COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

FIRST DATA REQUEST OF COMMISSION STAFF
TO APPLICANTS

Pursuant to 807 KAR 5:001, Commission Staff requests that Duke Energy Corporation ("Duke Energy"), Duke Energy Holding Corp., Deer Acquisition Corp., Cougar Acquisition Corp., Cinergy Corp. ("Cinergy"), The Cincinnati Gas & Electric Company ("CG&E"), and The Union Light, Heat and Power Company ("ULH&P") file the original and 8 copies of the following information with the Commission on or before August 30, 2005, with a copy to all parties of record. Each copy of the information requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Provide the corporate organizational chart, showing all subsidiary and affiliated companies of Cinergy and Duke Energy as of June 30, 2005. The format should be similar to that used in each company's Securities and Exchange Commission ("SEC") Form 10-K. In addition, indicate whether the subsidiary or affiliated company is an active or inactive entity.

2. Provide the following information for Cinergy and Duke Energy separately concerning the reports and forms currently filed with the SEC:

a. List each report or form routinely filed with the SEC. Include the name of the report or form, the reference number (i.e., Form 10-K, Form U5S, etc.), a brief description of the information provided in the report or form, and a statement concerning how frequently the report or form is filed with the SEC.

b. Given the repeal of the Public Utilities Holding Company Act of 1935 ("PUHCA") and using the list provided in part (a), indicate whether the report or form will still be required to be filed with the SEC after the merger of Cinergy and Duke Energy.

3. Provide the name and a biographical profile of each member of the board of directors of Cinergy and Duke Energy.

4. Concerning change of control payments,

a. Indicate the number of directors, executives, officers, or employees of Cinergy and Duke Energy who will be eligible for change of control payments as a result of the proposed merger. Also provide the total estimated amount of the change of control payments for Cinergy and Duke Energy.

b. Identify the directors, executives, officers, or employees of ULH&P who will be eligible for change of control payments as a result of the proposed merger. Also provide the estimated amount of the change of control payment for each ULH&P director, executive, officer, or employee.

c. Describe the mechanisms contained in ULH&P's accounting system that will prevent the recording of any change of control payments – either directly, indirectly, or allocated – on ULH&P's books and records.

5. ULH&P currently has an asset management agreement with its affiliate, Cinergy Marketing and Trading. Explain any effects that the merger of Cinergy and Duke Energy will have on this asset management agreement.

6. Cinergy recently reported trading losses due to difficulties at its gas trading and marketing business. Will any of these losses be assigned, allocated, or otherwise charged to ULH&P? If yes, explain in detail the reasons why ULH&P will be responsible for any of these losses.

7. Do any of Duke Energy's natural gas pipelines or storage assets currently serve ULH&P?

a. If yes, identify which assets currently serve ULH&P.

b. If no, explain which assets could possibly serve ULH&P in the future and provide an estimate of the cost involved.

8. Since ULH&P currently has limited access to natural gas storage capacity, describe the benefits ULH&P would experience if it could develop access to Duke Energy's natural gas storage assets.

9. Refer to page 15 of the Application, Section VIII – Related Governmental Filings. For each of the entities listed in this section:

a. Provide the status of the filing as of August 1, 2005.

b. Indicate when the entity is expected to issue its final decision on the respective filing.

c. Are there any other governmental entities outside the United States whose approval of the merger must be sought? If yes, explain what approvals are needed and the expected time frame for obtaining the approvals.

10. Refer to page 61 of Attachment B of the Application, the Agreement and Plan of Merger. Has a copy of Form S-4 been filed as part of the Application in this case? If no, provide copies of Form S-4. Electronic copies of Form S-4 are acceptable as long as two hard copies are included, one of which should be in the original copy.

11. Refer to pages 71 through 73 of Attachment B of the Application. If Cinergy were to incur any of the fees described in this section of the Agreement and Plan of Merger, would Cinergy expect to allocate a portion of those fees to ULH&P's books? Explain the response.

