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April 16, 2012

VIA HAND-DELIVERY

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

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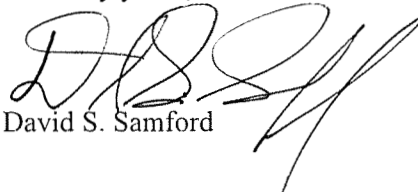
Re: In the Matter of: The Joint Application of Duke Energy Corporation, Cinergy Corp., Duke Energy Ohio, Inc., Duke Energy Kentucky, Inc., Diamond Acquisition Corporation, and Progress Energy, Inc., for Approval of the Indirect Transfer of Control of Duke Energy Kentucky, Inc. PSC Case No. 2011-00124

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case an original and ten (10) copies of the Joint Applicants' Seventh Status Report, which is being tendered in conformity with the Commission's August 2, 2011 Order. Please file this document in the record and return file-stamped copies to me.

Please do not hesitate to contact me if you have any questions.

Sincerely yours,


David S. Samford

Enclosures

cc: Jennifer B. Hans
Dennis G. Howard, II
Lawrence W. Cook

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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IN THE MATTER OF:

THE JOINT APPLICATION OF DUKE ENERGY)
CORPORATION, CINERGY CORP., DUKE)
ENERGY OHIO, INC., DUKE ENERGY) CASE NO. 2011-00124
KENTUCKY, INC., DIAMOND ACQUISITION)
CORPORATION, AND PROGRESS ENERGY, INC.)
FOR APPROVAL OF THE INDIRECT TRANSFER)
OF CONTROL OF DUKE ENERGY KENTUCKY, INC.)

JOINT APPLICANTS'
SEVENTH STATUS REPORT

Come now Duke Energy Corporation (“Duke”), Cinergy Corp. (“Cinergy”), Duke Energy Ohio, Inc. (“Duke Ohio”), Duke Energy Kentucky, Inc. (“Duke Kentucky”), Diamond Acquisition Corporation (“Diamond”) and Progress Energy, Inc. (“Progress”) (collectively, the “Joint Applicants”), and pursuant to Paragraph 4 of the Commission’s August 2, 2011, Order in the above-captioned case tender this report regarding the status of the merger transaction.

The Joint Applicants are committed to proceeding with the merger. To date, the Joint Applicants have completed the following in connection with the merger closing process:

- Shareholder approvals were given on August 23, 2011.
- The requisite waiting period under the Hart-Scott Rodino Act (“HSR”) has expired; however, the period for closing consistent with the Duke and Progress (collectively, the “Companies”) initial HSR filing expires April 26, 2012.

Because the merger is not expected to close prior to that date, the Companies filed new HSR filings on March 22, 2012.

- The Federal Communications Commission (“FCC”) granted approval of the assignment of certain licenses from Progress to Duke on July 27, 2011. On January 5, 2012, the FCC extended the approval through July 12, 2012.
- The Commission granted its approval of the indirect transfer of control of Duke Kentucky on October 28, 2011.
- The Nuclear Regulatory Commission granted approval of the indirect transfer of Progress’s licenses on December 2, 2011.
- The Companies have applied for approval of the merger by the North Carolina Utilities Commission (“NCUC”). Hearings on the North Carolina application were held on September 20-22, 2011.
- The Companies have applied for approval of the Joint Dispatch Agreement (“JDA”) by the South Carolina Public Service Commission (“SCPSC”). The hearing on the South Carolina application was held on December 12, 2011.

The Federal Energy Regulatory Commission (“FERC”) granted conditional approval of the merger on September 30, 2011, provided that the Companies propose an adequate mitigation plan to address market power concerns in the Carolinas associated with the merger. The FERC directed the Companies to file a market power mitigation plan to address its market power concerns. In mid-October, the Companies filed a market power mitigation plan proposing a concept called “virtual divestiture.” This concept consisted of an offer to sell power during peak times of the year at an incremental cost, plus ten percent. On October 31, 2011, the Companies also filed for a rehearing of the merger application, requesting that the FERC revise its analysis

to be consistent with the FERC's previous application of its rules and orders. In addition, the Companies had asked the FERC to address the mitigation plan by no later than December 15, 2011. Also in connection with the merger, the Companies had applied for approval of the JDA and a Joint Open Access Transmission Tariff ("JOATT").

On December 14, 2011, the FERC issued an Order rejecting the market mitigation plan submitted by the Companies. FERC's Order did not reject the merger - the transaction remains conditionally authorized pending satisfaction of FERC's market power concerns. The FERC did not take action on the proposed JDA or the JOATT due to its rejection of the mitigation plan, and directed the Companies to resubmit the JDA and JOATT. Due to the FERC's action, the Companies were not able to meet the previously targeted closing date of January 1, 2012.

On January 13, 2012, the Companies filed with the FERC a request for rehearing on the FERC's December 14, 2011 Order. On February 13, 2012, the FERC issued its Order Granting Rehearing for Further Consideration. This Order allows the FERC additional time to consider the Companies' rehearing request which would have otherwise been denied by operation of law.

On February 22, 2012, the Companies filed advance notice of the revised mitigation plan with the NCUC and SCPSC. The Companies filed the plan with the FERC today, following the 30-day review process with the NCUC. The revised mitigation plan provides for permanent transmission upgrades and interim power sales:

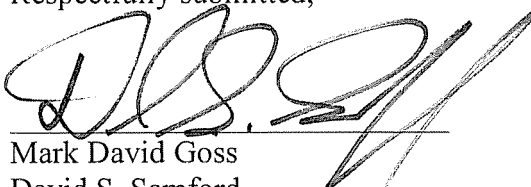
- The permanent mitigation solution consists of up to seven transmission projects by Duke and Progress. These projects will expand the capability to import wholesale power into the Carolinas. The construction would begin after the merger closes and take approximately three years to complete. The seven projects are estimated to cost approximately \$110 million in the aggregate.

The FERC has begun the process of evaluating the revised mitigation plan.

As part of the Stipulation and Settlement Agreement approved by the Commission in the above-captioned proceeding (“Settlement”), the Joint Applicants agreed, among other things, to support low income weatherization efforts in Duke Energy Kentucky’s service territory through five annual contributions of \$115,000 to be made on or before March 31 of each year. Although the merger will not close by March 31, 2012, as a good faith gesture in anticipation of completing the merger in 2012, Duke Energy Kentucky made the first low income weatherization contribution as set forth in the Settlement. Although performance was not tied to a specific date, Duke Energy Kentucky has also made the \$50,000 economic development contribution for 2012.

The Companies have announced July 1, 2012 as a targeted closing date for planning purposes and will communicate any changes in the targeted closing date in the future. Closing remains dependent upon the regulatory approval process.

Respectfully submitted,



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- and


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CERTIFICATE OF SERVICE

I hereby certify that the foregoing was mailed, first class postage prepaid, this 16th day of April, 2012 to the following parties of record:

Hon. Jennifer B. Hans
Hon. Dennis G. Howard, II
Hon. Lawrence Cook
Utility and Rate Intervention Division
P. O. Box 2000
Frankfort, Kentucky 40602-2000



Counsel for the Joint Applicants

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