

Large Filing Separator Sheet

Case Number: 17-32-EL-AIR
17-33-EL-ATA
17-34-EL-AAM

Date Filed: 3/2/2017

Section 3 OF 22

Number of Pages: 182

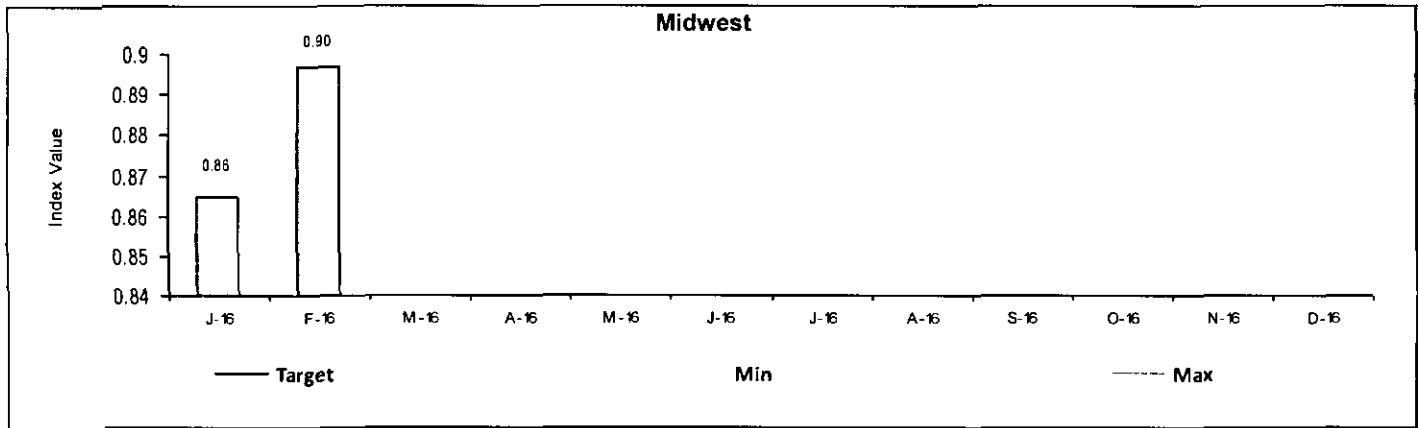
Description of Document: Application

SAIFI D only (12Mo Rolling)

February 2016

Tier 2

< 1590 >



Midwest

	J-16	F-16	M-16	A-16	M-16	J-16	J-16	A-16	S-16	O-16	N-16	D-16
12Mo SAIFI	0.86	0.90	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Target	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Min	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Max	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
CI	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
CMI	N/A	1.8E8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cust#	N/A	1.7E6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Description

Only Distribution interruptions are included in this measure, regardless of cause (weather, human error, public, etc.) SAIDI is the System Average Interruption Duration Index. This index measures the total duration of an interruption for the average customer during a given time period. It is calculated by taking the sum of the customer minutes interrupted during all events, excluding regional Major Event Days (MEDs), and dividing that number by the total number of customers served.

This KPI reports the SAIDI value based on the most recent 12 months (12 month rolling view). A Major Event Day (MED) is a day when a major reliability event causes a utility to shift into a crisis mode of operation in order to adequately respond. IEEE Standard 1366 statistically defines a Major Event Day (MED) as any calendar day when SAIDI exceeds 2.5 standard deviations from the previous five year log-normal distribution of SAIDI days in a system or region.

Analysis for February 2016

MidW Resp. Mngr: Data Provider/Analyst:

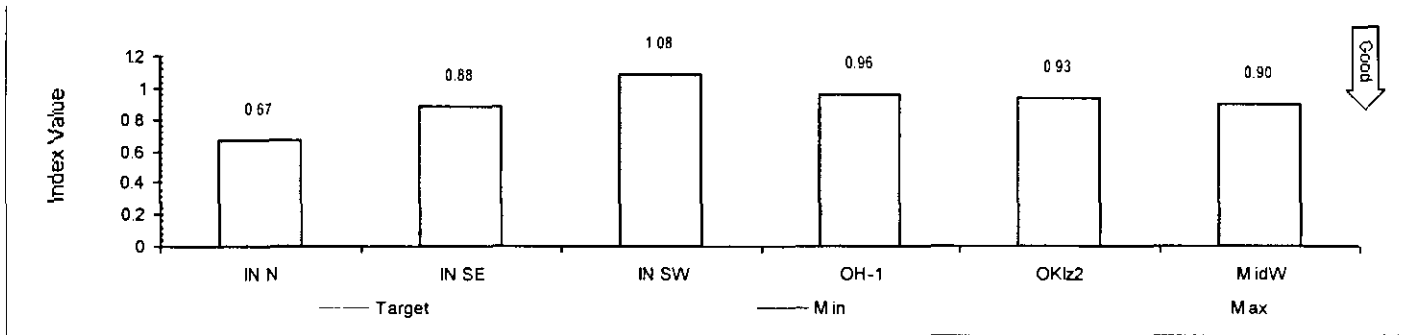
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SAIFI D only (12Mo Rolling)

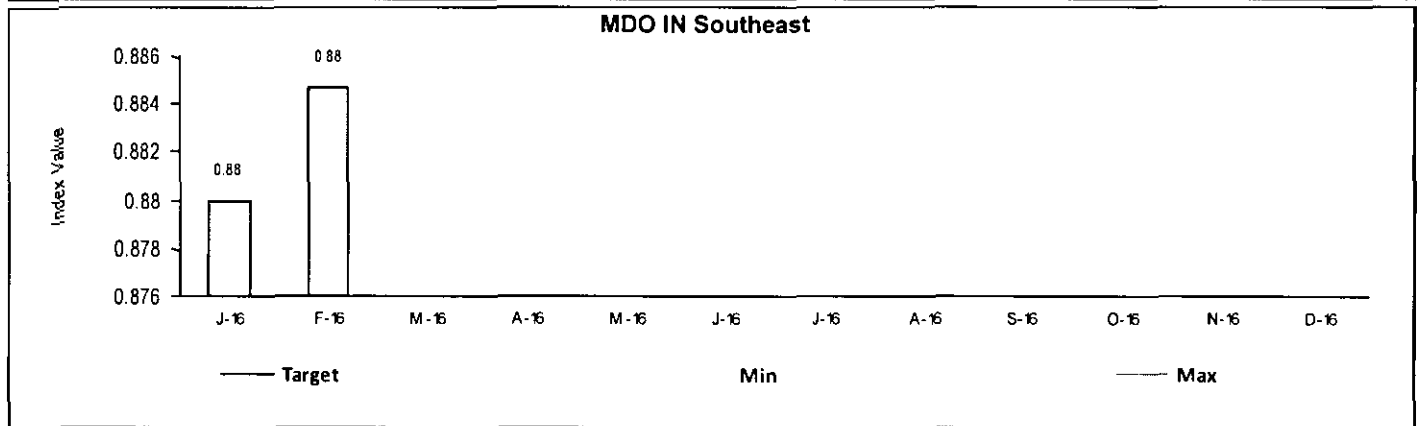
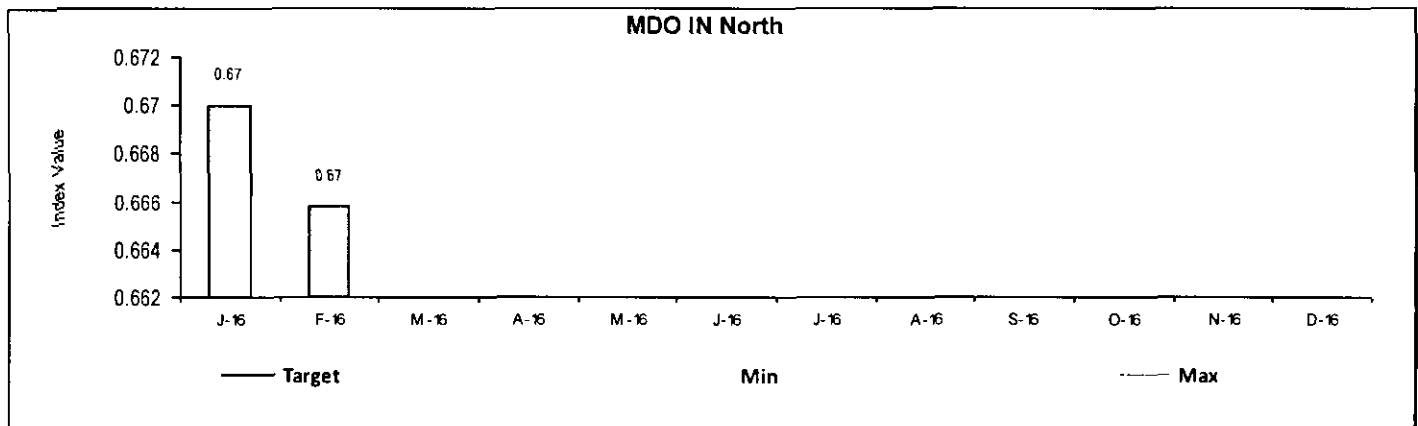
February 2016

Tier 2 (Midwest Delivery Operations)

< 1590 >



PLANT/DEPT	IN N	IN SE	IN SW	OH-1	OKIz2	MidW
12Mo SAIFI	0.67	0.88	1.08	0.96	0.93	0.90
Target	N/A	N/A	N/A	N/A	N/A	N/A
Min	N/A	N/A	N/A	N/A	N/A	N/A
Max	N/A	N/A	N/A	N/A	N/A	N/A
CI	229,714	217,514	231,288	408,200	401,965	N/A
CMI	28,830,690.00	29,024,270.00	28,169,780.00	42,947,970.00	55,826,810.00	184,799,500.00
Cust#	345,005	245,874	213,388	424,523	430,790	1,659,580

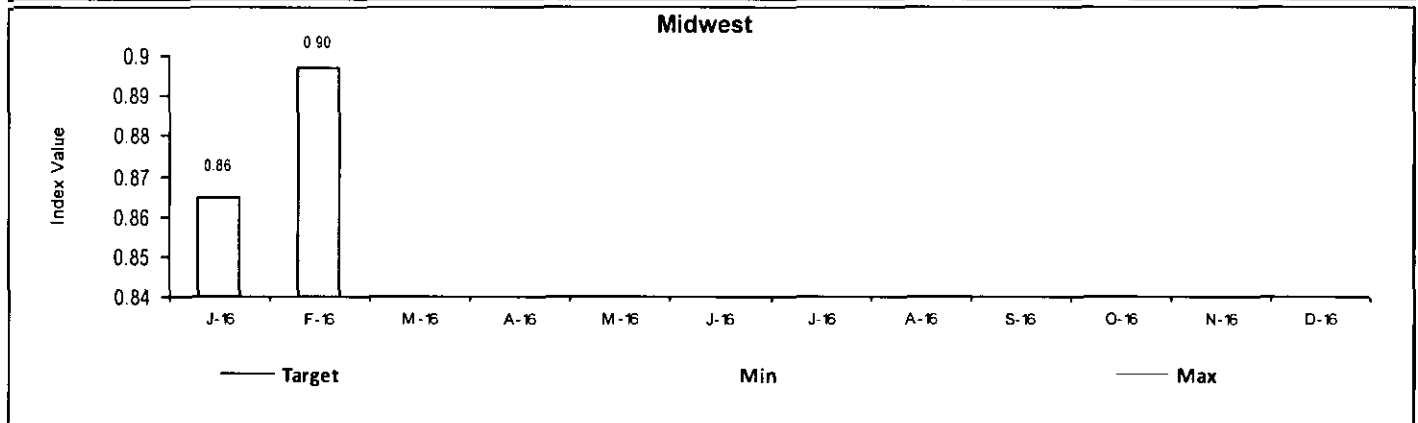
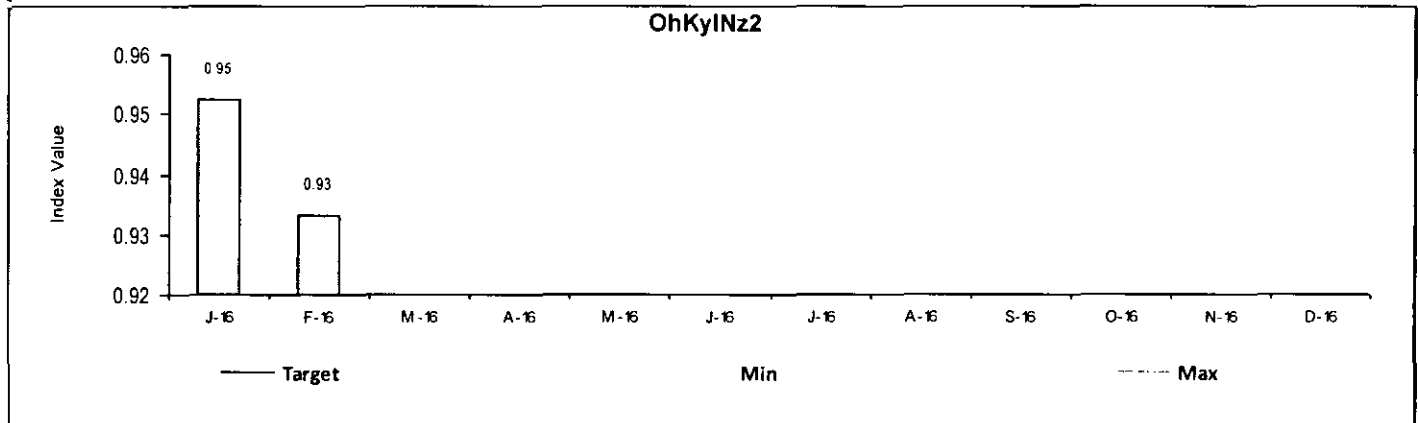
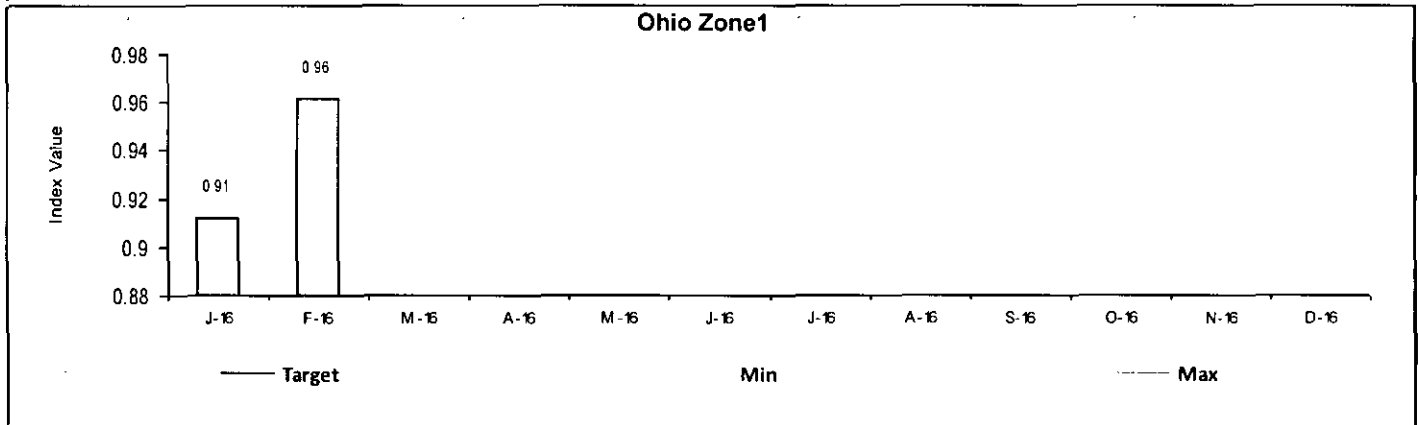
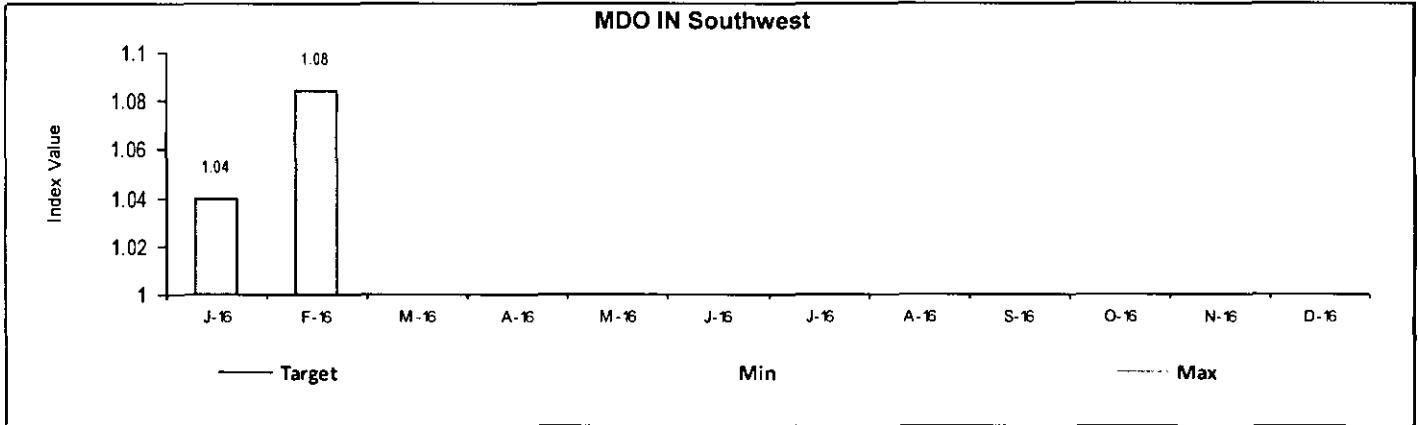


SAIFI D only (12Mo Rolling)

February 2016

Tier 2 (Midwest Delivery Operations)

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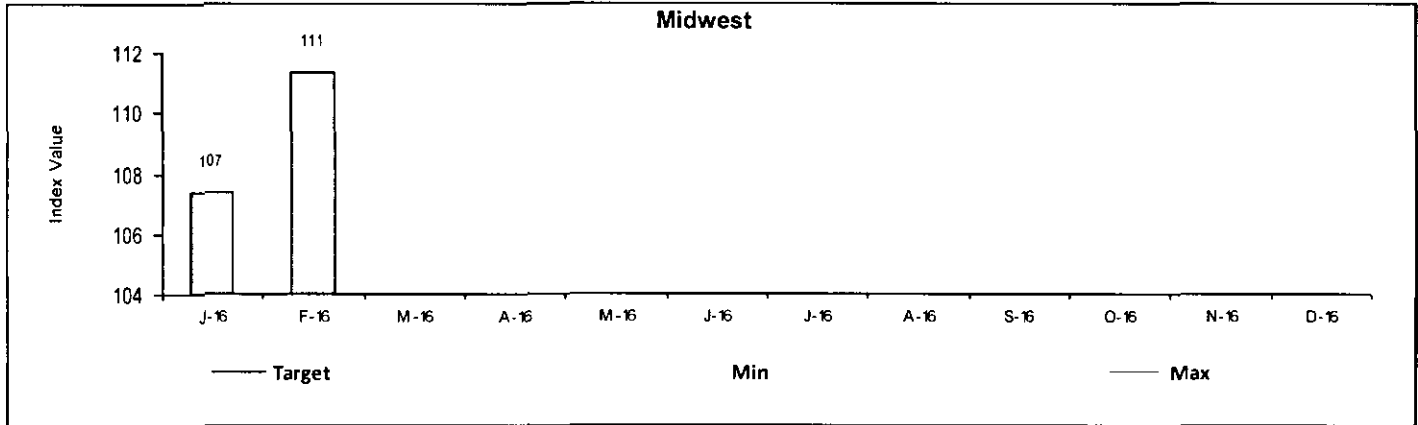


SAIDI D only (12Mo Rolling)

February 2016

Tier 2

< 1589 >



Midwest

	J-16	F-16	M-16	A-16	M-16	J-16	J-16	A-16	S-16	O-16	N-16	D-16
SAIDI	107	111	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Target	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Min	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Max	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
CI	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
CMI	N/A	1.8E8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cust#	N/A	1.7E6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Description

SAIDI is the System Average Interruption Duration Index. This index measures the total duration of an interruption for the average customer during a given time period. It is calculated by taking the sum of the customer minutes interrupted during all events, excluding regional Major Event Days (MEDs), and dividing that number by the total number of customers served. This KPI reports the SAIDI value based on the most recent 12 months (12 month rolling view).

Only Distribution interruptions are included in this measure, regardless of cause (weather, human error, public, etc.) A Major Event Day (MED) is a day when a major reliability event causes a utility to shift into a crisis mode of operation in order to adequately respond. IEEE Standard 1366 statistically defines a Major Event Day (MED) as any calendar day when SAIDI exceeds 2.5 standard deviations from the previous five year log-normal distribution of SAIDI days in a system or region.

