

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

The Electronic Application of Duke)
Energy Kentucky, Inc., for: 1) An)
Adjustment of the Natural Gas Rates; 2)) Case No. 2018-000261
Approval of a Decoupling Mechanism; 3))
Approval of New Tariffs; and 4) All)
Other Required Approvals, Waivers, and)
Relief.)

DIRECT TESTIMONY OF

JEFFREY R. SETSER

ON BEHALF OF

DUKE ENERGY KENTUCKY, INC.

August 31, 2018

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Attachments:

JRS-1 – Service Company Utility Service Agreement

JRS-2 – Operating Companies Service Agreement

JRS-3 – Second Amended Restated Operating Company/Non-Utility Company Service Agreement

JRS-4 –Asymmetrically Priced Operating Company/Non-Utility Companies Service Agreements

JRS-5 – Affiliate Asset Transfer Agreement

I. INTRODUCTION AND PURPOSE

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Jeffrey R. Setser, and my business address is 550 South Tyron Street,
3 Charlotte, North Carolina 28202.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Duke Energy Business Services LLC (DEBS), as Director of
6 Allocations and Reporting. DEBS provides various administrative and other services
7 to Duke Energy Kentucky, Inc., (Duke Energy Kentucky or Company) and other
8 affiliated companies of Duke Energy Corporation (Duke Energy).

9 **Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATION AND**
10 **PROFESSIONAL EXPERIENCE.**

11 A. I graduated with a Bachelor of Science Degree in Industrial Engineering from
12 North Carolina State University and a Master's Degree in Business
13 Administration from Queens University in Charlotte. I am a Certified Public
14 Accountant in North Carolina.

15 I joined the company in 1984 in the Nuclear Production Department's
16 corporate office as an Assistant Engineer, primarily focusing on nuclear process
17 improvement activities. In 1986, I moved to Catawba Nuclear Station where I was
18 promoted to Associate Engineer and responsible for nuclear outage scheduling
19 and training. In 1989, I was promoted to Nuclear Production Engineer responsible
20 for the supervision and scheduling of all online plant activities, and the planning
21 for Nuclear Station Modifications. In 1992, I joined the Catawba Nuclear Station
22 Business group as a Strategic Business Consultant responsible for site financial

1 reporting, budgeting, performance measures, accounting support, economic
2 analysis and business case justifications. In 1996, I assumed the role of Catawba
3 Nuclear Station Manager of Financial Analysis supervising the development of
4 business plans, budgets and measures and the reporting on site financial results. In
5 2000, I moved back to the corporate offices as an Accounting Manager
6 overseeing the utilities Accounting Controls and Application Support Department,
7 which included the management of department level allocation processes. In
8 2002, I joined the Corporate Controllers department as an Accounting Manager
9 where I held numerous roles, including overseeing the accounting and reporting
10 for stock based compensation, employee and executive benefits, managing the
11 intercompany billing process and service level agreements for joint venture and
12 foreign entities, accounting for Canadian entities related to corporate and captive
13 insurance, reporting and analysis on the Duke Energy Other business segment,
14 and supervising the allocation of benefits and corporate costs. In 2006, I assumed
15 my current role as Director of Allocations and Reporting in the Corporate
16 Controller's department.

17 **Q. PLEASE BRIEFLY DESCRIBE YOUR DUTIES AS DIRECTOR OF**
18 **ALLOCATIONS AND REPORTING.**

19 A. I am responsible for various accounting activities, including the cost allocation
20 processes for service company costs utilized for Duke Energy and its affiliates,
21 including allocations to Duke Energy Kentucky.

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KENTUCKY**
2 **PUBLIC SERVICE COMMISSION?**

3 A. Yes.

4 **Q WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
5 **PROCEEDING?**

6 A. My testimony in this proceeding addresses the various cost assignment processes
7 utilized by Duke Energy Kentucky and its affiliates, including its service
8 company, DEBS, which as an ordinary course of business provide services among
9 each other.

10 I discuss the primary service agreements used by Duke Energy Kentucky
11 to enable the sharing of expertise and personnel between and among the Duke
12 Energy family of companies and to assign costs for such services. These service
13 agreements include the following: (1) the Service Company Utility Service
14 Agreement (DEBS Service Agreement); (2) the Operating Companies Service
15 Agreement (Operating Company Service Agreement); (3) the Operating
16 Company/Non-Utility Companies Service Agreements (Cost-Based Non-Utility
17 Service Agreement); (4) the Asymmetrically-Priced Duke Energy Kentucky, Inc.,
18 Non-Utility Companies Service Agreement (Asymmetric Non-Utility
19 Agreement); and (5) the Intercompany Asset Transfer Agreement (Asset Transfer
20 Agreement). In my testimony, I briefly describe the history of these agreements as
21 well as the Commission's approval thereof. I also describe the processes to be
22 used to assign costs to the various parties under those agreements as well as the
23 nature and types of cost assignment that Duke Energy Kentucky experiences as a

1 combination gas and electric utility and wholly owned subsidiary of Duke Energy
2 Ohio, Inc., (Duke Energy Ohio). I sponsor certain information that I supplied to
3 Duke Energy Kentucky witness, Robert “Beau” Pratt for his use in developing the
4 forecasted financial data. Finally, I also sponsor the information contained in
5 Filing Requirement (FR) 16(7)(u).

II. THE SERVICE AGREEMENTS

A. OVERVIEW OF THE MAJOR SERVICE AGREEMENTS

6 **Q. DO ALL CHARGES FOR DUKE ENERGY KENTUCKY ORIGINATE ON**
7 **DUKE ENERGY KENTUCKY'S BOOKS?**

8 A. No. Charges can originate either on Duke Energy Kentucky's books for its own
9 operations or can originate from its parent company, Duke Energy Ohio, and/or
10 other affiliated companies pursuant to several Commission-approved affiliate
11 service agreements. These services enable Duke Energy Kentucky to provide safe
12 and reliable utility service to its Kentucky customers at a reasonable price.

13 **Q. PLEASE BRIEFLY DESCRIBE THE VARIOUS SERVICE**
14 **AGREEMENTS THAT ENABLE DUKE ENERGY KENTUCKY TO**
15 **PROVIDE SAFE, RELIABLE, AND REASONABLE SERVICE TO ITS**
16 **KENTUCKY CUSTOMERS.**

17 A. Duke Energy Kentucky has several service agreements in place that allow the
18 Company to provide services to, or receive services from the Duke Energy family
19 of companies that are incidental or necessary to the provision of utility service.
20 These agreements provide for the standard procedures and defined accounting

1 processes for cost assignment that allow these services to occur on an equitably-
2 priced basis among all parties.

3 I have attached the five major service agreements to my testimony, all of
4 which were effective when the Company commenced these proceedings and
5 submitted its pre-filing notice. Attachment JRS-1 is the DEBS Service Agreement
6 that governs the provision of various services and the associated cost allocations
7 to Duke Energy Kentucky for the services DEBS provides. DEBS is a Federal
8 Energy Regulatory Commission (FERC) authorized service company that
9 provides various administrative and other services to Duke Energy Kentucky and
10 other affiliated companies of Duke Energy.

11 Attachment JRS-2 is the Operating Company Service Agreement that
12 governs services performed between or among Duke Energy's regulated utility
13 operating companies and the cost allocations or assignments for providing and
14 receiving those services.

15 Attachment JRS-3 and JRS-4 are the two Utility/Non-Utility Companies
16 Service Agreements, which govern the services performed and cost allocations
17 between Duke Energy Kentucky and its non-utility affiliates.

18 Finally, Attachment JRS-5 is the Asset Transfer Agreement that allows for
19 the "at cost" transfer of assets by and between Duke Energy Kentucky and its
20 regulated utility affiliates.

1 **Q. HAS DUKE ENERGY KENTUCKY HISTORICALLY RELIED UPON**
2 **SERVICE AGREEMENTS TO SERVE ITS KENTUCKY CUSTOMERS?**

3 A. Yes. These service agreements allow Duke Energy Kentucky, and in turn, its
4 customers to have access to equipment and personnel that are common to utility
5 operations and share in those costs between multiple businesses as opposed to
6 having to maintain separate pools of personnel. The use of service agreements has
7 helped Duke Energy Kentucky, and its regulated utility affiliates, to manage
8 staffing levels and costs through the sharing of common business functions and to
9 have ready access to experienced and expertly trained personnel to manage its
10 business and various utility functions. Absent the ability to share these resources,
11 Duke Energy Kentucky would have to maintain its own independent
12 organizations and systems, as well as cost responsibility, for various operations
13 including, but not limited to engineering, construction, operations and
14 maintenance, installation services, equipment testing, generation technical
15 support, environmental health and safety and procurement services, not to
16 mention, accounting, human resources, legal, and other necessary business
17 functions.

18 **Q. WHY IS THAT?**

19 A. Duke Energy Kentucky itself is relatively small in size. It has approximately
20 140,600 electric and 98,200 gas customers. Because of its size, the relationship
21 between Duke Energy Kentucky and its parent, Duke Energy Ohio, as well as its
22 affiliated regulated and service companies have been instrumental in allowing
23 Duke Energy Kentucky to provide service to its Kentucky customers at a

1 reasonable price. The Company has benefitted from the economies of scale that
2 occur with being part of a larger corporate family that are not present as a stand-
3 alone entity. By sharing resources and personnel, Duke Energy Kentucky is able
4 to function as a lean utility without having to invest in its own full-time corporate
5 personnel and resources that are otherwise able to be shared among a family of
6 companies.

7 Throughout its history, Duke Energy Kentucky has benefitted from the
8 relationships with the families of companies of which it has been a member. Since
9 1945, Duke Energy Kentucky (f/k/a The Union Light Heat & Power Company)
10 has been a wholly owned subsidiary of Duke Energy Ohio (f/k/a/ The Cincinnati
11 Gas & Electric Company [CG&E]). The respective service territories of the two
12 utilities are contiguous and interconnected. The two companies have operated in
13 symmetry in terms of personnel and facilities and have shared in costs, equipment
14 and personnel, for more than seventy years.

15 With the creation of Cinergy Corp (Cinergy) in the mid 1990's, by way of
16 the merger of the CG&E with Public Service Indiana, to the merger between
17 Cinergy and Duke Power in 2006, followed by the merger of Duke Energy and
18 Progress Energy (Progress) in 2012, to the most recent merger between Duke
19 Energy and Piedmont Natural Gas Company (Piedmont), Duke Energy Kentucky
20 has benefitted from the pool of expert personnel resources and access to
21 equipment and expertise from its sister companies. Duke Energy Kentucky has
22 been able to share in common business functions rather than maintain its own
23 dedicated and thus duplicative functions. These shared functions include but are

1 not limited to, executive and management personnel, human resources,
2 accounting, tax, legal services, and engineering. Through the Utility Service
3 Agreement, Duke Energy Kentucky has also been able to take advantage of the
4 key personnel employed by its sister utilities, allowing the Company to take
5 advantage of the economies of scale and best practices that exist with an
6 organization the size of Duke Energy through shared expertise and resources.

7 **Q. HAVE THERE BEEN ANY CHANGES TO THESE AGREEMENTS**
8 **SINCE THE TIME OF THE COMPANY'S LAST NATURAL GAS RATE**
9 **CASE IN 2009 OR ITS MOST RECENT ELECTRIC RATE CASE?**

10 A. There are regular and normal updates that occur to these agreements to reflect
11 changes in the Duke Energy corporate structure. Companies are routinely
12 dissolved and are eliminated from some of the agreements. Duke Energy
13 Kentucky routinely files updates to these agreements when there are material
14 changes and also as part of its annual reporting. These agreements are included in
15 the Appendix to the Company's Cost Allocation Manual that is routinely
16 submitted to the Commission annually in March.

17 Since the time of the Company's last natural gas base rate case in 2009,
18 there have been changes to these agreements primarily to reflect the addition or
19 removal of the parties (affiliated companies) to these agreements. For example,
20 during 2012, immediately following the completion of the merger between Duke
21 Energy and Progress, Progress Energy Service Company (PESC) was a party to
22 the DEBS Service Agreement and provided services to Duke Energy Kentucky.
23 Since that time, PESC was dissolved and removed from that agreement. The

1 majority of PESC employees are now DEBS employees and their work performed
2 for Duke Energy Kentucky is included as part of the total DEBS allocations that
3 the Company receives. Similarly, in 2016, Duke Energy Corp completed its
4 merger with Piedmont. As a result of this merger, the Piedmont utility companies
5 have been added as parties to the relevant agreements. As a result of these and
6 other additions and deletions to the service agreement participants, allocations
7 (direct and indirect) between and among the parties have also changed over the
8 years. There have not been any substantial changes to these agreements since the
9 Company's recently concluded electric base rate case, 2017-00321.

10 **Q. PLEASE BRIEFLY DESCRIBE THE DEBS AGREEMENT.**

11 A. This agreement permits DEBS to provide services that are corporate or general
12 utility in nature and are used by various business units, including Duke Energy
13 Kentucky. In general, the services provided by the service companies include, but
14 are not limited to the following:

- Information Systems; Meters; Transportation;
- System Maintenance;
- Marketing and Customer Relations;
- Transmission and Distribution Engineering and Construction;
- Power and Gas Engineering and Construction;
- Human Resources;
- Supply Chain;
- Facilities;
- Accounting;
- Power and Gas Planning and Operations;
- Public Affairs;
- Legal;
- Rates;
- Finance;
- Rights of Way;
- Internal Auditing;
- Environmental, Health and Safety;
- Fuels;
- Investor Relations;
- Planning; and
- Executive.

1 By the terms of the DEBS Service Agreement, compensation for any service
2 rendered by the DEBS to its utility affiliates is the fully embedded cost thereof
3 (*i.e.*, the sum of: (i) direct costs; (ii) indirect costs; and (iii) costs of capital),
4 except to the extent otherwise required by Section 482 of the Internal Revenue
5 Code. Each client company is required to reasonably cooperate with each
6 respective service provider to record billings and payments in their common
7 accounting systems. The affiliate companies receiving services from DEBS are
8 referred to as “Client Companies.”

9 **Q. PLEASE BRIEFLY DESCRIBE THE OPERATING COMPANY SERVICE**
10 **AGREEMENT AND ITS HISTORY.**

11 A. Like the DEBS Service Agreement, the Operating Company Service Agreement
12 has been in place in some form for decades. Under this agreement, Duke Energy
13 Kentucky and its utility affiliates, Duke Energy Carolinas LLC., (Duke Energy
14 Carolinas), Duke Energy Ohio, Duke Energy Indiana, LLC., (Duke Energy
15 Indiana), Duke Energy Progress, LLC., Duke Energy Florida, LLC., and
16 Piedmont, are permitted to provide and receive services to and from each other in
17 the normal course of conducting business at the providing company’s fully
18 embedded cost. This agreement was most recently approved by the Commission
19 on June 1, 2017, in Case No 2016-00312 reflecting the addition of Piedmont.
20 Prior to that, the agreement was reviewed and approved by the Commission on
21 August 2, 2011, in Case No 2011-00124, as part of the merger of Duke Energy
22 Corporation and Progress. A copy of this agreement included as Attachment JRS-

1 2. The services which may be provided between affiliate operating companies
2 may include, but are not limited to the following:

- Engineering and Construction;
- Operations and Maintenance;
- Installation Services;
- Equipment Testing;
- Generation Technical Support;
- Environmental, Health and Safety;
- Customer Operations; and
- Procurement Services.

3 By the terms of the Operating Company Service Agreement,
4 compensation for any service rendered between utility affiliates is the fully
5 embedded cost thereof (*i.e.*, the sum of: (i) direct costs; (ii) indirect costs; and (iii)
6 costs of capital), except to the extent otherwise required by Section 482 of the
7 Internal Revenue Code. Each client company is required to reasonably cooperate
8 with each respective service provider to record billings and payments in their
9 common accounting systems.

10 **Q. PLEASE DESCRIBE THE TWO NON-UTILITY SERVICE**
11 **AGREEMENTS**

12 A. Duke Energy Kentucky is a party to two service agreements that identify services
13 and cost allocations between the Company and its non-utility affiliates. The
14 distinction between these two agreements is due to timing in relation to FERC
15 Orders and the types of pricing for the provision of services allowed therein.

16 Under the Cost-Based Non-Utility Service Agreement, Duke Energy
17 Kentucky and certain of its non-utility affiliates are authorized to provide certain
18 services to one another, priced at the providing company's fully embedded cost. A
19 copy of this agreement is included in Attachment JRS-3. This agreement was last
20 approved by the Commission on November 27, 2005, in Case No 2005-00228, as
21 part of the merger of Duke Energy Corporation and Cinergy Corp. The permitted

1 services provided by Duke Energy Kentucky to certain of its non-utility affiliates
2 may include, but are not limited to the following:

- Engineering and Construction;
- Operations and Maintenance;
- Installation Services;
- Equipment testing;
- Generation Technical Support;
- Environmental, Health and Safety; and
- Procurement Services.

3 The types of services that may be provided by certain non-utility affiliates to
4 Duke Energy Kentucky, include, but are not limited to, the following:

- Information Technology Services;
- Monitoring;
- Surveying;
- Inspecting;
- Constructing;
- Locating and Marking of Overhead and Underground Utility Facilities;
- Meter Reading;
- Materials Management;
- Vegetation Management; and
- Marketing and Customer Relations.

5 By the terms of the Cost-Based Non-Utility Agreement, requests for services will
6 be made in writing, in substantially the same form as set forth in “Exhibit A” of
7 the Agreement. Compensation for any service rendered between Duke Energy
8 Kentucky and its non-utility affiliates are the fully embedded cost thereof (*i.e.*, the
9 sum of: (i) direct costs; (ii) indirect costs; and (iii) costs of capital), except to the
10 extent otherwise required by Section 482 of the Internal Revenue Code. The non-
11 utility affiliates that are parties to this agreement are limited to those that existed
12 prior to FERC’s February 2008 Order 707 (Order 707) that expanded FERC’s
13 asymmetrical pricing rules to include transfers of non-power goods and services
14 between a franchised utility and its non-utility affiliates.

1 Non-utility companies that became affiliates of Duke Energy Kentucky
2 after Order 707 are subject to a different service agreement, the Asymmetric Non-
3 Utility Service Agreement, included as Attachment JRS-4. The Asymmetric Non-
4 Utility Service Agreement was created in response to Order 707. The non-utility
5 affiliates who are parties to this agreement are subject to the asymmetric pricing
6 requirements of FERC, which is also consistent with Kentucky's own default
7 affiliate pricing requirements. Duke Energy Kentucky provides (non-tariffed)
8 goods or services to a Party to this agreement at the greater of cost or market, but
9 pays the lesser of cost or market for any goods or services received under this
10 agreement.

11 **Q. CAN YOU PLEASE EXPLAIN WHAT CHANGED WITH THE FERC 707**
12 **ORDER?**

13 A. It is my understanding that prior to Order 707, FERC's asymmetrical pricing rules
14 only applied to transfers of non-power goods and services between franchised
15 utilities and nonregulated utility affiliates. However, following the Order 707
16 ruling, FERC's asymmetric pricing requirements were extended to all transactions
17 between utilities and their non-utility affiliates. This asymmetric pricing
18 requirement excluded services provided by service companies or services between
19 and among regulated utility affiliates. The Order 707 ruling also provided a
20 grandfathering exception to the asymmetric pricing for pre-existing service
21 agreements between regulated utilities and their non-regulated non-utility
22 affiliates, as well as, state affiliate pricing rules that are stricter than FERC's
23 pricing restrictions.

1 In short, the Asymmetric Non-Utility Agreement was entered into in
2 response to FERC Order 707 and includes new affiliates that were created after
3 the effective date of Order 707 and that are not grandfathered as parties under the
4 Cost-Based Non-Utility Service Agreement. The Cost-Based Non-Utility
5 Agreement remains unchanged since the issuance of Order 707, except to reflect
6 the dissolution of non-utility companies that were at one time a party. No new
7 companies have been added to that Cost-Based Non-Utility Agreement since the
8 Order 707.

9 **Q. PLEASE EXPLAIN HOW SERVICES BETWEEN DUKE ENERGY**
10 **KENTUCKY AND ITS AFFILIATES THAT ARE NOT COVERED BY**
11 **THE AFOREMENTIONED SERVICE AGREEMENTS ARE PRICED?**

12 A. Non-covered services, as well as non-utility affiliates that are not a party to the
13 Cost-based Non-Utility Service Agreement, must follow Kentucky's stricter
14 asymmetric pricing for any transaction with Duke Energy Kentucky unless
15 Commission approval and a waiver is first obtained.

16 **Q. PLEASE EXPLAIN AND DESCRIBE THE ASSET TRANSFER**
17 **AGREEMENT.**

18 A. This agreement permits the transfer of assets between and among Duke Energy
19 Kentucky and its regulated utility affiliates, excluding commodities, at the
20 transferring company's fully-allocated cost, subject to certain limitations. This
21 agreement was most recently approved by the Commission on June 1, 2017, in
22 Case No. 2016-00312, to reflect the addition of Piedmont. Prior to that, the
23 Commission approved the agreement on August 2, 2011, in Case No. 2011-

1 00124, as part of the merger of Duke Energy Progress Energy. A copy of this
2 agreement is included as Attachment JRS-5.

3 **Q. ARE THERE ANY LIMITATIONS APPLICABLE TO TRANSACTIONS**
4 **INVOLVING DUKE ENERGY KENTUCKY UNDER THE ASSET**
5 **TRANSFER AGREEMENT?**

6 A. The Commission approved this agreement under several conditions, including
7 that:

- 8 • Duke Energy Kentucky agree that it would continue to seek
9 Commission approval under KRS 278.218 over all transactions
10 involving Duke Energy Kentucky assets that have an original book
11 value of over \$1,000,000 and that are to be transferred for reasons
12 other than obsolescence or if the parts are to be used to continue to
13 provide service to the utility customers;
- 14 • Duke Energy Kentucky agree to abide by the KRS 278.218 approval
15 threshold for transfers involving its natural gas assets; and
- 16 • Duke Energy Kentucky maintains a list of all transactions under the
17 Intercompany Asset Transfer Agreement in its Cost Allocation Manual
18 (CAM).

19 **Q. DOES DUKE ENERGY KENTUCKY MAINTAIN THE LIST OF**
20 **TRANSACTIONS IN ITS CAM?**

21 A. Yes. The Company submits those transactions to the Commission annually each
22 March as part of an annual CAM update.