12. Refer to Attachment D of the Application, Cinergy's Generating Fleet. For each generating unit listed,

a. Indicate whether the generating unit is considered a base load, intermediate load, or peaking unit.

b. Indicate whether the generating unit is regulated or unregulated generation. For each unregulated generating unit, also indicate whether the generating unit is classified as an exempt wholesale generator ("EWG").

13. Refer to Attachment D of the Application, Cinergy's Generating Fleet. For the 11 generating units listed where Cinergy does not have 100 percent ownership:

a. Identify the other owners of each generating unit.

b. Describe what approvals or agreements will have to be sought from the other owners in conjunction with the proposed merger with Duke Energy.

14. Concerning the Duke Energy Generating Fleet,

a. Provide a schedule identical to Attachment D of the Application for Duke Energy.

b. Indicate whether the generating unit is considered a base load, intermediate load, or peaking unit.

c. Indicate whether the generated unit is regulated or unregulated generation. For each unregulated generating unit, also indicate whether the generating unit is classified as an EWG.

d. If Duke Energy owns less than 100 percent of the generating unit,

(1) Identify the other owners of the generating unit.

(2) Describe what approvals or agreements will have to be sought from the other owners in conjunction with the proposed merger with Cinergy.

15. Refer to page 19 of the Osborne Testimony. ULH&P states that while Duke Power is not joining the Midwest Independent Transmission System Operator, Inc. ("MISO"), it expects that MISO will assume responsibility for a number of core

transmission functions. Provide a list and description of the transmission functions for which MISO would assume responsibility.

16. Refer to page 9 of the Direct Testimony of Thomas J. Flaherty ("Flaherty Testimony") and page 7 of the Direct Testimony of John P. Steffen ("Steffen Testimony"). Mr. Flaherty states that the resulting net cost savings should be equitably shared between customers and shareholders, while Mr. Steffen's testimony proposes a sharing plan that begins at 10 percent the first year and increases to 50 percent in year five.

a. Explain what Mr. Flaherty means by "equitable" sharing between customers and shareholders.

b. Does Mr. Flaherty believe that ULH&P's proposed sharing mechanism of approximately 30 percent over the first 5 years is equitable? Explain the response.

17. Refer to pages 40 and 41 of the Flaherty Testimony.

a. Are Cinergy and Duke Energy members of the Electric Power Research Institute ("EPRI")?

b. Are there similar savings available in EPRI dues as those described for the Edison Electric Institute?

c. Refer to Attachment BFB-5 of the Direct Testimony of Barry F. Blackwell ("Blackwell Testimony"). Explain why EPRI association dues savings were not discussed in Mr. Flaherty's testimony, but are shown as savings in Mr. Blackwell's attachment.

18. Refer to page 42 of the Flaherty Testimony. Concerning directors' fees and expenses for Cinergy and Duke Energy,

a. Provide a schedule comparing the meeting fees, committee fees, other fees, and travel reimbursement rates paid to the board of directors by Cinergy and Duke Energy.

b. Provide a schedule of the total meeting fees, total committee fees, total other fees, and total travel related costs paid by Cinergy and Duke Energy to their respective boards of directors for each of the following time periods: 2003; 2004; and 2005 through June 30.

19. Refer to page 47 of the Flaherty Testimony. Provide a listing, by manufacturer's name, model number, and date of manufacture, of the aircraft owned or leased by Cinergy and by Duke Energy as of August 1, 2005.

20. Refer to page 62 of the Flaherty Testimony. Mr. Flaherty states that the insurance expense related to departing directors and officers is a one-time premium incurrence of $11.4 million. Provide the term of the insurance policies covered by the insurance premium.

21. Refer to pages 63 through 65 of the Flaherty Testimony. Concerning the impact of Cinergy's Continuous Improvement Now ("CIN-10") program:

a. Explain in detail the review or analysis performed by Mr. Flaherty that led to his conclusion there would be an overlap of the cost reductions expected under CIN-10 and cost savings that could result from the proposed merger of Cinergy and Duke Energy.

b. Provide a listing of the 25 most significant employee savings ideas submitted as part of the CIN-10 initiative that affect Cinergy.