Analysis for February 2016

MidW Resp. Mngr: Data Provider/Analyst:

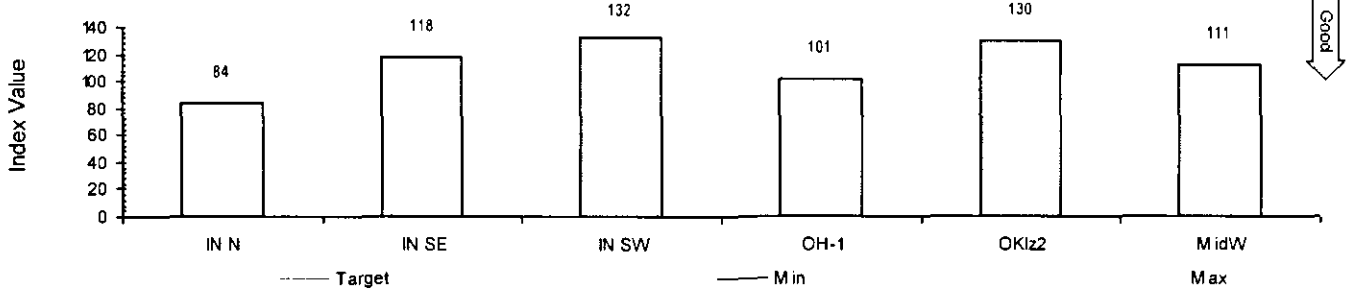
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SAIDI D only (12Mo Rolling)

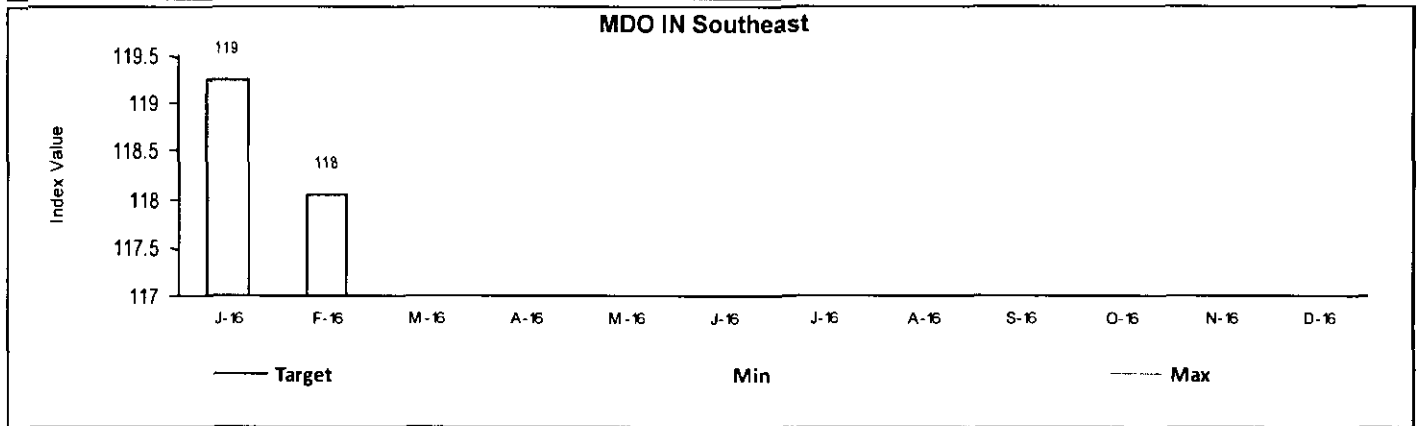
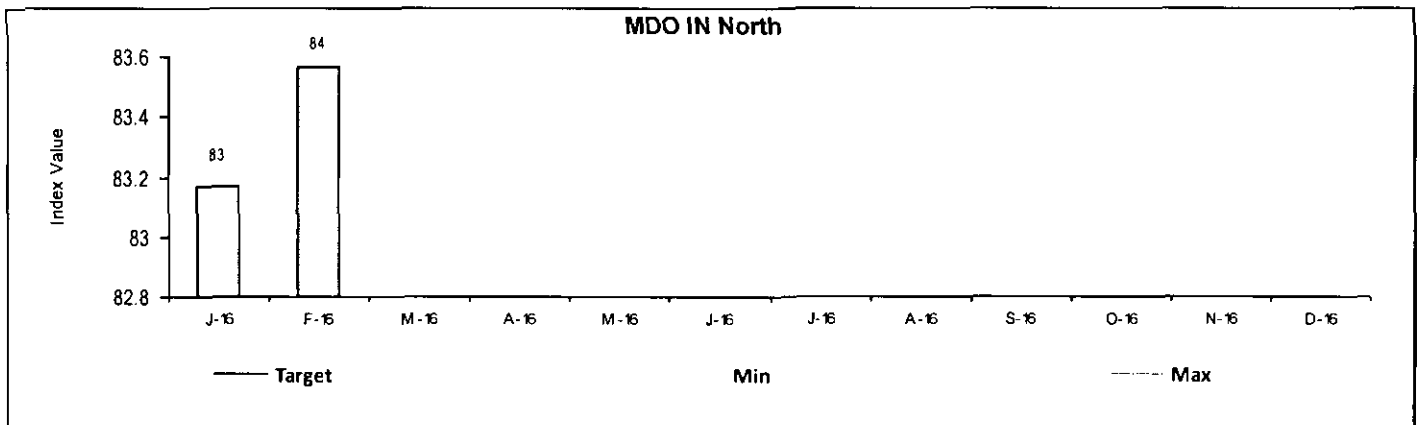
February 2016

Tier 2 (Midwest Delivery Operations)

< 1589 >



PLANT/DEPT	IN N	IN SE	IN SW	OH-1	OKIz2	MidW
SAIDI	84	118	132	101	130	111
Target	N/A	N/A	N/A	N/A	N/A	N/A
Min	N/A	N/A	N/A	N/A	N/A	N/A
Max	N/A	N/A	N/A	N/A	N/A	N/A
CI	229,714	217,514	231,288	408,200	401,965	N/A
CMI	28,830,690	29,024,270	28,169,780	42,947,970	55,826,810	184,799,500
Cust#	345,005	245,874	213,388	424,523	430,790	1,659,580

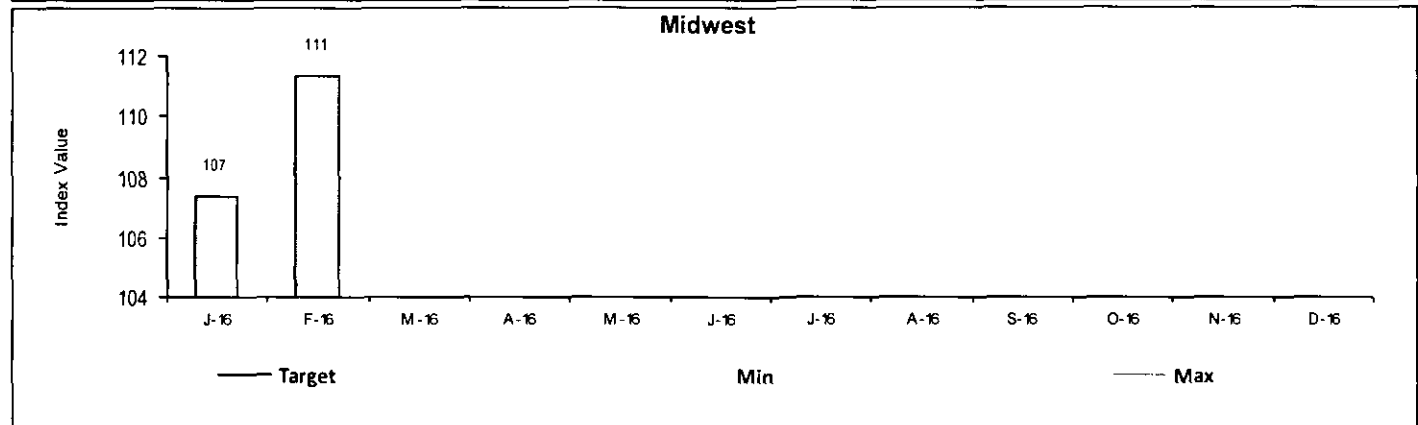
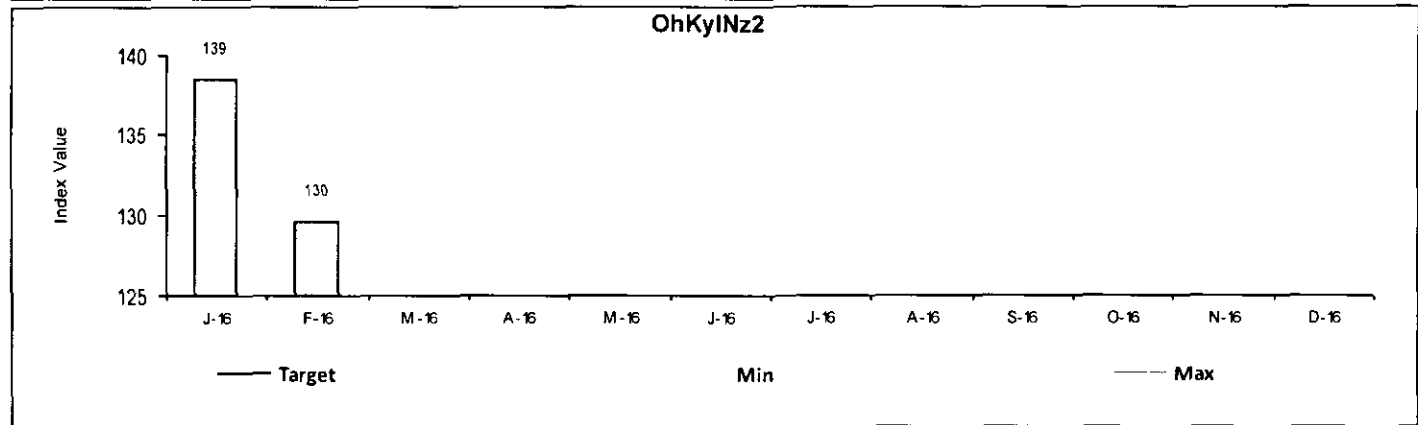
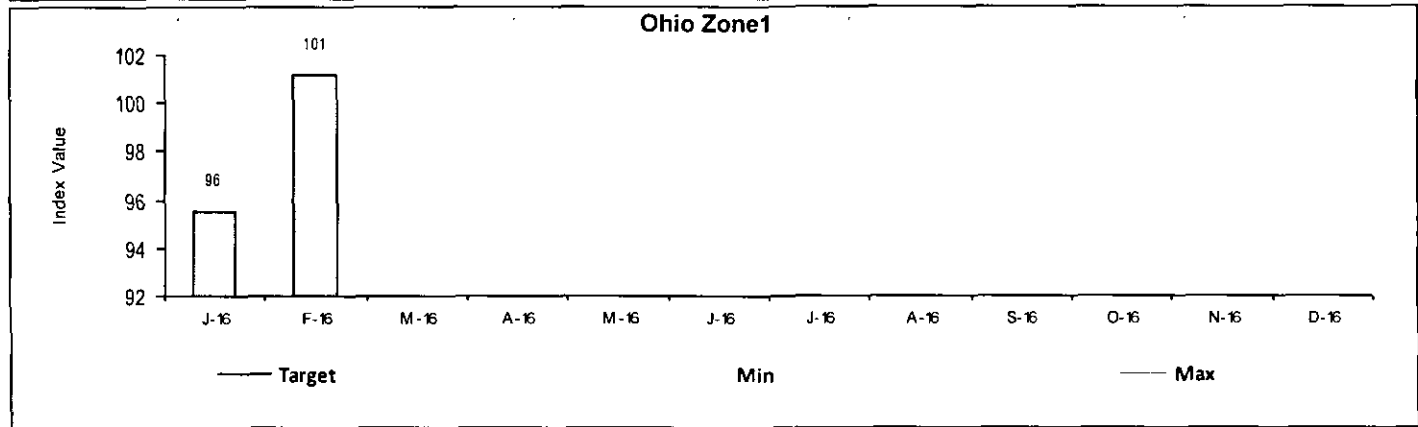
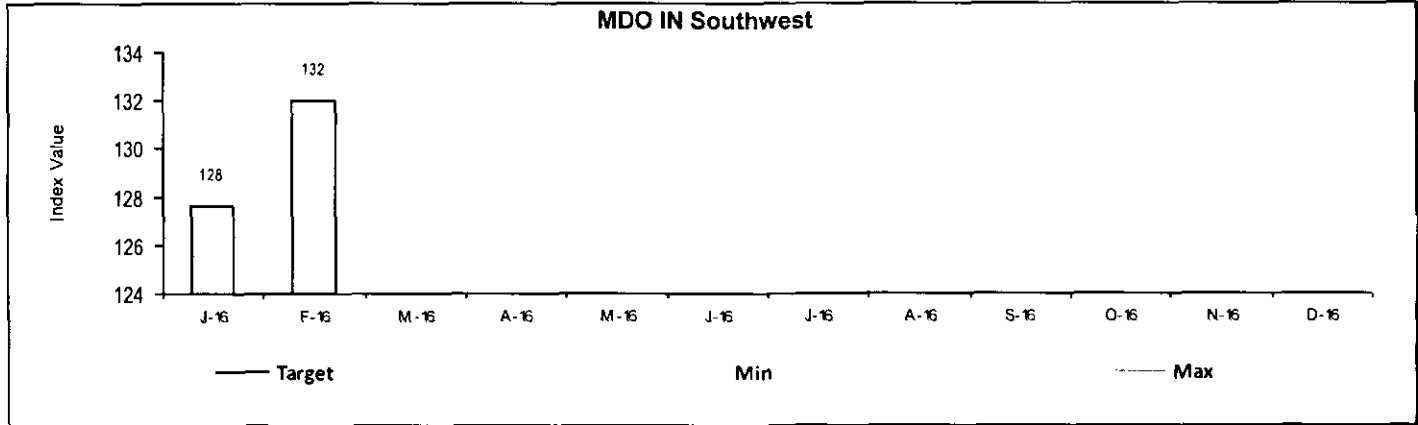


SAIDI D only (12Mo Rolling)

February 2016

Tier 2 (Midwest Delivery Operations)

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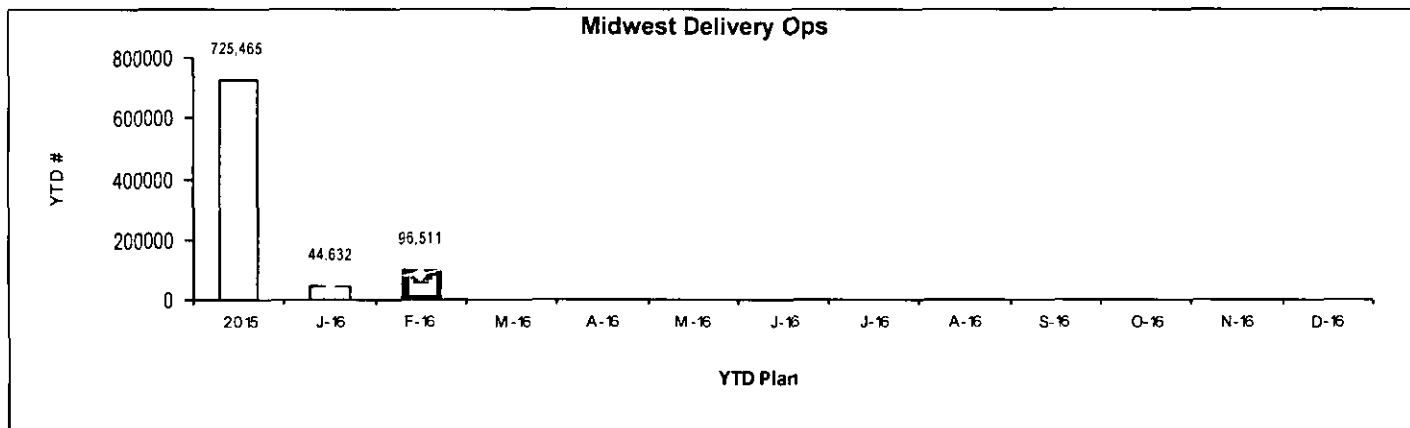


Customer Orders (Distribution)

February 2016

Tier 2

< 1470 >



Midwest Delivery Ops

	2015	J-16	F-16	M-16	A-16	M-16	J-16	J-16	A-16	S-16	O-16	N-16	D-16
YTD Actual	725,465	44,632	96,511	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
YTD Plan	814,665	50,776	88,115	145,952	207,159	277,426	347,784	426,298	509,391	582,008	652,760	706,967	761,830
Unit Cost \$	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
O&M (\$M)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Description

This Operational Driver reports the number of Customer Orders received/responded to vs. the number that was forecast or planned. High or low reported numbers do not necessarily indicate good or bad performance, but variations against plan help explain resource variations. Customer Orders are comprised of the following activities: Customer Premise Orders, Meter Orders, Non Pay / Delinquent Orders, and Analyze / Power Quality Orders, and Temporary Services. Customer Premise Orders include any distribution non-outage/non-lighting related customer site call that is not included in another Customer Orders process. This includes non-outage 911/priority tickets, Customer Trouble orders, Drops and Retaps, meter investigation/tampering, delivery of Tone Alert Radio Receivers (TARR) for customers in the immediate area of our nuclear facilities, and miscellaneous calls. Process ends when performer completes mobile order.

The Non-Pay Disconnect process occurs when a customer does not pay their bill and service is disconnected as a result. The process is triggered when the customer does not pay the required amount by the disconnect date. Process steps include confirmation of the delinquency, assignment and dispatch of a DNP order, execution of the work to disconnect service, and completion of the order processing. The process ends when the DNP order is cancelled or closed. Links to other processes might include Restore for reporting of outages. O&M Power Quality orders related to voltage fluctuations, appliance or end-use equipment damaged due to PQ disturbance or disrupted from normal use, interference, etc. O&M Temporary Service orders include installation of a temporary meter to facilitate construction. Does NOT include any capital assets expected to remain in place after removal of temporary service. For example, any infrastructure to which the temporary meter is connected. Process ends when performer completes mobile order. DEC/DMW only. DEP/DEF is charged to the 185 Balance sheet account for Temp Svc.

