

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio, Inc. for Authority to Issue,)
Not in Excess of \$600,000,000 at Any One) Case No. 11-2997-GE-AIS
Time, Short-Term Unsecured Notes and)
Other Evidence of Indebtedness.)

FINDING AND ORDER

The Commission finds:

- (1) Applicant, Duke Energy Ohio, Inc. is an Ohio corporation and a *public utility as defined in Section 4905.02, Revised Code*, and is subject to the jurisdiction of this Commission.
- (2) This application, which was filed on May 19, 2011, and amended on June 7, 2011 (the Application), is filed under the provisions of Sections 4905.40 and 4905.401(A), Revised Code.
- (3) Applicant has existing authority through June 30, 2011, pursuant to the Commission's June 16, 2010, order issued in Case No. 10-658-GE-AIS, to issue and/or renew its unsecured notes and other evidence of short-term indebtedness, including commercial paper, maturing for periods of not more than 12 months, provided that the aggregate principal amount of short-term indebtedness will not exceed \$600 million at any one time.
- (4) To supplement and replace such existing authority, Applicant is now requesting Commission authority, through June 30, 2012, to continue to issue and/or renew its unsecured notes and other evidence of short-term indebtedness, including commercial paper, maturing for periods of not more than 12 months, in an aggregate principal amount not exceeding \$600 million at any one time.
- (5) Pursuant to Section 4905.401, Revised Code, Applicant was permitted to have outstanding notes and other evidence of short-term indebtedness issuable without prior authority of this Commission (the Statutory Exemption) in the amount of approximately \$149 million, as of March 31, 2011. Applicant had no short-term debt outstanding as of March 31, 2011.

- (6) Since April 2006, as a result of the Cinergy-Duke Energy merger, a Utility Money Pool (Money Pool) agreement has been in effect among the Duke Energy Corporation (DEC) entities (i.e., Duke Energy Corp., Cinergy Corp., Duke Energy Carolinas LLC, Duke Energy Indiana, Inc., Duke Energy Kentucky, Inc., Miami Power Corporation, KO Transmission Company, and Duke Energy Business Services, LLC), along with Applicant (collectively called the Participating Companies). Applicant has previously been approved by this Commission to participate in the Money Pool.¹ Applicant has submitted this Money Pool agreement to the Federal Energy Regulatory Commission for informational purposes.

Applicant is now requesting commission authority to continue to participate in the Money Pool. The purpose of the Money Pool is to assist Applicant in least-cost financing of its interim capital requirements.

- (7) Applicant states that DEC is currently in the process of securing approval for its merger with Progress Energy, Inc. (Progress Energy), a North Carolina corporation with utility operations in North Carolina, South Carolina, and Florida. Upon completion of the proposed merger of DEC and Progress Energy, the Money Pool Agreement will be amended to make the Progress Energy companies parties to the Money Pool agreement.

Applicant has filed the form of the Money Pool agreement, as it will be amended to reflect the merger with Progress Energy, as part of this Application and requests approval of the amended Money Pool agreement to be effective upon consummation of the merger.

- (8) Upon consideration of Applicant's request for approval of the Money Pool agreement, which is to be amended to reflect the inclusion of the Progress Energy companies, the Commission finds that Applicant's request in this regard is reasonable and should be granted. Therefore, Applicant should be authorized to amend the agreement, effective upon consummation of the merger of DEC and Progress Energy.

¹ *In the Matter of the application of the Cincinnati Gas & Electric company for Authority to Issue Not in Excess of \$600,000,000 at Any One Time Short-Term Unsecured Notes and other Indebtedness, Case No. 95-275-GE-AIS, Finding and Order (May 4, 1995).*

- (9) Applicant plans to use the proceeds from the issuance of short-term indebtedness to refund Applicant's obligations, including debt and/or preferred stock, to temporarily finance its construction program, to acquire property and to provide funds for working capital and other general corporate purposes.
- (10) In order to insulate Applicant from the financial risks associated with the Participating Companies, the Commission finds that the following conditions should be imposed on Applicant for its participation in the Money Pool and the issuance of short-term debt:
 - (a) The funds provided by Applicant to the Money Pool and borrowed therefrom by the Participating Companies shall not exceed \$600 million at any one time through June 30, 2012.
 - (b) If any regulatory agency having jurisdiction over any one or more Participating Companies imposes any condition limiting the amount of short-term debt that may be loaned to any Participating Company in the Money Pool, Applicant shall inform the Director of the Utilities Department of this Commission within 10 days, so that this Commission may consider whether to impose a similar condition on Applicant's loans to the Money Pool.
 - (c) Applicant's loans to the Participating Companies made through the Money Pool should be made only to those Participating Companies that are parties to the Money Pool agreement and that have, or whose direct parent company has, an investment grade or higher credit ratings on their senior secured or unsecured debt from at least one nationally recognized rating agency. In the event the credit rating of any of the Participating Companies, or its parent company in the case of unrated companies, falls below investment grade, Applicant shall inform the Director of the Utilities Department of this Commission in a timely manner.

