

We recently reached a settlement agreement with all the other parties in this proceeding. The settlement agreement resolves all the issues presented in this proceeding. We will file a stipulation and recommendation with the Commission as soon as possible, which will memorialize and request Commission approval of the settlement agreement.

We request that the Commission use October 30, 2006, the scheduled hearing date, as the date for hearing on the settlement agreement. We expect to present Mr. Paul Smith as the Company witness who will testify as to the reasonableness of the settlement agreement and request Commission approval. We will also present any other witnesses requested by Commission Staff or any of the parties; otherwise, we will not have present at the hearing any of the Company's other case-in-chief witnesses. We will request that the testimony of these other case-in-chief witnesses be stipulated to, and admitted into evidence at the hearing, consistent with the Commission's practice of not requiring the witnesses to be present at the hearing if their testimony is uncontested.

In light of the settlement, we do not anticipate filing any rebuttal testimony prior to the October 23, 2006. We reserve our rights, however, to file rebuttal testimony at a later date if the settlement agreement is not completed or approved by the Commission.

Thank you for your consideration in this matter.

Very truly yours,



John J. Finnigan, Jr.
Associate General Counsel

JJF/sew

cc: Hon. Dennis G. Howard
Hon Elizabeth E. Blackford
Hon. David G. Boehm
Hon. Michael L. Kurtz
Hon. Richard G. Raff