Analysis for February 2016

MDO Resp. Mngr: Data Provider/Analyst:

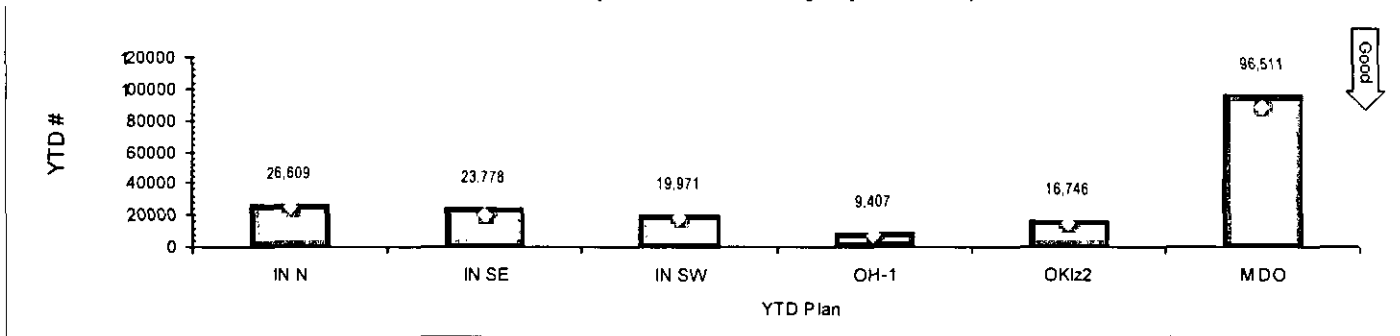
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Customer Orders (Distribution)

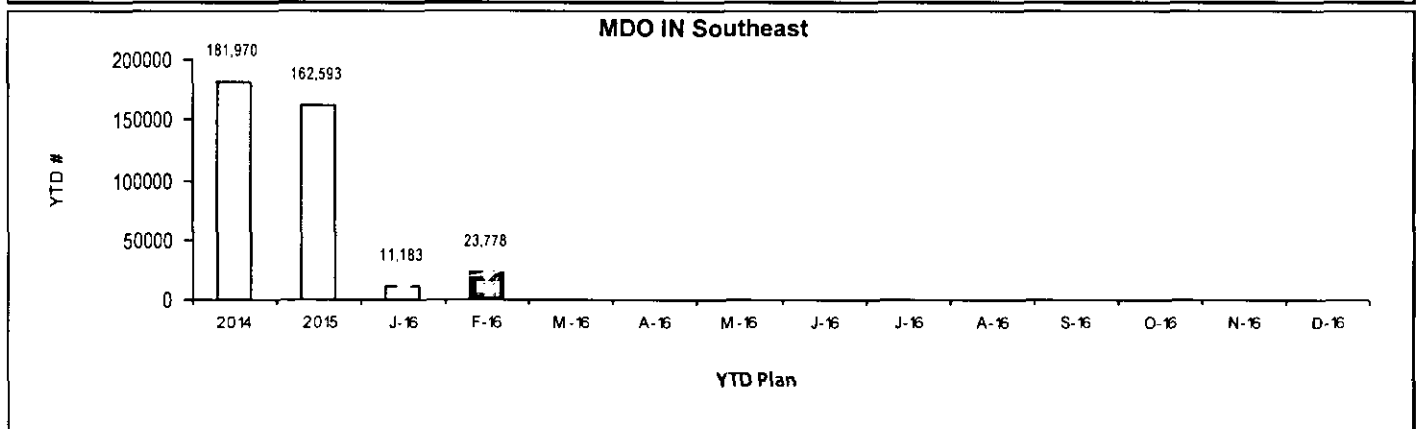
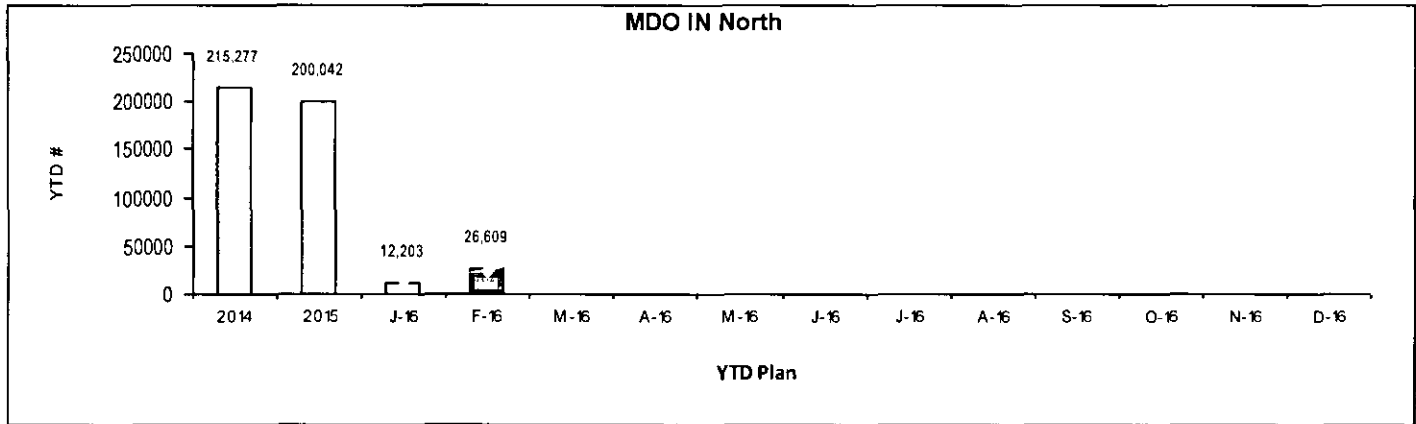
February 2016

Tier 2 (Midwest Delivery Operations)

< 1470 >



PLANT/DEPT	IN N	IN SE	IN SW	OH-1	OKIz2	MDO
YTD Actual	26,609	23,778	19,971	9,407	16,746	96,511
YTD Plan	25,713	20,830	19,102	7,272	15,198	88,115
Unit Cost \$	N/A	N/A	N/A	N/A	N/A	N/A
O&M (\$M)	N/A	N/A	N/A	N/A	N/A	N/A

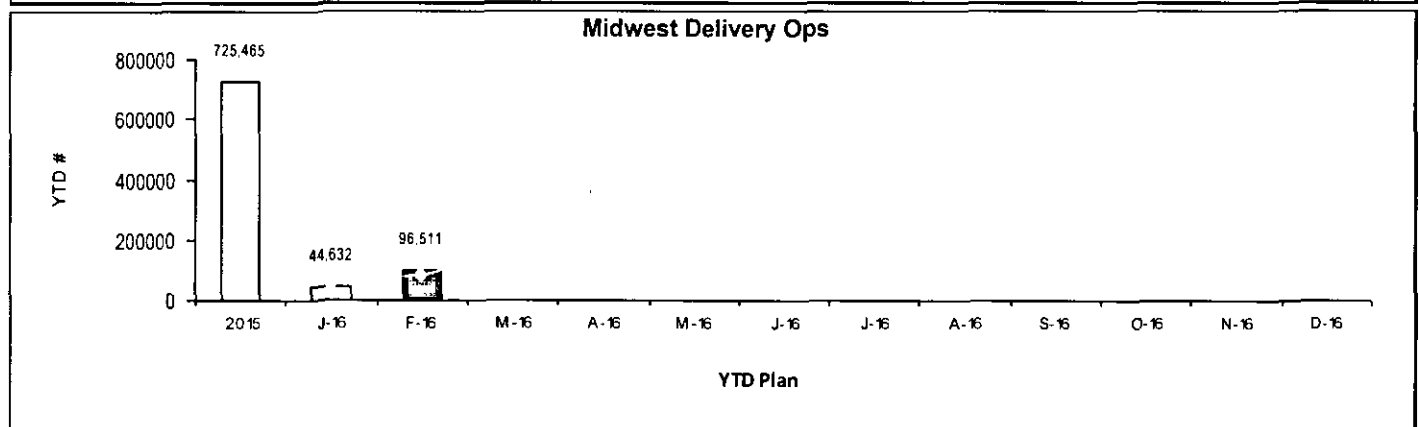
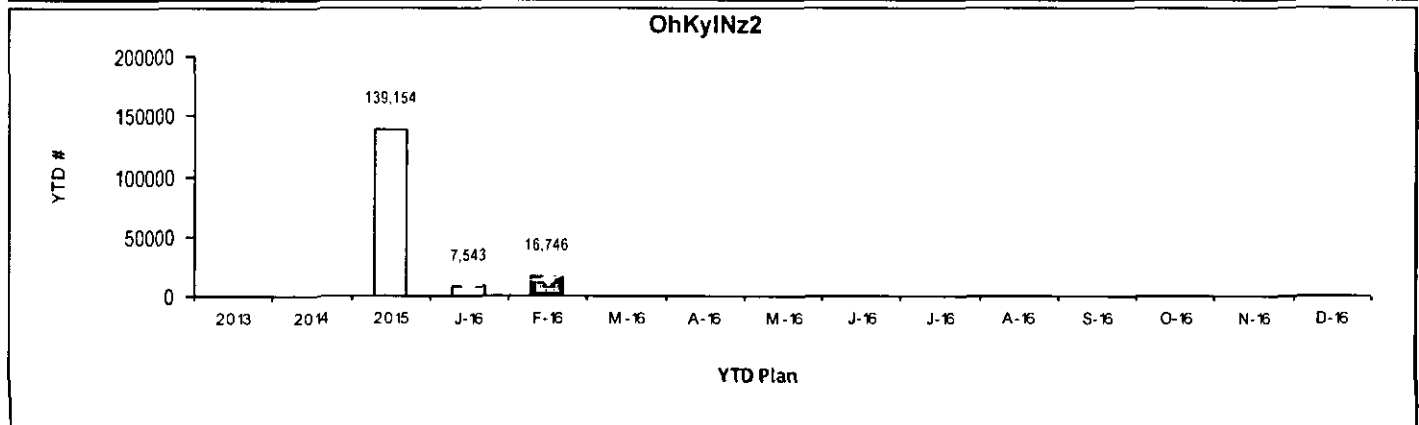
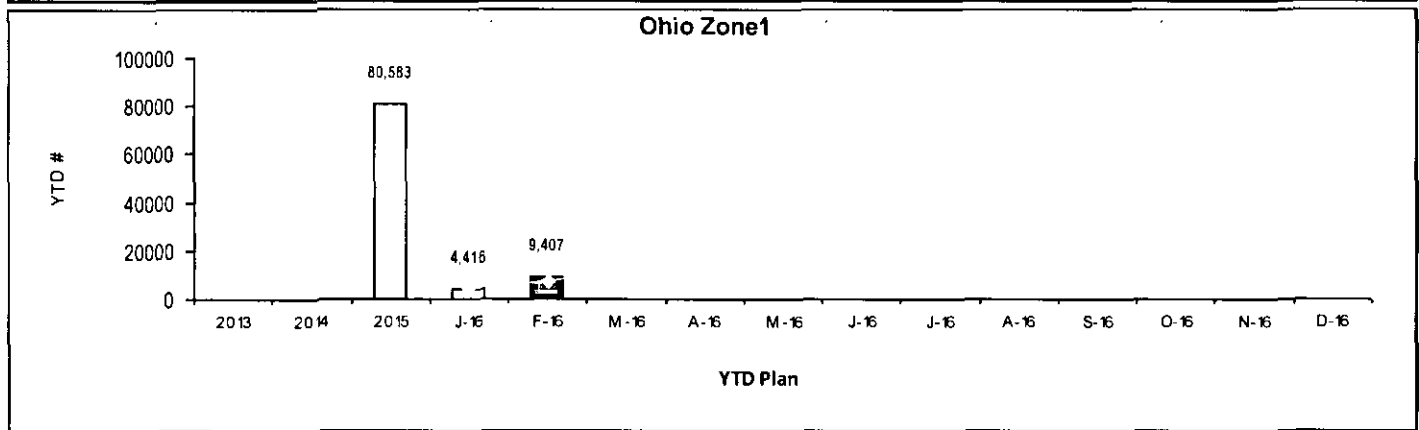
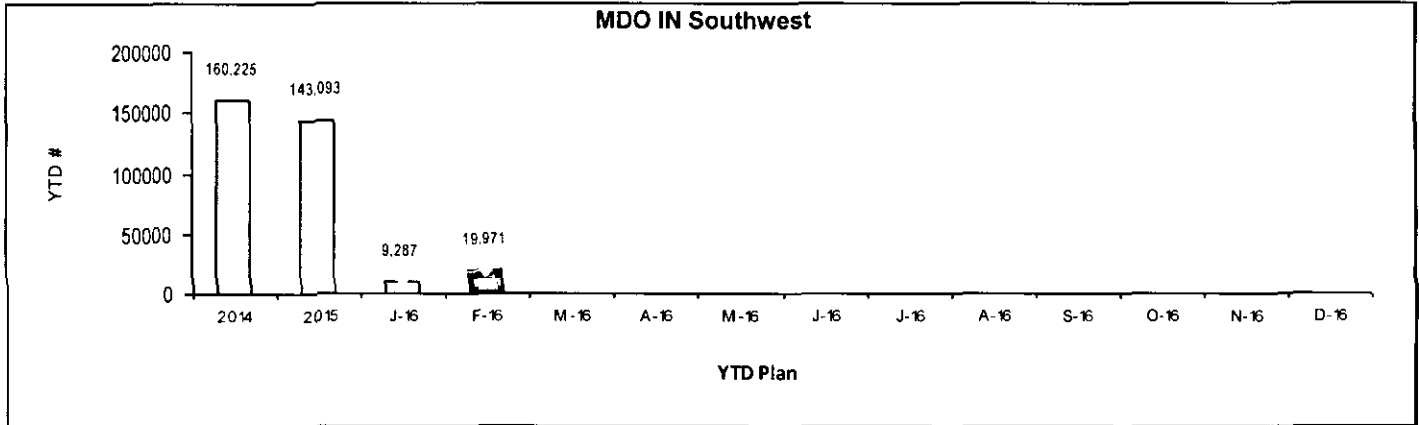


Customer Orders (Distribution)

February 2016

Tier 2 (Midwest Delivery Operations)

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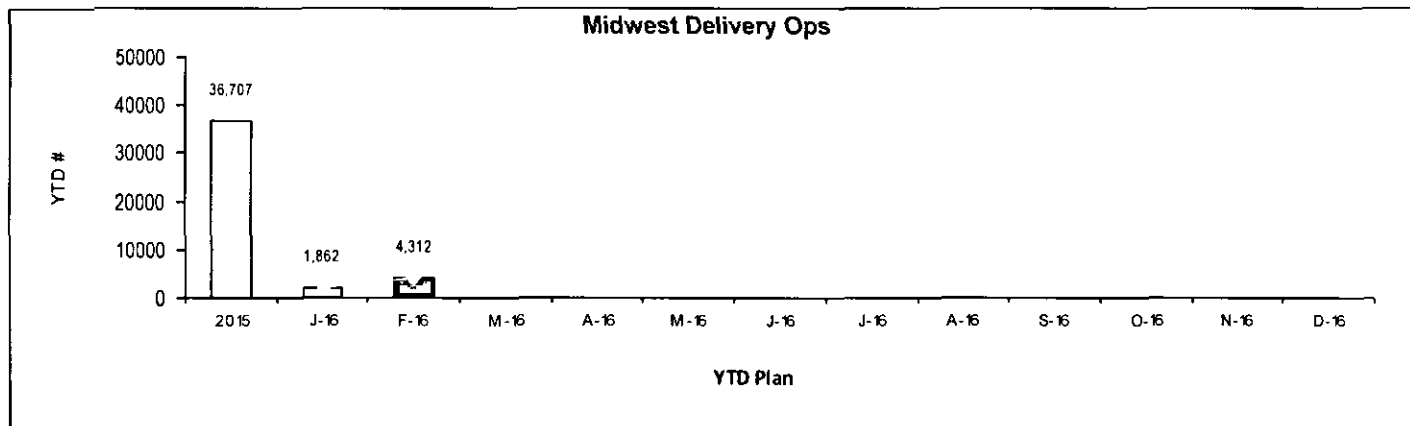


Restore Units

February 2016

Tier 2

< 1488 >



Midwest Delivery Ops

	2015	J-16	F-16	M-16	A-16	M-16	J-16	J-16	A-16	S-16	O-16	N-16	D-16
YTD Actual	36,707	1,862	4,312	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
YTD Plan	44,609	2,209	4,293	6,865	10,523	14,528	20,627	25,972	30,414	33,892	37,726	41,831	43,991
Mo Actual	N/A	1,862	2,450	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mo Plan	N/A	2,209	2,084	2,572	3,658	4,005	6,099	5,345	4,442	3,478	3,834	4,105	2,160
Unit Cost \$	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
O&M (\$M)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Description

This Operational Driver reports the number of Routine Outage and Outage follow-up Orders received/responded to vs. the number that was forecast or planned. High or low reported numbers do not necessarily indicate good or bad performance, but variations against plan do help explain resource variations. To aide in the interpretation of units against budget, Restore Units > Budget are reported as Red status and Restore Units < Budget as Green status.

Analysis for February 2016

MDO Resp. Mngr: Data Provider/Analyst:

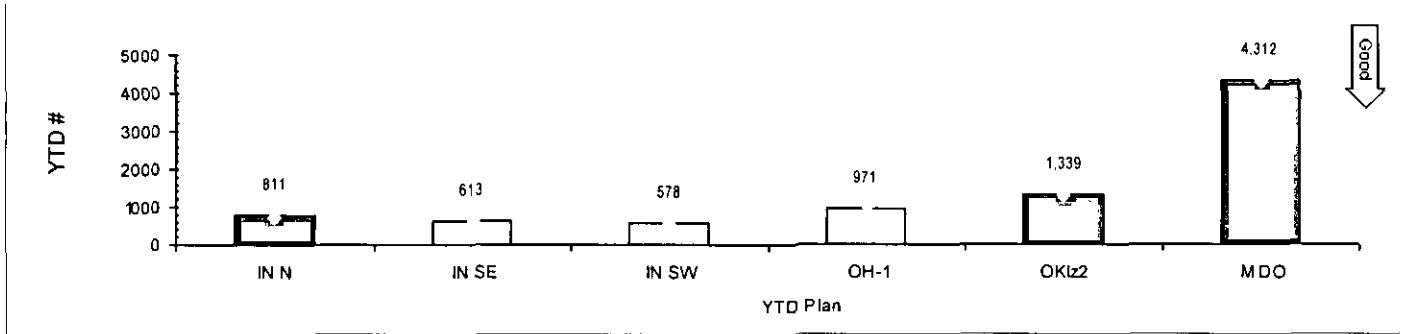
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Restore Units

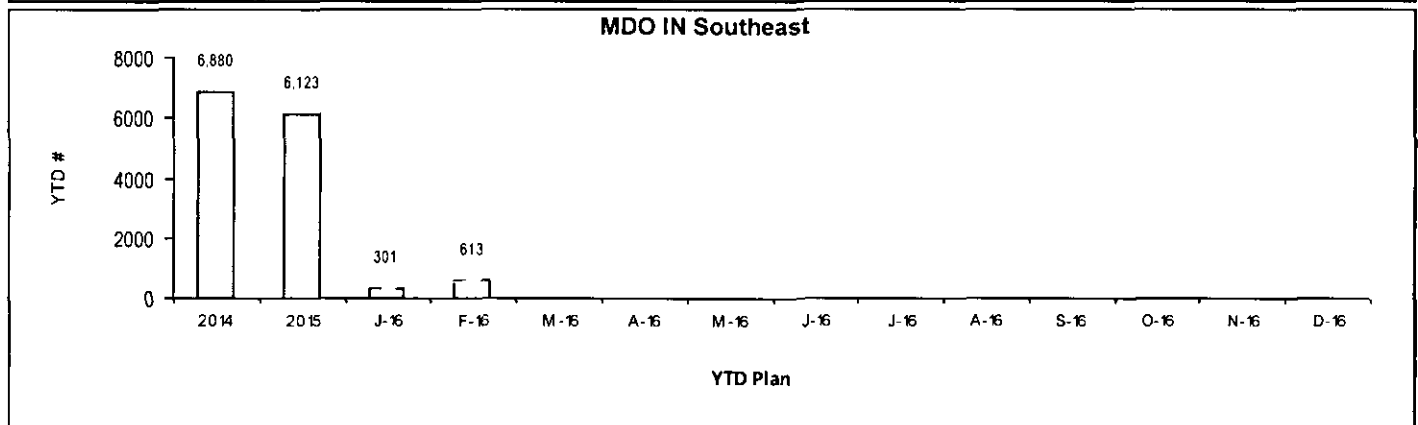
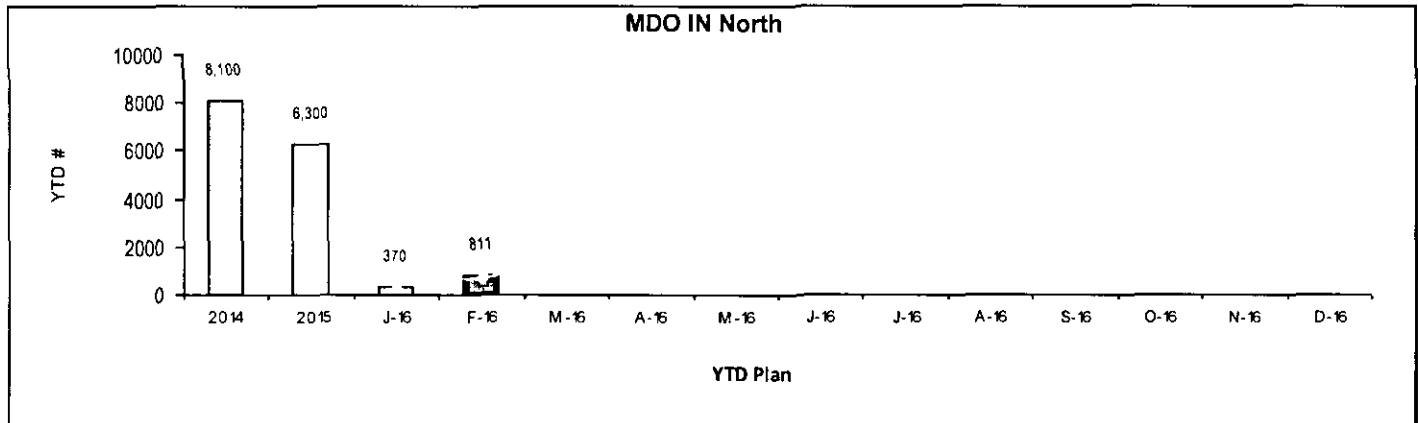
February 2016

Tier 2 (Midwest Delivery Operations)

< 1488 >



PLANT/DEPT	IN N	IN SE	IN SW	OH-1	OKIz2	MDO
YTD Actual	811	613	578	971	1,339	4,312
YTD Plan	732	628	602	1,008	1,323	4,293
Mo Actual	441	312	333	564	800	2,450
Mo Plan	340	312	277	499	656	2,084
Unit Cost \$	N/A	N/A	N/A	N/A	N/A	N/A
O&M (\$M)	N/A	N/A	N/A	N/A	N/A	N/A

