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June 24, 2011

VIA HAND-DELIVERY
RECEIVED

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

JUN 24 2011

**PUBLIC SERVICE
COMMISSION**

RE: *The Joint Application of Duke Energy Corporation, Cinergy Corp., Duke Energy Ohio, Inc., Duke Energy Kentucky, Inc., Diamond Acquisition Corporation and Progress Energy, Inc. for Approval of the Indirect Transfer of Control of Duke Energy Kentucky, Inc., Case No. 2011-00124*

Dear Mr. Derouen,

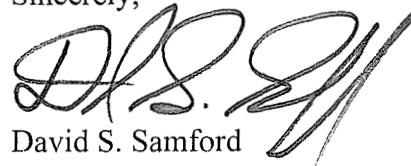
Enclosed, please find several items being tendered for filing in the record of the above-captioned proceeding. These items include:

- 1) An original and ten copies of a Notice of Filing of Stipulation and Settlement Agreement with copies of the signed Stipulation and Settlement Agreement attached to each Notice;
- 2) An original and ten copies of a petition for confidential treatment relating to a proprietary and confidential services agreement discussed during the June 17, 2011 informal conference held in the above-captioned case. Along with the petition for confidential treatment, the Joint Applicants are tendering one copy of the proprietary and confidential services agreement under seal;
- 3) A map of the combined service territories of Duke Energy Kentucky, Inc., Duke Energy Ohio, Inc. and Duke Energy Indiana, Inc. in a large print format. This map was requested to be filed by Commission Staff in the course of the June 17, 2011 informal conference.

Mr. Jeff Derouen
June 24, 2011
Page 2

Please return a file-stamped copy of each of these documents for our records.

Sincerely,

A handwritten signature in black ink, appearing to read 'D.S. Samford', with a stylized flourish extending to the right.

David S. Samford

cc: Dennis Howard (with attachments)
Larry Cook

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COMMONWEALTH OF KENTUCKY

BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION

RECEIVED

IN THE MATTER OF:

JUN 24 2011

THE JOINT APPLICATION OF DUKE)
ENERGY CORPORATION, CENERGY)
CORP., DUKE ENERGY OHIO, INC.,)
DUKE ENERGY KENTUCKY, INC.,)
DIAMOND ACQUISITION CORPORATION,)
AND PROGRESS ENERGY, INC. FOR)
APPROVAL OF THE INDIRECT)
TRANSFER OF CONTROL OF)
DUKE ENERGY KENTUCKY)

PUBLIC SERVICE
COMMISSION

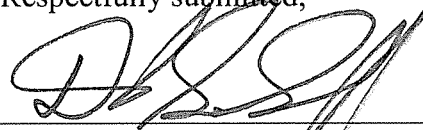
Case No. 2011-0124

JOINT APPLICANTS' NOTICE OF FILING
OF STIPULATION AND SETTLEMENT AGREEMENT

Duke Energy Corporation, Cinergy Corp., Duke Energy Ohio, Inc., Duke Energy Kentucky, Inc., Diamond Acquisition Corporation, and Progress Energy, Inc., (collectively Joint Applicants), do hereby give notice that they have entered into a Stipulation and Settlement Agreement with Jack Conway, Attorney General of the Commonwealth of Kentucky, by and through his duly authorized representatives in the Office of the Attorney General's Division of Rate Intervention. The Stipulation and Settlement Agreement is attached hereto for filing in the record of this proceeding. The Joint Applicants will file supplemental testimony supporting the Stipulation and Settlement Agreement next week.

This 24th day of June, 2011.

Respectfully submitted,



Mark David Goss
David S. Samford
Frost Brown Todd LLC
250 West Main Street, Suite 2800
Lexington, KY 40507-1749
(859) 231-0000 – Telephone
(859) 231-0011 – Facsimile

*Counsel for Joint Applicants,
Duke Energy Corporation
Cinergy Corporation
Duke Energy Ohio, Inc.
Duke Energy Kentucky, Inc.
Diamond Acquisition Corporation and
Progress Energy, Inc.*

- and -

Rocco D'Ascenzo
Amy B. Spiller
Duke Energy Business Services LLC
139 East Fourth Street
1301 Main
P. O. Box 960
Cincinnati, Ohio 45201-0960

*Counsel for Joint Applicants,
Duke Energy Corporation
Cinergy Corporation
Duke Energy Ohio, Inc.
Duke Energy Kentucky, Inc. and
Diamond Acquisition Corporation*

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing has been served via hand delivery to the following party on this 24th day of June 2011:

