



September 7, 2005

Cinergy Services, Inc.
1000 East Main Street
Plainfield, IN 46168-1782

VIA OVERNIGHT MAIL

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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SEP 08 2005

PUBLIC SERVICE
COMMISSION

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:

On August 30, 2005, the Joint Applicants filed their responses to the Commission Staff's and the Attorney General's first set of information requests. We also filed a petition for confidential treatment for some of this information. This information included copies of the Lazard fairness opinion (produced in response to AG 1.27) and the Merrill Lynch fairness opinion (produced in response to AG 1.28).

We now realize the these reports were attached to the Form S-4 which was previously filed with the SEC (and which Joint Applicants have provided to this Commission and to the intervenors in this case in response to CS request 1.10); therefore, these are public documents. We therefore withdraw our request for confidential treatment for these two reports. Copies of these two reports, in unredacted format, are attached to this letter.

We have provided nine copies of this letter and the attached, unredacted reports, and we request that these be filed in the docket of this case. Please file stamp and return a copy of this letter to my attention. If you have any questions regarding this matter, please call me at (513) 287-3601. Thank you for your consideration in this matter.

Sincerely,

John J. Finnigan, Jr.
Senior Counsel

JJF/sew

cc: All Parties of Record (with enclosures)

Attorney General of Kentucky
Cinergy/Duke Merger
Request for Information, Set No. 1
PSC Case No. 2005-00228
Request Received August 16, 2005

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AG 1.27

Request:

Provide a full and complete copy of the fairness opinion prepared by Lazard Ltd., on behalf of Duke and referenced in Duke's 9 May 2005 news release.

Response:

See attachment AG 1.27-A.

Witness: Richard J. Osborne

[Letterhead of Lazard Frères & Co. LLC]

May 8, 2005

The Board of Directors
Duke Energy Corporation
526 S. Church Street
Charlotte, North Carolina 28202

Dear Members of the Board:

We understand that Duke Energy Corporation, a North Carolina corporation ("Duke"), Cinergy Corp., a Delaware corporation ("Cinergy"), Deer Holding Corp., a Delaware corporation (the "Company") and a wholly-owned subsidiary of Duke, Deer Acquisition Corp., a North Carolina corporation and a wholly-owned subsidiary of the Company ("Merger Sub A"), and Cougar Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of the Company ("Merger Sub B"), have entered into an Agreement and Plan of Merger, dated as of May 8, 2005 (the "Agreement"). The Agreement provides, among other things, for (i) the merger of Merger Sub A with and into Duke, with Duke continuing as the surviving corporation (the "Duke Merger") and (ii) the merger of Merger Sub B with and into Cinergy, with Cinergy continuing as the surviving corporation (the "Cinergy Merger" and, together with the Duke Merger, the "Merger"), as a result of which Duke and Cinergy will become wholly-owned subsidiaries of the Company. Pursuant to the Merger (x) each outstanding share of common stock, no par value per share, of Duke ("Duke Common Stock"), will be converted, subject to certain exceptions and limitations set forth in the Agreement, into one share of common stock, no par value per share, of the Company ("Company Common Stock"), and (y) each share of common stock, par value \$0.01 per share, of Cinergy ("Cinergy Common Stock"), will be converted, subject to certain exceptions and limitations set forth in the Agreement, into 1.56 shares (the "Exchange Ratio") of Company Common Stock. The terms and conditions of the Merger are more fully set forth in the Agreement.

You have requested our opinion as to the fairness, from a financial point of view, to Duke of the Exchange Ratio pursuant to the Agreement. In connection with this opinion, we have:

- (i) Reviewed the financial terms and conditions of the Agreement;
- (ii) Analyzed certain publicly available historical business and financial information relating to Duke and Cinergy;
- (iii) Reviewed various internal financial forecasts and other data provided to us by Duke and Cinergy relating to their respective businesses, as well as adjustments by Duke's management to the internal financial forecasts provided by Cinergy;
- (iv) Held discussions with members of the senior management of Duke with respect to the businesses and prospects of Duke and Cinergy, the strategic objectives of each, and possible benefits (including estimates of synergies) which might be realized following the Merger;
- (v) Reviewed public information with respect to certain other companies in lines of businesses we believe to be generally comparable to the businesses of Duke and Cinergy;
- (vi) Reviewed the financial terms of certain business combinations involving companies in lines of businesses we believe to be generally comparable to those of Duke and Cinergy, and in other industries generally;

- (vii) Reviewed the historical stock prices and trading volumes of Duke Common Stock and Cinergy Common Stock; and
- (viii) Conducted such other financial studies, analyses and investigations as we deemed appropriate.

