Duke Energy®

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Dianne B. Kuhnell
Senior Paralegal

VIA OVERNIGHT DELIVERY

March 5, 2009

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

Re: Case No. 2008-00122

Dear Mr. Derouen:

Enclosed please find for filing an original and twelve copies of the Notice by Duke Energy Kentucky of Filing of Intercompany Asset Transfer Agreement in the above captioned case.

Please date-stamp the extra two copies of the filing and return to me in the enclosed envelope.

Sincerely,

Dianne Kuhnell

Dianne B. Kuhnell
Senior Paralegal

cc: Dennis Howard II

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

The Application of Duke Energy Kentucky, Inc., for Deviation fromAffiliate Pricing Requirements and Approval ofAn Intercompany Asset Transfer Agreement	))))	Case No. 2008-00122

NOTICE BY
DUKE ENERGY KENTUCKY
OF FILING OF
INTERCOMPANY ASSET TRANSFER AGREEMENT

Now comes Duke Energy Kentucky, Inc. ("DE-Kentucky" or "Company") and respectfully submits for filing the final version of the Intercompany Asset Transfer Agreement ("Agreement") as approved by the state regulatory Commissions in North Carolina and Indiana.[1] The Kentucky Public Service Commission ("Commission") approved the Agreement on July 7, 2008 in the above styled proceeding. The Agreement provides for the transfer of assets, other than commodities, by and between DE-Kentucky and its sister utility operating companies at the transferring party's cost or other approved pricing, or through in-kind replacements, provided such transfer will not jeopardize the transferring party's ability to provide utility service.

The attached Agreement reflects changes required by the North Carolina Utilities Commission. The changes to the agreement consist primarily of additional terms and conditions regarding limitations in the transactions that Duke Energy Carolinas, LLC

[1] Commission approval was not required in Ohio or South Carolina.

("DE-Carolinas") can engage in and reporting and filing requirements applicable to the operations of DE-Carolinas. The substantive changes from the version approved by the Commission include an Exhibit A containing conditions that are directly applicable to DE-Carolinas. The following paragraphs summarize substantive conditions contained in Exhibit A, DE Carolina Conditions:

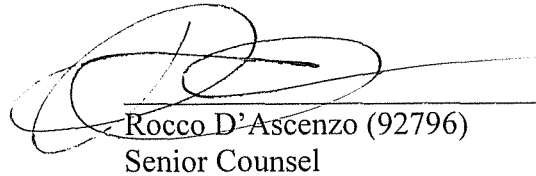
- Paragraph 5- transfer of assets at cost-based pricing are an exception to DE-Carolinas Code of Conduct and limited to $100,000.
- Paragraph 6- DE-Carolinas shall maintain appropriate documentation verifying compliance with terms of the agreement;
- Paragraph 7- DE-Carolinas shall submit to North Carolina Utilities Commission (NCUC) for approval in terms and conditions of Agreement having material effect;
- Paragraph 8- DE-Carolinas shall file a separate detailed report in a particular docket
- Paragraph 9- DE-Carolinas agrees for ratemaking purposes approval, NCUC approval of this Agreement does not constitute approval of amount of compensation and the authority granted by NCUC is without prejudice to right of party to take issue with any provision of Agreement or with any transaction in a future proceeding.

DE-Kentucky is providing for the Commission's convenience two copies of the Agreement as follows:

- ("Attachment A") is red-lined version showing tracked changes against the draft of the Agreement originally filed in this proceeding; and
- ("Attachment B") is clean version and final version.

The Company requests filing of the Intercompany Asset Transfer Agreement in its instant case to memorialize the changes in the Agreement required by the North Carolina Utilities Commission.

Respectfully submitted,



Rocco D'Ascenzo (92796)
Senior Counsel
Amy B. Spiller (85309)
Associate General Counsel
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139 East Fourth Street, 25th Floor Atrium II
P. O. Box 960 (EA025)
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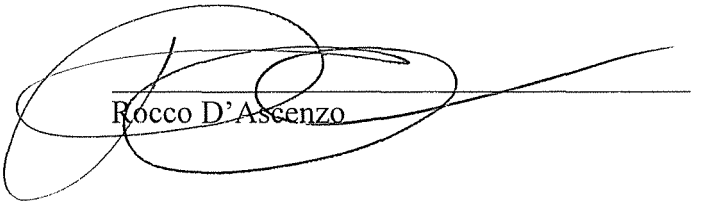
Fax: (513) 419-1846
e-mail: rocco.d'ascenzo@duke-energy.com

CERTIFICATE OF SERVICE

I hereby give notice that on March 5, 2009, I served a copy of the foregoing Notice by Duke Energy Kentucky of Filing of Intercompany Asset Transfer Agreement on the parties listed below by overnight or first class United States mail, postage prepaid.