Hon. Dennis Howard
Hon. Larry Cook
Office of the Attorney General
Utility Intervention and Rate Division
1024 Capital Center Drive
Frankfort, Kentucky 40601



*Counsel for Joint Applicants,
Duke Energy Corporation
Cinergy Corporation
Duke Energy Ohio, Inc.
Duke Energy Kentucky, Inc.
Diamond Acquisition Corporation and
Progress Energy, Inc.*

RECEIVED

Stipulation and Settlement Agreement

JUN 24 2011

PUBLIC SERVICE
COMMISSION

This Stipulation and Settlement Agreement is entered into and effective as of the 24th day of June, 2011 (the “Stipulation and Settlement Agreement”), by and between JACK CONWAY, Attorney General of the Commonwealth of Kentucky, by and through his duly authorized representatives in the Office of the Attorney General’s Division of Rate Intervention (the “Attorney General”), and DUKE ENERGY CORPORATION (“Duke Energy”), CINERGY CORP. (“Cinergy”), DUKE ENERGY OHIO, INC. (“Duke Energy Ohio”), DUKE ENERGY KENTUCKY, INC. (“Duke Energy Kentucky”), DIAMOND ACQUISITION CORPORATION (“Diamond”) and PROGRESS ENERGY, INC. (“Progress Energy”) (collectively, the “Joint Applicants”). The Attorney General and Joint Applicants are collectively referred to herein as the “Parties.”

WITNESSETH:

WHEREAS the Joint Applicants filed their Application and testimony in *In the Matter of: The Application of Duke Energy Corporation, Cinergy Corp., Duke Energy Ohio, Inc., Duke Energy Kentucky, Inc. Diamond Acquisition Corporation and Progress Energy, Inc. for Approval of the Indirect Transfer of Control of Duke Energy Kentucky, Inc.*, with the Kentucky Public Service Commission (“Commission”) on April 4, 2011, and the case was docketed as Case No. 2011-00124 (the “Transfer Case”); and

WHEREAS the Attorney General was granted leave by the Commission to intervene in the Transfer Case; and

WHEREAS the Parties have diligently negotiated and reached an agreement regarding the reasonable terms and regulatory conditions which the Parties believe should apply to and

support the Commission's approval of the transaction set forth in the Transfer Case Application;
and

WHEREAS the Parties agree that this Stipulation and Settlement Agreement, viewed in its entirety, constitutes a fair, just and reasonable resolution of all the issues in the Transfer Case;
and

WHEREAS the Parties agree that following the completion of the merger transaction described in the Transfer Case Application, Duke Energy shall continue to possess the financial, technical and managerial abilities to ensure that Duke Energy Kentucky provides reasonable service as required by KRS 278.020(5); and

WHEREAS the Parties agree that the resolution of the Transfer Case in accordance with the terms and conditions set forth herein is for a public purpose, in accordance with law and consistent with the public interest as required by KRS 278.020(6); and

WHEREAS the Parties recognize that this Stipulation and Settlement Agreement is nonbinding upon the Commission, but simply constitutes an agreement by and between themselves, and that the Commission may inquire about and consider any issues arising from or relating to the Transfer Case as part of the formal proceeding scheduled to commence on or about July 8, 2011; and

WHEREAS the Parties desire to document and record said terms and conditions of their agreement herein;

NOW, THEREFORE, in consideration of the premises and conditions set forth herein, the Parties do hereby agree and stipulate as follows:

ARTICLE I – BASE RATE CASE STAY OUT COMMITMENT

1.01 Base Rate Case Stay Out. Except as noted in Section 1.02 herein, Duke Energy Kentucky agrees to not file an application for approval of a base rate increase for either its retail electric or natural gas businesses for two years from the date of the Commission’s entry of a final order approving the indirect transfer of control of Duke Energy Kentucky in the Transfer Case. Duke Energy Kentucky may file its notice of intent to file a base rate application sooner than two years from the date of the Commission’s final order in the Transfer Case.

1.02 Exceptions. Notwithstanding the base rate case stay out commitment set forth in Section 1.01, Duke Energy Kentucky shall retain the right to seek the approval from the Commission of:

a) the deferral of extraordinary and uncontrollable costs (e.g., ice, wind storm, etc.), but excluding any costs related to the transfer of indirect control transaction that is the subject matter of the Transfer Case (e.g., transaction costs and management retention bonuses, etc.);

b) emergency rate relief under KRS 278.190(2) to avoid a material impairment or damage to its credit or operations;

c) adjustments to the operation of any of Duke Energy Kentucky’s cost recovery surcharge mechanisms (e.g., Fuel Adjustment Clause, Demand Side Management, Gas Cost Recovery, etc.), including any base rate roll-ins, which are part of the normal operations of such mechanisms;

d) the establishment or implementation of an environmental surcharge mechanism pursuant to KRS 278.183.

