

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

IN THE MATTER OF THE ADJUSTMENT  
OF ELECTRIC RATES OF DUKE ENERGY KENTUCKY, INC.

CASE NO. 2022-00372

FILING REQUIREMENTS

**VOLUME 16**

**Duke Energy Kentucky, Inc.**  
**Case No. 2022-00372**  
**Forecasted Test Period Filing Requirements**  
**Table of Contents**

<b>Vol. #</b>	<b>Tab #</b>	<b>Filing Requirement</b>	<b>Description</b>	<b>Sponsoring Witness</b>
1	1	KRS 278.180	30 days' notice of rates to PSC.	Amy B. Spiller
1	2	807 KAR 5:001 Section 7(1)	The original and 10 copies of application plus copy for anyone named as interested party.	Amy B. Spiller
1	3	807 KAR 5:001 Section 12(2)	<p>(a) Amount and kinds of stock authorized.</p> <p>(b) Amount and kinds of stock issued and outstanding.</p> <p>(c) Terms of preference of preferred stock whether cumulative or participating, or on dividends or assets or otherwise.</p> <p>(d) Brief description of each mortgage on property of applicant, giving date of execution, name of mortgagor, name of mortgagee, or trustee, amount of indebtedness authorized to be secured thereby, and the amount of indebtedness actually secured, together with any sinking fund provisions.</p> <p>(e) Amount of bonds authorized, and amount issued, giving the name of the public utility which issued the same, describing each class separately, and giving date of issue, face value, rate of interest, date of maturity and how secured, together with amount of interest paid thereon during the last fiscal year.</p> <p>(f) Each note outstanding, giving date of issue, amount, date of maturity, rate of interest, in whose favor, together with amount of interest paid thereon during the last fiscal year.</p> <p>(g) Other indebtedness, giving same by classes and describing security, if any, with a brief statement of the devolution or assumption of any portion of such indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid thereon during the last fiscal year.</p> <p>(h) Rate and amount of dividends paid during the five (5) previous fiscal years, and the amount of capital stock on which dividends were paid each year.</p> <p>(i) Detailed income statement and balance sheet.</p>	<p>Christopher R. Bauer</p> <p>Danielle L. Weatherston</p>
1	4	807 KAR 5:001 Section 14(1)	Full name, mailing address, and electronic mail address of applicant and reference to the particular provision of law requiring PSC approval.	Amy B. Spiller
1	5	807 KAR 5:001 Section 14(2)	If a corporation, the applicant shall identify in the application the state in which it is incorporated and the date of its incorporation, attest that it is currently in good standing in the state in which it is incorporated, and, if it is not a Kentucky corporation, state if it is authorized to transact business in Kentucky.	Amy B. Spiller

1	6	807 KAR 5:001 Section 14(3)	If a limited liability company, the applicant shall identify in the application the state in which it is organized and the date on which it was organized, attest that it is in good standing in the state in which it is organized, and, if it is not a Kentucky limited liability company, state if it is authorized to transact business in Kentucky.	Amy B. Spiller
1	7	807 KAR 5:001 Section 14(4)	If the applicant is a limited partnership, a certified copy of its limited partnership agreement and all amendments, if any, shall be annexed to the application, or a written statement attesting that its partnership agreement and all amendments have been filed with the commission in a prior proceeding and referencing the case number of the prior proceeding.	Amy B. Spiller
1	8	807 KAR 5:001 Section 16 (1)(b)(1)	Reason adjustment is required.	Amy B. Spiller Sarah E. Lawler
1	9	807 KAR 5:001 Section 16 (1)(b)(2)	Certified copy of certificate of assumed name required by KRS 365.015 or statement that certificate not necessary.	Amy B. Spiller
1	10	807 KAR 5:001 Section 16 (1)(b)(3)	New or revised tariff sheets, if applicable in a format that complies with 807 KAR 5:011 with an effective date not less than thirty (30) days from the date the application is filed	Bruce L. Sailors
1	11	807 KAR 5:001 Section 16 (1)(b)(4)	Proposed tariff changes shown by present and proposed tariffs in comparative form or by indicating additions in italics or by underscoring and striking over deletions in current tariff.	Bruce L. Sailors
1	12	807 KAR 5:001 Section 16 (1)(b)(5)	A statement that notice has been given in compliance with Section 17 of this administrative regulation with a copy of the notice.	Amy B. Spiller
1	13	807 KAR 5:001 Section 16(2)	If gross annual revenues exceed \$5,000,000, written notice of intent filed at least 30 days, but not more than 60 days prior to application. Notice shall state whether application will be supported by historical or fully forecasted test period.	Amy B. Spiller
1	14	807 KAR 5:001 Section 16(3)	Notice given pursuant to Section 17 of this administrative regulation shall satisfy the requirements of 807 KAR 5:051, Section 2.	Amy B. Spiller
1	15	807 KAR 5:001 Section 16(6)(a)	The financial data for the forecasted period shall be presented in the form of pro forma adjustments to the base period.	Grady "Tripp" S. Carpenter
1	16	807 KAR 5:001 Section 16(6)(b)	Forecasted adjustments shall be limited to the twelve (12) months immediately following the suspension period.	Grady "Tripp" S. Carpenter Lisa D. Steinkuhl Huyen C. Dang
1	17	807 KAR 5:001 Section 16(6)(c)	Capitalization and net investment rate base shall be based on a thirteen (13) month average for the forecasted period.	Lisa D. Steinkuhl
1	18	807 KAR 5:001 Section 16(6)(d)	After an application based on a forecasted test period is filed, there shall be no revisions to the forecast, except for the correction of mathematical errors, unless the revisions reflect statutory or regulatory enactments that could not, with reasonable diligence, have been included in the forecast on the date it was filed. There shall be no revisions filed within thirty (30) days of a scheduled hearing on the rate application.	Grady "Tripp" S. Carpenter

1	19	807 KAR 5:001 Section 16(6)(e)	The commission may require the utility to prepare an alternative forecast based on a reasonable number of changes in the variables, assumptions, and other factors used as the basis for the utility's forecast.	Grady "Tripp" S. Carpenter
1	20	807 KAR 5:001 Section 16(6)(f)	The utility shall provide a reconciliation of the rate base and capital used to determine its revenue requirements.	Lisa D. Steinkuhl
1	21	807 KAR 5:001 Section 16(7)(a)	Prepared testimony of each witness supporting its application including testimony from chief officer in charge of Kentucky operations on the existing programs to achieve improvements in efficiency and productivity, including an explanation of the purpose of the program.	All Witnesses
1	22	807 KAR 5:001 Section 16(7)(b)	Most recent capital construction budget containing at minimum 3 year forecast of construction expenditures.	Grady "Tripp" S. Carpenter Dominic "Nick" J. Melillo William C. Luke
1	23	807 KAR 5:001 Section 16(7)(c)	Complete description, which may be in prefiled testimony form, of all factors used to prepare forecast period. All econometric models, variables, assumptions, escalation factors, contingency provisions, and changes in activity levels shall be quantified, explained, and properly supported.	Grady "Tripp" S. Carpenter
1	24	807 KAR 5:001 Section 16(7)(d)	Annual and monthly budget for the 12 months preceding filing date, base period and forecasted period.	Grady "Tripp" S. Carpenter
1	25	807 KAR 5:001 Section 16(7)(e)	Attestation signed by utility's chief officer in charge of Kentucky operations providing: 1. That forecast is reasonable, reliable, made in good faith and that all basic assumptions used have been identified and justified; and 2. That forecast contains same assumptions and methodologies used in forecast prepared for use by management, or an identification and explanation for any differences; and 3. That productivity and efficiency gains are included in the forecast.	Amy B. Spiller
1	26	807 KAR 5:001 Section 16(7)(f)	For each major construction project constituting 5% or more of annual construction budget within 3 year forecast, following information shall be filed: 1. Date project began or estimated starting date; 2. Estimated completion date; 3. Total estimated cost of construction by year exclusive and inclusive of Allowance for Funds Used During construction ("AFUDC") or Interest During construction Credit; and 4. Most recent available total costs incurred exclusive and inclusive of AFUDC or Interest During Construction Credit.	Grady "Tripp" S. Carpenter Dominic "Nick" J. Melillo William C. Luke
1	27	807 KAR 5:001 Section 16(7)(g)	For all construction projects constituting less than 5% of annual construction budget within 3 year forecast, file aggregate of information requested in paragraph (f) 3 and 4 of this subsection.	Grady "Tripp" S. Carpenter Dominic "Nick" J. Melillo William C. Luke



1	28	807 KAR 5:001 Section 16(7)(h)	Financial forecast for each of 3 forecasted years included in capital construction budget supported by underlying assumptions made in projecting results of operations and including the following information: 1. Operating income statement (exclusive of dividends per share or earnings per share); 2. Balance sheet; 3. Statement of cash flows; 4. Revenue requirements necessary to support the forecasted rate of return; 5. Load forecast including energy and demand (electric); 6. Access line forecast (telephone); 7. Mix of generation (electric); 8. Mix of gas supply (gas); 9. Employee level; 10. Labor cost changes; 11. Capital structure requirements; 12. Rate base; 13. Gallons of water projected to be sold (water); 14. Customer forecast (gas, water); 15. MCF sales forecasts (gas); 16. Toll and access forecast of number of calls and number of minutes (telephone); and 17. A detailed explanation of any other information provided.	Grady "Tripp" S. Carpenter Max W. McClellan John D. Swez
1	29	807 KAR 5:001 Section 16(7)(i)	Most recent FERC or FCC audit reports.	Danielle L. Weatherston
1	30	807 KAR 5:001 Section 16(7)(j)	Prospectuses of most recent stock or bond offerings.	Christopher R. Bauer
1	31	807 KAR 5:001 Section 16(7)(k)	Most recent FERC Form 1 (electric), FERC Form 2 (gas), or PSC Form T (telephone).	Danielle L. Weatherston
2	32	807 KAR 5:001 Section 16(7)(l)	Annual report to shareholders or members and statistical supplements for the most recent 2 years prior to application filing date.	Christopher R. Bauer
3	33	807 KAR 5:001 Section 16(7)(m)	Current chart of accounts if more detailed than Uniform System of Accounts charts.	Danielle L. Weatherston
3	34	807 KAR 5:001 Section 16(7)(n)	Latest 12 months of the monthly managerial reports providing financial results of operations in comparison to forecast.	Danielle L. Weatherston
3	35	807 KAR 5:001 Section 16(7)(o)	Complete monthly budget variance reports, with narrative explanations, for the 12 months prior to base period, each month of base period, and subsequent months, as available.	Grady "Tripp" S. Carpenter Danielle L. Weatherston
3-8	36	807 KAR 5:001 Section 16(7)(p)	SEC's annual report for most recent 2 years, Form 10-Ks and any Form 8-Ks issued during prior 2 years and any Form 10-Qs issued during past 6 quarters.	Danielle L. Weatherston
8	37	807 KAR 5:001 Section 16(7)(q)	Independent auditor's annual opinion report, with any written communication which indicates the existence of a material weakness in internal controls.	Danielle L. Weatherston
8	38	807 KAR 5:001 Section 16(7)(r)	Quarterly reports to the stockholders for the most recent 5 quarters.	Christopher R. Bauer

8	39	807 KAR 5:001 Section 16(7)(s)	Summary of latest depreciation study with schedules itemized by major plant accounts, except that telecommunications utilities adopting PSC's average depreciation rates shall identify current and base period depreciation rates used by major plant accounts. If information has been filed in another PSC case, refer to that case's number and style.	John J. Spanos
8	40	807 KAR 5:001 Section 16(7)(t)	List all commercial or in-house computer software, programs, and models used to develop schedules and work papers associated with application. Include each software, program, or model; its use; identify the supplier of each; briefly describe software, program, or model; specifications for computer hardware and operating system required to run program	Lisa D. Steinkuhl
8	41	807 KAR 5:001 Section 16(7)(u)	If utility had any amounts charged or allocated to it by affiliate or general or home office or paid any monies to affiliate or general or home office during the base period or during previous 3 calendar years, file: 1. Detailed description of method of calculation and amounts allocated or charged to utility by affiliate or general or home office for each allocation or payment; 2. method and amounts allocated during base period and method and estimated amounts to be allocated during forecasted test period; 3. Explain how allocator for both base and forecasted test period was determined; and 4. All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during base period is reasonable.	Jeffrey R. Setser
9	42	807 KAR 5:001 Section 16(7)(v)	If gas, electric or water utility with annual gross revenues greater than \$5,000,000, cost of service study based on methodology generally accepted in industry and based on current and reliable data from single time period.	James E. Ziolkowski
9	43	807 KAR 5:001 Section 16(7)(w)	Local exchange carriers with fewer than 50,000 access lines need not file cost of service studies, except as specifically directed by PSC. Local exchange carriers with more than 50,000 access lines shall file: 1. Jurisdictional separations study consistent with Part 36 of the FCC's rules and regulations; and 2. Service specific cost studies supporting pricing of services generating annual revenue greater than \$1,000,000 except local exchange access: a. Based on current and reliable data from single time period; and b. Using generally recognized fully allocated, embedded, or incremental cost principles.	N/A
9	44	807 KAR 5:001 Section 16(8)(a)	Jurisdictional financial summary for both base and forecasted periods detailing how utility derived amount of requested revenue increase.	Lisa D. Steinkuhl

9	45	807 KAR 5:001 Section 16(8)(b)	Jurisdictional rate base summary for both base and forecasted periods with supporting schedules which include detailed analyses of each component of the rate base.	Lisa D. Steinkuhl Huyen C. Dang Grady "Tripp" S. Carpenter John R. Panizza James E. Ziolkowski Danielle L. Weatherston
9	46	807 KAR 5:001 Section 16(8)(c)	Jurisdictional operating income summary for both base and forecasted periods with supporting schedules which provide breakdowns by major account group and by individual account.	Lisa D. Steinkuhl
9	47	807 KAR 5:001 Section 16(8)(d)	Summary of jurisdictional adjustments to operating income by major account with supporting schedules for individual adjustments and jurisdictional factors.	Lisa D. Steinkuhl Grady "Tripp" S. Carpenter Huyen C. Dang James E. Ziolkowski
9	48	807 KAR 5:001 Section 16(8)(e)	Jurisdictional federal and state income tax summary for both base and forecasted periods with all supporting schedules of the various components of jurisdictional income taxes.	John R. Panizza
9	49	807 KAR 5:001 Section 16(8)(f)	Summary schedules for both base and forecasted periods (utility may also provide summary segregating items it proposes to recover in rates) of organization membership dues; initiation fees; expenditures for country club; charitable contributions; marketing, sales, and advertising; professional services; civic and political activities; employee parties and outings; employee gifts; and rate cases.	Lisa D. Steinkuhl
9	50	807 KAR 5:001 Section 16(8)(g)	Analyses of payroll costs including schedules for wages and salaries, employee benefits, payroll taxes, straight time and overtime hours, and executive compensation by title.	Lisa D. Steinkuhl Jacob J. Stewart
9	51	807 KAR 5:001 Section 16(8)(h)	Computation of gross revenue conversion factor for forecasted period.	Lisa D. Steinkuhl
9	52	807 KAR 5:001 Section 16(8)(i)	Comparative income statements (exclusive of dividends per share or earnings per share), revenue statistics and sales statistics for 5 calendar years prior to application filing date, base period, forecasted period, and 2 calendar years beyond forecast period.	Danielle L. Weatherston Grady "Tripp" S. Carpenter
9	53	807 KAR 5:001 Section 16(8)(j)	Cost of capital summary for both base and forecasted periods with supporting schedules providing details on each component of the capital structure.	Christopher R. Bauer
9	54	807 KAR 5:001 Section 16(8)(k)	Comparative financial data and earnings measures for the 10 most recent calendar years, base period, and forecast period.	Huyen C. Dang Danielle L. Weatherston Christopher R. Bauer Grady "Tripp" S. Carpenter
9	55	807 KAR 5:001 Section 16(8)(l)	Narrative description and explanation of all proposed tariff changes.	Bruce L. Sailors
9	56	807 KAR 5:001 Section 16(8)(m)	Revenue summary for both base and forecasted periods with supporting schedules which provide detailed billing analyses for all customer classes.	Bruce L. Sailors
9	57	807 KAR 5:001 Section 16(8)(n)	Typical bill comparison under present and proposed rates for all customer classes.	Bruce L. Sailors
9	58	807 KAR 5:001 Section 16(9)	The commission shall notify the applicant of any deficiencies in the application within thirty (30) days of the application's submission. An application shall not be accepted for filing until the utility has cured all noted deficiencies.	Sarah E. Lawler

9	59	807 KAR 5:001 Section 16(10)	Request for waivers from the requirements of this section shall include the specific reasons for the request. The commission shall grant the request upon good cause shown by the utility.	N/A
9	60	807 KAR 5:001 Section (17)(1)	<p>(1) Public postings.</p> <p>(a) A utility shall post at its place of business a copy of the notice no later than the date the application is submitted to the commission.</p> <p>(b) A utility that maintains a Web site shall, within five (5) business days of the date the application is submitted to the commission, post on its Web sites:</p> <ol style="list-style-type: none"> <li>1. A copy of the public notice; and</li> <li>2. A hyperlink to the location on the commission's Web site where the case documents are available.</li> </ol> <p>(c) The information required in paragraphs (a) and (b) of this subsection shall not be removed until the commission issues a final decision on the application.</p>	Amy B. Spiller
9	61	807 KAR 5:001 Section 17(2)	<p>(2) Customer Notice.</p> <p>(a) If a utility has twenty (20) or fewer customers, the utility shall mail a written notice to each customer no later than the date on which the application is submitted to the commission.</p> <p>(b) If a utility has more than twenty (20) customers, it shall provide notice by:</p> <ol style="list-style-type: none"> <li>1. Including notice with customer bills mailed no later than the date the application is submitted to the commission;</li> <li>2. Mailing a written notice to each customer no later than the date the application is submitted to the commission;</li> <li>3. Publishing notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in the utility's service area, the first publication to be made no later than the date the application is submitted to the commission; or</li> <li>4. Publishing notice in a trade publication or newsletter delivered to all customers no later than the date the application is submitted to the commission.</li> </ol> <p>(c) A utility that provides service in more than one (1) county may use a combination of the notice methods listed in paragraph (b) of this subsection.</p>	Amy B. Spiller

9	62	807 KAR 5:001 Section 17(3)	<p>(3) Proof of Notice. A utility shall file with the commission no later than forty-five (45) days from the date the application was initially submitted to the commission:</p> <p>(a) If notice is mailed to its customers, an affidavit from an authorized representative of the utility verifying the contents of the notice, that notice was mailed to all customers, and the date of the mailing;</p> <p>(b) If notice is published in a newspaper of general circulation in the utility's service area, an affidavit from the publisher verifying the contents of the notice, that the notice was published, and the dates of the notice's publication; or</p> <p>(c) If notice is published in a trade publication or newsletter delivered to all customers, an affidavit from an authorized representative of the utility verifying the contents of the notice, the mailing of the trade publication or newsletter, that notice was included in the publication or newsletter, and the date of mailing.</p>	Amy B. Spiller
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9	63	807 KAR 5:001 Section 17(4)	<p>(4) Notice Content. Each notice issued in accordance with this section shall contain:</p> <p>(a) The proposed effective date and the date the proposed rates are expected to be filed with the commission;</p> <p>(b) The present rates and proposed rates for each customer classification to which the proposed rates will apply;</p> <p>(c) The amount of the change requested in both dollar amounts and percentage change for each customer classification to which the proposed rates will apply;</p> <p>(d) The amount of the average usage and the effect upon the average bill for each customer classification to which the proposed rates will apply, except for local exchange companies, which shall include the effect upon the average bill for each customer classification for the proposed rate change in basic local service;</p> <p>(e) A statement that a person may examine this application at the offices of (utility name) located at (utility address);</p> <p>(f) A statement that a person may examine this application at the commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the commission's Web site at <a href="http://psc.ky.gov">http://psc.ky.gov</a>;</p> <p>(g) A statement that comments regarding the application may be submitted to the Public Service Commission through its Web site or by mail to Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602;</p> <p>(h) A statement that the rates contained in this notice are the rates proposed by (utility name) but that the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice;</p> <p>(i) A statement that a person may submit a timely written request for intervention to the Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request including the status and interest of the party; and</p> <p>(j) A statement that if the commission does not receive a written request for intervention within thirty (30) days of initial publication or mailing of the notice, the commission may take final action on the application.</p>	Bruce L. Sailors
9	64	807 KAR 5:001 Section 17(5)	(5) Abbreviated form of notice. Upon written request, the commission may grant a utility permission to use an abbreviated form of published notice of the proposed rates, provided the notice includes a coupon that may be used to obtain all the required information.	N/A

10	-	807 KAR 5:001 Section 16(8)(a) through (k)	Schedule Book (Schedules A-K)	Various
11	-	807 KAR 5:001 Section 16(8)(l) through (n)	Schedule Book (Schedules L-N)	Bruce L. Sailors
12	-	-	Work Papers	Various
13	-	807 KAR 5:001 Section 16(7)(a)	Testimony (Volume 1 of 3)	Various
14	-	807 KAR 5:001 Section 16(7)(a)	Testimony (Volume 2 of 3)	Various
15	-	807 KAR 5:001 Section 16(7)(a)	Testimony (Volume 3 of 3)	Various
16-17	-	KRS 278.2205(6)	Cost Allocation Manual	Legal

**DUKE ENERGY KENTUCKY**  
**CASE NO. 2022-00372**  
**FORECASTED TEST PERIOD FILING REQUIREMENTS**  
**FR KRS 278.2205(6)**

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**KRS 278.2205(6)**

**Description of Filing Requirement:**

The CAM shall be filed as part of the initial filing requirement in a proceeding involving an application for an adjustment in rates pursuant to KRS 278.190.

**Response:**

See attached.

**Sponsoring Witness:**

Jeffery R. Setser



**DUKE ENERGY KENTUCKY**  
**COST ALLOCATION**  
**MANUAL 2022**

**AFFIDAVIT OF AMY B. SPILLER**

STATE OF OHIO                    )  
  )  
COUNTY OF HAMILTON        )

Now comes Amy B. Spiller, President of Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc. (Duke Energy Kentucky) and, as required by KRS § 278.2205(3)(a) hereby attests as follows:

1. Duke Energy Kentucky has developed a Cost Allocation Manual (“CAM”) in accordance with KRS § 2205(2); and
2. The CAM will be adopted by the management of Duke Energy Kentucky as required by KRS § 2205.

Further affiant sayeth naught.

  
\_\_\_\_\_  
Amy B. Spiller, Affiant

Sworn and subscribed before me by Amy B. Spiller on this 29~~th~~ day of March 2022.

  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires: July 8, 2022



**E. MINNA ROLFES-ADKINS**  
Notary Public, State of Ohio  
My Commission Expires  
July 8, 2022

# Cost Allocation Manual of Duke Energy Kentucky

## Table of Contents

### Tab

- I. Introduction
  - A. Duke Energy Corporation
  - B. Duke Energy Kentucky, Inc.
- II. Policies and Procedures: Guidelines for Transactions Between Duke Energy Kentucky and Affiliates
- III. Cost Distribution Processes for Affiliate Transactions
- IV. Kentucky's CAM Requirements
  - A. **KRS 278.2205(2)(a):** A list of regulated and nonregulated divisions within the utility
  - B. **KRS 278.2205(2)(b):** A list of all regulated and nonregulated affiliates of the utility to which the utility provides services or products and where the affiliates provide nonregulated activities as defined in KRS 278.010(21)
  - C. **KRS 278.2205(2)(c):** A list of services and products provided by the utility, an identification of each as regulated or nonregulated, and the cost allocation method generally applicable to each category
  - D. **KRS 278.2205(2)(d):** A list of incidental, nonregulated activities that are subject to the provisions of KRS 278.2203(4)
  - E. **KRS 278.2205(2)(e):** A description of the nature of transactions between the utility and the affiliate
  - F. **KRS 278.2205(2)(f):** For each USoA account and subaccount, a report that identifies whether the account contains costs attributable to regulated operations and nonregulated operations. The report shall also identify whether the costs are joint costs that cannot be directly identified. A description of the methodology used to apportion each of these costs shall be included and the allocation methodology shall be consistent with the provisions of KRS 278.2203

## **APPENDIX**

- A. Kentucky Revised Statutes
- B. Service Company Utility Service Agreement
- C. Amended and Restated Operating Company / Non-utility Companies Service Agreement
- D. Asymmetrically Priced Duke Energy Kentucky, Inc. / Nonutility Companies Service Agreement
- E. Operating Companies Service Agreement
- F. Amended and Restated Miami Fort 6 Operation Agreement
- G. Utility Money Pool Agreement
- H. First Amendment to Second Amended and Restated Purchase and Sale Agreement
- I. Fourth Amended Agreement for Filing Consolidated Income Tax Returns and for Allocation of Consolidated Income Tax
- J. Inter Company Asset Transfer Agreement
- K. Report of 2021 Inventory Transfers
- L. Utility-Non-Utility Asset Transfer Agreement
- M. Shared Service Cost Distribution Detail
- N. List of Duke Energy Kentucky Affiliates
- O. Incidental Nonregulated Activities Report
- P. FERC Affiliate Transaction Report
- Q. FERC Universal System of Accounts

## I. INTRODUCTION

### A. DUKE ENERGY CORPORATION

Headquartered in Charlotte N.C., Duke Energy Corporation (Duke Energy) is one of the largest electric power holding companies in the United States. A Fortune 500 Company, Duke Energy is listed on the New York Stock Exchange under the symbol DUK. More information can be found at [www.duke-energy.com](http://www.duke-energy.com).

#### **2021 Operating Revenues:**

\$25.1 Billion (for Year ended Dec. 31, 2021).

#### **Total Assets:**

\$169.6 Billion (as of Dec. 31, 2021).

#### **Employees:**

Approximately 27,605 (as of Dec. 31, 2021).

#### **Total US Generating Capacity:**

Approx. 50,259 megawatts (owned capacity)

#### **Operating Segments:**

- Electric Utilities and Infrastructure is the largest segment in terms of EBIT contribution, with approximately 50,259 Megawatts of owned regulated generation capacity.
  - States served- North Carolina, South Carolina, Ohio, Kentucky, Indiana, Florida
  - Size of territory- Approximately 91,000 square miles
  - Total transmission lines- Approximately 31,300 miles
  - Total distribution lines- Approximately 283,200 miles
  - Utility Customers:

Total Electric – Approximately 8.2 million

Duke Energy Florida – Approximately 1.9 million

Duke Energy Carolinas – Approximately 2.8 million

Progress Energy Carolinas – Approximately 1.7 million

Duke Energy Ohio – Approximately 736,000 (Transmission and Distribution)

Duke Energy Indiana – Approximately 870,000

Duke Energy Kentucky – Approximately 147,000

- Gas Utilities and Infrastructure- Conducts natural gas operations primarily through the regulated public utilities of Piedmont Natural Gas Company, Inc. (Piedmont) and Duke Energy Ohio, Inc. (Duke Energy Ohio). Gas Utilities and Infrastructure has over 1.6 million customers, including more than 1.1 million customers located in North Carolina, South Carolina, and Tennessee, and an additional 550,000 customers located within southwestern Ohio and northern Kentucky. In the Carolinas, Ohio, and Kentucky, the service areas are comprised of numerous cities, towns, and communities. In Tennessee, the service area is the metropolitan area of Nashville. Gas Utilities and Infrastructure also owns, operates, and has investments in various pipeline transmission and natural gas storage facilities.
- Commercial Renewables primarily acquires, builds, develops, and operates wind and solar renewable generation throughout the continental U.S. The portfolio includes nonregulated renewable energy and energy storage businesses. Commercial Renewables' renewable energy includes utility-scale wind and solar generation assets which total 3,554 MW across 22 states from 23 wind farms, 178 commercial solar farms, 71 fuel cells and 2 battery storage facilities. Revenues are primarily generated by selling the power produced from renewable generation

through long-term contracts to utilities, electric cooperatives, municipalities, and commercial and industrial customers.

**B. DUKE ENERGY KENTUCKY, INC.**

Duke Energy Kentucky, Inc. (Duke Energy Kentucky) is a corporation organized and existing under the laws of the Commonwealth of Kentucky. Duke Energy Kentucky is a wholly-owned subsidiary of Duke Energy Ohio. Duke Energy Ohio provides electric and gas service in southwestern Ohio. Duke Energy Ohio and Duke Energy Kentucky are headquartered in Cincinnati, Ohio.

Duke Energy Kentucky's business address is 139 East Fourth Street, Cincinnati, Ohio 45202. The Company's local office in Kentucky is the Duke Energy Erlanger Ops Center, 1262 Cox Road, Erlanger, Kentucky 41018. Duke Energy Kentucky purchases, sells, stores, and transports natural gas in Boone, Campbell, Gallatin, Grant, Kenton and Pendleton Counties, Kentucky. Duke Energy Kentucky also generates electricity, which it distributes and sells in Boone, Campbell, Grant, Kenton and Pendleton Counties, Kentucky. Duke Energy Kentucky is a "utility" as defined in KRS 278.010(3)<sup>1</sup> and is subject to the jurisdiction of the Kentucky Public Service Commission (Commission) pursuant to KRS 278.040.<sup>2</sup>

Duke Energy Kentucky has developed this Cost Allocation Manual (CAM) as required by Kentucky Revised Statutes (KRS) 278.2205 and will make it available for public inspection at its office as required by law.<sup>3</sup> This statute provides that any Kentucky utility engaged in nonregulated activities which produce aggregate revenue exceeding "the lesser of two percent (2%) of the utility's total revenue or one million dollars

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<sup>1</sup> KY. REV. STAT. ANN. § 278.010(3) (Banks-Baldwin 2007).

<sup>2</sup> KY. REV. STAT. ANN. § 278.040 (Banks-Baldwin 2007).

<sup>3</sup> KY. REV. STAT. ANN. § 278.2205 (Banks-Baldwin 2007).

(\$1,000,000) annually, shall develop and file a CAM with the Commission.<sup>4</sup> The CAM documents the guidelines and procedures for allocating costs between Duke Energy Kentucky and its utility and non-utility affiliates. The guidelines are intended to provide the foundation for proper identification and recording of transactions involving the exchange of services and goods between Duke Energy Kentucky and its affiliates. These guidelines describe the allocation methods that are consistent with cost causation principles and ensure there is no subsidization of one Duke Energy entity by another.

Duke Energy Kentucky is required to file a detailed CAM and Annual Affiliate Transactions Report with the Commission. The CAM and Annual Affiliate Transactions Report are subject to regular audit by the Commission Staff. Duke Energy Kentucky is also required to maintain information on affiliate transactions for review by the Commission upon request. Corporate Audit Services performs an annual audit of Affiliate transactions.

Duke Energy Kentucky has developed this CAM as an internal document to assist employees in implementing the appropriate affiliate rules for transactions with Duke Energy Kentucky. This document may be revised from time to time as necessary to meet changing business needs. Application of the affiliate rules to a specific transaction can depend upon the specific facts at issue. Any questions concerning affiliate rules of the information contained in this document should be directed to Duke Energy's Legal department.

In addition to utilizing the CAM as a cost charging guide, Duke Energy Kentucky uses OpenPages to track compliance with regulatory compliance. OpenPages is administered by Corporate Compliance. OpenPages allows a regulatory environment to

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<sup>4</sup> KY. REV. STAT. ANN. § 278.2203 (Banks-Baldwin 2007).



be broken down into actionable tasks and assigned to one or more individuals.  
Individuals must complete tasks assigned and report completion by a certain date.

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## **II. POLICIES AND PROCEDURES: GUIDELINES FOR TRANSACTIONS BETWEEN DUKE ENERGY KENTUCKY AND AFFILIATES**

### **A. SUMMARY**

In general, there are four primary categories of cost allocations that affect Duke Energy Kentucky and its affiliates: (1) cost allocations from Duke Energy Business Services LLC (DEBS), a wholly-owned subsidiary service company of Duke Energy;<sup>5</sup> (2) cost allocations between Duke Energy Kentucky and Duke Energy Ohio for common costs shared by Duke Energy Ohio and Duke Energy Kentucky; and (3) cost allocations for goods and services provided between and among Duke Energy Kentucky and its sister regulated utilities. In addition, Duke Energy Kentucky, as a combination gas and electric utility, also receives administrative and general (A&G) cost allocations between its gas and electric operations for both capital and expense accounts. The Company's allocation methodologies under those categories are described in section II of this CAM. Duke Energy Kentucky also provides various services and goods to and receives various services and goods from its regulated and nonregulated affiliates as set forth in various agreements discussed below.

These Guidelines are intended to apply to all employees in dealings between Duke Energy Kentucky and its affiliates to assist in compliance with the Kentucky state laws, and federal laws concerning affiliate transactions. Application of the affiliate rules to specific transactions can depend on the specific facts at issue. Any questions concerning the affiliate rules or these Guidelines should be directed to the subject matter experts listed later in this section.

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<sup>5</sup> Effective July 1, 2008 Duke Energy Shared Services, Inc and Duke Energy Business Services, LLC were merged into a single service company, Duke Energy Business Services, LLC. Progress Energy Services Company was the legacy service company for Progress Energy. Duke Energy and Progress Energy completed their merger in July 2012.

## **B. DEFINITIONS**

- 1. Affiliate:** As used in Kentucky Statutes, an affiliate is defined as a person that controls or that is controlled by, or is under common control with, a utility.<sup>6</sup> Common control is presumed to exist if any individual or entity, directly or indirectly, owns 10% or more of the voting securities of the utility.<sup>7</sup>
- 2. Commission:** Unless otherwise stated, shall mean the Kentucky Public Service Commission.
- 3. Duke Energy:** Shall mean Duke Energy Corp., the ultimate parent of Duke Energy Kentucky.
- 4. Duke Energy Kentucky:** Shall mean Duke Energy Kentucky, Inc., the regulated utility providing retail natural gas and electric service in the Commonwealth of Kentucky.
- 5. FERC:** Shall mean the Federal Energy Regulatory Commission.
- 6. NUO:** Shall mean Non-Public Utility Operations.
- 7. Public Items:** Items Duke Energy Kentucky, in its discretion, makes available at no charge to any third party, including an Affiliate, upon request.
- 8. Service Company:** Duke Energy Business Services LLC is a wholly-owned subsidiary of Duke Energy that provides shared services to Duke Energy Kentucky, and its affiliates.
- 9. Technology And Trade Secrets:** For the purposes of these Guidelines "Trade Secrets" is defined as information, including a formula, pattern, compilation, device, method, technique, or process, that: (1) derives independent

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<sup>6</sup> KRS 278.010(18).

<sup>7</sup> KRS 278.020 (6),

economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. Technology is scientific, engineering, or technical information which is patented or is a trade secret.

## **C. AFFILIATE TRANSACTION PRICING AND SERVICE AGREEMENTS**

### **1. Summary of Affiliate Transaction Pricing:**

Duke Energy Kentucky is authorized to engage in transactions for products and services with affiliates provided the transactions are in compliance with Kentucky law and where applicable, pursuant to Commission approved service agreements. Kentucky affiliate rules place, among other things, certain default pricing restrictions on transactions between the regulated utility and its affiliates.<sup>8</sup> The default pricing can be waived upon Commission approval. In summary, unless otherwise provided in a Commission-approved service agreement, non-tariffed goods and services provided between a Duke Energy Kentucky and its affiliates must be asymmetrically priced such that Duke Energy Kentucky must pay the lower of cost or market for goods and services provided by the affiliate, and must receive the higher of cost or market for the non-tariffed goods and services it provides to an affiliate.<sup>9</sup> Appendix A includes a copy of the Kentucky statutes that apply to any transaction and business relationship between Duke Energy Kentucky and its affiliates. In summary, the statutes provide as follows:

- KRS 278.2201 - a utility shall not subsidize a nonregulated activity provided by an affiliate or by the utility itself. The commission shall require all utilities providing nonregulated activities, either directly or

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<sup>8</sup> See KRS §§ 278.2201, 2203, 2205, 2207, 2209, 2211, and 2213

<sup>9</sup> KRS 278.2207

through an affiliate, to keep separate accounts and allocate costs in accordance with procedures established by the commission.

