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VIA OVERNIGHT DELIVERY

August 2, 2005

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

RECEIVED

AUG 03 2005

PUBLIC SERVICE
COMMISSION

John J. Finnigan, Jr.
Senior Counsel

Re: Joint Application of Duke Energy Corporation, Duke Energy Holding 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:

Enclosed please find an original and twelve copies of the Agreement for Filing Consolidated Income Tax Returns and for Allocation of Consolidated Income Tax Liabilities and Benefits which is labeled as Attachment – LJG-1 and filed with the Lynn J. Good Testimony on August 1, 2005 in the above-referenced case.

The supplemental version reflects the repeal of the Public Utility Holding Company Act.

Please file-stamp and return the two extra copies in the enclosed over-night envelope.

Additionally, we filed a proposed procedural schedule on August 1, 2005, located at Attachment F to our Application. The proposed schedule requested a hearing date of October 10, 2005. Our hearing date for the South Carolina Public Service Commission Case is already scheduled for October 10, 2005. To resolve this conflict, we request that the hearing in the above-referenced case be scheduled to commence on October 12, 2005, instead of the October 10, 2005 date we originally requested.

If you have any questions regarding either of these filings, please call me at (513) 287-3601.

Sincerely,

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

John J. Finnigan, Jr.
Senior Counsel

JJF/sew

cc: All Parties of Record (with enclosures)

DUKE ENERGY CORPORATION AND CONSENTING MEMBERS OF ITS
CONSOLIDATED GROUP

AGREEMENT FOR FILING CONSOLIDATED
INCOME TAX RETURNS AND FOR
ALLOCATION OF CONSOLIDATED INCOME
TAX LIABILITIES AND BENEFITS

Duke Energy Corporation, a Delaware corporation ("Duke Energy"), and its Members hereby agree as of _____ to join annually in the filing of a consolidated Federal income tax return and to allocate the consolidated Federal income tax liabilities and benefits among the members of the consolidated group in accordance with the provisions of this Agreement.

1. DEFINITIONS

"Associate company" is a consenting member of Duke Energy's consolidated group which agrees to be subject to this agreement.

"Consolidated tax" is the aggregate current Federal income tax liability for a tax year, being the tax shown on the consolidated Federal income tax return and any adjustments thereto, as described in section 5 hereof.

"Corporate taxable income" is the positive taxable income of an Associate company for a tax year, computed as though such company had filed a separate return on the same basis as used in the consolidated return, except that dividend income from associate companies shall be disregarded, and other intercompany transactions, eliminated in consolidation, shall be given appropriate effect.

"Corporate taxable loss" is the taxable loss of an Associate company for a tax year, computed as though such company had filed a separate return on the same basis as used in the consolidated return, except that dividend income from associate companies shall be disregarded, and other intercompany transactions, eliminated in consolidation, shall be given appropriate effect.

"Corporate tax credit" is a negative separate regular tax of an Associate company for a tax year, equal to the amount by which the consolidated regular tax is reduced by including the corporate taxable loss of such associate company in the consolidated tax return.

"Separate return tax" is the tax on the corporate taxable income or loss of an associate company as though such company were not a member of a consolidated group.

"Member" is an Associate company, including a Regulated Business as

indicated in section 2 herein, which agrees to be subject to this agreement.

These definitions shall apply, as appropriate, in the context of the regular income tax and the Alternative Minimum Tax ("AMT") unless otherwise indicated in the Agreement.

2. REGULATED BUSINESSES OPERATING IN LLC OR LP FORM

For purposes of allocating the consolidated federal and state tax liabilities and tax benefits under this Agreement, each business operating as an LLC or LP that is subject to the rules and regulations of the Federal Energy Regulatory Commission or state utilities commissions (hereinafter, a "Regulated Business") shall be considered a member of the consolidated group, and shall be responsible for its allocable share of taxable income (or shall be entitled to a credit for its allocable share of tax loss), as set forth in Sections 3 through 6 hereof. For purposes of this Agreement, the determination of a Regulated Business's allocable share shall be made (i) as if such Regulated Business was a regarded entity for U.S. federal income tax purposes and (ii) utilizing the separate "corporate taxable income" method.

3. TAX ALLOCATION PROCEDURES

The consolidated tax shall be allocated among the members of the group utilizing the separate "corporate taxable income" method, in the following manner:

- a) Each Member, which has a corporate taxable loss, will be entitled to a corporate tax credit equal to the amount by which the consolidated regular income tax is reduced by including the corporate tax loss of such Member in the consolidated tax return. The Members having corporate taxable income will be allocated an amount of regular income tax liability equal to the sum of the consolidated regular tax liability and the corporate tax credits allocated to the Members having corporate tax losses based on the ratio that each such Member's corporate taxable income bears to the total corporate taxable income of all Members having corporate taxable income.

If the aggregate of the Members' corporate tax losses are not entirely utilized on the current year's consolidated return, the consolidated carryback or carryforward of such losses to the applicable taxable year(s) will be allocated to each Member having a corporate taxable loss in the ratio that such Member's separate corporate tax loss bears to the total corporate tax losses of all Members having corporate taxable losses.

- b) The consolidated Environmental Tax will be allocated among the

Members of the group by applying the procedures set forth in subsection a) above, except that the basis for allocation will be Alternative Minimum Taxable Income ("AMTI") rather than regular corporate taxable income.

