

accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Joint Applicants shall make timely amendment to any prior response if they obtain information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Joint Applicants fail or refuse to furnish all or part of the requested information, Joint Applicants shall provide a written explanation of the specific grounds for their failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

Each copy of the information requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Provide corporate organizational charts, showing all subsidiary and affiliated companies of Duke Energy and Progress as of December 31, 2010. The format should be similar to that used in each company's Securities and Exchange

Commission (“SEC”) reports. In addition, indicate whether the subsidiary or affiliated company is an active or inactive entity.

2. For all reports and forms currently filed with the SEC by Duke Energy and Progress, provide separately for each company a list of all reports or forms routinely filed with the SEC. Include the name of the report or form, the reference number (i.e., Form 10-K, Form 8-K, etc.), a brief description of the information provided in the report or form, a statement of how frequently the report or form is filed with the SEC, and explain whether the report or form will continue to be filed with the SEC after completion of the proposed merger.

3. Concerning change of control payments:

a. Indicate the number of directors, executives, officers, or employees of Duke Energy who will be eligible for change of control payments as a result of the proposed merger. Also provide the total estimated amount of the change of control payments for Duke Energy.

b. Identify the directors, executives, officers, or employees of Duke Kentucky who will be eligible for change of control payments as a result of the proposed merger. Also provide the estimated amount of the change of control payment for each Duke Kentucky director, executive, officer, or employee.

c. Describe the mechanisms in Duke Kentucky’s accounting system that will prevent the recording of any change of control payments – either directly, indirectly, or allocated – on Duke Kentucky’s books and records.

4. Explain how Duke Energy and Progress will reorganize shared services (such as accounting, human resources, procurement and IT) to accomplish the savings and transparencies desired in the synergies of the proposed merger.

5. As to the synergies of the proposed merger, explain whether there will be any expected or foreseeable savings as to licensing agreements, such as for software applications, which are used by both Duke Energy and Progress.

6. Refer to page 7, paragraph 15, of the Joint Application. Identify the unscrubbed coal generation capacity that will exist upon completion of the proposed transaction, the age of the facilities and the owner(s) thereof.

7. Refer to Exhibit I of the Application, which contains drafts of the amended affiliate agreements to which the Progress companies are to be added as parties. Provide copies of the five existing agreements with all proposed changes tracked.

8. Provide the Duke Energy and Progress annual reports to shareholders and audited financial statements, including notes to the financial statements, for the years 2006 through 2008.

9. Provide the Duke Energy and Progress SEC Form 10Ks for the years 2006 through 2009.

10. Refer to page 8, lines 19-21 of the Direct Testimony of James E. Rogers. The testimony indicates that Duke Energy's 2010 annual report is attached as Exhibit A to the application; however, Exhibit A is identified as Duke Energy's 2009 annual report.

a. Explain whether Joint Applicants intended to include Duke Energy's 2010 annual report as Exhibit A but inadvertently included the 2009 report, or whether the testimony intended to reference Duke Energy's 2009 annual report.

b. Explain whether Duke Energy's 2010 annual report is now available. If yes, provide the report. If no, state when the 2010 report will be available.

11. Refer to page 5, lines 7-9 of the Direct Testimony of William D. Johnson ("Johnson Testimony"). The testimony indicates that Progress's 2010 annual report is attached as Exhibit C to the application; however, Exhibit C is identified as Progress's 2009 annual report.

a. Explain whether Joint Applicants intended to include Progress's 2010 annual report as Exhibit C but inadvertently included the 2009 report, or whether the testimony intended to reference Progress's 2009 annual report.

b. Explain whether Progress's 2010 annual report is now available. If yes, provide the report. If no, state when the 2010 report will be available.

12. Refer to page 6, lines 11-20 of the Johnson Testimony.

a. Provide the document containing Progress's Code of Ethics.

b. Explain whether Duke Energy currently has a similar code of ethics for its employees and directors. If yes, provide the Duke Energy code of ethics.

13. Refer to page 7, lines 11-15 of the Johnson Testimony.

a. When was the Continuous Business Excellence program initiated?

b. Describe how Progress's actual efficiency and productivity gains have compared each year to its goal of gains of 3 to 5 percent annually.

c. Explain whether Duke Energy currently has a program similar to the Continuous Business Excellence program of Progress.

14. Refer to pages 18-27 of the Johnson Testimony, which identify (1) the individuals that will make up the executive management team of Duke Energy after the

proposed merger is consummated and (2) the specific positions in which they will serve. Provide the names and backgrounds of the individuals currently serving in those same positions, or most comparable positions, for Duke Energy.