- KRS 278.2203 - requires a utility engaging in nonregulated activities to follow the Uniform System of Accounts (USoA) and follow either the fully distributed cost allocation methodology or methodologies approved by the SEC, USDA, or FERC.
- KRS 278.2205 - Sets forth the requirements for maintaining a Cost Allocation Manual.
- KRS 278.2207 - Sets forth the pricing requirements for transactions between a utility and its affiliates. Specifically, unless the Kentucky Public Service Commission approves otherwise, utilities must follow strict asymmetrical pricing whereby the utility provides non-tariffed goods or services to an affiliate at the higher of cost or market and receives goods or services at the lower of cost or market.
- KRS 278.2209 - requires utilities to provide sufficient information to document cost allocation procedures to the Commission upon request.
- KRS 278.2211 – provides the remedies the Commission may impose for non-compliance.
- KRS 278.2213 – sets forth a “Code of Conduct” for Kentucky utilities, listing all prohibited business practices between a utility and its affiliates.

## **2. Service Agreements (Generally)**

Duke Energy Kentucky and many of its affiliates are parties to Commission-approved service agreements that permit certain transactions to occur between the signatory parties and under defined pricing terms and conditions that deviate from the default asymmetric pricing restrictions. The conditions of these affiliate transactions and the affiliate agreements are more fully described below. Copies of these agreements are included in the Appendix to this CAM. The various service agreements are maintained and updated by Duke Energy’s legal department. These various service agreements have been entered into and approved over time and fall into discrete categories as outlined below.

### 3. Merger Related Service Agreements

The merger related service agreements are agreements approved by the Commission as part of the merger between Duke Energy and Cinergy Corp. (Cinergy), in 2005 as amended in the recent merger between Duke Energy and Progress Energy LLC and further amended in the more recent acquisition of Piedmont.<sup>10</sup> In general, the goods and services provided pursuant to the agreements are priced at the provider's fully allocated costs and/or accordance with both FERC and Commission affiliate rules. These affiliate rules are described in section IV, E of this CAM, addressing prohibited business practices under Kentucky law. The service agreements include but are not limited to the following:

#### a. Service Company Utility Service Agreement

This agreement permits DEBS to provide services that are corporate or general utility in nature and are used by various business units, including Duke Energy Kentucky. DEBS provides a variety of administrative, management and support services to its regulated and nonregulated affiliates, including Duke Energy Kentucky. These services are performed pursuant to the Service Company Utility Service Agreement contained in Appendix B. This agreement was most recently approved by the Commission on August 2, 2011, in Case No. 2011-124, as part of the merger of Duke Energy and Progress Energy LLC<sup>11</sup> and most recently amended on March 29, 2022.<sup>12</sup>

In general, the services provided by the service companies include, but are not limited to the following:

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<sup>10</sup> The Agreement was updated to include Piedmont Natural Gas Company, Inc. as part of its acquisition on June 1, 2017, in Case No. 2016-00312. The terms and conditions of the Agreement are substantially similar to the original.

<sup>11</sup> The Agreement was first approved as part of the merger between Duke Power Corp and Cinergy Corporation on November 27, 2005, in Case No. 2005-228.

<sup>12</sup> Duke Energy Kentucky periodically reviews the service agreements for potential updates and changes. Historically, absent service agreement changes from a merger, the service agreement changes are minor and only further clarify the existing language in the Agreement.

- Meters;
- Information Systems;
- Transportation;
- System Maintenance;
- Marketing and Customer Relations;
- Transmission and Distribution Engineering and Construction;
- Power and Gas Engineering and Construction;
- Human Resources;
- Materials Management;
- 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.

By the terms of the Service Company Utility Service Agreement, compensation for any service rendered by the Service Company to its utility affiliates is 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. Each client company is required to reasonably cooperate with each respective service provider to record billings and payments in their common accounting systems.

(Note: Any services provided by Duke Energy Kentucky to the Service Company are provided pursuant to the terms of Operating Company/Nonutility Companies Service Agreement described above and contained in Appendix C).

The detailed cost distribution process is discussed in Section III of this CAM.

**b. The Operating Company/Nonutility Companies Service Agreements:**

i. *At cost pricing*

Duke Energy Kentucky and certain of its non-utility affiliates are authorized to provide certain services to one another, priced at the providing company's fully embedded cost, pursuant to the Amended and Restated Operating Company/Nonutility Companies Service Agreement. A

copy of this agreement is included in Appendix C. This agreement was approved by the Commission on November 27, 2005, in Case No. 2005-228, as part of the merger of Duke Energy and Cinergy.<sup>13</sup> The permitted services provided by Duke Energy Kentucky to its non-utility affiliates 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.

The types of services that may be provided by non-utility affiliates to 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.

By the terms of the Operating Company/Nonutility Companies Service Agreement, requests for services will be made in writing, in substantially the same form as set forth in “Exhibit A” of the Agreement. Compensation for any service rendered between Duke Energy Kentucky and its non-utility affiliates are 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. Each client company is required to reasonably

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<sup>13</sup> See Appendix C; On September 1, 2008 the Operating Company/Non-Utility Company Service Agreement was updated to reflect names changes to the list of signatory Nonutility Companies that occurred after January 2, 2007, the execution of the prior agreement. The terms of the updated agreement are substantially similar to the terms of initial agreement. On January 2, 2007, the Operating Company/Non-Utility Company Service Agreement was updated to reflect the name change of the Union Heat Light and Power Company to Duke Energy Kentucky, Inc., and to update the list of signatory Nonutility Companies that occurred after April 3, 2006, the execution of the prior agreement. The terms of the updated agreement are substantially similar to the terms of initial agreement.



cooperate with each respective service provider to record billings and payments in their common accounting systems.

*ii. Asymmetric pricing*

In February 2008, FERC issued Order No 707, which expands FERC's asymmetrical pricing rules to include transfers of non-power goods and services between a franchised utility and its non-utility affiliates. Prior to Order No 707, FERC's asymmetrical pricing rules only applied to transfers of non-power goods and services between franchised utilities and nonregulated utility affiliates. The FERC ruling provides an exception for pre-existing affiliate agreements and state affiliate pricing rules that are stricter than the FERC's pricing restrictions.

The **Asymmetrically Priced Duke Energy Kentucky, Inc./NonUtility Companies Service Agreement** was entered into in response to FERC Order 707 and includes new affiliates that were created after the effective date of Order 707 and are not grandfathered under the prior Utility/Non-utility service agreement approved as part of the Duke Energy/Cinergy merger. Non-utility affiliates who are a Party to this agreement are subject to the asymmetric pricing terms in accordance with Kentucky law. Duke Energy Kentucky provides goods or services to a Party to this agreement at the greater of cost or market but pays the lesser of cost or market for any goods or services received under this agreement. A copy of this agreement is included in Appendix D.

***Non-utility affiliates who are not a Party to the Operating Company/Nonutility Companies Service Agreement must follow the stricter asymmetric pricing for any transaction with Duke Energy Kentucky unless Commission approval is first obtained. Please refer to the list of signatories to the Agreement in Appendix C to determine if cost-based pricing is available or contact the legal department.***

**c. Operating Companies Service Agreement:**

Under this agreement, Duke Energy Kentucky and its utility affiliates, Duke Energy Carolinas, LLC (Duke Energy Carolinas or DEC), Duke Energy Ohio, Duke Energy Indiana, LLC (Duke Energy Indiana), Duke Energy Progress, LLC (Progress or DEP), Duke Energy Florida, LLC (Duke Energy Florida), and Piedmont are permitted to provide and receive services to and from each other in the normal course of conducting business at the providing company's fully embedded cost, in the normal course of conducting business. This agreement was most recently approved by the Commission on August 2, 2011, in Case No. 2011-124, as part of the merger of Duke Energy and Progress Energy LLC<sup>14</sup> amended in the more recent acquisition of Piedmont,<sup>15</sup> and most recently amended on March 29, 2022.<sup>16</sup> A copy of the Operating Companies Service Agreement is included in Appendix E.<sup>17</sup> The services which may be provided between affiliate operating companies 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.

By the terms of the Operating Companies Service Agreement, compensation for any service rendered between utility affiliates is 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. The Operating Companies Service Agreement

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<sup>14</sup> The Agreement was first approved as part of the merger between Duke Power Corp and Cinergy Corporation on November 27, 2005, in Case No. 2005-228.

<sup>15</sup> The Agreement was updated to include Piedmont Natural Gas Company, Inc. as part of its acquisition on June 1, 2017, in Case No. 2016-00312. The terms and conditions of the Agreement are substantially similar to the original.

<sup>16</sup> Duke Energy Kentucky periodically reviews the service agreements for potential updates and changes. Historically, absent service agreement changes from a merger, the service agreement changes are minor and only further clarify the existing language in the Agreement.

<sup>17</sup> The Operating Companies Service Agreement was updated on December 17, 2015 to reflect the change of Duke Energy Indiana, Inc. to Duke Energy Indiana, LLC. The terms and conditions of the Agreement are substantially similar to the original.

provides exceptions to the general compensation described above for transactions involving Duke Energy Carolinas, Progress, and Piedmont that meet certain transaction value thresholds. This is due to the North Carolina Code of Conduct. Transactions not falling under the service agreements and outside of the limits established must be approved by the state Commission. These limits are contained in Attachment B to the agreement. Each client company is required to reasonably cooperate with each respective service provider to record billings and payments in their common accounting systems.

#### **4. Generation Acquisition Service Agreements**

Duke Energy Kentucky previously received certain products and services from Duke Energy Ohio related to the transfer of three generating stations from Duke Energy Ohio to Duke Energy Kentucky in 2006. The transfer and the conditions of operation were approved by both the Federal Energy Regulatory Commission and the Kentucky Public Service Commission. The Kentucky Commission approved the transfer of these generating plants in Case No. 2003-00252 and Duke Energy Kentucky filed executed copies of these service contracts with the Commission in that proceeding.<sup>18</sup> In general, the services provided under the agreements were priced at the provider's fully allocated costs in accordance with both FERC and Kentucky Commission affiliate rules. In April 2015, Duke Energy Ohio sold its interest in all of its non-regulated generating assets to Dynegy Inc. (Dynegy), who assumed responsibility for the services.

The agreements consist of the following:

##### **a. Miami Fort 6 Operation Agreement:**

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<sup>18</sup> Effective January 1, 2008, former employees of Duke Energy Ohio, Inc., located at Duke Energy Kentucky's East Bend and Woodsdale generating stations were transferred to Duke Energy Kentucky. Previously, services provided to Duke Energy Kentucky by these employees were performed pursuant to the terms and conditions of the various service agreements. As of January 1, 2008, these employees are now Duke Energy Kentucky employees.

This agreement permitted Duke Energy Ohio to operate the Miami Fort Unit 6 Generating Station, including procurement of fuel, on behalf of Duke Energy Kentucky. This Agreement no longer is in place as Duke Energy sold its entire Midwest Commercial Generation Business portfolio, including Miami Fort Units 7 and 8 to Dynegy, effective April 2, 2015. Effective June 1, 2015 Duke Energy Kentucky retired Miami Fort Unit 6 from operation. As the new owner of the Miami Fort Generating Station, Dynegy now provides minimal services to Duke Energy Kentucky for purposes of maintaining the Miami Fort Unit 6 facilities until the unit is decommissioned. These services are no longer considered affiliate services and are set forth in an Amended and Restated Miami Fort 6 Operation Agreement between Duke Energy Kentucky and Dynegy that was approved by the Commission in Case No. 2014-00287. A copy of this agreement is included in Appendix F.

## **5. Other Agreements**

### **a. Utility Money Pool Agreement**

The Utility Money Pool Agreement authorizes Duke Energy, DEBS, Progress Energy, Inc. (Progress Energy), Piedmont, and Duke Energy's utility operating companies (including Duke Energy Kentucky) to participate in a money pool arrangement to better manage cash and working capital requirements. A copy of this agreement is contained in Appendix G. This agreement was most recently approved by the Commission on August 2, 2011, in Case No. 2011-124, as part of the merger of Duke Energy and Progress Energy LLC.<sup>19</sup> This agreement was revised as part of the merger between Duke Energy and Progress Energy LLC to incorporate the Progress Energy Companies, and further amended in the more recent acquisition of

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<sup>19</sup> The Agreement was first approved as part of the merger between Duke Power Corp and Cinergy Corporation on November 27, 2005, in Case No. 2005-228.

Piedmont.<sup>20</sup> The substantive terms of the Agreement have not been changed. Under this arrangement, those companies with surplus short-term funds provide short-term loans to affiliates (other than Duke Energy, Cinergy, and Progress Energy) participating under this arrangement. This surplus cash may be from internal or external sources.

**b. Purchase and Sale Agreement**

Duke Energy's utility operating companies, Duke Energy Indiana, Duke Energy Ohio, and Duke Energy Kentucky, entered into an Amended and Restated Purchase and Sale Agreement with Cinergy Receivables Company LLC (Receivables), as of March 31, 2002. A copy of this agreement is contained in Appendix H. This agreement allows the operating companies to sell their retail accounts receivable to Receivables. A second amendment to this agreement became effective on October 27, 2010. The second amended agreement was updated to include Receivables Dispositions, Section 2.7 and Section 3 and to update the signatories and addresses. On December 18, 2015 the companies entered into a First Amendment to the Second Amended and Restated Purchase and Sale agreement. This agreement clarified the required discount, purchase price, and related rights. On February 28, 2022 the companies entered into a Second Amendment to the Second Amended and Restated Purchase and Sale agreement to extend the termination date to February 28, 2025.

**c. Agreement for Filing Consolidated Income Tax Returns and for Allocation of Consolidated Income Tax Liabilities and Benefits**

Duke Energy and its subsidiaries, including Duke Energy Kentucky, have entered into an Agreement for Filing Consolidated Income Tax Returns and for Allocation of Consolidated Income Tax Liabilities and Benefits, effective for consolidated tax year 2006 and thereafter. A

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<sup>20</sup> The Agreement was updated to include Piedmont Natural Gas Company, Inc. as part of its acquisition on June 1, 2017, in Case No. 2016-00312. The terms and conditions of the Agreement are substantially similar to the original.

copy of this agreement is contained in Appendix I. This agreement was most recently approved by the Commission on August 2, 2011, in Case No. 2011-124, as part of the merger of Duke Energy and Progress Energy LLC. This agreement was revised as part of the merger between Duke Energy and Progress Energy LLC to incorporate the Progress Energy companies, and amended in the more recent acquisition of Piedmont.<sup>21</sup> The agreement was further amended to add subsidiaries of Duke Energy Corporation which were not included in the previous version.<sup>22</sup> Under this agreement, Duke Energy and its subsidiaries agree to join annually in the filing of a consolidated Federal Income Tax Return and to allocate the consolidated Federal Income Tax Return and to allocate the consolidated Federal income tax liabilities and benefits among the members of the consolidated group in accordance with the provisions of the Agreement. The Agreement provides generally that consolidated Federal, state, and local income tax liabilities and benefits will be allocated, where appropriate, among members by calculating each member's taxable income as if that member had filed a separate return on the same basis as used in the applicable consolidated return. This agreement was recently updated to reflect changes in names to parties and the clarification of definitions and terms which were inadvertently omitted from the prior version.

**d. Affiliate Asset Transfer Agreement:**

This agreement between Duke Energy Kentucky, Duke Energy Ohio, Duke Energy Indiana, Duke Energy Carolinas, Progress, Duke Energy Florida, and Piedmont permits the transfer of assets, excluding commodities, at the transferring company's fully-allocated cost,

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<sup>21</sup> The Agreement was updated to include Piedmont Natural Gas Company, Inc. as part of its acquisition on June 1, 2017, in Case No. 2016-00312. The terms and conditions of the Agreement are substantially similar to the original.

<sup>22</sup> The terms and conditions of the Agreement are substantially similar to the original.

subject to certain limitations.<sup>23</sup> On July 18, 2008 the Commission approved an Intercompany Asset Transfer Agreement whereby Duke Energy Kentucky may enter into asset transfer transactions with its regulated utility affiliates at the transferring party's cost or through in-kind replacements, providing the transfer does not jeopardize the transferring party's ability to provide utility service. This agreement was most recently approved by the Commission on August 2, 2011, in Case No. 2011-124, as part of the merger of Duke Energy and Progress Energy LLC where it was revised as part of the merger between Duke Energy and Progress Energy LLC to incorporate the Progress Energy companies, amended in the more recent acquisition of Piedmont,<sup>24</sup> and most recently amended on March 29, 2022.<sup>25</sup> A copy of this agreement is contained in Appendix J.

The Commission approved this agreement under the condition that Duke Energy Kentucky agree that it would continue to seek Commission approval under KRS 278.218 over all transactions that have an original book value of over \$1,000,000 and that are to be transferred for reasons other than obsolescence or if the parts are to be used to continue to provide service to the utility customers. Further, Duke Energy Kentucky agreed that as a condition of approval of this agreement the Company would abide by this approval threshold for transfers involving gas assets.<sup>26</sup> Duke Energy Kentucky is required to maintain a list of all transactions under the Intercompany Asset Transfer Agreement in its Cost Allocation Manual. A copy of the transactions occurring in 2019 is contained in Appendix K.

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<sup>23</sup> Commission approval was not required in South Carolina or Ohio. The Agreement was filed in Indiana. The agreement received approval by the North Carolina Utilities Commission on December 22, 2008.

<sup>24</sup> The Agreement was updated to include Piedmont Natural Gas Company, Inc. as part of its acquisition on June 1, 2017, in Case No. 2016-00312. The terms and conditions of the Agreement are substantially similar to the original.

<sup>25</sup> Duke Energy Kentucky periodically reviews the service agreements for potential updates and changes. Historically, absent service agreement changes from a merger, the service agreement changes are minor and only further clarify the existing language in the Agreement.

<sup>26</sup> KRS 278.218 by its express language only applies to electric utility assets. As a combination gas and electric utility, Duke Energy Kentucky agreed in Case No 2008-122 that it would follow the standard under KRS 278.218 for gas assets as well.

e. **Utility-Non-Utility Asset Transfer Agreement:**

This agreement between Duke Energy Kentucky and its non-utility affiliates permits transfers of certain assets, excluding commodities, in accordance with Kentucky affiliate pricing rules and regulations. Duke Energy Kentucky receives the greater of cost or market but pays the lesser of cost or market for any assets transferred/ loaned under this agreement. Any transfer involving a Duke Energy Kentucky-owned asset that has a value of \$1 million or more must receive Commission authorization prior to transfer. A copy of this Agreement is included in Appendix L.

- Copies of filed and approved affiliate agreements are available for review on the Portal under Rates and Regulatory department.
- *Contact the Legal Department before obtaining or providing goods or services from or to an Affiliate that are not covered by Affiliate Agreements.*

**D. COST ALLOCATION & TRANSFER PRICING RULES:**

**1. Cost Allocation**

**a. Corporate Governance and Shared Services**

*Generally:* Duke Energy Kentucky and its affiliates may use joint corporate oversight, governance, corporate support and utility support systems and personnel. These services are provided by DEBS under the Service Company Utility Service Agreement (see Affiliate Agreements discussed in Section II, C above).

Costs must be allocated or charged back on a fully distributed cost basis and are subject to review by state regulators. Charging methods are described in the Service Agreement.

**b. Joint Purchases**

*Generally:* Duke Energy Kentucky and its affiliates may capture economies of scale in joint purchases of goods and services (*excluding* electricity or ancillary services intended for



resale, or coal or natural gas or the joint development of an asset if (a) the purchase results in cost savings to Duke Energy Kentucky's customers, and (b) the costs are allocated appropriately and audit trail maintained.

- *The Legal Department must be informed of any such transfer to facilitate this notification.*

## **2. Transfer Pricing Rules**

### **a. Types of Transactions**

**Generally:** Duke Energy Kentucky and its affiliates may transfer goods and products between one another provided such transfers are done in accordance with Kentucky's asymmetric pricing restrictions or in accordance with one of the Commission-approved service/transfer agreements described in Section II, C above.

#### **i. Affiliate or Non-Public Utility Operations (NUO) Providing Goods/Products to Duke Energy Kentucky**

For non-tariffed goods provided to Duke Energy Kentucky by Duke Energy, a utility affiliate, a Non-Utility Affiliate, or an NUO, the transfer prices should be the lower of the supplier's fully distributed cost or market value, or, if applicable, in accordance with one of the above-described Commission-approved service agreements. For goods (and services) provided to Duke Energy Kentucky pursuant to an above-describes service agreement, the transfer price may be at supplier's fully distributed cost.

Determining the appropriate price requires consideration of fully distributed cost, market price evaluation and an appropriate allocation methodology. Affiliates/NUOs may only use Duke Energy Kentucky's goods or assets without charge in connection with the performance of work for Duke Energy Kentucky if Duke Energy Kentucky would permit a third-party supplier to have

the same access to such Duke Energy Kentucky goods or assets without charge for providing similar services.

Transfer pricing rules apply to Affiliates acting as subcontractors to other Affiliates providing goods or services to Duke Energy Kentucky.

***Exceptions:***

Corporate governance, corporate services, and utility support services (discussed above) may be provided at fully distributed cost.

**ii. Duke Energy Kentucky Providing Goods/ Products to Affiliates/NUO<sup>27</sup>**

Tariffed goods/products provided by Duke Energy Kentucky to Duke Energy, other Affiliates, or a NUO shall be provided in accordance with Commission-approved tariffs, at the same prices and terms that are made available to Customers having similar characteristics with regard to Electric Services.

Unless covered by one of the service/transfer agreements described in section C above, a non-tariffed goods provided by Duke Energy Kentucky to Duke Energy, a Non-Utility Affiliate, or an NUO should be transferred at the higher of market value. Non-tariffed goods/products provided by Duke Energy Kentucky to another Utility Affiliate should be priced at the higher of cost or market unless in accordance with an applicable Commission-approved agreement.

Determining the appropriate price requires consideration of fully distributed cost, market price evaluation and an appropriate allocation methodology. Affiliates/NUOs may only use Duke Energy Kentucky's goods or assets without charge in connection with the performance of work *for Duke Energy Kentucky* if Duke Energy Kentucky would permit a third-party supplier to have

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<sup>27</sup> Refer to Service Agreements discussed above.

the same access to such Duke Energy Kentucky goods or assets without charge for providing similar services.

***Under Kentucky law, any Duke Energy Kentucky-owned asset being transferred to any affiliate that has a value greater than \$1,000,000 requires separate Commission authorization. In each instance, the Legal Department must be contacted prior to any such transfer to facilitate an asset transfer agreement.***

**iii. Loaned Employees:**

Duke Energy Kentucky may assign/ transfer an employee to an Affiliate or NUO if the assignment does not interfere with or impair Duke Energy Kentucky's utility responsibilities or business operations. Kentucky law sets forth several prohibited business practices that form a code of conduct between relationships between the utility and its Affiliates.<sup>28</sup> A transferred utility employee is prohibited from sharing any confidential customer information with the affiliate without written customer authorization. Further, the transferred employee may not disclose any confidential utility information or possess any competitively sensitive information upon transferring to an affiliate.

Responsibility for all liabilities to third parties and any legal or other related expenses that arise in connection with the work of the employee lies with the Affiliate.

**iv. Wholesale Power Sales or Purchases**

Require FERC approval and may require Advance Notice to the Commission and approval by other State Commissions, depending on the circumstances.

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<sup>28</sup> See KRS 278.2205 discussed in Section IV of this Cam.

### **3. Pricing Rules Compliance and Documentation**

#### **a. Performance of Services**

Every Duke Energy Kentucky department that performs services for Affiliates should conduct, or cause to be prepared, a periodic market analysis to compare the department's current fully distributed cost to the equivalent market prices. Similarly, when it obtains services from an Affiliate (other than Corporate Governance and Shared Services or under the Utility-to-Utility exception), each Duke Energy Kentucky department should perform, or ensure that the Affiliate performs a market comparison for such services and document its rationale for selecting the Affiliate.

#### **b. Transfer or Sharing of Goods/Products**

Duke Energy conducts, by department, periodic market to current cost comparisons for utility assets such as facilities, vehicles, equipment, and information technology property, which are shared with or used by Affiliates. This is done across all regulated jurisdictions in the Duke Energy family of utilities. The market versus cost evaluation is applicable to any such assets provided on an ongoing basis or as the result of an individual transaction. Similarly, when Duke Energy Kentucky uses assets owned by an Affiliate, they should perform or ensure that the Affiliate performs a market comparison for such assets.

For the transfer or sharing of items developed, created, or constructed by Duke Energy Kentucky or an Affiliate (regardless of whether the item is a capital asset), Duke Energy Kentucky departments should perform a market comparison to determine the appropriate price, taking into consideration the following as applicable:

- The fully distributed cost to Duke Energy Kentucky or the affiliate to develop the item;
- The appropriate allocation of such costs for items that will be shared, such as software;
- The market price to purchase the item “off the shelf”, if available; and
- The market price to hire a professional to develop the item.

### **Exceptions**

- ***No Comparable Market Exception.*** If no comparable market exists, the goods or services should be priced at fully distributed costs. A Duke Energy Kentucky department relying on this exception should document how it determined that no comparable market exists.
- ***Joint Purchase/Development Exception.*** Kentucky law permits the use of shared corporate governance and shared support. Therefore, Duke Energy may establish a project to jointly develop an item to be used by multiple business units, including Duke Energy Kentucky, provided that the costs are allocated appropriately, and accounting records are maintained to reflect the cost sharing.
- ***Use of Assets in the Performance of Services.*** Affiliates may use Duke Energy Kentucky goods or assets without charge in connection with the performance of work for Duke Energy Kentucky if Duke Energy Kentucky would permit a third-party supplier to have the same access to such goods or assets without charge.

## **E. INFORMATION SHARING RESTRICTIONS**

### **1. Customer Information**

Customer Information may be disclosed to an Affiliate, Nonpublic Utility Operations (NUO) or any third party only with the Customer’s prior consent and as permitted under Kentucky law. Consent to disclosure of Customer Information (CI) to Affiliates or NUOs must be obtained by written customer authorization. Departments providing CI to Affiliates or NUO must retain verification of the authorization for the longer of three years or as long as the authorization remains in effect.

DEBS/Duke Energy Kentucky employees with access to CI may not act as an improper conduit of this information. For example, employees must not provide direct or indirect access to

the data, or recommend action based on the CI, to any other Affiliate or NUO employees who have not been granted proper access to the information from the customer.

*Any improper disclosure of CI requires prompt notification to Kentucky Regulatory/ Legal personnel to determine if additional reporting is required.*

## **2. Confidential Systems Operation Information (CSOI)**

Confidential Systems Operation Information (CSOI) may not be disclosed to an Affiliate or NUO unless it is disclosed to all competing non-Affiliates at the same time and in the same manner.

### ***Exceptions:***

- The CSOI is necessary for the performance of services approved to be performed pursuant to one or more of the Affiliate Service Agreements described in Section C above.
- The disclosure is required by law or a state or federal regulatory agency or court.
- The CSOI is provided to employees of Duke Energy Kentucky pursuant to a service agreement filed with the Commission
- CSOI may be provided to Utility Affiliates for the purpose of sharing best practices and improving the provision of regulated utility service.
- The CSOI is provided to an Affiliate pursuant to an agreement filed with the Commission, provided that the agreement specifically describes the types of information to be disclosed.
- Sharing of CSOI is permitted if it is otherwise essential to enable Duke Energy Kentucky to provide Electric Services to its Customers, or for compliance with the Sarbanes-Oxley Act of 2002. However, certain reporting requirements may be

triggered by use of this exception. *Consult with the Legal Department prior to sharing Operation Information under this exception.*

Employees receiving CSOI under these exceptions must protect the confidentiality of information they receive and may not improperly share this information with other Affiliate or NUO employees who are not permitted to have access to this information. Employee training or information technology non-disclosure statements may be used to communicate these requirements.

Duke Energy Kentucky and DEBS employees with access to CSOI may not act as an improper conduit of this information. For example, employees must not provide indirect access to the data, or recommend action based on the CSOI, to any DEBS or other Affiliate or NUO employees who have not been granted proper access to the information.

#### **F. COST REIMBURSEMENT FOR SHARING CI OR CSOI**

Sharing Duke Energy Kentucky's CI or CSOI is strictly limited, as described above. In the event CI or CSOI is provided to an affiliate (or third party), all costs incurred in assembling, compiling, preparing, or furnishing the information be recovered from the requesting party.

"All costs" means fully-distributed cost and includes any overhead or allocable cost associated with the labor cost incurred to provide the information as well as any incremental systems, materials/supplies, or other costs identified with the transaction. Although the CI or CSOI is specific to Duke Energy Kentucky, the employees providing the CI or CSOI, or providing a service using Duke Energy Kentucky CI or CSOI, may be utility or Service Company employees. Charging fully distributed cost must have the effect of removing the applicable labor and other dollars from either Duke Energy Kentucky direct charges, or from a pool of Service Company dollars, which are otherwise direct-charged, distributed, or allocated to

Duke Energy Kentucky. The following process should be followed to bill or charge costs associated with providing CI or CSOI:

- The department or group providing the CI or CSOI must develop a method to appropriately price out the transaction or activity (if the activity is recurring). For example, a per-transaction price may be developed by observing the average time involved in completing a service using CI, applying a proportionate labor rate plus associated overheads, then multiplying by a number of transactions (tracked or estimated) for the accounting period, to compute a charge to the Affiliate or third party. Less complex methods may be appropriate to charge for one-time or infrequent transactions.
- The department or group providing the CI or CSOI will provide sufficient detail to its department financial contact to enable the contact to make the appropriate journal entry to record the charge (or to bill the third party if applicable). The department financial contact must ensure that the appropriate accounting entries are recorded.
- Supporting documentation describing the transaction, as well as the pricing determination support, must be maintained by the department providing the CI or CSOI or the applicable department.

#### **G. COMPLAINT PROCEDURE**

Duke Energy Kentucky follows established procedures to respond to or address any complaints which may arise due to the relationship of Duke Energy Kentucky with Duke Energy, its other Affiliates, or its Nonpublic Utility Operations. Complaints could originate from any source, including customers, potential suppliers, alliance partners, competitors, etc., or could be



referred to the Company by the Commission Staff. The following steps comprise the procedure to follow in the event of a complaint:

- 1) Any verbal or written complaints will be referred to Duke Energy Legal and *Rate Support* departments contact below (written complaints forwarded by the Commission Staff are automatically received by the Legal and *Rate Support* Department).
- 2) The Legal and *Rate Support* departments will conduct or coordinate the investigation of the complaint and prepare any required responses.
- 3) A log of complaints received and the related documents will be maintained by the *Rate Support* department for audit purposes.

***Note: Any complaints received via the Ethics Line will be handled separately according to the procedures established for Ethics Line.***

#### **SUBJECT MATTER EXPERTS & RESOURCES**

<u>Name</u>	<u>Area</u>	<u>Phone</u>
Rocco D’Ascenzo	Legal – State Rules	513.287.4320
Ann Warren	Legal – FERC Rules	704.382.2108
Chris Whicker	Corporate Compliance	704.382.2869

*Note: Department financial contacts referred to in the guidelines above are in the Financial Planning and Analysis organization.*

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### **III. COST DISTRIBUTION PROCESSES FOR AFFILIATE TRANSACTIONS**

#### **A. GUIDELINES FOR CHARGING DUKE ENERGY KENTUCKY FOR COSTS ORIGINATING WITH SERVICE COMPANY**

##### **1. General Guidelines**

Services designated as “shared support” for purposes of this CAM, are Services that are corporate or general utility in nature and are used by multiple business units. These services are provided pursuant to the Service Company Utility Service Agreement described in Section II of this CAM and provided in Appendix B.

The shared services cost distribution process is the method by which costs of the Services Companies are fully distributed to Duke Energy affiliate companies. The objectives of the cost distribution process are to:

- Meet regulatory requirements;
- Ensure that each affiliate shares in and is appropriately charged for the relevant shared services costs;
- Assist affiliates in understanding the cost drivers and bases for allocation of shared services costs that affect their operating results; and
- Provide an accounting model whereby affiliates can see how much is allocated to them for each shared service;

Costs for shared services are distributed to affiliates within Duke Energy through (i) direct charges, (ii) distribution or (iii) allocation. Costs are direct charged to the extent possible. Costs that cannot be direct charged can be distributed to the applicable business units using specific percentages if known. Costs that cannot be direct charged or distributed are allocated to the business units receiving the benefit using reasonable allocation methods as described in Appendix H, the “Shared Services Cost Distribution Details” section of this CAM. Services are charged to Affiliates on a fully distributed cost basis and include labor and non-labor costs. As

part of a fully distributed cost, an overhead component is charged to affiliates as a percentage of DEBS labor costs, whether direct charged, distributed, or allocated. This overhead represents the cost of shared services provided to shared services employees.

The corporate Service Company Allocation and Benefits accounting group is responsible for developing the allocation factors, which serve as the bases for the allocation of costs that have not been direct charged or distributed. Final allocation factors distributing costs to each affiliate sum to 100% for each cost pool, thus clearing out 100% of costs to be allocated each month. Interim adjustments to allocation factors are made only for material transactions, such as an acquisition or divestiture of an affiliate, and for major company reorganizations.

Corporate Accounting reviews Service Company allocation factors annually. During the budget process, rates are recalculated and implemented for actuals at the beginning of the following year. These 2019 rates are reflected in the Shared Service Cost Distribution Detail Schedule included in Appendix M of the Cost Allocation Manual.

The Service Company also charges for certain services under the Service Company Agreement. Refer to Section 1.1 of the September 1, 2008 Second Amended and Restated Service Company Utility Service Agreement for more information.<sup>29</sup> The description of services provided under this agreement is described in Section II of this CAM.

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<sup>29</sup> See Appendix B. The Service Company Utility Service Agreement was updated on September 1, 2008 to reflect the Service Company will act as agent on behalf of the client companies in paying certain costs incurred on behalf of the client companies, and that such costs get passed through to the client companies and that the Service Company shares a common accounting system with the client companies, and that the entry of appropriate transactions reflecting the costs for services rendered satisfied the filling requirement in this section. The terms of the Agreement are substantially similar to the prior agreement entered into as of April 3, 2006.

Types of pass through costs typically handled by the Service Company may include:

- Finance & Accounting Services;
- Insurance Premium Expense;
- Advertising Expense;
- Community Relations Projects;
- Donations;
- Employee Benefits Expense;
- Dues / Subscriptions;
- Merger Execution Costs;
- Research & Development; and
- Miscellaneous Lease / Rent Expense.

By the terms of the Service Company Utility Service Agreement, compensation for any service rendered by the Service Company to its utility affiliates is 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. Each client company is required to reasonably cooperate with each respective service provider to record billings and payments in their common accounting systems.

(Note: Any services provided by Duke Energy Kentucky to the Service Company are provided pursuant to the terms of Operating Company/ Nonutility Companies Service Agreement described above and contained in Appendix C).

## **2. Process**

On a regular basis, Service Company employees provide support to Duke Energy Kentucky. All Service Company resources used to support Duke Energy Kentucky must properly charge Duke Energy Kentucky through (*i*) direct charges, (*ii*) distribution or (*iii*) allocation. Charging fully distributed cost to Duke Energy Kentucky is normally accomplished with the application of a percentage loaded on direct labor. Service Company management is accountable for employees appropriately charging their costs. An Affiliate Rules and Transactions Computer Based Training (CBT) is available in the Training Connection on the Portal.

The following procedure addresses employees' and management's responsibilities.