III. COST ALLOCATIONS

A. OVERVIEW OF COST ALLOCATIONS

1 **Q. PLEASE DESCRIBE WHAT IS MEANT BY THE TERM “COST.”**

2 A. “Cost,” as used in the Utility Service Agreement and Non-Utility Service
3 Agreement, means fully embedded cost, which is the sum of: (1) direct costs; (2)
4 indirect costs; and (3) cost of capital. Direct costs include labor, material and
5 other expenses incurred specifically for a particular service and any associated
6 loadings. Indirect costs include labor, material and other expenses, and any
7 associated loadings that cannot be directly identified with any particular service.
8 Indirect costs include, but are not limited to, overhead costs, administrative
9 support costs, and taxes. Cost of capital represents financing costs, including, but
10 not limited to, interest on debt and a fair return on equity to shareholders.

11 **Q. PLEASE DESCRIBE THE COST ALLOCATIONS THAT AFFECT DUKE**
12 **ENERGY KENTUCKY AND ITS AFFILIATES?**

13 A. In general, there are four primary categories of cost allocations that affect Duke
14 Energy Kentucky and its affiliates: (1) cost allocations from DEBS; (2) cost
15 allocations between Duke Energy Kentucky and Duke Energy Ohio for common
16 costs shared by Duke Energy Ohio and Duke Energy Kentucky; (3) cost
17 allocations for goods and services provided between and among Duke Energy
18 Kentucky and its sister regulated utilities; and (4) administrative and general
19 (A&G) cost allocations between its gas and electric operations for both capital
20 and expense accounts.

1 Duke Energy Kentucky also provides various services and goods to and
2 receives various services and goods from its regulated and nonregulated affiliates
3 as set forth in various service agreements I previously described.

4 **Q. WHAT ARE “LOADINGS”?**

5 A. “Loadings” represent costs that are incurred and aggregated in “cost pools”,
6 which are then subsequently “loaded” out to specific entities and projects by
7 attaching an additional charge (loading rate) to the associated direct cost. Duke
8 Energy’s loadings include fringe benefits (*e.g.*, medical, dental, pension,
9 postretirement), indirect labor (*e.g.*, vacation, holiday, sick-time), stores, freight
10 and handling (*e.g.*, material management labor, freight), transportation (*e.g.*,
11 vehicle leases, fuel, oil), and payroll taxes (*e.g.*, Federal Insurance Contributions
12 Act (FICA) taxes, and state and federal unemployment taxes). Loading rates are
13 determined through annual studies of both actual and budgeted information and
14 are calculated by dividing the anticipated component costs by anticipated labor
15 cost, material issues, or vehicle utilization, as applicable.

B. COST ALLOCATIONS UNDER THE SERVICE AGREEMENTS

16 **Q. PLEASE DESCRIBE HOW COSTS INCURRED BY DEBS ARE**
17 **ACCOUNTED FOR UNDER THE SERVICE AGREEMENTS.**

18 A. DEBS maintains an accounting system in which all of its costs are accumulated.
19 These costs are charged to the appropriate Client companies monthly, using one
20 of the three approved methods of assignment.

1 **Q. WHAT ARE THE APPROVED METHODS OF ASSIGNMENT?**

2 A. The approved methods of assignment are: (1) directly assignable; (2)
3 distributable; and (3) allocable.

4 **Q. PLEASE DESCRIBE EACH METHOD OF ASSIGNMENT.**

5 A. The directly assignable basis of cost assignment is utilized to directly charge costs
6 for services specifically performed for a single Client company. The distributable
7 cost assignment method is used to assign costs for services rendered specifically
8 for two or more Client companies. The allocable method of assignment is used to
9 allocate costs for services of a general nature, which are applicable to all Client
10 companies or to a class or classes of Client companies.

11 **Q. WHAT TYPES OF EXPENDITURES ARE DIRECTLY ASSIGNED FROM**
12 **DEBS TO DUKE ENERGY KENTUCKY?**

13 A. DEBS employees who work on a project specifically for Duke Energy Kentucky
14 charge their labor and expenses directly to Duke Energy Kentucky. For example,
15 the legal services function will charge Duke Energy Kentucky directly for work
16 performed specifically for Duke Energy Kentucky. This is determined by the
17 number of hours spent on jurisdictional activities.

18 **Q. PLEASE EXPLAIN THE ALLOCABLE CHARGES FROM DEBS TO**
19 **DUKE ENERGY KENTUCKY.**

20 A. Allocable charges to Duke Energy Kentucky are for a portion of expenditures
21 originating on DEBS' books that are applicable to Duke Energy Kentucky and
22 one or more other Client Companies, but which are not directly assignable to
23 Duke Energy Kentucky. These charges are allocated to Duke Energy Kentucky

1 based on allocation ratios set forth in Appendix A of the DEBS Service
2 Agreement. For example, costs related to Investor Relations activities are
3 applicable to all Duke Energy affiliates but cannot be directly charged to any one
4 affiliate. Those costs are allocated to all affiliates using the allocation factor
5 described for the Investor Relations Function in Appendix A of the DEBS Service
6 Agreement.

7 **Q. WHAT ARE THE ALLOCATION METHODS SPECIFIED IN APPENDIX**
8 **A OF THE DEBS SERVICE AGREEMENT?**

9 A. Twenty (20) allocation ratios are specified in the Utility Service Agreement.
10 These ratios are the: (1) Sales Ratio; (2) Electric Peak Load Ratio; (3) Number of
11 Customers Ratio; (4) Number of Employees Ratio; (5) Construction-Expenditures
12 Ratio; (6) Miles of Electric Distribution Lines Ratio; (7) Circuit Miles of Electric
13 Transmission Lines Ratio; (8) Millions of Instructions Per Second Ratio; (9)
14 Revenues Ratio; (10) Inventory Ratio; (11) Procurement Spending Ratio; (12)
15 Square Footage Ratio; (13) Gross Margin Ratio; (14) Labor Dollars Ratio; (15)
16 Number of Personal Computer Work Stations Ratio; (16) Number of Information
17 Systems Servers Ratio; (17) Total Property, Plant and Equipment Ratio; (18)
18 Generating Unit MW Capability Ratio; (19) Number of Meters Ratio; and (20)
19 O&M Expenditures Ratio.

20 **Q. WHAT WAS THE RATIONALE BEHIND THE SELECTION OF THESE**
21 **RATIOS?**

22 A. Consistent with traditional cost causation principles, the ratios represent “cost
23 drivers” for a particular function (*i.e.*, those factors which are the greatest

1 contributors to costs). For example, costs related to human resources are allocated
2 based on the Number of Employees Ratio. Costs related to support of personal
3 computers are allocated based on the Number of Personal Computer Workstations
4 Ratio. Costs related to meter reading and to customer billing and payment
5 processing in the Marketing and Customer Relations Function, are allocated based
6 on the Number of Customers Ratio. For some Functions, costs of a general nature
7 are allocated based on a weighted-average of more than one ratio. The DEBS
8 Service Agreement describes how the weighted-average ratios are calculated.

9 **Q. UNDER WHAT CIRCUMSTANCES ARE THE ALLOCATION RATIOS**
10 **SET FORTH IN APPENDIX A OF THE DEBS SERVICE AGREEMENT**
11 **USED TO DETERMINE CHARGES TO DUKE ENERGY KENTUCKY?**

12 A. The allocation ratios provided in Appendix A of the DEBS Service Agreement are
13 used to assign charges to Client Companies, including Duke Energy Kentucky,
14 for activities that cannot be charged directly. For example, costs associated with
15 the human resources function are allocated to the Client Companies, including
16 Duke Energy Kentucky, using the Number of Employees Ratio as provided in the
17 DEBS Service Agreement.

18 **Q. WHAT PROCESSES DO DEBS' EMPLOYEES FOLLOW IN**
19 **ALLOCATING THEIR TIME AND EXPENSES?**

20 A. All source documents (*e.g.*, time records, expense accounts, and journal entries)
21 applicable to DEBS require a special input code, "Operating Unit" (OU), to be
22 used. The initiating department determines the appropriate OU for each
23 transaction. The specific OU indicates whether the cost should be assigned

1 directly, distributed, or allocated, and it also determines the appropriate
2 percentage allocation to be used. Using the OU, the accounting system will
3 process each transaction and assign the appropriate costs to each respective Client
4 Company. For the allocable OUs, the percentage allocated to each Client
5 Company is determined periodically, at a minimum on an annual basis, by way of
6 a cost study.

7 **Q. PLEASE DESCRIBE FURTHER THE COST STUDY USED TO**
8 **DETERMINE THE OU ALLOCATION PERCENTAGES.**

9 A. On a periodic basis, but no less than annually, DEBS conducts a cost study,
10 applying the applicable data to the allocation ratios described in Appendix A to
11 the DEBS Service Agreement. From these cost studies, DEBS updates the
12 allocation percentages of each allocable OU to reflect the current underlying
13 foundation of the allocation ratios. For example, annually, the OU based on the
14 number of employees, which is primarily utilized by the human resources
15 function within DEBS, is updated to reflect the number of employees of each of
16 DEBS' affiliate companies.

17 **Q. WERE ANY AUDITS CONDUCTED OF DEBS?**

18 A. Yes. Duke Energy has conducted an internal audit of DEBS' cost allocations on a
19 regular basis. In addition, Duke Energy Kentucky has agreed to bi-annual audits
20 of its affiliate transactions as part of various merger commitments. The most
21 recent completed audit was submitted to the Commission on June 20, 2017. To
22 date, these audit reports support that Duke Energy has adequate processes in place
23 for allocating costs and have not found any material or significant deficiencies.

C. COST ALLOCATIONS FOR COMMON COSTS SHARED BY DUKE ENERGY KENTUCKY AND DUKE ENERGY OHIO

1 **Q. PLEASE EXPLAIN THE DIRECT CHARGES FROM DUKE ENERGY**
2 **OHIO TO DUKE ENERGY KENTUCKY?**

3 A. Direct charges from Duke Energy Ohio to Duke Energy Kentucky are for costs
4 such as employee labor, employee expenses, and inventory (material) transactions
5 which are specifically incurred for Duke Energy Kentucky's gas and/or electric
6 operations.

7 **Q. WHAT TYPES OF CHARGES ARE ALLOCATED TO DUKE ENERGY**
8 **KENTUCKY FROM DUKE ENERGY OHIO?**

9 A. Charges allocated to Duke Energy Kentucky from Duke Energy Ohio represent a
10 portion of costs originating on Duke Energy Ohio's books that apply to gas and/or
11 electric activities which cannot be charged directly and which apply to both Duke
12 Energy Kentucky and Duke Energy Ohio.

13 **Q. WHAT TYPES OF EXPENDITURES ARE CHARGED DIRECTLY**
14 **VERSUS ALLOCATED TO DUKE ENERGY KENTUCKY?**

15 A. The majority of common costs for Duke Energy Kentucky and Duke Energy Ohio
16 are direct charged to the appropriate affiliate. Expenditures incurred directly for a
17 specific project can be charged directly to Duke Energy Kentucky. A small
18 portion of common costs may be allocated to Duke Energy Kentucky from Duke
19 Energy Ohio. These costs include certain metering and customer related costs.

**D. COST ALLOCATIONS FOR COMMON COSTS
SHARED BY DUKE ENERGY KENTUCKY
AND DUKE ENERGY'S CAROLINA UTILITIES.**

1 **Q. PLEASE EXPLAIN THE AFFILIATE CHARGES FROM DUKE ENERGY**
2 **CAROLINAS AND DUKE ENERGY PROGRESS TO DUKE ENERGY**
3 **KENTUCKY?**

4 A. As part of the Duke Energy Progress Energy merger certain employees who were
5 engaged in core utility functions that primarily supported the Carolina utilities
6 were transferred in 2013 from DEBS into one of the Carolina utilities. While
7 these employees primarily support the Carolinas, they also provide support to
8 other jurisdictions including Duke Energy Kentucky. As a result of the transfer of
9 employees there was an increase in charges from the Carolinas that was
10 previously incurred from DEBS.

11 **Q. WHAT TYPES OF CHARGES ARE ALLOCATED TO DUKE ENERGY**
12 **KENTUCKY FROM DUKE ENERGY'S CAROLINA UTILITIES?**

13 A. Charges allocated to Duke Energy Kentucky from Duke Energy's Carolina
14 utilities represent a portion of costs originating on the Carolina Utilities books that
15 apply to electric and/or gas activities which cannot be charged directly and apply
16 to multiple Duke Energy jurisdictions including Duke Energy Kentucky.

17 **Q. WHAT TYPES OF EXPENDITURES ARE CHARGED DIRECTLY**
18 **VERSUS ALLOCATED TO DUKE ENERGY KENTUCKY?**

19 A. The majority of common costs for Duke Energy Kentucky and Duke Energy's
20 Carolina utilities are direct charged to the appropriate affiliate. Expenditures
21 incurred directly for a specific project can be charged directly to Duke Energy

1 Kentucky. A small portion of common costs are allocated to Duke Energy's
2 utilities from the Carolina's including Duke Energy Kentucky. These costs are
3 primarily customer operations related, but also include smaller amounts for
4 engineering, construction, operation, maintenance and fuel purchasing related
5 costs.

**E. A&G COST ALLOCATIONS BETWEEN DUKE ENERGY KENTUCKY'S
GAS AND ELECTRIC OPERATIONS**

6 **Q. WHAT TYPES OF EXPENDITURES ARE CHARGED DIRECTLY**
7 **VERSUS ALLOCATED TO DUKE ENERGY KENTUCKY GAS OR**
8 **ELECTRIC OPERATIONS?**

9 A. Most expenditures incurred directly for a specific project can be charged directly
10 to a gas or an electric account. Certain administrative costs for general support
11 functions, such as Accounts Payable and Accounting, are common to both gas and
12 electric operations, and must be allocated. In addition, a portion of those costs is
13 also capitalized.

14 **Q. HOW HAVE THE ALLOCATION BASES FOR A&G EXPENDITURES**
15 **BEEN DETERMINED?**

16 A. To the extent that costs cannot be directly charged to gas and/or electric expense,
17 they are allocated using a subset of the bases specified in the Operating Company
18 Service Agreement. Annually, a cost study is conducted, applying the applicable
19 data to this subset of allocation. From these cost studies, the allocation
20 percentages of each allocable OU is updated to reflect the current underlying
21 foundation of the allocation ratios. For example, annually, the OU based on the
22 labor dollars ratio, which is primarily utilized for employee related costs, is

1 updated to reflect the labor dollars in both the gas and electric functions of Duke
2 Energy Kentucky.

3 **Q. HOW IS THIS INFORMATION USED TO DETERMINE ASSIGNMENT**
4 **OF COMMON A&G COSTS?**

5 A. The cost allocation process for common A&G expenditures allocates costs based
6 on statistical data that best relates to the specific activity to be allocated. For
7 example employee related costs to be allocated are distributed based on the labor
8 dollars ratio.

9 **Q. WERE THE CURRENT ALLOCATION PROCESSES YOU DESCRIBED**
10 **REFLECTED IN THE FORECASTED TEST PERIOD OF THIS CASE?**

11 A. Yes.

12 **Q. DO YOU ANTICIPATE THE COST ALLOCATION PROCESSES TO**
13 **HAVE A MATERIAL IMPACT TO THE AMOUNT OF EXPENDITURES**
14 **ALLOCATED TO DUKE ENERGY KENTUCKY'S NATURAL GAS**
15 **OPERATIONS ON AN ONGOING BASIS?**

16 A. No. Many of the allocation factors are the same as the previous allocation factors.
17 All of the allocation factors have been developed with the intent of assigning
18 costs consistent with cost causation. Given that objective, I do not anticipate a
19 material impact to the amount of expenditures allocated to Duke Energy
20 Kentucky's natural gas operations. In fact, with the various consolidation efforts
21 that Duke Energy has undertaken as a result of the various mergers since Duke
22 Energy Kentucky's last base natural gas rate case, while the source of the
23 allocation has changed due to office consolidation efforts and best practices, the

1 overall amount of costs has not materially changed. As new cost centers were
2 created, old cost centers were eliminated through consolidation efforts to gain
3 efficiencies.

IV. SCHEDULES AND FILING REQUIREMENTS
SPONSORED BY WITNESS

4 **Q. PLEASE DESCRIBE FR 16(7)(u).**

5 A. FR 16(7)(u) contains the affiliate allocations during the base year, forecasted test
6 year and previous three calendar years.

7 **Q. PLEASE DESCRIBE FR 16(7)(u), PAGES 1 AND 2 OF 5.**

8 A. FR 16(7)(u), pages 1 and 2 of 5, outline the service functions and methods used
9 during the test year according to the Operating Company Service and Cost-based
10 Non-Utility Service Agreements to allocate costs that could not be charged
11 directly by DEBS to the regulated and non-regulated Duke Energy affiliates,
12 including Duke Energy Kentucky. FR 16(7)(u), page 2(a) of 5, summarizes the
13 total amount of expenditures charged from DEBS to Duke Energy Kentucky for
14 the three years ended December 31, 2015, 2016, and 2017, and for the base period
15 and the forecasted test period which include the twelve month periods ending
16 November 30, 2018, and March 31, 2020, respectively.

17 **Q. ARE THE ALLOCATION METHODS LISTED IN FR 16(7)(u), PAGE 2**
18 **OF 5 THE SAME COST ALLOCATION METHODS CONTAINED IN**
19 **THE UTILITY SERVICE AGREEMENT APPROVED FOR USE IN 2010?**

20 A. The allocation methods listed in FR 16(7)(u), page 2 of 5, are the 20 allocation
21 methods contained in the current Utility Service Agreement.

1 **Q. PLEASE BRIEFLY DESCRIBE FR 16(7)(u), PAGES 2(a) OF 5.**

2 A. FR 16(7)(u), page 2(a) of 5, provides the bases used to allocate common charges
3 between DEBS and Duke Energy Kentucky. FR 16(7)(u), page 2(a) identifies 12
4 allocation methods used during the test period to allocate to Duke Energy
5 Kentucky Gas which are either specifically identified or a combination of the
6 allocation methods identified on FR 16(7)(u) 2 of 5. FR 16(7)(u), page 2(a) of 5,
7 provides the amount of these costs allocated to Duke Energy Kentucky Gas for
8 the three years ended December 31, 2015, 2016 and 2017, for the base period, and
9 for the forecasted test period ending November 30, 2018, and March 31, 2020,
10 respectively.

11 **Q. PLEASE BRIEFLY DESCRIBE FR 16(7)(u), PAGES 3 AND 3(a) OF 5**

12 A. FR 16(7)(u), page 3 of 5, describes the process for assigning costs between Duke
13 Energy Ohio and Duke Energy Kentucky which originate on Duke Energy Ohio's
14 books and are directly assigned or allocated to Duke Energy Kentucky. FR
15 16(7)(u), page 3(a) of 5, provides the bases used to allocate charges and the
16 amount of these costs allocated to Duke Energy Kentucky for the three years
17 ended December 31, 2015, 2016 and 2017, for the base period, and for the
18 forecasted test period ending November 30, 2018, and March 31, 2020,
19 respectively.

20 **Q. PLEASE BRIEFLY DESCRIBE FR 16(7)(u), PAGES 4 AND 4(a) OF 5**

21 A. FR 16(7)(u), page 4 of 5, describes the purpose and process for assigning costs
22 between Duke Energy Carolina, Duke Energy Progress and Duke Energy
23 Kentucky, which originate on Duke Energy's Carolina utilities books and are

1 directly assigned or allocated to Duke Energy Kentucky. FR 16(7)(u), page 4(a)
2 of 5, provides the bases used to allocate charges and the amount of these costs
3 allocated to Duke Energy Kentucky for the three years ended December 31, 2015,
4 2016 and 2017, for the base period, and for the forecasted test period ending
5 November 30, 2018, and March 31, 2020, respectively.

6 **Q. PLEASE BRIEFLY DESCRIBE FR 16(7)(u), PAGES 5 AND 5(a) OF 5.**

7 A. FR 16(7)(u), page 5 of 5, provides the bases used to allocate A&G charges
8 between gas and electric operations for those items that cannot be directly
9 charged. FR 16(7)(u), page 5(a) of 5, summarizes the total amount of A&G
10 expenditures allocated between gas and electric A&G expense accounts for the
11 three years ended December 31, 2015, 2016 and 2017, for the base period, and the
12 forecasted test period ending November 30, 2018, and March 31, 2020,
13 respectively.

14 **Q. ARE THE ALLOCATIONS INDICATED ON FR 16(7)(u), PAGE 5 OF 5**
15 **USED TO DETERMINE ALL CHARGES THAT SHOULD BE**
16 **RECORDED TO GAS AND ELECTRIC OPERATIONS FOR BOTH**
17 **CAPITAL AND EXPENSE ACCOUNTS?**

18 A. No. Expenditures applicable to gas or electric operations are charged directly
19 whenever possible. For example, employees performing work on a specific
20 project will charge directly to the appropriate gas and/or electric expense or
21 capital account.

22 **Q. IN YOUR OPINION, ARE THE ALLOCATION FACTORS AND COSTS**
23 **ASSIGNED TO DUKE ENERGY KENTUCKY REASONABLE?**

1 A. Yes. These costs are reasonable. All costs are assigned and allocated in
2 compliance with these agreements. The Duke Energy and the Company's
3 accounting processes are audited and verified to ensure that costs are properly
4 assigned and allocated. The amount of costs that are being allocated to Duke
5 Energy Kentucky are consistent with what the Company would otherwise
6 experience if it did not have the benefit of being a part of a larger family of
7 utilities. In fact, based upon the Duke Energy market research for determining
8 salaries for shared and utility employees, the costs of common business functions
9 that are allocated to Duke Energy Kentucky and shared among all affiliated
10 companies result in a lower overall cost to the individual companies than if they
11 had to maintain separate and duplicative individual functions.

12 **Q. DID YOU PROVIDE ANY INFORMATION TO OTHER WITNESSES**
13 **FOR THEIR USE IN THIS PROCEEDING?**

14 A. Yes, I supplied Mr. Pratt with the allocation factors in effect for his use in
15 developing the forecasted financial data.

V. CONCLUSION

16 **Q. WERE ATTACHMENTS JRS-1, JRS-2, JRS-3, JRS-4, JRS-5, THE**
17 **INFORMATION YOU PREPARED FOR MR. PRATT AND FR 16(7)(u)**
18 **PREPARED BY YOU OR UNDER YOUR SUPERVISION?**

19 A. Yes.

20 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

21 A. Yes.


VERIFICATION

STATE OF NORTH CAROLINA)
)
COUNTY OF MECKLENBURG) **SS:**

The undersigned, Jeffrey R. Setser, Director of Allocations and Reporting, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing testimony and that it is true and correct to the best of his knowledge, information and belief.

Jeff R. Setser
Jeffrey R. Setser Affiant

Subscribed and sworn to before me by Jeffrey R. Setser on this 13 day of August 2018.