22. Refer to pages 2 and 3 of the Direct Testimony of Gregory C. Ficke ("Ficke Testimony"). Mr. Ficke states that Attachment GCF-1 is a listing of the proposed merger commitments, but also acknowledges that other witnesses in this case have proposed merger commitments.

a. Provide a detailed, consolidated schedule listing all commitments made by the Applicants in this case. Include the name of the witness who discusses the commitment.

b. Provide a listing of all commitments made to date by the Applicants in the merger applications pending before the Ohio, Indiana, North Carolina, and South Carolina regulatory commissions. Identify any differences with the commitments offered in the Kentucky application and explain in detail the reason(s) for the differences.

23. Refer to page 15 of the Ficke Testimony. At line 18, Mr. Ficke states that, "approximately $696 million in out-of-pocket costs to achieve merger savings were identified related to the close of the merger and the realization of estimated cost savings." Provide the source for the referenced $696 million in costs and reconcile this amount with the costs shown in Attachment BFB-5 of the Blackwell Testimony.

24. Refer to Attachment GCF-1 of the Ficke Testimony.

a. Commitment No. 3 states that the payment for Cinergy's stock will be excluded from ULH&P's books for retail rate-making purposes. Why is this commitment only for rate-making purposes rather than regulatory accounting purposes? Explain the response.

b. Commitment No. 5 states that no change of control payments will be allocated to the retail customers of ULH&P. Does this commitment apply to both regulatory accounting purposes and retail rate-making purposes? Explain the response.

c. Commitment No. 9 states a commitment to continuing involvement in community activities for a period of 2 years. Explain why a 2-year period is a reasonable commitment on the part of Cinergy and Duke Energy.

25. Refer to Attachment GCF-2 of the Ficke Testimony, pages 3-5 of 5.

a. Explain in detail why Cinergy and Duke Energy are proposing to transfer 5 generating units from Duke Energy North America to CG&E, rather than to Cinergy or an unregulated affiliate of Cinergy.

b. Will the transfer of these units have any impact on ULH&P's cost of electric service to its retail customers or its quality of service? If yes, explain in detail.

c. Does CG&E intend to sell the output of these units exclusively in wholesale markets at market-based rates or to its former native load customers in Ohio under rates established in its rate stabilization plan?

26. Provide copies of the Cinergy and Duke Energy annual reports to shareholders and audited financial statements including notes for years 2001 through 2004. Electronic copies are acceptable as long as two hard copies are included, one of which should be in the original copy.

27. Provide copies of the Cinergy and Duke Energy SEC Form 10Ks for years 2001 through 2004. Electronic copies are acceptable as long as two hard copies are included, one of which should be in the original copy.

28. Excluding major storms, what percentage of the labor hours incurred in 2004 by ULH&P for distribution maintenance were attributable to contract labor?

29. Does ULH&P anticipate increasing its use of contract labor to perform distribution maintenance or any other functions post-merger? If yes, explain in detail.

30. Describe in detail all measures currently in place at Cinergy to ensure that any losses incurred by an unregulated subsidiary will have no impact on ULH&P.

31. Describe in detail all measures currently in place at Duke Energy to ensure that any losses incurred by an unregulated subsidiary will have no impact on Duke Power.

32. Describe in detail all measures that will be in place post-merger to ensure that any losses incurred by any subsidiary or affiliate will have no impact on ULH&P.

33. Is there currently a measure in place that prohibits ULH&P from loaning any funds to a subsidiary or an affiliate? If yes, describe the measure in detail.

34. Will there be a measure in place post-merger that prohibits ULH&P from loaning any funds to a subsidiary or an affiliate? If yes, describe the measure in detail.

35. Refer to page 14 of the Direct Testimony of John C. Procario. On lines 5 through 10, Mr. Procario states several times that "there are no plans to" concerning the reliability of ULH&P's service. Is Mr. Procario offering these "there are no plans to" statements as commitments? Explain the response.