1.03 Effect of Failure to Complete Transaction. The commitment set forth in Section 1.01 shall become effective upon the Commission’s final order approving the Application in the Transfer Case. In the event the anticipated merger is not completed, however, the obligation set forth in Section 1.01 shall no longer be effective or applicable to Duke Energy Kentucky.

ARTICLE II – LOW INCOME WEATHERIZATION SUPPORT

2.01 Low Income Weatherization Support. Duke Energy Kentucky currently supports low income weatherization programs within its service territory. As a supplement to this existing program, the Joint Applicants agree to make five (5) equal, annual shareholder contributions of \$115,000.00 (total of \$575,000.00) to support weatherization efforts within the service territory of Duke Energy Kentucky. The contributions shall be made by the Duke Energy Foundation to People Working Cooperatively (“PWC”) or to another entity to be mutually determined by Duke Energy Kentucky and the Attorney General. The annual contribution shall be made on or before March 31 of each year. Duke Energy Kentucky shall take reasonable steps to assure that PWC or any other entity receiving funds hereunder will administer the funds using the same guidelines and program parameters that are currently used to administer Duke Energy Kentucky’s existing low income weatherization program with the goal of maximizing the impact of the annual contributions.

2.02 No Recovery Through Rates. The Joint Applicants’ contribution shall not be recovered through Duke Energy Kentucky’s base rates or through its Demand Side Management Rider.

ARTICLE III – LOCAL ECONOMIC DEVELOPMENT SUPPORT

3.01 Local Economic Development Support. Duke Energy Kentucky currently supports economic development programs within its service territory. As a supplement to its

existing support, the Joint Applicants agree to make five (5) equal, annual shareholder contributions of \$50,000.00 (total of \$250,000.00) to support economic development opportunities within the service territory of Duke Energy Kentucky. The contributions will be made by the Duke Energy Foundation to one or more non-profit recipients as shall be agreed upon by the Attorney General and Duke Energy Kentucky.

3.02 No Recovery Through Rates. The Joint Applicants' contribution shall not be recovered through Duke Energy Kentucky's base rates.

ARTICLE IV – REGULATORY COMMITMENTS AND AFFILIATE AGREEMENTS

4.01 Regulatory Commitments. The Joint Applicants agree to be bound, to the extent applicable to each of them, by the regulatory commitments set forth in Appendix A to this Stipulation and Settlement Agreement. These regulatory requirements should expressly supersede and replace any and all regulatory commitments previously imposed by the Commission's order in Case No. 2005-00228 approving the merger of Duke Energy and Cinergy Corp.

4.02 Approval of Affiliate Agreements. The Parties agree that the affiliate agreements tendered to the Commission by the Joint Applicants as Exhibit I to their Application, as amended by the Joint Applicants' tender to the Commission of an amended Utility Money Pool Agreement on April 28, 2011, are reasonable, in accordance with Kentucky law and should be approved by the Commission. The Attorney General agrees to not oppose the Commission's approval of said affiliate agreements.

ARTICLE V – OTHER PROVISIONS

5.01 Merger Savings Mechanism. The Parties agree that the unique facts of this indirect transfer case do not permit an immediate and quantifiable calculation of merger savings

likely to accrue to Duke Energy Kentucky following the completion of the proposed merger transaction. Although the Joint Applicants are targeting merger savings to be recognized over time, the Parties agree that the task of seeking to identify and quantify such savings in the short-term would be administratively burdensome and would be costly to the point of eroding the value of the savings. Accordingly, the Parties agree that future net savings arising from the merger transaction and inuring to the benefit of Duke Energy Kentucky will best be recognized for retail ratemaking purposes in future base rate case proceedings and that no merger savings mechanism should be implemented as part of the Commission's approval of the Transfer Case. The Parties' agreement that a merger savings mechanism is not appropriate in this specific situation is made solely in recognition of the unique facts of this merger transaction and not upon any particular interpretation of law. The right of the Attorney General to request the implementation of reasonable merger savings mechanisms in future transfer of control cases is expressly reserved.

5.02 Confidentiality. The Attorney General does not object to the Commission granting confidential treatment to the confidential information for which confidentiality has previously been sought by the Joint Applicants by the filing of various petitions during the course of this proceeding.

5.03 No Admissions. Except as specifically stated otherwise in this Stipulation and Settlement Agreement, the Parties agree that making this Stipulation and Settlement Agreement shall not be deemed in any respect to constitute an admission by any Party hereto that any computation, formula, allegation, assertion or contention made by any other Party in the Transfer Case is true or valid.