 *Virginia M. Adams*
NOTARY PUBLIC
My Commission Expires: Oct. 2, 2021

**SERVICE COMPANY
UTILITY SERVICE AGREEMENT**

This Service Company Utility Service Agreement (this "Agreement") is by and among Duke Energy Carolinas, LLC ("DEC"), a North Carolina limited liability company, Duke Energy Ohio, Inc., an Ohio corporation ("DEO"), Duke Energy Indiana, LLC an Indiana limited liability company ("DEI"), Duke Energy Kentucky, Inc., a Kentucky corporation ("DEK"), Duke Energy Progress, LLC, a North Carolina limited liability company ("DEP"), Piedmont Natural Gas Company, Inc., a North Carolina corporation ("Piedmont"), Duke Energy Florida, LLC ("DEF"), a Florida limited liability company, and Duke Energy Business Services LLC ("DEBS"), a Delaware limited liability company. DEBS is sometimes hereinafter referred to as a "Service Company." DEC, DEO, DEI, DEK, DEP, DEF, and Piedmont are sometimes hereinafter referred to individually as a "Client Company" and collectively as the "Client Companies". The Effective Date as stated herein is the date on which this Agreement is executed or, as may be required, submitted to the appropriate regulatory body for approval, whichever occurs last. This Agreement supersedes and replaces in its entirety all previous Service Company Utility Service Agreements dated before the Effective Date of this Agreement.

WITNESSETH

WHEREAS, each of the Client Companies and the Service Company are direct or indirect subsidiaries of Duke Energy Corporation;

WHEREAS, the Service Company and the Client Companies have entered into this Agreement whereby the Service Company agrees to provide and the Client Companies agree to accept and pay for various services as provided herein at cost, except to the extent otherwise required by Section 482 of the Internal Revenue Code; and

WHEREAS, economies and efficiencies benefiting the Client Companies will result from the performance by the Service Company of services as herein provided;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties to this Agreement covenant and agree as follows:

ARTICLE I – SERVICES

Section 1.1 The Service Company shall furnish to the Client Companies, upon the terms and conditions hereinafter set forth, such of the services described in Appendix A hereto, at such times, for such periods and in such manner as the Client Companies may from time to time request and which the Service Company concludes it is equipped to perform. The Service Company shall also provide Client Companies with such special services, including without limitation cost management services, in addition to those services described in Appendix A hereto, as may be requested by a Client Company and which the Service Company concludes it is equipped to perform. In supplying such services, the Service Company may (i) arrange, where it deems appropriate, for the services of such experts, consultants, advisers and other persons with necessary qualifications as are required for or pertinent to the rendition of such services, and (ii) tender payments to third parties as agent for and on behalf of Client Companies, with such charges being passed through to the appropriate Client Companies.

Section 1.2 Each of the Client Companies shall take from the Service Company such of the services described in Section 1.1 and such additional general or special services, whether or not now contemplated, as are requested from time to time by the Client Companies and which the Service Company concludes it is equipped to perform.

Section 1.3 The services described herein shall be directly assigned, distributed or allocated by activity, process, project, responsibility center, work order or other appropriate basis. A Client Company shall have the right from time to time to amend, alter or rescind any activity, process, project, responsibility center or work order, provided that (i) any such amendment or alteration which results in a material change in the scope of the services to be performed or equipment to be provided is agreed to by the Service Company, (ii) the cost for the services covered by the activity, process, project, responsibility center or work order shall include any expense incurred by the Service Company as a direct result of such amendment, alteration or rescission of the activity, process, project, responsibility center or work order, and (iii) no amendment, alteration or rescission of an activity, process, project, responsibility center or work order shall release a Client Company from liability for all costs already incurred by or contracted for by the Service Company pursuant to the activity, process, project, responsibility center or work order, regardless of whether the services associated with such costs have been completed.

Section 1.4 The Service Company shall maintain a staff trained and experienced in the design, construction, operation, maintenance and management of public utility properties.

ARTICLE II - COMPENSATION

Section 2.1 Except to the extent otherwise required by Section 482 of the Internal Revenue Code, as compensation for the services to be rendered hereunder, each of the Client Companies shall pay to the Service Company all costs which reasonably can be identified and related to particular services performed by the Service Company for or on its behalf. Where more than one Client Company is involved in or has received benefits from a service performed, costs will be directly assigned, distributed or allocated, as set forth in Appendix A hereto, between or among such companies on a basis reasonably related to the service performed to the extent reasonably practicable.

Section 2.2 The method of assignment, distribution or allocation of costs described in Appendix A shall be subject to review annually, or more frequently if appropriate. Such method of assignment, distribution or allocation of costs may be modified or changed by the Service Company without the necessity of an amendment to this Agreement, provided that in each instance, all services rendered hereunder shall be at actual cost thereof, fairly and equitably assigned, distributed or allocated, except to the extent otherwise required by Section 482 of the Internal Revenue Code. The Service Company shall promptly advise the Client Companies of any material changes in such method of assignment, distribution or allocation. As appropriate, the Client Companies shall advise the North Carolina Utilities Commission ("NCUC"), the Public Service Commission of South Carolina, the Florida Public Service Commission; the Indiana Utility Regulatory Commission, the Public Utilities Commission of Ohio, the Kentucky Public Service Commission, and the Tennessee Regulatory Authority ("the "Affected State Commissions") of any such changes. Such notice shall be in compliance with the requirements of applicable state law, regulations and regulatory conditions.

Section 2.3 The Service Company shall render a monthly statement to each Client Company which shall reflect the billing information necessary to identify the costs charged for that month. By the last day of each month, each Client Company shall remit to the Service Company all charges billed to it. For avoidance of doubt, the Service Company and each Client Company may satisfy the foregoing requirement by recording billings and payments required hereunder in their common accounting systems without rendering paper or electronic monthly statements or remitting cash payments.

Section 2.4 Subject to Section 482 of the Internal Revenue Code, it is the intent of this Agreement that the payment for services rendered by the Service Company to the Client Companies shall cover all the costs of its doing business (less the cost of services provided to affiliated companies not a party to

this Agreement and to other non-affiliated companies, and credits for any miscellaneous income items), including, but not limited to, salaries and wages, office supplies and expenses, outside services employed, property insurance, injuries and damages, employee pensions and benefits, miscellaneous general expenses, rents, maintenance of structures and equipment, depreciation and amortization and compensation for use of capital. Without limitation of the foregoing, "cost," as used in this Agreement, means fully embedded cost, namely, the sum of (1) direct costs, (2) indirect costs and (3) costs of capital.

ARTICLE III - TERM

Section 3.1 This Agreement is entered into as of the Effective Date and shall continue in force with respect to a Client Company until terminated by the Service Company and Client Company with respect to such Client Company (provided that no such termination with respect to less than all of the Client Companies shall thereby affect the term of this Agreement or any of the provisions hereof) or until terminated by unanimous agreement of all the parties then signatory to this Agreement.

ARTICLE IV – ACCOUNTS AND RECORDS

Section 4.1 The Service Company shall utilize the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission.

Section 4.2 The Service Company shall permit each Affected State Commission and applicable statutory utility consumer representative(s), together with other interested parties as required under applicable law, access to its accounts and records, including the basis and computation of allocations, necessary for each Affected State Commission to review a Client Company's operating results.

ARTICLE V – MISCELLANEOUS

Section 5.1 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each party and delivered to the other parties.

Section 5.2 Entire Agreement; No Third Party Beneficiaries. This Agreement (including Appendix A and any other appendices or other exhibits or schedules hereto) (i) constitutes the entire agreement, and supersedes any prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement; and (ii) is not intended to confer upon any person other than the parties hereto any rights or remedies.

Section 5.3 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflict of laws.

Section 5.4 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, in whole or in part, by operation of law or otherwise by any of the parties hereto without the prior written consent of each of the other parties. Any attempted or purported assignment in violation of the preceding sentence shall be null and void and of no effect whatsoever. Subject to the preceding two sentences, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

Section 5.5 Amendments. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties. To the extent that applicable state law or regulation or other binding obligation requires that any such amendment be filed with any Affected State Commission for its review

or otherwise, each Client Company shall comply in all respects with any such requirements.

Section 5.6 Interpretation. When a reference is made in this Agreement to an Article, Section or Appendix or other Exhibit, such reference shall be to an Article or Section of, or an Appendix or other Exhibit to, this Agreement unless otherwise indicated. The headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words “include”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation”. The words “hereof”, “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. References to a person are also to its permitted successors and assigns.

Section 5.7 DEC, DEP, and Piedmont Conditions. In addition to the terms and conditions set forth herein, with respect to DEC and DEP, the provisions set out in Appendix B are hereby incorporated herein by reference. In addition, DEC’s, DEP’s, and Piedmont’s participation in this Agreement is explicitly subject to the Regulatory Conditions and Code of Conduct approved by the NCUC in its Order Approving Merger Subject to Regulatory Conditions and Code of Conduct issued, in NCUC Docket Nos. E-2, Sub 1095, E-7, Sub 1100, and G-9, Sub 682. In the event of any conflict between the provisions of this Agreement and the approved Regulatory Conditions and Code of Conduct provisions, the Regulatory Conditions and Code of Conduct shall govern.

IN WITNESS WHEREOF, the parties hereto have caused this Service Agreement to be executed as of _____, 201_.

DUKE ENERGY BUSINESS SERVICES LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY CAROLINAS, LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY OHIO, INC.

By: _____
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY INDIANA, LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY KENTUCKY, INC.

By: _____
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY PROGRESS, LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY FLORIDA, LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

PIEDMONT NATURAL GAS COMPANY, INC.

By: _____
Nancy M. Wright
Assistant Corporate Secretary

**Description of Services and Determination
of Charges for Services**

I. The Service Company will maintain an accounting system for accumulating all costs on an activity, process, project, responsibility center, work order, or other appropriate basis. To the extent practicable, time records of hours worked by Service Company employees will be kept by activity, process, project, responsibility center or work order. Charges for salaries will be determined from such time records and will be computed on the basis of employees' labor costs, including the cost of fringe benefits, indirect labor costs and payroll taxes. Records of employee-related expenses and other indirect costs will be maintained for each functional group within the Service Company (hereinafter referred to as "Function"). Where identifiable to a particular activity, process, project, responsibility center or work order, such indirect costs will be directly assigned to such activity, process, project, responsibility center or work order. Where not identifiable to a particular activity, process, project, responsibility center or work order, such indirect costs within a Function will be distributed in relationship to the directly assigned costs of the Function. For purposes of this Appendix A, any costs not directly assigned or distributed by the Service Company will be allocated monthly.

II. Service Company costs accumulated for each activity, process, project, responsibility center or work order will be directly assigned, distributed, or allocated to the Client Companies or other Functions within the Service Company as follows:

1. Costs accumulated in an activity, process, project, responsibility center or work order for services specifically performed for a single Client Company or Function will be directly assigned and charged to such Client Company or Function.

2. Costs accumulated in an activity, process, project, responsibility center or work order for services specifically performed for two or more Client Companies or Functions will be distributed among and charged to such Client Companies or Functions. The appropriate method of distribution will be determined by the Service Company on a case-by-case basis consistent with the nature of the work performed and will be based on the application of one or more of the methods described in paragraphs IV and V of this

Appendix A. The distribution method will be provided to each such affected Client Company or Function.

3. Costs accumulated in an activity, process, project, responsibility center or work order for services of a general nature which are applicable to all Client Companies or Functions or to a class or classes of Client Companies or Functions will be allocated among and charged to such Client Companies or Functions by application of one or more of the methods described in paragraphs IV and V of this Appendix A.

III. For purposes of this Appendix A, the following definitions or methodologies shall be utilized:

1. Where applicable, the following will be utilized to convert gas sales to equivalent electric sales: 1 cubic foot of gas sales equals 0.303048 kilowatt-hour of electric sales (based on electricity at 3412 Btu/kWh and natural gas at 1034 Btu/cubic foot).

2. "Domestic utility" refers to a utility which operates in the contiguous United States of America.

3. "Gross margin" refers to revenues as defined by Generally Accepted Accounting Principles, less cost of sales, including but not limited to fuel, purchased power, emission allowances and other cost of sales.

4. "Distribution" means electric distribution and local gas distribution as applicable.

5. "Distribution Lines" mean electric power lines at distribution voltages measured in circuit miles, and gas mains and lines, as applicable.

The weights utilized in the weighted average ratios in paragraph V of this Appendix A shall represent the percentage relationship of the activities associated with the function for which costs are to be allocated. For example, if an expense item is to be allocated on the weighted average of the Gross Margin Ratio, the Labor Dollars Ratio and the Total Property, Plant and Equipment ("PP&E") Ratio, and the activity to be allocated is one-third gross margin related, one-third labor related and one-third PP&E related, 33 percent of the Gross Margin Ratio would be utilized, 33 percent of the Labor Dollars Ratio and 34

percent of the PP&E Ratio would be utilized. To illustrate this application, assuming that the Gross Margin Ratio were 53.75 percent for Company A and 46.25 percent for Company B, the Labor Dollars Ratio were 25 percent for Company A and 75 percent for Company B, and the Total PP&E Ratio were 60 percent for Company A and 40 percent for Company B, the following weighted average ratio would be computed:

| Activity | Weight | Company A | | Company B | |
|---|------------|-----------|---------------|-----------|---------------|
| | | Ratio | Weighted | Ratio | Weighted |
| Gross Margin Ratio | 33% | 53.75% | 17.74% | 46.25% | 15.26% |
| Labor Dollars Ratio | 33% | 25.00% | 8.25% | 75.00% | 24.75% |
| Total Property, Plant and Equipment Ratio | <u>34%</u> | 60.00% | <u>20.40%</u> | 40.00% | <u>13.60%</u> |
| | 100% | | 46.39% | | 53.61% |

IV. The following allocation methods will be applied, as specified in paragraph V of this Appendix A, to assign costs for services applicable to two or more clients and/or to allocate costs for services of a general nature.

1. Sales Ratio

A ratio, based on the applicable domestic firm kilowatt-hour electric sales (and/or the equivalent cubic feet of gas sales, where applicable), excluding intra-system sales, for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable), This ratio will be determined annually, or at such time as may be required due to a significant change.

2. Electric Peak Load Ratio

A ratio, based on the sum of the applicable monthly domestic firm electric maximum system demands for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where

applicable). This ratio will be determined annually, or at such time as may be required due to a significant change.

3. Number of Customers Ratio

A ratio, based on the sum of the applicable domestic firm electric customers (and/or gas customers, where applicable) at the end of a recent month in the preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually, or at such time as may be required due to a significant change.

4. Number of Employees Ratio

A ratio, based on the applicable number of employees at the end of a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually, or at such time as may be required due to a significant change.

5. Construction-Expenditures Ratio

A ratio, based on the applicable projected construction expenditures for the following twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). Separate ratios will be computed for total construction expenditures and appropriate functional plant (i.e., production, transmission, Distribution, and general) classifications. This ratio will be

determined annually, or at such time as may be required due to a significant change.

6. Miles of Distribution Lines Ratio

In the case of electric Distribution, a ratio, based on the applicable installed circuit miles of domestic electric Distribution Lines, and in the case of gas Distribution, a ratio, based on the applicable installed miles of domestic gas Distribution Lines, in either case at the end of the preceding calendar year, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies. This ratio will be determined annually, or at such time as may be required due to a significant change.

7. Circuit Miles of Electric Transmission Lines Ratio

A ratio, based on the applicable installed circuit miles of domestic electric transmission lines at the end of the preceding calendar year, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies. This ratio will be determined annually, or at such time as may be required due to a significant change.

8. Millions of Instructions Per Second Ratio

A ratio, based on the sum of the applicable number of millions of instructions per second (MIPS) used to execute mainframe computer software applications for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company or Service Company Function, and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually, or at such time as may be required due to a significant change.

9. Revenues Ratio

A ratio, based on the total applicable revenues for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

10. Inventory Ratio

A ratio, based on the total applicable inventory balance for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). Separate ratios will be computed for total inventory and the appropriate functional plant (i.e., production, transmission, Distribution, and general) classifications. This ratio will be determined annually or at such time as may be required due to a significant change.

11. Procurement Spending Ratio

A ratio, based on the total amount of applicable procurement spending for the preceding year, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. Separate ratios will be computed for total procurement spending and appropriate functional plant (i.e., production, transmission, Distribution, and general) classifications. This ratio will be determined annually or at such time as may be required due to a significant change.

12. Square Footage Ratio

A ratio, based on the total amount of applicable square footage occupied in a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

13. Gross Margin Ratio

A ratio, based on the total applicable gross margin for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

14. Labor Dollars Ratio

A ratio, based on the total applicable labor dollars for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

15. Number of Personal Computer Work Stations Ratio

A ratio, based on the total number of applicable personal computer work stations at the end of a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be

determined annually or at such time as may be required due to a significant change.

16. Number of Information Systems Servers Ratio

A ratio, based on the total number of applicable servers at the end of a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

17. Total Property, Plant and Equipment Ratio

A ratio, based on the total applicable Property, Plant and Equipment balance (net of accumulated depreciation and amortization) for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

18. Generating Unit MW Capability / Maximum Dependable Capacity (MDC) Ratio

A ratio, based on the total applicable installed megawatt capability for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

19. Number of Meters Ratio

A ratio, based on the number of electric and/or gas meters, as applicable, the numerator of which is for a Client Company and the denominator of

which is for all domestic utility Client Companies. Separate ratios will be computed for appropriate meter classifications (e.g., type of metering technology). This ratio will be determined annually, or at such time as may be required due to a significant change.

20. O&M Expenditures Ratio

A ratio, based on the operation and maintenance (O&M) expenditures for a prior twelve month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). Separate ratios will be computed for total O&M expenditures and appropriate functional plant (i.e., production, transmission, Distribution, and general) classifications. This ratio will be determined annually.

V. A description of each Function's activities, which may be modified from time to time by the Service Company, is set forth below in paragraph "a" under each Function. As described in paragraph II, "1" and "2" of this Appendix A, where identifiable, costs will be directly assigned or distributed to Client Companies or to other Functions of the Service Company. For costs accumulated in activities, processes, projects, responsibility centers, or work orders which are for services of a general nature that cannot be directly assigned or distributed, as described in paragraph II, "3" of this Appendix A, the method or methods of allocation are set forth below in paragraph "b" under each Function. For any of the functions set forth below other than Information Systems, Transportation, Human Resources or Facilities, costs of a general nature to be allocated pursuant to this Agreement shall exclude costs of a general nature which have been allocated to affiliated companies not a party to this Agreement. Substitution or changes may be made in the methods of allocation hereinafter specified, as may be appropriate, and will be provided to state regulatory agencies and to each Client Company. Any such substitution or changes shall be in compliance with the requirements of applicable state law, regulations and regulatory conditions.

1. Information Systems

a. Description of Function

Provides communications and electronic data processing services. The activities of the Function include:

- (1) Development and support of mainframe computer software applications.
- (2) Procurement and support of personal computers and related network and software applications.
- (3) Development and support of distributed computer software applications (e.g., servers).
- (4) Installation and operation of communications systems.
- (5) Information systems management and support services.

b. Method of Allocation

- (1) Development and support of mainframe computer software applications - allocated between the Client Companies and other Functions of the Service Company based on the number of Millions of Instructions per Second Ratio (MIPS).
- (2) Procurement and support of personal computers and related network and software applications - allocated to the Client Companies and to other Functions of the Service Company based on the Number of Personal Computer Work Stations Ratio.
- (3) Development and support of distributed computer software applications - allocated to the Client Companies and to other Functions of the Service Company based on the Number of Information Systems Servers Ratio.
- (4) Installation and operation of communications systems - allocated to the Client Companies and to other Functions of the Service Company based on the Number of Employees Ratio.
- (5) Information systems management and support services – allocated to the Client Companies and to other Functions of the Service Company based on the Number of Personal Computer Work Stations Ratio.

2. Meters

a. Description of Function

Procures, tests and maintains meters.

b. Method of Allocation

Allocated to the Client Companies based on the Number of Customers Ratio.

3. Transportation

a. Description of Function

(1) Procures and maintains vehicles and equipment.

(2) Procures and maintains aircraft and equipment.

b. Method of Allocation

(1) The costs of maintaining vehicles and equipment are allocated to the Client Companies and to other Functions of the Service Company based on the Number of Employees Ratio.

(2) The costs of maintaining aircraft and equipment are allocated to the Client Companies and to other Functions of the Service Company based on a weighted average of the Gross Margin Ratio, the Labor Dollars Ratio and the PP&E Ratio.

4. System Maintenance

a. Description of Function

Coordinates maintenance and support of electric transmission systems and Distribution systems.

b. Method of Allocation

(1) Services related to electric transmission systems - allocated to the Client Companies based on the Circuit Miles of Electric Transmission Lines Ratio.

(2) Services related to electric Distribution systems - allocated to the Client Companies based on the Miles of Distribution Lines Ratio.

(3) Services related to gas Distribution systems – allocated to the Client Companies based on the Labor Dollars Ratio.

5. Marketing and Customer Relations

a. Description of Function

Advises the Client Companies in relations with domestic utility customers.

The activities of the Function include:

- (1) Design and administration of sales and demand-side management programs.
- (2) Customer meter reading, billing and payment processing.
- (3) Customer services including the operation of call center.

b. Method of Allocation

- (1) Design and administration of sales and demand-side management programs - allocated to the Client Companies based on the Number of Customers Ratio.
- (2) Customer billing and payment processing - allocated to the Client Companies based on the Number of Customers Ratio.
- (3) Customer Services - allocated to the Client Companies based on the Number of Customers Ratio.

6. Transmission and Distribution Engineering and Construction

a. Description of Function

Designs and monitors construction of electric transmission and Distribution Lines and associated facilities. Prepares cost and schedule estimates, visits construction sites to ensure that construction activities coincide with plans, and administers construction contracts.

b. Method of Allocation

- (1) Transmission engineering and construction allocated to the Client Companies based on the Electric Transmission Plant's Construction-Expenditures Ratio.
- (2) Distribution engineering and construction allocated to the Client Companies based on the Distribution plant's Construction-Expenditures Ratio.

7. Power Engineering and Construction

a. Description of Function

Designs, monitors and supports the construction and retirement of electric generation facilities. Prepares specifications and administers contracts for construction of new electric generating units, improvements to existing electric generating units, and the retirement of existing electric generating equipment, including developing associated operating processes with operations personnel. Prepares cost and schedule estimates and visits construction sites to ensure that construction and retirement activities meet schedules and plans.

b. Method of Allocation

Allocated to the Client Companies based on the Electric Production Plant's Construction-Expenditures Ratio.

