DUKE ENERGY®

Mailing Address:
139 East Fourth Street
1212 Main / P.O. Box 960
Cincinnati, Ohio 45202

o: 513-287-4364
f: 513-287-4386

Rocco.D'Ascenzo@duke-energy.com
Rocco O. D'Ascenzo
Associate General Counsel

VIA OVERNIGHT DELIVERY

March 30, 2016

RECEIVED
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PUBLIC SERVICE COMMISSION

James W. Gardner
Acting Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

Re: Case No. 2011-00124
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.

Dear Chairman Gardner:

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:

Commitment #6

> 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.

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Duke Energy Kentucky Response:

Duke Energy Kentucky includes this outage information as part of its Annual Vegetation Management & Reliability Report and is filed by the first business day in May as required by the Commission's May 30, 2013 Order in Case No. 2011-00450.[1] Duke Energy Kentucky filed its 2014 Annual Vegetation Management and Reliability Report on April 30, 2015 and intends to file the information regarding 2015 reliability performance on or before May 1, 2016.

Duke Energy's President, Chief Executive Officer & Vice Chair of the Board, Lynn J. Good, met with members of the Kentucky Public Service Commission on August 7, 2015. Also in attendance at the meeting from Duke Energy were Doug Esamann, President of Midwest and Florida; Jim Henning, State President of Duke Energy Kentucky and Ohio, Chuck Session, Vice President, Government and Community Affairs, Michael Leeks, Vice President of Distribution Maintenance & Construction - Midwest, Gary Hebbeler, General Manager, Gas and Field Systems, Van Needham, State Government Affairs Director - Kentucky and Rocco D'Ascenzo, Associate General Counsel.

Commitment #8

> Joint Applicants commit that Duke Energy Kentucky shall continue to maintain a substantial level of involvement in community activities, through annual charitable and other contributions.

Duke Energy Kentucky Response:

In February 2015, Duke Energy Kentucky paid $35,000 to Northern Kentucky Tri-County Economic Development, $15,000 to Northern Kentucky Area Development District and

[1] *In the matter of An Investigation of the Reliability Measures of Kentucky's Jurisdictional Electric Distribution Utilities, Case No* 2011-00450. (Order)(May 30, 2013).

$115,000 to People Working Cooperatively. Those same payments have already been processed for 2016.

Commitment #9

> Joint Applicants commit to maintaining Duke Energy Kentucky's proactive stance on developing economic opportunities in Kentucky and supporting economic development activities throughout Duke Energy Kentucky's service territory.

Duke Energy Kentucky Response:

In February 2015, Duke Energy Kentucky paid $35,000 to Northern Kentucky Tri-County Economic Development, $15,000 to Northern Kentucky Area Development District and $115,000 to People Working Cooperatively. Those same payments have already been processed for 2016. In addition, Chuck Session, Vice President, Government and Community Affairs, is a board member for the Kentucky Chamber of Commerce.

Commitment #11

> Joint 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 Duke Energy Kentucky, complete details of the allocation methods, and justification for the amount and the method. Joint 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/Non-Utility Companies Service Agreements and the Operating Companies Service Agreement approved as part of the merger transaction.

Duke Energy Kentucky Response:

The 2014 Cost Allocation Manual update was filed with the Commission on April 2, 2015 and the 2015 Cost Allocation Manual update will be filed with the Commission on or before March 31, 2016.

Commitment # 12

> Joint Applicants commit to periodic comprehensive third-party independent audits of the affiliate transactions under the affiliate agreements approved as part of the merger transaction. Such audits will be conducted no less often than every two years, and the reports will be filed with the Commission and the Attorney General. Duke Energy Kentucky shall file the audit report, if possible, when Duke Energy Kentucky files its annual report. The audits will continue for six years or until three service company audits are performed, in the event more than six years are needed to perform three audits.

Duke Energy Kentucky Response:

The Company's most recent audit was completed and the audit report was filed with the Commission on June 3, 2015.

Commitment #18

> Duke Energy and Progress 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 President, Chief Executive Officer & Vice Chair, Lynn J. Good, met with members of the Commission on August 7, 2015.

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 Duke Energy and Progress Energy.

Duke Energy Kentucky Response:

Power Delivery – Implementation of Safety and Work Methods Best Practice

Duke Energy Corporation's operational support organization completed a review of nine work methods last year. The review was performed by field employees with supervisor and manager oversight. The review was intended to validate the work practices and simplify the verbiage for clear understanding. The team removed some redundancies in the work methods as well. These nine work methods are now being referred as Cardinal Electric Safety Rules (CESR) and the intent is to eradicate all contact and flash events on the Duke Energy system. The nine work methods will be re-introduced to the field performers in communication sessions to ensure complacence with the work methods. The Company is planning on releasing the work methods, three at a time over a three month period starting in April 2016.