**a. General Guidelines**

- i. Hours worked by Service Company employees in direct support of Duke Energy Kentucky are charged directly to Duke Energy Kentucky.
- ii. First-line supervisors should review and approve, when appropriate, source documentation resulting in a charge by Service Company to Duke Energy Kentucky (timesheets, employee expenses, etc.).
- iii. First-line supervisors are responsible for reviewing reports that show monthly charges to their responsibility center. These reports would include any charges incurred by the responsibility center to Duke Energy Kentucky.
- iv. Service Company to Duke Energy Kentucky transactions are covered under the Service Company Utility Agreement.

**b. Time Reporting**

When a Service Company employee provides direct support to Duke Energy Kentucky:

- i. Hours worked by Service Company employees in direct support of Duke Energy Kentucky are charged directly to Duke Energy Kentucky.
- ii. Management approvals are required for non-exempt employee timesheets, as well as exempt employee timesheets for vacation carryover or paid supplemental compensation.
- iii. The financial system will automatically load time reported to Duke Energy Kentucky with labor loads of fringe benefits, payroll taxes, incentive pay and unproductive time, as applicable.

**c. Labor Allocations**

Service Company employees provide services to Duke Energy Kentucky at fully distributed cost. Allocation of costs described in items 1 through 5 below are applied as a cost factor to labor charged to Duke Energy Kentucky.

Below are the various cost components of labor loads. The rates for these items may be adjusted during the year to properly accrue the associated actual or anticipated cost.

- i. Fringe Benefit Allocation**
- ii. Payroll Tax Allocation** Payroll taxes include state unemployment, federal unemployment, social security, and Medicare. Payroll taxes are accrued as they are incurred. Actual payroll taxes are charged to the appropriate payroll tax account. These costs are then allocated via a loading factor that is based on labor. This allows the proper distribution of payroll tax between operating and capital projects as well as among Affiliates.
- iii. Incentive Allocation** Incentives are accrued via a loading factor applied to labor charges by a Service Company employee.
- iv. Unproductive Cost Allocation** An unproductive cost allocation is applied to productive labor charges by the Service Company employee. Service Company allocates unproductive costs pro rata to productive labor, either via a monthly ratio or standard rates.
- v. Service Company Overhead** A Service Company overhead rate is based on historical enterprise and governance overhead charged to Regulated Utilities in the following functions: Information Systems, Transportation, Human Resources, Materials Management, Accounting, Public Affairs, Legal, Finance, Facilities, Internal Auditing, Environmental, Health and Safety, Investor Relations, Planning, and Executive.

**B. GUIDELINES AND PROCEDURE FOR CHARGING AFFILIATES FOR COSTS ORIGINATING WITH DUKE ENERGY KENTUCKY**

**1. General Guidelines**

On occasion, Duke Energy Kentucky's employees may be requested to provide support, subject to availability, to Affiliates and NUO. Duke Energy Kentucky's management is responsible for ensuring that use of all company resources to support Affiliate work is properly charged to the Affiliate/NUO. Rules regarding affiliate agreements between Duke Energy

Kentucky and any Affiliate/NUO are described in II, of this CAM. Duke Energy Kentucky will charge the Affiliate/NUO fully distributed cost or the higher of cost or market value as appropriate. Charging the Affiliate/NUO either market or fully distributed cost is normally accomplished with the application of a percentage loaded on direct labor charges. Other charges may be made separately to account for vehicle charges, employee expenses, materials and supplies, contract services, etc. Duke Energy Kentucky's management is accountable for the review and approval of all charges from the utility in support of Affiliate/NUO work. An Affiliate Rules and Transactions CBT (emphasis on DEC/DEP) is available in the Training and Education page on the Portal.

The following procedure addresses employees' and management's responsibilities.

## **2. Process**

a. Hours worked by Duke Energy Kentucky employees in direct support of an Affiliate/NUO are charged directly to the Affiliate.

b. First-line supervisors should review and approve, when appropriate, source documentation resulting in a charge by Duke Energy Kentucky to an Affiliate/NUO (timesheets, employee expenses, etc.).

c. First-line supervisors are responsible for reviewing reports that show monthly charges to their responsibility center. These reports would include any charges incurred by the responsibility-center to an Affiliate/NUO.

d. Transactions originating with Duke Energy Kentucky and charged to an Affiliate typically require the completion of a Service Request form. The process and eForm can be found on the Portal under Rates & Regulatory.

### 3. Time Reporting

When a Duke Energy Kentucky employee supports an Affiliate/NUO:

a. Hours worked by Duke Energy Kentucky employees in direct support of an Affiliate/NUO are charged directly to the Affiliate/NUO.

b. Overtime hours worked by a non-exempt employee during a week should be applied first to the Affiliate/NUO project, up to total hours worked on the project.

i. If overtime pay is charged to the utility but not the Affiliate/NUO in a time reporting period, the reason for the exception shall be fully documented and maintained by the supervisor for a minimum of two years.

ii. For example, a non-exempt employee works 50 hours for a given week, 10 of which must be paid as overtime. Twenty of the 50 hours were in support of an Affiliate project. That project should be charged 10 hours overtime and 10 hours straight-time.

c. When a semi-monthly exempt employee provides support to an Affiliate/NUO and overtime is worked, the employee's regular semi-monthly pay is prorated to the utility and the Affiliate/NUO based on the number of hours worked for each.

d. Management approvals are required for non-exempt employee timesheets, as well as exempt employee timesheets for vacation carryover or paid supplemental compensation.

e. The financial system will automatically load time reported to an Affiliate/NUO with labor loads including fringe benefits, payroll taxes, incentive pay, and unproductive time, as applicable. If market value is to be charged, journal entries will be made by the business finance support group to appropriately adjust the costs to market. The overhead cost factor includes the following components: department administrative overheads, corporate



governance, employee training, Service Company-related shared services, facilities, and supervisory costs.

#### **4. Labor Allocations**

Duke Energy Kentucky employees may provide services to their regulated Utility Affiliates at Duke Energy Kentucky's fully distributed costs and Duke Energy Kentucky employees may provide services to Duke Energy, a Non-Utility Affiliate, a non-regulated Utility Affiliate or NUO at the higher of fully distributed cost or market value, subject to certain exceptions. The mechanism for charging is generally a cost applied to labor charges and a market value journal entry if applicable. Allocation rates described in items a through j below are applied as a cost factor to direct labor charged to an Affiliate/NUO.

Below are the various cost components of labor loads. The rates for Items a-d may be adjusted during the year to properly accrue the associated actual or anticipated cost. Items e-j are components of Duke Energy's Regulated Utilities FE&G labor cost multiplier and are updated annually. It is Duke Energy's intent to calculate Items e-j below on a total Regulated Utilities FE&G basis with the calculations to be performed annually. Annualized costs (either historic or projected), which best align with the current organization will be used in the calculations.

##### **a. Fringe Benefit Allocation**

Fringe benefits are employee benefits such as retirement, and medical and dental insurance. These costs are generally accrued as they are earned. Actual fringe benefit costs are charged to the appropriate administrative and general FERC account. These costs are then allocated via a loading factor that is based on labor. This allows the proper distribution of fringe benefits between operating and capital projects as well as among business units.

**b. Payroll Tax Allocation**

Payroll taxes include state unemployment, federal unemployment, social security, and Medicare. Payroll taxes are accrued as they are incurred. Actual payroll taxes are charged to the appropriate payroll tax account. These costs are then allocated via a loading factor that is based on labor. This allows the proper distribution of payroll tax between operating and capital projects as well as among business units.

**c. Incentive Allocation**

Incentives are accrued via a loading factor applied to direct labor charges by the Duke Energy Kentucky employee performing work for an Affiliate/NUO.

**d. Unproductive Cost Allocation**

An unproductive cost allocation is applied on the basis of direct labor charges by the Duke Energy Kentucky employee performing work for an Affiliate/NUO. Duke Energy Kentucky allocates unproductive costs pro rata to direct labor, either via a monthly ratio or standard rates.

**e. Administrative Overheads**

An Administrative Overhead Rate will be applied on the basis of direct labor charges. Administrative Overheads include Departmental administrative functions (Business Support and General Office Executive Management) labor and non-labor costs, e.g., training, employee expenses, Information Management costs for administrative functions by major functional department.

**f. Corporate Governance**

A corporate governance cost rate is applied on the basis of direct labor charges. The corporate governance rate is based on corporate governance costs allocated to FE&G.

**g. Employee Training Costs**

An employee training cost rate is applied on the basis of direct labor charges. The employee training-related costs factor will be developed by identifying the direct labor charges for those within Regulated Utilities that perform employee training-related tasks. Such training provides employees with the knowledge and skills necessary to perform their job duties, for professional development, and to maintain professional or technical licenses or for certifications required for business operations.

The employee training cost rate is based on the total direct labor charges of the groups within Regulated Utilities that perform employee training-related tasks.

**h. Service Company Costs**

A service company cost rate is based on historical enterprise and governance overhead charged to Regulated Utilities in the following functions: Information Systems, Transportation, Human Resources, Materials Management, Accounting, Public Affairs, Legal, Finance, Facilities, Internal Auditing, Environmental, Health and Safety, Investor Relations, Planning, and Executive.

**i. Facilities Cost**

The facilities cost rate is applied on the basis of direct labor charges. The facility cost rate is based on the annual cost structure for corporate facilities, i.e. (Energy Center and South Tryon, Plainfield, Cincinnati office buildings, and Progress Energy office buildings), and the number of employees occupying these facilities to arrive at an average facility cost.

**j. Supervisory Costs**

The supervisory cost rate is applied on the basis of direct labor charges. The supervisory cost rate represents the cost of supervision related to a Regulated Utilities employee performing

work for an Affiliate Business unit. The basis for determining such costs is through the analysis of supervisory labor cost as a factor of Regulated Utilities employee labor cost.

#### **5. Premium Services (Non-affiliate transactions)**

Premium services are unregulated services provided by the utility to its electric customers. All costs related to premium services are either direct-charged or allocated to non-utility accounts. Costs identified in subsections a through d above are automatically allocated based on labor charges to premium services processes. An additional multiplier rate is also applied to labor charged to these premium services processes to cover costs such as facilities, administrative and corporate overheads, employee training and supervision, and shared services.

### **C. GUIDELINES AND PROCEDURES FOR CHARGING DUKE ENERGY KENTUCKY FOR COSTS ORIGINATING WITH UTILITY AFFILIATES EXCLUDING THE SERVICE COMPANY**

#### **1. General Guidelines**

On occasion, Utility Affiliate (Duke Energy Indiana, Duke Energy Carolinas, Duke Energy Progress, Duke Energy Ohio-Transmission and Distribution, Duke Energy Florida, and Piedmont) employees may be requested to provide support, subject to availability, to Duke Energy Kentucky. Affiliate management is responsible for ensuring that the use of all company resources to support Duke Energy Kentucky is properly charged to Duke Energy Kentucky. The Utility Affiliate will charge its fully distributed cost to Duke Energy Kentucky. Charging Duke Energy Kentucky fully distributed cost is normally accomplished with the application of a percentage loaded on direct labor charges. Other charges may be made separately to account for vehicle charges, employee expenses, materials and supplies, contract services, etc. The Utility Affiliate management is accountable for the review and approval of all charges from the Utility Affiliate in support of Duke Energy Kentucky work. An Affiliate Rules and Transactions CBT is available in the Training Connection on the Portal.

The following procedure addresses employees' and management's responsibilities.

a. Hours worked by the Utility Affiliate employees in direct support of Duke Energy Kentucky are charged directly to Duke Energy Kentucky.

b. First-line supervisors should review and approve, when appropriate, source documentation resulting in a charge by Utility Operations to Duke Energy Kentucky (timesheets, employee expenses, etc.).

c. First-line supervisors/managers are responsible for reviewing any reports that detail monthly charges to their responsibility center. These reports would include any charges incurred by the responsibility center to Duke Energy Kentucky.

d. Utility Affiliate to Duke Energy Kentucky transactions typically require the completion and approval of a Service Request form, unless Duke Energy Kentucky is requesting the service from the other. The process and eForm can be found on the Portal under Rates & Regulatory.

## **2. Time Reporting**

When a Utility Affiliate employee supports Duke Energy Kentucky:

a. Hours worked by the Utility Affiliate employees in direct support of Duke Energy Kentucky are charged directly to Duke Energy Kentucky.

b. Management approvals are required for non-exempt employee timesheets, as well as exempt employee timesheets for vacation carryover or paid supplemental compensation.

c. The financial system will automatically load time reported to Duke Energy Kentucky with labor loads including fringe benefits, payroll taxes, incentive pay, and unproductive time, as applicable. If market value is to be charged, journal entries will be made

by the Regulated Utility Financial Planning & Analysis group to appropriately adjust the costs to market. The overhead cost factor includes the following components: department administrative overheads, corporate governance, employee training, Service Company-related shared services, facilities, and supervisory costs.

### **3. Labor Allocations**

Utility Affiliate employees provide services to Duke Energy Kentucky at fully distributed cost. The mechanism for charging Duke Energy Kentucky is generally a cost adder applied to labor charges and a market value journal entry if applicable. Allocation rates described in items a through j below are applied as a cost factor to direct labor charged to Duke Energy Kentucky. Below are the various cost components of labor loads. The rates for Items a-d may be adjusted during the year to properly accrue the associated actual or anticipated cost. Items e-j are components of Duke Energy's Regulated Utilities labor cost multiplier and are updated annually.

#### **a. Fringe Benefit Allocation**

Fringe benefits are employee benefits such as retirement and medical and dental insurance. These costs are generally accrued as they are earned. Actual fringe benefit costs are charged to the appropriate administrative and general FERC account. These costs are then allocated via a loading factor that is based on labor. This allows the proper distribution of fringe benefits between operating and capital projects as well as among business units.

#### **b. Payroll Tax Allocation**

Payroll taxes include state unemployment, federal unemployment, social security, and Medicare respective to each Utility Affiliate. Payroll taxes are accrued as they are incurred. Actual payroll taxes are charged to the appropriate payroll tax account. These costs are then

allocated via a loading factor that is based on labor. This allows the proper distribution of payroll tax between operating and capital projects as well as among business units.

**c. Incentive Allocation**

Incentives are allocated via a loading factor applied to direct labor charges by each Utility Affiliate employee performing work for Duke Energy Kentucky.

**d. Unproductive Cost Allocation**

An unproductive cost allocation is applied on the basis of direct labor charges by each Utility Affiliate employee performing work for Duke Energy Kentucky. Each Utility Affiliate allocates unproductive costs pro rata to direct labor, either via a monthly ratio or standard rates.

It is Duke Energy's intent to calculate Items e-j below on a total Regulated Utilities basis with the calculations to be performed annually. Annualized costs (either historic or projected), which best align with the current organization will be used in the calculations. See Section III B., *Guidelines and Procedures for Charging Affiliate for Costs Originating with Duke Energy Kentucky*, for details of Items (e) – (j).

**e. Administrative Overheads**

**f. Corporate Governance**

**g. Employee Training Costs**

**h. Service Company Costs**

**i. Facilities Cost**

**j. Supervisory Costs**

**D. GUIDELINES AND PROCEDURE FOR CHARGING DUKE ENERGY KENTUCKY FOR COSTS ORIGINATING WITH NON-REGULATED AFFILIATES**

**1. General Guidelines**

On occasion, employees of Non-Regulated Affiliates may be requested to provide support, subject to availability, to Duke Energy Kentucky. (Non-Regulated Affiliates' management is responsible for ensuring that use of all company resources to support Duke Energy Kentucky work is properly charged to Duke Energy Kentucky.) Rules regarding affiliate agreements between Non-Regulated Affiliates and Duke Energy Kentucky are described in Section II of this CAM and specific agreements are contained in the Appendix. Non-Regulated Affiliates will charge Duke Energy Kentucky the lower of fully distributed cost or market value as appropriate. Charging Duke Energy Kentucky either market or fully distributed cost is normally accomplished with the application of a percentage loaded on direct labor charges. Other charges may be made separately to account for vehicle charges, employee expenses, materials and supplies, contract services, etc. Non-Regulated management is accountable for the review and approval of all charges from Non-Regulated Affiliates in support of Duke Energy Kentucky's work.

The following procedure addresses employee's and manager's responsibilities.

- a. Hours worked by employees of Non-Regulated Affiliates in direct support of Duke Energy Kentucky are charged directly to Duke Energy Kentucky.
- b. First-line supervisors should review and approve, when appropriate, any source documentation resulting in a charge by Non-Regulated Affiliates to Duke Energy Kentucky (timesheets, employee expenses, etc.).



c. First-line supervisors are responsible for reviewing reports that show monthly charges to their responsibility center. These reports would include charges incurred by the responsibility center to Duke Energy Kentucky.

d. Non-Regulated to Duke Energy Kentucky transactions typically require the completion and approval of a Service Request form. The process and eForm can be found on the Portal under Rates & Regulatory.

## **2. Time Reporting**

When a Non-Regulated employee supports Duke Energy Kentucky:

a. Hours worked by Non-Regulated employees in direct support of Duke Energy Kentucky are charged directly to Duke Energy Kentucky.

b. Management approvals are required for non-exempt employee timesheets, as well as exempt employee timesheets for vacation carryover or paid supplemental compensation.

c. The financial system will automatically load time reported to Duke Energy Kentucky with labor loads including fringe benefits, payroll taxes, incentive pay, and unproductive time, as applicable. If market value is to be charged, journal entries will be made by the Non-Regulated Affiliate's financial group to appropriately adjust the costs to market.

## **3. Labor Allocations**

Non-Regulated employees provide services to Duke Energy Kentucky at the lower of fully distributed cost or market value. The mechanism for charging Duke Energy Kentucky is generally a cost adder applied to labor charges. When appropriate to charge market, a market value journal entry is made. Allocation rates described in items 1 through 10 may be applied as a cost factor to direct labor when charging Duke Energy Kentucky.

Below are the various cost components of labor loads which may be applied to labor when Non-Regulated Affiliates do work for and charge Duke Energy Kentucky. The rates for Items a-d (specific to Non-Regulated Affiliates) may be adjusted during the year to properly accrue the associated actual or anticipated cost. Items e-j may also be included as components of Non-Regulated Affiliates' labor cost multiplier.

**a. Fringe Benefit Allocation**

Fringe benefits are employee benefits such as retirement and medical and dental insurance. These costs are generally accrued as they are earned. Actual fringe benefit costs are charged to the appropriate administrative and general FERC account. These costs are then allocated via a loading factor that is based on labor. This allows the proper distribution of fringe benefits between operating and capital projects as well as among business units.

**b. Payroll Tax Allocation**

Payroll taxes include state unemployment, federal unemployment, social security, and Medicare. Payroll taxes are accrued as they are incurred. Actual payroll taxes are charged to the appropriate payroll tax account. These costs are then allocated via a loading factor that is based on labor. This allows the proper distribution of payroll tax between operating and capital projects as well as among business units.

**c. Incentive Allocation**

Incentives are allocated via a loading factor applied to direct labor charges by the Non-Regulated employee performing work for Duke Energy Kentucky.

**d. Unproductive Cost Allocation**

An unproductive cost allocation is applied on the basis of direct labor charges by the Non-Regulated employee performing work for Duke Energy Kentucky. Non-Regulated

Affiliates allocate unproductive costs pro rata to direct labor, either via a monthly ratio or standard rates.

See Section III B., *Guidelines and Procedures for Charging Affiliate for Costs Originating with Duke Energy Kentucky*, for details of Items (e) – (j).

- e. Administrative Overheads**
- f. Corporate Governance**
- g. Employee Training Costs**
- h. Service Company Costs**
- i. Facilities Cost**
- j. Supervisory Costs**

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## **E. TYPICAL TRANSACTIONS BETWEEN DUKE ENERGY KENTUCKY AND AFFILIATES COVERED UNDER SEPARATE AGREEMENTS**

The following are some of the typical transactions that Duke Energy Kentucky conducts with affiliates under separate agreements not otherwise discussed in this manual. These agreements and others can be found on the [Rates and Regulatory Portal](#) page.

### **1. Bison Insurance (Duke Energy Kentucky)**

Duke Energy's Insurance program requires that costs be identified and allocated to the business units based upon their contributions to the risk of the entire company. The programs are designed to encourage risk control, early claims reporting, and efficient claims management and allow for cost-based pricing.

This is accomplished by transferring the insurable losses across the company to the captive insurance companies, generally after a small business unit deductible is met. The captives also reinsure their risk in excess of its retention (an additional deductible) with unrelated third-party reinsurance companies. The captives charge premiums to business units that participate in the program to cover the aggregate cost of reinsurance and the estimated retained losses at the captives. This works essentially the same way commercial insurance works where the losses of a few are covered by the premiums of many.

The primary types of costs to be allocated are:

- retained losses and related loss adjustment expenses
- insurance premiums

Duke Energy has developed specific premium calculation methodologies for each line of coverage (i.e., general liability, property, workers' compensation and directors and officers), which is similar to how commercial insurance underwrites risk.

Insurance premiums (costs) are generally allocated on a blended basis of exposure and historical loss experience (frequency and severity).

**2. Facilities (Duke Energy Kentucky)**

Provides for the lease of certain office space by DEBS in buildings owned by Duke Energy Kentucky.

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**F. AUDIT PRINCIPLES & GUIDELINES**

An audit trail shall exist with respect to transactions between Duke Energy Kentucky and its affiliates.

Corporate Audit Services will have complete access to affiliate records necessary to ensure that cost allocations and affiliate transactions are conducted in accordance with established policies and procedures and regulatory requirements. Auditors will have complete access to affiliate records to ensure availability of relevant information necessary to evaluate whether subsidization exists. The auditors, not the individual affiliates, will determine what is relevant for a particular audit objective. Limitation of access would compromise the audit process and impair audit independence.

Cost allocation documentation will be made available to Corporate Audit.

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#### IV. KENTUCKY'S CAM REQUIREMENTS

The remainder of Duke Energy Kentucky's CAM is organized to follow the CAM regulations set forth in KRS 278.2205(2)(a) through (f).<sup>30</sup> The individually labeled tabs identify the various documents that explain the operational and cost allocation procedures of Duke Energy Kentucky, as required under each of the five sub-paragraphs of KRS 278.2205(2).<sup>31</sup> The attached Appendix includes copies of various service agreements and reports that describe allocation procedures and fulfill the reporting requirements required under KRS 278.2205 (b) (c) (d) (e) and (f), as well as, Commission Orders.

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#### **KRS 278.2205 Cost allocation manual for nonregulated activity -- Contents -- Maintenance.**

- (1) Any utility that engages in a nonregulated activity whose revenue exceeds the amount provided for incidental nonregulated activities under KRS 278.2203(4)(a), shall develop and maintain a CAM as described in subsections (2) to (5) of this section.
- (2) A CAM shall contain the following information for a utility's jurisdictional operations in the Commonwealth:
  - (a) A list of regulated and nonregulated divisions within the utility;
  - (b) A list of all regulated and nonregulated affiliates of the utility to which the utility provides services or products and where the affiliates provide nonregulated activities as defined in KRS 278.010(21);
  - (c) A list of services and products provided by the utility, an identification of each as regulated or nonregulated, and the cost allocation method generally applicable to each category;
  - (d) A list of incidental, nonregulated activities that are subject to the provisions of KRS 278.2203(4);
  - (e) A description of the nature of transactions between the utility and the affiliate; and
  - (f) For each USoA account and subaccount, a report that identifies whether the account contains costs attributable to regulated

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<sup>30</sup> KY. REV. STAT. ANN. § 278.2205 (Banks-Baldwin 2007).

<sup>31</sup> *Id.*

operations and nonregulated operations. The report shall also identify whether the costs are joint costs that cannot be directly identified. A description of the methodology used to apportion each of these costs shall be included and the allocation methodology shall be consistent with the provisions of KRS 278.2203.

- (3)** Within two hundred seventy (270) days of July 14, 2000, the utility shall file:
    - (a)** A statement with the commission that certifies the CAM has been developed and will be adopted by the management, effective with the beginning of the next calendar year. The statement shall be signed by an officer of the utility; and
    - (b)** One (1) copy of the CAM.
  - (4)** Within sixty (60) days of any material change in matters required to be listed in the CAM, the utility shall amend the CAM to reflect the change.
  - (5)** The CAM shall be available for public inspection at the utility and at the commission.
  - (6)** The CAM shall be filed as part of the initial filing requirement in a proceeding involving an application for an adjustment in rates pursuant to KRS 278.190.
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**KRS 278.2205(2)(a)**

**A. A list of regulated and nonregulated divisions within the utility.**

The above requirement is not applicable to Duke Energy Kentucky. Duke Energy Kentucky does not contain nonregulated divisions. The divisions of Duke Energy Kentucky consist solely of its regulated electric and gas utility operations, which are subject to the Commission's jurisdiction. Duke Energy Kentucky provides various services and goods to and receives various services from regulated and nonregulated affiliates, as discussed throughout this CAM.

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**KRS 278.2205(2)(b)**

- B. A list of all regulated and nonregulated affiliates of the utility to which the utility provides services or products and where the affiliates provide nonregulated activities as defined in KRS 278.010(21).<sup>32</sup>**

Appendix N is a complete list of the Duke Energy Kentucky affiliates within the Duke Energy holding company structure, including utility operating companies, which engage in nonregulated activity pursuant to KRS 278.010(21). The list identifies the affiliates by name and lists the nature of the affiliate's business. This list is maintained and updated regularly by Duke Energy's Corporate Secretary Office. The services provided between Duke Energy Kentucky and its affiliates are described and permitted pursuant to various service agreements described in Section II of this CAM.<sup>33</sup> Copies of these agreements are contained in the attached Appendix.

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<sup>32</sup> "Non-regulated activity" means the provision of competitive retail gas or electric services or other products or services over which the Commission exerts no regulatory authority. KY. REV. STAT. ANN. § 278.010(21) (Banks-Baldwin 2007).

<sup>33</sup> See discussion in Section II.

**KRS 278.2205(2)(c)**

**C. A list of services and products provided by the utility, an identification of each as regulated or nonregulated, and the cost allocation method generally applicable to each category.**

**1. Regulated Services / Products offered by Duke Energy Kentucky**

Duke Energy Kentucky offers retail electric and gas service in accordance with Commission-approved tariffs. Duke Energy Kentucky also offers its customers several regulated energy efficiency related services and products within the Commonwealth of Kentucky. Duke Energy Kentucky receives compensation for these services pursuant to its Commission-approved Demand-Side Management (DSM) tariff riders.

With the exception of the PilotLite and Gas Weatherization programs, all of the regulated programs are part of Duke Energy Kentucky's DSM Program. Since 1996, Duke Energy Kentucky has used the DSM Riders to recover the direct costs associated with its regulated DSM programs. The riders are based on Duke Energy Kentucky's forecasted (budget) costs. Duke Energy Kentucky reconciles the rider on an annual basis and any over or under-collections of rider revenues are reflected in the next annual filing. The costs are allocated to the program participants by rate/revenue class.

PilotLite is a service offered to customers and provided by request. Costs are charged directly to customers requesting the service. In addition to these DSM products and services, Duke Energy Kentucky offers various tariffed gas and electric services. The Company's tariffs are publicly filed with the Commission. The costs for these services are allocated to customer class pursuant to cost of

service studies approved by the Commission in the company's rate proceedings.

The services include the following:

- **Residential Smart Saver<sup>®</sup>**: The Residential Smart Saver<sup>®</sup> is a broad category of measures that for ease of use for customers, has been divided into two discrete program tariffs: 1) Energy Efficient Residences; and 2) Energy Efficient Products. The Smart Saver<sup>®</sup> program provides incentives to customers and builders to promote the installation of high-efficiency air conditioners and heat pumps (HVAC) with electronically commutated fan motors (ECMs), and optional smart Wi-Fi thermostats, as well as attic insulation and air sealing, duct sealing, duct insulation, HVAC tune ups and high efficiency lighting including property manager lighting. Additional measures in this program include high efficiency water measures for single and multi-family residences, pool pumps, and heat pump water heaters. These programs are promoted through trade ally outreach and direct communication to customers using numerous channels such as direct mail, community presentations and website promotions.
- **Residential Energy Assessments**: Duke Energy Kentucky provides an in-home assessment called Home Energy House Call. Home Energy House Call is promoted primarily through direct mail and targets owner-occupied, single family residences. The assessors are certified by the Building Performance Institute, Inc., and spend sixty to ninety minutes with customers as they evaluate the home and explain ways to save energy and money. The assessors offer low cost/no cost recommendations that encourage behavioral changes and inform customers about energy efficiency considerations for higher cost investment

decisions like new HVAC or appliances. The assessors also install measures from an energy efficiency kit while in the home.

- **Low Income Services:** The Company offers weatherization and refrigerator replacement services to income-qualified customers through Community Action Agencies and Non-Governmental Organizations. Weatherization services may include low cost/no cost energy efficiency measures, air infiltration reduction, insulation, heating system repair or replacement, and health and safety improvements.

The Payment Plus program targets customers who have received LIHEAP assistance and allows eligible customers to participate in energy efficiency and budget counseling courses. Upon completion of the courses, customers are encouraged to register for the weatherization and refrigerator replacement programs. As an incentive, customers receive monetary credits towards their Duke Energy bill arrearage for attending the courses and having weatherization services performed on their home.

- **Residential Direct Load Control- Power Manager:** This program offers incentives to single family residential customers who allow the Company to cycle their outdoor central air conditioning compressor during period of peak demand or during emergency situations between May and September. The program is promoted using various channels with an emphasis on outbound telemarketing, direct mail, email, and web-based promotions.
- **My Home Energy Report:** The My Home Energy Report (MyHER Report) compares household electric usage to similar, neighboring homes, and provides

recommendations and actionable tips to lower energy consumption. The report also informs a customer of the Company's other energy efficiency programs when applicable. Beginning in 2019,<sup>34</sup> the My Home Energy Report changed from an opt-out program to an opt-in program at the direction of the Kentucky Public Service Commission. Customers will receive at most 2 paper reports and 12 emailed reports. Customers who enroll in the MyHER Interactive portal will also be eligible to receive weekly email challenges that seek to engage customers in active energy management, additional efficiency upgrades, and conservation behaviors.

- **Low Income Neighborhood Program:** The Duke Energy Kentucky Neighborhood Program takes a non-traditional approach to serving income-qualified areas of the Duke Energy Kentucky service territory. The program engages targeted customers with personal interaction in a familiar setting while ultimately reducing energy consumption by directly installing measures and educating the customer on better ways to manage their energy bills. Examples of direct installed measures include high efficiency lighting, water heater and pipe wrap, low flow shower heads/faucet aerators, window and door air sealing and HVAC filter replacements. Targeted low-income neighborhoods qualify for the program if at least 50% of the households are at or below 200% of the federal poverty guidelines. Duke Energy Kentucky will analyze electric usage data and previous program participation to prioritize neighborhoods that have the greatest need and propensity to participate. While the goal is to serve neighborhoods where the majority of residents are lower income, the program is available to all

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<sup>34</sup> As ordered in Case No. 2017-00427 on September 13, 2018.

Duke Energy Kentucky customers in the defined neighborhood. This program will be available to both homeowners and renters occupying single family and multi-family dwellings in the target neighborhoods that have electric service provided by Duke Energy Kentucky.

A community-based kick-off event will be held for targeted neighborhoods. These kick-off events will feature local community leaders and energy experts that will explain program components. The purpose of the kick-off event is to rally the neighborhood around EE and to help customers understand steps needed to lower their energy bills. Following the kick-off event, energy assessments will be completed in the customers' homes and the appropriate energy saving measures will be installed if the customer elects to have the work completed. Direct mail and call center support will supplement community-based outreach. This program will be used as a lead generation source for other Duke Energy Kentucky and external energy efficiency programs.

- **Smart Saver<sup>®</sup> Prescriptive:** The Smart Saver<sup>®</sup> Prescriptive program includes approximately 300 measures covering five broad technology categories of: Lighting, HVAC, Pumps/Drives, Energy Star Food Service Equipment, and Process Equipment. The incentives offered are designed to offset a portion of the capital cost of moving to higher efficiency equipment. Incentives are also offered for performing maintenance on certain types of equipment. The incentive amounts are known to the customer before they undertake their project, so the

customer can proceed with their project and submit documentation after installation.

Per the Commission Order, the program implemented a reservation system to better manage program costs.

- **Smart Saver® Custom:** The Smart Saver® Custom program is intended to capture quantifiable energy savings from projects that do not fit into the Prescriptive portfolio. A key difference between the Prescriptive and Custom programs is that the Custom program requires that the customer submit an application before they commit to their project. Once a project is submitted, it undergoes a technical review to validate the viability of the technology and the reasonableness of the energy savings claims. After the technical review, the energy savings are modeled against the customers load profile (or a representative load profile) to calculate the avoided energy and avoided capacity associated with the installation. At this point, the customer is tendered an incentive offer. Provided the customer completes the project, upon verification of the installation via project completion documents, the customer is issued an incentive check in the amount originally tendered. Duke Energy Kentucky reserves the right to adjust the incentive amount paid either up or down should the installation deviate from what was originally submitted.

Both the Smart Saver® Prescriptive and Custom programs allow for customers to either receive their incentive checks directly, or to assign them to a vendor, provided the vendor reduces the amount invoiced to the customer by the



amount of the incentive or to assign them to another designee, such as a tenant or building owner.

Per the Commission Order, the program implemented a reservation system to better manage program costs.

- **Small Business Energy Saver:** The purpose of the Small Business Energy Saver (SBES) program is to facilitate the installation of high efficiency equipment in existing, small non-residential Duke Energy Kentucky customer facilities. SBES is designed to target the small non-residential customer segment using the direct install program model, which makes the energy efficiency upgrade process as streamlined and convenient as possible.

SBES offers free, no-obligation energy assessments of qualifying non-residential customer facilities which result in recommendations of energy efficiency measures to be installed at the facility along with the projected energy savings, costs of all materials and installation, and the upfront incentive amount from Duke Energy Kentucky. Upon receiving the results of the assessment, if the customer chooses to move forward, the customer makes the final determination of project scope prior to installation. Duke Energy Kentucky then provides upfront incentives to discount the installation costs of select energy efficiency improvements in lighting; refrigeration; processes; and heating ventilation and air conditioning.

SBES program incentives are calculated per project, based upon the estimated energy savings of the energy-efficiency improvements and the conditions found within the customer's facility. Duke Energy Kentucky may

provide an upfront customer incentive for up to 80 percent of the total cost of installed measures. All aspects of the program are managed by a Duke Energy Kentucky-authorized program administrator. Duke Energy Kentucky provides a list of customers who meet the program eligibility requirements to the program administrator in order for the program administrator to perform the work described above. Duke Energy Kentucky's incentive payment for any installed measures are paid directly to the program administrator upon verification that the energy efficiency measure(s) have been installed. All project costs above the incentive amount are the responsibility of the Customer are paid based upon payment terms arranged between the customer and program administrator after installation.

- **PowerShare®**: PowerShare® is Duke Energy Kentucky's demand response program offered to commercial and industrial customers. The program offers various options for customers to choose from. PowerShare® QuoteOption is offered for customers who only want to reduce their load when power prices are high. In this program, customers receive notice of a price offer from Duke Energy Kentucky to reduce load. Based on the price offered, the customer makes the decision as to whether or not they will reduce load. If a customer elects not to reduce load, there are no penalties for declining participation in the event. Participation is purely voluntary. The customer only receives a credit for the number of kilowatt-hours they reduced during the event, multiplied by the price offered by Duke Energy Kentucky.

Customers may also participate in the CallOption program. Under the CallOption program, customers receive a monthly credit for providing Duke Energy Kentucky with the right to call on the customers' load during periods of peak demand or emergency situations. Both of the CallOption offers contain an emergency provision wherein the customer agrees to provide an unlimited number of interruptions for curtailments initiated by PJM Interconnection, LLC during eligible months. The minimum contractual load reduction commitment allowed under the program is 100 kW.

- **Peak Time Rebate (PTR) Pilot Program:** The PTR pilot program offers participating residential customers the opportunity to lower their electric bill by reducing their electric usage during Company-designated peak load periods known as Critical Peak Events (CPE). The Company has branded the program to customers under the name Peak Time Credits and describes CPEs to participants as Peak Day events.