5.04 Filing of Stipulation and Settlement Agreement. The Parties Agree that a fully executed copy of this Stipulation and Settlement Agreement shall be filed of record in the Transfer Case as an exhibit to supplemental testimony requesting the Commission to approve the indirect transfer of control of Duke Energy Kentucky in accordance with the terms and conditions set forth herein.

5.05 Participation in Hearing. The Attorney General waives all cross-examination of the Joint Applicants' witnesses, except as set forth in subparagraph (b) of this section, unless the Commission disapproves this Stipulation and Settlement Agreement. The Attorney General further agrees that upon his execution of this Stipulation and Settlement Agreement, he will not:

a) otherwise contest the Joint Applicants' Application in the Transfer Case, as modified by this Stipulation and Settlement Agreement, during the hearing of the Transfer Case; or

b) cross-examine the Joint Applicants' witnesses during the hearing of the Transfer Case except insofar as such cross-examination is of the witness(es) offered by the Joint Applicant to support the Stipulation and Settlement Agreement.

5.06 Good Faith. The Parties agree to act in good faith and to use their best efforts to recommend to the Commission that this Stipulation and Settlement Agreement be accepted and approved.

5.07 Further Review. If the Commission enters a final order approving the Application in the Transfer Case and adopting and implementing the terms and conditions set forth herein, the Parties agree that they shall not file a petition for rehearing before the Commission or file an action for review in the Franklin Circuit Court with respect to such final order.

5.08 Effect of Final Order. The Parties agree that if the Commission issues a final order that fails to approve the Application in the Transfer Case, fails to adopt and implement all of the terms and conditions set forth herein, or adds or imposes additional conditions or burdens upon the proposed merger transaction or on any or all of the Joint Applicants that are unacceptable to any or all of the Joint Applicants in their sole discretion, upon notice given to the Commission and the Attorney General, then:

a) this Stipulation and Settlement Agreement shall be void and withdrawn by the Parties from further consideration by the Commission and none of the Parties shall be bound by any of the provisions herein, although no Party shall be prohibited from advocating any position contained in this Stipulation and Settlement Agreement; and

b) neither the terms of this Stipulation and Settlement Agreement nor any matters raised during the negotiations of this Stipulation and Settlement Agreement shall be binding on any of the Parties to this Stipulation and Settlement Agreement or be construed against any of the Parties.

5.09 Commission Jurisdiction. The Parties agree that nothing in this Stipulation and Settlement Agreement shall be construed in a manner that diminishes or eliminates the Commission's jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

5.10 Future Effect. The Parties agree that this Stipulation and Settlement Agreement shall inure to the benefit of, and be binding upon, the Parties, their successors and assigns.

5.11 Whole Agreement. The Parties agree that this Stipulation and Settlement Agreement constitutes the complete agreement and understanding among the Parties and that any and all oral statements, representations, or agreements made prior hereto or contemporaneously

herewith, shall be null and void, and shall be deemed to have been merged into this Stipulation and Settlement Agreement.

5.12 Fair, Just and Reasonable Result. The Parties agree that, for the purpose of this Stipulation and Settlement Agreement, the terms are based upon the independent analysis of the Parties to reflect a fair, just and reasonable outcome and are the product of arms-length negotiation and compromise. The Parties further agree that upon the completion of the proposed merger transaction, Duke Energy shall have the requisite financial, technical and managerial abilities to ensure that Duke Energy Kentucky continues to provide reasonable service, as required by KRS 278.020(5), and that the proposed merger transaction is in accordance with law, for a proper purpose and consistent with the public interest, as required by KRS 278.020(6).

5.13 Admissibility. The Parties agree that the Stipulation and Settlement Agreement, either in whole or in part, shall not be admissible in any court or administrative agency except insofar as such court or administrative agency is addressing litigation arising out of the implementation of the terms and condition set forth herein. This Stipulation and Settlement Agreement shall not have any precedential value in this or any other jurisdiction.

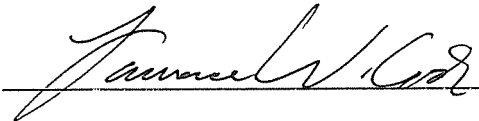
5.14 Consultation and Authority. The signatories hereto warrant that they have informed, advised, and consulted with the Parties they represent in the Transfer Case with regard to the contents and significance of this Stipulation and Settlement Agreement and based upon the foregoing, are authorized to execute this Stipulation and Settlement Agreement on behalf of the Parties they represent.