Gas Operations - Implementation of Safety and Work Methods Best Practice

Duke Energy Kentucky's Gas Operations continues its membership and participation in the Kentucky Gas Association and the American Gas Association. Through these organizations, Duke Energy Kentucky continues to have its subject matter experts attend topic discussion groups, workshops and roundtables to determine and gather best practices that can apply to and benefit its operations. Many of these subject matter experts also serve on operating committees within these organizations. In 2015, Duke Energy Kentucky continued to build upon the best practice efforts that modified our damage prevention processes all of which continues to result in reduced damages. Duke Energy Kentucky (among others) is also working to strengthen the KY 811 Bill.

Commitment # 20

> Joint Applicants commit to notify 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 Progress Energy.

Duke Energy Kentucky Response:

In November 2015, Duke Energy Corporation issued $1 billion debt in two tranches - $400M and $600M.

On March 7, 2016, Duke Energy Corporation (NYSE: DUK) announced the closing of its underwritten public offering of 10,637,500 shares of its common stock in connection with forward sale agreements between Duke Energy Corporation and one of the underwriters in the offering, all as further described in the press release dated March 7, 2016, attached hereto as Attachment A.

Commitment #23

> Joint Applicants commit that when Duke Energy Kentucky files its monthly reports with the Commission, it shall include with that filing a schedule of the current capital structure and a schedule of any capital contributions made to Duke Energy Kentucky in the applicable month.

Duke Energy Kentucky Response:

Duke Energy Kentucky filed its monthly financial statements as follows:

January - filed on March 13, 2015; February - filed on April 13, 2015; April - filed on June 9, 2015; May - filed on July 13, 2015; July - filed on September 11, 2015; August - filed on October 5, 2015; September – filed on November 13, 2015; October - filed on December 9, 2015; November - filed on January 14, 2016; and December – February 16, 2016.

Commitment # 29

> Duke Energy Kentucky commits to notify the Commission in writing thirty (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 twenty-five (25) percent of Duke Energy Kentucky'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:

There were no material changes in funding during 2015 and the Company doesn't anticipate any material changes in the calendar year 2016. .

Commitment #31

> Joint Applicants commit that within sixty (60) days of the closing of any merger, disposition or acquisition involving Duke Energy or a subsidiary thereof, in the United States that is exempted under KRS 278.020(5) and KRS 278.020(6), Duke Energy Kentucky will file with the Commission a notice setting forth an analysis of any changes and implications for Duke Energy Kentucky's customers.

Duke Energy Kentucky Response:

On October 28, 2015, Duke Energy Corporation closed a merger with California Company, Phoenix Energy Technologies. This Duke Energy Corporation investment will not result in any changes and have no implications for Duke Energy Kentucky or its customers.

Commitment #46

> The Joint Applicants commit to review with Duke Energy Kentucky whether policies more sympathetic to low-income customers would be more appropriate.

Duke Energy Kentucky Response:

The Company continually reviews it's polices with respect to low income customers.

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Please file stamp the two copies of this letter enclosed herein and return in the enclosed return-addressed envelope.

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,

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

cc: Larry Cook

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News Release

Media Contact: Jennifer Zajac
24-Hour: 800.559.3853

Analysts: Bill Currens
Office: 704.382.1603

March 7, 2016

Duke Energy announces closing of public offering of common stock in connection with its pending acquisition of Piedmont Natural Gas

CHARLOTTE, N.C. – Duke Energy Corporation (NYSE: DUK) ("Duke") announced today the closing of its underwritten public offering of 10,637,500 shares of its common stock in connection with the forward sale agreement (as discussed below), which included the underwriter's full exercise of its option to purchase up to 1,387,500 additional shares of Duke's common stock.

The closing will result in approximately $766 million of gross proceeds (assuming each forward sale agreement is physically settled based on the offer price to the public of $72.00, as described more fully below).

In connection with the offering, Duke entered into forward sale agreements with an affiliate of Barclays Capital Inc. (the "forward counterparty") under which Duke agreed to issue and sell to the forward counterparty (subject to Duke's right to cash settle or net share settle the forward sale agreement) 10,637,500 shares of its common stock at the public offering price, less discounts and commissions, and subject to certain adjustments.

The net proceeds from the offering will be used to finance a portion of the cash purchase price relating to Duke's pending acquisition of Piedmont Natural Gas Company, Inc. ("Piedmont").

In connection with the forward sale agreements, the forward counterparty borrowed from third-party lenders and sold to the underwriters 10,637,500 shares of Duke's common stock at the close of the offering.

Barclays, BofA Merrill Lynch, Citigroup, J.P. Morgan and Wells Fargo Securities acted as joint book-running managers of this offering.

Settlement of the forward sale agreement(s) will occur upon closing of the Piedmont acquisition, which is expected by the end of 2016, but settlement may occur as late as June 30, 2017. Upon any physical settlement of either forward sale agreement, Duke will issue and deliver to the forward counterparty shares of Duke's common stock in exchange for cash proceeds per share, before any underwriting discount and offering expenses, equal to the offer price to the public, which will be $72.00 and will be subject to certain adjustments as provided in the relevant forward sale agreement. Duke may, subject to certain conditions, elect cash settlement or net share settlement for all or a portion of its rights or obligations under the forward sale agreement(s).