## 2. **Nonregulated Products and Services offered by Duke Energy Kentucky**

Duke Energy offers three nonregulated products/services in the Commonwealth: (1) Residential StrikeStop; (2) Underground Protection; and (3) Duke Energy Connections (DE Connections). These services are operated by Duke Energy One, Inc., a nonregulated affiliate, pursuant to the Operating Company/ Nonutility Companies Service Agreement.<sup>35</sup> The StrikeStop®, Underground Protection and DE Connections products are not part of the regulated services offered by Duke Energy Kentucky and as a result, are not regulated by the Kentucky Public Service Commission. Purchasers of these products will receive no preference or

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<sup>35</sup> See Appendix C.

special treatment from Duke Energy Kentucky in regard to their regulated electric service. A customer does not have to buy these products in order to receive the same safe and reliable electric service from Duke Energy Kentucky. Marketing, advertising, and program management costs are not associated with the regulated utility nor are any costs recovered through utility rates.

- **StrikeStop:** This program provides a residential surge arrestor device that is installed behind the customer's electric meter. The surge protector is sold to the homeowner; transfer of ownership from Duke Energy One to the customer is complete once the customer pays for the unit in full. There is a low-profile unit that is applicable to the vast majority of residential customers. The purchase price of the unit is \$167.76. A 400-amp version of the arrestor is also available for \$249.99. The program includes the option for the customer to enroll in Monetary Coverage, which covers a mechanical or electrical breakdown to covered equipment caused by a direct result of a power surge. Monetary Coverage is \$2.99 per month and available while the StrikeStop unit is covered under the manufacturer's warranty (ten years). Customers enrolled in StrikeStop are mailed notices when their ten-year manufacturer's warranty is ending and are invited to renew. This program is no longer proactively marketed to new customers; however, it retains a web presence as an option to Kentucky customers while serving as a reference point with important phone numbers and terms and conditions for current participants in the program.
- **Underground Protection:** The underground electrical service line from the transformer or junction box to the meter has historically been the customer's

responsibility. Effective June 2019, Duke Energy Kentucky began taking over ownership of qualified underground service lines upon failure and are repaired or replaced by the Company under a Kentucky Public Service Commission Ruling. While this program is no longer proactively marketed as an option to customers, it retains a web presence. There remain customers with property characteristics that do not meet the residential service criteria required for Duke Energy Kentucky to assume maintenance responsibility of underground service failure as defined and directed under the Commission's guidance. Through Electric Underground Protection Program, if an enrolled customer's underground service line fails, Duke Energy One will repair the line at no cost to the customer with coverage limited to \$4,000. Residential Underground Protection is available at \$4.99 per month.

- **DE Connections:** DE Connections offers all start/transfer residential customers the opportunity to set up all other necessary home services (outside of electricity). DE Connections customers will be transferred to a trusted business partner who will explain cable, internet, home phone, and other options available at the customer's new address. DE Connections will take care of all enrollments and will also make all appointments necessary to setup these added services at the customer's new home.

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**KRS 278.2205(2)(d)**

**D. A list of incidental, nonregulated activities that are subject to the provisions of KRS 278.2203(4).**

Duke Energy Kentucky reports its incidental and nonregulated activities as part of an annual filing to the Commission. The report includes nonregulated products or services that Duke Energy Kentucky provides to non-affiliated third parties. The list includes a description of the activity as well as a total of the nonregulated revenue to Duke Energy Kentucky for the calendar year. All incidental nonregulated activities reported are reasonably related to Duke Energy Kentucky's regulated services because these activities all involve services that either: (1) are closely associated with Duke Energy Kentucky's supplying and delivering gas and electric service to customers; (2) facilitate use of Duke Energy Kentucky's trenches to cable and telecom providers; or (3) provide for revenue from leasing excess utility facilities. Appendix O contains a copy of the incidental nonregulated activities report for calendar year 2021.

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**KRS 278.2205(2)(e)**

**E. A description of the nature of transactions between the utility and the affiliate.**

**1. Transactions with Affiliates under Kentucky Law:**

Duke Energy Kentucky is authorized to provide goods and services to and receive services and goods from its regulated and nonregulated affiliates providing the transactions are consistent with Kentucky Law. The nature of the transactions between Duke Energy Kentucky and its affiliates are more fully described in Section II of this CAM and are embodied in the various service agreements contained in the Appendix to this CAM.

Kentucky law sets forth a list of “prohibited business practices” related to the utility’s operation and interaction with affiliates. In general, these rules apply to the sharing of information, databases, employee resources, joint marketing and regulated and nonregulated activities. Specifically, KRS 278.2213 provides the following:

- A utility and its affiliate shall be separate corporate entities and maintain separate books and records. If a utility and nonregulated affiliate have common officers, directors, or employees, the fees, compensation, and expenses of the individuals involved shall be subject to the cost allocation requirements set forth in KRS 278.2203 and 278.2207. Any utility that provides nonregulated activities shall separately account for all investments, revenues, and expenses in accordance with its filed cost allocation manual.
- A utility shall not provide advertising space in its billing envelope to its affiliates or for its nonregulated activities unless it offers the same to competing service providers on the same terms it provides to its affiliates. This subsection applies to nonregulated activities only.

- A utility shall not attempt to persuade customers to do business with its affiliates by offering rebates or discounts on tariffed services.
- All utility company employees engaged in the merchant function shall abide by all standards promulgated by applicable FERC orders and regulations.
- No utility employee shall share any confidential customer information with the utility's affiliates unless the customer has consented in writing, or the information is publicly available or is simultaneously made publicly available.
- All dealings between a utility and a nonregulated affiliate shall be at arm's length.
- Employees transferring from the utility to an affiliate shall not disclose to the affiliate confidential information or take with them any competitively sensitive materials.
- Neither a utility nor its employees or agents shall solicit business on behalf of an affiliate or for its nonutility services.
- A utility that carries out any research and development or joint marketing and promotion with its affiliate for its nonregulated activities shall be subject to the cost allocation requirements set forth in KRS 278.2203.
- Except as provided in subsection (e) of this section, if a utility is engaged in a nonregulated activity, marketing employees for the nonregulated activity shall not have access to the customer information provided to the utility when the customer places an order for regulated service.
- A utility shall not provide any type of undue preferential treatment to a nonregulated affiliate to the detriment of a competitor.
- A utility shall notify the customer that competing suppliers of a nonregulated service exist if:
  - The utility receives a request for a recommendation from a customer seeking a specific service which is offered by the utility's affiliate or by the utility itself; and
  - The utility mentions itself or its affiliate when making the recommendation to the customer.



- The utility's name, trademark, brand, or logo shall not be used by a nonregulated affiliate in any type of visual or audio media without a disclaimer. The commission shall develop specifications for the disclaimer. The disclaimer shall be approved by the commission prior to use in any advertisement by the utility's affiliate.
- A utility shall not enter into any arrangements for financing nonregulated activities through an affiliate that would permit a creditor upon default to have recourse to the assets of the utility.
- A utility shall inform the commission of all new nonregulated activities begun by itself or by the utility's affiliate within a time to be set by the commission.
- Start-up costs associated with the formation of a nonregulated affiliate shall not be included in the utility's rate base.
- The commission may require the utility to file annual reports of information related to affiliate transactions when necessary to monitor compliance with these guidelines.

Transactions between Duke Energy Kentucky and its affiliates must be priced in accordance with KRS 278.2207. Unless otherwise approved by the Commission, Duke Energy Kentucky provides tariffed services and products to an affiliate pursuant to the tariffed rate. And non-tariffed items are priced at the Duke Energy Kentucky's fully distributed cost but in no event less than market or in compliance with the utility's existing USDA, SEC, or FERC approved cost allocation methodology. Unless otherwise approved by the Commission, services and products provided by an affiliate to Duke Energy Kentucky are to be priced at the affiliate's fully distributed cost but in no event greater than market or in compliance with the utility's existing USDA, SEC, or FERC approved cost allocation methodology. Deviations from KRS 278.2207 may be granted if the Commission determines the transaction to be in the public interest. Section II of this CAM describes the various Commission-approved service agreements that permit deviations from the default affiliate transaction asymmetric pricing requirements.

Additionally, Duke Energy Kentucky may engage in transfers with its non-utility affiliates in accordance with KRS 278.218 and the affiliate conduct rules under Kentucky law as discussed in Section IV, E(1) above.

***In summary, unless the Commission approves otherwise, Duke Energy Kentucky pays the lower of cost or market for non-tariffed goods and services it receives from affiliates. Duke Energy Kentucky receives the higher of cost or market for non-tariffed goods or services it provides to affiliates.***

***If transactions between Duke Energy Kentucky and its affiliates are priced in accordance with KRS 278.2207 or are permitted under an already approved service agreement,<sup>36</sup> Commission approval is not necessary. Any deviation from KRS 278.2207's pricing must be approved in advance by the Commission. Legal must be contacted.***

### **2021 Services**

During 2021, there have been transactions provided pursuant to the agreements referenced above. Generally, the transactions that have occurred have been related to the provision of services between affiliates in the form of employee time devoted to various activities. Examples of transactions where Duke Energy Kentucky is the recipient of services from affiliates are as follows:

- Duke Energy Ohio provided transmission and distribution services;
- Duke Energy Carolinas provided customer services;
- Duke Energy Ohio provided gas distribution system services;
- Duke Energy Carolinas provided transmission and distribution services; and
- Duke Energy Carolinas provided other goods and services.

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<sup>36</sup> See Section II above.

Examples of transactions where Duke Energy Kentucky is the provider of services to affiliates are as follows:

- Duke Energy Kentucky provided transmission and distribution services to Duke Energy Ohio;
- Duke Energy Kentucky provided admin, training, and support services at combustion turbine sites to Duke Energy Indiana; and
- Duke Energy Kentucky provided distribution system services to Duke Energy Ohio.

These examples do not include the description of services rendered under the Service Company Utility Service Agreement because, under Duke Energy's holding company structure, it is contemplated that service company employees are involved in the day to day operations of all utility operating companies under Duke Energy and provide substantial back-office support services. For the purposes of the present report, it was determined that services and products provided by Duke Energy Kentucky to or received by Duke Energy Kentucky from other affiliated companies was of greater relevance to the report.

Appendix P is a copy of Duke Energy Kentucky's FERC Affiliate Transaction Report for 2021. This report includes a list of the goods and services provided by Duke Energy Kentucky for its affiliates, and goods and services provided by the affiliates to Duke Energy Kentucky during 2021. This list includes the value of services rendered under the Service Company Utility Service Agreement.

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**KRS 278.2205(2)(f)**

- F. For each USoA account and subaccount, a report that identifies whether the account contains costs attributable to regulated operations and nonregulated operations. The report shall also identify whether the costs are joint costs that cannot be directly identified. A description of the methodology used to apportion each of these costs shall be included and the allocation methodology shall be consistent with the provisions of KRS 278.2203.<sup>37</sup>**

Duke Energy Kentucky maintains its books and records in accordance with the FERC Uniform System of Accounts (USoA). The FERC USoA designates specific accounts where nonregulated transactions are to be recorded. Costs related to Duke Energy Kentucky's unregulated activities, as identified in Appendix B, are charged to various 415, 417, and 418 accounts, as indicated by the name of the accounts, in accordance with the FERC USoA requirements. The charges in these accounts were for various nonregulated operations such as joint trench operations and lease revenue related to non-utility property. Unregulated costs are charged directly to these accounts. The remaining transactions on Duke Energy Kentucky's books are related to regulated utility operations.

Appendix Q consists of the USoA chart of accounts for Duke Energy Kentucky as of February 2022. The list includes both the account number and a brief description of what is included in the account.

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(2) In allocating costs between regulated and non-regulated activities, a utility shall utilize one (1) of the following cost allocation methods:

(a) The fully distributed cost method; or  
(b) A cost allocation method recognized or mandated by the rules of the SEC promulgated pursuant to 15 U.S.C. sec. 79, et seq., or promulgated by the FERC or by the USDA. KY. REV. STAT. ANN. § 278.2203(2) (Banks-Baldwin 2006).

**278.2201 Prohibition against subsidy of nonregulated activity -- Separate accounting.**

A utility shall not subsidize a nonregulated activity provided by an affiliate or by the utility itself. The commission shall require all utilities providing nonregulated activities, either directly or through an affiliate, to keep separate accounts and allocate costs in accordance with procedures established by the commission. The commission may promulgate administrative regulations that will assist the commission in enforcing this section.

**Effective:** July 14, 2000

**History:** Created 2000 Ky. Acts ch. 511, sec. 2, effective July 14, 2000.

**278.2203 Cost allocation of regulated and nonregulated activity.**

- (1) A utility that engages in a nonregulated activity shall identify all costs of the nonregulated activity and report the costs in accordance with the guidelines in the USoA and the cost allocation methods described in subsection (2) of this section.
- (2) In allocating costs between regulated and nonregulated activities, a utility shall utilize one (1) of the following cost allocation methods:
  - (a) The fully distributed cost method; or
  - (b) A cost allocation method recognized or mandated by the rules of the SEC promulgated pursuant to 15 U.S.C. sec. 79, et seq., or promulgated by the FERC or by the USDA.
- (3) A utility's compliance with federal cost allocation methods shall constitute compliance with the provisions of KRS 278.010 to 278.450.
- (4) Notwithstanding subsections (1) to (3) of this section, a utility may report an incidental nonregulated activity as a regulated activity if:
  - (a) The revenue from the aggregate total of the utility's nonregulated incidental activities does not exceed the lesser of two percent (2%) of the utility's total revenue or one million dollars (\$1,000,000) annually; and
  - (b) The nonregulated activity is reasonably related to the utility's regulated activity.
- (5) Nothing contained in this section shall be construed as requiring a utility to violate any cost allocation methods required to be employed under any service agreement validly existing as of July 14, 2000, for the term of the existing agreement, except where the commission makes the determination that a service agreement was executed for the purpose of avoiding provisions of KRS 278.010 to 278.450.

**Effective:** July 14, 2000

**History:** Created 2000 Ky. Acts ch. 511, sec. 3, effective July 14, 2000.

**278.2205 Cost allocation manual for nonregulated activity -- Contents --  
Maintenance.**

- (1) Any utility that engages in a nonregulated activity whose revenue exceeds the amount provided for incidental nonregulated activities under KRS 278.2203(4)(a), shall develop and maintain a CAM as described in subsections (2) to (5) of this section.
- (2) A CAM shall contain the following information for a utility's jurisdictional operations in the Commonwealth:
  - (a) A list of regulated and nonregulated divisions within the utility;
  - (b) A list of all regulated and nonregulated affiliates of the utility to which the utility provides services or products and where the affiliates provide nonregulated activities as defined in KRS 278.010(21);
  - (c) A list of services and products provided by the utility, an identification of each as regulated or nonregulated, and the cost allocation method generally applicable to each category;
  - (d) A list of incidental, nonregulated activities that are subject to the provisions of KRS 278.2203(4);
  - (e) A description of the nature of transactions between the utility and the affiliate; and
  - (f) For each USoA account and subaccount, a report that identifies whether the account contains costs attributable to regulated operations and nonregulated operations. The report shall also identify whether the costs are joint costs that cannot be directly identified. A description of the methodology used to apportion each of these cost shall be included and the allocation methodology shall be consistent with the provisions of KRS 278.2203.
- (3) Within two hundred seventy (270) days of July 14, 2000, the utility shall file:
  - (a) A statement with the commission that certifies the CAM has been developed and will be adopted by the management, effective with the beginning of the next calendar year. The statement shall be signed by an officer of the utility; and
  - (b) One (1) copy of the CAM.
- (4) Within sixty (60) days of any material change in matters required to be listed in the CAM, the utility shall amend the CAM to reflect the change.
- (5) The CAM shall be available for public inspection at the utility and at the commission.
- (6) The CAM shall be filed as part of the initial filing requirement in a proceeding involving an application for an adjustment in rates pursuant to KRS 278.190.

**Effective:** July 14, 2000

**History:** Created 2000 Ky. Acts ch. 511, sec. 4, effective July 14, 2000.

**278.2207 Transactions between utility and affiliate -- Pricing requirements -- Request for deviation.**

- (1) The terms for transactions between a utility and its affiliates shall be in accordance with the following:
  - (a) Services and products provided to an affiliate by the utility pursuant to a tariff shall be at the tariffed rate, with nontariffed items priced at the utility's fully distributed cost but in no event less than market, or in compliance with the utility's existing USDA, SEC, or FERC approved cost allocation methodology.
  - (b) Services and products provided to the utility by an affiliate shall be priced at the affiliate's fully distributed cost but in no event greater than market or in compliance with the utility's existing USDA, SEC, or FERC approved cost allocation methodology.
- (2) A utility may file an application with the commission requesting a deviation from the requirements of this section for a particular transaction or class of transactions. The utility shall have the burden of demonstrating that the requested pricing is reasonable. The commission may grant the deviation if it determines the deviation is in the public interest.
- (3) Nothing in this section shall be construed to interfere with the commission's requirement to ensure fair, just, and reasonable rates for utility services.

**Effective:** July 14, 2000

**History:** Created 2000 Ky. Acts ch. 511, sec. 5, effective July 14, 2000.



**278.2209 Documentation regarding cost allocation.**

In any formal commission proceeding in which cost allocation is at issue, a utility shall provide sufficient information to document that its cost allocation procedures and affiliate transaction pricing are consistent with the provisions of this chapter.

**Effective:** July 14, 2000

**History:** Created 2000 Ky. Acts ch. 511, sec. 6, effective July 14, 2000.

**278.2211 Remedies for noncompliance utility and affiliate -- Access to records --  
Disallowance of costs -- Audit.**

- (1) If the commission finds that a utility has not complied with any provision of this chapter for any transaction between a utility and its affiliate, or if a utility has failed to provide sufficient evidence of its compliance, then the commission may:
  - (a) Access the books and records of a utility's nonregulated affiliate; and
  - (b) Order that the costs attached to any transactions be disallowed from rates.
- (2) If, after inspecting an affiliate's books and records, the commission finds that a utility has not complied with any provision of KRS 278.010 to 278.450, the commission may perform a financial audit of the utility's affiliate to the extent necessary to ensure compliance with KRS 278.010 to 278.450.

**Effective:** July 14, 2000

**History:** Created 2000 Ky. Acts ch. 511, sec. 7, effective July 14, 2000.

**278.2213 Separate recordkeeping for utility and affiliate -- Prohibited business practices -- Confidentiality of information -- Notice of service available from competitor.**

The provisions of this section shall govern a public utility company's activities related to the sharing of information, databases, and resources between its employees or an affiliate involved in the marketing or the provision of nonregulated activities and its employees or an affiliate involved in the provision of regulated activities.

- (1) A utility and its affiliate shall be separate corporate entities and maintain separate books and records. If a utility and nonregulated affiliate have common officers, directors, or employees, the fees, compensation, and expenses of the individuals involved shall be subject to the cost allocation requirements set forth in KRS 278.2203 and 278.2207. Any utility that provides nonregulated activities shall separately account for all investments, revenues, and expenses in accordance with its filed cost allocation manual.
- (2) A utility shall not provide advertising space in its billing envelope to its affiliates or for its nonregulated activities unless it offers the same to competing service providers on the same terms it provides to its affiliates. This subsection applies to nonregulated activities only.
- (3) A utility shall not attempt to persuade customers to do business with its affiliates by offering rebates or discounts on tariffed services.
- (4) All utility company employees engaged in the merchant function shall abide by all standards promulgated by applicable FERC orders and regulations.
- (5) No utility employee shall share any confidential customer information with the utility's affiliates unless the customer has consented in writing, or the information is publicly available or is simultaneously made publicly available.
- (6) All dealings between a utility and a nonregulated affiliate shall be at arm's length.
- (7) Employees transferring from the utility to an affiliate shall not disclose to the affiliate confidential information or take with them any competitively sensitive materials.
- (8) Neither a utility nor its employees or agents shall solicit business on behalf of an affiliate or for its nonutility services.
- (9) A utility that carries out any research and development or joint marketing and promotion with its affiliate for its nonregulated activities shall be subject to the cost allocation requirements set forth in KRS 278.2203.
- (10) Except as provided in subsection (5) of this section, if a utility is engaged in a nonregulated activity, marketing employees for the nonregulated activity shall not have access to the customer information provided to the utility when the customer places an order for regulated service.
- (11) A utility shall not provide any type of undue preferential treatment to a nonregulated affiliate to the detriment of a competitor.
- (12) A utility shall notify the customer that competing suppliers of a nonregulated service exist if:

- (a) The utility receives a request for a recommendation from a customer seeking a specific service which is offered by the utility's affiliate or by the utility itself; and
  - (b) The utility mentions itself or its affiliate when making the recommendation to the customer.
- (13) The utility's name, trademark, brand, or logo shall not be used by a nonregulated affiliate in any type of visual or audio media without a disclaimer. The commission shall develop specifications for the disclaimer. The disclaimer shall be approved by the commission prior to use in any advertisement by the utility's affiliate.
- (14) A utility shall not enter into any arrangements for financing nonregulated activities through an affiliate that would permit a creditor upon default to have recourse to the assets of the utility.
- (15) A utility shall inform the commission of all new nonregulated activities begun by itself or by the utility's affiliate within a time to be set by the commission.
- (16) Start-up costs associated with the formation of a nonregulated affiliate shall not be included in the utility's rate base.
- (17) The commission may require the utility to file annual reports of information related to affiliate transactions when necessary to monitor compliance with these guidelines.

**Effective:** July 14, 2000

**History:** Created 2000 Ky. Acts ch. 511, sec. 8, effective July 14, 2000.

**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 March 29, 2022.

DUKE ENERGY BUSINESS SERVICES LLC

By: Cassandra M Springer  
Cassandra M. Springer  
Assistant Secretary

DUKE ENERGY CAROLINAS, LLC

By: Cassandra M Springer  
Cassandra M. Springer  
Assistant Secretary

DUKE ENERGY OHIO, INC.

By: Cassandra M Springer  
Cassandra M. Springer  
Assistant Corporate Secretary

DUKE ENERGY INDIANA, LLC

By: Cassandra M Springer  
Cassandra M. Springer  
Assistant Secretary

DUKE ENERGY KENTUCKY, INC.

By: Cassandra M Springer  
Cassandra M. Springer  
Assistant Corporate Secretary

DUKE ENERGY PROGRESS, LLC

By: Cassandra M Springer  
Cassandra M. Springer  
Assistant Secretary

DUKE ENERGY FLORIDA, LLC

By: Cassandra M Springer  
Cassandra M. Springer  
Assistant Secretary

PIEDMONT NATURAL GAS COMPANY, INC.

By: Cassandra M Springer  
Cassandra M. Springer  
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 electric and gas Distribution systems.

b. Method of Allocation, note: where applicable, allocations specific to gas will follow similar methodologies.

(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 electric and gas 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, note: where applicable, allocations specific to gas will follow similar methodologies.

- (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 electric and gas Distribution systems. The activities of the Function include:

- (1) System Planning - planning of additions and retirements to the electric generation units and transmission and electric and gas 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 electric and gas 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, note: where applicable, allocations specific to gas will follow similar methodologies.
- (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

Services related to rate design and analysis, and rates support. Such as: 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, note: where applicable, allocations specific to gas will follow similar methodologies.

(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.



**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.

**W I T N E S S E T H:**

**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;<sup>1</sup> 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.

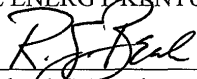
Section 5.8 Captions, etc. The captions and headings used in this Agreement are for convenience of reference only and shall not affect the construction to be accorded any of the provisions hereof. As used in this Agreement, “hereof,” “hereunder,” “herein,” “hereto,” and words of like import refer to 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.

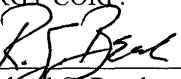
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IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on its behalf by an appropriate officer thereunto duly authorized.

DUKE ENERGY KENTUCKY, INC.

By:   
Richard G. Beach  
Assistant Secretary

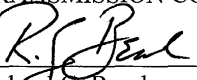
CINERGY CORP.

By:   
Richard G. Beach  
Assistant Secretary

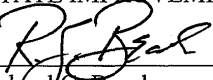
CINERGY INVESTMENTS, INC.

By: \_\_\_\_\_  
George Dwight, II  
Assistant Secretary

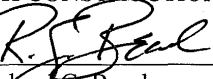
KO TRANSMISSION COMPANY

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.

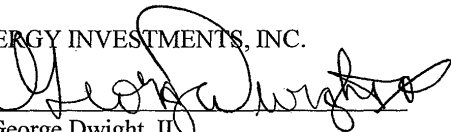
DUKE ENERGY KENTUCKY, INC.

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

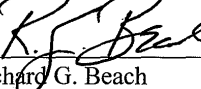
SUEZ-DEGS, LLC

By: \_\_\_\_\_  
David A. Ledonne  
Vice President

SUEZ-DEGS OF ORLANDO, LLC

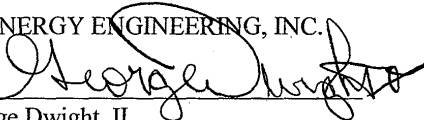
By: \_\_\_\_\_  
George Dwight, II  
Assistant Secretary

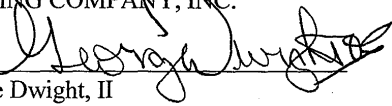
DUKE-RELIANT RESOURCES, INC.

By:   
Richard G. Beach  
Assistant Secretary

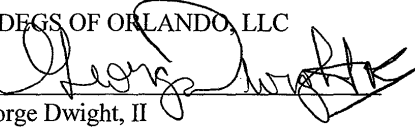
CINPOWER I, LLC

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

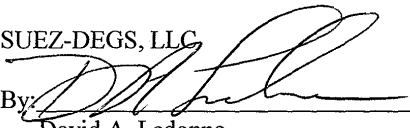
DUKE ENERGY ENGINEERING, INC.

By: \_\_\_\_\_  
George Dwight, II  
Assistant Secretary

DUKE ENERGY GENERATION SERVICES  
HOLDING COMPANY, INC.

By: \_\_\_\_\_  
George Dwight, II  
Assistant Secretary

SUEZ-DEGS, LLC

By:  \_\_\_\_\_  
David A. Ledonne  
Vice President

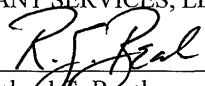
SUEZ-DEGS OF ORLANDO, LLC

By: \_\_\_\_\_  
George Dwight, II  
Assistant Secretary

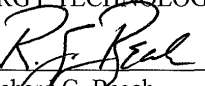
DUKE-RELIANT RESOURCES, INC.

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

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

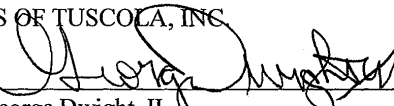
RELIANT SERVICES, LLC

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


CINERGY TECHNOLOGY, INC.

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

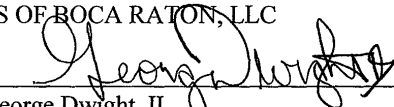
DEGS OF TUSCOLA, INC

By:   
George Dwight, II  
Assistant Secretary

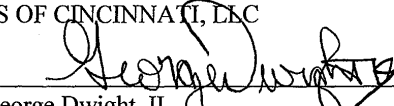
ENERGY EQUIPMENT LEASING LLC

By:   
George Dwight, II  
Assistant Secretary

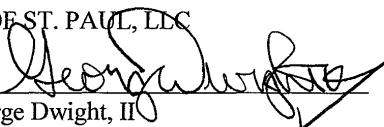
DEGS OF BOCA RATON, LLC

By:   
George Dwight, II  
Assistant Secretary

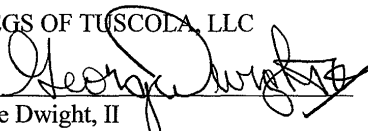
DEGS OF CINCINNATI, LLC

By:   
George Dwight, II  
Assistant Secretary

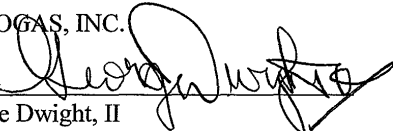
DEGS OF ST. PAUL, LLC

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.

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

CINERGY POWER GENERATION SERVICES, LLC

By: \_\_\_\_\_  
Joseph E. Lentz, Jr.  
Vice President

DEGS OF ST. PAUL, LLC

By: \_\_\_\_\_  
George Dwight, II  
Assistant Secretary

SUEZ-DEGS OF TUSCOLA, LLC

By: \_\_\_\_\_  
George Dwight, II  
Assistant Secretary

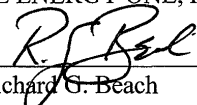
DEGS BIOGAS, INC.

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

DEGS OF ST. PAUL, LLC

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George Dwight, II  
Assistant Secretary

SUEZ-DEGS OF TUSCOLA, LLC

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George Dwight, II  
Assistant Secretary

DEGS BIOGAS, INC.

By: \_\_\_\_\_  
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Assistant Secretary

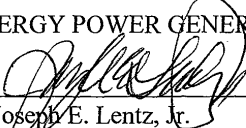
DEGS GASCO, LLC

By: \_\_\_\_\_  
George Dwight, II  
Assistant Secretary

DUKE ENERGY ONE, INC.

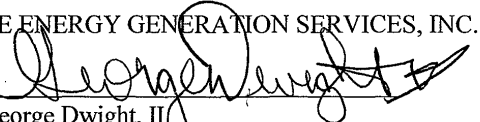
By: \_\_\_\_\_  
Richard G. Beach  
Assistant Secretary

CINERGY POWER GENERATION SERVICES, LLC

By:  \_\_\_\_\_  
Joseph E. Lentz, Jr.  
Vice President



DUKE ENERGY GENERATION SERVICES, INC.

By:   
George Dwight, II  
Assistant Secretary

DUKE TECHNOLOGIES, INC.

By: \_\_\_\_\_  
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  
Assistant Secretary

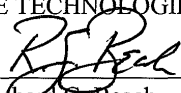
DUKETEC I, LLC

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

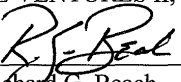
DUKE ENERGY GENERATION SERVICES, INC.

By: \_\_\_\_\_  
George Dwight, II  
Assistant Secretary

DUKE TECHNOLOGIES, INC.

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


DUKE VENTURES II, LLC

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

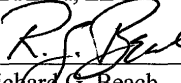
CINERGY WHOLESALE ENERGY, INC.

By: \_\_\_\_\_  
Joseph E. Lentz, Jr.  
Vice President

DUKETEC, LLC

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

DUKETEC I, LLC

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

DUKE ENERGY GENERATION SERVICES, INC.

By: \_\_\_\_\_  
George Dwight, II  
Assistant Secretary

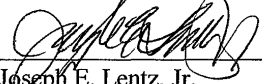
DUKE TECHNOLOGIES, INC.

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

DUKE VENTURES II, LLC

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

CINERGY WHOLESAL ENERGY, INC.

By:  \_\_\_\_\_  
Joseph E. Lentz, Jr.  
Vice President

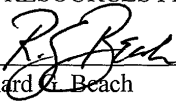
DUKETEC, LLC

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

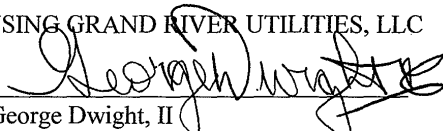
SUEZ/VWNA/DEGS OF LANSING, LLC

By: \_\_\_\_\_  
George Dwight, II  
Assistant Secretary

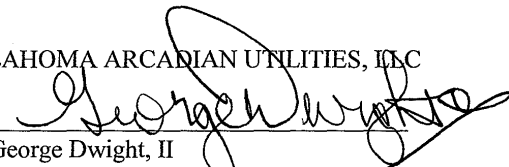
EVENT RESOURCES I LLC

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


LANSING GRAND RIVER UTILITIES, LLC

By:   
George Dwight, II  
Assistant Secretary

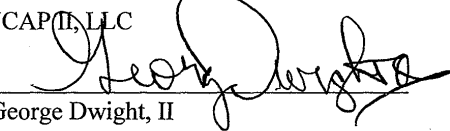
OKLAHOMA ARCADIAN UTILITIES, LLC

By:   
George Dwight, II  
Assistant Secretary

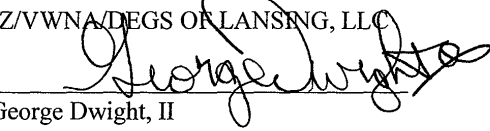
SHREVEPORT RED RIVER UTILITIES, LLC

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


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

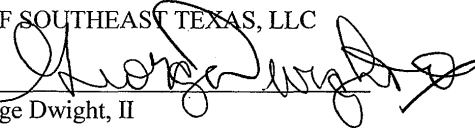
BSPE HOLDINGS, LLC

By: \_\_\_\_\_  
Wouter T. van Kempen  
Authorized Representative

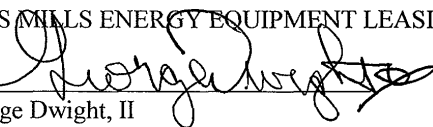
BSPE LIMITED, LLC

By: \_\_\_\_\_  
Wouter T. van Kempen  
Authorized Representative

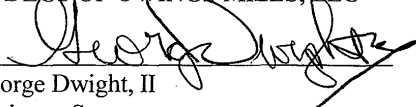
CSGP OF SOUTHEAST TEXAS, LLC

By:   
George Dwight, II  
Assistant Secretary

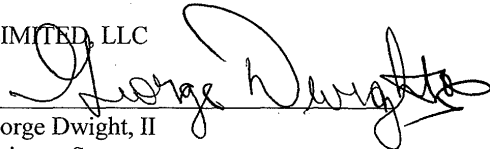
OWINGS MILLS ENERGY EQUIPMENT LEASING LLC

By:   
George Dwight, II  
Assistant Secretary

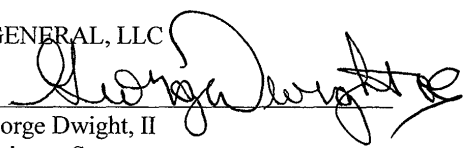
SUEZ-DEGS OF OWINGS MILLS, LLC

By:   
George Dwight, II  
Assistant Secretary

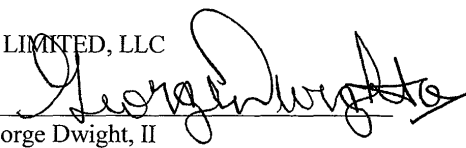
CST LIMITED, LLC

By:   
George Dwight, II  
Assistant Secretary

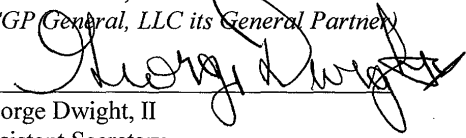
CST GENERAL, LLC

By:   
George Dwight, II  
Assistant Secretary

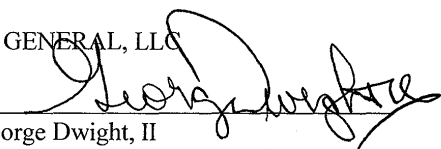
CSGP LIMITED, LLC

By:   
George Dwight, II  
Assistant Secretary

CSGP SERVICES, L.P.

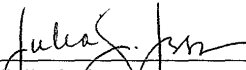
(by *CSGP General, LLC* its *General Partner*)  
By:   
George Dwight, II  
Assistant Secretary

CSGP GENERAL, LLC

By:   
George Dwight, II  
Assistant Secretary



CINERGY GLOBAL TRADING LIMITED

By:   
\_\_\_\_\_  
Julia S. Janson  
Secretary

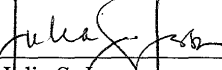
CINERGY ORIGINATION & TRADE, LLC

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

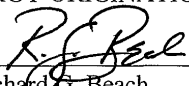
CINERGY RETAIL POWER GENERAL, INC.