- (d) Applicant shall provide information to the Director of the Utilities Department of this Commission relating to the issuance of the notes and the details of its participation in the Money Pool arrangement on a quarterly basis.

The above conditions are consistent with the Commission's prior orders approving Money Pool arrangements for other Ohio electric companies.

- (11) Based on the information contained in the Application and the Exhibits thereto, the purposes to which the proceeds from the short-term indebtedness shall be applied, appear to be reasonably required for Applicant's lawful capital purposes, and the Commission is satisfied that consent and authority should be granted, subject to the conditions mentioned in Finding 10 above.

It is, therefore,

ORDERED, That Applicant's request for approval of the form of the Money Pool agreement, which is to be amended to reflect the inclusion of the Progress Energy companies, be granted, and Applicant be authorized to amend the agreement, effective upon consummation of the merger of DEC and Progress Energy. It is, further,

ORDERED, That Applicant is authorized, through June 30, 2012, to issue, and/or renew unsecured notes, including commercial paper and other evidence of short-term indebtedness, maturing at periods of not more than 12 months, provided that Applicant's aggregate principal amount of short-term indebtedness, including the Statutory Exemption, does not exceed \$600 million at any one time. It is, further,

ORDERED, That the proceeds derived by Applicant under the authority granted herein shall be applied for the purposes set forth in this order or otherwise pursuant to Section 4905.401, Revised Code. It is, further,

ORDERED, That the funds provided by Applicant to the Money Pool and borrowed therefrom by the Participating Companies shall not exceed \$600 million, at any one time through June 30, 2012. It is, further,

ORDERED, That, within 10 days of the time any regulatory agency imposes any condition limiting the amount of short-term debt that may be loaned to any Participating Company in the Money Pool, Applicant shall inform the Director of the Utilities Department of this Commission, so that this Commission may consider whether to impose a similar condition on the authority of Applicant to loan funds to the Money Pool. It is, further,

ORDERED, That Applicant's Loans to the Participating Companies made through the Money Pool shall be made only to those Participating Companies that are parties to the Money Pool agreement, and that have, or whose direct parent company has, an investment grade or higher credit rating on their senior secured or unsecured debt from at least one nationally recognized rating agency. It is, further,

ORDERED, That, in the event the credit rating of any Participating Company or its parent company in the case of unrated companies falls below investment grade, Applicant shall inform the Director of the Utilities Department of this Commission in a timely manner. It is, further,

ORDERED, That Applicant shall provide information to the Director of the Utilities Department of this Commission relating to the issuance of the notes and the details of its participation in the Money Pool arrangement on a quarterly basis. It is, further,

ORDERED, That the authorization granted by this order shall not be construed as limiting the Commission's determination of the appropriateness of Applicant's future long-term security offerings. It is, further,

ORDERED, That nothing contained in this order shall be construed to imply any guaranty or obligation as to the unsecured notes and other evidences of indebtedness, or the associated interest, on the part of the State of Ohio. It is, further,

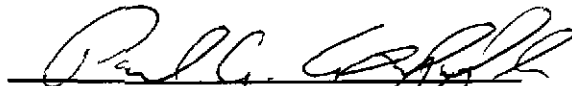
ORDERED, That nothing contained in this order shall be construed to imply any guaranty or obligation by the Commission to assure completion of any specific construction project of Applicant. It is, further,

ORDERED, That nothing contained in this order shall be deemed to be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation of Applicant. It is, further,

ORDERED, That a copy of this Order be served upon all parties of record.


THE PUBLIC UTILITIES COMMISSION OF OHIO


Todd A. Smithler, Chairman


Paul A. Centolella


Steven D. Lesser

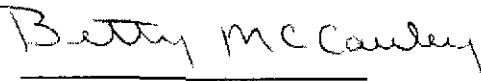

Andre T. Porter


Cheryl L. Roberto

SUM:jd

Entered in the Journal

JUN 29 2011


Betty McCauley
Secretary