8. Human Resources

a. Description of Function

Establishes and administers policies and supervises compliance with legal requirements in the areas of employment, compensation, benefits and employee health and safety. Processes payroll and employee benefit payments. Supervises contract negotiations and relations with labor unions.

b. Method of Allocation

Allocated to the Client Companies and to other Functions of the Service Company based on the Number of Employees Ratio.

9. Supply Chain

a. Description of Function

Provides services in connection with the procurement of materials and contract services, processes payments to vendors, and provides management of material and supplies inventories.

b. Method of Allocation

(1) Procurement of materials and contract services and vendor payment processing - allocated to the Client Companies and to other Functions of the Service Company based on the Procurement Spending Ratio.

- (2) Management of materials and supplies inventory – allocated to the Client Companies on the Inventory Ratio.

10. Facilities

a. Description of Function

Operates and maintains office and service buildings. Provides security and housekeeping services for such buildings and procures office furniture and equipment.

b. Method of Allocation

Allocated to the Client Companies and to other Functions of the Service Company based on the Square Footage Ratio.

11. Accounting

a. Description of Function

Maintains the books and records of Duke Energy Corporation and its affiliates, prepares financial and statistical reports, prepares tax filings and supervises compliance with the laws and regulations.

b. Method of Allocation

(1) Allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollar Ratio and the PP&E Ratio.

(2) Certain merger related costs are allocated based on Generating Unit MW Capability/ MDC Ratio.

12. Power and Gas Planning and Operations

a. Description of Function

Coordinate the planning, management and operation of Duke Energy Corporation's power generation, transmission and Distribution systems. The activities of the Function include:

(1) System Planning - planning of additions and retirements to the electric generation units and transmission and Distribution systems belonging to the regulated utilities owned by Duke Energy Corporation.

- (2) System Operations - coordination of the dispatch and operation of the electric generating units and transmission and Distribution systems belonging to the regulated utilities owned by Duke Energy Corporation.
 - (3) Power Operations – provides management and support services for the electric generation units owned or operated by subsidiaries of Duke Energy Corporation.
 - (4) Wholesale Power Operations – coordination of Duke Energy Corporation’s wholesale power operations.
- b. Method of Allocation
- (1) System Planning
 - (a) Generation planning - allocated to the Client Companies based on the Electric Peak Load Ratio.
 - (b) Transmission planning – allocated to the Client Companies based on the Electric Peak Load Ratio.
 - (c) Electric Distribution planning - allocated to the Client Companies based on a weighted average of the Miles of Distribution Lines Ratio and the Electric Peak Load Ratio.
 - (d) Gas Distribution planning – allocated to the Client Companies based on the Construction-Expenditures Ratio.
 - (2) System Operations –
 - (a) Generation Dispatch - allocated to the Client Companies based on the Sales Ratio.
 - (b) Transmission Operations - allocated to the Client Companies based on a weighted average of the Circuit Miles of Electric Transmission Lines Ratio and the Electric Peak Load Ratio.
 - (c) Electric Distribution Operations - allocated to the Client Companies based on a weighted average of the Miles of Distribution Lines Ratio and the Electric Peak Load Ratio.
 - (d) Gas Distribution Operations – allocated to the Client Companies based on the Construction-Expenditures Ratio.

- (3) Power Operations – allocated to the Client Companies based on the Generating Unit MW Capability / Maximum Dependable Capacity (MDC) Ratio.
- (4) Wholesale Power Operations – allocated to the Client Companies based on the Sales Ratio.

13. Public Affairs

a. Description of Function

Prepares and disseminates information to employees, customers, government officials, communities and the media. Provides graphics, reproduction lithography, photography and video services.

b. Method of Allocation

- (1) Services related to corporate governance, public policy, management and support services - allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollar Ratio and the PP&E Ratio.
- (2) Services related to utility specific activities - allocated to the Client Companies based on a weighted average of the Number of Customers Ratio and the Number of Employees Ratio.

14. Legal

a. Description of Function

Renders services relating to labor and employment law, litigation, contracts, rates and regulatory affairs, environmental matters, financing, financial reporting, real estate and other legal matters.

b. Method of Allocation

Allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollar Ratio and the PP&E Ratio.

15. Rates

a. Description of Function

Determines the Client Companies' revenue requirements and rates to electric and gas requirements customers. Administers interconnection and joint ownership agreements. Researches and forecasts customers' usage.

b. Method of Allocation

Allocated to the Client Companies based on the Sales Ratio.

16. Finance

a. Description of Function

Renders services to Client Companies with respect to investments, financing, cash management, risk management, claims and fire prevention. Prepares budgets, financial forecasts and economic analyses.

b. Method of Allocation

Allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollar Ratio and the PP&E Ratio.

17. Rights of Way

a. Description of Function

Purchases, surveys, records, and sells real estate interests for Client Companies.

b. Method of Allocation

(1) Services related to Distribution system - allocated to the Client Companies based on the Miles of Distribution Lines Ratio.

(2) Services related to electric generation system- allocated to the Client Companies based on the Electric Peak Load Ratio.

(3) Services related to electric transmission system – allocated to the Client Companies based on the Circuit Miles of Electric Transmission Lines Ratio.

18. Internal Auditing

a. Description of Function

Reviews internal controls and procedures to ensure that assets are safeguarded and that transactions are properly authorized and recorded.

b. Method of Allocation

Allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollar Ratio and the PP&E Ratio.

19. Environmental, Health and Safety

a. Description of Function

Establishes policies and procedures and governance framework for compliance with environmental, health and safety (“EHS”) issues, monitors compliance with EHS requirements and provides EHS compliance support to the Client Companies’ personnel.

b. Method of Allocation

(1) Services related to corporate governance, environmental policy, management and support services - allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollar Ratio and the PP&E Ratio.

(2) Services related to utility specific activities – allocated to the Client Companies based on the Sales Ratio.

20. Fuels

a. Description of Function

Procures coal, gas and oil for the Client Companies. Ensures compliance with price and quality provisions of fuel contracts and arranges for transportation of the fuel to the generating stations.

b. Method of Allocation

Allocated to the Client Companies based on the Sales Ratio.

21. Investor Relations

a. Description of Function

Provides communications to investors and the financial community, performs transfer agent and shareholder record keeping functions, administers stock plans and performs stock-related regulatory reporting.

b. Method of Allocation

Allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollars Ratio and the PP&E Ratio.

22. Planning

a. Description of Function

Facilitates preparation of strategic and operating plans, monitors trends and evaluates business opportunities.

b. Method of Allocation

Allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollars Ratio and the PP&E Ratio.

23. Executive

a. Description of Function

Provides general administrative and executive management services.

b. Method of Allocation

Allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollars Ratio and the PP&E Ratio.

24. Nuclear Development

a. Description of Function

Provides design, engineering, project management and licensing for potentially proposed new operating units.

b. Method of Allocation

Directly assigned/charged to participating jurisdictions.

Duke Energy Carolinas, LLC, Duke Energy Progress, LLC and Piedmont Natural Gas Company, Inc. Conditions

In connection with the NCUC approval of the Merger in NCUC Docket No. E-2, Sub 1095, Docket No. E-7, Sub 1100, and Docket No. G-5, Sub 682, the NCUC adopted certain Regulatory Conditions and a revised Code of Conduct governing transactions between DEC, DEP, Piedmont, and their affiliates. Pursuant to the Regulatory Conditions, the following provisions are applicable to DEC, DEP, and Piedmont:

- (a) DEC's, DEP's and Piedmont's participation in this Agreement is voluntary. DEC, DEP, or Piedmont is not obligated to take or provide services or make any purchases or sales pursuant to this Agreement, and DEC, DEP, or Piedmont may elect to discontinue its participation in this Agreement at its election after giving any required notice;
- (b) DEC, DEP or Piedmont may not make or incur a charge under this Agreement except in accordance with North Carolina law and the rules, regulations and orders of the NCUC promulgated thereunder.
- (c) DEC, DEP or Piedmont may not seek to reflect in rates any (A) costs incurred under this Agreement exceeding the amount allowed by the NCUC or (B) revenue level earned under this Agreement less than the amount imputed by the NCUC; and
- (d) DEC, DEP or Piedmont shall not assert in any forum – whether judicial, administrative, federal, state, local or otherwise – either on its own initiative or in support of other entity's assertions, that the NCUC's authority to assign, allocate, make pro-forma adjustments to or disallow revenues and costs for retail ratemaking and regulatory accounting and reporting purposes is, in whole or in part, (A) preempted by Federal Law or (B) not within the Commission's power, authority, or jurisdiction; DEC, DEP, and Piedmont will bear the full risk of any preemptive effects of Federal Law with respect to this Agreement.

OPERATING COMPANIES SERVICE AGREEMENT

This Operating Companies Service Agreement (this “Agreement”) by and among Duke Energy Carolinas, LLC (“DEC”), a North Carolina limited liability company, Duke Energy Ohio, Inc. (“DEO”), an Ohio corporation, Duke Energy Indiana, LLC (“DEI”), an Indiana limited liability company, Duke Energy Kentucky, Inc. (“DEK”), a Kentucky corporation, Duke Energy Progress, LLC (“DEP”), a North Carolina limited liability company, and Duke Energy Florida, LLC (“DEF”), a Florida limited liability company and Piedmont Natural Gas Company, Inc., a North Carolina corporation (“Piedmont”),, supersedes and replaces in its entirety all previous Operating Company Service Agreements dated before the Effective Date of this Agreement. The Effective date as stated herein is the date on which this agreement is signed or, as may be required, submitted to the appropriate regulatory body for approval, whichever occurs last. DEC, DEO, DEI, DEK, DEP DEF and Piedmont are referred to collectively as the “Operating Companies” and, individually, an “Operating Company.”

WITNESSETH:

WHEREAS, Duke Energy Corporation (“Duke Energy”) is a Delaware corporation;

WHEREAS, each Operating Company is a subsidiary of Duke Energy and a public utility company;

WHEREAS, in the ordinary course of their businesses, Operating Companies maintain organizations of employees with technical expertise in matters affecting public utility companies and related businesses and own or acquire related equipment, facilities, properties and other resources; and

WHEREAS, subject to the terms and conditions herein set forth, and taking into consideration the parties’ utility responsibilities or primary business operations, as the case may be, the parties hereto are willing, upon request from time to time, to perform such services, and in connection therewith to make available such equipment, facilities, properties and other resources, as they shall request from each other;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties agree as follows:

ARTICLE 1. PROVISION OF SERVICES; LOANED EMPLOYEES

Section 1.1 Provision of Services.

(a) Except as hereinafter provided with respect to DEC, DEP, and Piedmont providing services for each other, upon receipt by a party hereto (in such capacity, a “Service Provider”) of a written request in substantially the same form attached hereto as Exhibit A (a “Service Request”) from another party hereto (in such capacity, a “Client Company”) for the provision to such Client

Company of such services as are specified therein, including if applicable use of any related equipment, facilities, properties or other resources (collectively, "Services"), the Service Provider, if in its sole discretion it has available the personnel or other resources needed to perform the Service Request without impairment of its utility responsibilities or business operations, as the case may be, shall furnish such Services to the Client Company at such times, for such periods and in such manner as the Client Company shall have so requested and otherwise in accordance with the provisions hereof.

(b) For purposes of this Agreement, "Services" may include, but shall not be limited to, services in such areas as engineering and construction; operations and maintenance; installation services; equipment testing; generation technical support; environmental, health and safety; and procurement services (including, but not limited to, fuel procurement).

(c) "Services" may also include the use of assets, equipment and facilities, provided the Client Company compensates the Service Provider for such use in accordance with Article 3.

(d) For the avoidance of doubt, affiliate transactions involving sales or other transfers of assets, goods, energy commodities (including electricity, natural gas, coal and other combustible fuels) or thermal energy products are outside the scope of this Agreement.

Section 1.2 Loaned Employees.

(a) If specifically requested in connection with the provision of Services, Service Provider shall loan one or more of its employees to such Client Company, provided that such loan shall not, in the sole discretion of Service Provider, interfere with or impair Service Provider's utility responsibilities or business operations, as the case may be. After the commencement thereof, any such loaned employees may be withdrawn by Service Provider from tasks duly assigned by Client Company, prior to completion thereof as contemplated in the associated Service Request, only with the consent of Client Company (which shall not be unreasonably withheld or delayed), except in the event of a demonstrable emergency requiring the use of any such employees in another capacity for Service Provider.

(b) While performing work on behalf of Client Company, any such loaned employees shall be under its supervision and control, and Client Company shall be responsible for their actions to the same extent as though such persons were its employees (it being understood that such persons shall nevertheless remain employees of Service Provider and nothing herein shall be construed as creating an employer-employee relationship between any Client Company and any loaned employees). Accordingly, for the duration of any such loan, Service Provider shall continue to provide its loaned employees with the same payroll, pension, savings, tax withholding, unemployment, bookkeeping and other personnel support services then being provided by Service Provider to its other employees.

ARTICLE 2. SERVICE REQUESTS

Section 2.1 Procedure. All Services (including any loans of employees) (i) shall be performed in accordance with Service Requests issued by or on behalf of Client Company and

accepted by Service Provider and (ii) shall be assigned to applicable activities, processes, projects, responsibility centers or on other appropriate bases to enable specific work to be properly assigned. Service Requests shall be as specific as practicable in defining the Services requested. Client Company shall have the right from time to time to amend or rescind any Service Request, *provided* that (a) Service Provider consents to any amendment that results in a material change in the scope of Services to be provided, (b) the costs associated with an amended or rescinded Service Request shall include the costs incurred by Service Provider as a result of such amendment or rescission, and (c) no amendment or rescission of a Service Request shall release Client Company from any liability for costs already incurred or contracted for by Service Provider pursuant to the original Service Request, regardless of whether any labor or the furnishing of any property or other resources has been commenced or completed.

ARTICLE 3. COMPENSATION FOR SERVICES

Section 3.1 Cost of Services. As compensation for any Services rendered to it pursuant to this Agreement, Client Company shall pay to Service Provider the Cost thereof, except to the extent otherwise required by Section 482 of the Internal Revenue Code. "Costs" means the sum of (i) direct costs, (ii) indirect costs and (iii) costs of capital. As soon as practicable after the close of each month, Service Provider shall render to each Client Company a statement reflecting the billing information necessary to identify the costs charged for that month. By the last day of each month, Client Company shall remit to Service Provider all charges billed to it. For avoidance of doubt, the Service Provider and each Client Company may satisfy the foregoing requirement by recording billings and payments required hereunder in their common accounting systems without rendering paper or electronic monthly statements or remitting cash payments.

Section 3.2 Exception. In the event any Services to be rendered under this Agreement are to be provided to or from DEC, DEP, and Piedmont in accordance with DEC's, DEP's, and Piedmont's North Carolina Code of Conduct at anything other than fully embedded cost as described above, then prior to entering into the transaction, DEI, DEK, DEF or DEO, whichever is applicable, shall provide 30 days written notice to the respective state commission staffs and state consumer representatives explaining the proposed transaction, including the benefits of the transaction. If no objection is received within 30 days, then the transaction may proceed. If one or more third parties object to the transaction in writing within 30 days, then DEI, DEK, DEF or DEO, whichever is applicable, must seek specific state commission approval of the transaction prior to entering into the transaction.

ARTICLE 4. LIMITATION OF LIABILITY; INDEMNIFICATION

Section 4.1 Limitation of Liability/Services. In performing Services pursuant to Section 1.1 hereof, Service Provider will exercise due care to assure that the Services are performed in a workmanlike manner in accordance with the specifications set forth in the applicable Service Request and consistent with any applicable legal standards. The sole and exclusive responsibility of Service Provider for any deficiency therein shall be promptly to correct or repair such deficiency or to re-perform such Services, in either case at no additional cost to Client Company, so that the Services fully conform to the standards described in the first sentence of this Section 4.1. No Service Provider makes any other warranty with respect to the provision of Services, and each Client Company agrees to accept any Services without further warranty of any nature.

Section 4.2 Limitation of Liability/Loaned Employees. In furnishing Services under Section 1.2 hereof (*i.e.*, involving loaned employees), neither the Service Provider, nor any officer, director, employee or agent thereof, shall have any responsibility whatsoever to any Client Company receiving such Services, and Client Company specifically releases Service Provider and such persons, on account of any claims, liabilities, injuries, damages or other consequences arising in connection with the provision of such Services under any theory of liability, whether in contract, tort (including negligence or strict liability) or otherwise, it being understood and agreed that any such loaned employees are made available without warranty as to their suitability or expertise.

Section 4.3 Disclaimer. WITH RESPECT TO ANY SERVICES PROVIDED UNDER THIS AGREEMENT, THE SERVICE PROVIDER THEREOF MAKES NO WARRANTY OR REPRESENTATION OTHER THAN AS SET FORTH IN SECTION 4.1, AND THE PARTIES HERETO HEREBY AGREE THAT NO OTHER WARRANTY, WHETHER STATUTORY, EXPRESS OR IMPLIED (INCLUDING BUT NOT LIMITED TO ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE AND WARRANTIES ARISING FROM COURSE OF DEALING OR USAGE OF TRADE), SHALL BE APPLICABLE TO THE PROVISION OF ANY SUCH SERVICES. THE PARTIES FURTHER AGREE THAT THE REMEDIES STATED HEREIN ARE EXCLUSIVE AND SHALL CONSTITUTE THE SOLE AND EXCLUSIVE REMEDY OF ANY PARTY HERETO FOR A FAILURE BY ANY OTHER PARTY HERETO TO COMPLY WITH ITS WARRANTY OBLIGATIONS.

Section 4.4 Indemnification.

(a) Subject to subparagraph (b) of this Section 4.4, Service Provider shall release, defend, indemnify and hold harmless each Client Company, including any officer, director, employee or agent thereof, from and against, and shall pay the full amount of, any loss, liability, claim, damage, expense (including costs of investigation and defense and reasonable attorneys' fees), whether or not involving a third-party claim, incurred or sustained by or against any such Client Company arising, directly or indirectly, from or in connection with Service Provider's negligence or willful misconduct in the performance of the Services.

(b) Notwithstanding any other provision hereof, Service Provider's total liability hereunder with respect to any specific Services shall be limited to the amount actually paid to Service Provider for its performance of the specific Services for which the liability arises, and under no circumstances shall Service Provider be liable for consequential, incidental, punitive, exemplary or indirect damages, lost profits or other business interruption damages, by statute, in tort or contract, under any indemnity provision or otherwise (it being the intent of the parties that the indemnification obligations in this Agreement shall cover only actual damages and accordingly, without limitation of the foregoing, shall be net of any insurance proceeds actually received in respect of any such damages).

Section 4.5 Procedure for Indemnification. Within 15 business days after receipt by any Client Company of notice of any claim or the commencement of any action, suit, litigation or other proceeding against it (a "Proceeding") with respect to which it is eligible for indemnification hereunder, such Client Company shall notify Service Provider thereof in writing (it being understood that failure to so notify Service Provider shall not relieve the latter of its indemnification obligation, unless Service Provider establishes that defense thereof has been prejudiced by such

failure). Thereafter, Service Provider shall be entitled to participate in such Proceeding and, at its election upon notice to such Client Company and at its expense, to assume the defense of such Proceeding. Without the prior written consent of such Client Company, Service Provider shall not enter into any settlement of any third-party claim that would lead to liability or create any financial or other obligation on the part of such Client Company for which such Client Company is not entitled to indemnification hereunder. If such Client Company has given timely notice to Service Provider of the commencement of such Proceeding, but Service Provider has not, within 15 business days after receipt of such notice, given notice to Client Company of its election to assume the defense thereof, Service Provider shall be bound by any determination made in such Proceeding or any compromise or settlement made by Client Company. A claim for indemnification for any matter not involving a third-party claim may be asserted by notice from the applicable Client Company to Service Provider.

ARTICLE 5. MISCELLANEOUS

Section 5.1 Amendments. Any amendments to this Agreement shall be in writing executed by each of the parties hereto. To the extent that applicable state law or regulation or other binding obligation requires that any such amendment be filed with any affected state public utility commission for its review or otherwise, each Operating Company shall comply in all respects with any such requirements.

Section 5.2 Effective Date; Term. This Agreement shall become effective on the Effective Date and shall continue in full force and effect as to each party until terminated by any party, as to itself only, upon not less than 30 days prior written notice to the other parties hereto. Any such termination of parties shall not be deemed an amendment hereto. This Agreement may be terminated and thereafter be of no further force and effect upon the mutual consent of all of the parties hereto.

Section 5.3 Entire Agreement. This Agreement contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes any prior or contemporaneous contracts, agreements, understandings or arrangements, whether written or oral, with respect thereto. Any oral or written statements, representations, promises, negotiations or agreements, whether prior hereto or concurrently herewith, are superseded by and merged into this Agreement.

Section 5.4 Severability. If any provision of this Agreement or any application thereof shall be determined to be invalid or unenforceable, the remainder of this Agreement and any other application thereof shall not be affected thereby.

Section 5.5 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, in whole or in part, by operation of law or otherwise by any of the parties hereto without the prior written consent of each of the other parties. Any attempted or purported assignment in violation of the preceding sentence shall be null and void and of no effect whatsoever. Subject to the preceding two sentences, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

Section 5.6 Governing Law. This Agreement shall be construed and enforced under and in accordance with the laws of the State of New York, without regard to conflicts of laws principles.

Section 5.7 Captions, Headings. The captions and headings used in this Agreement are for convenience of reference only and shall not affect the construction to be accorded any of the provisions hereof. As used in this Agreement, "hereof," "hereunder," "herein," "hereto," and words of like import refer to this Agreement as a whole and not to any particular section or other paragraph or subparagraph thereof.

Section 5.8 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed a duplicate original hereof, but all of which shall be deemed one and the same Agreement.

Section 5.9 DEC, DEP, and Piedmont Conditions. In addition to the terms and conditions set forth herein, with respect to DEC, DEP, and Piedmont, the provisions set out in Appendix B are hereby incorporated herein by reference. In addition, except with respect to the pricing of Services as set forth herein, DEC's, DEP's and Piedmont's participation in this Agreement is explicitly subject to the Regulatory Conditions and Code of Conduct approved by the North Carolina Utilities Commission ("NCUC") in its *Order Approving Merger Subject to Regulatory Conditions and Code of Conduct* issued, in Docket Nos. E-2, Sub 1095 and E-7, Sub 1100, and G-9, Sub 682, and applicable to South Carolina, as such Regulatory Conditions and Code of Conduct may be amended from time to time. In the event of any conflict between the provisions of this Agreement and the approved Regulatory Conditions and Code of Conduct provisions, the Regulatory Conditions and Code of Conduct shall govern.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on _____, 201_, on its behalf by an appropriate officer thereunto duly authorized.

Duke Energy Carolinas, LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

Duke Energy Ohio, Inc.