By: \_\_\_\_\_  
Joseph E. Lentz, Jr.  
Vice President

CINERGY GLOBAL TRADING LIMITED

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

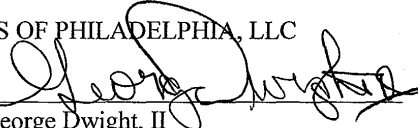
CINERGY GLOBAL TRADING LIMITED

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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Richard G. Beach  
Assistant Secretary

DEGS OF PHILADELPHIA, LLC

By: \_\_\_\_\_  
George Dwight, II  
Assistant Secretary

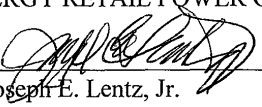
OHIO RIVER VALLEY PROPANE, LLC

By: \_\_\_\_\_  
Julia S. Janson  
Secretary

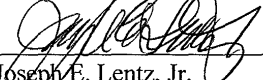
CINERGY RETAIL POWER LIMITED, INC.

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

CINERGY RETAIL POWER GENERAL, INC.

By:  \_\_\_\_\_  
Joseph E. Lentz, Jr.  
Vice President

CINERGY 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

CINERGY GENERAL HOLDINGS, LLC

By: \_\_\_\_\_  
Julia S. Janson  
Secretary

CINERGY RECEIVABLES COMPANY LLC

By: \_\_\_\_\_  
Richard G. Beach  
Secretary

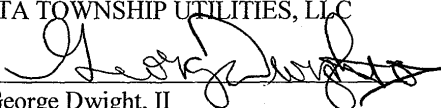
CINFUEL RESOURCES, INC.

By: \_\_\_\_\_  
George Dwight, II  
Assistant Secretary

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

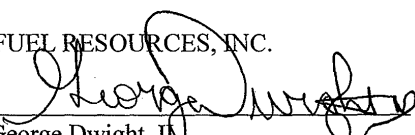
CINERGY GENERAL HOLDINGS, LLC

By: \_\_\_\_\_  
Julia S. Janson  
Secretary

CINERGY RECEIVABLES COMPANY LLC

By: \_\_\_\_\_  
Richard G. Beach  
Secretary

CINFUEL RESOURCES, INC.

By:   
George Dwight, II  
Assistant Secretary

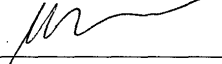
CINERGY RETAIL POWER, L.P.  
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Vice President

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George Dwight, II  
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Assistant Secretary

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Vice President

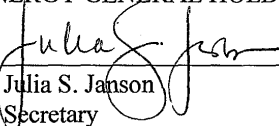
DELTA TOWNSHIP UTILITIES, LLC

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Assistant Secretary

CINERGY LIMITED HOLDINGS, LLC

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George Dwight, II  
Assistant Secretary

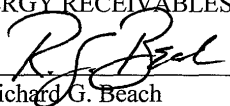
CINERGY LIMITED HOLDINGS, LLC

By: \_\_\_\_\_  
Greer E. Mendelow  
Assistant Secretary

CINERGY GENERAL HOLDINGS, LLC

By: \_\_\_\_\_  
Julia S. Janson  
Secretary

CINERGY RECEIVABLES COMPANY LLC

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: 

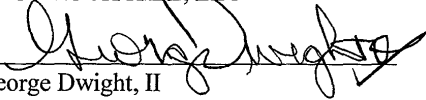
George Dwight, II  
Assistant Secretary

DEGS OF NARROWS, LLC

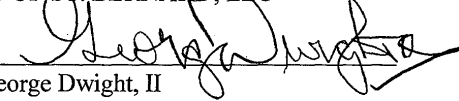
By: 

George Dwight, II  
Assistant Secretary

DEGS OF ROCK HILL, LLC

By:   
George Dwight, II  
Assistant Secretary

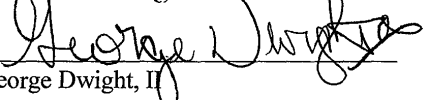
DEGS OF ST. BERNARD, LLC

By:   
George Dwight, II  
Assistant Secretary

CINERGY CLIMATE CHANGE INVESTMENTS, LLC

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

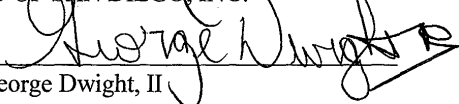
DEGS OF MONACA, LLC

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

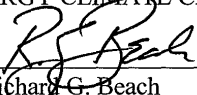
DEGS OF ROCK HILL, LLC

By: \_\_\_\_\_  
George Dwight, II  
Assistant Secretary

DEGS OF ST. BERNARD, LLC

By: \_\_\_\_\_  
George Dwight, II  
Assistant Secretary

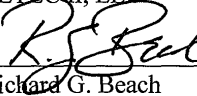
CINERGY CLIMATE CHANGE INVESTMENTS, LLC

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

DEGS OF MONACA, LLC

By: \_\_\_\_\_  
George Dwight, II  
Assistant Secretary

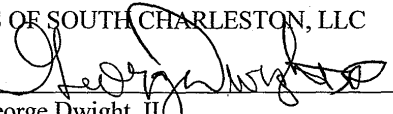
DUKETEC II, LLC

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

DEGS OF SAN DIEGO, INC.

By: \_\_\_\_\_  
George Dwight, II  
Assistant Secretary

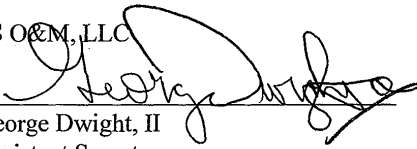
DEGS OF SOUTH CHARLESTON, LLC

By:   
George Dwight, II  
Assistant Secretary

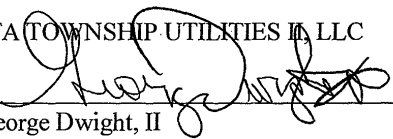
CINERGY SOLUTIONS – UTILITY, INC.

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

DEGS O&M, LLC

By:   
George Dwight, II  
Assistant Secretary

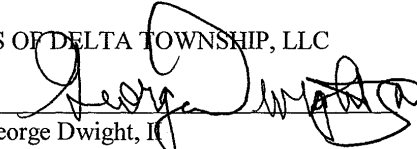
DELTA TOWNSHIP UTILITIES II, LLC

By:   
George Dwight, II  
Assistant Secretary

ENVIRONMENTAL WOOD SUPPLY, LLC

By: \_\_\_\_\_  
David A. Ledonne  
Vice President

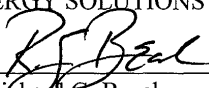
DEGS OF DELTA TOWNSHIP, LLC

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

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  
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CINERGY SOLUTIONS – UTILITY, INC.

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

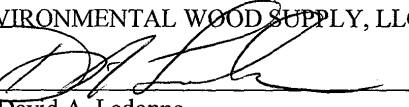
DEGS O&M, LLC

By: \_\_\_\_\_  
George Dwight, II  
Assistant Secretary

DELTA TOWNSHIP UTILITIES II, LLC

By: \_\_\_\_\_  
George Dwight, II  
Assistant Secretary

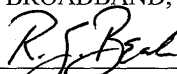
ENVIRONMENTAL WOOD SUPPLY, LLC

By:   
David A. Ledonne  
Vice President

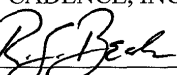
DEGS OF DELTA TOWNSHIP, LLC

By: \_\_\_\_\_  
George Dwight, II  
Assistant Secretary

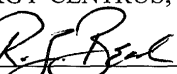
DUKE BROADBAND, LLC

By:   
Richard G. Beach  
Assistant Secretary

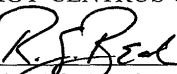
DUKE-CADENCE, INC.

By:   
Richard G. Beach  
Assistant Secretary

CINERGY-CENTRUS, INC.

By:   
Richard G. Beach  
Assistant Secretary

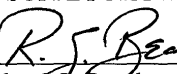
CINERGY-CENTRUS COMMUNICATIONS, INC.

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

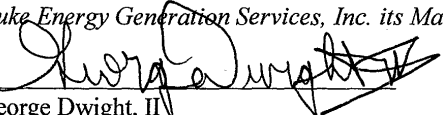
DEGS EPCOM COLLEGE PARK, LLC

By:   
George Dwight, II  
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

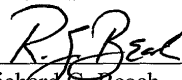
GREEN POWER LIMITED, LLC

By: \_\_\_\_\_  
Wouter T. van Kempen  
Authorized Representative

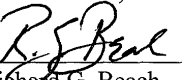
CINERGY SOLUTIONS PARTNERS, LLC  
(by Duke Energy Generation Services, Inc. its Managing Member)

By: \_\_\_\_\_  
George Dwight, II  
Assistant Secretary

DUKE COMMUNICATIONS HOLDINGS, INC.

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Richard G. Beach  
Assistant Secretary

CINERGY TWO, INC.

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Richard G. Beach  
Assistant Secretary

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Authorized Representative

GREEN POWER LIMITED, LLC

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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

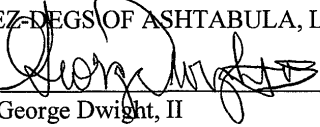
DUKE ENERGY CORPORATION

By:  \_\_\_\_\_  
Richard G. Beach  
Assistant Corporate Secretary

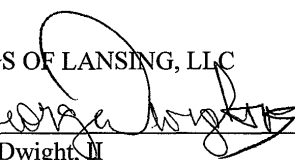
BISON INSURANCE COMPANY LIMITED

By: \_\_\_\_\_  
Edwin Keith Bone  
Senior Vice President

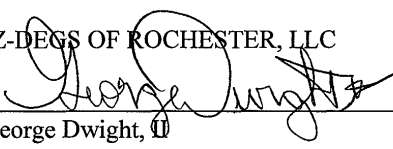
SUEZ-DEGS OF ASHTABULA, LLC

By:   
George Dwight, II  
Assistant Secretary

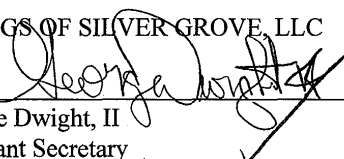
SUEZ-DEGS OF LANSING, LLC

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

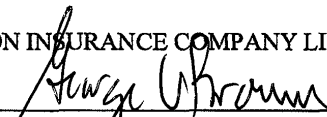
SUEZ-DEGS OF SILVER GROVE, LLC

By: \_\_\_\_\_  
George Dwight, II  
Assistant Secretary

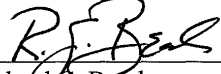
DUKE ENERGY CORPORATION

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

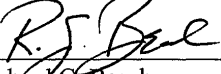
DUKE ENERGY INTERNATIONAL, LLC

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

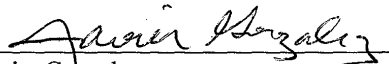
DUKE ENERGY GLOBAL MARKETS, INC.

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

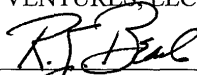
DUKE ENERGY NORTH AMERICA, LLC

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

DUKE PROJECT SERVICES, INC.

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

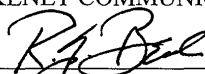
DUKE VENTURES, LLC

By:   
Richard G. Beach  
Assistant Secretary

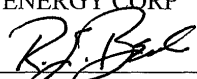
CRESCENT RESOURCES, LLC

By: \_\_\_\_\_  
Kay H. Arnette  
Assistant Secretary

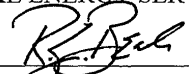
DUKENET COMMUNICATIONS, LLC

By:   
Richard G. Beach  
Assistant Secretary

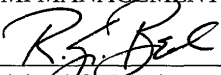
PANENERGY CORP

By:   
Richard G. Beach  
Assistant Secretary


DUKE ENERGY SERVICES, INC.

By:   
Richard G. Beach  
Assistant Secretary

DETFI 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

**EXHIBIT A**  
**Page 1 of 2**

**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

**EXHIBIT A**  
**Page 2 of 2**

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:

© Duke Energy Corporation

**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: Richard G. Beach  
Richard G. Beach  
Assistant Secretary

ADAGE HAMILTON LLC

By: Richard G. Beach  
Richard G. Beach  
Secretary

CINCAP IV, LLC

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

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

CINCAP V, LLC

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

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

CINERGY POWER INVESTMENTS, INC.

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

DEGS BIOMASS, LLC

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


DEGS THREE BUTTES, LLC

By:   
Richard G. Beach  
Assistant Secretary

DEGS WIND I, LLC

By:   
Richard G. Beach  
Assistant Secretary


DEGS WIND SUPPLY II, LLC

By:   
Richard G. Beach  
Assistant Secretary


DUKE ENERGY COMMERCIAL ENTERPRISES, INC.

By:   
Richard G. Beach  
Assistant Secretary

DEGS ENERGY INDUSTRIAL SALES, LLC

By:   
Richard G. Beach  
Assistant Secretary

DUKE ENERGY MARKETING AMERICA, LLC

By:   
Richard G. Beach  
Assistant Secretary

DUKE ENERGY RETAIL SALES, LLC

By:   
Richard G. Beach  
Assistant Secretary


DUKE ENERGY TRADING AND MARKETING, L.L.C.

By:   
Richard G. Beach  
Assistant Secretary

DUKE VENTURES REAL ESTATE, LLC

By:   
Richard G. Beach  
Assistant Secretary

HAPPY JACK WINDPOWER, LLC

By:   
Richard G. Beach  
Assistant Secretary

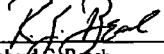
KIT CARSON WINDPOWER, LLC

By:   
Richard G. Beach  
Assistant Secretary

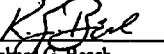
LAUREL HILL WIND ENERGY, LLC

By: \_\_\_\_\_  
Theodore D. Matula  
Secretary


NORTH ALLEGHENY WIND, LLC

By:   
Richard G. Beach  
Assistant Secretary

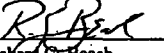
NOTREES WINDPOWER, LLC  
(by TE Notrees, LLC its General Partner)

By:   
Richard G. Beach  
Assistant Secretary

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

By:   
Richard G. Beach  
Assistant Secretary

SEARCHLIGHT WIND ENERGY LLC

By:   
Richard G. Beach  
Assistant Secretary

SILVER SAGE WINDPOWER, LLC

By:   
Richard G. Beach  
Assistant Secretary

ST. PAUL COGENERATION, LLC

By: \_\_\_\_\_  
David A. Ledonne  
President

THREE BUTTES WINDPOWER, LLC

By:   
Richard G. Beach  
Assistant Secretary

TOP OF THE WORLD WIND ENERGY LLC

By:   
Richard G. Beach  
Assistant Secretary

WILLOW CREEK WIND ENERGY LLC

By:   
Richard G. Beach  
Assistant Secretary

---



**EXHIBIT A**  
**Page 1 of 2**

**Service Request Form**

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

**Facilitator/Contract 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, Disclosures & Transactions 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 Approver:**   
The approver should be appropriate

**EXHIBIT A**  
**Page 2 of 2**

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

Estimated Costs: \$   
Percent 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):

w/a / Corp. Number:

RCTo / Line of Business:

RCFrom / Center:

Project:

Activity:



## **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; customer operations; 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 March 29, 2022, on its behalf by an appropriate officer thereunto duly authorized.

Duke Energy Carolinas, LLC

By: Cassandra M Springer  
Cassandra M. Springer  
Assistant Secretary

Duke Energy Ohio, Inc.

By: Cassandra M Springer  
Cassandra M. Springer  
Assistant Corporate Secretary



Duke Energy Indiana, LLC

By: Cassandra M Springer  
Cassandra M. Springer  
Assistant Secretary

Duke Energy Kentucky, Inc.

By: Cassandra M Springer  
Cassandra M. Springer  
Assistant Corporate Secretary

Duke Energy Progress, LLC

By: Cassandra M Springer  
Cassandra M. Springer  
Assistant Secretary

Duke Energy Florida, LLC

By: Cassandra M Springer  
Cassandra M. Springer  
Assistant Secretary

Piedmont Natural Gas Company, Inc.

By: Cassandra M Springer  
Cassandra M. Springer  
Assistant Corporate Secretary

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Service Request For Affiliates

Id

Status

\* Red Asterisk indicates required fields

\*Functional Area (for the Service Provider)

Service Provider

\*Service Provider

\*Legal Approval Representative

Proposed Service

\*Proposed Service

\* Additional Detail  
Please provide basis for appropriate pricing and further details about parties involved.

Estimated Costs (NA-see accounting records)   
\*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
<input type="text"/>	<input type="text"/>	<input type="text"/>

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.

Approver Selection

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

Route To	Name	Phone	Status
* Client Company	Joel T	(980) 373	
* Service Provider			
* Legal			

Submitter Details

Created By	Created On
, Chelsea	05/17/2018 10:53 PM
*Phone	
(980) 373	
Last Modified By	Last Modified Date
Chelsea	05/23/2018 4:31 PM

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

1. 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.
  
2. 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  
MIAMI FORT UNIT 6 OPERATION AGREEMENT**

between

**DUKE ENERGY MIAMI FORT, LLC**

and

**DUKE ENERGY KENTUCKY, INC.**

Dated as of

March 31, 2015

**TABLE OF CONTENTS**

**ARTICLE I - AGREEMENT ..... 1**  
**ARTICLE II - DEFINITIONS ..... 2**  
**ARTICLE III - RESPONSIBILITIES OF OPERATOR..... 8**  
**ARTICLE IV - OBLIGATIONS, RIGHTS AND REPRESENTATIVES OF OWNER..... 10**  
**ARTICLE V - REPRESENTATIVES, BUDGETS AND REPORTS ..... 11**  
**ARTICLE VI - LIMITATIONS ON AUTHORITY ..... 13**  
**ARTICLE VII - COMPENSATION AND PAYMENT ..... 14**  
**ARTICLE VIII - TERM ..... 16**  
**ARTICLE IX - INSURANCE..... 17**  
**ARTICLE X - INDEMNIFICATION..... 19**  
**ARTICLE XI - LIABILITIES OF THE PARTIES ..... 21**  
**ARTICLE XII - CONFIDENTIALITY ..... 22**  
**ARTICLE XIII - TITLE, DOCUMENTS AND DATA ..... 23**  
**ARTICLE XIV - MISCELLANEOUS PROVISIONS..... 24**

**APPENDIX A – SCOPE OF SERVICES**  
**APPENDIX B – FEE ESCALATION METHODOLOGY**  
**APPENDIX C – INITIAL BUDGET AND PLAN**

## AMENDED AND RESTATED MIAMI FORT UNIT 6 OPERATION AGREEMENT

This AMENDED AND RESTATED MIAMI FORT UNIT 6 OPERATION AGREEMENT, dated as of March 31, 2015 (the “Effective Date”) is entered by and between DUKE ENERGY MIAMI FORT, LLC, a Delaware limited liability company (“Operator”) and DUKE ENERGY KENTUCKY, INC., a Kentucky corporation (“Owner”).

### RECITALS

1. Owner owns the Facility (this and other capitalized terms are defined in Article II).
2. On January 25, 2006, Operator (as successor by assignment to The Cincinnati Gas & Electric Company) and Owner (f/k/a The Union Light, Heat and Power Company) entered into that certain Miami Fort Unit 6 Operation Agreement (the “Original Agreement”) pursuant to which Operator was retained to provide certain services relating to the Facility.
3. Operator and Owner desire to amend and restate the Original Agreement to reflect the terms and conditions herein.

NOW, THEREFORE, in consideration of the foregoing premises, and of the mutual covenants, undertakings and conditions set forth below, the Parties agree to amend and restate the Original Agreement in its entirety as follows:

### ARTICLE I - AGREEMENT

1.1. Agreement. This Agreement consists of the recitals, and the terms and conditions set forth in this Agreement, as well as the appendices that are referenced in the table of contents and attached to this Agreement. The recitals, appendices and terms and conditions must be read together to obtain a full understanding of the intent of the Parties.

1.2. Relationship of the Parties. Owner is retaining Operator as an independent contractor to provide the Services set forth in this Agreement at the Facility in support of Owner’s operation of the Facility. Subject to any limitations expressly set forth in this Agreement, as between Owner and Operator, Owner delegates to Operator, and Operator accepts from Owner, the responsibility of providing those Services at the Facility. Owner and Operator agree that the scope of delegation is strictly limited to the matters set forth in this Agreement. Without limiting the generality of the foregoing, Owner retains the ultimate authority and obligation to determine whether and to what extent the Facility operates, and Operator shall never cause the Facility to generate power except as expressly directed to do so by Owner or any dispatching authority specified by Owner.

1.3. Entire Agreement. This Agreement contains the entire agreement between the Parties with respect to Operator’s provision of Services at the Facility and supersedes all prior negotiations, undertakings and agreements, including the Original Agreement. Neither Party will be bound by or deemed to have made any representations, warranties, commitments or undertakings, except as expressly stated in this Agreement.

## ARTICLE II - DEFINITIONS

For all purposes of this Agreement (including the preceding sections and recitals), unless otherwise required by the context in which any defined term appears, capitalized terms have the meanings specified in this Article II. The singular includes the plural, as the context requires. The terms “includes” and “including” mean “including, but not limited to.” The terms “ensure” and “reasonable efforts” will not be construed as a guarantee, but will imply only a duty to use reasonable effort and care, consistent with Prudent Operation and Maintenance Practices, and will include reasonable expenditures of money and at least such efforts as Operator would undertake for its own assets, services or maintenance, or for services provided to an Affiliate. “Gross negligence” will not be construed as simple or ordinary negligence, it being the intent of the Parties to preserve a distinction between errors made inadvertently while attempting to perform with due care and actions taken with a knowing disregard for a foreseeable risk. “Day” (regardless of capitalization) shall mean a calendar day, unless specifically designated as a Business Day. “Month” (regardless of capitalization) shall mean a calendar month. References to articles, sections and appendices mean the articles and sections of, and appendices to, this Agreement, except where expressly stated otherwise.

“Affiliate” means, with respect to any Person, any other Person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such first Person. The term “control” (including related terms such as “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“Agreement” means this Amended and Restated Miami Fort Unit 6 Operation Agreement, as the same may be modified or amended from time to time in accordance with its provisions.

“Applicable Law” means any United States federal, state or local laws, regulations, codes, judgments, orders, Permits or other Government Approvals as may be applicable to the Facility, Owner or Operator.

“Bankruptcy” means a situation in which (i) a Person files a voluntary petition in bankruptcy or is adjudicated as bankrupt or insolvent, or files any petition or answer or consent seeking any reorganization, arrangement, moratorium, composition, readjustment, liquidation, dissolution or similar relief for itself under the present or future applicable United States federal, state or other statute or law relative to bankruptcy, insolvency or other relief for debtors, or seeks or consents to or acquiesces in the appointment of any trustee, receiver, conservator or liquidator of such Person or of all or any substantial part of its properties (the term “acquiesce,” as used in this definition, includes the failure to file a petition or motion to vacate or discharge any order, judgment or decree within fifteen (15) days after entry of such order, judgment or decree); (ii) a court of competent jurisdiction enters an order, judgment or decree approving a petition filed against any Person seeking a reorganization, arrangement, moratorium, composition, readjustment, liquidation, dissolution or similar relief under the present or any future United States federal bankruptcy act, or any other present or future Applicable Law relating to bankruptcy, insolvency or other relief for debtors, and such Person acquiesces and such decree



remains unvacated and unstayed for an aggregate of sixty (60) days (whether or not consecutive) from the date of entry thereof, or a trustee, receiver, conservator or liquidator of such Person is appointed with the consent or acquiescence of such Person and such appointment remains unvacated and unstayed for an aggregate of sixty (60) days, whether or not consecutive; (iii) a Person admits in writing its inability to pay its debts as they mature; (iv) a Person gives notice, to any Governmental Authority of insolvency or pending insolvency, or suspension or pending suspension of operations; or (v) a Person makes a general assignment for the benefit of creditors or takes any other similar action for the protection or benefit of creditors (other than in the ordinary course of such party's business).

“Budget” means a budget adopted or amended pursuant to Section 5.3.

“Business Day” means any day other than (i) a Saturday or Sunday or (ii) a day on which banks in New York, New York or Cincinnati, Ohio are required or permitted to be closed.

“Claims” means any and all claims, assertions, demands, suits, investigations, inquiries, and proceedings, including those that are judicial, administrative or third-party.

“Confidential Information” has the meaning set forth in Section 12.1.

“Due Date” means, with respect to any Operator invoice, the date that is forty-five (45) days following the date on which Operator submits the invoice to Owner. If such date does not fall on a Business Day, then the Due Date shall be the first Business Day after such date.

“Effective Date” means the date set forth in the preamble to this Agreement.

“Emergency” has the meaning set forth in Section 3.9.

“Environmental Law” means any United States federal, state or local statute, rule, regulation, order, code, Permit, directive or ordinance and any binding judicial or administrative interpretation or requirement pertaining to (i) the regulation or protection of employee health or safety, public health or safety, or the indoor or outdoor environment; (ii) the conservation, management, development, control or use of land, natural resources, or wildlife; (iii) the protection or use of surface water or ground water; (iv) the management, manufacture, possession, presence, use, generation, treatment, storage, disposal, transportation, or handling of, or exposure to any Hazardous Material; or (v) pollution (including release of any hazardous substance to air, land, surface water and ground water), including the Comprehensive Environmental Response, Compensation, and Liability Act, as amended by the Superfund Amendments and Reauthorization Act of 1986 (42 U.S.C. §§ 9601 et seq.), the Hazardous Materials Transportation Act (49 U.S.C. 1801 et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. §§ 6901 et seq.), the Toxic Substances Control Act (15 U.S.C. §§ 2601 et seq.), the Clean Water Act (33 U.S.C. §§ 7401 et seq.), the Clean Air Act, as amended (42 U.S.C. §§ 7401 et seq.), the Safe Drinking Water Act (42 U.S.C. §§ 300f et seq.), the Uranium Mill Tailings Radiation Control Act (42 U.S.C. §§ 7901 et seq.), the Federal Insecticide, Fungicide and Rodenticide Act (7 U.S.C. §§ 136 et seq.), all as now or hereafter amended or supplemented, and any regulations promulgated thereunder, and any other similar federal, state, or local statutes, rules and regulations.

“Environmental Liability” has the meaning set forth in Section 10.3.1.

“Escalation Factor” has the meaning set forth in Appendix B.

“Executive Settlement” has the meaning set forth in Section 14.7.3.

“Extraordinary Item” means any purchase order issued by Operator on behalf of Owner in an amount greater than two hundred fifty thousand dollars (\$250,000) or, if an annual blanket purchase order, that Operator reasonably anticipates will exceed five hundred thousand dollars (\$500,000) during a Year.

“Facility” means the approximately 168 MW coal-fired steam electric generating unit known as Unit 6 located in Miami Fort Station, Hamilton County, Ohio, and includes all electrical or thermal devices, and related structures and connections that are located at the Site and used for the production of power for the benefit of Owner, including common facilities used in connection with any other electric generating unit located at the Miami Fort Station.

“Facility Agreements” means this Agreement, all applicable interconnection agreements, transmission service agreements, fuel supply agreements and power sales agreements, coal ash and other combustion byproduct disposal or sales agreements, all applicable equipment maintenance agreements in effect or entered into from time to time by Owner or its Affiliates relating to the Facility, all equipment contracts with regard to warranties and equipment design and specifications, all portions of the Financing Agreements relevant to this Agreement, and any other agreement reasonably designated by Owner as a “Facility Agreement.”

“Facility Equipment” has the meaning set forth in Section 13.1.

“Facility Personnel” means those individuals who are employed by Operator at the Site or the Miami Fort Station in the performance of its obligations under this Agreement.

“Fee” means, as applicable, the sum of (i) Two Hundred Fifty Thousand Dollars (\$250,000) per Year during the Operational Services Period or (ii) One Hundred Thousand Dollars (\$100,000) per Year during the Retirement Period.

“Financing Agreements” means any and all loan agreements, notes, bonds, indentures, security agreements, registration or disclosure statements, subordination agreements, mortgages, deeds of trust, participation agreements and other documents relating to the interim or long-term financing for the ownership, operation and maintenance of the Facility and any refinancing thereof (including a lease pursuant to which Owner or one of its Affiliates is the lessee of the Facility) provided by the Lenders, including any and all modifications, supplements, extensions, renewals and replacements of any such financing or refinancing.

“Force Majeure Event” has the meaning set forth in Section 14.6.1.

“General Manager” has the meaning set forth in Section 5.2.

“Governmental Approval” means any consent, license, approval, exemption, Permit, “no objection certificate” or other authorization of whatever nature that is required to be granted by

any Governmental Authority or any third party with respect to the siting, construction, operation, service, and maintenance of the Facility in accordance with this Agreement, or otherwise necessary to enable Owner or Operator to exercise its rights, or observe or perform its obligations, under this Agreement.

“Governmental Authority” means any United States federal, state, local or foreign governmental department, commission, board, bureau, authority, agency, court, instrumentality or judicial or regulatory body or entity.

“Hazardous Materials” means (a) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, and transformers or other equipment that contain dielectric fluid containing polychlorinated biphenyl’s (“PCBs”); (b) any chemicals, materials or substances that are now or hereafter become defined as or included in the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” “extremely hazardous wastes,” “restricted hazardous wastes,” “toxic substances,” “toxic pollutants,” “pollution,” “pollutants,” “regulated substances,” or words of similar import under Applicable Law; or (c) any other chemical, material, substance or waste declared to be hazardous, toxic or polluting material by any Governmental Authority, exposure to which is now or hereafter prohibited, limited or regulated by any Governmental Authority.

“Initial Negotiation Period” has the meaning set forth in Section 14.7.2.

“Initial Term End Date” has the meaning set forth in Section 8.1.

“KPSC” has the meaning set forth in Section 5.7.

“Late Payment Rate” means a rate of interest per annum equal to the lesser of (i) one percent (1.0%) above the “prime” reference rate of interest quoted to substantial commercial borrowers on ninety (90) day loans by Wells Fargo Bank or (ii) the maximum rate of interest permitted by Applicable Law.

“Lender” means any entity or entities providing financing or refinancing under the Financing Agreements in connection with construction or permanent financing for the Facility, and their permitted successors and assigns.

“Liabilities” means, collectively, any and all Claims, damages, judgments, losses, obligations, liabilities, actions and causes of action, fees (including reasonable attorneys fees and disbursements), costs (including court costs), expenses, penalties, fines and sanctions.

“Manuals” means Facility equipment manuals, system descriptions, system operating instructions, equipment maintenance instructions and pertinent design documentation created by the Persons that constructed the Facility or manufactured its equipment, and the operation and maintenance procedures and Facility systems descriptions, training, safety, chemistry and environmental manuals, together with the documents and schedules described in such manuals.

“NERC” means the North American Electric Reliability Corporation.

“Operator” means Duke Energy Miami Fort, LLC and includes Operator’s successors and permitted assigns hereunder.

“Operator Indemnitees” has the meaning set forth in Section 10.2.

“Operator Proprietary Information” has the meaning set forth in Section 13.3.

“Operator’s Executive” has the meaning set forth in Section 14.7.2.

“Operating Costs” has the meaning set forth in Section 7.3.1.

“Operational Period” means the period during the Term starting on the Effective Date and ending with the Retirement Date.

“Operational Period Services” means those Services to be performed by Operator during the Operational Period, including those set forth on Appendix A as “Operational Period Services.”

“Original Agreement” has the meaning set forth in the recitals to this Agreement.

“Owner” means Duke Energy Kentucky, Inc. and includes Owner’s successors and permitted assigns hereunder.

“Owner Indemnitees” has the meaning set forth in Section 10.1.

“Owner’s Executive” has the meaning set forth in Section 14.7.2.

“Party” means a party to this Agreement and “Parties” means, collectively, both parties to this Agreement, unless the context clearly requires a different construction.

“Permit” means any permit, license, consent, approval or certificate that is required for the operation or maintenance of the Facility or the performance of any Service and includes Permits required under Environmental Laws.

“Person” means any Party, individual, partnership, corporation, association, limited liability company, business trust, government or political subdivision thereof, governmental agency or other entity.

“Plan” means a plan adopted or amended pursuant to Section 5.3.

“Plant Manager” means the production/plant manager for the Facility selected in accordance with Section 3.7.

“Preliminary Settlement” has the meaning set forth in Section 14.7.2.

“Project Manager” means the individual appointed in accordance with Section 5.1.

“Prudent Operation and Maintenance Practices” means those practices, methods and acts generally employed in the power generation industry that at the particular time in question, in the

exercise of reasonable judgment in light of the facts known at the time the decision in question was being made, would have been expected to accomplish the desired result of such decision consistent with the goals established in a Budget and Plan, and the requirements of Applicable Law, equipment manufacturer's recommendations, reliability, safety, environmental protection, economy and expedition. With respect to Operator, Prudent Operation and Maintenance Practices are not limited to the optimum practices, methods or acts to the exclusion of all others, but rather include a spectrum of possible practices, methods or acts commonly employed in the power generation industry, including taking reasonable actions to provide a sufficient number of Persons who are available and adequately trained to provide Services at the Facility, and timely perform preventive, routine, and non-routine maintenance and repairs, as exemplified and generally described in Appendix A, subject, in all cases, to the limitations on Operator's authority and duties as set forth in this Agreement.

"Reimbursable Costs" has the meaning set forth in Section 7.2.

"Retirement Date" has the meaning set forth in Section 3.2.

"Retirement Period" means the period during the Term starting on the Retirement Date and ending with the termination of this Agreement.

"Retirement Period Services" means those Services to be performed by Operator during the Retirement Period, including those set forth on Appendix A as "Retirement Period Services."

"Second Negotiation Period" has the meaning set forth in Section 14.7.3.

"Services" has the meaning set forth in Section 3.1.

"Site" means the land on which the Facility is situated.

"Standards of Performance" means the standards for Operator's performance of the Services set forth in Section 3.4.

"System Operator" means any Person supervising the collective transmission facilities of the power region in which the Facility is located that is charged with coordination of market transactions, system-wide transmission planning, and network reliability.

"Term" means the initial term together with any extensions.

"Termination Payment" has the meaning set forth in Section 8.4.

"Termination Transition Period" has the meaning set forth in Section 8.6.

"U.S. Dollars" or "Dollars" means United States Dollars, the lawful currency of the United States of America.

"Unit 7 & 8 Plant Manager" means, as of the date of determination, the individual that acts as the plant manager (or equivalent role) of the Unit 7 and Unit 8 electric generating units located at the Miami Fort Station.

“Year” means the calendar year. With respect to the Year in which the Effective Date occurs, a Year will be deemed to begin on the Effective Date and end on December 31<sup>st</sup> of such Year. If the Agreement terminates, the final Year will be deemed to end on the date that termination occurs.

### ARTICLE III - RESPONSIBILITIES OF OPERATOR

3.1 Provision of Services. Operator shall operate and maintain the Facility and perform other duties as set forth in this Agreement (collectively, the “Services”). Without limiting the generality of the foregoing, the Services shall include the Operational Period Services and the Retirement Period Services.

3.2 Division of Services into Operational Period and Retirement Period. The Operational Period shall commence on the Effective Date and shall terminate upon the commencement of the Retirement Period. The Retirement Period shall commence upon the date of the permanent shutdown or retirement of the Facility which is anticipated to be May 31, 2015 and shall be communicated to Operator by at least 30 days’ prior written notice (the “Retirement Date”). Upon and after the Retirement Date, Operator shall perform the Retirement Period Services.

#### 3.3 Procurement.

3.3.1 General. Operator shall sign purchase orders for goods and services to be delivered to the Facility in the name of Owner. Operator acknowledges that such purchase orders are for the exclusive benefit of Owner and the Facility. Operator shall endeavor to negotiate with vendors from standard terms and conditions, including reasonable warranties in favor of Owner.

3.3.2 Non-Budgeted Items. Unless approved by Owner in writing, Operator shall manage purchasing within the overall total spending approved in a Budget or as otherwise permitted under Section 5.3.2. Operator may make non-budgeted purchases that are not otherwise permitted under Section 5.3.2 without first receiving Owner approval only if, in Operator’s reasonable judgment, such purchases are required to address an Emergency.

3.3.3 Extraordinary Items. Notwithstanding that a purchase is contemplated by a Budget, Operator shall obtain Owner’s written approval prior to procurement of any Extraordinary Item. Owner may elect to directly procure Extraordinary Items.