5.15 Construction. The Parties agree that this Stipulation and Settlement Agreement is a product of negotiation among all Parties, and that no provision of this Stipulation and Settlement Agreement shall be strictly construed in favor of, or against, any Party.

5.16 Counterparts. The Parties agree that this Stipulation and Settlement Agreement may be executed in multiple counterparts.

IN WITNESS WHEREOF, the Parties have affixed their signatures hereunto.

JACK CONWAY, ATTORNEY GENERAL

BY:  _____

DUKE ENERGY CORPORATION

BY: _____

CINERGY CORP.

BY: _____

DUKE ENERGY OHIO, INC.

BY: _____

DUKE ENERGY KENTUCKY, INC.

BY: _____

DIAMOND ACQUISITION CORPORATION

BY: _____

PROGRESS ENERGY, INC.

BY: _____

5.16 Counterparts. The Parties agree that this Stipulation and Settlement Agreement may be executed in multiple counterparts.

IN WITNESS WHEREOF, the Parties have affixed their signatures hereunto.

JACK CONWAY, ATTORNEY GENERAL

BY: _____

DUKE ENERGY CORPORATION

BY: Charles D. Gon

CINERGY CORP.

BY: Charles D. Gon

DUKE ENERGY OHIO, INC.

BY: Charles D. Gon

DUKE ENERGY KENTUCKY, INC.

BY: Charles D. Gon

DIAMOND ACQUISITION CORPORATION

BY: Charles D. Gon

PROGRESS ENERGY, INC.

BY: Charles D. Gon

Stipulation and Settlement Agreement

Exhibit A

Joint Applicants' Regulatory Commitments

1. Joint Applicants commit to make available to the Kentucky Public Service Commission ("Commission"), for inspection and examination at such time and place as the Commission designates, the books and records of Duke Energy Kentucky, Inc. ("Duke Energy Kentucky") and the books and records of any subsidiary of Duke Energy Corporation ("Duke Energy") in which Duke Energy holds a controlling interest, to the extent necessary to verify transactions with Duke Energy Kentucky. Joint Applicants commit that the books and records of Duke Energy Kentucky, Duke Energy Ohio, Inc. ("Duke Energy Ohio") and Cinergy Corp. ("Cinergy") will be located in Cincinnati, Ohio, Plainfield, Indiana, or Charlotte, North Carolina.

2. Joint Applicants commit that Duke Energy Kentucky shall not incur any additional indebtedness, issue any additional securities, or pledge any assets to finance any part of Duke Energy's merger with Progress Energy, Inc. ("Progress Energy"). Duke Energy Kentucky will loan and borrow money from affiliates only under the terms of, and only with the parties to, the Utility Money Pool Agreement that is approved as part of the Commission's review of the proposed merger transaction. Although Duke Energy and Progress Energy will be parties to the Utility Money Pool Agreement, Duke Energy Kentucky will not make money pool loans or otherwise make loans to Duke Energy, Progress Energy or any affiliate that is not a party to the Utility Money Pool Agreement.

3. The payment for Progress Energy's stock shall be recorded on Duke Energy's books, and shall be excluded from the books of Duke Energy Kentucky for retail ratemaking purposes and for accounting purposes, unless inconsistent with U.S. Securities and Exchange Commission ("SEC") principles.

4. Although there is no "push down" accounting applicable to Duke Energy Kentucky in this merger transaction, any acquisition premium paid by Duke Energy for the Progress Energy stock shall not be "pushed down" to Duke Energy Kentucky for retail ratemaking purposes or for accounting purposes, unless inconsistent with SEC principles.

5. No change in control payments will be allocated to the retail customers of Duke Energy Kentucky for retail ratemaking purposes or for accounting purposes, unless inconsistent with SEC principles.

6. Following the merger of Duke Energy and Progress Energy, executive level personnel will continue to be based in the Cincinnati/Northern Kentucky area with direct responsibility for gas and electric operations matters in Kentucky. Duke Energy Kentucky will file annual reports on the number of sustained outages (defined as having a duration of greater than five minutes) and the outage duration for the circuits at each substation. When Duke Energy's chief executive officer has annual meetings with the Commission, gas and electric operations personnel will also be present to discuss service reliability issues.

7. Joint Applicants commit that they will not achieve merger savings at the expense of material degradation in the adequacy and reliability of Duke Energy Kentucky's retail gas and electric service.

8. Joint Applicants commit that Duke Energy Kentucky shall continue to maintain a substantial level of involvement in community activities, through annual charitable and other contributions.