15. Refer to page 44 of the Direct Testimony of Julie S. Janson (“Janson Testimony”). The discussion of merger commitments 9, 10, and 11 from Case No. 2005-00228¹ states that Duke Kentucky is willing to continue to abide by each of these merger commitments as part of the proposed transaction. In the Agreed Stipulation approved by the Commission in Case No. 2005-00228, these specific commitments were made by all of the applicants in that case, not just the utility subject to this Commission’s jurisdiction.² For each of the three merger commitments, explain why the commitment is now being made solely by Duke Kentucky or whether each of the Joint Applicants joins in each commitment.

16. Refer to page 45, lines 10-13 of the Janson Testimony. Explain why the Joint Applicants suggest that merger commitment 12 from Case No. 2005-00228 should be continued but only for the first six years following completion of the merger.

17. Refer to page 47, lines 1-5 of the Janson Testimony. The discussion of merger commitment 19 from Case No. 2005-00228 states that Duke Kentucky is willing to continue to abide by this merger commitment as part of the proposed transaction. In the Agreed Stipulation approved by the Commission in Case No. 2005-00228, this

¹ Case No. 2005-00228, Joint Application of Duke Energy Corporation, Duke Energy Holding Corp., Deer Acquisition Corp., Cougar Acquisition Corp., Cinergy Corp., The Cincinnati Gas and Electric Company and The Union Light, Heat and Power Company for Approval of an Acquisition and Transfer of Control (Ky. PSC. May 3, 2006).

² The jurisdictional utility now known as Duke Energy Kentucky, Inc. was known as The Union Light, Heat and Power Company at the time of Case No. 2005-00228.

commitment was made by all of the applicants in that case, not just the utility subject to this Commission's jurisdiction. Explain why this commitment is now being made solely by Duke Kentucky or whether each of the Joint Applicants joins in this commitment.

18. Refer to Page 47, line 21, continuing to page 48, line 2, of the Janson Testimony, which discusses merger commitment 23 from Case No. 2005-00228 and states that Duke Kentucky is willing to continue to abide by this merger commitment as part of the proposed transaction.

a. In the Agreed Stipulation approved by the Commission in Case No. 2005-00228, this commitment was made by all of the applicants in that case, not just the utility subject to this Commission's jurisdiction. Explain why this commitment is now being made solely by Duke Kentucky or whether each of the Joint Applicants joins in this commitment.

b. This commitment references Duke Kentucky's quarterly filings with the Commission. The quarterly filings, which the Commission Ordered in Case No. 2001-00092,³ require that Duke Kentucky file separate gas and electric balance sheets and income statements. Since the time of Case No. 2001-00092, the Commission has found it useful to receive monthly financial statements from other major utilities subject to its jurisdiction. Explain whether Duke Kentucky is willing to file with the Commission separate gas and electric income statements and a combined gas and electric balance sheet for each of the eight months that it does not make quarterly filings.

19. Refer to page 50, lines 6-11 of the Janson Testimony. The discussion of merger commitment 31 from Case No. 2005-00228 states that Duke Kentucky is willing

³ Case No. 2001-00092, Adjustment of Gas Rates of The Union Light, Heat and Power Company (Ky. PSC, Mar. 13, 2002).

to continue to abide by this merger commitment as part of the proposed transaction. In the Agreed Stipulation approved by the Commission in Case No. 2005-00228, this commitment was made by all of the applicants in that case, not just the utility subject to this Commission's jurisdiction. Explain why this commitment is now being made solely by Duke Kentucky or whether each of the Joint Applicants joins in this commitment.

20. Refer to page 51, lines 13-23 of the Janson Testimony. The discussion of merger commitment 36 from Case No. 2005-00228 states that Duke Kentucky is willing to continue to abide by this merger commitment, which relates to filing annual reports with the Commission, as part of the proposed transaction. In the Agreed Stipulation approved by the Commission in Case No. 2005-00228, this commitment was made by all of the applicants in that case, not just the utility subject to this Commission's jurisdiction, and the applicants agreed that Duke Energy, Cinergy and Duke Ohio (then The Cincinnati Gas and Electric Company) would file copies of their annual reports with the Commission. Explain why this commitment is now being made solely by Duke Kentucky and involves filing only Duke Kentucky's annual report with the Commission.

21. Refer to Page 53, line 22, continuing to page 54, line 4, of the Janson Testimony, which discusses merger commitment 45 from Case No. 2005-00228. The testimony states that this commitment is out of date and should be eliminated. The commitment concerns Commission approval of "at-cost" pricing for the Utility Service Agreement, Services Agreements and Operating Companies Services Agreement. The testimony states that the commitment related to the effect of such approval "[o]n any subsequent rulemaking by FERC following repeal of the Public Utility Holding Company Act of 1935 and the enactment of the Energy Policy Act of 2005." However, as set forth

in the Agreed Stipulation approved by the Commission in Case No. 2005-00228, the commitment states that Commission approval of the previously identified “at-cost” pricing “[d]oes not preclude the Commission from asserting any pricing methodology at the FERC, if applicable, after the finalization of the reporting requirements in RM05-32-000 (Repeal of the Public Utility Holding Company Act of 1935 and Enactment of the Energy Policy Act of 2005 – Notice of Proposed Rulemaking.” Explain in detail why Duke Kentucky considers this commitment to now be out of date.