3.3.4 Affiliate Contracts. If Operator intends to issue a purchase order to an Affiliate or specialty service division of Operator, Operator shall first disclose such relationship to Owner. Operator may issue such purchase orders only following Operator’s receipt of written approval from Owner.

3.4 Standards for Performance of the Services. Operator shall perform the Services in accordance with (i) the Manuals, (ii) the applicable Budget and Plan, (iii) Applicable Laws, (iv) Prudent Operation and Maintenance Practices, (v) insurer requirements delivered to Operator by Owner in writing, (vi) the requirements in the Facility Agreements and any Financing

Agreements and (vii) this Agreement. Subject to the other provisions of this Agreement, Operator will perform the Services and other obligations under this Agreement in a manner consistent with Owner's directions. The Parties acknowledge and agree that actions taken (or not taken) by Operator pursuant to Owner's direction shall be deemed to comply with the Standards of Performance, and Operator shall have no liability for acting or refraining to act in accordance with Owner's directions. The Parties further acknowledge that reference to the Facility Agreements is not intended to and does not make Operator a party to the Facility Agreements or to impose any obligations on Operator under the Facility Agreements. Operator will use all reasonable and practical efforts to maximize net profit, energy production and Facility efficiency, to optimize the useful life of the Facility, to utilize Operator's personnel in the performance of the Services and to minimize Facility downtime, Operating Costs and Reimbursable Costs.

3.5 Dispatch. Operator shall comply with any applicable dispatch instructions of the System Operator or Owner (or other Person identified by Owner in writing to Operator as being authorized to provide dispatch instructions). Operator will give Owner prompt notice of any inability to make deliveries of energy, capacity or ancillary services required and of Operator's plan to restore operation of the Facility and of any plan by the counterparty (where a Facility Agreement is involved) to do so (if Operator has been notified thereof). In case of any interruption, curtailment or reduction in (i) supplies of fuel or (ii) acceptance of energy, capacity or ancillary services by System Operator or in case of any other dispatch constraint imposed on the Facility, Operator shall promptly notify Owner and await further instructions from Owner. Upon removal of the constraint, Operator shall use its reasonable efforts to restore the availability of the Facility for dispatch.

3.6 Licenses and Permits. Operator shall review all Applicable Laws containing or establishing compliance requirements in connection with the operation and maintenance of the Facility and shall (i) assist Owner, at Owner's request, in securing and complying with, as appropriate, all necessary Permits (and renewals of the same), including without limitation those relating to air emissions, NERC reliability standards, boiler operation, water usage, septic system operation, wastewater discharge, chemical and other waste (including Hazardous Materials) storage and disposal, emissions testing, and safety, and (ii) initiate and maintain precautions and procedures necessary to comply with Applicable Laws, including without limitation those related to prevention of injury to persons or damage to property at the Facility. Operator shall obtain and maintain all Permits required by Applicable Law for its performances of the Services.

3.7 Personnel Matters. Except as set forth in this Agreement, Operator shall be solely responsible for determining the working hours, rates of compensation and all other matters relating to the employment of Operator's Facility Personnel and shall retain sole authority, control and responsibility with respect to its employment policy. Operator shall submit for Owner's approval the staffing requirements for the Facility. Without the consent of Owner, Operator may appoint the Unit 7 & 8 Plant Manager as the Plant Manager from time to time. If Operator intends to select an individual other than the Unit 7 & 8 Plant Manager as the Plant Manager, or if the Plant Manager ceases to be the Unit 7 & 8 Plant Manager, Operator shall promptly schedule an opportunity for Owner to meet with the proposed (or continuing) Plant Manager prior to that individual being appointed (or confirmed) as Plant Manager, and obtain Owner's written approval, which approval shall not be unreasonably delayed or denied and shall

be provided within fifteen (15) Business Days after Owner has met with such proposed (or continuing) Plant Manager or has waived its right in writing to so meet with such proposed (or continuing) Plant Manager or will provide written notification of why such Person should not be approved (or confirmed). If Owner does not respond within such period, Operator's selection for Plant Manager shall be deemed to have been automatically approved. If a continuing Plant Manager is not confirmed, or deemed to be confirmed, as required by this Section 3.7, Operator shall promptly remove such individual as Plant Manager and select a different individual to act as Plant Manager in accordance with this Section 3.7.

3.8 No Liens or Encumbrances. Operator will keep and maintain the Facility free and clear of all liens and encumbrances resulting from the personal debts and obligations of Operator or the failure by Operator to perform the Services.

3.9 Emergency Action. In the event of an emergency affecting the safety, health or protection of, or otherwise endangering, any persons or property located at or about the Facility (an "Emergency"), Operator shall take immediate action to prevent or mitigate any damage, injury or loss threatened by such Emergency, and shall notify Owner of such Emergency and Operator's response as soon as practical under the circumstances. To the extent Operator deems reasonable in response to an Emergency, Operator may procure goods and services as necessary to respond to an Emergency, the costs of which shall be Operating Costs.

#### ARTICLE IV - OBLIGATIONS, RIGHTS AND REPRESENTATIVES OF OWNER

4.1 General. Owner expressly reserves the exclusive authority to make, and shall make, such business and strategic decisions as it deems appropriate from time to time in reference to the operation and maintenance of the Facility. Upon request from Operator, Owner shall promptly furnish or cause to be furnished to Operator, at Owner's expense, the information, access, materials, instructions and other items described in this Article IV. All such items will be made available at such times and in such manner as may be reasonably required for the expeditious and orderly performance of the Services by Operator.

4.2 Information. Owner shall provide to Operator or make available at the Site all technical, operational and other Facility information in Owner's possession that supports Operator's performance of the Services, and Operator shall review all such materials and information. Subject to the Standards of Performance, Operator will be entitled to rely upon any information provided by Owner or any other party to the Facility Agreements in the performance of the Services, and Operator will be deemed to have knowledge of all such information provided by Owner.

4.3 Access to Facility. Owner shall provide Operator access to the Site, and to Owner's records and data at the Facility.

4.4 Instructions, Approvals. Owner shall provide or cause to be provided to Operator all instructions Operator is required to obtain in accordance with this Agreement. Owner shall not unreasonably withhold approvals required by this Agreement. Owner shall not direct Operator to take any action inconsistent with Applicable Law or otherwise adversely affecting the safety, health or protection of any persons or property located at or about the Facility.



## ARTICLE V - REPRESENTATIVES, BUDGETS AND REPORTS

5.1 Representatives of Operator. Promptly after the Effective Date, Operator shall appoint a Project Manager who shall be authorized to represent Operator with Owner concerning Operator's performance of the Services. The Project Manager may be the same individual as the Plant Manager. Operator is bound by the written communications, directions, requests and decisions made by its Project Manager on its behalf. Operator shall notify Owner in writing upon the appointment of its Project Manager, and of any successors. The Project Manager has no authority to modify, amend or terminate this Agreement or, absent written notice by Operator to the contrary, to enter into any other agreement on behalf of Operator other than as provided herein. Owner shall have the right to request that Operator replace the Project Manager, and Operator will make commercially reasonable efforts to effect such replacement.

5.2 Representatives of Owner. Owner shall appoint an individual (the "General Manager") who shall be authorized and empowered to act for and on behalf of Owner on all matters concerning the operation of the Facility, the day-to-day administration of this Agreement and Owner's obligations hereunder. Owner shall notify Operator in writing upon the appointment of the General Manager, and of any successors. The General Manager has no authority to modify, amend or terminate this Agreement or, absent written notice by Owner to the contrary, to enter into any other agreement on behalf of Owner other than as provided herein.

### 5.3 Plans and Budgets.

#### 5.3.1 Adoption.

5.3.1.2 Budgets. The initial Budget and Plan for the first Year following the Effective Date is attached as Appendix C hereto. One hundred fifty (150) days prior to the beginning of each subsequent Year, Owner and Operator shall use reasonable efforts to agree on the key assumptions for such Year that Operator shall use to construct the proposed Budget and Plan with respect to the Services. The key assumptions are Operating Costs, an inflation factor for Operating Costs and, during the Operational Period, fuel costs and the Facility operating profile (Facility capacity factor and production schedule). Operator shall structure each Budget on a monthly basis and shall project, in detail reasonably acceptable to Owner, all Operating Costs and Reimbursable Costs to be expended in the performance of the Services. Each Plan shall state the key assumptions upon which the related Budget is based as well as the implementation plans for the Services, including: (i) anticipated maintenance and repairs, (ii) routine maintenance and overhaul schedules (including planned major maintenance), (iii) plant retirement costs and activities, (iv) procurement, (v) staffing, personnel and labor activities, (vi) administrative activities, (vii) capital improvements, and (viii) other work proposed to be undertaken by Operator. Operator shall deliver to Owner the proposed Budget and Plan ninety (90) days prior to each Year. Owner shall review each proposed Budget and Plan within thirty (30) days of submission by Operator (or as soon as possible with respect to the Budget for the initial Year and may, by written request, require changes, additions, deletions and modifications thereto. Owner and Operator shall then use reasonable efforts to agree upon a final Budget and Plan prior to the commencement of the applicable Year. Each final Budget and Plan shall remain in effect throughout the applicable Year, subject to updating, revision and amendment proposed by either Party and consented to in writing by the other Party.

5.3.1.3 Amendments. If either Party becomes aware of facts or circumstances that it believes necessitate a change to a Budget or Plan, that Party shall immediately notify the other Party, specifying the impact upon the Budget and the reasons for the change. The Project Manager shall then discuss appropriate amendments to the Budget with the General Manager.

5.3.1.4 Failure to Agree. The Parties acknowledge that it is necessary that Owner retain ultimate authority with respect to expenses incurred for the Facility. Accordingly, Operator shall accept each Budget as finally determined by Owner. To the extent that Owner limits funds for Operating Costs and Reimbursable Costs, Operator is relieved from performance that would incur such costs. Operator shall deliver a written report to Owner that describes Operator's reasons for believing that each disputed expense is prudent.

5.3.2 Limitations on Variation from Budget. Except as otherwise permitted in response to an Emergency in accordance with Section 3.9, Operator will obtain Owner's approval (a) for any expenditures that exceed an approved budgeted line item expense or capital project by the greater of ten percent (10%) or one hundred thousand dollars (\$100,000), (b) for any unbudgeted expense or capital project greater than two hundred fifty thousand dollars (\$250,000), or (c) in the event that there is an opportunity to re-allocate approved budgeted line item expenses to a comparable unbudgeted or under-budgeted expense. In the event that cumulative budget overruns exceed five hundred thousand dollars (\$500,000) in any Operating Year, Operator will thereafter obtain Owner's approval for any expenditure greater than one hundred thousand dollars (\$100,000).

5.4 Availability of Operating Data and Records. Operator shall deliver Facility data recorded, prepared or maintained by Operator to Owner: (i) to assist Owner in complying with requirements of Governmental Authorities, Permits and Facility Agreements; or (ii) upon any request by Owner, in each case as soon as reasonably practicable but in any event within five (5) Business Days following such request.

5.5 Litigation and Permit Lapses. Upon obtaining actual knowledge, either Party shall submit prompt written notice to the other Party of the following, to the extent relating to the Facility or the Services: (i) any litigation, claims or actions filed by or with any Governmental Authority; (ii) any actual refusal to grant, renew or extend, or any action filed with respect to the granting, renewal or extension of, any Permit; (iii) all penalties or notices of violation issued by any Governmental Authority; (iv) any dispute with any Governmental Authority that may affect the Facility; and (v) with respect to the matters identified in items (i), (ii), (iii) or (iv), any threats of such matters, which matters may affect the Facility.

5.6 Other Information. Operator shall promptly submit to Owner any material information concerning new or significant aspects of the Facility operations and, upon Owner's request, shall promptly submit any other information concerning the Facility or the Services. Such information may include any information and certifications required by Lender with respect to the Services.

5.7 Records Maintenance and Retention. Operator shall maintain all records, reports, documents and data, including all data retrievable from an electronic data storage source, for the

Facility in accordance with Kentucky Public Service Commission (“KPSC”) regulation and Applicable Law and shall retain and preserve all such records, reports, documents and data created in connection with the operation and maintenance of the Facility, for a period of five (5) years (unless a longer period is required by KPSC regulation, Applicable Law or as otherwise directed by Owner) from the date of the creation of such record, report, document or data, provided that Operator shall notify Owner in writing at least thirty (30) days prior to the destruction or other disposition of any record, report, document or data. If Owner gives written notice to Operator prior to the expiration of the 30-day period, Operator will maintain custody of such material until such time as Owner notifies Operator to dispose of such material, provided that Owner shall make storage space available at the Facility for storage of all such materials. If Owner does not provide written notice to Operator prior to the expiration of the 30-day period, Operator may destroy or dispose of such material and shall provide Owner with a certificate confirming such destruction or disposition.

5.8 Reliability Standards. Operator shall maintain a record retention and document management system in accordance with regulations issued by NERC or its regional entities.

## ARTICLE VI - LIMITATIONS ON AUTHORITY

6.1 Limitations on Authority. Operator has no authority to make policies or decisions with respect to the overall operation or maintenance of the Facility as a commercial enterprise. Owner shall determine all such matters. Notwithstanding any provision in this Agreement to the contrary, unless previously approved in a Budget and Plan or otherwise approved in writing by Owner, in connection with Operator’s provision of Services hereunder, Operator is prohibited from doing any of the following:

6.1.1 Dispose of Assets. Selling, leasing, pledging, mortgaging, encumbering, conveying, or making any license, exchange or other transfer or disposition of the Facility, the Site or any other property or assets of Owner, including any property or assets purchased by Operator, the cost of which is an Operating Cost or a Reimbursable Cost;

6.1.2 Make Expenditures. Making any expenditure or acquiring on an Operating Cost or a Reimbursable Cost basis any goods or services from third parties, except in conformity with a Budget or as otherwise permitted under Section 5.3.2 or as authorized by Owner’s General Manager; provided, however, that in the event of an Emergency, Operator, without approval from Owner, is authorized to take all reasonable actions to prevent or mitigate such threatened damage, injury or loss in accordance with Section 3.9;

6.1.3 Contract. Making, entering into, executing, amending, modifying, supplementing or giving or accepting any waivers under, any contract or agreement (including any labor or collective bargaining agreement) on behalf of or in the name of Owner or hold itself out as having the authority to do so or entering into or initiating any dispute resolution under any Facility Agreement, other than pursuant to Section 3.3;

6.1.4 Take Other Actions. Taking or agreeing to take any other action or actions that, individually or in the aggregate, materially varies from the applicable Budget (as modified by Section 5.3.2) and Plan; provided, however, that in the event of an Emergency,

Operator, without approval from Owner, is authorized to take all reasonable actions to prevent or mitigate such threatened damage, injury or loss in accordance with Section 3.9;

6.1.5 Act Regarding Lawsuits and Settlements. Settling, compromising, assigning, pledging, transferring, releasing or consenting to the compromise, assignment, pledge, transfer or release of, any claim, suit, debt, demand or judgment against or due by Owner or Operator, the cost of which, in the case of Operator, would be an Operating Cost or a Reimbursable Cost hereunder, or submitting any such claim, dispute or controversy to arbitration or judicial process, or stipulating in respect thereof to a judgment, or consent to the same; provided, however, that such prohibition shall not apply to, nor shall it be construed as a release or waiver of, any of Operator's rights or obligations pursuant to this Agreement or any other agreement between the Parties; or

6.1.6 Pursue Transactions. Engaging in any other transaction on behalf of Owner not permitted under this Agreement.

## ARTICLE VII - COMPENSATION AND PAYMENT

7.1 General. Owner shall pay Operator, or fund, as applicable, in the manner and at the times specified in this Article 7, all Reimbursable Costs, Operating Costs and the Fee, all as further described below.

7.2 Reimbursable Costs. Subject to the applicable Budget and the limitations set forth elsewhere in this Agreement, Owner shall reimburse Operator for the following costs (the "Reimbursable Costs") incurred by Operator in performing the Services: (i) costs incurred in response to an Emergency; (ii) a reasonably allocable portion of the cost of the insurance maintained by Operator in accordance with Section 9.1; (iii) costs of third party advisors, consultants, attorneys, accountants and contractors retained and managed by Operator in support of, and reasonable allocable to, the Services; and (vi) any other cost designated by the Parties as a Reimbursable Cost pursuant to the terms of this Agreement. In no event shall Operator add any mark-up to the Reimbursable Costs.

7.3 Operating Costs.

7.3.1 Definition. Subject to the limitations on expenditures set forth elsewhere in this Agreement (including Section 5.3) and except for any Reimbursable Costs, Operator will be responsible for procuring and administering the payment by Owner pursuant to the procedure set forth in Section 7.3.2, without duplication, for Owner's actual costs (or allocated portion thereof as such costs may be ratably allocated among the owners of other generating units located at Miami Fort Station) incurred for the following items (the "Operating Costs"): (i) equipment, material, supplies and other consumables, spare parts, replacement components, tools, office equipment and supplies acquired for use at the Facility; (ii) third-party costs associated with special training of Facility Personnel and associated travel and living expenses; (iii) subject to the provisions of this Agreement, contractors providing work in support of the Services that cannot reasonably be performed by Facility Personnel; (iv) permit fees for Permits required to be held by Operator; (v) community relations and labor relations activities; and (vi) Operator's actual cost of Facility Personnel wages, salaries, overtime, employee bonus,

customary or required severance payments, unemployment insurance, long term disability insurance, short term disability payments, sick leave, payroll taxes imposed on wages and benefits, worker's compensation costs and holidays, vacations, group medical, dental and life insurance, defined contribution retirement plans and other employee benefits; (vii) costs incurred in response to an Emergency; and (viii) any other activity that Operator is required to perform under this Agreement for the benefit of the Facility or that is approved in a Budget pursuant to the terms of this Agreement. In no event shall Operator add any mark-up to the Operating Costs.

7.3.2 Funding and Payment Process. No later than the tenth (10th) Business Day of each calendar month (but in all cases consistent with any timing requirements under the Financing Agreements), Operator will deliver to Owner an invoice for estimated Operating Costs to be incurred under Section 7.3.1(vi) in the upcoming month; and (ii) a true up against actual Section 7.3.1(vi) Operating Costs incurred in the prior month. On a monthly basis, Operator shall forward to Owner third party invoices for all other Operating Costs, together with supporting documentation in form satisfactory to Owner; provided, that all such invoices shall have been reviewed and approved in accordance with Owner's disbursement policies and procedures as in effect from time to time and that such request and invoice are consistent with the Budget and Operator's responsibility for managing the Budget. Owner shall make payment to Operator for the invoice specified above prior to the end of the month in which such invoice is received.

7.4 Cost Audit. No payment made pursuant to the foregoing provisions shall be considered as approval or acceptance of Services performed under this Agreement, and Owner shall be entitled to conduct an audit and review of Operator's records with respect to all Reimbursable Costs and Operating Costs together with any supporting documentation for a period of three (3) years from and after the date of the audited payment. If, pursuant to such audit and review, it is agreed that any amount previously paid by Operator was not properly incurred as a Reimbursable Cost or Operating Cost, Operator shall credit such amount to Owner in a subsequent invoice.

7.5 Fee. Owner shall pay to Operator the Fee during the Term. The Fee shall be paid in monthly installments of one-twelfth (1/12) of such Fee. If the Term commences on a day other than the first day of a calendar month or the termination of the Agreement occurs on a day other than the last day of a calendar month, Operator shall prorate the Fee for such month to reflect the actual number of days in such month that Operator provided Services. Notwithstanding the foregoing, no Fee shall be due so long as Operator is an Affiliate of Owner.

7.6 Invoicing. On or before the tenth (10th) Business Day of each calendar month during the Term, Operator will submit invoices to Owner for (i) monthly installments of the Fee and (ii) Reimbursable Costs incurred during the preceding calendar month, supported by receipts and other appropriate documentation. Owner will make payment to Operator of the invoiced amount no later than the Due Date. Invoicing with respect to Operating Costs shall be as set forth in Section 7.3.2.

7.7 Late Payment. To the extent Owner or Operator fails to pay any amount required to be paid under this Agreement by the Due Date, the unpaid amount shall accrue interest each

day at the Late Payment Rate from the Due Date until such amount (plus accrued interest) is paid in full.

7.9 Escalation. The Fee will be escalated annually beginning on January 1 of the Year following the Effective Date by applying the Escalation Factor to each amount pursuant to the method set forth in Appendix B.

## ARTICLE VIII - TERM

8.1 Term. The initial Term of this Agreement is from and including the Effective Date to and including December 31, 2024 (the “Initial Term End Date”). This Term shall extend in increments of one additional Year following the Initial Term End Date until a Party notifies the other Party of its intent not to extend the Term by written notice delivered at least ninety (90) days prior to the Initial Term End Date or the end of any subsequent Year during the extended Term. Notwithstanding the foregoing, this Agreement and the Term is subject to earlier termination pursuant to Sections 8.2 and 8.3.

### 8.2 Termination by Owner.

8.2.1 Termination for Convenience. Owner may terminate this Agreement without cause and for Owner’s convenience at any time by giving thirty (30) days prior written notice of such termination to Operator. During the Operational Period, Operator may terminate this Agreement without cause and for Operator’s convenience at any time by giving one hundred eighty (180) days prior written notice of such termination to Owner if the electric generating Unit 7 and Unit 8 located at the Miami Fort Station are permanently shutdown or retired and Operator will no longer be providing services similar to the Operational Period Services and the Retirement Period Services for such units.

8.2.2 Termination for Cause. Owner is permitted to terminate this Agreement if any of the following events occur: (i) Bankruptcy of Operator; (ii) payment default by Operator (other than a disputed payment) that Operator fails to cure within ten (10) days after Operator has received written notice of such default; (iii) default by Operator in performance of its obligations under this Agreement that has a material effect on the functioning of the Facility and that Operator has failed to cure or make substantial progress in the reasonable opinion of Owner towards curing within ninety (90) days of written notice of such failure; or (iv) for two (2) consecutive Years Operator incurs the maximum liability under Section 11.2.

8.3 Termination by Operator. Operator is permitted to terminate this Agreement if any of the following events occur: (i) payment default by Owner (other than a disputed payment) that is not cured within ten (10) days after the Due Date for any invoice; (ii) Bankruptcy of Owner; or (iii) default by Owner of any other obligation under this Agreement that has a material effect on Operator’s ability to perform the Services and that Owner has failed to cure or make substantial progress in the reasonable opinion of Operator towards curing within ninety (90) days of written notice of such failure. In lieu of termination, Operator may suspend the Services or take such other action as it deems reasonable to mitigate its risks pending cure by Owner.

8.4 Termination Payment. As soon as practicable after all cost information is gathered following termination, Operator shall invoice Owner for Services rendered by Operator through the termination date, including all Reimbursable Costs and the Fee earned through the date of termination but not paid (collectively, the “Termination Payment”). Owner shall pay the invoice for the Termination Payment no later than the Due Date.

8.5 Transfer of Facility Custody. Upon expiration or termination of this Agreement, Operator shall leave at the Facility all documents and records, tools, supplies, spare parts, safety equipment, Manuals, and any other items furnished on an Operating Cost or a Reimbursable Cost basis, all of which shall remain the property of Owner without additional charge. Operator shall execute all documents and take all other reasonable steps as may be reasonably requested by Owner to assign to and vest in Owner all rights, benefits, interests and title in connection with any subcontracts Operator executed in its own name for the benefit of the Facility. Owner assumes all liabilities arising under such contracts once assigned.

8.6 Services Upon Termination. Upon notice of termination of this Agreement by either Operator or Owner, unless Owner has defaulted on any payment obligations under this Agreement, Owner has the right to specify a period of transition of no longer than ninety (90) days (the “Termination Transition Period”) during which Operator shall: (i) continue to provide Services at the Facility in accordance with this Agreement; (ii) cooperate with Owner in planning and implementing a transition to any replacement provider of Services; and (iii) use its reasonable efforts to minimize disruption of Facility operations in connection with such activities. Owner shall use commercially reasonable efforts to consult with Operator in its selection of any replacement provider of Services to the extent Operator’s other activities at the Miami Fort Station would be impacted by such selection. In addition, Owner shall compensate Operator in accordance with this Agreement during the Termination Transition Period. Operator shall permit the new service provider to hire or to contract with the Facility Personnel that the new service provider desires to retain at the Facility to extent such Facility Personnel are not required for Operator’s other activities at the Miami Fort Station. To facilitate employee transfer, Operator will permit the new service provider to interview such Facility Personnel in a manner and at times that do not interfere with Operator’s responsibility to perform the Services. If Operator or one of its Affiliates continues to own or operate the Miami Fort Station upon which the Facility resides, Operator shall, or shall cause its Affiliates to, reasonably cooperate to allow Owner or a successor operator to operate the Facility after the termination of this Agreement, including by granting access rights and executing other instruments as may be reasonably requested by Owner.

## ARTICLE IX - INSURANCE

9.1 Operator Insurance Requirements. Commencing with the performance of the Services hereunder, and continuing until the termination of this Agreement, Operator (and any tier subcontractors) shall maintain or cause to be maintained occurrence form (if written on a claims made policy form, be maintained with a retroactive date that is prior to this Agreement effective date for a period of at least three (3) years following the last year in which such policy provides coverage under the terms of this Agreement) insurance policies as follows: (i) Workers’ Compensation in accordance with the statutory requirements of the state in which the Services are performed and Employer’s Liability Insurance of not less than \$1,000,000 each

accident/employee/disease; (ii) Commercial General Liability Insurance having a limit of at least \$1,000,000 per occurrence/\$2,000,000 in the aggregate for contractual liability, personal injury, bodily injury to or death of persons, and/or loss of use or damage to property, including but not limited to products and completed operations liability (which shall continue for at least three (3) years after completion), premises and operations liability and explosion, collapse, and underground hazard coverage; (iii) Commercial/Business Automobile Liability Insurance (including owned (if any), non-owned or hired autos) having a limit of at least \$1,000,000 each accident for bodily injury, death, property damage and contractual liability and no fellow employee exclusion; (iv) Umbrella/Excess Liability insurance with limits of at least \$24,000,000 per occurrence and follow form of the underlying Employer's Commercial General and Auto Liability insurance, and provide at least the same scope of coverages thereunder; and (v) if Operator will be handling environmentally regulated or hazardous materials, Pollution Legal Liability, including coverage for sudden/accidental occurrences for bodily injury, property damage, environmental damage, cleanup costs and defense with a minimum of \$1,000,000 per occurrence.

9.2 Form and Content. All insurance policies provided and maintained by Operator and each subcontractor shall: (i) be underwritten by insurers which are rated A.M. Best "A- VII" or higher; (ii) specifically include Owner and its directors, officers, employees, affiliates, subcontractors, and joint owners of any facilities as additional insureds, including for completed operations, with respect to Operator's acts, omissions, services, products or operations, whether in whole or in part, excluding, however, for Worker's Compensation/Employer's and Pollution Legal Liability insurance; (iii) be endorsed to provide, where permitted by law, waiver of any rights of subrogation against Owner and its directors, officers, employees, affiliates and subcontractors, and joint owners of any facilities; (iv) provide that such policies and additional insured provisions are primary with respect to the acts, omissions, services, products or operations of Operator or its subcontractors, whether in whole or in part, and without right of contribution from any other insurance, self-insurance or coverage available to Owner and its affiliates; (v) contain standard separation of insured and severability of interest provisions except with respect to the limits of the insurer's liability, (vi) not contain any provision that limits will not stack, pyramid or be in addition to any other limits provided by the insurer; and (vii) not have any cross liability exclusion, or any similar exclusion that excludes coverage for claims brought by additional insureds under the policy against another insured under the policy. Any deductibles or retentions shall be the sole responsibility of Operator and its subcontractors. Evidence of such coverage shall be provided via Operator's certificate of insurance furnished to Owner prior to the start of Services, upon any policy replacement or renewal and upon Owner's request. If there is a claim naming the Owner for any Services related to this Agreement, Operator or its subcontractors will provide a copy of any or all of its required insurance policies, including endorsements in which Owner is included as an additional insured. All insurance policies shall provide that the insurer will provide at least thirty (30) days' written notice to Operator, who in turn shall provide at least thirty (30) days' written notice to Owner prior to cancellation of any policy (or ten (10) days' notice in the case of non-payment of premium).

9.3 Non-Compliance. Any failure to comply with all of these provisions shall permit Owner to suspend all Services until compliance is achieved. The failure by Operator to provide any or accurate certificates of insurance, or Owner to insist upon any or accurate certificates of



insurance, shall not be deemed a waiver of any rights of Owner under this Agreement or with respect to any insurance coverage required hereunder.

## ARTICLE X - INDEMNIFICATION

10.1 Operator Indemnification. Subject to the limitations of liability in Sections 11.1 and 11.2, Operator shall indemnify and hold harmless Owner and its Affiliates, and their respective officers, directors, employees, managers, members, agents and representatives (collectively, the “Owner Indemnitees”), from and against, and no Owner Indemnitee shall be responsible for:

(a) any and all Liabilities sustained or suffered by any Owner Indemnitee in connection with injury or death to third parties or loss of or damage to the property of third parties, to the extent caused by Operator’s negligence, willful misconduct, fraud, willful violation of any Applicable Law or willful breach of any representation, warranty or covenant in this Agreement; and

(b) any other Liabilities sustained or suffered by any Owner Indemnitee to the extent caused by Operator’s gross negligence, willful misconduct, fraud, willful violation of any Applicable Law or willful breach of any representation, warranty or covenant in this Agreement.

Any Liabilities paid by Operator pursuant to its indemnity obligation under this Section 10.1 are not Reimbursable Costs.

10.2 Owner Indemnification. Subject to the limitations of liability in Sections 11.1 and 11.2, Owner shall indemnify and hold harmless Operator and its Affiliates, and their respective officers, directors, employees, agents and representatives (collectively, the “Operator Indemnitees”), from and against, and no Operator Indemnitee shall have responsibility for, any and all Liabilities sustained or suffered by any Operator Indemnitee in connection with injury or death to third parties or loss of or damage to property of third parties, to the extent caused by Owner’s negligence, willful misconduct, fraud, willful violation of any Applicable Law or willful breach of any representation, warranty or covenant in this Agreement.

### 10.3 Environmental Indemnification.

10.3.1 Owner Indemnity for Environmental Liabilities. Subject to the limitations of liability in Sections 11.1 and 11.2, and without in any way limiting the provisions of Section 10.3.2, Owner shall indemnify and hold harmless the Operator Indemnitees from and against, and no Operator Indemnitees shall be responsible hereunder for, any Liabilities, including all civil and criminal fines or penalties and other costs and expenses incurred, assessed or sustained by or against any Person, as a result of or in connection with any matters governed by Environmental Laws directly or indirectly related to or arising out of (i) the design, permitting or construction of the Facility or the condition of the Site, and any adjacent parcels, (ii) the operation, maintenance, ownership, control or use of the Facility or otherwise related to the Facility, and (iii) the offsite transportation, treatment or disposal of all wastes generated at the Facility and any properties included within or adjacent to the Site, whether occurring before or after the Effective Date, in each case, to the extent of Owner’s liability therefor pursuant to

applicable Environmental Law (collectively, “Environmental Liabilities”), including any Environmental Liabilities arising out of (x) any non-compliance by Owner with any condition, reporting requirement or other environmental requirement under any Permit or Environmental Law or other Applicable Law, whether related to air, opacity, water, solid waste or Hazardous Materials, or (y) the actual or alleged existence, generation, use, emission, collection, treatment, storage, transportation, disposal, recovery, removal, release, discharge or dispersal of Hazardous Materials, provided, however, that the Environmental Liabilities for which Owner is obligated to indemnify Operator under this Section 10.3.1 shall not in any event include any Operator Environmental Liabilities for which Operator is liable under Section 10.3.2.

10.3.2 Operator Indemnity for Environmental Liabilities. Subject to the provisions of Section 10.1 and the limitations of liability in Sections 11.1 and 11.2, Operator shall indemnify and hold harmless the Owner Indemnitees from and against, and no Owner Indemnitee shall be responsible hereunder for any Liabilities, including any civil and criminal fines or penalties and other costs and expenses incurred, assessed or sustained by or against any Person as a result of or in connection with any breach or violation of or any other matters governed by Environmental Laws to the extent caused by (i) any failure by Operator to perform the Services in accordance with the provisions of this Agreement or (ii) any negligence or willful misconduct of Operator (collectively, the “Operator Environmental Liabilities”). Operator understands and agrees that any Operator Environmental Liabilities paid by Operator pursuant to this Section 10.3.2 shall not be Reimbursable Costs hereunder.

10.3.3 Governmental Actions. During the Term of this Agreement, Operator shall cooperate and assist Owner with Owner’s acquisition of data and information, and preparation and filing with appropriate Governmental Authorities of any notices, plans, submissions, or other materials and information necessary for compliance with Owner’s obligations under applicable Environmental Laws and the requirements of any Permits related to the Facility. All such environmental reports shall be submitted by, and in the name of, Owner and not Operator. All costs associated therewith, including the costs of any outside consultants, legal services, Governmental Authority charges, sampling and remedial work, shall be paid by Owner as an Operating Cost or reimbursed to Operator as a Reimbursable Cost, unless such costs are incurred arising out of or associated with Operator Environmental Liabilities that are subject to Operator’s indemnity obligation pursuant to Section 10.3.2 hereof. Any action taken by Operator with respect to Owner’s obligations under any such applicable Environmental Law, including proceedings and filings made in connection therewith, shall be undertaken, and any Reimbursable Costs associated with any such compliance action shall only be incurred, by Operator with Owner’s prior consent, unless a Governmental Authority or Applicable Law requires Operator to incur such costs and expenses prior to obtaining such consent. Nothing contained herein shall be construed as requiring Operator to take any corrective action with respect to the operation, maintenance, use or condition of the Facility unless (x) affirmatively and expressly directed in writing to so do by Owner and appropriate funding is made available by Owner, or (y) affirmatively and expressly directed to do so by a Governmental Authority, and necessary to address any Environmental Liability, in which case the cost of any corrective actions so undertaken shall be deemed an Environmental Liability subject to Owner’s indemnity obligation pursuant to Section 10.3.1 hereof (if not otherwise reimbursed as a Reimbursable Cost hereunder), unless such Environmental Liability arises out of or is associated with Operator Environmental Liabilities subject to Operator’s indemnity obligation pursuant to Section 10.3.2

hereof. Costs incurred with respect to the matters addressed in this Section 10.3.3 will constitute Operating Costs or Reimbursable Costs only to the extent provided in this Section.

## ARTICLE XI - LIABILITIES OF THE PARTIES

11.1 Limitations of Liability. Notwithstanding any provision in this Agreement that may be susceptible to contrary interpretation, neither the Parties nor any Owner Indemnitees or Operator Indemnitees shall be liable for consequential or indirect loss or damage, including loss of profit, cost of capital, loss of goodwill, increased Operating Costs or any special or incidental damages; provided, however, that notwithstanding the foregoing, in no event will the foregoing limitations of liability be applied to limit the extent of the liability of either Party to the other for or with respect to any Claims relating to injury or death to third parties or loss of or damage to property of third parties. The Parties further agree that the waivers and disclaimers of liability, indemnities, releases from liability and limitations of liability expressed in this Agreement shall survive termination or expiration of this Agreement, and shall apply in all circumstances, whether in contract, equity, tort or otherwise, regardless of the fault, negligence (in whole or in part), strict liability, breach of contract or breach of warranty of the Party indemnified, released or whose liabilities are limited, and shall extend to the Owner Indemnitees and Operator Indemnitees.