We have relied upon the accuracy and completeness of the foregoing information, and have not assumed any responsibility for any independent verification of such information or any independent valuation or appraisal of any of the assets or liabilities of Duke or Cinergy, or concerning the solvency or fair value of either of the foregoing entities, and have not been furnished with any such valuation or appraisal. With respect to financial forecasts, including projected synergies and other anticipated strategic, financial and operational benefits of the Merger, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of management of Duke and Cinergy as to the future financial performance of Duke, Cinergy and the combined company, as the case may be, and we have assumed that such forecasts and projections (including synergies) will be realized in the amounts and at the times contemplated thereby. We assume no responsibility for and express no view as to such forecasts or the assumptions on which they are based.

Further, our opinion is necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof. We assume no responsibility for updating or revising our opinion based on circumstances or events occurring after the date hereof.

In rendering our opinion, we have assumed that the Merger and the other transactions contemplated in the Agreement will be consummated on the terms described in the Agreement, including, among other things, that the Merger and the related transactions described in the Agreement will be treated as a tax-free reorganization under Section 368(a) of the Internal Revenue Code of 1986, as amended, and that the Merger will be consummated without any waiver of any material terms or conditions. In addition, we have assumed that obtaining the necessary regulatory and third-party approvals for the Merger and the other transactions contemplated in the Agreement will not have an adverse effect on the combined company. We do not express any opinion as to any tax or other consequences that might result from the Merger, nor does our opinion address any legal, tax, regulatory or accounting matters, as to which we understand that Duke obtained such advice as it deemed necessary from qualified professionals.

We do not express any opinion as to the price at which shares of Duke Common Stock or shares of Cinergy Common Stock may trade subsequent to the announcement of the Merger or as to the price at which shares of Company Common Stock may trade subsequent to the consummation of the Merger.

Lazard Frères & Co. LLC is acting as investment banker to Duke in connection with the Merger and will receive a fee for our services, a substantial portion of which we will receive upon delivery of this opinion. Also, as you are aware, we have from time to time in the past provided investment banking and financial advisory services to Duke and Cinergy for which we have received fees. We may also provide advisory and other services in the future to Duke, Cinergy or the combined company. Lazard Frères & Co. LLC provides a full range of financial advisory and other services and, in the course of our business, may from time to time effect transactions and hold securities, including derivative securities, of Duke or Cinergy for our own account and for the accounts of clients and customers, and, accordingly, may hold a long or short position in such securities.

Our engagement and the opinion expressed herein are for the benefit of Duke's Board of Directors and are not on behalf of, and are not intended to confer rights or remedies upon, Cinergy, any stockholders of Duke, Cinergy or the Company, or any other person. Our opinion does not address the merits of the underlying decision by Duke to engage in the Merger or the relative merits of the Merger as compared to other business strategies that might be available to Duke. We express no

opinion or recommendation as to how the shareholders of Duke should vote at any shareholders meeting to be held in connection with the Merger.

Based on and subject to the foregoing, we are of the opinion that, as of the date hereof, the Exchange Ratio is fair from a financial point of view to Duke.

VERY TRULY YOURS,

LAZARD FRERES & CO. LLC

By: /s/ GEORGE W. BILICIC

George W. Bilicic
Managing Director

Attorney General of Kentucky
Cinergy/Duke Merger
Request for Information, Set No. 1
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AG 1.28

Request:

Provide a full and complete copy of the fairness opinion prepared by Merrill Lynch and Co., and referenced in Duke's 9 May 2005 news release.

Response:

See attachment AG 1.28-A.

Witness: Lynn J. Good



 Global Markets & Investment Banking

May 8, 2005

Board of Directors
 Cinergy Corp.
 139 East Fourth Street
 Cincinnati, OH 45202

Members of the Board of Directors:

Cinergy Corp. (the "Company"), Duke Energy Corporation (the "Merger Partner"), Deer Holding Corp., a wholly-owned subsidiary of the Merger Partner (the "Parent"), Deer Acquisition Corp., a wholly-owned subsidiary of the Parent ("Merger Sub A"), and Cougar Acquisition Corp., a wholly-owned subsidiary of the Parent ("Merger Sub B"), propose to enter into an Agreement and Plan of Merger dated as of May 8, 2005 (the "Agreement"), pursuant to which Merger Sub A will merge with the Merger Partner (the "Merger Partner Merger"), and Merger Sub B will merge with the Company (the "Company Merger", and together with the Merger Partner Merger, the "Transaction") in a transaction in which, among other things (i) each outstanding share of the Merger Partner's common stock, no par value per share (the "Merger Partner Common Stock"), other than any Merger Partner Common Stock owned by the Company, the Merger Partner or the Parent, all of which shall be canceled, will be converted into the right to receive one share of Parent's common stock, no par value per share (the "Parent Common Stock"), and (ii) each outstanding share of the Company's common stock, par value \$0.01 per share (the "Company Common Stock"), other than any Company Common Stock owned by the Company, the Merger Partner or the Parent, all of which shall be canceled, will be converted into the right to receive 1.56 shares (the "Exchange Ratio") of the Parent Common Stock. As a result of the Transaction, the Company and the Merger Partner will become wholly-owned subsidiaries of the Parent.