36. Refer to pages 7 and 8 of the Direct Testimony of Lynn J. Good ("Good Testimony").

a. Provide copies of the SEC Staff Accounting Bulletin Nos. 54 and 73.

b. Provide ULH&P's total long-term debt, short-term debt, and total capitalization as of June 30, 2005. Calculate the percentage of publicly held debt reflected by the June 30, 2005 financial information.

c. Describe the impact that ULH&P's decision to assume certain debt from CG&E in conjunction with the generating asset transfer will have on the determination of a percentage of publicly held debt.

d. Was the possibility that ULH&P would be subject to "push-down" accounting adjustments one of the reasons ULH&P switched its financing approach for the generating asset transfer from issuing new debt to assuming CG&E debt? Explain the response.

e. Was ULH&P aware that the Commission has opposed the application of "push-down" accounting related to goodwill for both accounting and rate-making purposes in previous merger cases?

37. Refer to Attachment LJG-1 of the Good Testimony.

a. Prepare a comparison of the proposed Tax Sharing Agreement with the current Cinergy Tax Sharing Agreement. Identify all differences between the provisions of the two documents and provide an explanation of the reason(s) for the differences.

b. Refer to page 1 of 7. Given the repeal of PUHCA, does Attachment LJG-1 still reflect the current draft version of this document?

(1) If yes to (b), explain why the introduction of the document still references PUHCA.

(2) If no to (b), provide the current draft version of this document and base the comparison requested in part (a) above on the current draft version.

c. Refer to page 2 of 7. Explain why the draft Tax Sharing Agreement does not include unregulated businesses.

d. Provide a copy of SEC Rule 45(c).

e. Refer to page 3 of 7.

(1) Describe the "consolidated Environmental Tax" referenced on this page.

(2) Explain why the allocation of excess tax liability is reasonable.

f. Refer to page 5 of 7. Will the Tax Sharing Agreement still be subject to the approval of the SEC? Explain the response.

38. Refer to Attachment LJG-2 of the Good Testimony.

a. Refer to page 2 of 11. Explain the basis for the statement, "Savings are anticipated to be split approximately evenly between the regulated and unregulated operations. . . ."

b. Refer to page 9 of 11. Explain the meaning of the negative adjustments to goodwill shown in the middle of the page.

39. Refer to page 7 of the Direct Testimony of Wendy L. Aumiller ("Aumiller Testimony"). Describe the actions being pursued by ULH&P to achieve the financial objectives discussed in Ms. Aumiller's testimony.

40. Refer to Attachment WLA-2 of the Aumiller Testimony.

a. Does Attachment WLA-2 reflect the current draft version of the Duke Energy Regulated Money Pool Agreement ("Duke Money Pool Agreement")? If no, provide copies of the current draft version.

b. Prepare a comparison of the proposed Duke Money Pool Agreement with the current Cinergy Utility Money Pool Agreement. Identify all differences between the provisions of the two documents and provide an explanation of the reason(s) for the differences. If a more current version of the Duke Money Pool Agreement is provided in the response to part (a), base the comparison on the current version.

41. Refer to pages 14 and 15 of the Direct Testimony of Steven M. Fetter. Mr. Fetter states, "I believe that the Merger savings sharing mechanism proposed by ULH&P is generally in line with current regulatory practice across the United States and, indeed, is more favorable to customers than the way savings/benefits from several recent transactions have been shared."

a. What is the basis for Mr. Fetter's belief that the proposed merger savings sharing mechanism is in line with current regulatory practice in the United States?

b. Identify all regulatory commission decisions issued since 1999 in which the ratepayers' share of merger savings was based on a "10-20-30-40-50" approach over the first 5 years after the completion of the merger.

c. What is the basis for Mr. Fetter's belief that the proposed merger savings sharing mechanism is more favorable to customers than the way savings in other recent transactions have been shared?