By: _____
Nancy M. Wright
Assistant Corporate Secretary

Duke Energy Indiana, LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

Duke Energy Kentucky, Inc.

By: _____
Nancy M. Wright
Assistant Corporate Secretary

Duke Energy Progress, LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

Duke Energy Florida, LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

Piedmont Natural Gas Company, Inc.

By: _____
Nancy M. Wright
Assistant Corporate Secretary



Folder Name: efr148v1-003818
Status: New

Service Request for Affiliates

* Red Asterisk indicates required fields * Functional Area (for the Service Provider):

Service Provider

* Service Provider
* Legal Approval Representative

Proposed Service

* Description of Proposed Service
Please Provide Basis for Estimated Costs, include # of employees requested and amount of time requested.

* Estimated Costs (Numbers only, no commas or decimals) * Scheduled Start Date * Scheduled Completion Date

Client Company

* Client Company

PeopleSoft Accounting Codes for the Services Provided

*** Process OR Project & Activities OR GL Account for Client Company must be entered

* Client Company Operating Unit * Service Provider Resp. Center * Process
* Project * Activity * GL Account

Confirmation of Service Provider Utility Responsibilities by Service Provider Approver

* Check this box to confirm that this Service Request will not result in impairment of Service Provider's utility responsibilities or business operations.

Confirmation of Service Provider Utility Responsibilities by Service Provider Approver

- * Check this box to confirm that this Service Request will not result in impairment of Service Provider's utility responsibilities or business operations.

Miscellaneous Comments

Comments

Comments Log

Attachments

Help

| Filename | Size |
|----------|------|
| | |

Approver Selection

The approvers should be appropriate according to the [Delegation of Authority \(DOA\)](#) matrix.

| Route To: | Name | Phone | Status |
|--------------------|--|----------------------|----------------------|
| * Client Company | <input type="text"/> <input type="button" value="Select"/> | <input type="text"/> | <input type="text"/> |
| * Service Provider | <input type="text"/> <input type="button" value="Select"/> | <input type="text"/> | <input type="text"/> |
| * Legal | <input type="text"/> | <input type="text"/> | <input type="text"/> |

Submitter Details

Created by Created on 11/10/2015 1:19:43 PM

* Phone

Last Modified by Last Modified

Exhibit B

**DUKE ENERGY CAROLINAS, LLC DUKE ENERGY PROGRESS, LLC, AND
PIEDMONT NATURAL GAS COMPANY, INC. CONDITIONS**

1. In connection with the NCUC approval of the Merger in NCUC Docket No. E-2, Sub 1095, Docket No. E-7, Sub 1100, and Docket No. G-5, Sub 682, the NCUC adopted certain Regulatory Conditions and a revised Code of Conduct governing transactions between DEC, DEP, Piedmont, and their affiliates. Pursuant to the Regulatory Conditions, the following provisions are applicable to DEC, DEP, and Piedmont:

(a) DEC's, DEP's and Piedmont's participation in this Agreement is voluntary. DEC, DEP, or Piedmont is not obligated to take or provide services or make any purchases or sales pursuant to this Agreement, and DEC, DEP, or Piedmont may elect to discontinue its participation in this Agreement at its election after giving any required notice;

(b) DEC, DEP or Piedmont may not make or incur a charge under this Agreement except in accordance with North Carolina law and the rules, regulations and orders of the NCUC promulgated thereunder.

(c) DEC, DEP or Piedmont may not seek to reflect in rates any (A) costs incurred under this Agreement exceeding the amount allowed by the NCUC or (B) revenue level earned under this Agreement less than the amount imputed by the NCUC; and

(d) DEC, DEP or Piedmont shall not assert in any forum – whether judicial, administrative, federal, state, local or otherwise – either on its own initiative or in support of other entity's assertions, that the NCUC's authority to assign, allocate, make pro-forma adjustments to or disallow revenues and costs for retail ratemaking and regulatory accounting and reporting purposes is, in whole or in part, (A) preempted by Federal Law or (B) not within the Commission's power, authority, or jurisdiction; DEC, DEP, and Piedmont will bear the full risk of any preemptive effects of Federal Law with respect to this Agreement.

2. Transfers by DEC, DEP, or Piedmont. With respect to the transfer by DEC, DEP, or Piedmont under this Agreement of the control of, operational responsibility for, or ownership of any DEC, DEP, or Piedmont assets used for the generation, transmission or distribution of electric power to its North Carolina retail customers with a gross book value in excess of ten million dollars, the following shall apply: (a) neither DEC, DEP nor Piedmont may commit to or carry out the transfer except in accordance with all applicable law, and the rules, regulations and orders of the NCUC promulgated thereunder; and (b) neither DEC, DEP, or Piedmont may include in its North Carolina cost of service or rates the value of the transfer, whether or not subject to federal law, except as allowed by the NCUC in accordance with North Carolina law.

3. Access to DEC, DEP or Piedmont Information. Any Operating Company providing Services to DEC or DEP pursuant to this Agreement, including any loaned employees under Section 1.2 of the Agreement, shall be permitted to have access to DEC's, DEP's or Piedmont's Customer Information and Confidential Systems Operation Information, as those terms are defined in the Code of Conduct, to the extent necessary for the performance of such Services; provided that such Operating Company shall take reasonable steps to protect the confidentiality of such Information.

Exhibit B

4. Procedures for Services Received By DEC DEP, or Piedmont from each other or the other Operating Companies and for Services Provided by DEC, DEP or Piedmont to each other or the other Operating Companies. DEC, DEP, and Piedmont shall receive from each other and the other Operating Companies, upon the terms and conditions set forth in this agreement, such of the services listed in the Operating Companies Service Agreement List on file with the NCUC, at such times, for such periods and in such manner as DEC DEP, or Piedmont may from time to time request of each other or another Operating Company. DEC, DEP, or Piedmont may provide to each other and the other Operating Companies, upon the terms and conditions set forth in this Agreement, at such times for such periods, and in such a manner as DEC, DEP or Piedmont concludes it is equipped to perform for each other or another Operating Company. DEC, DEP, or Piedmont may perform these services for each other as described in this paragraph without the requirement of a written request in substantially the form attached to this Agreement as Exhibit A.

**AMENDED AND RESTATED OPERATING COMPANY/NONUTILITY COMPANIES
SERVICE AGREEMENT**

This Amended and Restated Operating Company/Nonutility Companies Service Agreement (this "Agreement") dated September 1, 2008 (the "Effective Date") by and among Duke Energy Kentucky, Inc., a Kentucky corporation ("Operating Company"), and the respective associate nonutility companies listed on the signature pages hereto (each, a "Nonutility Company") supersedes and restates in its entirety the Operating Company/Nonutility Service Agreement entered into between the Operating Company and each Nonutility Company dated January 2, 2007.

WITNESSETH:

WHEREAS, Duke Energy Corporation ("Duke Energy") is a Delaware corporation;

WHEREAS, Operating Company is a subsidiary of Duke Energy and a public utility company;

WHEREAS, each Nonutility Company is a subsidiary of Duke Energy that is or was formed to engage in any one or more non-regulated businesses;

WHEREAS, certain non-regulated public utilities were added in error to the Operating Company/Nonutility Companies Service Agreement dated January 2, 2007 and are being removed in this Agreement;

WHEREAS, in the ordinary course of their businesses, Operating Company and each Nonutility Company maintain organizations of employees with technical expertise in matters affecting public utility companies and related businesses and own or acquire related equipment, facilities, properties and other resources; and

WHEREAS, subject to the terms and conditions herein set forth, and taking into consideration the parties' utility responsibilities or primary business operations, as the case may be, the parties hereto are willing, upon request from time to time, to perform such services, and in connection therewith to make available such equipment, facilities, properties and other resources, as they shall request from each other;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties agree as follows:

ARTICLE 1. PROVISION OF SERVICES; LOANED EMPLOYEES

Section 1.1 Provision of Services.

(a) Upon receipt by a party hereto (in such capacity, a "Service Provider") of a written request in substantially the form attached hereto as Exhibit A (a "Service Request") from another party hereto (in such capacity, a "Client Company") for the provision to such Client Company of such services as are specified therein, including if applicable use of any related equipment, facilities,

properties or other resources (collectively, "Services"), the Service Provider, if in its sole discretion it has available the personnel or other resources needed to perform the Service Request without impairment of its utility responsibilities or business operations, as the case may be, shall furnish such Services to the Client Company at such times, for such periods and in such manner as the Client Company shall have so requested and otherwise in accordance with the provisions hereof.

(b) For purposes of this Agreement, "Services" may include, but shall not be limited to: (i) in the case of Services that may be provided by Operating Company hereunder, services in such areas as engineering and construction; operations and maintenance; installation services; equipment testing; generation technical support; environmental, health and safety; and procurement services;¹ and (ii) in the case of Services that may be provided by Nonutility Companies hereunder, services in such areas as information technology services; monitoring, surveying, inspecting, constructing, locating and marking of overhead and underground utility facilities; meter reading; materials management; vegetation management; and marketing and customer relations.

(c) For the avoidance of doubt, affiliate transactions involving sales or other transfers of assets, goods, energy commodities (including electricity, natural gas, coal and other combustible fuels) or thermal energy products are outside the scope of this Agreement.

Section 1.2 Loaned Employees.

(a) If specifically requested in connection with the provision of Services, Service Provider shall loan one or more of its employees to such Client Company, provided that such loan shall not, in the sole discretion of Service Provider, interfere with or impair Service Provider's utility responsibilities or business operations, as the case may be. After the commencement thereof, any such loaned employees may be withdrawn by Service Provider from tasks duly assigned by Client Company, prior to completion thereof as contemplated in the associated Service Request, only with the consent of Client Company (which shall not be unreasonably withheld or delayed), except in the event of a demonstrable emergency requiring the use of any such employees in another capacity for Service Provider.

(b) While performing work on behalf of Client Company, any such loaned employees shall be under its supervision and control, and Client Company shall be responsible for their actions to the same extent as though such persons were its employees (it being understood that such persons shall nevertheless remain employees of Service Provider and nothing herein shall be construed as creating an employer-employee relationship between any Client Company and any loaned employees). Accordingly, for the duration of any such loan, Service Provider shall continue to provide its loaned employees with the same payroll, pension, savings, tax withholding, unemployment, bookkeeping and other personnel support services then being provided by Service Provider to its other employees.

ARTICLE 2. SERVICE REQUESTS

Section 2.1 Procedure. All Services (including any loans of employees) (i) shall be performed in accordance with Service Requests issued by or on behalf of Client Company and accepted by Service Provider and (ii) shall be assigned to applicable activities, processes, projects, responsibility centers or on other appropriate bases to enable specific work to be properly assigned. Service Requests shall be as specific as practicable in defining the Services requested. Client Company shall have the right from time to time to amend or rescind any Service Request, *provided* that (a) Service Provider consents to any amendment that results in a material change in the scope of Services to be provided, (b) the costs associated with an amended or rescinded Service Request shall include the costs incurred by Service Provider as a result of such amendment or rescission, and (c) no amendment or rescission of a Service Request shall release Client Company from any liability for costs already incurred or contracted for by Service Provider pursuant to the original Service Request, regardless of whether any labor or the furnishing of any property or other resources has been commenced or completed.

ARTICLE 3. COMPENSATION FOR SERVICES

Section 3.1 Cost of Services. As compensation for any Services rendered to it pursuant to this Agreement, Client Company shall pay to Service Provider the fully embedded cost thereof (i.e., the sum of (i) direct costs, (ii) indirect costs and (iii) costs of capital), except to the extent otherwise required by Section 482 of the Internal Revenue Code. As soon as practicable after the close of each month, Service Provider shall render to each Client Company a statement reflecting the billing information necessary to identify the costs charged for that month. By the last day of each month, Client Company shall remit to Service Provider all charged billed to it.

ARTICLE 4. LIMITATION OF LIABILITY; INDEMNIFICATION

Section 4.1 Limitation of Liability/Services. In performing Services pursuant to Section 1.1 hereof, Service Provider will exercise due care to assure that the Services are performed in a workmanlike manner in accordance with the specifications set forth in the applicable Service Request and consistent with any applicable legal standards. The sole and exclusive responsibility of Service Provider for any deficiency therein shall be promptly to correct or repair such deficiency or to re-perform such Services, in either case at no additional cost to Client Company, so that the Services fully conform to the standards described in the first sentence of this Section 4.1. No Service Provider makes any other warranty with respect to the provision of Services, and each Client Company agrees to accept any Services without further warranty of any nature.

Section 4.2 Limitation of Liability/Loaned Employees. In furnishing Services under Section 1.2 hereof (i.e., involving loaned employees), neither the Service Provider, nor any officer, director, employee or agent thereof, shall have any responsibility whatever to any Client Company receiving such Services, and Client Company specifically releases Service Provider and such persons, on account of any claims, liabilities, injuries, damages or other consequences arising in connection with the provision of such Services under any theory of liability, whether in contract, tort (including negligence or strict liability) or otherwise, it being understood and agreed that any such loaned employees are made available without warranty as to their suitability or expertise.

Section 4.3 Disclaimer. WITH RESPECT TO ANY SERVICES PROVIDED UNDER THIS AGREEMENT, THE SERVICE PROVIDER THEREOF MAKES NO WARRANTY OR REPRESENTATION OTHER THAN AS SET FORTH IN SECTION 4.1, AND THE PARTIES HERETO HEREBY AGREE THAT NO OTHER WARRANTY, WHETHER STATUTORY, EXPRESS OR IMPLIED (INCLUDING BUT NOT LIMITED TO ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE AND WARRANTIES ARISING FROM COURSE OF DEALING OR USAGE OF TRADE), SHALL BE APPLICABLE TO THE PROVISION OF ANY SUCH SERVICES. THE PARTIES FURTHER AGREE THAT THE REMEDIES STATED HEREIN ARE EXCLUSIVE AND SHALL CONSTITUTE THE SOLE AND EXCLUSIVE REMEDY OF ANY PARTY HERETO FOR A FAILURE BY ANY OTHER PARTY HERETO TO COMPLY WITH ITS WARRANTY OBLIGATIONS.

Section 4.4 Indemnification.

(a) Indemnification In Respect of Services Provided by Operating Company.

(i) In circumstances where Operating Company is a Service Provider: (x) subject to subparagraph (ii) of this Section 4.4(a), Service Provider shall release, defend, indemnify and hold harmless each Client Company, including any officer, director, employee or agent thereof, from and against, and shall pay the full amount of, any loss, liability, claim, damage, expense (including costs of investigation and defense and reasonable attorneys' fees), whether or not involving a third-party claim (collectively, "Damages"), incurred or sustained by or against Service Provider or any such Client Company arising, directly or indirectly, from or in connection with Service Provider's negligence or willful misconduct in the performance of the Services, and (y) each Nonutility Company that is a Client Company with respect to such Services shall release, defend, indemnify and hold harmless Service Provider, including any officer, director, employee or agent thereof, from and against, and shall pay the full amount of, any Damages incurred or sustained by or against Service Provider or any such Client Company arising, directly or indirectly, from or in connection with Service Provider's negligence or willful misconduct in the performance of the Services, to the extent such Damages are not covered by Service Provider's indemnification obligation as provided in the preceding clause (x) or exceed the liability limits provided in subparagraph (ii) of this Section 4.4(a).

(ii) Notwithstanding any other provision hereof, in circumstances where Operating Company is a Service Provider: (x) Service Provider's total liability hereunder with respect to any specific Services shall be limited to the amount actually paid to Service Provider for its performance of the specific Services for which the liability arises, and (y) under no circumstances shall Service Provider be liable for consequential, incidental, punitive, exemplary or indirect damages, lost profits or other business interruption damages, by statute, in tort or contract, under any indemnity provision or otherwise (it being the intent of the parties that the indemnification obligations in this Agreement shall cover only actual damages and accordingly, without limitation of the foregoing, shall be net of any insurance proceeds actually received in respect of any such damages).

(b) Indemnification In Respect of Services Provided by Any Nonutility Company.

(i) In circumstances where a Nonutility Company is a Service Provider (*i.e.*, where Operating Company is the Client Company): (x) subject to subparagraph (ii) of this Section 4.4(b),

Service Provider shall release, defend, indemnify and hold harmless the Client Company, including any officer, director, employee or agent thereof, from and against, and shall pay the full amount of, any Damages incurred or sustained by or against Client Company arising, directly or indirectly, from or in connection with Service Provider's negligence or willful misconduct in the performance of the Services.

(ii) Notwithstanding any other provision hereof, in circumstances where a Nonutility Company is a Service Provider (*i.e.*, where Operating Company is the Client Company), under no circumstances shall Service Provider be liable for consequential, incidental, punitive, exemplary or indirect damages, lost profits or other business interruption damages, by statute, in tort or contract, under any indemnity provision or otherwise (it being the intent of the parties that the indemnification obligations in this Agreement shall cover only actual damages and accordingly, without limitation of the foregoing, shall be net of any insurance proceeds actually received in respect of any such damages).

Section 4.5 Procedure for Indemnification. Within 15 business days after receipt by any Client Company of notice of any claim or the commencement of any action, suit, litigation or other proceeding against it (a "Proceeding") with respect to which it is eligible for indemnification hereunder, such Client Company shall notify Service Provider thereof in writing (it being understood that failure so to notify Service Provider shall not relieve the latter of its indemnification obligation, unless Service Provider establishes that defense thereof has been prejudiced by such failure). Thereafter, Service Provider shall be entitled to participate in such Proceeding and, at its election upon notice to such Client Company and at its expense, to assume the defense of such Proceeding. Without the prior written consent of such Client Company, Service Provider shall not enter into any settlement of any third-party claim that would lead to liability or create any financial or other obligation on the part of such Client Company for which it such Client Company is not entitled to indemnification hereunder. If such Client Company has given timely notice to Service Provider of the commencement of such Proceeding, but Service Provider has not, within 15 business days after receipt of such notice, given notice to Client Company of its election to assume the defense thereof, Service Provider shall be bound by any determination made in such Proceeding or any compromise or settlement made by Client Company. A claim for indemnification for any matter not involving a third-party claim may be asserted by notice from the applicable Client Company to Service Provider.

ARTICLE 5. MISCELLANEOUS

Section 5.1 Amendments. Any amendments to this Agreement shall be in writing executed by each of the parties hereto. To the extent that applicable state law or regulation or other binding obligation requires that any such amendment be filed with the Kentucky Public Service Commission for its review or otherwise, Operating Company shall comply in all respects with any such requirements.

Section 5.2 Effective Date; Term. This Agreement shall become effective on the Effective Date and shall continue in full force and effect as to each party until terminated by any party, as to itself only, upon not less than 30 days prior written notice to the other parties hereto. Any such

Any such termination of parties shall not be deemed an amendment hereto. This Agreement may be terminated and thereafter be of no further force and effect upon the mutual consent of all of the parties hereto.

Section 5.3 Additional Parties. After the effective date of this Agreement, additional Nonutility Companies may become parties to this Agreement by executing appropriate signature pages, whereupon any such additional signatory shall be deemed a "party" hereto all purposes hereof and shall thereupon become bound by the terms and conditions of this Agreement as if an original party hereto. The addition of any such further signatories, in the absence of any changes to the terms of this Agreement, shall not be deemed an amendment hereto.

Section 5.4 Entire Agreement. This Agreement contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes any prior or contemporaneous contracts, agreements, understandings or arrangements, whether written or oral, with respect thereto (including that certain Services Agreement between Operating Company and certain nonutility subsidiaries of Duke Energy dated April 3, 2006). Any oral or written statements, representations, promises, negotiations or agreements, whether prior hereto or concurrently herewith, are superseded by and merged into this Agreement.

Section 5.5 Severability. If any provision of this Agreement or any application thereof shall be determined to be invalid or unenforceable, the remainder of this Agreement and any other application thereof shall not be affected thereby.

Section 5.6 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, in whole or in part, by operation of law or otherwise by any of the parties hereto without the prior written consent of each of the other parties. Any attempted or purported assignment in violation of the preceding sentence shall be null and void and of no effect whatsoever. Subject to the preceding two sentences, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

Section 5.7 Governing Law. This Agreement shall be construed and enforced under and in accordance with the laws of the State of Kentucky, without regard to conflicts of laws principles.


Section 5.8 Captions, etc. The captions and headings used in this Agreement are for convenience of reference only and shall not affect the construction to be accorded any of the provisions hereof. As used in this Agreement, "hereof," "hereunder," "herein," "hereto," and words of like import refer to this Agreement as a whole and not to any particular section or other paragraph or subparagraph thereof.

Section 5.9 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed a duplicate original hereof, but all of which shall be deemed one and the same Agreement.


[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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 KENTUCKY, INC.

By: 
Richard G. Beach
Assistant Secretary


CINERGY CORP.

By: 
Richard G. Beach
Assistant Secretary


CINERGY INVESTMENTS, INC.

By: _____
George Dwight, II
Assistant Secretary

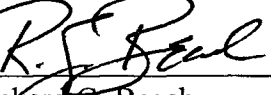
KO TRANSMISSION COMPANY

By: 
Richard G. Beach
Assistant Secretary

TRI-STATE IMPROVEMENT COMPANY

By: 
Richard G. Beach
Assistant Secretary

SOUTH CONSTRUCTION COMPANY, INC.

By: 
Richard G. Beach
Assistant Secretary

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.

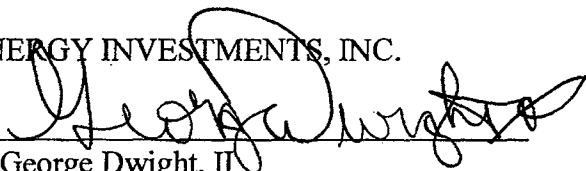
DUKE ENERGY KENTUCKY, INC.

By: _____
Richard G. Beach
Assistant Secretary

CINERGY CORP.

By: _____
Richard G. Beach
Assistant Secretary

CINERGY INVESTMENTS, INC.

By:  _____
George Dwight, II
Assistant Secretary

KO TRANSMISSION COMPANY

By: _____
Richard G. Beach
Assistant Secretary

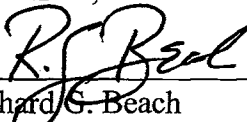
TRI-STATE IMPROVEMENT COMPANY

By: _____
Richard G. Beach
Assistant Secretary

SOUTH CONSTRUCTION COMPANY, INC.

By: _____
Richard G. Beach
Assistant Secretary

CINPOWER I, LLC

By: 
Richard G. Beach
Assistant Secretary

DUKE ENERGY ENGINEERING, INC.

By: _____
George Dwight, II
Assistant Secretary

DUKE ENERGY GENERATION SERVICES
HOLDING COMPANY, INC.