You have asked us whether, in our opinion, the Exchange Ratio is fair from a financial point of view to the holders of the Company Common Stock.

In arriving at the opinion set forth below, we have, among other things:

- (1) Reviewed certain publicly available business and financial information relating to the Company and the Merger Partner that we deemed to be relevant;
- (2) Reviewed certain information, including financial forecasts, relating to the business, earnings, cash flow, assets, liabilities and prospects of the Company and the Merger Partner as furnished to us by the Company and the Merger Partner, respectively, as well as the amount and timing of the cost savings and related expenses and retained synergies expected to result from the Transaction (the "Expected Synergies") furnished to us by the Company;
- (3) Conducted discussions with members of senior management and representatives of the Company and the Merger Partner concerning the matters described in clauses 1 and 2

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212 449 1000

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above, as well as their respective businesses and prospects before and after giving effect to the Transaction and the Expected Synergies;

- (4) Reviewed the market prices and valuation multiples for the Company Common Stock and the Merger Partner Common Stock and compared them with those of certain publicly traded companies that we deemed to be relevant;
- (5) Reviewed the results of operations of the Company and the Merger Partner and compared them with those of certain publicly traded companies that we deemed to be relevant;
- (6) Compared the proposed financial terms of the Transaction with the financial terms of certain other transactions that we deemed to be relevant;
- (7) Participated in certain discussions and negotiations among representatives of the Company and the Merger Partner and their financial and legal advisors;
- (8) Reviewed the potential pro forma impact of the Transaction;
- (9) Reviewed the Agreement; and
- (10) Reviewed such other financial studies and analyses and took into account such other matters as we deemed necessary, including our assessment of general economic, market and monetary conditions.

In preparing our opinion, we have assumed and relied on the accuracy and completeness of all information supplied or otherwise made available to us, discussed with or reviewed by or for us, or publicly available, and we have not assumed any responsibility for independently verifying such information or undertaken an independent evaluation or appraisal of any of the assets or liabilities of the Company or the Merger Partner or been furnished with any such evaluation or appraisal, nor have we evaluated the solvency or fair value of the Company or the Merger Partner under any state or federal laws relating to bankruptcy, insolvency or similar matters. In addition, we have not assumed any obligation to conduct any physical inspection of the properties or facilities of the Company or the Merger Partner. With respect to the financial forecast information and the Expected Synergies furnished to or discussed with us by the Company or the Merger Partner, we have assumed that they have been reasonably prepared and reflect the best currently available estimates and judgment of the Company's or the Merger Partner's management as to the expected future financial performance of the Company or the Merger Partner, as the case may be, and the Expected Synergies. We have further assumed that the Merger Partner Merger and the Company Merger will each qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended.

Our opinion is necessarily based upon market, economic and other conditions as they exist and can be evaluated on, and on the information made available to us as of, the date hereof. We have assumed that in the course of obtaining the necessary regulatory or other consents or approvals (contractual or otherwise) for the Transaction, no restrictions, including any divestiture requirements or amendments or modifications, will be imposed that will have a material adverse effect on the contemplated benefits of the Transaction.

In connection with the preparation of this opinion, we have not been authorized by the Company or the Board of Directors to solicit, nor have we solicited, third-party indications of interest for the



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acquisition of all or any part of the Company.

We are acting as financial advisor to the Company in connection with the Transaction and will receive a fee from the Company for our services, a significant portion of which is contingent upon the consummation of the Transaction. In addition, the Company has agreed to indemnify us for certain liabilities arising out of our engagement. We have, in the past, provided financial advisory and financing services to the Company and the Merger Partner and/or its affiliates and may continue to do so and have received, and may receive, fees for the rendering of such services. In addition, in the ordinary course of our business, we may actively trade the Company Common Stock and other securities of the Company, as well as the Merger Partner Common Stock and other securities of the Merger Partner, for our own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

This opinion is for the use and benefit of the Board of Directors of the Company. Our opinion does not address the merits of the underlying decision by the Company to engage in the Transaction and does not constitute a recommendation to any shareholder as to how such shareholder should vote on the proposed Company Merger or any matter related thereto. In addition, you have not asked us to address, and this opinion does not address, the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of the Company, other than the holders of the Company Common Stock.

We are not expressing any opinion herein as to the prices at which the Company Common Stock or the Parent Common Stock will trade following the announcement or consummation of the Transaction, as the case may be.

On the basis of and subject to the foregoing, we are of the opinion that, as of the date hereof, the Exchange Ratio is fair from a financial point of view to the holders of the Company Common Stock.

Very truly yours,

Merrill Lynch, Pierce, Fenner & Smith Inc.

MERRILL LYNCH, PIERCE, FENNER & SMITH
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