November 29, 2006

240 Greenup St. Apt 226
Covington, KY 41011

Beth O'Donnell
Executive Director
Kentucky Public Service Commission
P.O. Box 615
Frankfort, KY 40602-0615

RECEIVED
DEC 4 2006
PUBLIC SERVICE
COMMISSION

Dear Ms. O'Donnell,

Today I received correspondence from the Duke Energy Corporation informing me that as a customer of Duke Energy Kentucky I will experience an increase in my electric rates under a request filed by the company. I visited the Kentucky Public Service Commission's website and found that this increase is case 2006-00172.

I am writing as a customer of Duke Energy Kentucky and resident of the Commonwealth of Kentucky to urge you to reject this request for a rate increase. I base my position on the following:

The letter from Duke Energy states that this would be the first rate increase since 1992 and that the sought increase will increase the monthly electric bill for the typical Duke Energy Kentucky customer by $11. The letter defines a typical customer as using 1,000 kwh of electricity and will pay an average of $76.84 per month after the increase is approved.

From this information it appears that the average monthly bill is currently $65.84, which means Duke Energy Kentucky is seeking a 16.7% rate increase. I find a 16.7% increase to be excessive and not supported by the justifications provided by Duke Energy Kentucky.

First Duke Energy claims the rate increase is justified by the higher cost of fuel. Fluctuations in the cost of energy is a characteristic of the utility industry but best addressed by strategies other than seeking rate increases paid by customers as this response alleviates the need for the company to control its costs. Furthermore, the price of coal has not varied as greatly as oil or natural gas –a fact supported by efforts to increase our use of coal and decrease our use of petroleum and natural gas. Thus a claim of "higher cost of fuel" as worded by Duke Energy is an inappropriate phrase designed to align the public's recent experience with increases in and greater variability of the cost of automotive fuel with the situation experienced by Duke Energy. They are not the same.

Second, Duke Energy also claims in the letter sent to customers that the rate increase is based on them spending "$400 million to provide Kentucky with a dedicated supply of energy" and "$170 million in the electric delivery system to maintain reliable service". I would consider these to be expenses related to being in business and are not extraordinary. I do not find a utility that had a profit of $1.8 billion on total revenues of $16.8 billion to make a persuasive case that $570 million in expenses since 1992 to justify a rate increase that will raise its total revenues $49 million per year and 16.7% for the typical customer.

Having read the letter sent by Duke Energy I began to reflect on its attempts to use the absence of a rate increase during the last 14 years as also justification for the current rate increase. This claim, rather than evoking sympathy for the company –as if the absence of a rate increase itself creates justification for an increase, made me conclude that Duke Energy is a less-efficient, less customer focused company than Cinergy. If Cinergy was able to maintain stable rates during the period 1992-2006 –a period of time that included economic declines and expansions, the rise and fall of the dot com era, the dramatic rise in home prices and various and assorted foreign and domestic crises, including the 9/11 attacks, I must conclude that Duke Energy does not today face conditions so dramatically altered from those experienced by Cinergy to justify a rate increase that will raise the typical customer's monthly bill $11 per month or $132 per year.

Finally, a 16.7% rate increase will have economic implications beyond the revenues of Duke Energy. For many this rate increase will result in the diversion of money away from other life-sustaining essentials, will negatively impact senior citizens living on a fixed income, and, among other reverberations, raise the costs borne by businesses in this area that, in turn, will seek to recover their higher utility costs through higher prices for the goods and services they sell, which will further strain the economic situation of those least able to adjust –in other words this rate increase will be inflationary.

For these reasons I urge you to oppose this rate increase.

Yours sincerely,

Brian Hallahan

Brian Hallahan