9. Joint Applicants commit to maintaining Duke Energy Kentucky's proactive stance on developing economic opportunities in Kentucky and supporting economic development activities throughout Duke Energy Kentucky's service territory.

10. Joint Applicants commit that the accounting and reporting system used by Duke Energy Kentucky will be adequate to provide assurance that directly assignable utility and non-utility costs are accounted for properly and that reports on the utility and non-utility operations are accurately presented.

11. Joint 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 Duke Energy Kentucky, complete details of the allocation methods, and justification for the amount and the method. Joint 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/Non-Utility Companies Service Agreements and the Operating Companies Service Agreement approved as part of the merger transaction.

12. Joint Applicants commit to periodic comprehensive third-party independent audits of the affiliate transactions under the affiliate agreements approved as part of the merger transaction. Such audits will be conducted no less often than every two years, and the reports will be filed with the Commission and the Attorney General. Duke Energy Kentucky shall file the audit report, if possible, when Duke Energy Kentucky files its annual report. The audits will continue for six years or until three service company audits are performed, in the event more than six years are needed to perform three audits.

13. Duke Energy Kentucky commits to protect against cross-subsidization in transactions with affiliates.

14. Duke Energy Kentucky acknowledges that, for ratemaking purposes, the Commission has jurisdiction over its capital structure, financing and cost of capital and that the Commission will continue to exercise such jurisdiction.

15. Joint Applicants commit that the merger will have no adverse impact on the base rates or the operation of the fuel adjustment clause, gas cost recovery and demand side management clause of Duke Energy Kentucky.

16. In future rate cases, Duke Energy Kentucky will not seek a higher rate or return on equity than would have been sought if the merger transaction had not occurred.

17. The accounting and ratemaking treatments of Duke Energy Kentucky's excess accumulated deferred income taxes will not be affected by the merger of Duke Energy and Progress Energy.

18. Duke Energy and Progress Energy commit to take an active and ongoing role in managing and operating Duke Energy Kentucky in the interests of customers, employees, and the Commonwealth of Kentucky, and to take the lead in enhancing Duke Energy Kentucky's relationship with the Commission, with state and local governments, and with other community interests, including, but not limited to, meetings between Duke Energy's chief executive officer and the Commission at least once a year or more frequently if deemed necessary by the Commission.

19. Joint Applicants commit that, for a period of five years following the merger, Duke Energy Kentucky will advise the Commission at least annually on the adoption and implementation of best practices at Duke Energy Kentucky following the completion of the merger between Duke Energy and Progress Energy.

20. Joint Applicants commit to notify the Commission as soon as practicable of registration or issuance of new public long-term debt or equity in excess of \$500 million issued by Duke Energy or Cinergy.

21. Duke Energy Kentucky commits to notify the Commission subsequent to its board approval and as soon as practicable following any public announcement of any acquisition of a regulated or non-regulated business representing five percent or more of Duke Energy's market capitalization.

22. Joint Applicants commit that Duke Energy Kentucky will pay dividends only out of retained earnings. Applicants further commit to maintain a capital structure for Duke Energy Kentucky which contains a minimum of thirty-five (35) percent equity.

23. Joint Applicants commit that when Duke Energy Kentucky files its monthly reports with the Commission, it shall include with that filing a schedule of the current capital structure and a schedule of any capital contributions made to Duke Energy Kentucky in the applicable month.

24. The Joint Applicants commit that, to the extent applicable, practicable and reasonable, Duke Energy Kentucky will abide by regulatory conditions required by other jurisdictions in their approval of the merger between Duke Energy and Progress Energy, unless those regulatory conditions are adverse to the interests of Duke Energy Kentucky's ratepayers.

25. Joint Applicants commit that customers will experience no adverse change in utility service due to the consolidation of Duke Energy Business Services, LLC, and Progress Energy Services Company, LLC.

26. Joint Applicants commit to: a) adequately fund and maintain Duke Energy Kentucky's transmission and distribution system; b) comply with all Commission regulations and statutes; and c) supply Duke Energy Kentucky's service needs.

27. When implementing best practices, Joint Applicants commit to taking into full consideration the related impacts on the levels of customer service and customer satisfaction, including any negative impacts resulting from workforce reductions.

28. Joint Applicants commit to minimize, to the extent possible, any negative impacts on levels of customer service and customer satisfaction resulting from workforce reductions.

29. Duke Energy Kentucky commits to notify the Commission in writing thirty (30) days prior to any material changes in its participation in funding for research and development. Material changes include, but are not limited to, any change in funding equal to or greater than twenty-five (25) percent of Duke Energy Kentucky's previous year's budget for research and development. The written notification will include an explanation and the reasons of the change in policy.