By: _____
George Dwight, II
Assistant Secretary

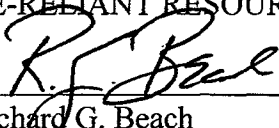
SUEZ-DEGS, LLC

By: _____
David A. Ledonne
Vice President

SUEZ-DEGS OF ORLANDO, LLC

By: _____
George Dwight, II
Assistant Secretary

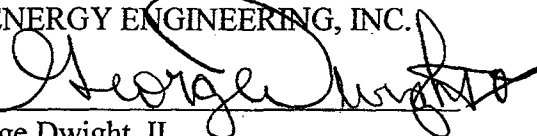
DUKE-RELIANT RESOURCES, INC.

By: 
Richard G. Beach
Assistant Secretary


CINPOWER I, LLC

By: _____
Richard G. Beach
Assistant Secretary

DUKE ENERGY ENGINEERING, INC.

By: 
George Dwight, II
Assistant Secretary

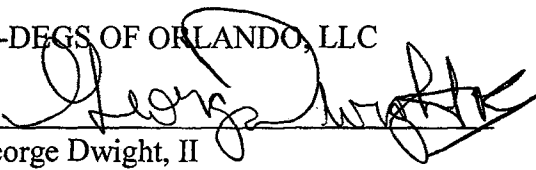
DUKE ENERGY GENERATION SERVICES
HOLDING COMPANY, INC.

By: 
George Dwight, II
Assistant Secretary

SUEZ-DEGS, LLC

By: _____
David A. Ledonne
Vice President

SUEZ-DEGS OF ORLANDO, LLC

By: 
George Dwight, II
Assistant Secretary

DUKE-RELIANT RESOURCES, INC.

By: _____
Richard G. Beach
Assistant Secretary

CINPOWER I, LLC

By: _____
Richard G. Beach
Assistant Secretary

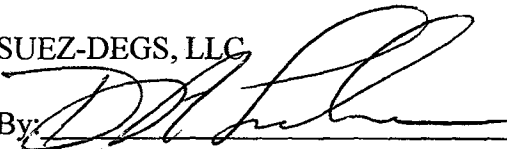
DUKE ENERGY ENGINEERING, INC.

By: _____
George Dwight, II
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David A. Ledonne
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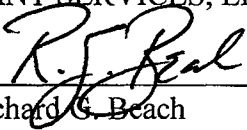
SUEZ-DEGS OF ORLANDO, LLC

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George Dwight, II
Assistant Secretary

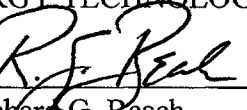
DUKE-RELIANT RESOURCES, INC.

By: _____
Richard G. Beach
Assistant Secretary

RELIANT SERVICES, LLC

By: 
Richard G. Beach
Assistant Secretary

CINERGY TECHNOLOGY, INC.

By: 
Richard G. Beach
Assistant Secretary

DEGS OF TUSCOLA, INC.

By: _____
George Dwight, II
Assistant Secretary

ENERGY EQUIPMENT LEASING LLC

By: _____
George Dwight, II
Assistant Secretary

DEGS OF BOCA RATON, LLC

By: _____
George Dwight, II
Assistant Secretary

DEGS OF CINCINNATI, LLC

By: _____
George Dwight, II
Assistant Secretary


RELIANT SERVICES, LLC

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Richard G. Beach
Assistant Secretary


CINERGY TECHNOLOGY, INC.

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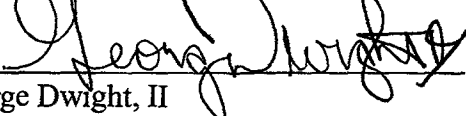
DEGS OF TUSCOLA, INC

By:  _____
George Dwight, II
Assistant Secretary

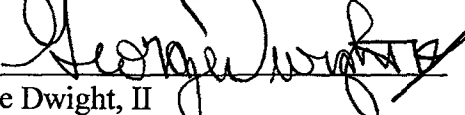
ENERGY EQUIPMENT LEASING LLC

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George Dwight, II
Assistant Secretary

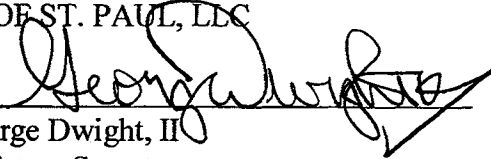
DEGS OF BOCA RATON, LLC

By:  _____
George Dwight, II
Assistant Secretary

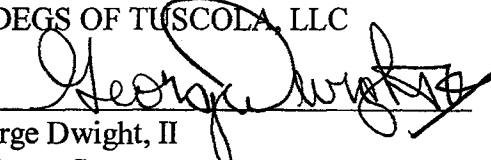
DEGS OF CINCINNATI, LLC

By:  _____
George Dwight, II
Assistant Secretary

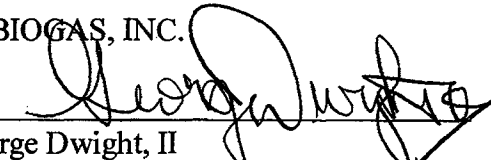
DEGS OF ST. PAUL, LLC

By: 
George Dwight, II
Assistant Secretary

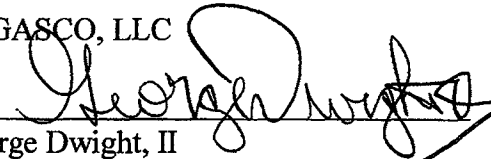
SUEZ-DEGS OF TUSCOLA, LLC

By: 
George Dwight, II
Assistant Secretary

DEGS BIOGAS, INC.

By: 
George Dwight, II
Assistant Secretary

DEGS GASCO, LLC

By: 
George Dwight, II
Assistant Secretary

DUKE ENERGY ONE, INC.

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Richard G. Beach
Assistant Secretary

CINERGY POWER GENERATION SERVICES, LLC

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Joseph E. Lentz, Jr.
Vice President

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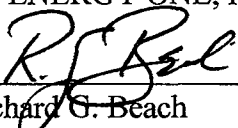
DEGS BIOGAS, INC.

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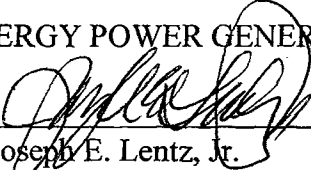
DEGS GASCO, LLC

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Assistant Secretary

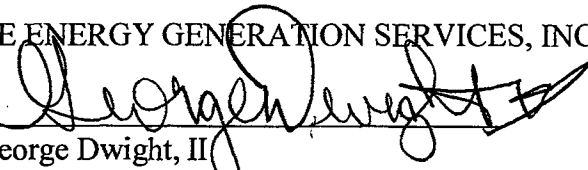
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DUKE TECHNOLOGIES, INC.

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Richard G. Beach
Assistant Secretary

DUKE VENTURES II, LLC

By: _____
Richard G. Beach
Assistant Secretary

CINERGY WHOLESALE ENERGY, INC.

By: _____
Joseph E. Lentz, Jr.
Vice President

DUKETEC, LLC

By: _____
Richard G. Beach
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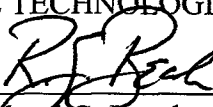
DUKETEC I, LLC

By: _____
Richard G. Beach
Assistant Secretary

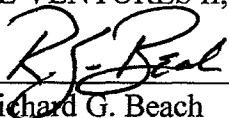
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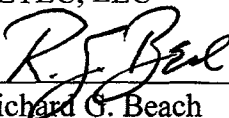
DUKE VENTURES II, LLC

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Richard G. Beach
Assistant Secretary

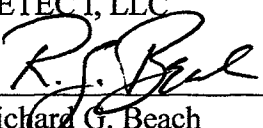
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Vice President

DUKETEC, LLC

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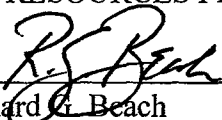
DUKETEC, LLC

By: _____
Richard G. Beach
Assistant Secretary

DUKETEC I, LLC

By: _____
Richard G. Beach
Assistant Secretary

EVENT RESOURCES I LLC

By: 
Richard G. Beach
Assistant Secretary

LANSING GRAND RIVER UTILITIES, LLC

By: _____
George Dwight, II
Assistant Secretary

OKLAHOMA ARCADIAN UTILITIES, LLC

By: _____
George Dwight, II
Assistant Secretary

SHREVEPORT RED RIVER UTILITIES, LLC

By: _____
George Dwight, II
Assistant Secretary

SYNCAP II, LLC

By: _____
George Dwight, II
Assistant Secretary

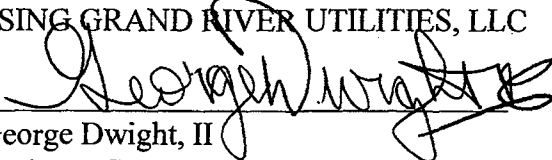
SUEZ/VWNA/DEGS OF LANSING, LLC

By: _____
George Dwight, II
Assistant Secretary

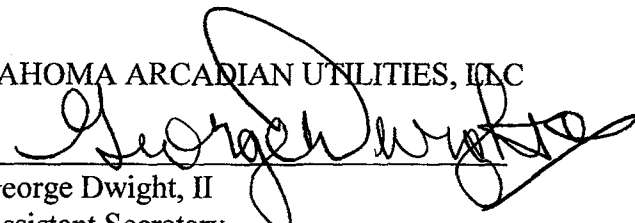
EVENT RESOURCES I LLC

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Richard G. Beach
Assistant Secretary


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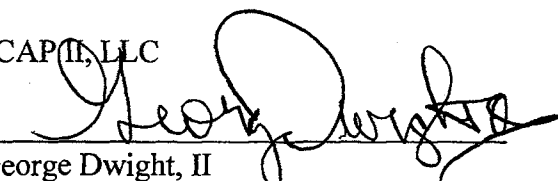
OKLAHOMA ARCADIAN UTILITIES, LLC

By: 
George Dwight, II
Assistant Secretary

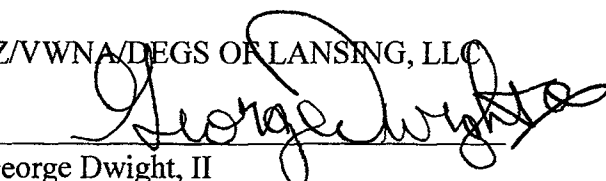
SHREVEPORT RED RIVER UTILITIES, LLC

By: 
George Dwight, II
Assistant Secretary


SYNCAP II, LLC

By: 
George Dwight, II
Assistant Secretary

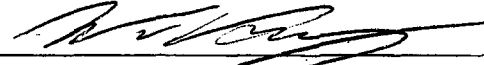
SUEZ/VWNA/DEGS OF LANSING, LLC

By: 
George Dwight, II
Assistant Secretary


BSPE, L.P.

By: 
Wouter T. van Kempen
Authorized Representative


BSPE GENERAL, LLC

By: 
Wouter T. van Kempen
Authorized Representative

BSPE HOLDINGS, LLC

By: 
Wouter T. van Kempen
Authorized Representative

BSPE LIMITED, LLC

By: 
Wouter T. van Kempen
Authorized Representative

CSGP OF SOUTHEAST TEXAS, LLC

By: _____
George Dwight, II
Assistant Secretary

OWINGS MILLS ENERGY EQUIPMENT LEASING LLC

By: _____
George Dwight, II
Assistant Secretary

BSPE, L.P.

By: _____
Wouter T. van Kempen
Authorized Representative

BSPE GENERAL, LLC

By: _____
Wouter T. van Kempen
Authorized Representative

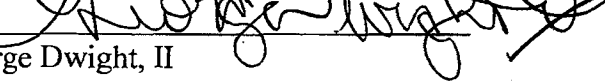
BSPE HOLDINGS, LLC

By: _____
Wouter T. van Kempen
Authorized Representative

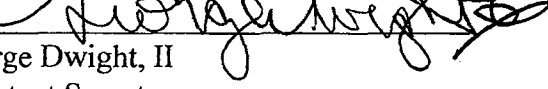
BSPE LIMITED, LLC

By: _____
Wouter T. van Kempen
Authorized Representative

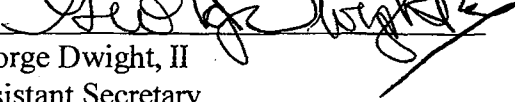
CSGP OF SOUTHEAST TEXAS, LLC

By: 
George Dwight, II
Assistant Secretary

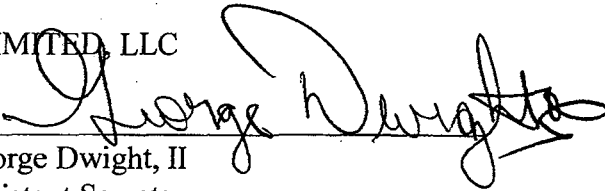
OWINGS MILLS ENERGY EQUIPMENT LEASING LLC

By: 
George Dwight, II
Assistant Secretary

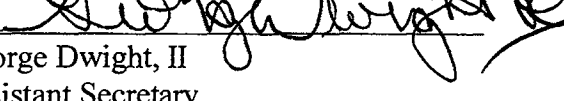
SUEZ-DEGS OF OWINGS MILLS, LLC

By: 
George Dwight, II
Assistant Secretary

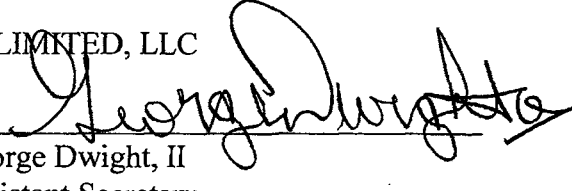
CST LIMITED, LLC

By: 
George Dwight, II
Assistant Secretary

CST GENERAL, LLC

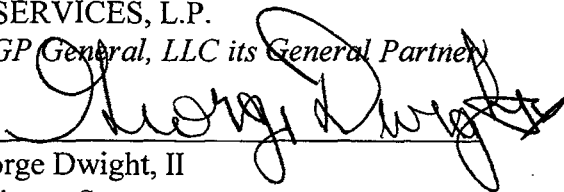
By: 
George Dwight, II
Assistant Secretary

CSGP LIMITED, LLC

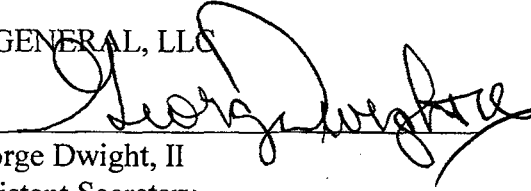
By: 
George Dwight, II
Assistant Secretary

CSGP SERVICES, L.P.


(by CSGP General, LLC its General Partner)

By: 
George Dwight, II
Assistant Secretary

CSGP GENERAL, LLC

By: 
George Dwight, II
Assistant Secretary

CINERGY GLOBAL TRADING LIMITED

By: 

Julia S. Janson
Secretary

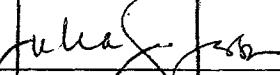
CINERGY ORIGINATION & TRADE, LLC

By: _____
Richard G. Beach
Assistant Secretary

DEGS OF PHILADELPHIA, LLC

By: _____
George Dwight, II
Assistant Secretary

OHIO RIVER VALLEY PROPANE, LLC

By: 

Julia S. Janson
Secretary

CINERGY RETAIL POWER LIMITED, INC.

By: _____
Richard G. Beach
Assistant Secretary

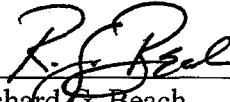
CINERGY RETAIL POWER GENERAL, INC.

By: _____
Joseph E. Lentz, Jr.
Vice President

CINERGY GLOBAL TRADING LIMITED

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Julia S. Janson
Secretary

CINERGY ORIGINATION & TRADE, LLC

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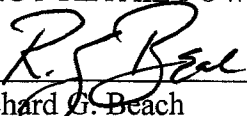
DEGS OF PHILADELPHIA, LLC

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George Dwight, II
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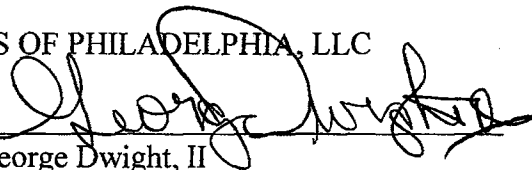
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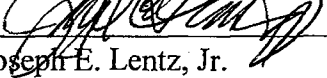
OHIO RIVER VALLEY PROPANE, LLC

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Julia S. Janson
Secretary

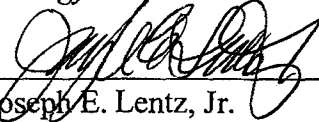
CINERGY RETAIL POWER LIMITED, INC.

By: _____
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Assistant Secretary

CINERGY RETAIL POWER GENERAL, INC.

By:  _____
Joseph E. Lentz, Jr.
Vice President

CINERGY RETAIL POWER, L.P.
(by Cinergy Retail Power General, Inc. its General Partner)

By: 
Joseph E. Lentz, Jr.
Vice President

DELTA TOWNSHIP UTILITIES, LLC

By: _____
George Dwight, II
Assistant Secretary

CINERGY LIMITED HOLDINGS, LLC

By: _____
Greer E. Mendelow
Assistant Secretary

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Julia S. Janson
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CINERGY RECEIVABLES COMPANY LLC

By: _____
Richard G. Beach
Secretary

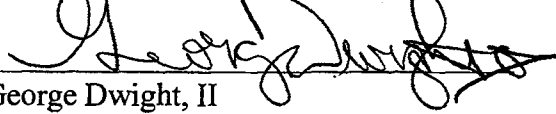
CINFUEL RESOURCES, INC.

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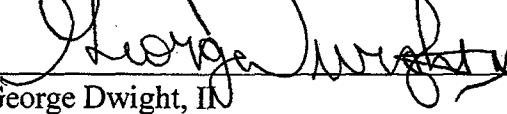
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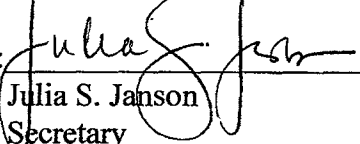
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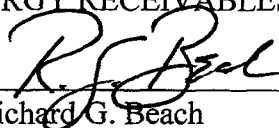
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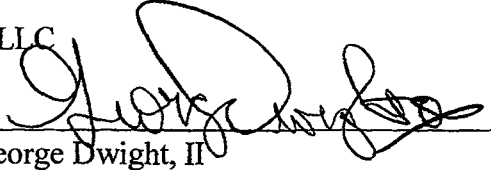
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By:  _____
Richard G. Beach
Secretary

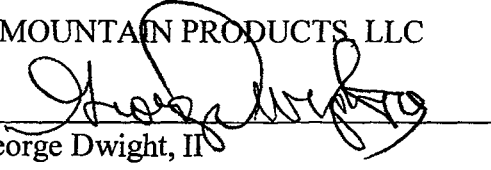
CINFUEL RESOURCES, INC.

By: _____
George Dwight, II
Assistant Secretary

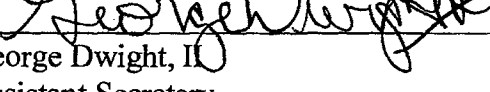
LH1, LLC

By: 
George Dwight, II
Assistant Secretary

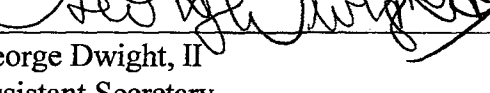
OAK MOUNTAIN PRODUCTS, LLC

By: 
George Dwight, II
Assistant Secretary

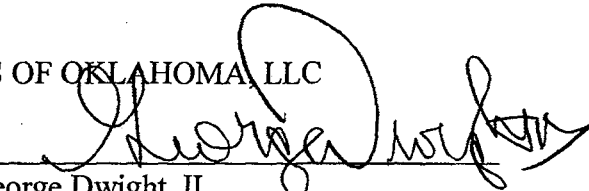
DEGS OF LANSING, LLC

By: 
George Dwight, II
Assistant Secretary

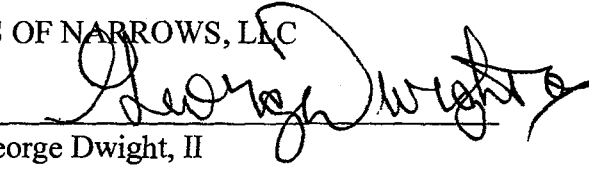
DEGS OF SHREVEPORT, LLC

By: 
George Dwight, II
Assistant Secretary

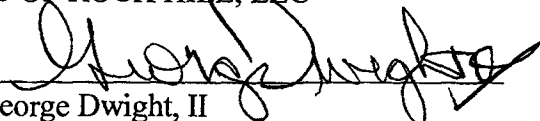
DEGS OF OKLAHOMA, LLC

By: 
George Dwight, II
Assistant Secretary

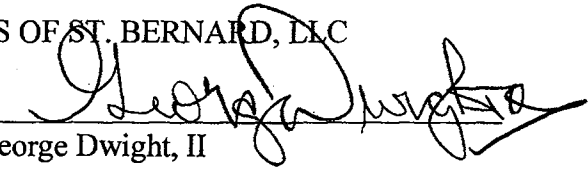
DEGS OF NARROWS, LLC

By: 
George Dwight, II
Assistant Secretary

DEGS OF ROCK HILL, LLC

By: 
George Dwight, II
Assistant Secretary

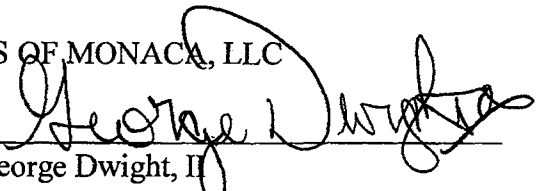
DEGS OF ST. BERNARD, LLC

By: 
George Dwight, II
Assistant Secretary

CINERGY CLIMATE CHANGE INVESTMENTS, LLC

By: _____
Richard G. Beach
Assistant Secretary

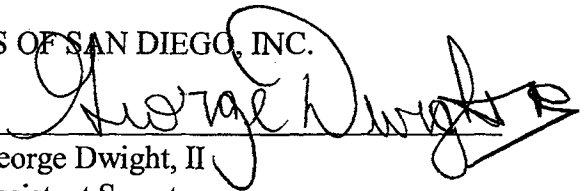
DEGS OF MONACA, LLC

By: 
George Dwight, II
Assistant Secretary

DUKETEC II, LLC

By: _____
Richard G. Beach
Assistant Secretary

DEGS OF SAN DIEGO, INC.