42. Refer to Attachment BFB-1 of the Blackwell Testimony.

a. Does Attachment BFB-1 reflect the current draft version of the Service Company Utility Service Agreement ("Duke Service Company Agreement")? If no, provide copies of the current draft version.

b. Prepare a comparison of the proposed Duke Service Company Agreement with the current Cinergy Service Company Agreement. Identify all differences between the provisions of the two documents and provide an explanation of the reason(s) for the differences. If a more current version of the Duke Service Company Agreement is provided in the response to part (a), base the comparison on the current version.

c. Refer to page 2 of 26. Provide copies of the Internal Revenue Code Section 482 and explain in detail the impact this portion of the tax code has on the pricing of services between the affiliated companies.

43. Refer to Attachment BFB-2 of the Blackwell Testimony.

a. Does Attachment BFB-2 reflect the current draft version of the Operating Company/Nonutility Companies Service Agreement? If no, provide copies of the current draft version.

b. Does a similar agreement currently exist between the affiliated Cinergy companies? If yes, provide a comparison of the proposed Operating Company/Nonutility Companies Service Agreement with the current corresponding Cinergy agreement. Identify all differences between the provisions of the two documents and provide an explanation of the reason(s) for the differences. If a more current version of the Operating Company/Nonutility Companies Service Agreement is provided in the response to part (a), base the comparison on the current version.

44. Refer to Attachment BFB-3 of the Blackwell Testimony.

a. Does Attachment BFB-3 reflect the current draft version of the Operating Companies Service Agreement? If no, provide copies of the current draft version.

b. Does a similar agreement currently exist between the affiliated Cinergy companies? If yes, provide a comparison of the proposed Operating Companies Service Agreement with the current corresponding Cinergy agreement. Identify all differences between the provisions of the two documents and provide an explanation of the reason(s) for the differences. If a more current version of the Operating Companies Service Agreement is provided in the response to part (a), base the comparison on the current version.

45. Refer to Attachment BFB-5 of the Blackwell Testimony.

a. Is it correct that ULH&P has both jurisdictional and non-jurisdictional gas and electric operations?

b. Is ULH&P proposing to allocate all the estimated net savings to its jurisdictional operations? Explain the response.

46. Refer to Attachment BFB-5 of the Blackwell Testimony. Provide a revision of this Attachment, breaking down the allocation of merger savings and costs in the following manner:

a. Total ULH&P, including the asset transfer impacts.

b. Total CG&E.

c. Total PSI Energy, Inc.

d. Total Cinergy unregulated affiliates and subsidiaries.

e. Total Duke Power.

f. Total Duke Energy unregulated affiliates and subsidiaries.

g. Grand Total Savings and Costs.

47. Refer to page 7 of the Steffen Testimony. ULH&P proposes to establish a Merger Savings Credit Rider to return net merger savings to customers. ULH&P proposes to return 10 percent of the net merger savings in the first year and then increasing the percentage by 10 percent each year until the sharing percentage reaches 50 percent in the fifth year.

a. Explain the basis for the sharing percentages proposed.

b. Will the rider include a true-up mechanism? Explain the response.

48. Refer to page 8 of the Steffen Testimony. ULH&P has proposed to allocate the net merger savings based on the proportion of operation and maintenance ("O&M") expense in the cost-of-service study.

a. Explain the basis for using O&M expense to allocate the merger savings.

b. Cite any other commissions that have used O&M expense as the basis for an allocation method.

c. Provide citations for other Kentucky Commission decisions that have used O&M expense as an allocation method.

d. Provide the percentage of net savings that ULH&P estimates will come from O&M expense.

e. Will the O&M expense allocation include the O&M expenses from the generating assets that CG&E will transfer to ULH&P this year?

f. Did ULH&P consider using another allocation method such as sales volume?

(1) If yes, identify the method and explain why it was rejected.

(2) If no, explain why other methods were not considered.

49. Refer to page 9 of the Steffen Testimony. Describe the changes to each existing ULH&P tariff referenced on lines 9 through 11.

50. Refer to page 11 of the Steffen Testimony and page 8 of the Good Testimony. Reconcile Mr. Steffen's and Ms. Good's positions on "push-down" accounting and indicate whether ULH&P believes it will or will not be required to use "push-down" accounting. This request deals only with accounting treatment, not rate-making treatment.