Rocco D'Ascenzo

Dennis G. Howard II
Assistant Attorney General
Office of Rate Intervention
1024 Capital Center Drive
Frankfort, Kentucky 40601

Attachment A

INTERCOMPANY ASSET TRANSFER AGREEMENT

This **Intercompany Asset Transfer Agreement** (this "Agreement") is made and entered into as of December 22, 2008 (the "Effective Date") by and among Duke Energy Carolinas, LLC, a North Carolina limited liability company ("DE Carolinas"), Duke Energy Ohio, Inc., an Ohio corporation ("DE Ohio"), Duke Energy Indiana, Inc., an Indiana corporation ("DE Indiana"), and Duke Energy Kentucky, Inc., a Kentucky corporation ("DE Kentucky") (collectively the "Operating Companies" and, individually, an "Operating Company").

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W I T N E S S E T H:

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 DE Ohio and DE Kentucky, 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 to its customers consistent with Good Utility Practice and, for DE Carolinas, such a transfer is consistent with the priority of service condition approved by the NCUC by Order dated October 30, 2006, in Docket No. E-7, Sub 810; (ii) the Cost of any shipment of transmission- or generation-related item(s) does not exceed $10,000,000; (iii) DE Carolinas shall not transfer any Asset hereunder in contravention of S.C. Code Ann. § 58-27-1300; (iii) DE Kentucky shall not transfer any Asset hereunder in contravention of KRS 278.218; (iv) DE Carolinas shall not transact with DE Ohio's generation operation under this Agreement and shall not transact with DE Kentucky or DE Indiana for purposes of circumventing or avoiding this prohibition; and (v) DE Carolinas shall not transfer or take receipt of any transmission transformers or other equipment under this Agreement 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

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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, method, 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; provided however that any transfers of electric generation-related Assets between DE Ohio, on the one hand, and DE Indiana, or DE Kentucky on the other hand, will be priced in accordance with Federal Energy Regulatory Commission's ("FERC") affiliate transaction pricing requirements. Accordingly, generation-related Assets transferred from DE Indiana or DE Kentucky to DE Ohio shall be priced at the greater of Cost or market, and generation-related Assets transferred from DE Ohio to DE Indiana or DE Kentucky shall be priced at no more than market. "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.

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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.

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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

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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

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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.

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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 DE Carolinas Conditions. In addition to the terms and conditions set forth herein, with respect to DE Carolinas, the provisions set out in Exhibit A are hereby incorporated herein by reference. In addition, except with respect to the pricing of Asset transfers as set forth herein, DE Carolinas' 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 March 24, 2006, in Docket No. E-7, Sub 795 ("Merger Order"), as such Regulatory Conditions and Code of Conduct may be amended from time to time. In accordance with Regulatory Condition 9 as approved in the Merger Order, nothing in this Agreement shall be construed or interpreted so as to commit DE Carolinas, or to involve DE Carolinas 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 DE Carolinas' 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.

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Section 4.10 DE Indiana Conditions. DE Indiana 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 DE Ohio's wholesale power marketing function, and (ii) it will process all requests for Assets from DE Ohio's wholesale power marketing function and non-affiliated wholesale power marketers on a non-discriminatory basis.

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

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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 Carolinas, LLC.

By: _____
Richard G. Beach
Assistant Secretary

Duke Energy Indiana, Inc.

By: _____
Richard G. Beach
Assistant Secretary

Duke Energy Ohio, Inc.

By: _____
Richard G. Beach
Assistant Secretary

Duke Energy Kentucky, Inc.

By: _____
Richard G. Beach
Assistant Secretary

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EXHIBIT A

DE CAROLINAS CONDITIONS

In connection with the North Carolina Utilities Commission ("NCUC") approval of the Merger in NCUC Docket No. E-7, Sub 795, the NCUC imposed certain Regulatory Conditions ("Regulatory Conditions") and adopted a revised Code of Conduct governing transactions between DE Carolinas and its affiliates ("Code of Conduct"). Pursuant to the Regulatory Conditions and Code of Conduct, the following provisions are applicable to DE Carolinas and considered to be incorporated into the Intercompany Asset Transfer Agreement filed in Docket No. E-7, Sub 844:

(1) DE Carolinas' participation in this Agreement is voluntary. DE Carolinas is not obligated to take or provide services or make any purchases or sales pursuant to this Agreement, and DE Carolinas may elect to discontinue its participation in this Agreement at its election after giving notice under Section 4.2 of the Agreement.

