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VIA OVERNIGHT DELIVERY

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**PUBLIC SERVICE
COMMISSION**

October 21, 2008

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

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. Stumbo:

In a February 1, 2008 letter sent reporting information pursuant to the Settlement Agreement in the above-referenced case, Duke Energy Kentucky, Inc. ("DE-Kentucky") expressed an expectation that the affiliate audit report would be filed with the Commission and the Attorney General by October 31, 2008. As previously indicated, the DE-Kentucky and DE-Indiana affiliate audits were performed by the same independent consultant contemporaneously for efficiency purposes. The audit has been completed and the DE-Indiana and DE-Kentucky reports are well underway, however, due to unforeseen delays the two reports will not be completed by October 31, 2008 as initially thought. We anticipate an additional forty-five (45) days will be needed before the report is completed. We will expedite the audit report to the Commission and the Attorney General immediately upon its completion.

The merger commitment outlining the affiliate audit report is set forth below as stated in the February 1, 2008 letter to the Commission:

Commitment # 12

12. Applicants commit to implement and maintain cost allocation procedures that will accomplish the objective of preventing cross-subsidization, and be prepared to fully disclose all allocated costs, the portion allocated to

ULH&P, complete details of the allocation methods, and justification for the amount and the method. Applicants commit to give the Commission 30 days' advance notice of any changes in cost allocation methods set forth in the Service Company Utility Service Agreement, the Operating Company / NonUtility Companies Services Agreements and the Operating Companies Service Agreement approved as part of the Duke / Cinergy merger proceeding. Applicants commit to periodic comprehensive third-party independent audits of the affiliate transactions under the affiliate agreements approved in the Duke / Cinergy merger proceeding. Such audits will be conducted no less often than every two years, and reports will be filed with the Commission and the Attorney General. ULH&P shall file the audit report, if possible, when ULH&P files its annual report. Applicants may request a change to the frequency of the audit reports in future years, subject to agreement by the Commission and the Attorney General.

DE-Kentucky will continue to provide ongoing reporting as required under the merger commitments. Thank you for your understanding in this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Rocco D'Ascenzo", with a long horizontal line extending to the right.

Rocco D'Ascenzo
Senior Counsel

cc: Hon. Dennis G. Howard, II