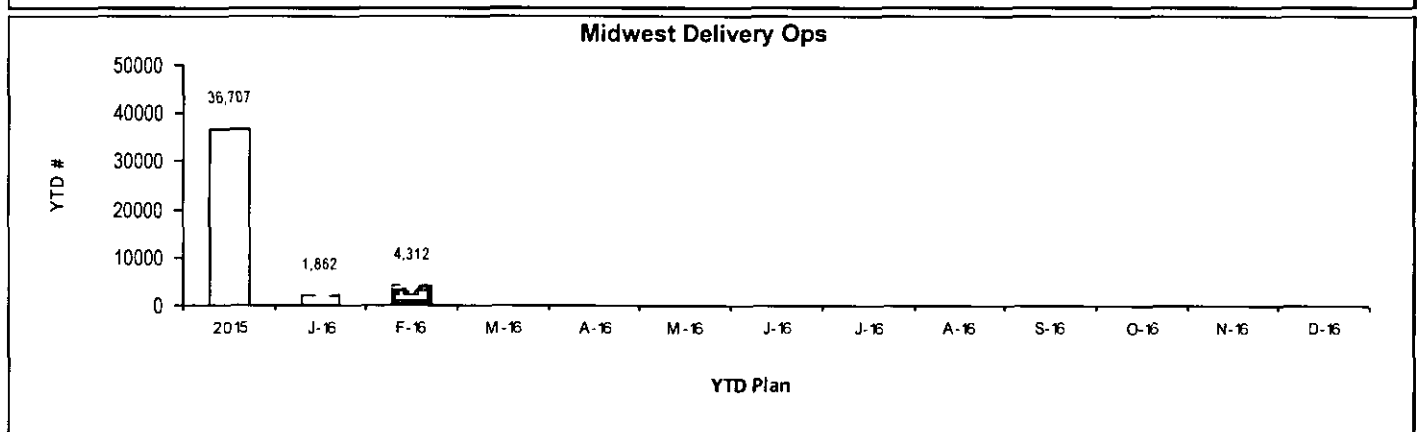
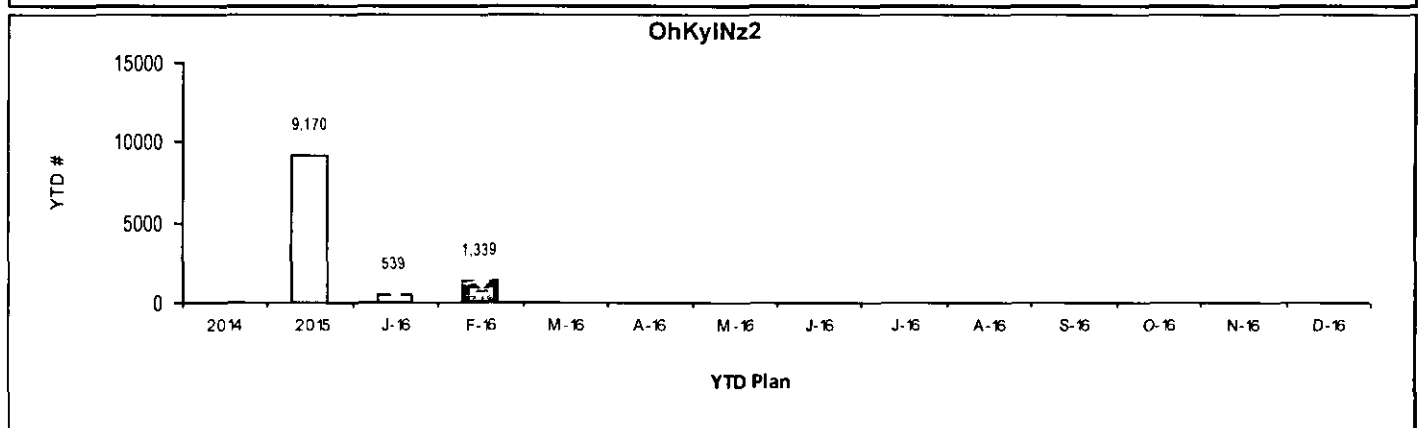
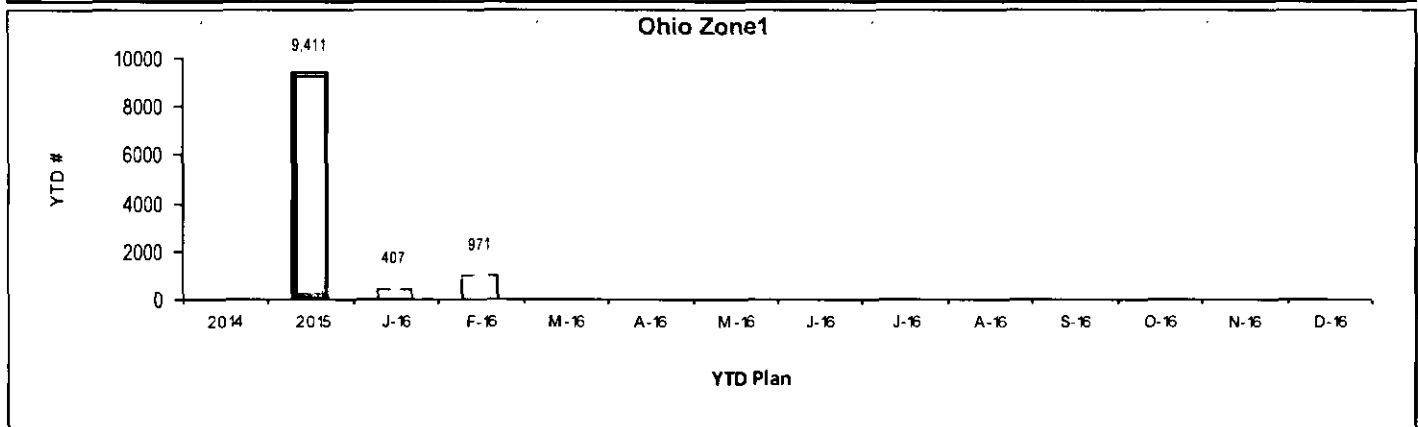
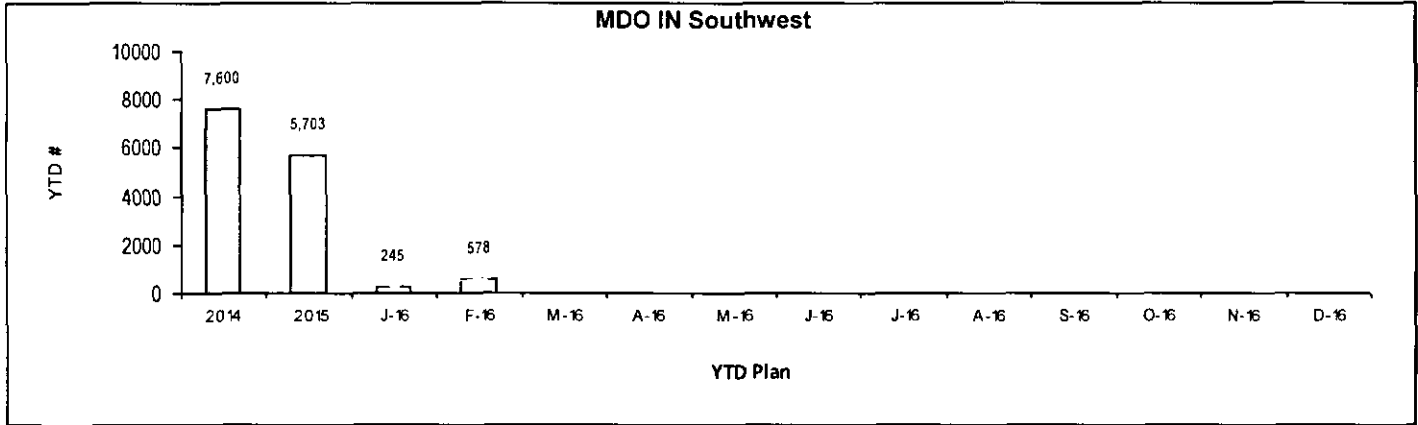


Restore Units

February 2016

Tier 2 (Midwest Delivery Operations)

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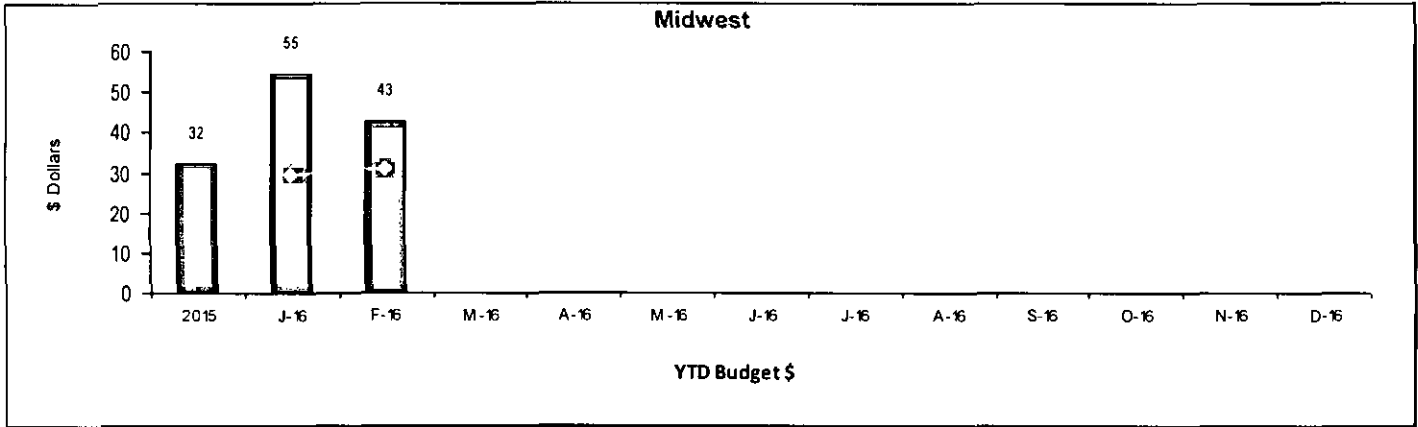


Customer Order Unit Cost \$

February 2016

Tier 2

< 1498 >



Midwest

	2015	J-16	F-16	M-16	A-16	M-16	J-16	J-16	A-16	S-16	O-16	N-16	D-16
YTD Actual \$	32.73	54.72	42.86	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
YTD Budget \$	28.35	29.78	31.20	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
YTD Min	28.92	30.38	31.83	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Units #	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
O&M (\$M)	N/A	2.4	4.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Description

This KPI reports Customer Orders Unit Cost on a YTD basis.

Calculation: YTD Customer Orders O&M expense divided by YTD # of Customer Orders equals Customer Orders Unit Cost \$.

Customer Orders are comprised of the following activities: Customer Premise Orders, Meter Orders, Non Pay / Delinquent Orders, and Analyze / Power Quality Orders, and Temporary Services.

****Note:** Status shall be defined as Green: meeting the YTD budget, Yellow: exceeding current YTD budget by 2% or less, Red: exceeding current YTD budget by greater than 2%

Analysis for February 2016

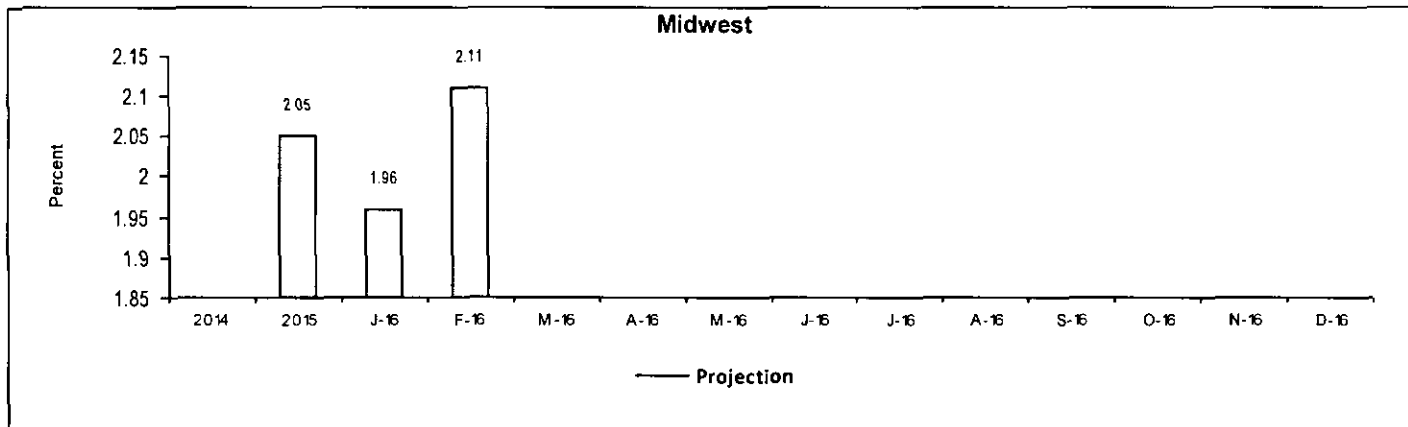
MidW Resp. Mngr: Data Provider/Analyst:

References:

CEMI 6 February 2016

Tier 3

< 1617 >



Midwest

	2014	2015	J-16	F-16	M-16	A-16	M-16	J-16	J-16	A-16	S-16	O-16	N-16	D-16
YTD Actual	N/A	2.05	1.96	2.11	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Projection	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Description

To be defined.

CEMI - Customers Experiencing Multiple Interruptions

Analysis for February 2016

MidW Resp. Mngr: Data Provider/Analyst:

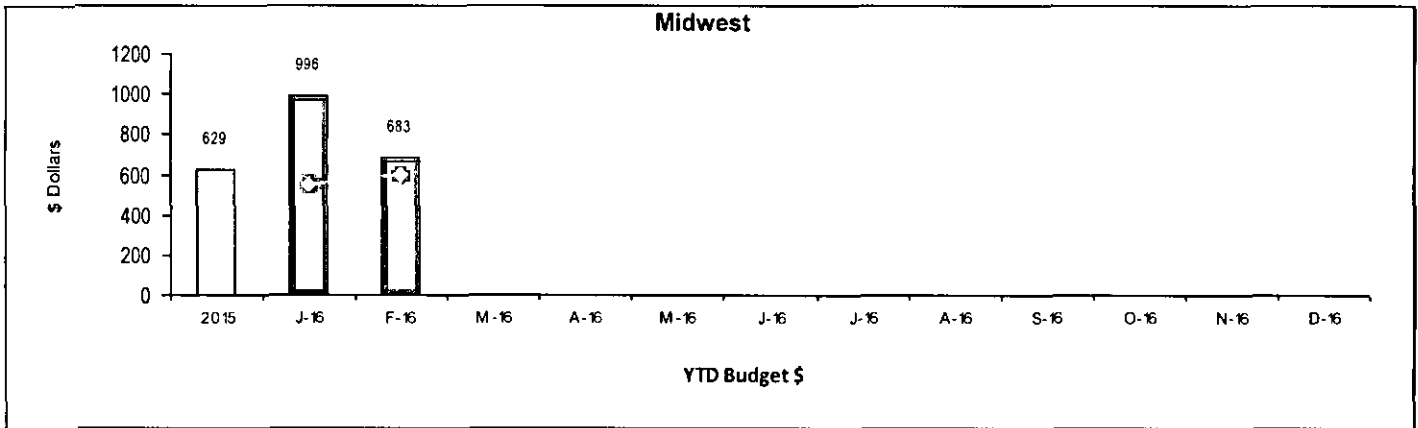
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Total O&M Restore Unit Cost \$

February 2016

Tier 3

< 1496 >



Midwest

	2015	J-16	F-16	M-16	A-16	M-16	J-16	J-16	A-16	S-16	O-16	N-16	D-16
YTD Actual \$	628.78	996.09	682.77	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
YTD Budget \$	495.09	559.59	602.24	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Units #	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
O&M (\$M)	N/A	1.9	2.9	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Description

This KPI reports Total O&M Restore Unit Cost on a YTD basis.

Calculation: YTD Total O&M Restore (including Restore Outage Follow Up) expense divided by YTD # of Restore Orders(Units) equals Total O&M Restore Unit Cost \$.

Restore Orders consist of the number of Routine Outage and Outage follow-up Orders received/responded to.

****Note:** Status shall be defined as: Green: meeting the YTD budget, Yellow: exceeding current YTD budget by 2% or less, Red: exceeding current YTD budget by greater than 2%

Analysis for February 2016

MidW Resp. Mngr: Data Provider/Analyst:

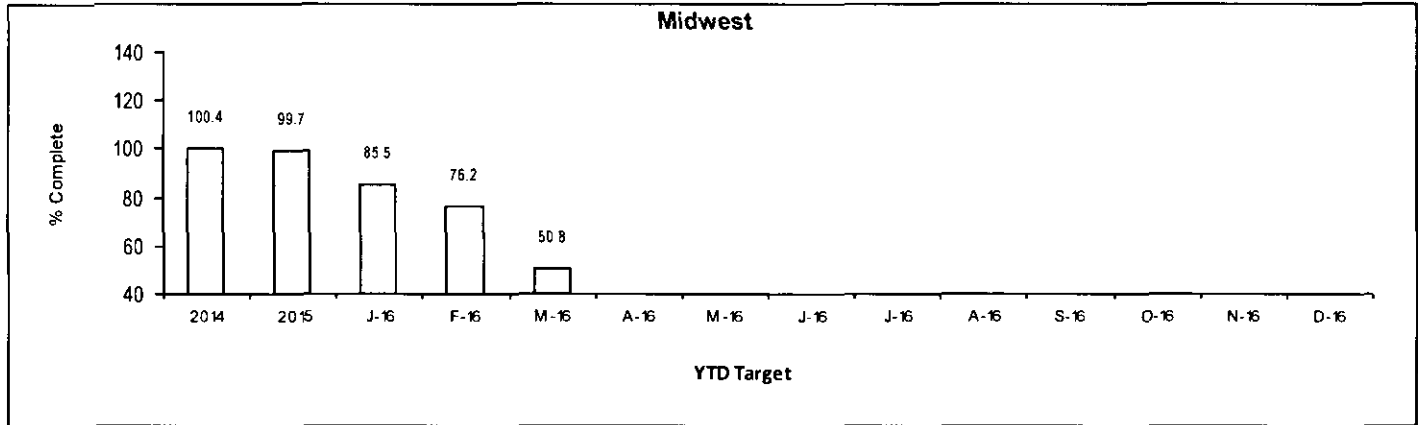
References:

Distribution Veg Mgmt - % Complete YTD

February 2016

Tier 2

< 1400 >



Midwest

	2014	2015	J-16	F-16	M-16	A-16	M-16	J-16	J-16	A-16	S-16	O-16	N-16	D-16
%YTD Compl	100.4	99.7	85.5	76.2	50.8	36.3	28.2	23.1	19.5	16.9	14.9	14.1	13.4	12.7
YTD Actual	5,493	5,505	392	699	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
YTD Planned	5,469	5,523	459	918	1,377	1,927	2,477	3,027	3,577	4,127	4,677	4,952	5,227	5,502
YTD Target	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Actual	N/A	N/A	392	307	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Planned	N/A	N/A	459	459	459	550	550	550	550	550	550	275	275	275
%MoComplete	N/A	N/A	86	67	0	0	0	0	0	0	0	0	0	0

Description

This KPI reports the number of production miles completed compared to the number of miles planned for the period, expressed as a percentage.

Actual: production miles completed during report month

Planned: miles planned/scheduled for completion during report month

%Complete: Actual/Planned expressed as a percentage

YTD Actual: YTD sum of actual miles completed each month

YTD Planned: YTD sum of monthly miles planned/scheduled

%YTD Complete: YTD Actual/YTD Planned expressed as a percentage

****Note:** Status is defined as %YTD Complete and reported as Green: within 5% of YTD plan, Yellow: within 50% of YTD plan, Red: > 50% below YTD plan

Analysis for February 2016

MidW Resp. Mngr: Data Provider/Analyst: E Strickler

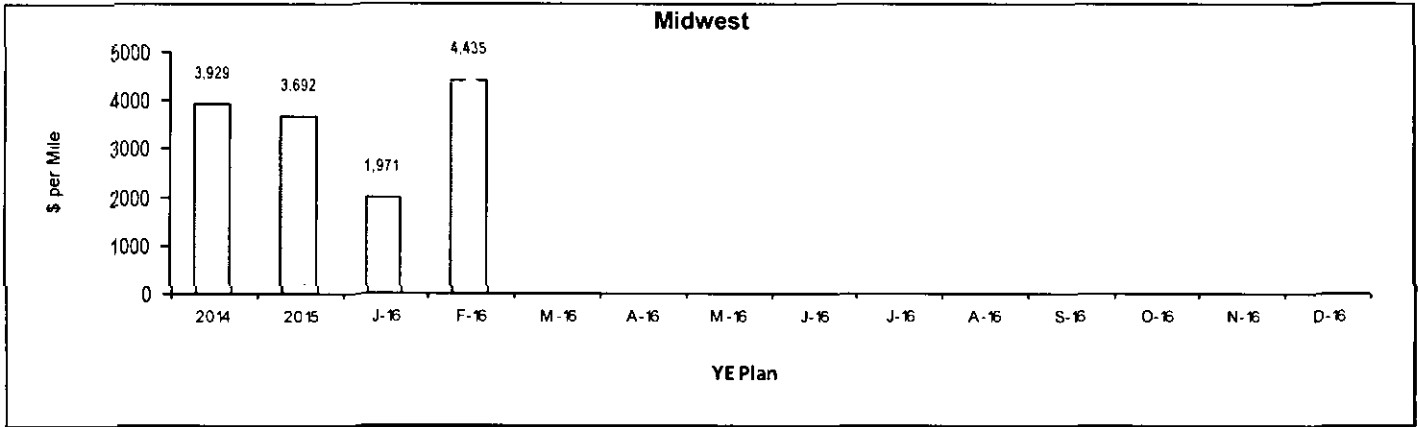
References:

Distribution Veg Mgmt - Cost per Mile

February 2016

Tier 2

< 1407 >



Midwest

	2014	2015	J-16	F-16	M-16	A-16	M-16	J-16	J-16	A-16	S-16	O-16	N-16	D-16
YTD Actual	3,929	3,692	1,971	4,435	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
YE Plan	4,078	4,305	4,377	4,365	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Miles Complet	N/A	N/A	392	699	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Description

This KPI reports actual vegetation management costs compared to plan.