By: 
George Dwight, II
Assistant Secretary

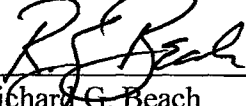
DEGS OF ROCK HILL, LLC

By: _____
George Dwight, II
Assistant Secretary

DEGS OF ST. BERNARD, LLC

By: _____
George Dwight, II
Assistant Secretary


CINERGY CLIMATE CHANGE INVESTMENTS, LLC

By:  _____
Richard G. Beach
Assistant Secretary

DEGS OF MONACA, LLC

By: _____
George Dwight, II
Assistant Secretary

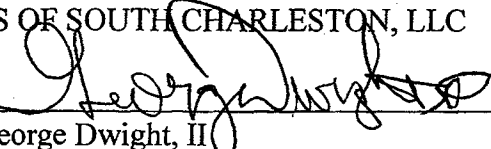
DUKETEC II, LLC

By:  _____
Richard G. Beach
Assistant Secretary

DEGS OF SAN DIEGO, INC.

By: _____
George Dwight, II
Assistant Secretary

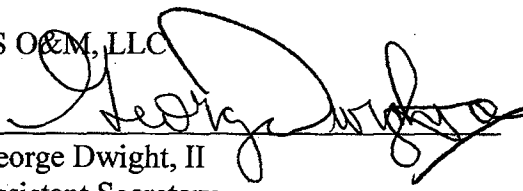
DEGS OF SOUTH CHARLESTON, LLC

By: 
George Dwight, II
Assistant Secretary

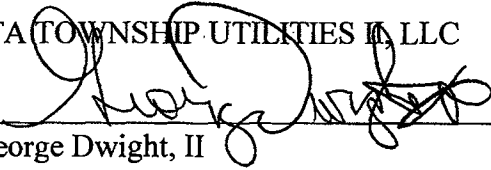
CINERGY SOLUTIONS – UTILITY, INC.

By: _____
Richard G. Beach
Assistant Secretary

DEGS O&M, LLC

By: 
George Dwight, II
Assistant Secretary

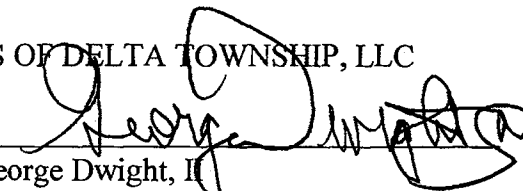
DELTA TOWNSHIP UTILITIES II, LLC

By: 
George Dwight, II
Assistant Secretary

ENVIRONMENTAL WOOD SUPPLY, LLC

By: _____
David A. Ledonne
Vice President

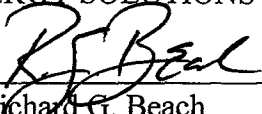
DEGS OF DELTA TOWNSHIP, LLC

By: 
George Dwight, II
Assistant Secretary

DEGS OF SOUTH CHARLESTON, LLC

By: _____
George Dwight, II
Assistant Secretary

CINERGY SOLUTIONS – UTILITY, INC.

By:  _____
Richard G. Beach
Assistant Secretary

DEGS O&M, LLC

By: _____
George Dwight, II
Assistant Secretary

DELTA TOWNSHIP UTILITIES II, LLC

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George Dwight, II
Assistant Secretary

ENVIRONMENTAL WOOD SUPPLY, LLC

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David A. Ledonne
Vice President

DEGS OF DELTA TOWNSHIP, LLC

By: _____
George Dwight, II
Assistant Secretary

DEGS OF SOUTH CHARLESTON, LLC

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George Dwight, II
Assistant Secretary

CINERGY SOLUTIONS – UTILITY, INC.

By: _____
Richard G. Beach
Assistant Secretary

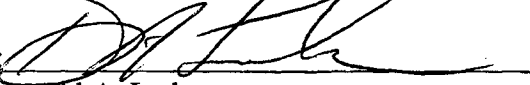
DEGS O&M, LLC

By: _____
George Dwight, II
Assistant Secretary

DELTA TOWNSHIP UTILITIES II, LLC

By: _____
George Dwight, II
Assistant Secretary


ENVIRONMENTAL WOOD SUPPLY, LLC

By: 
David A. Ledonne
Vice President

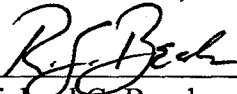
DEGS OF DELTA TOWNSHIP, LLC

By: _____
George Dwight, II
Assistant Secretary


DUKE BROADBAND, LLC

By: 
Richard G. Beach
Assistant Secretary

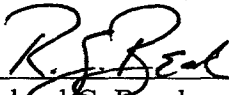
DUKE-CADENCE, INC.

By: 
Richard G. Beach
Assistant Secretary

CINERGY-CENTRUS, INC.

By: 
Richard G. Beach
Assistant Secretary

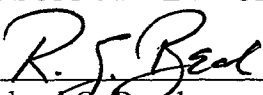
CINERGY-CENTRUS COMMUNICATIONS, INC.

By: 
Richard G. Beach
Assistant Secretary

DEGS EPCOM COLLEGE PARK, LLC

By: _____
George Dwight, II
Assistant Secretary

DUKE SUPPLY NETWORK, LLC

By: 
Richard G. Beach
Assistant Secretary

DUKE BROADBAND, LLC

By: _____
Richard G. Beach
Assistant Secretary

DUKE-CADENCE, INC.

By: _____
Richard G. Beach
Assistant Secretary

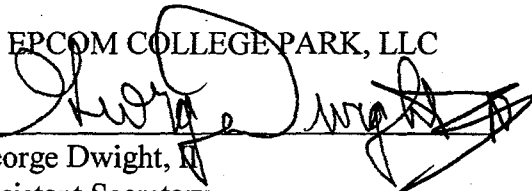
CINERGY-CENTRUS, INC.

By: _____
Richard G. Beach
Assistant Secretary

CINERGY-CENTRUS COMMUNICATIONS, INC.

By: _____
Richard G. Beach
Assistant Secretary

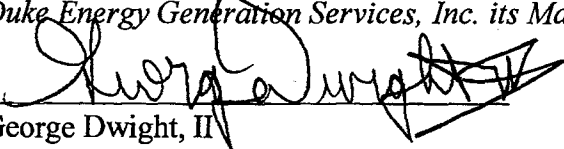
DEGS EPCOM COLLEGE PARK, LLC

By: 
George Dwight, M
Assistant Secretary

DUKE SUPPLY NETWORK, LLC

By: _____
Richard G. Beach
Assistant Secretary

CINERGY SOLUTIONS PARTNERS, LLC
(by Duke Energy Generation Services, Inc. its Managing Member)

By: 
George Dwight, II
Assistant Secretary

DUKE COMMUNICATIONS HOLDINGS, INC.

By: _____
Richard G. Beach
Assistant Secretary

CINERGY TWO, INC.

By: _____
Richard G. Beach
Assistant Secretary

GREEN POWER G.P., LLC

By: _____
Wouter T. van Kempen
Authorized Representative

GREEN POWER HOLDINGS, LLC

By: _____
Wouter T. van Kempen
Authorized Representative

GREEN POWER LIMITED, LLC

By: _____
Wouter T. van Kempen
Authorized Representative

CINERGY SOLUTIONS PARTNERS, LLC
(by Duke Energy Generation Services, Inc. its Managing Member)

By: _____
George Dwight, II
Assistant Secretary

DUKE COMMUNICATIONS HOLDINGS, INC.

By: Richard G. Beach
Richard G. Beach
Assistant Secretary

CINERGY TWO, INC.

By: Richard G. Beach
Richard G. Beach
Assistant Secretary

GREEN POWER G.P., LLC

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Wouter T. van Kempen
Authorized Representative

GREEN POWER HOLDINGS, LLC

By: _____
Wouter T. van Kempen
Authorized Representative

GREEN POWER LIMITED, LLC

By: _____
Wouter T. van Kempen
Authorized Representative

CINERGY SOLUTIONS PARTNERS, LLC
(by Duke Energy Generation Services, Inc. its Managing Member)

By: _____
George Dwight, II
Assistant Secretary

DUKE COMMUNICATIONS HOLDINGS, INC.

By: _____
Richard G. Beach
Assistant Secretary

CINERGY TWO, INC.

By: _____
Richard G. Beach
Assistant Secretary

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Wouter T. van Kempen
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GREEN POWER HOLDINGS, LLC

By: _____
Wouter T. van Kempen
Authorized Representative

GREEN POWER LIMITED, LLC

By: _____
Wouter T. van Kempen
Authorized Representative

SUEZ-DEGS OF ASHTABULA, LLC

By: _____
George Dwight, II
Assistant Secretary

SUEZ-DEGS OF LANSING, LLC

By: _____
George Dwight, II
Assistant Secretary

SUEZ-DEGS OF ROCHESTER, LLC

By: _____
George Dwight, II
Assistant Secretary

SUEZ-DEGS OF SILVER GROVE, LLC

By: _____
George Dwight, II
Assistant Secretary

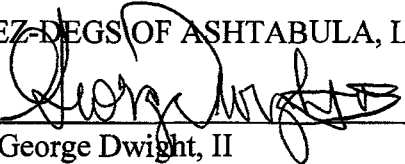
DUKE ENERGY CORPORATION

By:  _____
Richard G. Beach
Assistant Corporate Secretary

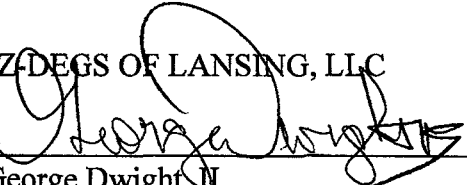
BISON INSURANCE COMPANY LIMITED

By: _____
Edwin Keith Bone
Senior Vice President


SUEZ-DEGS OF ASHTABULA, LLC

By: 
George Dwight, II
Assistant Secretary

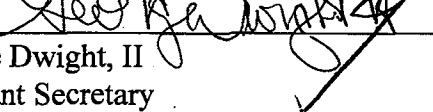
SUEZ-DEGS OF LANSING, LLC

By: 
George Dwight, II
Assistant Secretary

SUEZ-DEGS OF ROCHESTER, LLC

By: 
George Dwight, II
Assistant Secretary

SUEZ-DEGS OF SILVER GROVE, LLC

By: 
George Dwight, II
Assistant Secretary

DUKE ENERGY CORPORATION

By: _____
Richard G. Beach
Assistant Corporate Secretary

BISON INSURANCE COMPANY LIMITED

By: _____
George V. Brown
President and Chief Executive Officer

SUEZ-DEGS OF ASHTABULA, LLC

By: _____
George Dwight, II
Assistant Secretary

SUEZ-DEGS OF LANSING, LLC

By: _____
George Dwight, II
Assistant Secretary

SUEZ-DEGS OF ROCHESTER, LLC

By: _____
George Dwight, II
Assistant Secretary


SUEZ-DEGS OF SILVER GROVE, LLC

By: _____
George Dwight, II
Assistant Secretary


DUKE ENERGY CORPORATION

By: _____
Richard G. Beach
Assistant Corporate Secretary

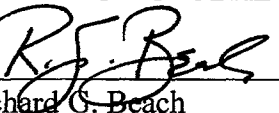
BISON INSURANCE COMPANY LIMITED

By:  _____
George V. Brown
President and Chief Executive Officer

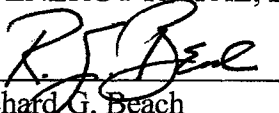
DUKE ENERGY AMERICAS, LLC

By: 
Richard G. Beach
Assistant Secretary

DUKE ENERGY GLOBAL MARKETS, INC.

By: 
Richard G. Beach
Assistant Secretary

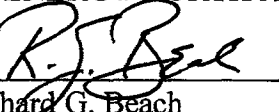
DUKE ENERGY ROYAL, LLC

By: 
Richard G. Beach
Assistant Secretary

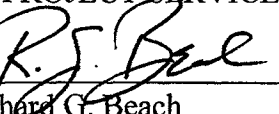
DUKE ENERGY INTERNATIONAL, LLC

By: _____
Javier Gonzalez
Assistant Secretary

DUKE ENERGY NORTH AMERICA, LLC

By: 
Richard G. Beach
Assistant Secretary

DUKE PROJECT SERVICES, INC.

By: 
Richard G. Beach
Assistant Secretary

DUKE ENERGY AMERICAS, LLC

By: _____
Richard G. Beach
Assistant Secretary


DUKE ENERGY GLOBAL MARKETS, INC.

By: _____
Richard G. Beach
Assistant Secretary

DUKE ENERGY ROYAL, LLC

By: _____
Richard G. Beach
Assistant Secretary

DUKE ENERGY INTERNATIONAL, LLC

By: 
Javier Gonzalez
Assistant Secretary

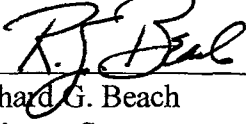
DUKE ENERGY NORTH AMERICA, LLC

By: _____
Richard G. Beach
Assistant Secretary

DUKE PROJECT SERVICES, INC.

By: _____
Richard G. Beach
Assistant Secretary


DUKE VENTURES, LLC

By: 
Richard G. Beach
Assistant Secretary


CRESCENT RESOURCES, LLC

By: _____
Kay H. Arnette
Assistant Secretary


DUKENET COMMUNICATIONS, LLC

By: 
Richard G. Beach
Assistant Secretary


PANENERGY CORP

By: 
Richard G. Beach
Assistant Secretary


DUKE ENERGY SERVICES, INC.

By: 
Richard G. Beach
Assistant Secretary


DEMI MANAGEMENT, INC.

By: 
Richard G. Beach
Assistant Secretary


DUKE ENERGY BUSINESS SERVICES LLC

By: 
Richard G. Beach
Assistant Secretary


DUKE ENERGY MERCHANTS, LLC

By: 
Richard G. Beach
Assistant Secretary

DUKE ENERGY RECEIVABLES FINANCE COMPANY, LLC

By: 
Richard G. Beach
Assistant Secretary

DUKENET COMMUNICATION SERVICES, LLC

By: 
Richard G. Beach
Assistant Secretary

Service Request Form

Please use this form for all service requests. All data fields are required.

Facilitator/Contact Information:

First Name:
Last Name:
Phone:
Email:

Service Provider:

Or Other:

Service Provider Contact Information:

First Name:
Last Name:
Phone:

email Address of Service Provider Approver:

The approver should be appropriate according to the Expenditures, Divestitures & Terminations Category of the Delegation of Authority (DOA) matrix.

Description of Proposed Service and Please Provide Basis for Estimated Costs:

Client Company:

Or Other:

Client Company Contact Information:

First Name:
Last Name:
Phone:

(this e-mail address must be filled in properly for form to send automatically to the Client Approver)

email Address of Client Company

The approver should be appropriate

Approver: according to the Expenditures,
Divestitures & Terminations Category of
the Delegation of Authority (DOA) matrix.

Estimated Costs: \$
Format Numbers Only - do not include commas or periods

Scheduled Start Date:
MM/DD/YYYY

Scheduled
Completion Date:
MM/DD/YYYY

Legal Approval
Representative:

**Accounting codes (FMIS / BDMS) of Duke Energy
Company receiving the services:**

Process / Work Code(s):

n/a / Corp. Number:

RCTo / Line of Business:

RCFrom / Center:

Project:

Activity:

**ASSYMMETRICALLY-PROCEED DUKE ENERGY KENTUCKY, INC. /NONUTILITY
COMPANIES
SERVICE AGREEMENT**

This Operating Company/Nonutility Companies Service Agreement (this "Agreement") is made and entered into as of October 1, 2009 (the "Effective Date") by and among Duke Energy Kentucky, Inc., a Kentucky corporation ("Operating Company"), and the respective associate nonutility companies listed on the signature pages hereto (each, a "Nonutility Company").

WITNESSETH:

WHEREAS, Duke Energy Corporation ("Duke Energy") is a Delaware corporation;

WHEREAS, Operating Company is a subsidiary of Duke Energy and a public utility company;

WHEREAS, each Nonutility Company is a subsidiary of Duke Energy that is or was formed to engage in any one or more non-regulated businesses;

WHEREAS, in the ordinary course of their businesses, Operating Company and each Nonutility Company maintain organizations of employees with technical expertise in matters affecting public utility companies and related businesses and own or acquire related equipment, facilities, properties and other resources; and

WHEREAS, subject to the terms and conditions herein set forth, and taking into consideration the parties' utility responsibilities or primary business operations, as the case may be, the parties hereto are willing, upon request from time to time, to perform such services, and in connection therewith to make available such equipment, facilities, properties and other resources, as they shall request from each other;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties agree as follows:

ARTICLE 1. PROVISION OF SERVICES; LOANED EMPLOYEES

Section 1.1 Provision of Services.

(a) Upon receipt by a party hereto (in such capacity, a "Service Provider") of a written request in substantially the form attached hereto as Exhibit A (a "Service Request") from another party hereto (in such capacity, a "Client Company") for the provision to such Client Company of such services as are specified therein, including if applicable use of any related equipment, facilities, properties or other resources (collectively, "Services"), the Service Provider, if in its sole discretion it has available the personnel or other resources needed to perform the Service Request without impairment of its utility responsibilities or business operations, as the case may be, shall furnish such Services to the Client Company at such times, for such periods and in such manner as the Client Company shall have so requested and otherwise in accordance with the provisions hereof.

(b) For purposes of this Agreement, "Services" may include, but shall not be limited to: (i) in the case of Services that may be provided by Operating Company hereunder, services in such areas as engineering and construction; operations and maintenance; installation services; equipment testing; generation technical support; environmental, health and safety; and procurement services; and (ii) in the case of Services that may be provided by Nonutility Companies hereunder, services in such areas as information technology services; monitoring, surveying, inspecting, constructing, locating and marking of overhead and underground utility facilities; meter reading; materials management; vegetation management; and marketing and customer relations.

(c) For the avoidance of doubt, affiliate transactions involving sales or other transfers of assets, goods, energy commodities (including electricity, natural gas, coal and other combustible fuels) or thermal energy products are outside the scope of this Agreement.

Section 1.2 Loaned Employees

(a) If specifically requested in connection with the provision of Services, Service Provider shall loan one or more of its employees to such Client Company, provided that such loan shall not, in the sole discretion of Service Provider, interfere with or impair Service Provider's utility responsibilities or business operations, as the case may be. After the commencement thereof, any such loaned employees may be withdrawn by Service Provider from tasks duly assigned by Client Company, prior to completion thereof as contemplated in the associated Service Request, only with the consent of Client Company (which shall not be unreasonably withheld or delayed), except in the event of a demonstrable emergency requiring the use of any such employees in another capacity for Service Provider.

(b) While performing work on behalf of Client Company, any such loaned employees shall be under its supervision and control, and Client Company shall be responsible for their actions to the same extent as though such persons were its employees (it being understood that such persons shall nevertheless remain employees of Service Provider and nothing herein shall be construed as creating an employer-employee relationship between any Client Company and any loaned employees). Accordingly, for the duration of any such loan, Service Provider shall continue to provide its loaned employees with the same payroll, pension, savings, tax withholding, unemployment, bookkeeping and other personnel support services then being provided by Service Provider to its other employees.

ARTICLE 2. SERVICE REQUESTS

Section 2.1 Procedure. All Services (including any loans of employees) (i) shall be performed in accordance with Service Requests issued by or on behalf of Client Company and accepted by Service Provider and (ii) shall be assigned to applicable activities, processes, projects, responsibility centers or on other appropriate bases to enable specific work to be properly assigned. Service Requests shall be as specific as practicable in defining the Services requested. Client Company shall have the right from time to time to amend or rescind any Service Request, provided that (a) Service Provider consents to any amendment that results in a material change in the scope of Services to be provided, (b) the costs associated with an amended or rescinded Service Request shall include the costs incurred by Service Provider as a result of such amendment or rescission, and (c) no

amendment or rescission of a Service Request shall release Client Company from any liability for costs already incurred or contracted for by Service Provider pursuant to the original Service Request, regardless of whether any labor or the furnishing of any property or other resources has been commenced or completed.

ARTICLE 3. COMPENSATION FOR SERVICES

Section 3.1 **Cost of Services.** Except to the extent otherwise required by Section 482 of the Internal Revenue Code or analogous state tax law, as compensation for any Services rendered to it pursuant to this Agreement, Client Company shall pay to Service Provider an amount consistent with the Commonwealth of Kentucky's affiliate transaction pricing requirements, KRS 278.2207. Accordingly (i) Services provided by the Operating Company to a Nonutility Company shall be priced at the greater of Cost or market, and (ii) Services provided by a Nonutility Company to the Operating Company shall be priced at the lesser of Cost or market. "Cost" means the sum of (i) direct costs, (ii) indirect costs and (iii) costs of capital. As soon as practicable after the close of each month, Service Provider shall render to each Client Company a statement reflecting the billing information necessary to identify the costs charged for that month. By the last day of each month, Client Company shall remit to Service Provider all charges billed to it. For avoidance of doubt, the Service Provider and each Client Company may satisfy the foregoing requirement by recording billings and payments required hereunder in their common accounting systems without rendering paper or electronic monthly statements or remitting cash payments.

ARTICLE 4. LIMITATION OF LIABILITY; INDEMNIFICATION

Section 4.1 **Limitation of Liability/Services.** In performing Services pursuant to Section 1.1 hereof, Service Provider will exercise due care to assure that the Services are performed in a workmanlike manner in accordance with the specifications set forth in the applicable Service Request and consistent with any applicable legal standards. The sole and exclusive responsibility of Service Provider for any deficiency therein shall be promptly to correct or repair such deficiency or to re-perform such Services, in either case at no additional cost to Client Company, so that the Services fully conform to the standards described in the first sentence of this Section 4.1. No Service Provider makes any other warranty with respect to the provision of Services, and each Client Company agrees to accept any Services without further warranty of any nature.

Section 4.2 **Limitation of Liability/Loaned Employees.** In furnishing Services under Section 1.2 hereof (i.e., involving loaned employees), neither the Service Provider, nor any officer, director, employee or agent thereof, shall have any responsibility whatever to any Client Company receiving such Services, and Client Company specifically releases Service Provider and such persons, on account of any claims, liabilities, injuries, damages or other consequences arising in connection with the provision of such Services under any theory of liability, whether in contract, tort (including negligence or strict liability) or otherwise, it being understood and agreed that any such loaned employees are made available without warranty as to their suitability or expertise.

Section 4.3 **Disclaimer.** WITH RESPECT TO ANY SERVICES PROVIDED UNDER THIS AGREEMENT, THE SERVICE PROVIDER THEREOF MAKES NO WARRANTY OR REPRESENTATION OTHER THAN AS SET FORTH IN SECTION 4.1, AND THE PARTIES

HERETO HEREBY AGREE THAT NO OTHER WARRANTY, WHETHER STATUTORY, EXPRESS OR IMPLIED (INCLUDING BUT NOT LIMITED TO ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE AND WARRANTIES ARISING FROM COURSE OF DEALING OR USAGE OF TRADE), SHALL BE APPLICABLE TO THE PROVISION OF ANY SUCH SERVICES. THE PARTIES FURTHER AGREE THAT THE REMEDIES STATED HEREIN ARE EXCLUSIVE AND SHALL CONSTITUTE THE SOLE AND EXCLUSIVE REMEDY OF ANY PARTY HERETO FOR A FAILURE BY ANY OTHER PARTY HERETO TO COMPLY WITH ITS WARRANTY OBLIGATIONS.