51. Refer to Attachments JPS-1 and JPS-2 of the Steffen Testimony.

a. Provide the supporting calculations and workpapers supporting the amounts shown in these two attachments.

b. Is it correct that ULH&P proposes to "guarantee" its ratepayers will receive net savings based on total estimated gas savings of $6,412,200 and estimated electric savings of $28,392,400?

c. For its gas operations, is ULH&P willing to commit that it will record as a deferred cost no more than $4,238,100?

d. If the actual gas deferred cost is less than $4,238,100, is ULH&P willing to commit to record only the actual amount and revise the calculation of its sharing of merger savings?

e. For its electric operations, is ULH&P willing to commit that it will record as a deferred cost no more than $12,390,100?

f. If the actual electric deferred cost is less than $12,390,100, is ULH&P willing to commit to record only the actual amount and revise the calculation of its sharing of merger savings?

52. Refer to Attachment JPS-4, the page titled "Allocation of Merger Savings to Retail Rate Groups Based On the Allocated Operation and Maintenance Expenses from the ULH&P Electric Case No: 91-370."

a. Was Case No. 1991-00370[1] before or after the formation of Cinergy?

b. Will you agree that the cost-of-service study in Case No. 1991-00370 would not reflect any of the savings achieved from the formation of Cinergy? Explain the response.

c. Explain how using a cost-of-service study provided in 1991 is appropriate to determine the O&M expense sharing proportion in the current case.

53. Appendix A to this data request contains a list reflecting issues that have been addressed in previous Commission decisions in merger cases. The issues have been modified to be applicable to this application. For each issue, state ULH&P's,

[1] Case No. 1991-00370, Application of The Union Light, Heat and Power Company to Adjust Electric Rates.

CG&E's, Cinergy's, and Duke Energy's commitments concerning the issue. If any of these parties objects to making a commitment on the issue, explain in detail why.

54. Identify by name, title, and dates of service, each person who served as an officer of each of the following entities between January 1, 2000 and August 1, 2005: Cinergy, CG&E, ULH&P, Duke Energy, and Duke Power.

55. Provide an organizational chart that shows the name and title of each person currently employed as a vice president or above for each of the following entities: Cinergy, CG&E, ULH&P, Duke Energy, and Duke Power. For each title shown on each organizational chart, indicate whether the responsibilities are electric only, gas only, or electric and gas.

56. Provide all post-merger anticipated changes to the organizational charts provided in response to Item No. 55 above. Also indicate where one person is anticipated to occupy two or more positions within the same entity or across multiple entitles.

57. Provide an organizational chart that shows the name and title of each person currently employed as a manager through and including a vice president for each of the following entitles: Cinergy, CG&E, ULH&P, Duke Energy, and Duke Power.

58. Provide all post-merger anticipated changes to the organizational charts provided in response to Item No. 57 above. Also indicate where one person will be occupying two or more positions within the same entity or among entities.

Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, KY 40602

DATED: __August 16, 2005___

cc: Parties of Record

APPENDIX A

Merger Commitment Issues

1. The protection of utility resources, monitoring of Cinergy and the subsidiaries, and reporting requirements, as addressed in the Commission's May 13, 1994 Order in Case No. 1994-00104.[1]

2. The location of ULH&P's, CG&E's, and Cinergy's books and records.

3. The implementation of proposed new cost allocation factors.

4. The merger of Cinergy and Duke Energy will not detract from the benefits customers receive as a result of the merger approved in Case No. 1994-00104.

5. The impact the merger will have on the base rates or the operation of the fuel adjustment clause, gas supply clause, and demand side management clause of ULH&P.

6. In future rate cases ULH&P shall not seek a higher rate of return on equity than would have been sought if the merger had not occurred.

7. The accounting and rate-making treatments of ULH&P's excess deferred income taxes will not be affected by the merger of Cinergy and Duke Energy.