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

(3) DE Carolinas may not seek to reflect in rates any (i) costs incurred under this Agreement exceeding the amount allowed by the NCUC or (ii) revenue level earned under this Agreement less than the amount imputed by the NCUC; and

(4) DE Carolinas will not assert in any forum that the NCUC's authority to assign, allocate, make pro-forma adjustments to or disallow revenues and costs for retail ratemaking and regulatory accounting and reporting purposes is preempted and will bear the full risk of any preemptive effects of federal law with respect to this Agreement.

(5) DE Carolinas' authority to engage in transfers pursuant to this Agreement at cost-based pricing as an exception to its Code of Conduct is limited to single Asset transfers where the Cost of such Asset does not exceed $100,000. The annual aggregate limit on (i) transfers of Assets hereunder at cost-based pricing as an exception to DE Carolinas' Code of Conduct; plus (ii) transactions/services rendered to and from DE Carolinas under Section III(D)(3)(d) of the Code of Conduct, shall be $8.5 million on a DE Carolinas total company basis. Any transfers of Assets above the single item/transaction limit shall be priced according to Sections III(D)(3)(a) and III(D)(3)(b) of DE Carolinas' Code of Conduct. Any proposed transfers over the aggregate annual limit are outside the scope of this Agreement and will be filed with the Commission pursuant to N.C. Gen. Stat. § 62-153.

(6) DE Carolinas shall retain appropriate documentation verifying compliance with the terms hereof for Public Staff and NCUC review.

(7) DE Carolinas shall submit to the NCUC for approval any changes in the terms and conditions of this Agreement having or likely to have a material effect on DE Carolinas.

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Deleted: d) Except to the extent that requesting FERC review and authorization pursuant to 1275(b) of Subtitle F in Title XII of PUHCA 2005, as provided in Regulatory Condition 21, may be determined to have preemptive effect under the law,

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Deleted: North Carolina retail customers with a gross book value in excess of ten million dollars, the following shall apply: (a) DE Carolinas may

Deleted: commit to or carry out the transfer except in accordance with all applicable law, and the rules, regulations and orders of the NCUC promulgated thereunder; and (b) DE Carolinas may not include in its North Carolina cost of service or rates the value of the transfer, whether or not subject to federal law, except as allowed by the NCUC in accordance with North Carolina law

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(8) DE Carolinas shall file a separate detailed report in this docket with respect to all transfers engaged in by Duke pursuant to the Agreement.

(9) DE Carolinas acknowledges and agrees that for ratemaking purposes, NCUC approval of DE Carolinas' participation in this Agreement does not constitute approval of the amount of compensation paid with respect to transactions pursuant to the Agreement, and that the authority granted by the NCUC is without prejudice to the right of any party to take issue with any provision of the Agreement or with any transaction pursuant thereto in a future proceeding.

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INTERCOMPANY ASSET TRANSFER AGREEMENT

This **Intercompany Asset Transfer Agreement** (this "Agreement") is made and entered into as of December 22, 2008 (the "Effective Date") by and among Duke Energy Carolinas, LLC, a North Carolina limited liability company ("DE Carolinas"), Duke Energy Ohio, Inc., an Ohio corporation ("DE Ohio"), Duke Energy Indiana, Inc., an Indiana corporation ("DE Indiana"), and Duke Energy Kentucky, Inc., a Kentucky corporation ("DE Kentucky") (collectively the "Operating Companies" and, individually, an "Operating Company").

W I T N E S S E T H:

