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JOHN J. FINNIGAN, JR.
Associate General Counsel

VIA OVERNIGHT DELIVERY

March 1, 2007

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

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PUBLIC SERVICE
COMMISSION

Re: In the Matter of the Joint Application of Duke Energy Corporation, Duke Energy Holding Corp., Deer Acquisition Corp., Cougar Acquisition Corp., Cinergy Corp., The Cincinnati Gas & Electric Company and The Union Light, Heat and Power Company for Approval of a Transfer and Acquisition of Control, Case No. 2005-00228.

Dear Ms. O'Donnell:

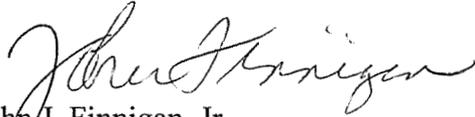
In commitment #31 of the Settlement Agreement in the above-referenced case, Duke Energy Kentucky, Inc. ("DE-Kentucky") committed "that within 60 days of the closing of any utility merger, disposition or acquisition in the United States that is exempted under KRS 278.020(5) and 278.020(6), [DE-Kentucky] will file with the Commission a notice setting forth an analysis of any changes and implications for [DE-Kentucky's] customers."

Pursuant to this commitment, DE-Kentucky reports that, effective January 2, 2007, Duke Energy Corporation spun-off its business units previously known as Duke Energy Gas Transmission and its 50% ownership in a joint venture known as Duke Energy Field Services, into an entity known as Spectra Energy Corp. The spin-off includes interstate natural gas pipeline companies that are FERC-regulated, so the spin-off arguably could be considered a "disposition" of a "utility" within the meaning of this merger commitment.

DE-Kentucky generally does not expect this spin-off of the interstate natural gas pipeline business to have a significant impact on the costs allocated to DE-Kentucky over the long run because, although there are now fewer companies to which to allocate common or shared costs, we expect these costs to go down as a result of the spin-off.

Thank you for your consideration in this matter.

Very truly yours,

A handwritten signature in cursive script, appearing to read "John J. Finnigan, Jr.", written in black ink.

John J. Finnigan, Jr.
Associate General Counsel

cc: Hon. David E. Spenard
Hon. Michael L. Kurtz