8. Early termination costs incurred for any senior management of Cinergy will not be allocated to ULH&P.

9. Cinergy and Duke Energy commit to take an active and ongoing role in managing and operating ULH&P in the interests of customers, employees, and the Commonwealth of Kentucky, and to take the lead in enhancing ULH&P's relationship

[1] Case No. 1994-00104, Application of The Cincinnati Gas & Electric Company and Cinergy Corp. for Approval of the Acquisition of Control of The Union Light, Heat & Power Company by Cinergy Corp.

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 and the Commission at least twice a year.

10. Advising the Commission at least annually on the adoption and implementation of best practices at ULH&P following the completion of the merger between Cinergy and Duke Energy.

11. Concerning safety violations by employees of independent contractors, ULH&P shall be responsible for the acts of the employees of the independent contractors to the same extent that ULH&P is responsible for the acts of its own employees.

12. Notification to the Commission as soon as practicable prior to the issuance of new debt or equity in excess of $100 million issued by Duke Energy or Cinergy.

13. Commitment by Duke Energy to notify the Commission subsequent to its board approval and as soon as practicable following any public announcement of any acquisition of a regulated or non-regulated business representing 5 percent or more of Duke Energy's market capitalization.

14. Seeking Commission approval prior to: (a) paying on an annual basis any dividend that exceeds 10 percent of the retained earnings of ULH&P; or (b) transferring more than 10 percent of the retained earnings of ULH&P to CG&E, Cinergy, or Duke Energy.

15. Commitment by ULH&P, CG&E, Cinergy, and Duke Energy to notify the Commission 30 days prior to making any capital contribution to ULH&P and to provide

the accounting entries reflecting the capital contribution within 60 days after the close of the month in which the contribution was made.

16. Commitment that customers will experience no change in utility service due to the creation of Duke Energy Shared Services, LLC.

17. Commitment to (a) adequately fund and maintain ULH&P's transmission and distribution system; (b) comply with all Commission regulations and statutes; and (c) supply ULH&P's customers' service needs.

18. When implementing best practices, Duke Energy, Cinergy, CG&E, and ULH&P commit to taking into full consideration the related impacts on the levels of customer service and customer satisfaction, including any negative impacts resulting from workforce reductions.

19. Duke Energy, Cinergy, CG&E, and ULH&P commit to minimize, to the extent possible, any negative impacts on levels of customer service and customer satisfaction resulting from workforce reductions.

20. Duke Energy, Cinergy, CG&E, and ULH&P commit to notify the Commission in writing 30 days prior to any material changes in their participation in funding for research and development. Material changes include, but are not limited to, any change in funding equal to or greater than 5 percent of any individual company's previous year's budget for research and development. The written notification will include an explanation and the reasons for the change in policy.

21. Duke Energy, Cinergy, CG&E, and ULH&P commit that local customer service offices 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, the Applicants will take into account the impact of the closures on customer service.

22. Duke Energy, Cinergy, CG&E, and ULH&P commit to dedicating ULH&P's existing and future generating facilities to the requirements of its existing and future native load customers.

23. Duke Energy, Cinergy, CG&E, and ULH&P commit that within 60 days of the closing of any utility merger or acquisition in the United States that is exempted under KRS 278.020(5) and 278.020(6), the Applicants will file with the Commission a petition setting forth a formal analysis of any potential synergies and benefits from the merger or acquisition and a proposed methodology for allotting an appropriate share of the potential synergies and benefits to ULH&P's ratepayers.

24. Duke Energy, Cinergy, CG&E, and ULH&P commit that CG&E will hold 100 percent of the common stock of ULH&P and that CG&E will not transfer any of that stock without prior Commission approval even if the transfer is pursuant to a corporate reorganization as defined in KRS 278.020(7)(b).

25. Duke Energy, Cinergy, CG&E, and ULH&P commit that when budgets, investments, dividend policies, projects, and business plans are being considered by Duke Energy for the Kentucky business, at a minimum, the CEO of ULH&P or its designee must be present to offer a Kentucky perspective to the decision and be permitted to participate in any debates on the issues.

26. Duke Energy, Cinergy, CG&E, and ULH&P commit that all corporate officers of ULH&P will reside within Kentucky, including the Cincinnati metropolitan area.