



139 East Fourth Street
P.O. Box 960
Cincinnati, Ohio 45201-0960
Tel: 513-287-4320
Fax: 513-287-4385
Rocco.d'ascenzo@duke-energy.com

Rocco D'Ascenzo
Associate General Counsel

VIA OVERNIGHT DELIVERY

March 13, 2012

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

MAR 14 2012

PUBLIC SERVICE
COMMISSION

Re: In the Matter of the Joint Application of Duke Energy Corporation, Duke Energy Holding Corp., Deer Acquisition Corp., Cougar Acquisition Corp., Cinergy Corp., The Cincinnati Gas & Electric Company and The Union Light, Heat and Power Company for Approval of a Transfer and Acquisition of Control, Case No. 2005-00228.

Dear Mr. Derouen:

In the Settlement Agreement in the above-referenced case, Duke Energy Kentucky, Inc. (Duke Energy Kentucky) made several merger commitments. Duke Energy Kentucky regularly monitors these commitments to ensure compliance. Duke Energy Kentucky reports the following information regarding these commitments. Please file stamp the two copies of this letter enclosed herein and return in the enclosed return-addressed envelope.

Commitment #6

Duke Energy Kentucky commits to make an annual filing with the Commission that sets forth Duke Energy Kentucky's CAIDI, SAIDI and SAIFI data for the previous year to enable the Commission to monitor Duke Energy Kentucky's commitment that reliability and service quality will not materially degrade as a result of the merger. Duke Energy Kentucky commits to report this data with and without the impact of major storms, or other major impacts, and to meet with, the Commission upon request to review the data in such reports.

Duke Energy Kentucky Response:

Pursuant to Case No. 2006-00494 Duke Energy Kentucky now includes this information as part of its Annual Vegetation Management & Reliability Report filed contemporaneously with its March 31 Annual Report. Duke Energy Kentucky intends to file the information regarding 2011 reliability performance on or before March 31, 2012.

Commitment #7

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

Duke Energy Kentucky Response:

See above explanation regarding the number of sustained outages. Duke Energy's Chief Executive Officer, James E. Rogers, met with members of the Kentucky Public Service Commission on March 24, 2011. Also in attendance at the meeting from Duke Energy were Julia S. Janson, President of Duke Energy Kentucky and Ohio and John Finnigan, Vice President, Government and Regulatory Affairs.

Commitment # 12

Applicants commit to implement and maintain cost allocation procedures that will accomplish the objective of preventing cross-subsidization, and be prepared to fully disclose all allocated costs, the portion allocated to ULH&P, complete details of the allocation methods, and justification for the amount and the method. Applicants commit to give the Commission 30 days' advance notice of

any changes in cost allocation methods set forth in the Service Company Utility Service Agreement, the Operating Company / NonUtility Companies Services Agreements and the Operating Companies Service Agreement approved as part of the Duke / Cinergy merger proceeding. Applicants commit to periodic comprehensive third-party independent audits of the affiliate transactions under the affiliate agreements approved in the Duke / Cinergy merger proceeding. Such audits will be conducted no less often than every two years, and reports will be filed with the Commission and the Attorney General. ULH&P shall file the audit report, if possible, when ULH&P files its annual report. Applicants may request a change to the frequency of the audit reports in future years, subject to agreement by the Commission and the Attorney General.

Duke Energy Kentucky Response:

The 2010 Compliance Audit is complete and was filed with the Commission on March 24, 2011.

Commitment #18

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

Duke Energy Kentucky Response:

Duke Energy's Chief Executive Officer, James E. Rogers, met with the Commission on March 24, 2011.

Commitment #19

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

Duke Energy Kentucky Response:

Power Delivery – Implementation of Safety and Work Methods Best Practice

Duke Energy’s Power Delivery organization completed a three year project in 2010 to consolidate safety and work practices between Indiana, Ohio, Kentucky, North and South Carolina. Utilizing a best practice model, safety rules and work practices have been combined between the five states. For instance, all line technicians now follow the same safety rules when performing daily activities. This, in turn, has contributed to one of the best OSHA recordable injury rates in 2011 ever experienced in Duke Energy’s Ohio/Kentucky area.

Commitment # 20

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

Duke Energy Kentucky Response:

There was no registration or issuance of new public long-term debt or equity in excess of \$500 million during this reporting period.

Commitment # 28

ULH&P commits to notify the Commission in writing 30 days prior to any material changes in its participation in funding for research and development. Material changes include, but are not limited to, any change in funding equal to or greater than 25% ULH&P's previous year's budget for

research and development. The written notification will include an explanation and the reasons for the change in policy.

Duke Energy Kentucky Response:

In 2011, Duke Energy charged to KY assets the sum of \$574,138 representing an increase of 100% from 2010. This increase between 2010 and 2011 is due to a change in accounting where the generation assets are now included in the charges, previously they were not. Duke Energy estimates the R&D expenses that will be charged to Kentucky assets for 2012 will be \$578,619.

Commitment #29

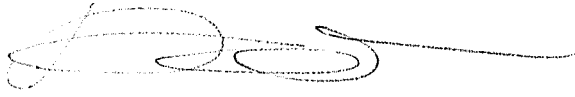
Duke Energy Kentucky's local customer service office will not be closed as a result of the proposed merger and that, if and when local customer service offices may be closed to achieve best practices, Duke Energy Kentucky will take into account the impact of the closures on customer service.

Duke Energy Kentucky Response:

Duke Energy Kentucky closed its customer service office located at 1697A Monmouth Street in Newport, Kentucky on September 10, 2009 having notified the Commission by letter on August 26, 2009. The Kentucky Administrative Regulations require that Duke Energy keep a copy of its tariffs and certain business case filings available for public viewing at its business office in Kentucky. That office is located at the Duke Energy Envision Center, 4580 Olympic Boulevard in Erlanger, Kentucky 41018. Duke Energy Kentucky continues to maintain several pay agent locations available for remitting utility bill payments in Northern Kentucky at various grocery and convenience stores in the area. Customers are further provided online and telephone payment options.

Duke Energy Kentucky will continue to provide ongoing reporting as required under the merger commitments. Thank you for your consideration in this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read 'R. Ascenzo', with a long horizontal stroke extending to the right.

Rocco D'Ascenzo
Associate General Counsel
Amy B. Spiller
Deputy General Counsel

cc: Hon. Dennis G. Howard, II