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 DE Ohio and DE Kentucky, 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 to its customers consistent with Good Utility Practice and, for DE Carolinas, such a transfer is consistent with the priority of service condition approved by the NCUC by Order dated October 30, 2006, in Docket No. E-7, Sub 810; (ii) the Cost of any shipment of transmission- or generation-related item(s) does not exceed $10,000,000; (iii) DE Carolinas shall not transfer any Asset hereunder in contravention of S.C. Code Ann. § 58-27-1300; (iii) DE Kentucky shall not transfer any Asset hereunder in contravention of KRS 278.218; (iv) DE Carolinas shall not transact with DE Ohio's generation operation under this Agreement and shall not transact with DE Kentucky or DE Indiana for purposes of circumventing or avoiding this prohibition; and (v) DE Carolinas shall not transfer or take receipt of any transmission transformers or other equipment under this Agreement 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, method, 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; provided however that any transfers of electric generation-related Assets between DE Ohio, on the one hand, and DE Indiana, or DE Kentucky on the other hand, will be priced in accordance with Federal Energy Regulatory Commission's ("FERC") affiliate transaction pricing requirements. Accordingly, generation-related Assets transferred from DE Indiana or DE Kentucky to DE Ohio shall be priced at the greater of Cost or market, and generation-related Assets transferred from DE Ohio to DE Indiana or DE Kentucky shall be priced at no more than market. "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 DE Carolinas Conditions. In addition to the terms and conditions set forth herein, with respect to DE Carolinas, the provisions set out in Exhibit A are hereby incorporated herein by reference. In addition, except with respect to the pricing of Asset transfers as set forth herein, DE Carolinas' 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 March 24, 2006, in Docket No. E-7, Sub 795 ("Merger Order"), as such Regulatory Conditions and Code of Conduct may be amended from time to time. In accordance with Regulatory Condition 9 as approved in the Merger Order, nothing in this Agreement shall be construed or interpreted so as to commit DE Carolinas, or to involve DE Carolinas 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 DE Carolinas' 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 DE Indiana Conditions. DE Indiana 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 DE Ohio's wholesale power marketing function, and (ii) it will process all requests for Assets from DE Ohio'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 its behalf by an appropriate officer thereunto duly authorized.

Duke Energy Carolinas, LLC.

By: _____
Richard G. Beach
Assistant Secretary

Duke Energy Indiana, Inc.

By: _____
Richard G. Beach
Assistant Secretary

Duke Energy Ohio, Inc.

By: _____
Richard G. Beach
Assistant Secretary

Duke Energy Kentucky, Inc.

By: _____
Richard G. Beach
Assistant Secretary

EXHIBIT A

DE CAROLINAS CONDITIONS

In connection with the North Carolina Utilities Commission ("NCUC") approval of the Merger in NCUC Docket No. E-7, Sub 795, the NCUC imposed certain Regulatory Conditions ("Regulatory Conditions") and adopted a revised Code of Conduct governing transactions between DE Carolinas and its affiliates ("Code of Conduct"). Pursuant to the Regulatory Conditions and Code of Conduct, the following provisions are applicable to DE Carolinas and considered to be incorporated into the Intercompany Asset Transfer Agreement filed in Docket No. E-7, Sub 844:

(1) DE Carolinas' participation in this Agreement is voluntary. DE Carolinas is not obligated to take or provide services or make any purchases or sales pursuant to this Agreement, and DE Carolinas may elect to discontinue its participation in this Agreement at its election after giving notice under Section 4.2 of the Agreement.

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

(3) DE Carolinas may not seek to reflect in rates any (i) costs incurred under this Agreement exceeding the amount allowed by the NCUC or (ii) revenue level earned under this Agreement less than the amount imputed by the NCUC; and

(4) DE Carolinas will not assert in any forum that the NCUC's authority to assign, allocate, make pro-forma adjustments to or disallow revenues and costs for retail ratemaking and regulatory accounting and reporting purposes is preempted and will bear the full risk of any preemptive effects of federal law with respect to this Agreement.

(5) DE Carolinas' authority to engage in transfers pursuant to this Agreement at cost-based pricing as an exception to its Code of Conduct is limited to single Asset transfers where the Cost of such Asset does not exceed $100,000. The annual aggregate limit on (i) transfers of Assets hereunder at cost-based pricing as an exception to DE Carolinas' Code of Conduct; plus (ii) transactions/services rendered to and from DE Carolinas under Section III(D)(3)(d) of the Code of Conduct, shall be $8.5 million on a DE Carolinas total company basis. Any transfers of Assets above the single item/transaction limit shall be priced according to Sections III(D)(3)(a) and III(D)(3)(b) of DE Carolinas' Code of Conduct. Any proposed transfers over the aggregate annual limit are outside the scope of this Agreement and will be filed with the Commission pursuant to N.C. Gen. Stat. § 62-153.

(6) DE Carolinas shall retain appropriate documentation verifying compliance with the terms hereof for Public Staff and NCUC review.

(7) DE Carolinas shall submit to the NCUC for approval any changes in the terms and conditions of this Agreement having or likely to have a material effect on DE Carolinas.

(8) DE Carolinas shall file a separate detailed report in this docket with respect to all transfers engaged in by Duke pursuant to the Agreement.

(9) DE Carolinas acknowledges and agrees that for ratemaking purposes, NCUC approval of DE Carolinas' participation in this Agreement does not constitute approval of the amount of compensation paid with respect to transactions pursuant to the Agreement, and that the authority granted by the NCUC is without prejudice to the right of any party to take issue with any provision of the Agreement or with any transaction pursuant thereto in a future proceeding.