(Vegetation Circuit Maintenance + Vegetation O&M Removals) / Vegetation Miles

The calculation for Year End Plan (YE Plan): (Annual Budget Veg Circuit Maint + Veg O&M Removals) / Annual Planned Miles

Status is based on YTD Actual vs. YE Plan: Green: <= Plan; Yellow: > Plan & <= Plan +2%; Red: > Plan +2%

Analysis for February 2016

MidW Resp. Mngr: Data Provider/Analyst:

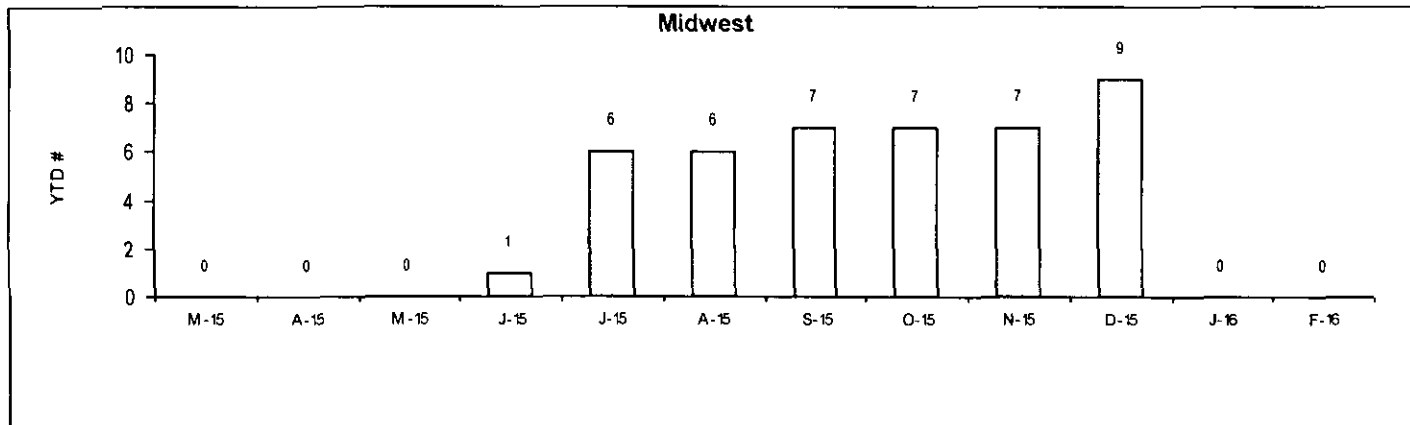
References:

No.Of Major Event Days

February 2016

Tier 2

< 1372 >



Midwest

	M-15	A-15	M-15	J-15	J-15	A-15	S-15	O-15	N-15	D-15	J-16	F-16
YTD MEDs	0	0	0	1	6	6	7	7	7	9	0	0
# MoEventsD	0	0	0	1	5	0	1	0	0	2	0	0
12moRolling	4	4	4	4	7	7	8	8	7	9	9	9
CI (000's)	0.00	0.00	N/A	39.23	283.98	N/A	20.18	N/A	N/A	4.5E4	N/A	0.00
CMI (000's)	0.00	0.00	N/A	1.4E4	1.2E5	N/A	7.5E3	N/A	N/A	1.2E7	N/A	0.00

Description

This KPI reports the number of major event days

A Major Event Day (MED) is a day when a major reliability event causes a utility to shift into a crisis mode of operation in order to adequately respond. IEEE Standard 1366 statistically defines a Major Event Day (MED) as any calendar day when SAIDI exceeds 2.5 standard deviations from the previous five year log-normal distribution of SAIDI days in a system or region. Duke Energy uses five regions. Carolinas East, Carolinas West, Florida, Indiana, and Ohio/Ky. This KPI combines Carolinas East and Carolinas West into Carolinas, and combines Indiana, Ohio, and Kentucky into Midwest.

****Note:** This data is reported for information/trending only. No targets are applied.

Analysis for February 2016

MidW Resp. Mngr: Data Provider/Analyst:

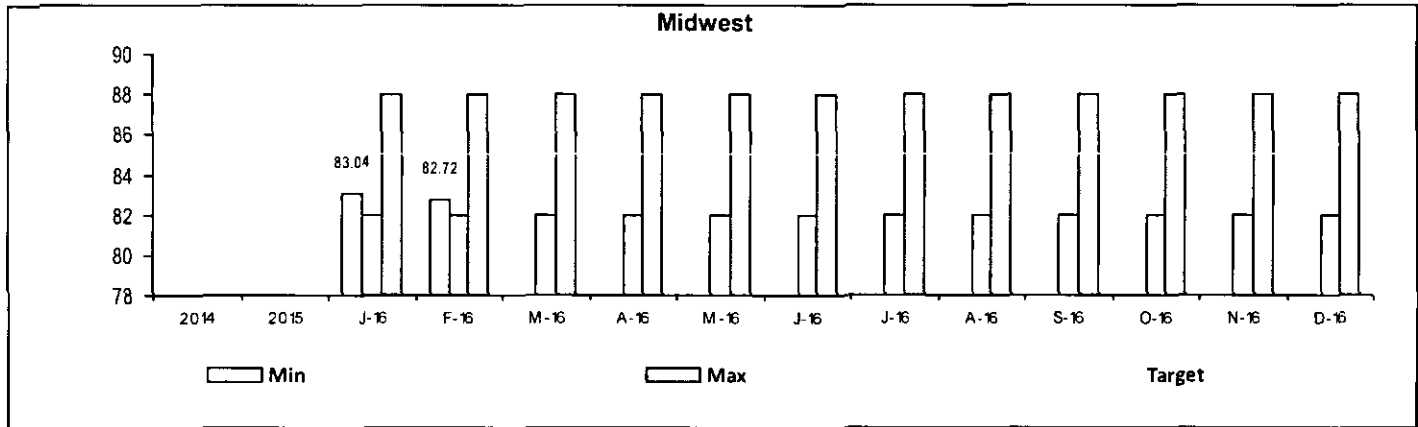
References:

Estimated Time of Restoration (12moRolling)

February 2016

Tier 3

< 1821 >



Midwest

	2014	2015	J-16	F-16	M-16	A-16	M-16	J-16	J-16	A-16	S-16	O-16	N-16	D-16
Actual	N/A	N/A	83.04	82.72	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Target	N/A	N/A	85.00	85.00	85.00	85.00	85.00	85.00	85.00	85.00	85.00	85.00	85.00	85.00
Min	N/A	N/A	82.00	82.00	82.00	82.00	82.00	82.00	82.00	82.00	82.00	82.00	82.00	82.00
Max	N/A	N/A	88.0	88.0	88.0	88.0	88.0	88.0	88.0	88.0	88.0	88.0	88.0	88.0

Description

Analysis for February 2016

MidW Resp. Mngr: Data Provider/Analyst:

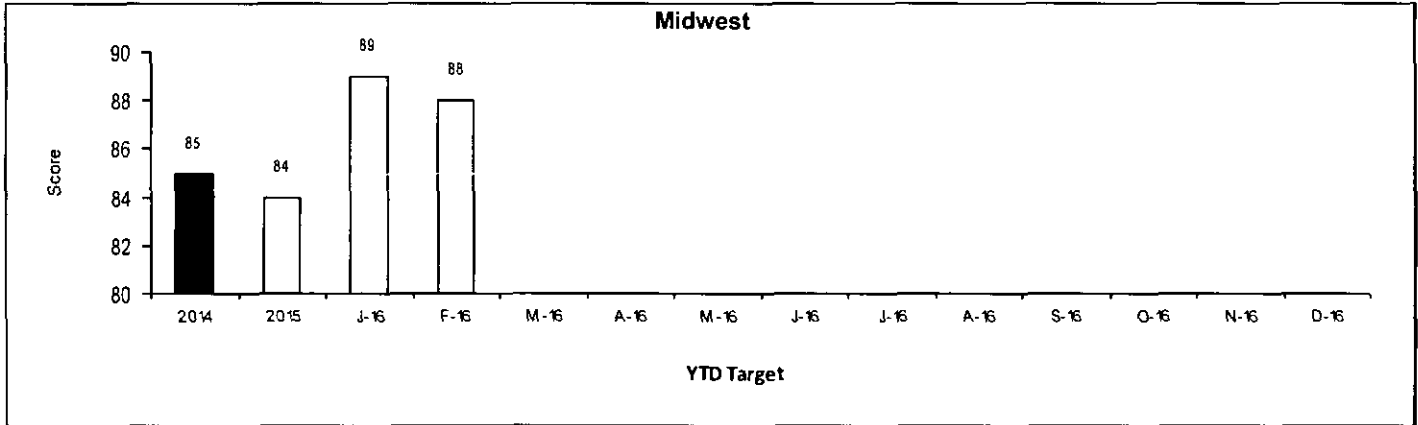
References:

Fastrack-Service Initiation

February 2016

Tier 2

< 1482 >



Midwest

	2014	2015	J-16	F-16	M-16	A-16	M-16	J-16	J-16	A-16	S-16	O-16	N-16	D-16
YTD Score	85	84	89	88	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
YTD Target	N/A	N/A	85	85	85	85	85	85	85	85	85	85	85	85
YTD MIN	N/A	N/A	83	83	83	83	83	83	83	83	83	83	83	83
YTD MAX	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mo Score	N/A	N/A	89	87	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Description

Three modules comprise the overall Fastrack score; the Service Initiation Module, the Outage Module and the Power, Quality & Reliability Module. This measure reflects Service Initiation module which includes connects (read only), new service and new meter sets. Scores are rounded to the nearest whole number.

Max: Target plus 2
Min: Target minus 2

Analysis for February 2016

MidW Resp. Mngr: Data Provider/Analyst:

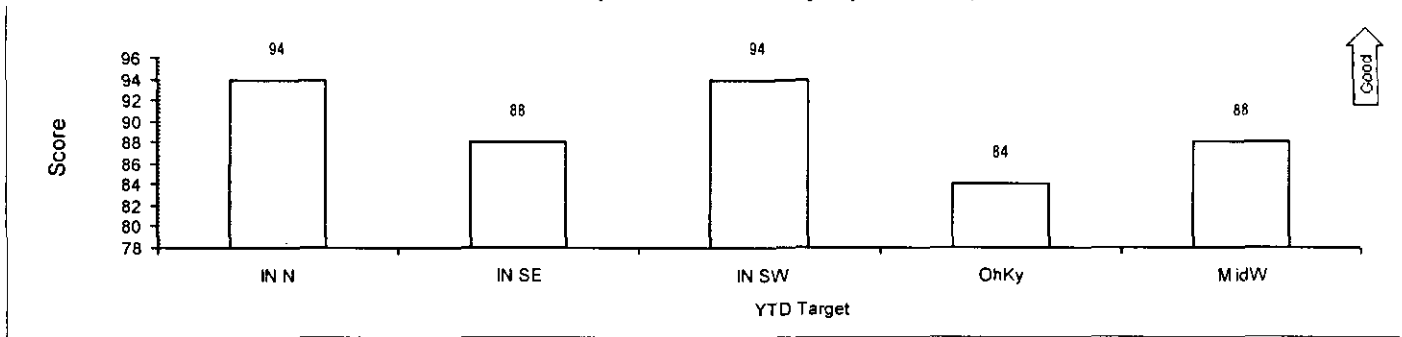
References:

Fastrack-Service Initiation

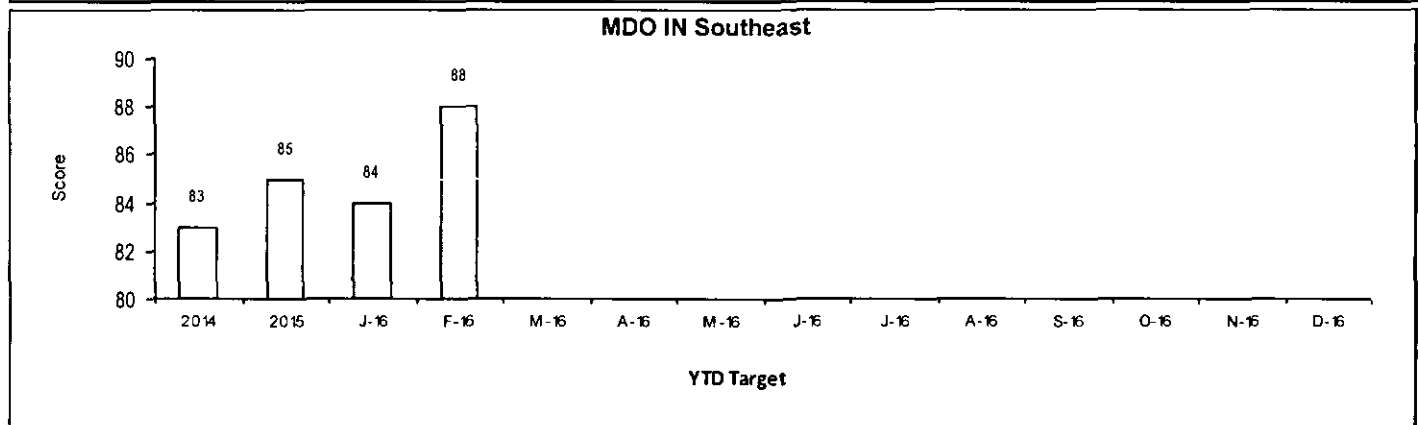
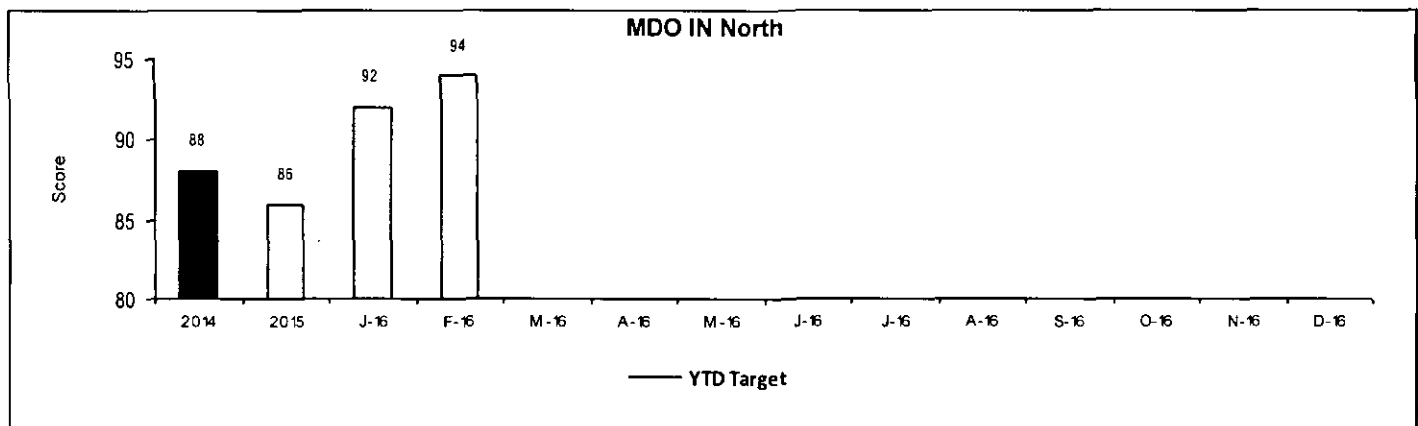
February 2016

Tier 2 (Midwest Delivery Operations)

< 1482 >



PLANT/DEPT	IN N	IN SE	IN SW	OhKy	MidW
YTD Score	94	88	94	84	88
YTD Target	N/A	85	N/A	85	85
YTD MIN	N/A	83	N/A	83	83
YTD MAX	N/A	N/A	N/A	N/A	N/A
Mo Score	96	92	96	79	87

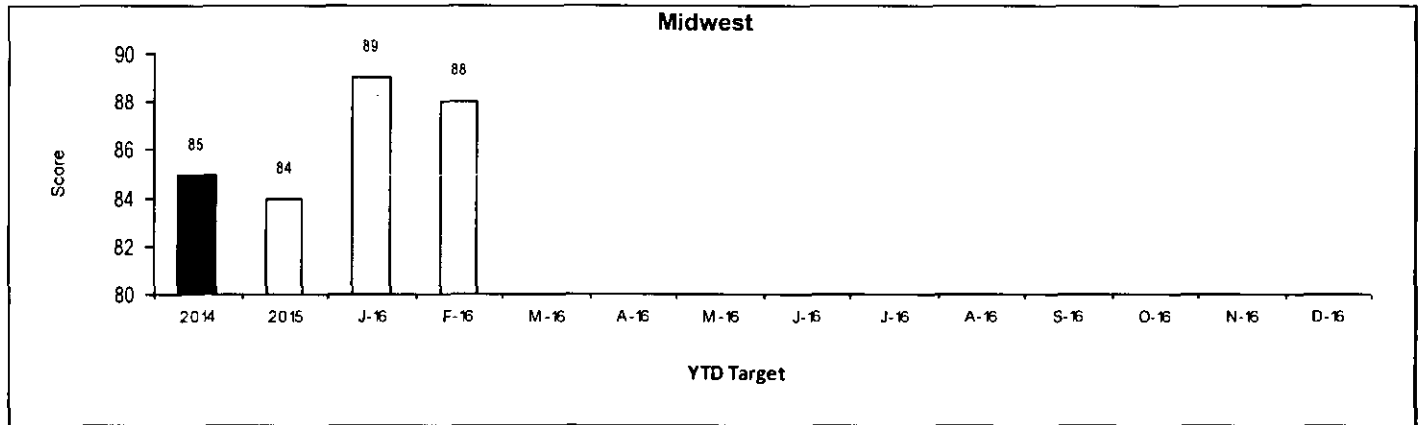
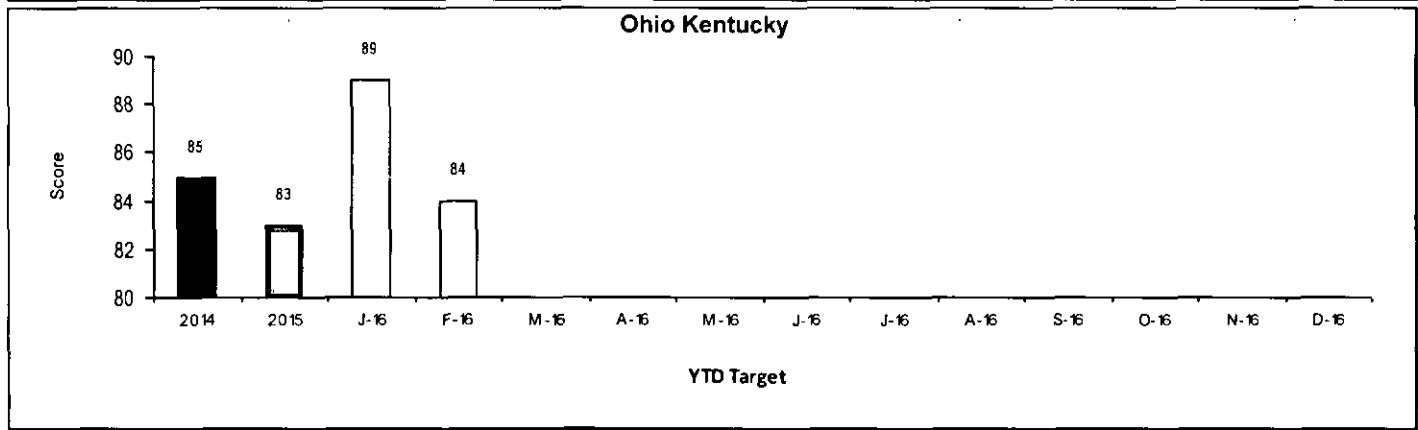
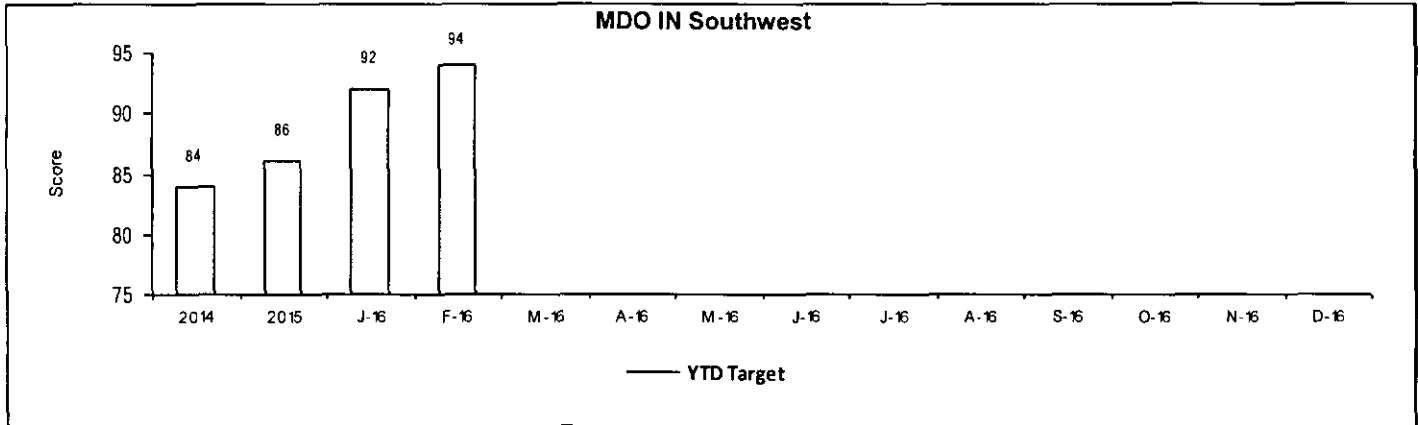