- c) The consolidated AMT will be allocated among the Members in accordance with the procedures and principles set forth in Proposed Treasury Regulation section 1.1502-55 in the form such Regulation existed on the date on which this Agreement was executed.
- d) Tax benefits such as general business credits, foreign tax benefits, or other tax credits shall be apportioned directly to those Members whose investments or contributions generated the credit or benefit.

If the credit or benefit cannot be entirely utilized to offset current consolidated tax, the consolidated credit carryback or carryforward shall be apportioned to those Members whose investments or contributions generated the credit or benefit in proportion to the relative amounts of credits or benefits generated by each Member.

- e) If the amount of consolidated tax allocated to any Member under this Agreement, as determined above, exceeds the separate return tax of such Member, such excess shall be reallocated among those Members whose allocated tax liability is less than the amount of their respective separate return tax liabilities. The reallocation shall be proportionate to the respective reductions in separate return tax liability of such Members. Any remaining unallocated tax liability shall be assigned to Duke Energy. The term "tax" and "tax liability" used in the subsection shall include regular tax, Environmental Tax and AMT.

4. TAX PAYMENTS AND COLLECTIONS FOR ALLOCATIONS

Duke Energy shall make any calculations on behalf of the Members necessary to comply with the estimated tax provisions of the Internal Revenue Code of 1986 as amended (the "Code"). Based on such calculations, Duke Energy shall charge or refund to the Members appropriate amounts at intervals consistent with the dates indicated by Code section 6655. Duke Energy shall be responsible for paying to the Internal Revenue Service the consolidated current Federal income tax liability.

After filing the consolidated Federal income tax return and allocating the consolidated tax liability among the Members, Duke Energy shall charge or credit, as appropriate, the Members to reflect the difference between prior payments or credits and their current tax as allocated under this Agreement.

5. ALLOCATION OF STATE TAX LIABILITIES OR BENEFITS

State and local income tax liabilities will be allocated, where appropriate, among Members in accordance with principles similar to those employed in the Agreement for the allocation of consolidated Federal income tax liability.

6. TAX RETURN ADJUSTMENTS

In the event the consolidated tax return is subsequently adjusted by the Internal Revenue Service, state tax authorities, amended returns, claims for refund, or otherwise, such adjustments shall be reflected in the same manner as though they had formed part of the original consolidated return. Interest paid or received, and penalties imposed on account of any adjustment will be allocated to the responsible Member.

7. NEW MEMBERS

If, at any time, any other company becomes a Member of the Affiliated Group, the parties hereto agree that such new Member may become a party to this Agreement by executing a duplicate copy of this Agreement. Unless otherwise specified, such new Member shall have similar rights and obligations of all other Members under this Agreement.

8. MEMBERS LEAVING THE AFFILIATED GROUP

In the event that any Member of the Affiliated Group at any time leaves the Group and, under any applicable statutory provision or regulation, that Member is assigned and is deemed to take with it all or a portion of any of the tax attributes (including, but not limited to, net operating losses, credit carryforwards, and Minimum Tax Credit carryforwards) of the Affiliated Group, then, to the extent the amount of the attributes so assigned differs from the amount of such attributes previously allocated to such Member under this Agreement, the leaving Member shall appropriately settle with the Group. Such settlement shall consist of payment on a dollar-for-dollar basis for all differences in credits and, in the case of net operating loss differences, in an amount computed by reference to the highest marginal corporate tax rate. The settlement amounts shall be allocated among the remaining Members of the Group in proportion to the relative level of attributes possessed by each Member and the attributes of each Member shall be adjusted accordingly.

9. SUCCESSORS, ASSIGNS

The provisions and terms of the Agreement shall be binding on and inure to the benefit of any successor or assignee by reason of merger, acquisition of assets, or otherwise, of any of the Members hereto.

10. AMENDMENTS AND TERMINATION

This Agreement may be amended at any time by the written agreement of the parties hereto at the date of such amendment and may be terminated at any time by the written consent of all such parties.

11. GOVERNING LAW

This Agreement is made under the law of the State of Delaware, which law shall be controlling in all matters relating to the interpretation, construction, or enforcement hereof.

12. EFFECTIVE DATE

This Agreement is effective for the allocation of the current Federal income tax liabilities of the Members for the consolidated tax year [2006] and all subsequent years until this Agreement is revised in writing.

The above procedure for apportioning the consolidated annual net current federal and state tax liabilities and tax benefits of Duke Energy and consenting members of its consolidated group have been agreed to by each of the below listed members of the consolidated group as evidenced by the signature of an officer of each company.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on its behalf by an appropriate officer thereunto duly authorized.

DUKE ENERGY CORPORATION

By _____
Name:
Title:

DUKE ENERGY SHARED SERVICES, LLC.

By: _____
Name:
Title:

DUKE POWER COMPANY LLC

By: _____
Name:
Title:

THE CINCINNATI GAS & ELECTRIC COMPANY

By: _____
Name:
Title:

PSI ENERGY, INC.

By: _____
Name:
Title:

THE UNION, LIGHT, HEAT AND POWER
COMPANY

By: _____
Name:
Title:

MIAMI POWER CORPORATION

By _____
Name:
Title:

**[ADDITIONAL SUBSIDIARIES TO BE ADDED AT
CLOSING OF MERGER]**