30. Joint Applicants commit to dedicating Duke Energy Kentucky's existing and future rate-based generation facilities to the first call requirements of its existing and future native load customers.

31. Joint Applicants commit that within sixty (60) days of the closing of any merger, disposition or acquisition involving Duke Energy or a subsidiary thereof, in the United States that is exempted under KRS 278.020(5) and KRS 278.020(6), Duke Energy Kentucky will file with the Commission a notice setting forth an analysis of any changes and implications for Duke Energy Kentucky's customers.

32. Joint Applicants commit that Duke Energy Ohio will hold one hundred (100) percent of the common stock of Duke Energy Kentucky and that Duke Energy Ohio will not transfer any of that stock without prior notice to the Commission, even if the transfer is exempted under KRS 278.020(5) and KRS 278.020(6).

33. Joint Applicants commit that when budgets, investments, dividend policies, projects and business plans are being considered by Duke Energy for the Kentucky business, at a minimum, the chief executive officer of Duke Energy Kentucky his or her designee must participate on a real-time basis to offer a Kentucky perspective to the decision and be permitted to participate in any debates on the issues on a real-time basis.

34. Joint Applicants commit that Duke Energy Kentucky's president will reside within Kentucky or the Cincinnati metropolitan area.

35. Joint Applicants commit that managerial talent will not be diverted from Duke Energy Kentucky to Duke Energy or any of its affiliates in a manner which threatens the continued efficient operation of Duke Energy Kentucky.

36. Joint Applicants commit that Duke Energy Kentucky and Duke Energy will file copies of the FERC Form 1 and FERC Form 2 with the Commission. If the Federal Energy Regulatory Commission (“FERC”) ever does not require the aforementioned reports to be filed, then Duke Energy Kentucky will meet with the Commission to discuss and reach agreement on alternative reporting to meet the Commission’s reasonable data needs. Joint Applicants also commit that Duke Energy, Cinergy and Duke Energy Ohio will file copies of their annual reports with the Commission.

37. Duke Energy Kentucky is committed to providing a variety of customer programs and services that enable its customers to better manage their energy bills based on the varied needs of its customers. Duke Energy Kentucky will continue to offer a variety of service options that provide accessibility and convenience, as well as consistent customer service experience, regardless of the service channel.

38. Duke Energy Kentucky will continue to have qualified and skilled customer service representatives available twenty-four (24) hours a day, to respond to power outage calls. Customers will also have access to Duke Energy Kentucky’s online service and automated telephone service, twenty-four (24) hours a day, to perform routine interactions or to obtain general billing and customer information.

39. Duke Energy Kentucky will continue to staff qualified and skilled customer service representatives during core business hours to handle all types of customers’ inquiries, and will continue its commitment to a Quality Assurance program.

40. Duke Energy Kentucky will continue to survey its customers regarding their satisfaction and will integrate this information into its processes, programs, and services that impact its customers.

41. Before Duke Energy Kentucky can issue long-term debt, it must receive approval of the Commission.

42. Duke Energy Kentucky will not guarantee the credit of any of its affiliates unless specifically approved by the Commission.

43. Joint Applicants commit that all debt of Duke Energy and Progress Energy will be non-recourse to Duke Energy Kentucky.

44. Joint Applicants commit that in the event the merger between Duke Energy and Progress Energy is not completed and Duke Energy makes a termination payment to Progress Energy or receives a termination payment from Progress Energy pursuant to the January 8, 2011, Merger Agreement identified in the Joint Applicants’ Application, then neither the cost of the termination payment nor the receipt of a termination payment would be allocated to Duke Energy Kentucky’s books except if required for SEC reporting. Additionally, if the merger is not completed, Duke Energy Kentucky’s customers will not bear any costs of the failed transaction.

45. Duke Energy Kentucky commits to follow Kentucky law with respect to the pricing for inter-company transactions not otherwise covered by Commission-approved service agreements and will not presume to preclude the Commission from asserting any pricing methodology in a future proceeding at FERC.

46. The Joint Applicants commit to review with Duke Energy Kentucky whether policies more sympathetic to low-income customers would be more appropriate.