Fastrack-Service Initiation

February 2016

Tier 2 (Midwest Delivery Operations)

< 1482 >

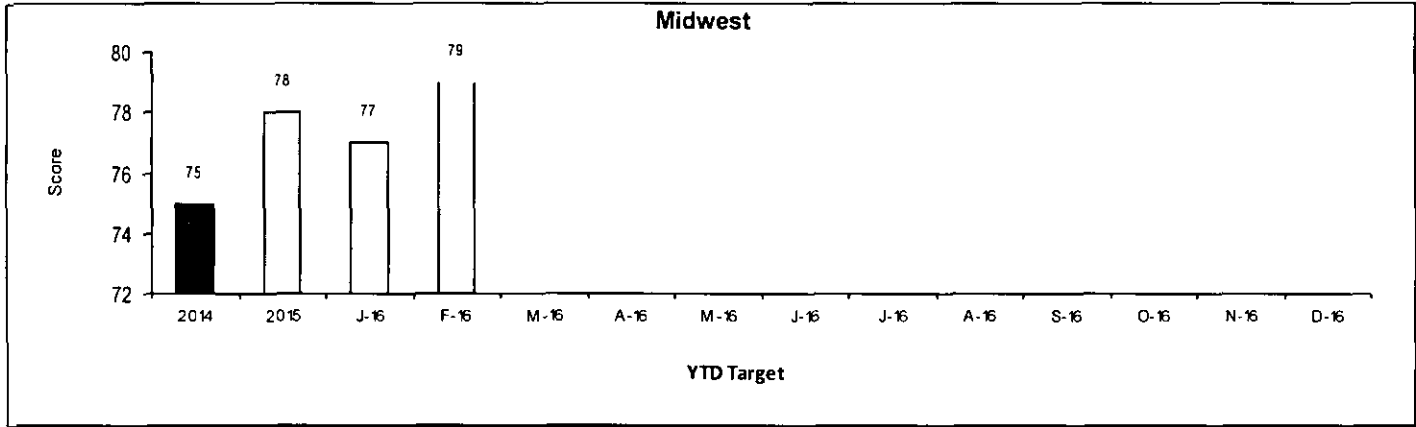


Fastrack - Outage Performance

February 2016

Tier 2

< 1483 >



Midwest

	2014	2015	J-16	F-16	M-16	A-16	M-16	J-16	J-16	A-16	S-16	O-16	N-16	D-16
YTD Score	75	78	77	79	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
YTD Target	70	78	79	79	79	79	79	79	79	79	79	79	79	79
Mo Score	N/A	N/A	77	81	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
YTD MIN	67	76	77	77	77	77	77	77	77	77	77	77	77	77
YTD MAX	73	80	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Description

Three modules comprise the overall Fastrack score; the Service Initiation Module, the Outage Module, and the Power, Quality & Reliability Module. This measure reflects Outage module only; completed outage restoration orders. Scores are rounded to the nearest whole number.

Analysis for February 2016

MidW Resp. Mngr: Data Provider/Analyst:

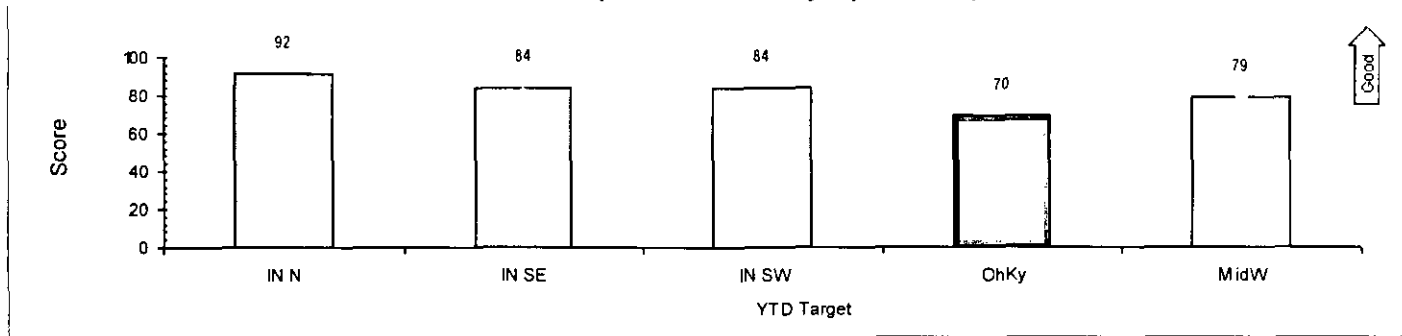
References:

Fastrack - Outage Performance

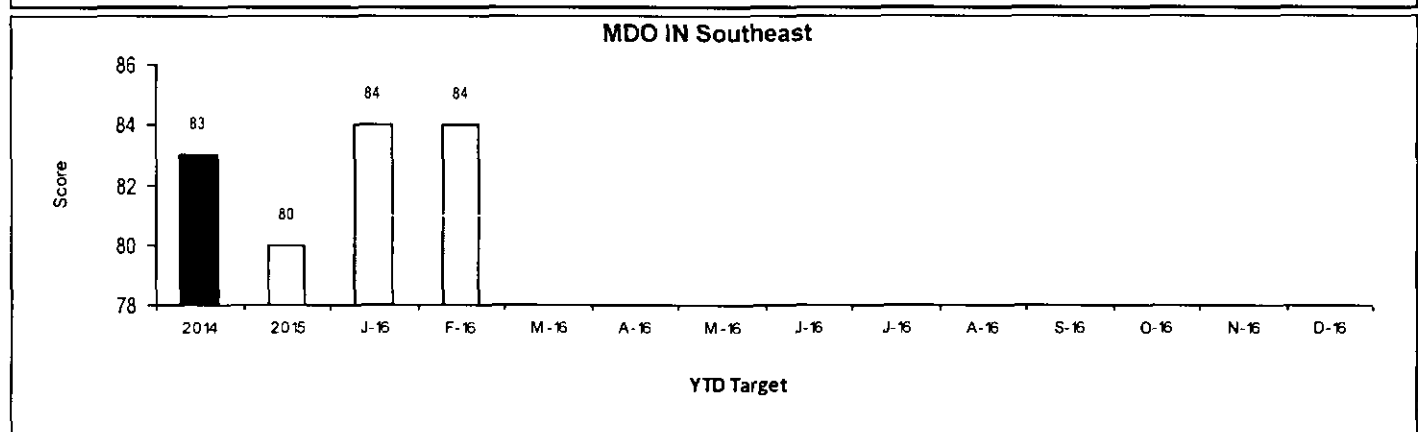
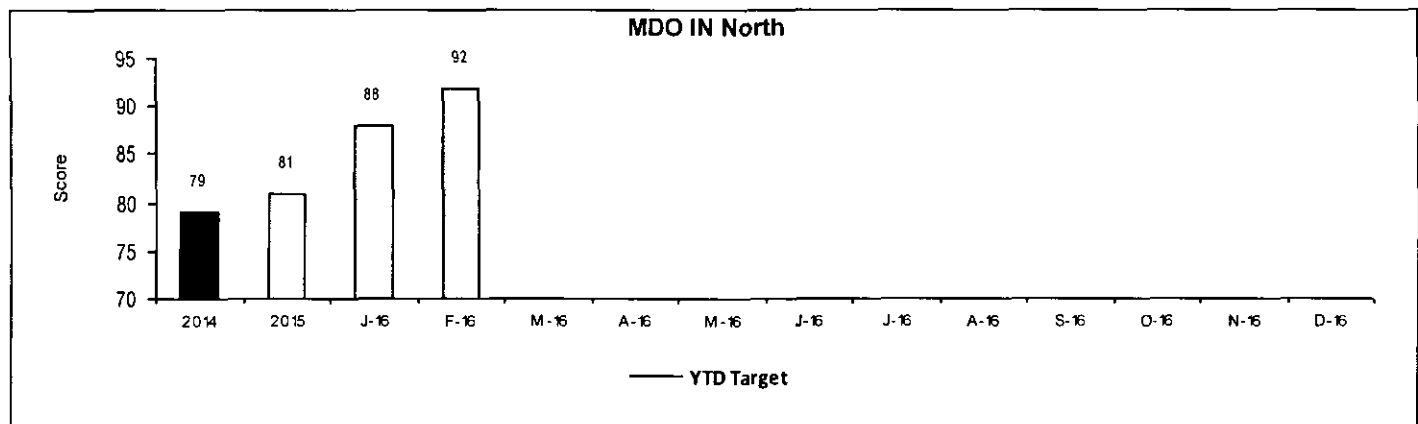
February 2016

Tier 2 (Midwest Delivery Operations)

< 1483 >



PLANT/DEPT	IN N	IN SE	IN SW	OhKy	MidW
YTD Score	92	84	84	70	79
YTD Target	N/A	81	N/A	78	79
Mo Score	96	84	92	70	81
YTD MIN	N/A	79	N/A	76	77
YTD MAX	N/A	N/A	N/A	N/A	N/A

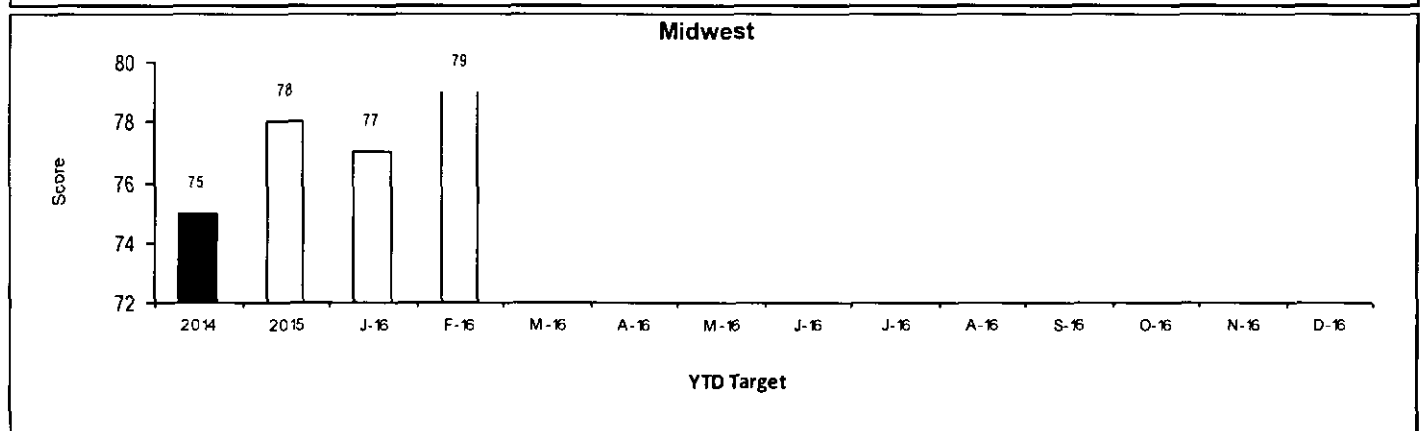
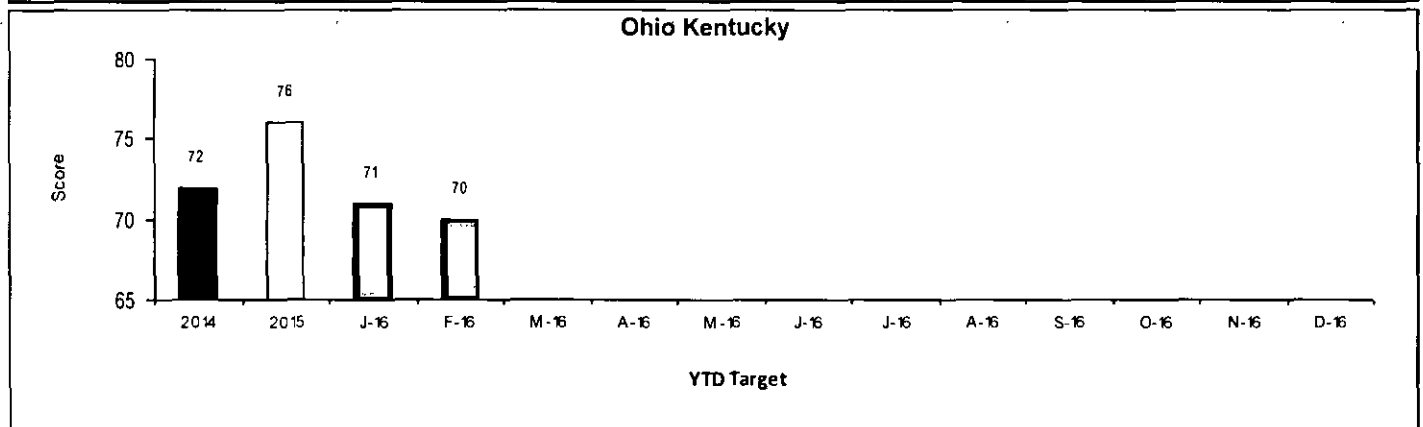
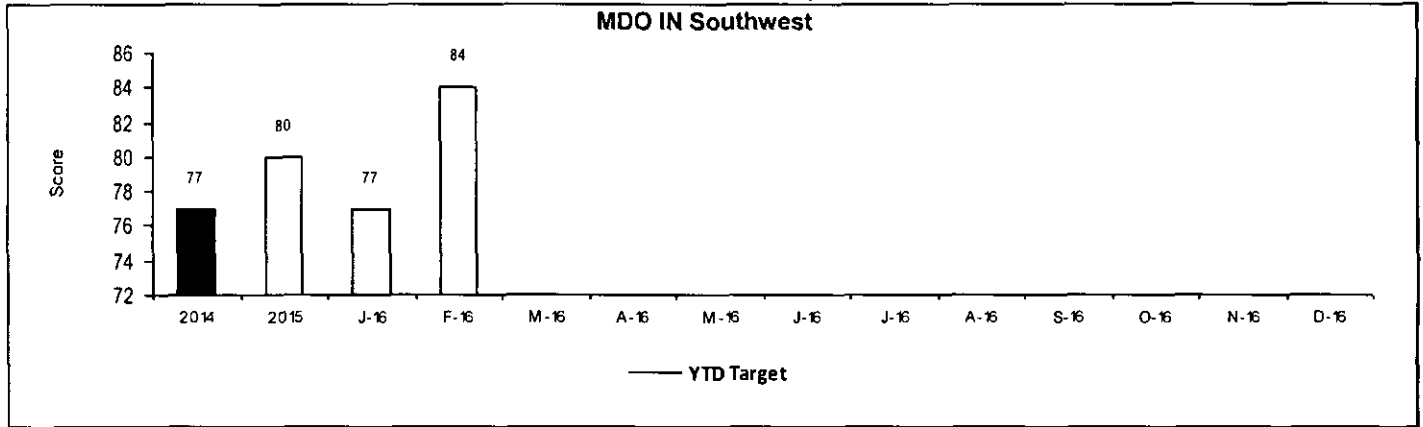


Fastrack - Outage Performance

February 2016

Tier 2 (Midwest Delivery Operations)

< 1483 >

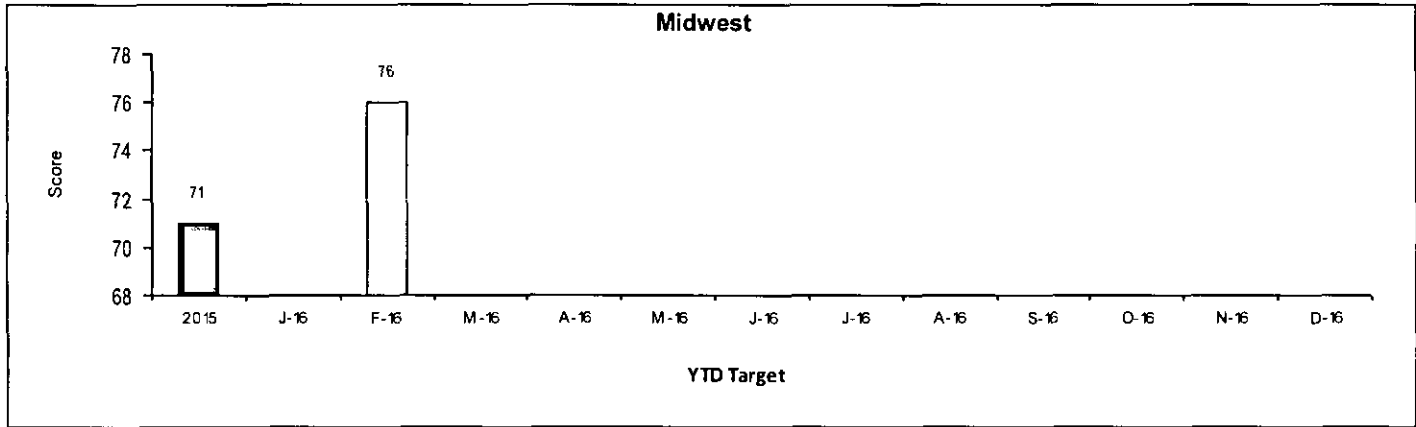


Fastrack-Power Quality & Reliability

February 2016

Tier 2

< 1591 >



Midwest

	2015	J-16	F-16	M-16	A-16	M-16	J-16	J-16	A-16	S-16	O-16	N-16	D-16
YTD Score	71	N/A	76	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
YTD Target	76	72	72	72	72	72	72	72	72	72	72	72	72
YTD Min	74	70	70	70	70	70	70	70	70	70	70	70	70
YTD Max	78	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mo Score	N/A	N/A	76	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Description

Three modules comprise the overall Fastrack score; the Service Initiation Module, the Outage Module, and the Power, Quality & Reliability Module. This measure reflects Power, Quality and Reliability module only. Scores are rounded to the nearest whole number.

