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VIA OVERNIGHT DELIVERY

April 30, 2019

Ms. Gwen R. Pinson
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

RECEIVED

MAY 01 2019

PUBLIC SERVICE
COMMISSION

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 Ms. Pinson:

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.

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 2017 Annual Vegetation Management and Reliability Report on April 26, 2018 and intends to file the information regarding 2018 reliability performance on or before April 30, 2019.

In 2018, the Commission informed Duke Energy Kentucky, Inc. that annual meetings with the CEO is no longer required, and requested that the meetings now occur biannually. Therefore, Duke Energy's President, Chief Executive Officer & Vice Chair of the Board, Lynn J. Good, is scheduled to meet with members of the Kentucky Public Service Commission in 2019.

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 2018, Duke Energy Kentucky continued its support of the Northern Kentucky community. The company had members of their leadership team in key leadership roles with NKY Regional Alliance (OH/KY State President Jim Henning served as President through June 2018 before relocating; OH/KY State President Amy Spiller joined in June 2018 as an Executive Board member), Tri-Ed (VP Government Affairs Chuck Session on the Board of Directors), (Rhonda Whitaker, VP Community Relations on the Tri-ED Board of Directors), NKY Chamber (Rhonda Whitaker Board Chair 2017-2018 and Past Board Chair 2018-2019), Gateway Community and Technical College (VP Government Affairs Chuck Session Board member) 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).*

the Kentucky State Chamber board (VP Government Affairs Chuck Session Board member) and the Horizon Fund of Northern Kentucky (Chuck Session Trustee).

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 2018, Duke Energy Kentucky continued its support of the Northern Kentucky communities' economic development and sustainability. Duke Energy supported the Northern Kentucky communities within Urban Revitalization grants (catalyst grants for projects reducing blight, creating jobs and increasing business retention/expansion) totaling \$135K, Horizon Fund of NKY (improving the quality of life for Northern Kentucky residents) \$13,500, and \$50K to the Tri-County Economic Development Corporation for work in business retention, expansion and recruitment.

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 2017 Cost Allocation Manual update was filed with the Commission on March 30, 2018 and the 2018 Cost Allocation Manual update was filed with the Commission on March 29, 2019.

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, is scheduled to meet with members of the Commission in 2019. For 2018, the Commission informed Duke Energy Kentucky that it no longer requires annual meetings with the CEO and has now adopted them biannually.

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 2018, Duke Energy Corporation issued approximately \$3.25 billion of securities – approximately \$2.0 billion of equity, \$750 million of senior unsecured notes, and \$500 million of junior subordinated notes. Approximately \$1.6 billion of equity was issued via a discrete offering in March 2018 with the remaining \$400 million issued throughout the year through the

Company's Dividend Reinvestment Program (DRIP) and At-the-Market (ATM) program. The Company issued \$750 million of senior unsecured notes across two transactions – \$250 million, 7-year notes in March 2018 and \$500 million, 3-year notes in May 2018. The Company also issued \$500 million of Junior Subordinated Notes in September 2018.

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 16, 2018; February - filed on April 11, 2018; March – filed on May 14, 2018; April - filed on June 13, 2018; May - filed on July 5, 2018; June – filed on August 13, 2018; July - filed on September 18, 2018; August - filed on October 12, 2018; September – filed on November 20, 2018; October - filed on December 17, 2018; November - filed on January 11, 2019; and December – February 15, 2019.

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 2018 and Duke Energy Kentucky does not anticipate any material changes in the calendar year 2019.

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:

Duke Energy Kentucky was not involved in any mergers, dispositions or acquisitions in 2018.

Commitment #46

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

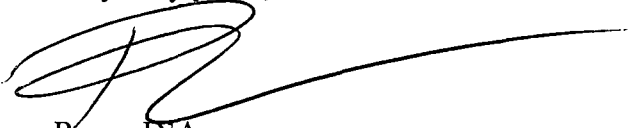
Duke Energy Kentucky Response:

Duke Energy Kentucky continually reviews its policies with respect to low income customers.

Please 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
Deputy General Counsel

cc: Rebecca W. Goodman