11.2 Operator's Total Aggregate Liability. The total aggregate liability of Operator to Owner for all Liabilities arising out of any events occurring or claims made in connection with this Agreement in any Year shall be:

(a) with respect to any Operator Environmental Liabilities under Section 10.3.2, an amount equal to the following: (i) twice the Fee applicable to such Year, plus (ii) with respect to any Operator Environmental Liabilities incurred at any time, any insurance proceeds received or receivable by Operator or paid on Operator's behalf with respect to the relevant loss or damages under the insurance policies Operator is required to maintain pursuant to Section 9.1; and

(b) with respect to any other Liabilities under this Agreement, an amount equal to the following: (i) the Fee applicable to such Year, plus (ii) with respect to any such Liabilities, any insurance proceeds received or receivable by Operator or paid on Operator's behalf with respect to the relevant loss or damages under the insurance policies Operator is required to maintain pursuant to Section 9.1;

provided that excluded from the foregoing limitations of liability are any third party indemnity obligation of Operator arising under Section 10.1(a) and any indemnity obligation of Operator arising from or in connection with fraud, gross negligence, or willful misconduct, all of which shall be unlimited. The aggregate liability limitation expressed in this Section 11.2 is separate from, and is not to be construed as limiting, the insurance coverage described in Article IX. Any deductible amounts paid in any Year by Operator under Section 9.6 shall count toward computing Operator's total aggregate liability for such Year.

11.3 No Warranties or Guarantees. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, NEITHER PARTY MAKES ANY WARRANTIES OR GUARANTEES TO THE OTHER, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO THE SUBJECT

MATTER OF THIS AGREEMENT, AND BOTH PARTIES DISCLAIM AND WAIVE ANY IMPLIED WARRANTIES OR WARRANTIES IMPOSED BY LAW, INCLUDING MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

11.4 Non-Recourse. There shall be no personal liability on the part of any owners, partners or members of Owner or their respective officers, directors, employees, managers, members, agents or representatives for the payment of amounts due hereunder or the performance of any obligations hereunder and Operator shall look solely to Owner and the assets of Owner therefor.

11.5 Exclusive Remedies. Each Party understands, acknowledges and agrees the indemnification provided to the Owner Indemnitees and the Operator Indemnitees pursuant to, and subject to the terms and conditions of, Article X will be the sole and exclusive remedy of the Owner Indemnitees and the Operator Indemnitees against the other Party or any other Owner Indemnitee or Operator Indemnitee with respect to the matters that are the subject of indemnification under Article X, and that the Owner Indemnitees and Operator Indemnitees will have no other remedy or recourse against each other with respect to any of the foregoing other than pursuant to, and subject to the terms and conditions of, Article X.

## ARTICLE XII - CONFIDENTIALITY

12.1 General. During the Term, and for the later of three (3) years after the termination of this Agreement or five (5) years after receipt of the applicable Confidential Information, each Party shall hold in confidence any Confidential Information supplied by or on behalf of the other Party. “Confidential Information” means with respect to each Party, all written or oral information of a proprietary, intellectual or similar nature, relating to the business, projects, operations, activities or affairs of a Party and its Affiliates, whether of a technical or financial nature or otherwise (including environmental assessment reports, financial information, business plans and proposals, ideas, concepts, trade secrets, know-how, processes, pricing of services or products, and other technical or business information, whether concerning this Agreement, each Party’s respective businesses or otherwise) that has not been publicly disclosed and that the receiving Party acquires directly or indirectly from the disclosing Party. Each receiving Party further agrees to require its contractors, vendors, suppliers and employees, agents or prospective purchasers to preserve the confidentiality of Confidential Information. The receiving Party may make necessary disclosures to third parties directly engaged in the operation, ownership or financing of the Facility if such third parties are under an obligation to receive and hold such Confidential Information in confidence.

12.2 Exceptions. The provisions of this Article XII do not apply to information within one or more of the following categories:

12.2.1 Public Domain. Information that was in the public domain prior to the receiving Party’s receipt or that subsequently becomes part of the public domain by publication or otherwise, except by the receiving Party’s wrongful act, or

12.2.2 Prior Receipt. Information that the receiving Party can demonstrate was in its possession prior to receipt thereof from the disclosing Party so long as such possession did not result from a violation of a confidentiality obligation, or

12.2.3 Third Party Delivery. Information received from a third party having no obligation of secrecy with respect thereto.

12.2.4 Permitted Disclosures. Information disclosed by Owner to lenders or prospective lenders, equity investors or prospective equity investors, prospective purchasers, consultants, attorneys, accounts and other designated agents in each case on a confidential, need-to-know-basis.

12.2.5 Regulatory Filings. Information disclosed by Owner in connection with any required regulatory or administrative filings.

12.3 Required Disclosure. Notwithstanding the forgoing, any receiving Party required by law, rule, regulation, subpoena or order, or in the course of administrative or judicial proceedings, to disclose Confidential Information that is otherwise required to be maintained in confidence pursuant to this Article XII, may make disclosure notwithstanding the provisions of this Article XII. Prior to doing so, the receiving Party, immediately upon learning of the requirement, shall notify the disclosing Party of the requirement and cooperate to the maximum extent practicable to minimize the disclosure of Confidential Information. Any receiving Party disclosing Confidential Information pursuant to this Section 12.3 shall use reasonable efforts, at the disclosing Party's cost, to obtain proprietary or confidential treatment of Confidential Information by the third party to whom the information will be disclosed, and to the extent such remedies are available, shall use reasonable efforts to seek protective orders limiting the dissemination and use of Confidential Information. Nothing in this Agreement is intended to prevent the disclosing Party from appearing in any proceedings and objecting to the disclosure.

### ARTICLE XIII - TITLE, DOCUMENTS AND DATA

13.1 Materials and Equipment. Operator shall ensure that title to all materials, equipment, supplies, consumables, spare parts and other items purchased or obtained by Operator on an Operating Cost or Reimbursable Cost basis ("Facility Equipment") immediately passes directly from the vendor or supplier to, and vests in, Owner. Operator has no title or other claim to such items. Owner shall retain title to all wastes (including Hazardous Materials) generated by Operator's performance of the Services.

13.2 Documents. All Manuals, operational data, Facility drawings, Operator reports and records and other materials and documents (both paper and electronic) created by Operator, its Affiliates or their respective employees, representatives or contractors in connection with performance of the Services are the property of Owner. All such materials and documents, together with any materials and documents furnished by Owner to Operator, and all copies thereof, shall be returned to Owner not less than thirty (30) days following the termination or expiration of this Agreement. In addition, all such materials and documents shall be available for review by Owner at all reasonable times during development and promptly upon completion. All such materials and documents required to be submitted for the approval of Owner shall be

prepared and processed in accordance with the requirements and specifications set forth herein. However, Owner's approval of materials and documents submitted by Operator shall not relieve Operator of its responsibility to perform its obligations under this Agreement. Subject to Article XII and the provisions of this Section 13.2, Operator may retain for its records copies of documents prepared by Operator upon Owner's written consent. Notwithstanding anything to the contrary in this Article XIII, Owner shall be permitted to provide all such materials and documents to any and all replacement contractors in anticipation of any expiration or termination of this Agreement.

13.3 Proprietary Information. Where materials or documents prepared or developed by Operator or its Affiliates, or their respective employees, representatives or contractors, contain proprietary or technical information, systems, techniques or know-how previously developed by them or acquired by them from third parties (the "Operator Proprietary Information"), Operator retains the unrestricted and irrevocable right to use or dispose of such Operator Proprietary Information as Operator deems fit. Notwithstanding the foregoing, Owner has an irrevocable license to use such Operator Proprietary Information to the extent necessary for Owner's operation or maintenance of the Facility at no additional cost to Owner.

#### ARTICLE XIV - MISCELLANEOUS PROVISIONS

14.1 Assignment. This Agreement is not assignable by a Party without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed, except that this Agreement may be (i) collaterally assigned by Owner without such consent to Lender in connection with Lender's financing of the Facility, (ii) assigned by Owner without such consent in connection with the direct or indirect sale or transfer of the Facility or a change in control of Owner, whether by merger, sale of equity interest, or otherwise, and (iii) assigned by any Party without such consent to any of such Party's Affiliates, provided that any such assignment by Operator to any of its Affiliates shall not, in any manner or to any extent, release Operator from its obligations hereunder and Operator shall provide a guaranty of performance of such Affiliate satisfactory to Owner. Assignment pursuant to this Section 14.1 shall not relieve the assigning Party of any of its obligations under this Agreement that arose prior to the date of such assignment. Operator shall negotiate in good faith and execute any consent to assignment and such other reasonable documents in connection with an assignment to Lender as Lender may request that does not result in a diminution of Operator's rights or obligations hereunder. All of Operator's costs incurred in connection therewith shall be Reimbursable Costs hereunder (including the fees and disbursements of Operator's attorneys). This Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the Parties.

14.2 Effect of Bankruptcy. The Parties intend that, in the event of a Bankruptcy, payments required under this Agreement shall be deemed to be administrative expenses as defined in 11 USC §503.

14.3 Access. Owner and Lenders and their agents and representatives shall have access to the Facility, all Facility operations and any documents, materials and records and accounts relating to the Facility operations for purposes of inspection and review. Upon the request of Owner and its agents and representatives, Operator shall provide such Persons with access to all data and logs Operator maintains regarding the Facility. During any inspection or

review of the Facility, Owner and Lenders and their agents and representatives shall comply with all of Operator's safety and security procedures, and shall conduct inspections and reviews in such a manner as to cause minimum interference with Operator's activities. Operator also shall cooperate with Owner in allowing other visitors access to the Facility. In addition, Operator shall enter into any access agreements on customary terms reasonably requested by Duke Energy Ohio, Inc. ("DEO"), in its capacity as transmission owner, to permit DEO to access the Facility in connection with the operation, maintenance and regulatory compliance of the transmission assets located at the facility.

14.4 Subcontractors. Subcontracting of the Services shall not relieve Operator of its duties, liabilities or obligations to Owner and, notwithstanding Owner's consent, Operator shall be responsible for the actions of all subcontractors to whom it subcontracts the Services.

14.5 Not for Benefit of Third Parties. Except where a contrary intention is expressly stated, this Agreement and each and every provision hereof are for the exclusive benefit of the Parties that executed this Agreement and not for the benefit of any third party.

14.6 Force Majeure.

14.6.1 Events Constituting Force Majeure. A "Force Majeure Event" is any event that (i) restricts or prevents performance under this Agreement, (ii) is not reasonably within the control of the Party affected or caused by the fault or negligence of the affected Party and (iii) cannot be overcome or avoided by the exercise of due care. Force Majeure Events include, so long as in each case the requirements of the foregoing clauses (i), (ii) and (iii) are satisfied, failure of a Party to perform due to drought, flood, earthquake, storm, fire, lightning, epidemic, war, terrorism, acts of Governmental Authorities, civil disturbances, sabotage (but not including any sabotage involving personnel of Operator), work stoppages (*i.e.*, strikes) (but not including any work stoppages or strikes involving any personnel of Operator, whether on-site or off-site), accident or curtailment of supply, unavailability of construction materials or replacement equipment beyond the affected Party's control, inability to obtain and maintain Permits from any Governmental Authority for the Facility, restraint by court order, and changes in Applicable Law that affect performance under this Agreement. Except for the obligation of each Party to make payments of amounts owed to the other Party, each Party is excused from performance and will not be considered to be in default in respect to any obligation if and to the extent that performance of such obligation is prevented by a Force Majeure Event. Neither Party shall be relieved of its obligations under this Agreement solely because of increased costs or other adverse economic consequences that may be incurred through the performance of such obligations.

14.6.2 Notice. If a Party's ability to perform its obligations under this Agreement is affected by a Force Majeure Event, the Party claiming such inability shall (i) promptly notify the other Party of the Force Majeure Event, its cause, its anticipated duration and any action being taken to avoid or minimize its effect and confirm the same in writing within two (2) days of its discovery, (ii) promptly supply such available information about the Force Majeure Event and its cause as reasonably may be requested by the other Party and (iii) work diligently to remove the cause of the Force Majeure Event or to lessen its effect.

14.6.3 Scope. The suspension of performance arising from a Force Majeure Event shall be of no greater scope and no longer duration than necessary. The excused Party shall use its reasonable efforts to remedy its inability to perform.

#### 14.7 Dispute Resolution.

14.7.1 Notice of Dispute. A Party asserting the existence of a dispute shall deliver a written dispute notice to the other Party, describing the nature and substance of the dispute and proposing a resolution of the dispute. In the case of a dispute asserted by Owner, the dispute notice shall be delivered to the Project Manager. In the case of a dispute asserted by Operator, the dispute notice shall be delivered to the General Manager.

14.7.2 Initial Negotiation. The Parties shall first attempt in good faith to resolve the dispute through negotiations between (i) the Project Manager and (ii) the General Manager during the ten (10) Business Days following delivery of the dispute notice (including any agreed extension, the “Initial Negotiation Period”). Upon the written agreement of Project Manager and the General Manager, the Initial Negotiation Period may be extended up to an additional ten (10) Business Days. If such negotiations result in an agreement in principle among the negotiators to settle the dispute, they shall cause a written settlement agreement to be prepared (a “Preliminary Settlement”). Within the Initial Negotiation Period, such Preliminary Settlement shall be signed, dated and submitted for review and approval by an authorized executive officer of Operator (“Operator’s Executive”) and an executive officer of Owner (“Owner’s Executive”), who shall, if in agreement with the Preliminary Settlement, endorse their signatures within ten (10) Business Days after the end of the Initial Negotiation Period, whereupon the dispute shall be deemed settled, and not subject to further dispute resolution.

14.7.3 Executive Negotiation. If a Preliminary Settlement is not achieved at the conclusion of the Initial Negotiation Period, or the Preliminary Settlement is unacceptable to Operator’s Executive or Owner’s Executive, the Parties shall then attempt in good faith to resolve the dispute through negotiations between Operator’s Executive and Owner’s Executive during the ten (10) Business Days (the “Second Negotiation Period”) following the earlier of (x) the date of the Preliminary Settlement or (y) the end of the Initial Negotiation Period, as the case may be, before pursuing any further means of dispute resolution. Upon the written agreement of Operator’s Executive and Owner’s Executive, the Second Negotiation Period may be extended up to an additional ten (10) Business Days. If such negotiations result in an agreement in principle among the negotiators to settle the dispute, they shall cause a written settlement agreement to be prepared, signed and dated within the Second Negotiation Period (the “Executive Settlement”), whereupon the dispute shall be deemed settled, and not subject to further dispute resolution.

14.7.4 Forum. If an Executive Settlement is not achieved at the conclusion of the Second Negotiation Period, any dispute arising out of or relating to this Agreement, or the breach hereof, either Party may bring an action in a court of competent jurisdiction. **EACH OF THE PARTIES IRREVOCABLY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING, CLAIM OR COUNTERCLAIM BROUGHT BY OR ON BEHALF OF ANY PARTY RELATED TO OR ARISING OUT OF THIS AGREEMENT.**



14.7.5 Confidential Settlement Context. All negotiations, discussions, offers, counteroffers, data exchanges, proposed agreements and other communications between the Parties in connection with negotiations or other dispute resolution procedures shall be Confidential Information. Without limiting the preceding sentence, all such communications shall be deemed to be in the context of attempting to settle a disputed claim and shall not be construed as an admission or agreement as to the liability of any Party, nor be admitted in evidence in any related arbitration, litigation or other adversary proceeding.

14.7.6 Limitations on Disputes. To the extent allowed by Applicable Law, the delivery of a dispute notice suspends the running of any statute of limitations applicable to the dispute until fourteen (14) Business Days after the conclusion of the Second Negotiation Period. Except as suspended by the preceding sentence, the time period during which a Party may assert a dispute shall run for 365 consecutive days following the termination of this Agreement, and the Parties shall be barred from asserting a dispute thereafter.

14.7.7 Exception for Injunctive Relief. Notwithstanding the provisions set forth above in this Section 14.7, the requirement to submit disputes to negotiation shall not apply if, and to the extent, that there exists an imminent threat of irreparable injury to a Party and that Party seeks and obtains a temporary restraining order or preliminary injunction in an expedited court proceeding in response to such threat. If the court rejects the application for injunctive relief, then the Party that initiated such action shall reimburse the defending Party for its reasonable and documented attorneys fees and related costs directly related to such court proceedings.

14.8 Amendments. No amendments or modifications of this Agreement are valid unless in writing and signed by duly authorized representatives of the Parties.

14.9 Survival. Notwithstanding any provisions to the contrary, the obligations set forth in Article VII and Article VIII (with respect to payments), Article X and Article XII, Section 14.7 and the limitations on liabilities set forth in Article XI will survive, in full force, the expiration or termination of this Agreement.

14.10 No Waiver. No delay, waiver or omission by Owner or Operator to exercise any right or power arising from any breach or default by Owner or Operator with respect to any of the terms, provisions or covenants of this Agreement shall be construed to be a waiver by Owner or Operator of any subsequent breach or default of the same or other terms, provisions or covenants on the part of Owner or Operator.

14.11 Notices. Any written notice required or permitted under this Agreement shall be deemed to have been duly given on the date of receipt, and shall be either delivered personally to the Party to whom notice is given, or mailed to the Party to whom notice is to be given, by facsimile, courier service or first class registered or certified mail, return receipt requested, postage prepaid, and addressed to the addressee at the address indicated below, or at the most recent address specified by written notice given in the manner provided in this Section 14.11:

If to Operator:

Duke Energy Miami Fort, LLC  
139 E. Fourth Street  
Cincinnati, OH 45202  
Attn: Michael Sharp

With a copy to:

Duke Energy Miami Fort, LLC  
139 E. Fourth Street  
Cincinnati, OH 45202  
Attn: Dina Riemann

If to Owner:

Duke Energy Kentucky, Inc.  
139 E. Fourth Street  
Cincinnati, OH 45202  
Attn: Allen Clare

With a copy to:

Duke Energy Kentucky, Inc.  
139 E. Fourth Street  
Cincinnati, OH 45202  
Attn: Rocco D'Ascenzo

14.12 Representations and Warranties. Each Party represents and warrants to the other Party that, as of the date hereof:

14.12.1 Existence. It is duly organized and validly existing under the laws of the state of its organization and has all requisite power and authority to own its property and assets and conduct its business as presently conducted or proposed to be conducted under this Agreement.

14.12.2 Authority. It has the power and authority to execute and deliver this Agreement, to consummate the transactions contemplated hereby and to perform its obligations hereunder.

14.12.3 Validity. It has taken all necessary action to authorize its execution, delivery and performance of this Agreement, and this Agreement constitutes the valid, legal and binding obligation of such Party enforceable against it in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, moratorium or similar laws affecting the rights of creditors or by general equitable principles (whether considered in a proceeding in equity or at law).

14.12.4 No Conflict. Neither the execution or delivery of this Agreement, the performance by such Party of its obligations in connection with the transactions contemplated hereby, nor the fulfillment of the terms and conditions hereof, conflicts with or violates any provision of its constituting documents.

14.12.5 No Consent. No consent or approval (including any Permit that such warranting Party is required to obtain) is required from any third party (including any Governmental Authority) for either the valid execution and delivery of this Agreement, or the performance by such Party of its obligations under this Agreement, except such as have been duly obtained or will be obtained in the ordinary course of business.

14.12.6 No Breach. None of the execution or delivery of this Agreement, the performance by such Party of its obligations in connection with the transactions contemplated hereby, or the fulfillment of the terms and conditions hereof either conflicts with, violates or results in a breach of, any Applicable Law currently in effect, or conflicts with, violates or results in a breach of, or constitutes a default under or results in the imposition or creation of, any lien or encumbrance under any agreement or instrument to which it is a party or by which it or any of its properties or assets are bound.

14.12.7 No Material Claims. It is not a party to any legal, administrative, arbitral or other proceeding, investigation or controversy pending or threatened that would adversely affect such Party's ability to perform its obligations under this Agreement.

14.13 Additional Representation and Warranty by Operator. Operator further represents and warrants to Owner that it has, or has obtained through the retention of a qualified operations and maintenance service provider, substantial expertise and experience in the operation and maintenance of comparable power generation facilities and it, or its applicable subcontractor, is fully qualified to provide such services at the Facility in accordance with the terms of this Agreement.

14.14 Counterparts. The Parties may execute this Agreement in counterparts that, when signed by each of the Parties, constitute one and the same instrument. Thereafter, each counterpart shall be deemed an original instrument as against any Party who has signed it. Delivery of an executed counterpart of this Agreement by facsimile or electronic transmission shall be effective as delivery of a manually executed counterpart of this Agreement.

14.15 Governing Law. This Agreement is governed by and shall be construed in accordance with the laws of the State of New York, exclusive of the conflicts of law provisions thereof (other than Section 5-1401 of the New York General Obligations Laws).

14.16 Interpretation. Titles or captions contained in this Agreement are inserted only as a matter of convenience and for reference, and in no way define, limit, extend, describe or otherwise affect the scope or meaning of this Agreement or the intent of any provision hereof. All exhibits and appendices attached hereto are considered a part hereof as though fully set forth herein. This Agreement was jointly drafted and negotiated by the Parties. In the event of a dispute, the Agreement shall not be construed against either Party based upon its drafting.

14.17 Severability. If any provision of this Agreement, or the application of any such provision to any Person or circumstance, is held invalid by any court or other forum of competent jurisdiction, the remainder of this Agreement, or the application of such provision to Persons or circumstances other than those as to which it is held invalid, shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in a manner materially adverse to a Party. Upon any such determination of invalidity, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner in order that this Agreement is consummated as originally contemplated to the greatest extent possible.

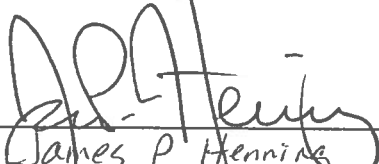
14.18 Cooperation in Financing, Sale, or Change of Control. Operator shall cooperate with Owner in the negotiation and execution of any reasonable amendment or addition to this Agreement required by Lender, and shall execute and deliver to Lender a consent to assignment or direct agreement in form and substance reasonably satisfactory to Lender. Operator shall promptly respond to requests by Owner and prospective Lenders for information regarding the qualification, experience, past performance and financial condition of Operator. Operator shall cooperate with Lender in connection with the resolution of any claim for indemnification asserted by Lender pursuant to Article X. Operator shall cooperate with Owner's reasonable requests in the event of a direct or indirect sale or transfer of the Facility or a change of control of Owner, whether by merger, sale of equity interests, or otherwise and shall promptly respond to requests by Owner for information regarding the qualification, experience, past performance and financial condition of Operator with respect to transfer or change in control.

14.19 Cooperation upon Shutdown of Units 7 and 8. During the Retirement Period, if the electric generating Unit 7 and Unit 8 located at the Miami Fort Station are permanently shutdown or retired and Operator will no longer (or will not) be providing services similar to the Retirement Period Services for such units, then Operator and Owner shall negotiate in good faith to coordinate retirement activities at the Miami Fort Station, including selection of appropriate parties (which may be one or more third parties) to manage such retirement activities. Owner and Operator shall execute any appropriate amendments to (or a termination of) this Agreement to reflect any mutual agreements resulting from such negotiations, subject to obtaining any required regulatory approvals. The pendency of such negotiations shall not alter the obligations of Owner and Operator under this Agreement except in accordance with any amendment or termination mutually agreed and executed by Owner and Operator, subject to obtaining any required regulatory approvals.

*[signature page follows]*


IN WITNESS WHEREOF, the Parties have executed this Agreement through their duly authorized officers as of the date set forth in the preamble to this Agreement.

**DUKE ENERGY KENTUCKY, INC.**

By:   
Name: James P. Henning  
Title: President, Duke Energy Kentucky

Ⓟ

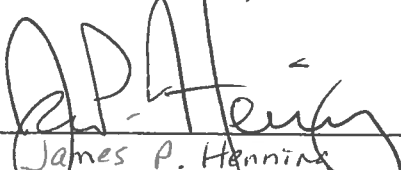
**DUKE ENERGY MIAMI FORT, LLC**

By:   
Name: BRIAN SAVOY  
Title: SVP, CHIEF ACCOUNTING OFFICER

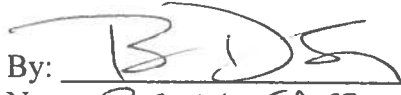
IN WITNESS WHEREOF, the Parties have executed this Agreement through their duly authorized officers as of the date set forth in the preamble to this Agreement.

**DUKE ENERGY KENTUCKY, INC.**

②

By:   
Name: James P. Hennings  
Title: President, Duke Energy Kentucky

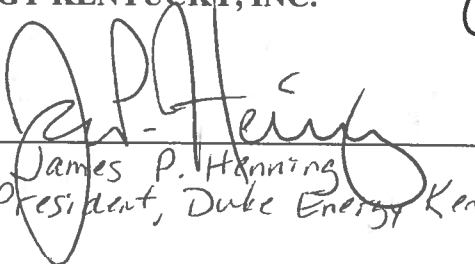
**DUKE ENERGY MIAMI FORT, LLC**

By:   
Name: BRIAN SAVOY  
Title: SVP, CHIEF ACCT OFFICER

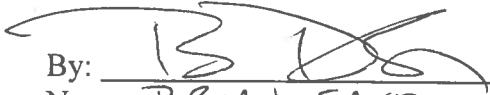
IN WITNESS WHEREOF, the Parties have executed this Agreement through their duly authorized officers as of the date set forth in the preamble to this Agreement.

**DUKE ENERGY KENTUCKY, INC.**

(P)

By:   
Name: James P. Henning  
Title: President, Duke Energy Kentucky

**DUKE ENERGY MIAMI FORT, LLC**

By:   
Name: BRIAN SAVOY  
Title: SVP, CHIEF ACCT OFFICER

**APPENDIX A – SCOPE OF SERVICES**

**OPERATIONAL PERIOD SERVICES**

<b>Task Name</b>	<b>Description</b>
<b>Routine Services</b>	Provide continuous Facility Services 24 hours/day, 7 days/week, to optimize electrical power generation.
<b>Detailed Programs</b>	Implement Operator human resources program. Implement Operator-drafted, Owner-approved programs in safety, administration, maintenance, and training. Implement Facility’s existing programs in operating, maintenance, chemistry, NERC and environmental compliance (or, at Owner’s request, develop or enhance such programs at actual cost and implement).
<b>Routine Maintenance</b>	<p>Perform routine and preventive maintenance actions on all Facility systems and equipment in accordance with vendor instructions and the maintenance plan for the Facility. This program includes:</p> <p><b>Service Checks</b> – Conduct frequent visual equipment inspections and log significant parameters such as pressures, temperatures, and flow rates. Trend and analyze this information as appropriate.</p> <p><b>Routine and Fixed Interval Maintenance</b> – Based on the CMMS database, identify all preventive maintenance requirements. Schedule and assign routine maintenance during Facility operation, planned outages, and forced or unscheduled outages.</p>
<b>Predictive Maintenance Program</b>	As appropriate, conduct/oversee predictive maintenance within the cost-effective capability of the Facility Personnel. For those maintenance requirements that are not cost-effective for the Facility Personnel, oversee predictive maintenance services provided by vendors.
<b>Major Maintenance and Repairs</b>	In coordination with and support of the Facility Agreements and generation plan, arrange for scheduled inspections and overhauls on major equipment. Retain vendors on behalf of Owner for unscheduled major repairs as required and manage and oversee all repairs and modifications.
<b>Facility Outages</b>	<p>Manage all Facility outages (planned, unscheduled, forced) to minimize outage duration and impact on production:</p> <p><b>Task Assignment</b> – Within the CMMS, identify all maintenance that requires a Facility outage or equipment to be taken out of service.</p>



Task Name	Description
	<p><b>Work Schedule</b> – Develop and implement a detailed schedule to track all outage preparations, work and testing, including corrective maintenance actions, contractor work and scheduled preventive maintenance. Obtain Owner approval of the schedule. Conduct preparations to support this plan, including ordering and receiving all required spare parts.</p>
<p><b>Assistance to Owner</b></p>	<p>Provide assistance to Owner, as reasonably requested with the execution of Owner’s duties relative to operation of the Facility.</p>
<p><b>Facility Administration</b></p>	<p>Conduct administration to meet Operator requirements and Owner’s goals, including:</p> <p><b>Budgets</b> – Prepare annual Budgets and submit them for Owner approval. Following approval, manage operations to comply with each Budget. Generate budget variance reports, as required.</p> <p><b>Payroll</b> – Oversee the preparation and distribution of payroll and related tax payments. Ensure compliance with all United States federal and state labor and tax requirements.</p> <p><b>Procurement</b> – Establish and implement an effective purchasing system. Procure, to the account of Owner, all materials, equipment, chemicals, supplies, services, parts, and other miscellaneous items required for the provision of the Services. Pay all invoices not directly paid by Owner in a timely manner. Minimize Owner costs as much as feasible.</p> <p><b>Inventory Control</b> – Implement a cost-effective inventory control system designed to ensure that spare parts, materials, and supplies are properly stored and accounted for and that adequate supplies are available at all times to support the provision of the Services.</p> <p><b>Personnel Matters</b> –In compliance with Operator programs and policies, manage all payroll and employee-relations issues. These tasks include: employment; compensation and benefits; initial training; and employee relations. Provide support to recruit, hire, transfer, or otherwise acquire and retain qualified Facility Personnel to maintain the staffing levels and skill mix required for successful long-term provision of the Services.</p> <p><b>Community Relations</b> – In coordination with and with the approval of Owner, conduct a community relations program to establish the Facility and its employees as “good citizens” in the local community.</p>
<p><b>Work Assignment</b></p>	<p>Assign work to either Facility Personnel or vendors as cost-effective and appropriate based on guidance from Owner. Normally, Facility</p>

Task Name	Description
	Personnel conduct preventive maintenance and actions requiring a high degree of Facility knowledge and vendors perform tasks needing equipment or expertise that are not cost-effective to maintain at the Facility. Vendors also perform tasks that make sense to minimize outage time and costs.
<b>Buildings and Grounds</b>	Arrange for janitorial, garbage pickup and landscape services and maintain all access roads, office buildings, and other structures in good repair at all times.
<b>Reports</b>	Prepare and submit operation and maintenance service reports as requested relative to performance, including environmental compliance records, maintenance and repair status, Facility operating data, and any other information reasonably requested by Owner.
<b>Security</b>	Implement or arrange for implementation of security measures in accordance with the Owner-approved Facility security plan.
<b>Information Systems</b>	Manage the Facility’s information technology infrastructure, including phone systems, internet connectivity, hardware and software.
<b>Training Program</b>	Implement a continuing program of training designed to orient new Facility Personnel, refresh/cross-train existing Facility Personnel, qualify/re-qualify Facility Personnel, and keep all Facility Personnel aware of Owner-approved Facility safety requirements and emergency procedures. This program includes specialty skills training.
<b>Drawing/Manual Maintenance</b>	Maintain the Facility library and update the Manuals and vendor service manuals. Update (or arrange for updating) Facility drawings to reflect changes to the as-built configuration. In addition to document management, maintain physical Facility configuration control.

Task Name	Description
<b>Fuel Handling</b>	<ul style="list-style-type: none"> <li>• Receive coal and provide fuel handling</li> <li>• Administer and reconcile volumes of all fuel with suppliers</li> <li>• Administer and comply with the requirements set forth in the Facility’s fuel agreements, including quality testing and invoice review and approval</li> <li>• Administer and comply with the requirements set forth in the Facility’s coal ash and combustion byproduct disposal and sales agreements, including invoice review and approval</li> </ul>

**RETIREMENT PERIOD SERVICES**

Task Name	Description
<b>Facility Retirement</b>	Manage and contract with vendors to implement a Facility and/or Site retirement plan as may be approved by Owner.
<b>Assistance to Owner</b>	Provide assistance to Owner, as reasonably requested with the execution of Owner’s duties relative to operation and retirement of the Facility.
<b>Facility Administration</b>	<p>Conduct administration to meet Operator requirements and Owner’s goals, including:</p> <p><b>Budgets</b> – Prepare annual Budgets and submit them for Owner approval. Following approval, manage operations to comply with each Budget. Generate budget variance reports, as required.</p> <p><b>Payroll</b> – Oversee the preparation and distribution of payroll and related tax payments. Ensure compliance with all United States federal and state labor and tax requirements.</p> <p><b>Procurement</b> – Establish and implement an effective purchasing system. Procure, to the account of Owner, all materials, equipment, chemicals, supplies, services, parts, and other miscellaneous items required for the provision of the Services. Pay all invoices not directly paid by Owner in a timely manner. Minimize Owner costs as much as feasible.</p> <p><b>Inventory Control</b> – Implement a cost-effective inventory control system designed to ensure that spare parts, materials, and supplies are properly stored and accounted for and that adequate supplies are available at all times to support the provision of the Services.</p>

Task Name	Description
	<p><b>Personnel Matters</b> –In compliance with Operator programs and policies, manage all payroll and employee-relations issues. These tasks include: employment; compensation and benefits; initial training; and employee relations. Provide support to recruit, hire, transfer, or otherwise acquire and retain qualified Facility Personnel to maintain the staffing levels and skill mix required for successful long-term provision of the Services.</p> <p><b>Community Relations</b> – In coordination with and with the approval of Owner, conduct a community relations program to establish the Facility and its employees as “good citizens” in the local community.</p>
<b>Work Assignment</b>	Assign work to either Facility Personnel or vendors as cost-effective and appropriate based on guidance from Owner.
<b>Buildings and Grounds</b>	Arrange for janitorial, garbage pickup and landscape services and maintain all access roads, office buildings, and other structures in good repair at all times.
<b>Information Systems</b>	Manage the Facility’s information technology infrastructure, including phone systems, internet connectivity, hardware and software.
<b>Reports</b>	Prepare and submit service reports as requested relative to performance, including environmental compliance records, maintenance and repair status, Facility operating data, and any other information reasonably requested by Owner.
<b>Security</b>	Implement or arrange for implementation of security measures in accordance with the Owner-approved Facility security plan.

## APPENDIX B – FEE ESCALATION METHODOLOGY

Beginning on January 1 of the Year following the Effective Date, and on each succeeding January 1<sup>st</sup> throughout the Term of this Agreement, the Fee will be escalated by the Escalation Factor, if positive, as of such date of determination.

“Escalation Factor” shall mean the percentage change in the Consumer Price Index Series, Midwest Region, All Items, published by the Bureau of Labor Statistics, US Department of Labor for the 12-month period ending in September of the previous Year. CPI data is available at the U.S. Department of Labor, Bureau of Labor Statistics website: <http://www.bls.gov>. In the event the CPI is discontinued or superseded, a reasonable substitute or replacement datum will be proposed by Operator and agreed to in good faith by Owner.

**APPENDIX C – INITIAL BUDGET AND PLAN**

Oper Group	Unit 6		
<b>Sum of 2015</b>			
<b>Labor/NonLabor</b>	<b>Process Group</b>	<b>RC Group</b>	<b>Total</b>
<input type="checkbox"/> <b>Labor</b>	<input type="checkbox"/> <b>Base</b>	Production	561,352.35
		Maintenance	117,372.99
		Outside Center	44,783.93
	<b>Base Total</b>		<b>723,509.27</b>
<b>Labor Total</b>			<b>723,509.27</b>
<input type="checkbox"/> <b>NonLabor</b>	<input type="checkbox"/> <b>Base</b>	Production	255,228.00
		Maintenance	3,229,907.00
		Material Handling	16,100.00
		Outside Center	95,417.72
	<b>Base Total</b>		<b>3,596,652.72</b>
	<input type="checkbox"/> <b>Force outage</b>	Maintenance	167,000.00
	<b>Force outage Total</b>		<b>167,000.00</b>
	<input type="checkbox"/> <b>NonBase</b>	Maintenance	848,500.00
	<b>NonBase Total</b>		<b>848,500.00</b>
	<input type="checkbox"/> <b>Reagents</b>	Maintenance	11,000.00
	<b>Reagents Total</b>		<b>11,000.00</b>
<b>NonLabor Total</b>			<b>4,623,152.72</b>
<b>Grand Total</b>			<b>5,346,661.99</b>

## UTILITY MONEY POOL AGREEMENT

This UTILITY MONEY POOL AGREEMENT (this “Agreement”) is made and entered into by and among Duke Energy Corporation, a Delaware corporation (“Duke Energy”), Cinergy Corp., a Delaware corporation (“Cinergy”), Duke Energy Carolinas, LLC, a North Carolina limited liability company (“DEC”), Duke Energy Indiana, LLC, an Indiana limited liability company (“DEI”), Duke Energy Ohio, Inc., an Ohio corporation (“DEO”), Duke Energy Kentucky, Inc., a Kentucky corporation (“DEK”), Progress Energy, Inc., a North Carolina corporation (“Progress Energy”), Duke Energy Progress, LLC, a North Carolina limited liability company (“DEP”), Duke Energy Florida, LLC, a Florida limited liability company, (“DEF”), Piedmont Natural Gas Company, Inc., a North Carolina corporation (“Piedmont”), and Duke Energy Business Services LLC, a Delaware limited liability company (“DEBS”), (each a “party” and collectively, the “parties”). The Effective Date as stated herein is the date on which the 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 Utility Money Pool Agreements dated before the Effective Date of this Agreement.