Analysis for February 2016

MidW Resp. Mngr: Data Provider/Analyst:

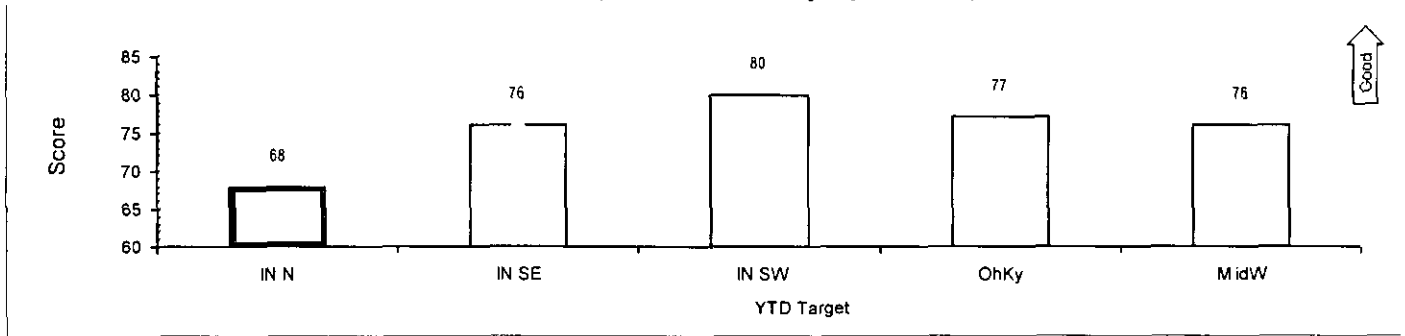
References:

Fastrack-Power Quality & Reliability

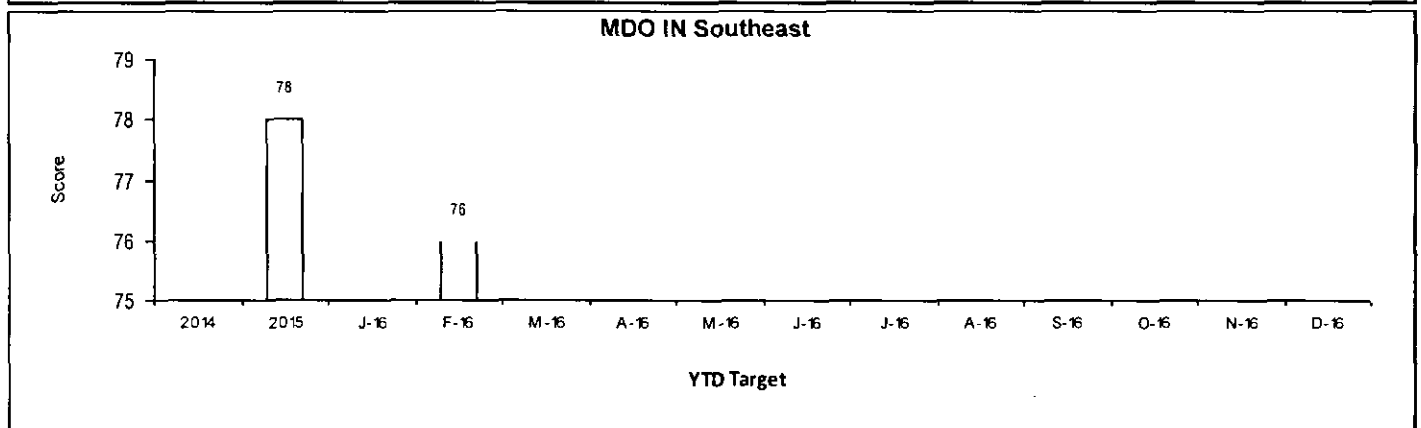
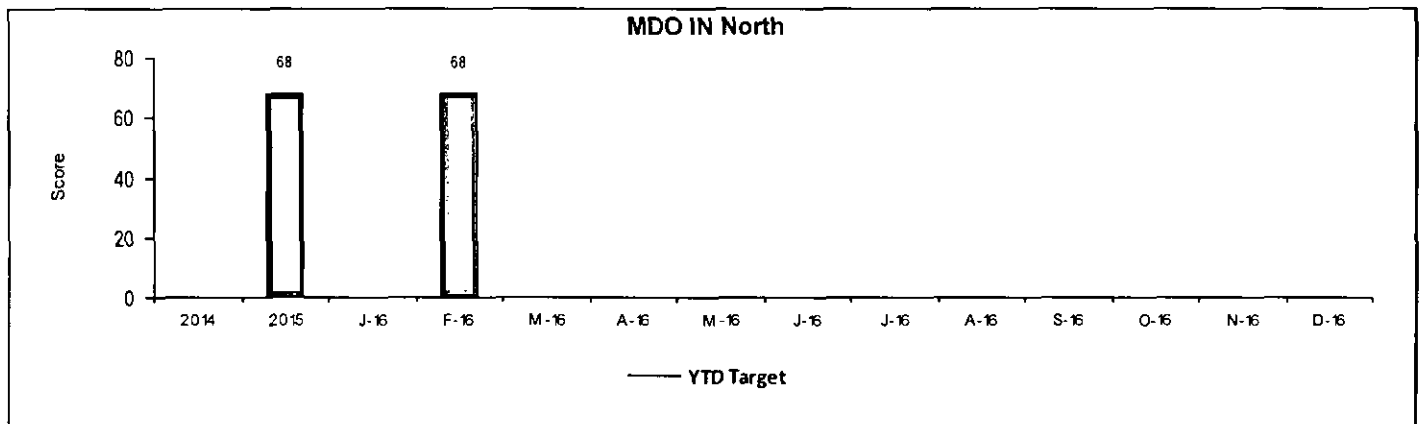
February 2016

Tier 2 (Midwest Delivery Operations)

< 1591 >



PLANT/DEPT	IN N	IN SE	IN SW	OhKy	MidW
YTD Score	68	76	80	77	76
YTD Target	N/A	76	N/A	68	72
YTD Min	N/A	74	N/A	66	70
YTD Max	N/A	N/A	N/A	N/A	N/A
Mo Score	68	76	80	77	76

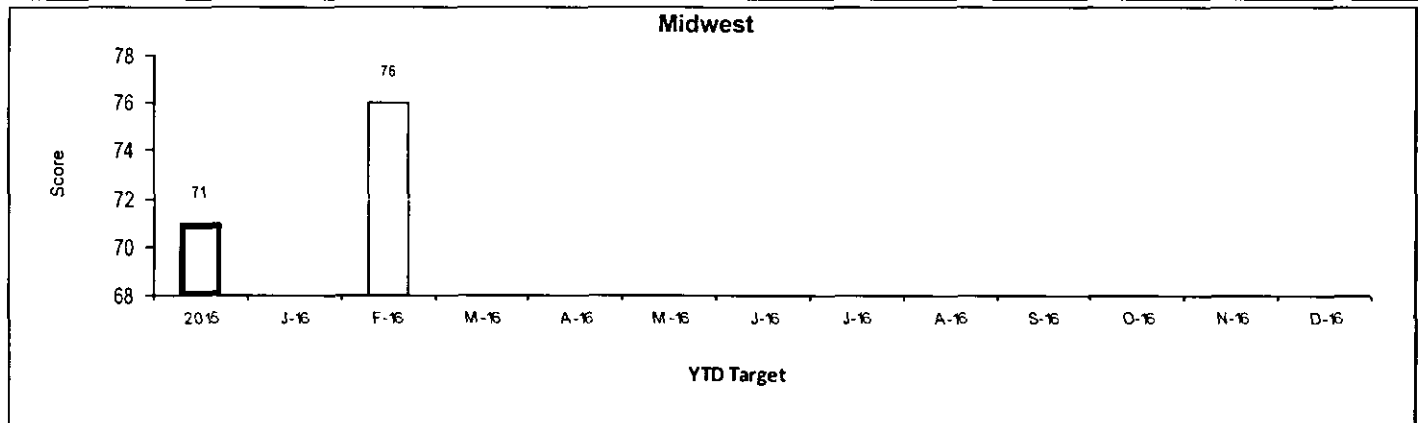
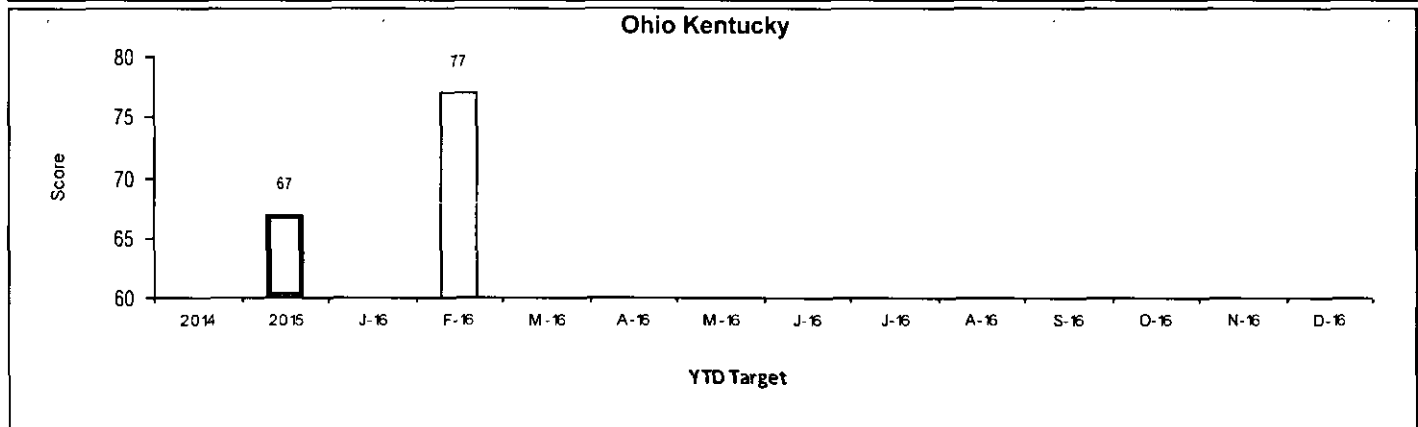
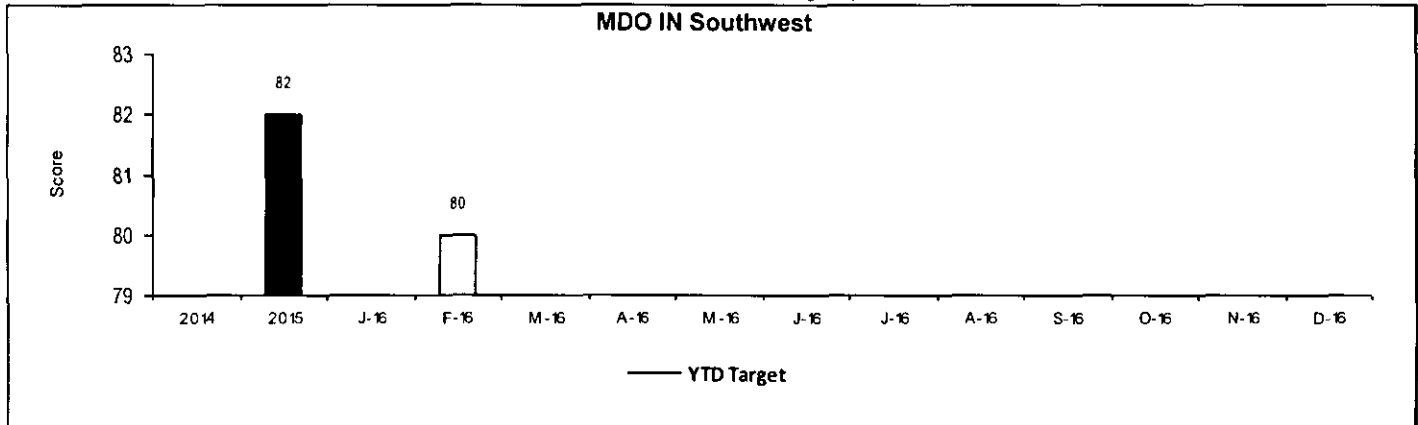


Fastrack-Power Quality & Reliability

February 2016

Tier 2 (Midwest Delivery Operations)

< 1591 >

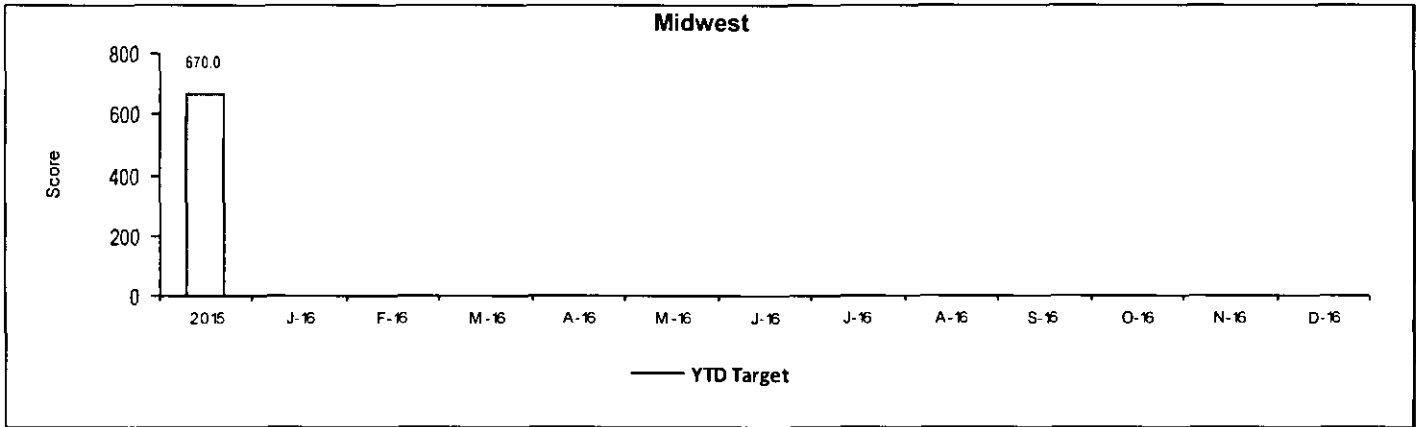


JD Power Residential Study

February 2016

Tier 1

< 1621 >



Midwest

	2015	J-16	F-16	M-16	A-16	M-16	J-16	J-16	A-16	S-16	O-16	N-16	D-16
YTD Score	670	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
YTD Target	663	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
YTD Min	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
YTD Max	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Description

JD Power Residential Study measures customer satisfaction with electric utility companies by examining six factors: power quality and reliability; price; billing and payment; corporate citizenship; communications; and customer service.

Analysis for February 2016

MidW Resp. Mngr: Data Provider/Analyst:

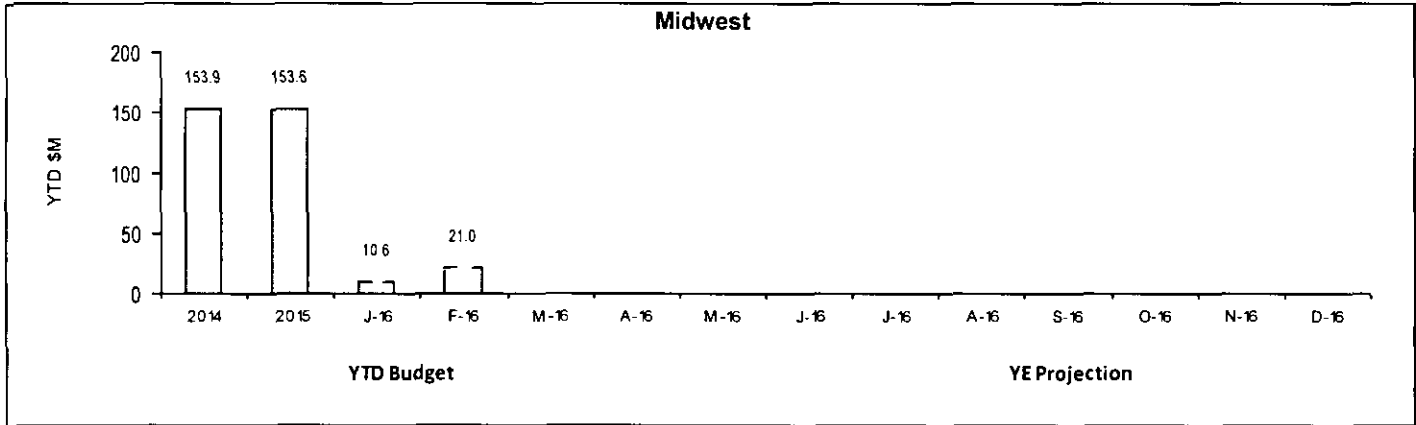
References:

O&M Expense vs. Budget (\$M)

February 2016

Tier 1

< 1434 >



Midwest

	2014	2015	J-16	F-16	M-16	A-16	M-16	J-16	J-16	A-16	S-16	O-16	N-16	D-16
YTD Actual	153.9	153.6	10.6	21.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
YTD Budget	155.7	151.2	11.0	21.1	32.2	45.2	58.1	72.1	86.0	100.3	112.9	124.8	135.7	146.0
Mo Actual	N/A	N/A	10.6	10.4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mo Budget	N/A	N/A	11.0	10.1	11.1	13.1	12.9	14.0	13.9	14.3	12.6	11.8	10.9	10.3
YE Projection	N/A	151.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Description

This KPI reports O&M expense vs budget on both a monthly and YTD level. O&M reported values are net of recoverables where applicable. O&M includes both direct and indirect expenses.

Status shall be defined as

Dark Green: >= 2% below YTD budget

Green: meeting the YTD budget

Yellow: exceeding current YTD budget by 2% or less

Red: exceeding current YTD budget by greater than 2%

Analysis for February 2016

MidW Resp. Mngr: Data Provider/Analyst:

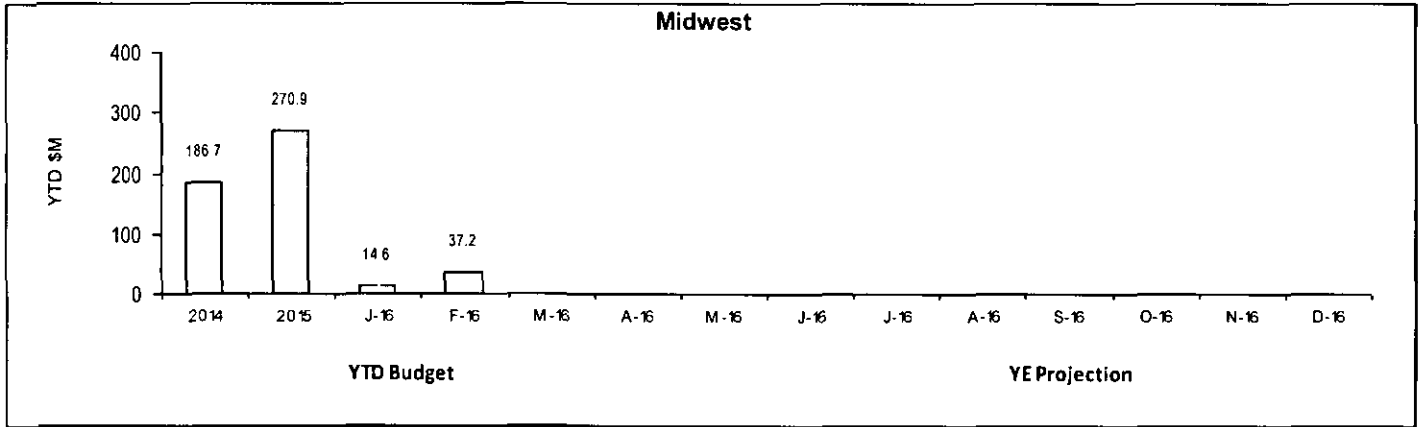
References:

Capital Expense vs. Budget (\$M)

February 2016

Tier 1

< 1427 >



Midwest

	2014	2015	J-16	F-16	M-16	A-16	M-16	J-16	J-16	A-16	S-16	O-16	N-16	D-16
YTD Actual	186.7	270.9	14.6	37.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
YTD Budget	197.0	269.2	24.3	49.7	76.9	105.8	135.9	165.0	192.3	220.5	248.8	277.2	299.8	325.5
YE Projection	N/A	269.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mo Actual	N/A	N/A	14.6	22.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mo Budget	N/A	N/A	24.3	25.4	27.3	28.9	30.0	29.1	27.3	28.2	28.3	28.4	22.6	25.7

Description

This KPI reports Capital expense vs budget on both a monthly and YTD basis.
Capital reported includes direct and indirect expenses.

Status shall be defined as

Dark Green: >= 2% below YTD budget

Green: meeting the YTD budget

Yellow: exceeding current YTD budget by 2% or less

Red: exceeding current YTD budget by greater than 2%

Analysis for February 2016

MidW Resp. Mngr: Data Provider/Analyst:

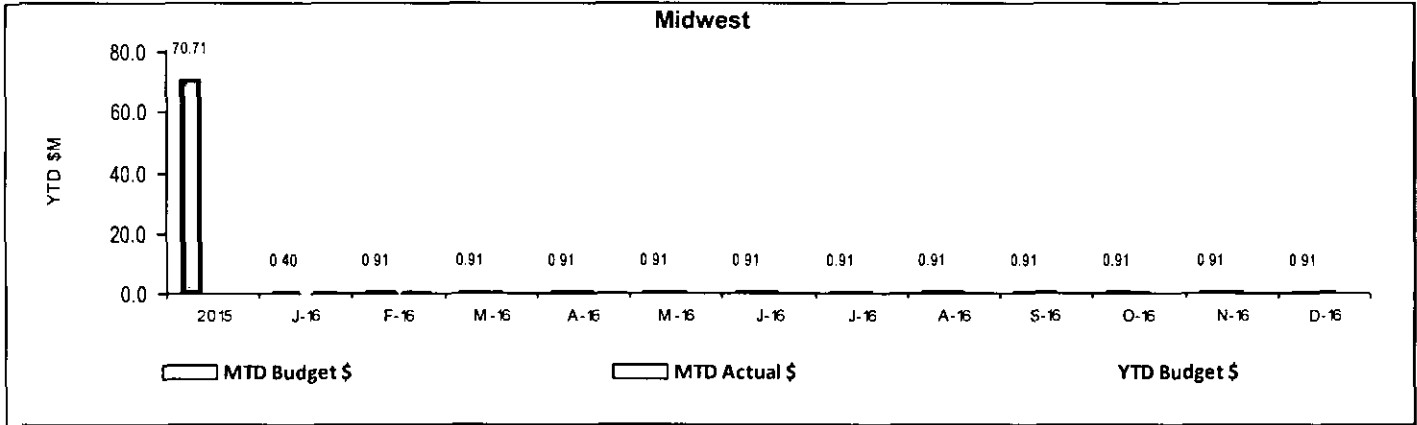
References:

Storm Costs (\$M)

February 2016

Tier 2

< 1594 >



Midwest

	2015	J-16	F-16	M-16	A-16	M-16	J-16	J-16	A-16	S-16	O-16	N-16	D-16
YTD Actual \$	70.71	0.40	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91
YTD Budget \$	69.22	0.93	1.87	2.80	3.73	4.67	5.60	6.53	7.47	8.40	9.33	10.27	11.20
MTD Budget \$	N/A	0.93	0.93	0.93	0.93	0.93	0.93	0.93	0.93	0.93	0.93	0.93	0.93
MTD Actual \$	N/A	0.40	0.51	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Description

The Storm Contingency is made up expenses due to costs related to "Major Event Days" as defined by IEEE Standard 1366. These costs are currently excluded from the jurisdictional financial view based on unique project numbers.