Section 4.4 Indemnification.

(a) Indemnification In Respect of Services Provided by Operating Company.

(i) In circumstances where Operating Company is a Service Provider: (x) subject to subparagraph (ii) of this Section 4.4(a), Service Provider shall release, defend, indemnify and hold harmless each Client Company, including any officer, director, employee or agent thereof, from and against, and shall pay the full amount of, any loss, liability, claim, damage, expense (including costs of investigation and defense and reasonable attorneys' fees), whether or not involving a third-party claim (collectively, "Damages"), incurred or sustained by or against Service Provider or any such Client Company arising, directly or indirectly, from or in connection with Service Provider's negligence or willful misconduct in the performance of the Services, and (y) each Nonutility Company that is a Client Company with respect to such Services shall release, defend, indemnify and hold harmless Service Provider, including any officer, director, employee or agent thereof, from and against, and shall pay the full amount of, any Damages incurred or sustained by or against Service Provider or any such Client Company arising, directly or indirectly, from or in connection with Service Provider's negligence or willful misconduct in the performance of the Services, to the extent such Damages are not covered by Service Provider's indemnification obligation as provided in the preceding clause (x) or exceed the liability limits provided in subparagraph (ii) of this Section 4.4(a).

(ii) Notwithstanding any other provision hereof, in circumstances where Operating Company is a Service Provider: (x) Service Provider's total liability hereunder with respect to any specific Services shall be limited to the amount actually paid to Service Provider for its performance of the specific Services for which the liability arises, and (y) under no circumstances shall Service Provider be liable for consequential, incidental, punitive, exemplary or indirect damages, lost profits or other business interruption damages, by statute, in tort or contract, under any indemnity provision or otherwise (it being the intent of the parties that the indemnification obligations in this Agreement shall cover only actual damages and accordingly, without limitation of the foregoing, shall be net of any insurance proceeds actually received in respect of any such damages).

(b) Indemnification In Respect of Services Provided by Any Nonutility Company.

(i) In circumstances where a Nonutility Company is a Service Provider (i.e., where Operating Company is the Client Company): (x) subject to subparagraph (ii) of this Section 4.4(b), Service Provider shall release, defend, indemnify and hold harmless the Client Company, including any officer, director, employee or agent thereof, from and against, and shall pay the full amount of, any Damages incurred or sustained by or against Client Company arising, directly or indirectly, from

or in connection with Service Provider's negligence or willful misconduct in the performance of the Services.

(ii) Notwithstanding any other provision hereof, in circumstances where a Nonutility Company is a Service Provider (i.e., where Operating Company is the Client Company), under no circumstances shall Service Provider be liable for consequential, incidental, punitive, exemplary or indirect damages, lost profits or other business interruption damages, by statute, in tort or contract, under any indemnity provision or otherwise (it being the intent of the parties that the indemnification obligations in this Agreement shall cover only actual damages and accordingly, without limitation of the foregoing, shall be net of any insurance proceeds actually received in respect of any such damages).

Section 4.5 Procedure for Indemnification. Within 15 business days after receipt by any Client Company of notice of any claim or the commencement of any action, suit, litigation or other proceeding against it (a "Proceeding") with respect to which it is eligible for indemnification hereunder, such Client Company shall notify Service Provider thereof in writing (it being understood that failure so to notify Service Provider shall not relieve the latter of its indemnification obligation, unless Service Provider establishes that defense thereof has been prejudiced by such failure). Thereafter, Service Provider shall be entitled to participate in such Proceeding and, at its election upon notice to such Client Company and at its expense, to assume the defense of such Proceeding. Without the prior written consent of such Client Company, Service Provider shall not enter into any settlement of any third-party claim that would lead to liability or create any financial or other obligation on the part of such Client Company for which it such Client Company is not entitled to indemnification hereunder. If such Client Company has given timely notice to Service Provider of the commencement of such Proceeding, but Service Provider has not, within 15 business days after receipt of such notice, given notice to Client Company of its election to assume the defense thereof, Service Provider shall be bound by any determination made in such Proceeding or any compromise or settlement made by Client Company. A claim for indemnification for any matter not involving a third-party claim may be asserted by notice from the applicable Client Company to Service Provider.

ARTICLE 5. MISCELLANEOUS

Section 5.1 Amendments. Any amendments to this Agreement shall be in writing executed by each of the parties hereto. To the extent that applicable state law or regulation or other binding obligation requires that any such amendment be filed with the Kentucky Public Service Commission for its review or otherwise, Operating Company shall comply in all respects with any such requirements.

Section 5.2 Effective Date; Term. This Agreement shall become effective on the Effective Date and shall continue in full force and effect as to each party until terminated by any party, as to itself only, upon not less than 30 days prior written notice to the other parties hereto. Any such termination of parties shall not be deemed an amendment hereto. This Agreement may be terminated and thereafter be of no further force and effect upon the mutual consent of all of the parties hereto.

Section 5.3 **Additional Parties.** After the Effective Date of this Agreement, additional Nonutility Companies may become parties to this Agreement by executing appropriate signature pages, whereupon any such additional signatory shall be deemed a "party" hereto all purposes hereof and shall thereupon become bound by the terms and conditions of this Agreement as if an original party hereto. The addition of any such further signatories, in the absence of any changes to the terms of this Agreement, shall not be deemed an amendment hereto.

Section 5.4 **Entire Agreement.** This Agreement contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes any prior or contemporaneous contracts, agreements, understandings or arrangements, whether written or oral, with respect thereto. Any oral or written statements, representations, promises, negotiations or agreements, whether prior hereto or concurrently herewith, are superseded by and merged into this Agreement.

Section 5.5 **Severability.** If any provision of this Agreement or any application thereof shall be determined to be invalid or unenforceable, the remainder of this Agreement and any other application thereof shall not be affected thereby.

Section 5.6 **Assignment.** Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, in whole or in part, by operation of law or otherwise by any of the parties hereto without the prior written consent of each of the other parties. Any attempted or purported assignment in violation of the preceding sentence shall be null and void and of no effect whatsoever. Subject to the preceding two sentences, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

Section 5.7 **Governing Law.** This Agreement shall be construed and enforced under and in accordance with the laws of the State of Kentucky, without regard to conflicts of laws principles.

Section 5.8 **Captions, etc.** The captions and headings used in this Agreement are for convenience of reference only and shall not affect the construction to be accorded any of the provisions hereof. As used in this Agreement, "hereof," "hereunder," "herein," "hereto," and words of like import refer to this Agreement as a whole and not to any particular section or other paragraph or subparagraph thereof.

Section 5.9 **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed a duplicate original hereof, but all of which shall be deemed one and the same Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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 KENTUCKY, INC.

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

DUKE-AMERICAN TRANSMISSION COMPANY, LLC

(by Duke Energy Transmission Holding Company, LLC, its Parent)

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

CINCAP V, LLC

(by Duke Energy Commercial Enterprises, Inc., its Managing Member)

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

DEG BIOMASS, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

DEGS WIND SUPPLY, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

DEGS WIND SUPPLY II, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

DUKE ENERGY COMMERCIAL ENTERPRISES, INC.

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY INDUSTRIAL SALES, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

DUKE ENERGY MARKETING AMERICA, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

DUKE VENTURES REAL ESTATE, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

HAPPY JACK WINDPOWER, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

KIT CARSON WINDPOWER, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

NORTH ALLEGHENY WIND, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

NOTRESS WINDPOWER, LLC
(by TE Notrees, LLC its General Partner)

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

OCOTILLO WINDPOWER, LLC
(by TE Ocotillo, LLC its General Partner)

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

SILVER SAGE WINDPOWER, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

THREE BUTTES WINDPOWER, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

TOP OF THE WORLD WIND ENERGY, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

LAUREL HILL WIND ENERGY, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

INTERCOMPANY ASSET TRANSFER AGREEMENT

This **Intercompany Asset Transfer Agreement** (this “Agreement”) is made and entered into by and among Duke Energy Carolinas, LLC (“DEC”), a North Carolina limited liability company, Duke Energy Ohio, Inc. (“DEO”), an Ohio corporation, Duke Energy Indiana, LLC (“DEI”), an Indiana limited liability company, Duke Energy Progress, LLC (“DEP”), a North Carolina limited liability company, Duke Energy Florida, LLC (“DEF”), a Florida limited liability company, Duke Energy Kentucky, Inc. (“DEK”), a Kentucky corporation, and Piedmont Natural Gas Company, Inc., a North Carolina corporation (collectively the “Operating Companies” and, individually, an “Operating Company”). The Effective Date as stated herein is the date on which this Agreement is executed or, as may be required, submitted to the appropriate regulatory body for approval, whichever occurs last. This Agreement supersedes and replaces in its entirety all previous Intercompany Asset Transfer Agreements dated before the Effective Date of this Agreement.

WITNESSETH:

WHEREAS, Duke Energy Corporation (“Duke Energy”) is a Delaware corporation;

WHEREAS, each Operating Company is a subsidiary of Duke Energy and a public utility company;

WHEREAS, in the ordinary course of their businesses, the Operating Companies maintain inventory and other assets for the operation and maintenance of their respective electric utility, and with respect to DEO DEK, and Piedmont, gas utility, businesses; and

WHEREAS, subject to the terms and conditions herein set forth, and taking into consideration the Operating Companies’ utility responsibilities, each Operating Company is willing, upon request from time to time, to transfer Assets, as defined herein, to each other Operating Company, as each shall request from each other.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties agree as follows:

ARTICLE 1. TRANSFER OF ASSETS

Section 1.1 Transfer. Upon request from one party (“Recipient”), the other party (“Transferor”) shall transfer to the Recipient those Assets requested by Recipient, provided that (i) Transferor believes, in its reasonable judgment, that such transfer will not jeopardize Transferor’s ability to render electric utility service or natural gas utility service to its customers consistent with Good Utility Practice; (ii) the Cost of any shipment of transmission- or generation-related item(s) does not exceed \$10,000,000; (iii) DEC and DEP shall not transfer any Asset hereunder in contravention of S.C. Code Ann. § 58-27-1300; (iii) DEK shall not transfer any Asset hereunder in contravention of KRS 278.218. and (iv) DEC and DEP may transfer or take receipt of any transmission transformers or other transmission-related equipment under this

Agreement to or from DEC, DEP or DEF. DEC and DEP shall not, however, transfer or take receipt of any transmission transformers or transmission-related equipment to or from DEO, DEI, and DEK, other than transmission-related equipment that may be used on/with transformers within a range of voltages or regardless of voltage. "Assets" means parts inventory, capital spares, equipment and other goods except for the following: coal; natural gas; fuel oil used for electric power generation; emission allowances; electric power; and environmental control reagents. "Good Utility Practice" means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry in the United States during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather includes all acceptable practices, methods, or acts generally accepted in the region.

Section 1.2 Compensation. Except to the extent otherwise required by Section 482 of the Internal Revenue Code or analogous state tax law, Recipient shall compensate Transferor for any Assets transferred hereunder at Cost. "Cost" means (i) for items of inventory accounted for in the FERC Uniform System of Accounts account 154 ("Inventory Items"), the average unit price of such Inventory Items as recorded on the books of the Transferor, plus stores, freight, handling, and other applicable costs, and (ii) for assets other than Inventory Items, net book value.

Alternatively, to the extent that an Asset may be transferred under this Agreement, the Transferor and Recipient may agree that the Asset transferred to the Recipient be replaced in kind. In this event, Transferor and Recipient shall agree to the timing of such replacement, and other necessary terms and conditions, and such in-kind replacement shall be deemed a transferred Asset for all purposes hereunder.

Section 1.3 Payment. Each Operating Company shall reasonably cooperate with each other Operating Company to record billings and payments required hereunder in their common accounting systems.

Section 1.4 Delivery; Title and Risk of Loss. The parties shall cooperate in providing transportation equipment necessary to deliver the Assets to the Recipient. Assets will be delivered FOB transportation equipment at the Transferor's location where such Assets reside ("Shipping Point"). All costs of transportation, including the cost of transporting in-kind replacement Assets to Transferor, shall be borne by the Recipient. Title to and risk of loss of the transferred Assets shall pass from the Transferor to the Recipient at the Shipping Point.

ARTICLE 2. WARRANTIES

Section 2.1 Warranties. Each Operating Company, as Transferor, warrants that it will have good and marketable title to the Assets transferred hereunder. Further, each Operating Company, as Transferor, warrants that it shall obtain release of any liens or other encumbrances on the transferred Assets within a reasonable time. ALL ASSETS TRANSFERRED

HEREUNDER ARE BEING SOLD “AS IS, WHERE IS” AND WITHOUT ANY WARRANTY AS TO ITS CONDITION, INCLUDING WITHOUT ANY WARRANTY AS TO MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

Section 2.2 Disclaimer. WITH RESPECT TO ANY ASSETS TRANSFERRED HEREUNDER, EACH OPERATING COMPANY AS TRANSFEROR MAKES NO WARRANTY OR REPRESENTATION OTHER THAN AS SET FORTH IN SECTION 2.1, AND THE PARTIES HERETO HEREBY AGREE THAT NO OTHER WARRANTY, WHETHER STATUTORY, EXPRESS OR IMPLIED (INCLUDING BUT NOT LIMITED TO ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE AND WARRANTIES ARISING FROM COURSE OF DEALING OR USAGE OF TRADE), SHALL BE APPLICABLE TO SUCH ASSETS. THE PARTIES FURTHER AGREE THAT THE REMEDIES STATED HEREIN ARE EXCLUSIVE AND SHALL CONSTITUTE THE SOLE AND EXCLUSIVE REMEDY OF ANY PARTY HERETO FOR A FAILURE BY ANY OTHER PARTY HERETO TO COMPLY WITH ITS WARRANTY OBLIGATIONS.

ARTICLE 3. INDEMNIFICATION

Section 3.1 Indemnification; Limitation of Liability.

(a) Subject to subparagraph (b) of this Section 3.1, each party (the “Indemnifying Party”) shall release, defend, indemnify and hold harmless the other party (the “Indemnified Party”), including any officer, director, employee or agent thereof, from and against, and shall pay the full amount of, any loss, liability, claim, damage, expense (including costs of investigation and defense and reasonable attorneys’ fees), whether or not involving a third-party claim, incurred or sustained by or against any such Indemnified Party arising, directly or indirectly, from or in connection with Indemnifying Party’s negligence or willful misconduct in the performance of its obligations hereunder.

(b) Notwithstanding any other provision hereof, each party’s total liability hereunder with respect to any Assets shall be limited to the amount actually paid to Transferor for such Assets for which the liability arises, and under no circumstances shall Transferor be liable for consequential, incidental, punitive, exemplary or indirect damages, lost profits or other business interruption damages, by statute, in tort or contract, under any indemnity provision or otherwise (it being the intent of the parties that the indemnification obligations in this Agreement shall cover only actual damages and accordingly, without limitation of the foregoing, shall be net of any insurance proceeds actually received in respect of any such damages).

Section 3.2 Procedure for Indemnification. Within 15 business days after receipt by an Indemnified Party of notice of any claim or the commencement of any action, suit, litigation or other proceeding against it (a “Proceeding”) with respect to which it is eligible for indemnification hereunder, the Indemnified Party shall notify the Indemnifying Party thereof in writing (it being understood that failure so to notify the Indemnifying Party shall not relieve the latter of its indemnification obligation, unless the Indemnifying Party establishes that defense thereof has been prejudiced by such failure). Thereafter, the Indemnifying Party shall be entitled

to participate in such Proceeding and, at its election upon notice to such Indemnified Party and at its expense, to assume the defense of such Proceeding. Without the prior written consent of such Indemnified Party, Indemnifying Party shall not enter into any settlement of any third-party claim that would lead to liability or create any financial or other obligation on the part of such Indemnified Party for which such Indemnified Party is not entitled to indemnification hereunder. If such Indemnified Party has given timely notice to Indemnifying Party of the commencement of such Proceeding, but Indemnifying Party has not, within 15 business days after receipt of such notice, given notice to Indemnified Party of its election to assume the defense thereof, Indemnifying Party shall be bound by any determination made in such Proceeding or any compromise or settlement made by Indemnified Party. A claim for indemnification for any matter not involving a third-party claim may be asserted by notice from the applicable Indemnified Party to Indemnifying Party.

ARTICLE 4. MISCELLANEOUS

Section 4.1 Amendments. Any amendments to this Agreement shall be in writing executed by each of the parties hereto. To the extent that applicable state law or regulation or other binding obligation requires that any such amendment be filed with any affected state public utility commission for its review or otherwise, each Operating Company shall comply in all respects with any such requirements.

Section 4.2 Effective Date; Term. This Agreement shall become effective on the Effective Date and shall continue in full force and effect until terminated by either party upon not less than 30 days prior written notice to the other party. This Agreement may be terminated and thereafter be of no further force and effect upon the mutual consent of the parties hereto.

Section 4.3 Entire Agreement. This Agreement contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes any prior or contemporaneous contracts, agreements, understandings or arrangements, whether written or oral, with respect thereto. Any oral or written statements, representations, promises, negotiations or agreements, whether prior hereto or concurrently herewith, are superseded by and merged into this Agreement.

Section 4.4 Severability. If any provision of this Agreement or any application thereof shall be determined to be invalid or unenforceable, the remainder of this Agreement and any other application thereof shall not be affected thereby.

Section 4.5 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, in whole or in part, by operation of law or otherwise by any party hereto without the prior written consent of the other party. Any attempted or purported assignment in violation of the preceding sentence shall be null and void and of no effect whatsoever. Subject to the preceding two sentences, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

Section 4.6 Governing Law. This Agreement shall be construed and enforced under and in accordance with the laws of the State of New York, without regard to conflicts of laws principles.

Section 4.7 Captions, etc. The captions and headings used in this Agreement are for convenience of reference only and shall not affect the construction to be accorded any of the provisions hereof. As used in this Agreement, “hereof,” “hereunder,” “herein,” “hereto,” and words of like import refer to this Agreement as a whole and not to any particular section or other paragraph or subparagraph thereof.

Section 4.8 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed a duplicate original hereof, but all of which shall be deemed one and the same Agreement.

Section 4.9 DEC, DEP, and Piedmont Conditions. In addition to the terms and conditions set forth herein, with respect to DEC, DEP, and Piedmont, the provisions set out in Exhibit A are hereby incorporated herein by reference. In addition, except with respect to the pricing of Asset transfers as set forth herein, DEC’s, DEP’s and Piedmont’s participation in this Agreement is explicitly subject to the Regulatory Conditions and Code of Conduct approved by the NCUC in its Order Approving Merger Subject to Regulatory Conditions and Code of Conduct issued in Docket No. E-2, Sub 1095, Docket No. E-7, Sub 1100, and Docket No. G-9, Sub 682 (“Merger Order”), as such Regulatory Conditions and Code of Conduct may be amended from time to time. In accordance with Regulatory Condition 3.9 as approved in the Merger Order, nothing in this Agreement shall be construed or interpreted so as to commit DEC or DEP, or to involve DEC or DEP in, joint planning, coordination, or operation of generation, transmission, or distribution facilities with one or more affiliates nor shall it be interpreted as otherwise altering DEC’s or DEP’s obligations with respect to the Regulatory Conditions approved in the Merger Order. In the event of a conflict between the provisions of this Agreement and the Regulatory Conditions and Code, the Regulatory Conditions and Code shall govern, except as altered by the Commission by Order for this Agreement.

Section 4.10 DEI Conditions. DEI agrees and acknowledges that in accordance with its Affiliate Standards, Section II O (i) it will make Assets available to non-affiliated wholesale power marketers under the same terms, conditions and prices, and at the same time, as it makes Assets available to a DEO’s wholesale power marketing function, and (ii) it will process all requests for Assets from DEO’s wholesale power marketing function and non-affiliated wholesale power marketers on a non-discriminatory basis.

Section 4.11 Regulatory Approvals. This Agreement is expressly contingent on the receipt of all regulatory approvals or waivers deemed necessary by the parties.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on _____, 201__, on its behalf by an appropriate officer thereunto duly authorized.

Duke Energy Carolinas, LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

Duke Energy Indiana, LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

Duke Energy Ohio, Inc.

By: _____
Nancy M. Wright
Assistant Corporate Secretary

Duke Energy Kentucky, Inc.

By: _____
Nancy M. Wright
Assistant Corporate Secretary

Duke Energy Progress, LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

Duke Energy Florida, LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

Piedmont Natural Gas Company, Inc.

By: _____
Nancy M. Wright
Assistant Corporate Secretary

EXHIBIT A

Duke Energy Carolinas, LLC, Duke Energy Progress, LLC and Piedmont Natural Gas Company, Inc. Conditions

In connection with the NCUC approval of the Merger in NCUC Docket No. E-2, Sub 1095, Docket No. E-7, Sub 1100, and Docket No. G-5, Sub 682, the NCUC adopted certain Regulatory Conditions and a revised Code of Conduct governing transactions between DEC, DEP, Piedmont, and their affiliates. Pursuant to the Regulatory Conditions, the following provisions are applicable to DEC, DEP, and Piedmont:

- (a) DEC's, DEP's and Piedmont's participation in this Agreement is voluntary. DEC, DEP, or Piedmont is not obligated to take or provide services or make any purchases or sales pursuant to this Agreement, and DEC, DEP, or Piedmont may elect to discontinue its participation in this Agreement at its election after giving any required notice;
- (b) DEC, DEP or Piedmont may not make or incur a charge under this Agreement except in accordance with North Carolina law and the rules, regulations and orders of the NCUC promulgated thereunder.
- (c) DEC, DEP or Piedmont may not seek to reflect in rates any (A) costs incurred under this Agreement exceeding the amount allowed by the NCUC or (B) revenue level earned under this Agreement less than the amount imputed by the NCUC; and
- (d) DEC, DEP or Piedmont shall not assert in any forum – whether judicial, administrative, federal, state, local or otherwise – either on its own initiative or in support of other entity's assertions, that the NCUC's authority to assign, allocate, make pro-forma adjustments to or disallow revenues and costs for retail ratemaking and regulatory accounting and reporting purposes is, in whole or in part, (A) preempted by Federal Law or (B) not within the Commission's power, authority, or jurisdiction; DEC, DEP, and Piedmont will bear the full risk of any preemptive effects of Federal Law with respect to this Agreement.