22. Refer to page 6 of the Direct Testimony of William Don Wathen Jr. (“Wathen Testimony”) which indicates that Duke Kentucky is not expected to realize any significant tangible savings as a result of this merger, but that Duke Energy will incur costs as a result of this merger. Mr. Wathen states that the merger savings during the first few years will arise from the ability to jointly dispatch generation and from fuel purchasing economies by the operating companies located in the Carolinas.

a. Provide a detailed description of what makes the proposed merger different from the Duke Energy -Cinergy Corp. merger as to merger savings.

b. Mr. Wathen states that costs incurred by Duke Energy to achieve the proposed merger will be allocated among its subsidiaries, including Duke Kentucky, but will not be included in any test year for recovery in electric or gas rates by Duke Kentucky. Explain how will these costs be allocated to Duke Kentucky and Duke Energy’s other subsidiaries.

c. Explain whether Duke Kentucky is expected to realize any fuel purchasing economies in the future as a result of the proposed merger.

23. Refer to page 7 of Wathen Testimony, which indicates that Duke Kentucky expects to achieve savings by having “[s]teady access to capital markets.”

a. Explain why Duke Kentucky believes that such access to capital markets will be a benefit.

b. Provide the current debt/equity ratio for Duke Kentucky.

c. Provide the current debt/equity ratio for Duke Energy.

24. Refer to page 15 of the Wathen Testimony which discusses that Internal Revenue Code 482 will likely require the pricing of services provided by Duke Energy Business Services, LLC to be adjusted by the market value of those costs.

a. Describe what determines market value of these costs.

b. Explain whether the market value of costs can be different by geographic area within the Duke Energy footprint.

c. Explain how, for ratemaking purposes, services provided to Duke Kentucky at market value are reflected as being rendered to Duke Kentucky at cost.

25. Refer to page 20 of the Wathen Testimony which indicates that affiliates providing services to Duke Kentucky that do not utilize Duke Energy’s accounting system will invoice Duke Kentucky directly for services received.

a. Provide a list of affiliates that do not use Duke Energy’s accounting system.

b. If the proposed merger is approved, will all entities that will become part of Duke Energy be required to utilize Duke Energy’s accounting system?

c. Explain whether the proposed merger will require an upgrade of various software systems for the future.

26. Identify by name, title, and dates of service, each person who served as an officer of each of the following entities from the date the Duke Energy / Cinergy merger was consummated to December 31, 2010: Duke Energy, Cinergy, Duke Ohio and Duke Kentucky.

27. Provide an organizational chart that shows the name and title of each person currently employed as a vice president or above for each of the following entities: Duke Energy, Cinergy, Duke Ohio, and Duke Kentucky.

28. Provide all post-merger anticipated changes to the organizational charts provided in response to the preceding request. Also indicate where one person is anticipated to occupy two or more positions within the same entity or across multiple entities.

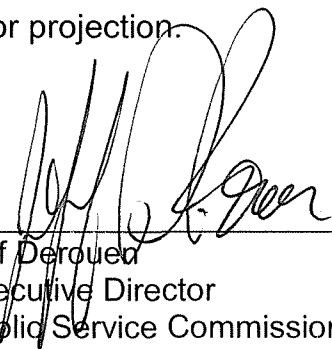
29. Provide an organizational chart that shows the name and title of each person currently employed as a manager through and including a vice president for each of the following entities: Duke Energy, Cinergy, Duke Ohio, and Duke Kentucky.

30. Provide all post-merger anticipated changes to the organizational charts provided in response to the preceding request. Also indicate where one person will be occupying two or more positions within the same entity or among entities.

31. Provide Duke Energy's Proxy Statements for its Annual Meeting of Shareholders held in 2010 and 2011, and Progress Energy's Proxy Statement for its Annual Meeting of Shareholders held in 2011.

32. Have any of the Joint Applicants, or any person on their behalf, performed any analysis, calculation, estimate, or projection, whether partial, preliminary, incomplete, or final, of any potential synergies, benefits, savings, or cost

reductions that might result from the Duke Energy merger with Progress? If yes, provide copies of each analysis, calculation, estimate, or projection.



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cc: Parties of Record

Case No. 2011-00124

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