COMMONWEALTH OF KENTUCKY

BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION

RECEIVED

JUN 24 2011

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

THE JOINT APPLICATION OF DUKE)
ENERGY CORPORATION, CENERGY)
CORP., DUKE ENERGY OHIO, INC.,)
DUKE ENERGY KENTUCKY, INC.,)
DIAMOND ACQUISITION CORPORATION,)
AND PROGRESS ENERGY, INC. FOR)
APPROVAL OF THE INDIRECT)
TRANSFER OF CONTROL OF)
DUKE ENERGY KENTUCKY)

Case No. 2011-0124

JOINT APPLICANTS' PETITION
FOR CONFIDENTIAL TREATMENT OF INFORMATION

Duke Energy Corporation ("Duke Energy"), Cinergy Corp. ("Cinergy"), Duke Energy Ohio, Inc. ("Duke Energy Ohio"), Duke Energy Kentucky, Inc. ("Duke Energy Kentucky"), Diamond Acquisition Corporation ("Diamond"), and Progress Energy, Inc. ("Progress Energy"), (collectively "Joint Applicants"), pursuant to 807 KAR 5:001, Section 7, respectfully request the Commission to grant confidentiality to, and protect from public disclosure, certain information provided by the Joint Applicants in response to discussions occurring in the course of the informal conference held on June 17, 2011.

In support, the Joint Applicants, individually and collectively, state:

1. As part of the June 17, 2011 informal conference, the Joint Applicants, Attorney General and Commission Staff discussed the terms and conditions of a settlement agreement negotiated and agreed to by and between the Attorney General and the Joint Applicants. One of the terms of that agreement included the contribution

of funds by the Duke Energy Foundation towards low income weatherization activities within the Duke Energy Kentucky service territory. As part of the discussions, the Joint Applicants agreed to provide supporting documentation regarding Duke Energy Kentucky's existing low income weatherization program administrator.

2. The Joint Applicants have attached hereto one sealed copy of a services agreement entered into between Duke Energy Kentucky and People Working Cooperatively of the Midwest, Inc. ("PWC") (the "Confidential Information"). This agreement has been effective since January 1, 2009 and includes specific pricing terms. Duke Energy Kentucky anticipates that the services currently provided by PWC as reflected in the services agreement will be periodically re-bid in an effort to assure that weatherization and other services are provided as cost-effectively as possible. If the pricing terms of the existing agreement between Duke Energy Kentucky and PWC were publicly disclosed, it would have a materially adverse impact upon any future bidding process.

3. The Kentucky Open Records Act exempts from disclosure certain information, *inter alia* proprietary information and/or sensitive commercial information. *See* KRS 61.878(1)(c). The Confidential Information identified above is confidential or proprietary information and, if openly disclosed, would permit an unfair commercial advantage to competitors of the Joint Applicant(s) that disclosed the records and prospective bidders in any future bidding process.

4. The information for which Joint Applicants seek confidential treatment has not been publicly disclosed and is only known and available to those individuals

employed by the Joint Applicants' respective companies who have a legitimate business reason to have access to the information.

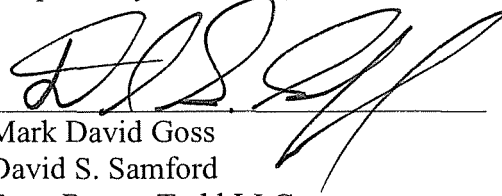
5. Joint Applicants do not object to limited disclosure of the non-privileged confidential information described herein, pursuant to an acceptable confidentiality agreement, to the Attorney General for the purpose of reviewing the same for the purpose of participating in this case. Joint Applicants have made the Confidential Information available to the Attorney General's office in accordance with the terms and conditions of a confidentiality agreement entered into on May 10, 2011.

6. In accordance with the provisions of 807 KAR 5:001 Section 7, the Joint Applicants are filing one set of the Confidential Information under seal, in unredacted format.

WHEREFORE, Joint Applicants respectfully request the Commission to grant confidentiality to, and protect from public disclosure, the Confidential Information filed herewith under seal as set forth herein.

This 24th day of June, 2011.

Respectfully submitted,



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- and -

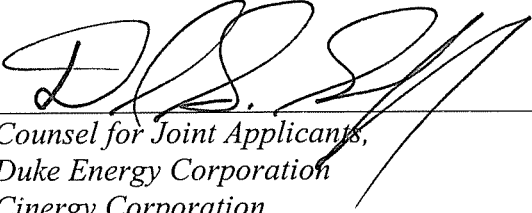
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Duke Energy Kentucky, Inc. and
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CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing has been served via hand delivery to the following party on this 24th day of June 2011:

Hon. Dennis Howard
Hon. Larry Cook
Office of the Attorney General
Utility Intervention and Rate Division
1024 Capital Center Drive
Frankfort, Kentucky 40601



*Counsel for Joint Applicants,
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Diamond Acquisition Corporation and
Progress Energy, Inc.*

CASE NO: 2011-00124

**CONTAINS
LARGE OR OVERSIZED
MAP(S)**

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