About Duke Energy

Duke Energy Corporation is an energy company headquartered in Charlotte, N.C. Its Regulated Utilities business unit serves 7.4 million retail electric customers in six states in the Southeast and Midwest regions of the United States, representing a population of approximately 24 million people.

Forward-Looking Information

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on management's beliefs and assumptions and can often be identified by terms and phrases that include "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will," "potential," "forecast," "target," "guidance," "outlook" or other similar terminology. Various factors may cause actual results to be materially different than the suggested outcomes within forward-looking statements; accordingly, there is no assurance that such results will be realized. These factors include, but are not limited to: state, federal and foreign legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements or climate change, as well as rulings that affect cost and investment recovery or have an impact on rate structures or market prices; the extent and timing of costs and liabilities to comply with federal and state regulations related to coal ash, including amounts for the required closure of certain ash basins, are uncertain and difficult to estimate; the ability to recover eligible costs, including amounts associated with coal ash basin asset retirement obligations and future significant weather events, and earn an adequate return on investment through the regulatory process; the costs of decommissioning Crystal River Unit 3 and other nuclear facilities could prove to be more extensive than amounts estimated and all costs may not be fully recoverable through the regulatory process; credit ratings of Duke Energy Corporation, Duke Energy Carolinas, LLC, Progress Energy, Inc., Duke Energy Progress, LLC, Duke Energy Florida, LLC, Duke Energy Ohio, Inc. and Duke Energy Indiana, LLC (collectively, the Duke Energy Registrants) may be different from what is expected; costs and effects of legal and administrative proceedings, settlements, investigations and claims; industrial, commercial and residential growth or decline in service territories or customer bases resulting from variations in customer usage patterns, including energy efficiency efforts and use of alternative energy sources, including self-generation and distributed generation technologies; advancements in technology; additional competition in electric markets and continued industry consolidation; political, economic and regulatory uncertainty in Brazil and other countries in which Duke Energy conducts business; the influence of weather and other natural phenomena on operations, including the economic, operational and other effects of severe storms, hurricanes, droughts, earthquakes and tornadoes; the ability to successfully operate electric generating facilities and deliver electricity to customers including direct or indirect effects to the company resulting from an incident that affects the U.S. electric grid or generating resources; the impact on facilities and business from a terrorist attack, cybersecurity threats, data security breaches, and other catastrophic events such as fires, explosions, pandemic health events or other similar occurrences; the inherent risks associated with the operation and potential construction of nuclear facilities, including environmental, health, safety, regulatory and financial risks; the timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates and the ability to recover such costs through the regulatory process, where appropriate, and their impact on liquidity positions and the value of underlying assets; the results of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings, interest rate fluctuations and general economic conditions; declines in the market prices of equity and fixed income securities and resultant cash funding requirements for defined benefit pension plans, other post-retirement benefit plans, and nuclear decommissioning trust funds; construction and development risks associated with the completion of Duke Energy Registrants' capital investment projects, including risks related to financing, obtaining and complying with terms of permits, meeting construction budgets and schedules, and satisfying operating and environmental performance standards, as well as the ability to recover costs from customers in a timely manner or at all; changes in rules for regional transmission organizations, including changes in rate designs and new and evolving capacity markets, and risks related to obligations created by the default of other participants; the ability to control operation and maintenance costs; the level of creditworthiness of counterparties to transactions; employee workforce factors, including the potential inability to attract and retain key personnel; the ability of subsidiaries to pay dividends or distributions to Duke Energy Corporation holding company (the Parent); the performance of projects undertaken by our nonregulated businesses and the success of efforts to invest in and develop new opportunities; the effect of accounting pronouncements issued periodically by accounting standard-setting bodies; the impact of potential goodwill impairments; the ability to reinvest prospective undistributed earnings of foreign subsidiaries or repatriate such earnings on a tax-efficient basis; the expected timing and likelihood of completion of the proposed acquisition of Piedmont Natural Gas Company, Inc. (Piedmont), including the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the proposed acquisition that could reduce anticipated benefits or cause the parties to abandon the acquisition, and under certain specified circumstance pay a termination fee of $250 million, as well as the ability to successfully integrate the businesses and realize anticipated benefits and the risk that the credit ratings of the combined company or its subsidiaries may be different from what the companies expect; and the ability to successfully complete future merger, acquisition or divestiture plans.

Additional risks and uncertainties are identified and discussed in the Duke Energy Registrants' reports filed with the SEC and available at the SEC's website at www.sec.gov. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than described. Forward-looking statements speak only as of the date they are made; the Duke Energy Registrants expressly disclaim an obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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