### Recitals

Each of DEC, DEI, DEO, DEK, DEF, DEP, and Piedmont is a public utility company and a subsidiary company of Duke Energy. DEBS is a subsidiary service company of Duke Energy.

The parties from time to time have need to borrow funds on a short-term basis. Some of the parties from time to time have funds available to loan on a short-term basis. The parties desire to establish a cash management program (the “Utility Money Pool”) to coordinate and provide for certain of their short-term cash and working capital requirements.

NOW THEREFORE, in consideration of the premises, and the mutual promises set forth herein, the parties hereto agree as follows:

### ARTICLE I CONTRIBUTIONS AND BORROWINGS

Section 1.1 Contributions to Utility Money Pool. Each party will determine each day, on the basis of cash flow projections and other relevant factors, in such party's sole discretion, the amount of funds it has available for contribution to the Utility Money Pool, and will contribute such funds to the Utility Money Pool. The determination of whether a party at any time has surplus funds to lend to the Utility Money Pool or shall lend funds to the Utility Money Pool will be made by such party's chief financial officer or treasurer, or by a designee thereof, on the basis of cash flow projections and other

relevant factors, in such party's sole discretion. Each party may withdraw any of its funds at any time upon notice to DEBS as administrative agent of the Utility Money Pool.

Section 1.2 Rights to Borrow. Subject to the provisions of Section 1.4(b) of this Agreement, all short-term borrowing needs of the parties, with the exception of Duke Energy, Progress Energy and Cinergy, will be met by funds in the Utility Money Pool to the extent such funds are available. Each party (other than Duke Energy, Progress Energy and Cinergy) shall have the right to make short-term borrowings from the Utility Money Pool from time to time, subject to the availability of funds and the limitations and conditions set forth herein. Each party (other than Duke Energy, Progress Energy and Cinergy) may request loans from the Utility Money Pool from time to time during the period from the date hereof until this Agreement is terminated by written agreement of the parties; provided, however, that the aggregate amount of all loans requested by any party hereunder shall not exceed the applicable borrowing limits set forth in applicable orders of regulatory authorities, resolutions of such party's shareholders and Board of Directors, such party's governing corporate documents, and agreements binding upon such party. No loans through the Utility Money Pool will be made to, and no borrowings through the Utility Money Pool will be made by Duke Energy, Progress Energy and Cinergy.

Section 1.3 Source of Funds. (a) Funds will be available through the Utility Money Pool from the following sources for use by the parties from time to time: (i) surplus funds in the treasuries of parties other than Duke Energy, Progress Energy and Cinergy, (ii) surplus funds in the treasuries of Duke Energy, Progress Energy and Cinergy, and (iii) proceeds from borrowings by parties, including the sale of commercial paper by Duke Energy, Progress Energy, Cinergy, DEC, DEI, DEO, DEK, DEP, DEF, and Piedmont ("External Funds"), in each case to the extent permitted by applicable laws and regulatory orders. Funds will be made available from such sources in such other order as DEBS, as administrator of the Utility Money Pool, may determine will result in a lower cost of borrowing to companies borrowing from the Utility Money Pool, consistent with the individual borrowing needs and financial standing of the parties providing funds to the Utility Money Pool.

(b) Borrowing parties will borrow pro rata from each lending party in the proportion that the total amount loaned by such lending party bears to the total amount then loaned through the Utility Money Pool. On any day when more than one fund source (e.g., surplus treasury funds of Duke Energy, Progress Energy and Cinergy and other Utility Money Pool participants ("Internal Funds") and External Funds), with different rates of interest, is used to fund loans through the Utility Money Pool, each borrowing party will borrow pro rata from each fund source in the same proportion that the amount of funds provided by that fund source bears to the total amount of short-term funds available to the Utility Money Pool.

Section 1.4 Authorization. (a) Each loan shall be authorized by the lending party's chief financial officer or treasurer, or by a designee thereof.



(b) All borrowings from the Utility Money Pool shall be authorized by the borrowing party's chief financial officer or treasurer, or by a designee thereof. No party shall be required to effect a borrowing through the Utility Money Pool if such party determines that it can (and is authorized to) effect such borrowing at lower cost from other sources, including but not limited to directly from banks or through the sale of its own commercial paper.

Section 1.5 Interest. Each party receiving a loan shall accrue interest monthly on the unpaid principal amount of such loan to the Utility Money Pool from the date of such loan until such principal amount shall be paid in full.

(a) If only Internal Funds comprise the funds available in the Utility Money Pool, the interest rate applicable to loans of such Internal Funds shall be the CD yield equivalent of the 30-day Federal Reserve "AA" Industrial Commercial Paper Composite Rate (or, if no such Composite Rate is established for that day, then the applicable rate shall be the Composite Rate for the next preceding day for which such Composite Rate was established).

(b) If only External Funds comprise the funds available in the Utility Money Pool, the interest rate applicable to loans of such External Funds shall be equal to the lending party's cost for such External Funds (or, if more than one party had made available External Funds on such day, the applicable interest rate shall be a composite rate, equal to the weighted average of the cost incurred by the respective parties for such External Funds).

(c) In cases where both Internal Funds and External Funds are concurrently borrowed through the Utility Money Pool, the rate applicable to all loans comprised of such "blended" funds shall be a composite rate, equal to the weighted average of the (i) cost of all Internal Funds contributed by parties (as determined pursuant to Section 1.5(a) above) and (ii) the cost of all such External Funds (as determined pursuant to Section 1.5(b) above); provided, that in circumstances where Internal Funds and External Funds are available for loans through the Utility Money Pool, loans may be made exclusively from Internal Funds or External Funds, rather than from a "blend" of such funds, to the extent it is expected that such loans would result in a lower cost of borrowing.

Section 1.6 Certain Costs. The cost of compensating balances and fees paid to banks to maintain credit lines by parties lending External Funds to the Utility Money Pool shall initially be paid by the party maintaining such line. A portion of such costs shall be retroactively allocated every month to the parties borrowing such External Funds through the Utility Money Pool in proportion to their respective daily outstanding borrowings of such External Funds.

Section 1.7 Repayment. Each party receiving a loan hereunder shall repay the principal amount of such loan, together with all interest accrued thereon, on demand and in any event within 365 days of the date on which such loan was made. All loans made

through the Utility Money Pool may be prepaid by the borrower without premium or penalty.

Section 1.8 Form of Loans to Parties. Loans to the parties through the Utility Money Pool will be made pursuant to open-account advances, repayable upon demand and in any event not later than one year after the date of the advance; provided, that each lending party shall at all times be entitled to receive upon demand one or more promissory notes evidencing any and all loans by such lender. Any such note shall: (a) be dated as of the date of the initial borrowing, (b) mature on demand or on a date agreed by the parties to the transaction, but in any event not later than one year after the date of the applicable borrowing, and (c) be repayable in whole at any time or in part from time to time, without premium or penalty.

## ARTICLE II OPERATION OF UTILITY MONEY POOL

Section 2.1 Operation. Operation of the Utility Money Pool, including record keeping and coordination of loans, will be handled by DEBS under the authority of the appropriate officers of the parties. DEBS shall be responsible for the determination of all applicable interest rates and charges to be applied to advances outstanding at any time hereunder, shall maintain records of all advances, interest charges and accruals and interest and principal payments for purposes hereof, and shall prepare periodic reports thereof for the parties. DEBS will administer the Utility Money Pool on an at-cost basis. Separate records shall be kept by DEBS for the money pool established by this agreement and any other money pool administered by DEBS.

Section 2.2 Investment of Surplus Funds in the Utility Money Pool. Funds not required to meet Utility Money Pool loans (with the exception of funds required to satisfy the Utility Money Pool's liquidity requirements) will ordinarily be invested in one or more short-term investments, including: (i) interest-bearing accounts with banks; (ii) obligations issued or guaranteed by the U.S. government and/or its agencies and instrumentalities, including obligations under repurchase agreements; (iii) obligations issued or guaranteed by any state or political subdivision thereof, provided that such obligations are rated not less than A by a nationally recognized rating agency; (iv) commercial paper rated not less than A-1 or P-1 or their equivalent by a nationally recognized rating agency; (v) money market funds; (vi) bank certificates of deposit; (vii) Eurodollar certificates of deposit or time deposits; and (viii) such other investments as the parties mutually determine .

Section 2.3 Allocation of Interest Income and Investment Earnings. The interest income and other investment income earned by the Utility Money Pool on loans and investment of surplus funds will be allocated among the parties in accordance with the proportion each party's contribution of funds in the Utility Money Pool bears to the total amount of funds in the Utility Money Pool and the cost of any External Funds provided to the Utility Money Pool by such party. Interest and other investment earnings will be computed on a daily basis and settled once per month.

Section 2.4 Event of Default. If any party shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or any proceeding shall be instituted by or against any party seeking to adjudicate it a bankrupt or insolvent, then the other parties may declare the unpaid principal amount of any loans to such party, and all interest thereon, to be forthwith due and payable and all such amounts shall forthwith become due and payable.

### ARTICLE III MISCELLANEOUS

Section 3.1 Amendments. No amendment to this Agreement shall be effective unless set forth in writing and executed by 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 public utility commission for its review or otherwise, the parties shall comply in all respects with any such requirements.

Section 3.2 Legal Responsibility. Nothing herein contained shall render any party liable for the obligations of any other party hereunder and the rights, obligations and liabilities of the parties are several in accordance with their respective obligations, and not joint.

Section 3.3 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflicts of laws principles thereof.

Section 3.4 Effective Date; Term. This Agreement shall become effective on the Effective Date and shall continue in full force and effect until terminated by the parties. This Agreement may be terminated and thereafter will be of no further force and effect upon the mutual consent in writing of all of the parties.

Section 3.5 Entire Agreement. This Agreement contains the entire agreement between and among the parties 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 3.6 Severability; Regulatory Requirements. If any provision of this Agreement shall be determined to be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby. Without limiting the generality of the foregoing, the transactions contemplated under this Agreement shall in all cases, and notwithstanding anything herein to the contrary, be subject to any limitations or restrictions contained in any applicable orders or authorizations, statutory provisions, rules or regulations, or agreements, whether now in existence or hereinafter promulgated,

of those regulatory or governmental agencies, including without limitation any affected state public utility commission or the Federal Energy Regulatory Commission, having jurisdiction over any of the parties. To the extent, if any, that at any time any provision of this Agreement conflicts with any such limitation or restriction of any such regulatory agencies, such limitation shall control.

Section 3.7 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 3.8 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 3.9 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, the undersigned companies have duly caused this Utility Money Pool Agreement to be executed on \_\_\_\_\_, 201\_\_, on their behalf on the Effective Date above by the undersigned thereunto duly authorized.

DUKE ENERGY CORPORATION

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

CINERGY CORP.

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

DUKE ENERGY BUSINESS SERVICES LLC

By: Nancy M Wright  
Nancy M. Wright  
Assistant Secretary

DUKE ENERGY CAROLINAS, LLC

By: Nancy M Wright  
Nancy M. Wright  
Assistant Secretary

DUKE ENERGY INDIANA, LLC

By: Nancy M Wright  
Nancy M. Wright  
Assistant Secretary

DUKE ENERGY OHIO, INC.

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

DUKE ENERGY KENTUCKY, INC.

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

PROGRESS ENERGY, INC.

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

DUKE ENERGY PROGRESS, LLC

By: Nancy M Wright  
Nancy M. Wright  
Assistant Secretary

DUKE ENERGY FLORIDA, LLC

By: Nancy M Wright  
Nancy M. Wright  
Assistant Secretary

PIEDMONT NATURAL GAS COMPANY,  
INC.

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

EXECUTION VERSION

**SECOND AMENDMENT**  
**Dated as of February 28, 2022**  
**to**  
**SECOND AMENDED AND RESTATED PURCHASE AND SALE AGREEMENT**  
**Dated as of November 5, 2010**

THIS SECOND AMENDMENT (this “*Amendment*”), dated as of February 28, 2022, is entered into among Duke Energy Ohio, Inc., Duke Energy Indiana, LLC, Duke Energy Kentucky, Inc. (each an “*Originator*” and collectively, the “*Originators*”) and Cinergy Receivables Company LLC (the “*SPE*”) and consented to by The Bank of Nova Scotia, as program agent for the Purchasers.

This Amendment amends that certain Second Amended and Restated Purchase and Sale Agreement, dated as of November 5, 2010 (as amended, supplemented or otherwise modified through the date hereof, the “*Purchase Agreement*”), among the Originators, the SPE and Cinergy Corp., as the Parent. Terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Purchase Agreement.

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

*Section 1.* Upon execution by the parties hereto in the space provided for that purpose below, the Purchase Agreement shall be, and it hereby is, amended as of the date hereof (unless otherwise set forth below) as follows:

(a) Upon satisfaction of the condition set forth in Section 2 hereof, Section 1.1 of the Purchase Agreement is hereby amended and restated in its entirety to read as follows:

*Section 1.1. Defined Terms.* In this Agreement, unless otherwise specified or defined herein: (a) capitalized terms are used as defined in the Receivables Sale Agreement, dated as of November 5, 2010, among SPE, as borrower, Duke Ohio, as Servicer (the “*Servicer*”), BNP Paribas, as a Managing Agent, The Bank of Nova Scotia (“*Scotia*”), as a Managing Agent, and Scotia, as program agent for the Purchasers, the Committed Purchased from time to time party thereto, the Related Purchasers from time to time party thereto, as such agreement may be amended, supplemented or otherwise modified from time to time (the “*Sale Agreement*”); and (b) terms defined in Article 9 of the UCC and not otherwise defined herein are used as defined in such Article 9 as in effect on the date hereof.

For purposes of this Agreement, the defined term “*Required Discount*” shall mean the following:

“*Required Discount*” means, as measured each month end, an amount for each Originator which is equal to:

$$1 \text{ minus } \frac{(1-B+L-C)}{1+(D \times T)}$$

where:

- B = the three year weighted average net charge-off percentage, which is calculated as 12 months of net charge-offs divided by 9 month lagging 12 months of billings. “*Net Charge-offs*” is charge-offs less collections. For Duke Indiana, the most recent year is weighted 50%, the year prior is weighted 33.33% and the oldest year is weighted 16.67%. For Duke Ohio and Duke Kentucky, the most recent year is weighted 33.34%, the year prior is weighted 33.33%, and the oldest year is weighted 33.33%.
- L = the three year weighted average late charges percentage, which is calculated as 12 months of late charges received divided by 12 months of billings. For Duke Indiana, the most recent year is weighted at 50%, the year prior is weighted 33.33%, and the oldest year is weighted 16.67%. For Duke Ohio and Duke Kentucky, the most recent year is weighted 33.34%, the year prior is weighted 33.33%, and the oldest year is weighted 33.33%.
- C = collection fee is .25%.
- D = Adjusted Daily Simple SOFR + 1.0%.
- T = the three year weighted average turnover rate, which is calculated as (i) the month-end balance of Receivables divided (ii) by that month’s originated Receivables times 12. That percentage is calculated for the most recent 36 months and averaged over that period. For Duke Indiana, the most recent year is weighted 50%, the year prior weighted 33.3%, and the oldest year weighted 16.67%. For Duke Ohio and Duke Kentucky, the most recent year is weighted 33.34%, the year prior is weighted 33.33%, and the oldest year is weighted 33.33%.

*Section 2.* This Amendment shall become effective when each party hereto shall have received counterparts hereof signed by the other parties hereto.

*Section 3.* The Purchase Agreement, as amended and supplemented hereby or as contemplated herein, and all rights and powers created thereby and thereunder or under the other Transaction Documents and all other documents executed in connection therewith, are in all respects ratified and confirmed. From and after the date hereof, the Purchase Agreement shall be amended and supplemented as herein provided, and, except as so amended and supplemented, the Purchase Agreement, each of the other Transaction Documents and all other documents executed in connection therewith shall remain in full force and effect.

*Section 4.* Each of the Originators and the SPE, by its signature below, hereby (i) agrees that this Amendment and the transactions contemplated hereby shall not limit or diminish the obligations of the Originators and the SPE arising under or pursuant to the Purchase



Agreement and the other Transaction Documents to which it is a party, and (ii) reaffirms all of its obligations under the Purchase Agreement and each and every other Transaction Document to which it is a party.


*Section 5.* This Amendment may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. Delivery of an executed signature page to this Amendment by facsimile transmission or other electronic transmission and communication, including by email, shall be as effective as delivery of a manually executed counterpart of this Amendment. The words “execution,” “signed,” “signature,” and words of like import in this Amendment or in any other certificate, agreement or document related to this Amendment shall include images of manually executed signatures transmitted by facsimile or other electronic format (including, without limitation, “pdf”, “tif” or “jpg”) and other electronic signatures (including, without limitation, DocuSign and AdobeSign). The use of electronic signatures and electronic records (including, without limitation, any contract or other record created, generated, sent, communicated, received, or stored by electronic means) shall be of the same legal effect, validity and enforceability as a manually executed signature or use of a paper-based record-keeping system to the fullest extent permitted by applicable law, including, without limitation, the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act and any other applicable law, including, without limitation, any state law based on the Uniform Electronic Transactions Act or the Uniform Commercial Code.

*Section 6.* This Amendment shall be governed and construed in accordance with the internal laws of the State of New York.


[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed and delivered by their duly authorized officers as of the date first above written.


CINERGY RECEIVABLES COMPANY LLC, as the  
SPE

By:   
Name: Michael S. Hendershott  
Title: Assistant Treasurer


DUKE ENERGY OHIO, INC., as Originator

By:   
Name: Michael S. Hendershott  
Title: Assistant Treasurer

DUKE ENERGY INDIANA, LLC, as Originator

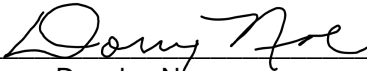
By:   
Name: Michael S. Hendershott  
Title: Assistant Treasurer

DUKE ENERGY KENTUCKY, INC., as Originator

By:   
Name: Michael S. Hendershott  
Title: Assistant Treasurer

CONSENTED:

THE BANK OF NOVA SCOTIA, as Program Agent

By:   
Name: Douglas Noe  
Title: Managing Director

DUKE ENERGY CORPORATION AND CONSENTING MEMBERS OF ITS  
CONSOLIDATED GROUP

FOURTH AMENDED AGREEMENT FOR  
FILING CONSOLIDATED INCOME TAX  
RETURNS AND FOR ALLOCATION OF  
CONSOLIDATED INCOME TAX

Duke Energy Corporation, a Delaware corporation (“Duke Energy”), and its Members hereby agree as of January 1, 2016 to join annually in the filing of a consolidated Federal income tax return and to allocate the consolidated Federal income tax liabilities and benefits among the Members of the Consolidated Group in accordance with the provisions of this Agreement (“Agreement”). This F o u r t h A m e n d e d Agreement supersedes and replaces in its entirety the Third Amended Agreement for Filing Consolidated Income Tax Returns and for Allocation of Consolidated Income and Tax Liabilities and Benefits dated July 2, 2012, to clarify certain terms and reflect changes in parties to the agreement.

1. DEFINITIONS

“Affiliate” means a corporation, or a company that is treated as a corporation or a company wholly owned by an entity treated as a corporation that is disregarded for purposes of U.S. federal income taxation, other than the common parent which is a Member of the Affiliated Group.

“Affiliated Group” means a group of corporations, or companies that are treated as corporations or disregarded for purposes of U.S. federal income taxation, as defined in Internal Revenue Code<sup>1</sup> section 1504 and the regulations enacted thereunder.

“Consolidated Group” means a group filing (or required to file) consolidated returns for the tax year.

“Consolidated tax” is the aggregate current Federal income tax liability for the Consolidated Group for a tax year shown on the consolidated Federal income tax return, including any adjustments thereto, or as described in section 5 hereof.

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

---

<sup>1</sup> All references to the “Internal Revenue Code” or “IRC” are to the Internal Revenue Code of 1986, as amended.

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

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

"Group" means a group of Affiliates as defined in IRC section 1504.

"Separate return" is the tax liability calculated on the taxable income or loss of an Affiliate as though such entity were not a Member of a Consolidated Group.

"Member" is an Affiliate, including any Regulated Business as indicated in section 3 herein, which is part of the Affiliated Group as defined in IRC section 1504 that files consolidated tax returns and agrees to be subject to this Agreement.

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

## 2. FILING OF RETURNS

A U.S. consolidated federal income tax return shall be filed by Duke Energy as the common parent for the tax year ended December 31, 2016, and for each subsequent taxable period for which the Affiliated Group is required or permitted to do so. Each Member of the Affiliated Group consents to the filing by Duke Energy of consolidated federal income tax returns for all taxable periods in which it is eligible to be a member of the Affiliated Group. Duke Energy and each Member of the Affiliated Group agrees to execute and file such consents, elections and other documents, and to take such other action as may be necessary, required or appropriate for the proper filing of such returns. Duke Energy will timely pay the Affiliated Group's federal income tax liability for each taxable year.

## 3. REGULATED BUSINESSES OPERATING IN LLC OR LP FORM

For purposes of allocating the consolidated federal and state tax liabilities and tax benefits under this Agreement, each business operating as a LLC, or LP that is subject to the rules and regulations of the Federal Energy Regulatory Commission or state utilities commissions (hereinafter, a “Regulated Business”) shall be considered a Member of the Consolidated Group, and shall be responsible for tax due on its allocable share of taxable income (or shall be entitled to a credit for its allocable share of tax loss), as set forth in Sections 4 through 7 hereof. For purposes of this Agreement, the determination of a Regulated Business’s allocable share shall be made (i) as if such Regulated Business was a taxable or regarded entity for U.S. federal income tax purposes and (ii) utilizing the separate “taxable income” method.

#### 4. ALLOCATION PROCEDURES FOR CONSOLIDATED FEDERAL INCOME TAXES

For all taxable periods, Duke Energy shall calculate the consolidated federal income tax liability (including, if applicable, alternative minimum tax liability) of the Affiliated Group for the period. The Members agree that their respective shares of the Consolidated tax liability for each year shall be an amount equal to the amount determined under the taxable income method in accordance with IRC section 1552(a)(1)<sup>1</sup>, with the absorption of tax benefits determined under the percentage method in accordance with Treas. Reg. section 1.1502-33(d)(3)<sup>2</sup>, using 100% as the applicable percentage for allocation of any excess of a member’s Separate return liability over that determined under the income method. To the extent that the Consolidated Group federal income tax liability is reduced by a loss or tax credit available to it as a result of the inclusion of a Member in the consolidated federal income tax return, Duke Energy shall make a payment or an inter-company account adjustment for the amount of the benefit to the Member as determined in accordance with this section.

To illustrate the above, the Consolidated tax liability shall be allocated among the Members of the Group utilizing the separate return “taxable income” allocation method attributable to each Member, in the following manner:

- a) Each Member, which has a Corporate taxable loss, will be entitled to a Corporate payment or intercompany credit equal to the amount by which the consolidated regular income tax is reduced by including the corporate tax loss of such Member in the consolidated tax return.

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<sup>1</sup> Under IRC section 1552(a)(1), tax liability is apportioned to each member of the group in accordance with the ratio of the consolidated taxable income attributable to each member bears to the consolidated taxable income .

<sup>2</sup> The percentage method under this regulation “allocates tax liability based on the absorption of tax attributes, without taking into account the ability of any member to subsequently absorb its own tax attributes. The allocation under this method is in addition to the allocation under section 1552.”

The Members having corporate taxable income will be allocated an amount of regular income tax liability equal to the sum of the consolidated regular tax liability and the Corporate tax credits allocated to the Members having corporate tax losses based on the ratio that each such Member's Corporate taxable income bears to the total corporate taxable income of all Members having Corporate taxable income.

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

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

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

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

## 5. TAX PAYMENTS AND COLLECTIONS FOR ALLOCATIONS

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

the consolidated current Federal income tax liability.

After filing the consolidated Federal income tax return and allocating the Consolidated tax liability among the Members, Duke Energy and the Members agree to settle between them the difference, if any, between the allocable federal income tax liability as determined under this Agreement and the sum of all payments or inter-company adjustments previously made relating to that tax year no later than ninety (90) days after the filing of the consolidated Federal income tax return.

6. ALLOCATION OF STATE TAX LIABILITIES OR BENEFITS

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

7. TAX RETURN ADJUSTMENTS

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

8. NEW MEMBERS

If, at any time, a corporation becomes a Member of the affiliated group, the parties hereto agree that such new Member shall become a party to this Agreement and execute a duplicate copy of this Agreement. Unless otherwise specified, such new Member shall have similar rights and obligations of all other Members under this Agreement, effective as of the day they become a member of the Affiliated Group that elects to file a consolidated return.

9. MEMBERS LEAVING THE AFFILIATED GROUP

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



remaining Members of the Group in proportion to the relative level of attributes possessed by each Member and the attributes of each Member shall be adjusted accordingly.

10. SUCCESSORS, ASSIGNS

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

11. AMENDMENTS AND TERMINATION

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

12. GOVERNING LAW

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

13. EFFECTIVE DATE

This Agreement is effective for the allocation of the current Federal income tax liabilities of the Members for the consolidated tax year 2016 and all subsequent years until this Agreement is revised in writing.

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

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

DUKE ENERGY CORPORATION

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

CINERGY CORP.

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

DUKE ENERGY BUSINESS SERVICES LLC

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Secretary

DUKE ENERGY OHIO, INC.

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

DUKE ENERGY INDIANA, LLC

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Secretary

SOUTH CONSTRUCTION COMPANY, INC.

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

DUKE ENERGY KENTUCKY, INC.

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

DUKE ENERGY CAROLINAS, LLC

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Secretary

MIAMI POWER CORPORATION

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

TRI-STATE IMPROVEMENT COMPANY

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

KO TRANSMISSION COMPANY

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

DUKE ENERGY COMMERCIAL ENTERPRISES, INC.

By: Nancy M. Wright  
Nancy M. Wright  
Secretary

CINERGY GLOBAL POWER, INC.

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

CINERGY GLOBAL RESOURCES, INC.

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

DUKE TECHNOLOGIES, INC.

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

DE NUCLEAR ENGINEERING, INC.

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Secretary

DEMI MANAGEMENT, INC.

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

DUKE ENERGY MARKETING AMERICA, LLC

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

DUKE ENERGY REGISTRATION SERVICES, INC.

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

DUKE ENERGY SERVICES, INC.

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

DUKENET VENTURECO, INC.

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

EASTOVER MINING COMPANY

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

DUKE ENERGY CHINA CORP.

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

DUKE ENERGY CORPORATE SERVICES, INC.

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

PROGRESS ENERGY, INC.

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

DUKE ENERGY PROGRESS, LLC

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Secretary

DUKE ENERGY FLORIDA, LLC

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Secretary

CAROFUND, INC.

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Secretary

CAPITAN CORPORATION

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

PROGRESS ENERGY ENVIROTREE, INC.

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Secretary

STRATEGIC RESOURCE SOLUTIONS CORP.

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Secretary

FLORIDA PROGRESS FUNDING CORPORATION

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Secretary

PROGRESS CAPITAL HOLDINGS, INC.

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Secretary

PIH, INC.

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

PIH TAX CREDIT FUND III, INC.

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

PIH TAX CREDIT FUND IV, INC.

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

PIH TAX CREDIT FUND V, INC.

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

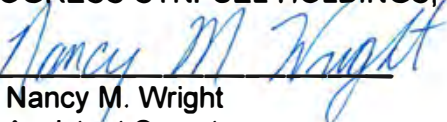
PROGRESS TELECOMMUNICATIONS CORPORATION

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

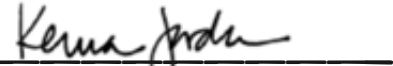
PROGRESS FUELS CORPORATION

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


PROGRESS SYNFUEL HOLDINGS, INC.

By:   
Nancy M. Wright  
Assistant Secretary


DUKE ENERGY RENEWABLES, INC.

By:   
Kenna C. Jordan  
Assistant Corporate Secretary

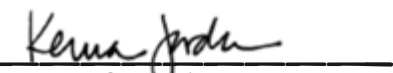
CINERGY GLOBAL HOLDINGS, INC.

By:   
Dina O. Riemann  
Secretary

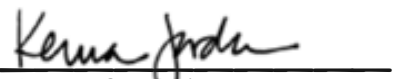
DUKE ENERGY ONE, INC.

By:   
Nancy M. Wright  
Secretary

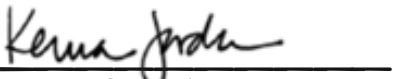
DUKE-RELIANT RESOURCES, INC.

By:   
Kenna C. Jordan  
Assistant Corporate Secretary

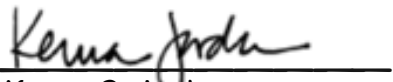
DUKE ENERGY GENERATION SERVICES, INC.

By:   
Kenna C. Jordan  
Assistant Corporate Secretary

CINERGY CLIMATE CHANGE INVESTMENTS, LLC

By:   
Kenna C. Jordan  
Assistant Secretary

CINERGY SOLUTIONS – UTILITY, INC.

By:   
Kenna C. Jordan  
Assistant Corporate Secretary

CALDWELL POWER COMPANY

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

CATAWBA MFG. & ELECTRIC POWER CO.

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

CLAIBORNE ENERGY SERVICES, INC.

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

DIXILYN-FIELD DRILLING COMPANY

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

DUKE ENERGY MARKETING CORP.

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

EASTOVER LAND COMPANY

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

ENERGY PIPELINES INTERNATIONAL COMPANY

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

GREENVILLE GAS AND ELECTRIC LIGHT AND POWER COMPANY

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary



SOUTHERN POWER COMPANY

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

WESTERN CAROLINA POWER COMPANY

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

WATEREE POWER COMPANY

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

DUKE ENERGY TRANSMISSION HOLDING COMPANY, LLC

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Secretary

CATAMOUNT ENERGY CORPORATION

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Secretary

CATAMOUNT RUMFORD CORPORATION

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Secretary

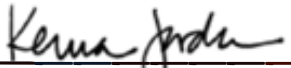
CATAMOUNT SWEETWATER CORPORATION

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Secretary

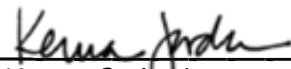
CEC UK1 HOLDING CORP.

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Secretary

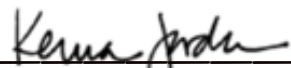
CEC UK2 HOLDING CORP.

By:   
Kenna C. Jordan  
Assistant Secretary

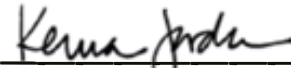
EQUINOX VERMONT CORPORATION

By:   
Kenna C. Jordan  
Assistant Secretary

DUKE PROJECT SERVICES, INC.

By:   
Kenna C. Jordan  
Assistant Secretary


PANENERGY CORP.

By:   
Kenna C. Jordan  
Assistant Corporate Secretary


BISON INSURANCE COMPANY LIMITED

By:   
R. Lance Burnette  
Secretary

NORTHSOUTH INSURANCE COMPANY LIMITED

By:   
R. Lance Burnette  
Secretary

DUKE ENERGY INTERNATIONAL, LLC

By:   
Kenna C. Jordan  
Assistant Secretary

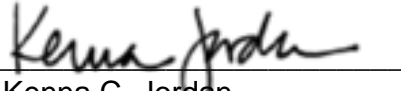
DUKE ENERGY GLOBAL INVESTMENTS, LLC

By:   
Stephen G. De May  
Treasurer/Vice President

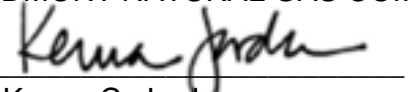
RE SFCITY1, LP  
(BY ITS PARENT, DUKE ENERGY RENEWABLES, INC.)

By:   
Nancy M. Wright  
Assistant Corporate Secretary

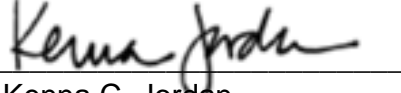
RP-ORLANDO, LLC

By:   
Kenna C. Jordan  
Assistant Secretary

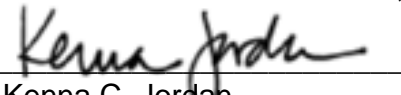
PIEDMONT NATURAL GAS COMPANY, INC.

By:   
Kenna C. Jordan  
Assistant Corporate Secretary

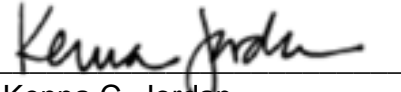
PIEDMONT ENERGY PARTNERS, INC.

By:   
Kenna C. Jordan  
Assistant Secretary

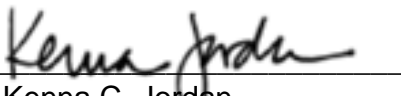
PIEDMONT ENCNG COMPANY, LLC

By:   
Kenna C. Jordan  
Assistant Secretary

PIEDMONT INTERSTATE PIPELINE COMPANY

By:   
Kenna C. Jordan  
Assistant Secretary

PIEDMONT INTRASTATE PIPELINE COMPANY

By:   
Kenna C. Jordan  
Assistant Secretary

PIEDMONT ENERGY COMPANY

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Secretary

PIEDMONT CONSTITUTION PIPELINE COMPANY, LLC

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Secretary

REC SOLAR COMMERCIAL CORPORATION

By: Nancy M. Wright  
Nancy M. Wright  
Secretary

DUKE ENERGY SABAL TRAIL, LLC

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Secretary

PROJECT OXYGEN HOLDINGS I, LLC

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Secretary

DUKE ENERGY SUPPLY COMPANY, LLC

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Secretary

DUKE ENERGY BREEZE HOLDINGS, LLC

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Secretary

DUKE ENERGY SUN HOLDINGS, LLC

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Secretary

DUKE ENERGY RENEWABLES SOLAR HOLDINGS, INC.

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

DUKE ENERGY RENEWABLES SOLAR, LLC

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Secretary

DUKE SUSTAINRNG HOLDING CORP.

By: Kenna Jordan  
Kenna C. Jordan  
Assistant Corporate Secretary

DUKE ENERGY INDIANA HOLDCO, LLC

By: Kenna Jordan  
Kenna C. Jordan  
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, 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.b. 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 March 29, 2022, on its behalf by an appropriate officer thereunto duly authorized.

Duke Energy Carolinas, LLC

By: Cassandra M Springer  
Cassandra M. Springer  
Assistant Secretary

Duke Energy Indiana, LLC

By: Cassandra M Springer  
Cassandra M. Springer  
Assistant Secretary

Duke Energy Ohio, Inc.

By: Cassandra M Springer  
Cassandra M. Springer  
Assistant Corporate Secretary

Duke Energy Kentucky, Inc.

By: Cassandra M Springer  
Cassandra M. Springer  
Assistant Corporate Secretary

Duke Energy Progress, LLC

By: Cassandra M Springer  
Cassandra M. Springer  
Assistant Secretary

Duke Energy Florida, LLC

By: Cassandra M Springer  
Cassandra M. Springer  
Assistant Secretary

Piedmont Natural Gas Company, Inc.

By: Cassandra M Springer  
Cassandra M. Springer  
Assistant Corporate Secretary