**Note: Current Target is \$40M annually (CDO=\$27.5M; MDO=\$11.5M; FDO=\$1M) .

Analysis for February 2016

MidW Resp. Mngr: J Titzer Data Provider/Analyst: M Brooks

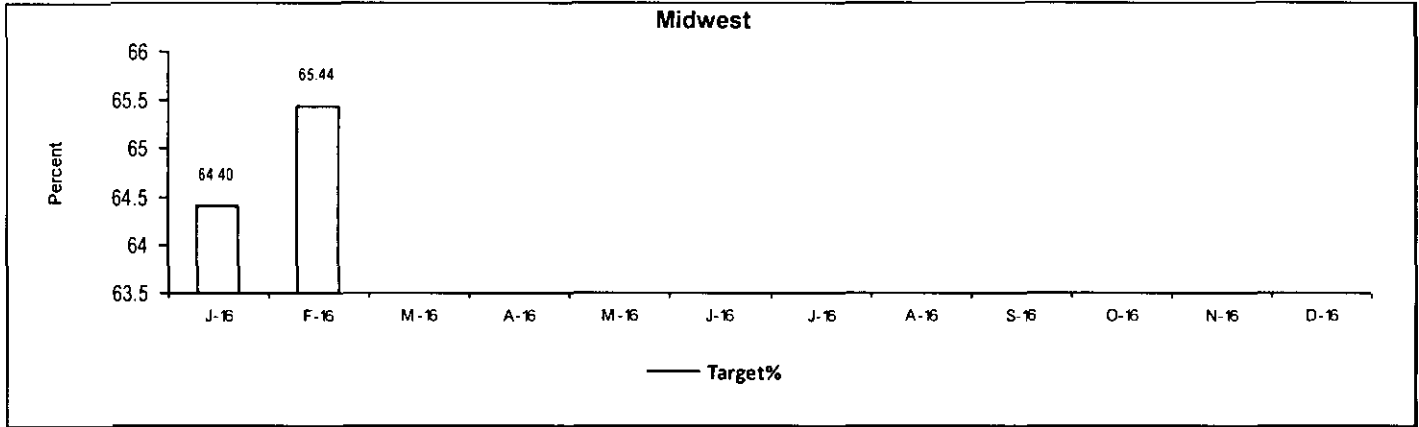
References:

Damage Claims Collected

February 2016

Tier 2

< 1692 >



Midwest

	J-16	F-16	M-16	A-16	M-16	J-16	J-16	A-16	S-16	O-16	N-16	D-16
%Collected	64.4	65.4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Target%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Billed \$	0.67	1.39	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Collects	0.4	0.9	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Description

Damage Claim % is calculated by dividing the totals dollars collected for the enterprise by the total dollars billed for the enterprise

****Note:** Target is currently set at the Enterprise level. Enterprise Target is 55% collected. Maximum performance is 65% and minimum performance is 45%.

Analysis for February 2016

MidW Resp. Mngr: L Parks Data Provider/Analyst: T Coffey

References:

DUKE ENERGY CORPORATION
DUKE ENERGY OHIO, INC.
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
SUPPLY CHAIN
SFR Reference: Chapter II (B)(9)(b)(v)

I. Policy and Goal Setting

Corporate work policies are established by executive management and are embodied in the Duke Energy Code of Business Ethics, which is provided to all employees. These policies, which establish guidelines by which Duke Energy employees are expected to conduct business, are supported by Supply Chain. In addition, employees of Supply Chain are required to adhere to all corporate policies directly relating to the various materials and contract services functions. Exhibit SC-1 the Purchasing Controls Policy describes the guidelines for procurement. Exhibit SC-2 the Inventory Controls Policy describes the guidelines for inventory management. Exhibit SC-3 the Purchasing Authority Policy details our established delegation of authority guidelines.

The annual goals for Supply Chain are established in conjunction with the annual business plans for Duke Energy. Supply Chain leadership works closely in conjunction with operational leadership to establish safety, sourcing, inventory management and service goals for the organization.

II. Strategic Planning

Supply Chain uses a planning process that is updated annually for annual budgeting purposes and for long range planning with regard to inventory levels, personnel, facilities and equipment needs. The operating units provide similar information through their business plan to assist the Supply Chain Departments in planning decisions regarding the sourcing of material and services.

The Supply Chain Departments have goals that support the corporate business plan:

- Deliver savings through sourcing activities that directly contribute to the target financial goals;
- Performance driven, customer focused culture that emphasizes and delivers optimal cost and productivity;
- Create a streamlined organization focused on internal customer satisfaction and continuous improvement that delivers a low cost, high value portfolio of services; and
- Deliver continuous process improvements in back office operations and supply chain support systems.

III. Organizational Structure

The Supply Chain Departments report to the Senior Vice President and Chief Procurement Officer. The Customer and Enterprise Supply Chain support corporate and enterprise-wide departments (e.g., IT, HR, Admin Services) in the company. The Transmission and Distribution Supply Chain supports the needs of the electric transmission and distribution and the gas distribution operations. The Generation Supply Chain supports the needs of the fossil, hydro and nuclear power generation facilities. The Gas Supply Chain supports the Piedmont Natural Gas operations. Strategic Projects Supply Chain supports the needs of Major Projects, Renewables, and Coal Combustion Products. Supply Chain Strategy and Operations provides centralized technology, process and analytical services for the Supply Chain groups as well as Accounts Payable function for the entire enterprise.

Organization charts of the Supply Chain Department are attached as Exhibit SC-4.

The Customer and Enterprise Supply Chain is organized into the following major functions:

- Customer Strategy and Enterprise Services sourcing (including the purchasing function);
- IT&Telecom Sourcing;
- IT Contract Administration and Management; and
- Asset Recovery.

The Transmission and Distribution Supply Chain is organized into the following major functions:

- Strategic Sourcing (including the purchasing function);
- Warehouse Operations;
- Materials Management; and
- Trucking and repair operations.

The Generation Supply Chain is organized into the following major functions:

- Strategic Sourcing (including the purchasing function);
- Site Sourcing and Warehouse Operations;
- Generation Supply Chain Operations; and
- Alliance Management.

The Gas Supply Chain is organized into the following major functions:

- Strategic Sourcing; and
- Materials Management.

The Strategic Projects Supply Chain is organized into the following major functions:

- Coal Combustion Products sourcing;
- Generation Projects sourcing;
- Renewables and Commercial Projects sourcing; and
- Commercial Contract Management

Supply Chain Strategy and Operations is organized into the following functions:

- Corporate Accounts Payable;
- Inventory Optimization and Integrated Supply Program;
- Policy and Controls;
- Supply Chain Analytics;
- Supplier Engagement and Diversity; and
- Supply Chain Operations (Technology automation, learning development, Process Improvement).

IV. Responsibilities

The Sourcing and Purchasing functions within the Customer and Enterprise, T&D, Generation, Gas, and Strategic Project Supply Chains have the responsibility for all sourcing, procurement and contracting activities with the exception of fuels procurement.

The Supplier Engagement and Diversity function is responsible for the development and implementation of various strategies to manage the identification and inclusion of diverse suppliers in the sourcing and purchasing process and drive deeper collaboration with our strategic and diverse suppliers.

The Integrated Supply Program (ISP) function is assigned the responsibility for managing the sections of the contract with our Integrated Supplier that pertain to T&D and Generation. The ISP has been contracted to perform the purchasing, inventory management and replenishment functions for approximately 70% of material required by the T&D business unit and the majority of our Maintenance, Repair and Operation (MRO) consumable materials. Contracts for strategic materials are negotiated by the T&D and Generation Sourcing function, with the Integrated Supplier assuming responsibility for execution against those contracts.

The Material / Demand Planner function within T&D and Generation Materials Management as well as Inventory Optimization is responsible for working with the internal customers to address issues around design changes, new products, changes in delivery locations and date, and to work with the internal customer groups to improve business processes and practices.

The Warehousing operation function for T&D and Generation is responsible for the overall management of inventory for their associated plants and/or area warehouses. In addition, it coordinates the materials receiving and fulfillment within their locations.

The Alliance Management program management function within the Generation Supply Chain is responsible for the overall program management associated with craft labor contractors, including contracting strategy, contract negotiation and implementation.

The Corporate Accounts Payable function in Supply Chain Strategy and Operations is responsible for maintaining accounts payable systems to provide control over the proper disbursement of corporate assets, to provide Management with information for use in the decision-making process, to maintain the vendor master file and to assure that accounts payable records are accurately maintained.

The Policy and Controls function in Supply Chain Operations is responsible for Sarbanes Oxley testing and documentation processes and operational auditing of the supply chain function.

The Asset Recovery function in Customer and Enterprise Operations is responsible for the recovery, liquidation and disposal of identified surplus and obsolete materials.

V. Practices and Procedures

The Supply Chain creates measurable value for Duke Energy customers and shareholders through a highly skilled and engaged team focused on strategically sourcing value-based contracts, excellence in warehouse and logistics, efficient commercial processes and effective business unit engagement.

The responsibilities assigned to the Supply Chain Departments are executed through the application of various practices and procedures. The principal practices or procedures are as follows:

- To source and procure material, equipment and services in accordance with prescribed specifications at the most favorable total cost of ownership, terms and conditions. To perform routine and emergency sourcing, competitive bidding, ordering, expediting and logistics operations;
- To maintain confidentiality of competitive bidding and prices;
- To develop competition among reputable and responsible suppliers, inclusion of diverse suppliers, and to ensure that the Company receives quality products and services;
- To establish and maintain fair, equitable and ethical relationships with suppliers;

- To review, on a continual basis, all purchased materials and supplies to add stock, reduce stock, or remove from stock as the review indicates;
- To establish and maintain information for inventory authorized by the operating departments for regular and special requirements;
- To create business processes and procedures that ensure processes are controlled and accurate;
- To leverage industry and trade best practices in the design of new business processes for the Company;
- To train others in the Company to utilize capabilities of our systems and in the general policies and guidelines related to purchasing
- To process supplier invoices for payment in accordance with Accounts Payable policies, guidelines, and contract terms;
- To perform various accounting balancing activities for accounts payable accounts in the General Ledger; and
- To provide special studies and reports that meet customer, regulatory, legal and audit requests.

The Supply Chain Departments directly support all other departments of the Company. Close working relationships exist through cross-functional teams and participation in joint initiatives and committees.

Presently, the Company utilizes Maximo, Passport, PeopleSoft, ProcureIt, and Combined Asset Suite systems for all activities related to the Supply Chain Departments. These systems are used to manage inventory investment and provide up-to-date information to support the Sourcing, Integrated Supply and Materials Planning functions. Aided by the Maximo, CAS, PeopleSoft, ProcureIt, and Passport systems, the Supply Chain Departments optimizes inventory management by:

- Establishment of inventory and service level targets;
- Usage forecasting;
- Calculation of economic reorder quantities (EOQ);
- ABC classification of inventory;
- Materials requirement planning;
- Purchase order tracking and expediting;
- Obsolescence reviews; and
- Maintenance of the material catalog.

VI. Decision-Making and Control

The Supply Chain Departments support decision-making at the lowest appropriate level within the Department. Decisions are vested throughout the department through management, as appropriate. Guidelines for making decisions are provided by various corporate policies, Departmental policies, and procedures and authorized approval levels.

Monthly dashboard reports of performance metrics are used to monitor performance.

VII. Internal and External Communication

Supply Chain Department staff meetings between the leadership and their direct reports are held on a monthly or more frequent basis. Topics concerning personnel, operations, facilities, equipment, goals, and processes are discussed as necessary at each staff meeting.

The Supply Chain Departments provide certain key control reports on a regular basis to supply chain employees for remediation, such as blocked invoices.

Daily reports on operations metrics are published on-line and are available to all Company employees. These metrics include inventory balances expediting reports and open purchase orders.

External communication with the Company's supplier base occurs on a daily basis through a variety of means. Bid quotes are obtained by our purchasing personnel. Large dollar and complex requests for proposals are managed through the use of an e-sourcing tool. This tool is a controlled, on-line means of exchanging information, drawings, and questions and ultimately of obtaining pricing from our suppliers. A comprehensive supplier focused web site at Duke Energy.com is used to communicate important information to suppliers, including links to our supplier code of conduct, electronic tools, registration, and diversity certification.

Many suppliers receive our purchase orders through an electronic marketplace. This marketplace increases our speed to transmit orders by using the internet and allows suppliers to send us electronic purchase order acknowledgements and electronic invoices.

Suppliers utilize the Supplier Services to make inquiries and receive answers. This one-stop shop provides a centralized clearing house for the supply chain to understand supplier invoicing issues and to work to answer supplier's questions in doing business with us.

VIII. Goal Attainment and Qualification

The Supply Chain Departments have developed a number of quantifiable indicators that are used to establish metrics that reflect our success in supporting Company goals and objectives. Goals are identified in the department's Short Term Incentive Plans. Listed below are a few performance metrics employed by the Supply Chain Departments:

- Savings achieved from sourcing activities;
- Supplier performance scorecards;
- Inventory Cycle Count accuracy;
- Inventory return rates;
- Order fulfillment rates;
- Supplier Diversity spend;
- Financial performance;
- Supplier automation;
- Inventory growth rate;
- Recycling percentage for waste materials; and
- Safety Performance

Purchasing Controls Policy

Applicability:	Applies to Enterprise
Originator:	Supply Chain
Approval:	SVP, Chief Accounting Officer and Controller
Effective Date:	03/31/2004
Revision Date:	01/15/2016

Statement of Purpose

This policy defines the roles, responsibilities, and requirements related to the procurement process at Duke Energy Corporation and its subsidiaries (Duke Energy or the Company). Specific topics addressed include required approvals, the sourcing process, contract formation, segregation of duties, and standards of business conduct.

Accountability: Roles and Responsibilities

The **Duke Energy Controller** is responsible for approving this policy and any exceptions to the policy.

The **Duke Energy Chief Procurement Officer** is the owner of this policy and is also responsible for communicating this policy throughout the corporation to all persons involved in the supply chain processes. Any exceptions to this policy should be documented and approved in advance by the Chief Procurement Officer prior to obtaining approval by the Duke Energy Controller.

Business Unit Management is responsible for compliance with this policy within their areas of responsibility. This responsibility includes ensuring the unit has adequate internal controls over the procurement process and establishing effective contract management.

Duke Energy Employees are responsible for compliance with this policy within their areas of responsibility. Violations of this policy should be reported in a timely manner to your supervisor.

Supply Chain Management is responsible for compliance with this policy for all purchases made by their personnel.

Designated Sourcing Personnel are employees outside of the Supply Chain function within Duke Energy International (DEI) and Duke Energy Commercial Portfolio who have been authorized by the Chief Procurement Officer to act in an agent capacity to contractually obligate Duke Energy. Designated Sourcing personnel are responsible for managing the procurement process for goods and services greater than \$100,000. They may also be involved with procurements of less than \$100,000 as requested. Designated Sourcing personnel shall comply with this policy in carrying out their responsibilities.



Purchasing Controls Policy

Standards/Requirements

1. Purchase Commitments

All purchases of goods and services for amounts greater than \$100,000, except those exceptions noted below, must be sourced through the Supply Chain organization or Designated Sourcing personnel. The Supply Chain organization and Designated Sourcing personnel will manage the Procurement process by actively selecting qualified bidders; developing the sourcing strategy; managing the bidding process; negotiating terms and conditions, pricing, and any other commercial provisions; and ensuring compliance with this policy.

Exceptions to this policy include: real estate (buying, selling, leasing properties), fuel*, commodity purchases and sales, mergers and acquisitions, financing charges/treasury fees/external audit services, external legal counsel, statutory tax payments, and insurance claims and premium payments. These do not require involvement of Supply Chain personnel or Designated Sourcing personnel. (* Note: Fuel purchasing requirements for Duke Energy International will be determined on a country specific basis.)

In cases where, pursuant to this policy, involvement of Supply Chain or Designated Sourcing personnel is not required such as for purchases for less than or equal to \$100,000 or for one of the exception categories listed above, **the individuals conducting the transaction shall comply with this policy.**

All Supply Chain and Designated Sourcing personnel are authorized to contractually commit the Company consistent with their purchasing authority limits as defined in the Purchasing Authority Policy. Only a limited number of individuals outside of Supply Chain and Designated Sourcing personnel can contractually commit the company, i.e., execute a contract or statement of work:

- a. Senior Management Committee members, consistent with the Approval of Business Transactions Policy
- b. Individuals in exception categories, as noted above, with signature authorization granted by the Board of Directors for the relevant legal entities
- c. An Officer of the legal entity making the commitment, or other individual authorized to take action by the Board of Directors may execute **contracts under \$100,000** pursuant to the Delegation of Authority Policy. A listing of Officers can be found on the Legal Services Portal Page - Corporate Governance

For clarification, the Delegation of Authority Policy (DOA) does not authorize employees to contractually commit the company except as noted above. DOA applies to approval levels for internal transactions such as invoice approvals, requisition approvals, employee expense approvals, and project approvals.



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Pricing Agreements or Blanket Orders are long term agreements created by the Supply Chain organization that establish pricing and legal terms and conditions for recurring or routine purchases of goods or services but do not represent a financial commitment. Examples of such transactions include: alliance agreements, service agreements, enterprise pricing agreements and supplier terms and conditions agreements. These types of agreements use a requisition, purchase order, contract, or letter agreement to execute specific transactions or releases against the Pricing Agreement. Specific transactions or releases under a Pricing Agreement are subject to authorization per the DOA limits. Pricing Agreements are not subject to review per the requirements of the Approval of Business Transactions Policy because they do not represent financial commitments. However, Pricing Agreements with an anticipated aggregate purchase volume of \$10 million or more will comply with all other requirements of this policy and require approval of the Chief Procurement Officer.

2. Sourcing

Subject to the exceptions listed above, competitive bids are required for all purchases greater than \$100,000. Purchases may not be split into multiple transactions to avoid use of competitive bidding. All other exceptions must be documented and approved as required below.

Competitive bids are not required for purchases greater than \$100,000, if the purchase is:

- a. Under a strategic agreement when the supplier relationship was formed in accordance with this policy. A strategic agreement is a multi-year supplier relationship to provide services or materials at a total cost beneficial to Duke Energy that further includes the supplier and Duke Energy working closely together in a cooperative fashion to improve efficiencies, and identify and implement additional value add opportunities, while maintaining or improving quality.
- b. Supported by a previous competitive bid event for similar goods and/or services that occurred within the last 12 months. For this condition to apply, the aggregated value of all additional goods and/or services purchased must be less than the original purchase that resulted from the aforementioned competitive bid.

All other exceptions must be documented and approved as required below.

Single Sourcing

A single source purchase occurs when a competitive bidding process is not undertaken and the decision is made to select a specific supplier based on technical, commercial, or other valid business reasons. Because a single source procurement removes the advantages of the competitive bidding process, it should be used on an exception basis. Contract extensions, excluding the execution of contract options documented in the original contract, should be treated as single source purchases. Any contract extension that lengthens the total contract term beyond 5 years would require a single source justification.



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Sole Sourcing

This situation exists when because of unique or specialized characteristics only one supplier offers a particular product or service. An example of a sole source would be a supplier who has a specific patent or other proprietary right on a good or service. In this case, there is not an opportunity to use a competitive bid process.

Documentation and Approval Requirements

- **Single Sourcing** – Any recommendation to single source for spend greater than \$100,000 must be supported by documentation explaining the rationale for the recommendation. This recommendation requires joint approval by a Vice President (VP) or their designee and Supply Chain. The VP will establish the designee's single source approval limits (can be separate from their DOA limits) with a signed document to be filed with, and retained by Supply Chain. Supply Chain shall approve recommendations in accordance with their DOA limits.
- **Sole Sourcing** - Recommendations to sole source purchases greater than \$100,000 must be approved by Supply Chain in accordance with their DOA limits.

Corporate Card

All employees are expected to utilize the Corporate Card for low risk services or non-stock purchases of \$5,000 or less per transaction. The Corporate Card can also be used as a payment channel where master agreements are in place with the supplier and Duke. Below are guidelines for the use of the Corporate Card.

1. All employees are expected to utilize the Corporate Card for low risk services or non-stock purchases of \$5,000 or less per transaction, while giving consideration to leveraging common use goods or high volume purchases to obtain favorable pricing. The \$5,000 cap does not apply to certain business expenses as defined in the Employee Expense and Corporate Card Policy.
2. Repetitive purchases for designated goods should be coordinated with the Supply Chain group so the best terms can be contracted.
3. The Corporate Card should not be used for chemicals or on-site services with risk factors requiring certificates of insurance or Environmental Health & Safety (EH&S) program compliance, or for high risk items such as Software, IT Software as a Service, cloud based solutions, etc. (Refer to the Portal > Services Center > Expense Management Center > Corporate Card Guidelines and Responsibilities for other restrictions.)
4. Due to withholding and reporting regulations imposed by federal tax laws, the Corporate Card should not be used by U.S-based cardholders to pay foreign vendors unless associated with travel. Payment for these vendor transactions should be made through Accounts Payable via an invoice.
5. Business Unit management must establish maximum limits for each employee and the maximum limit must be below the limit of the manager/supervisor authorizing the Card.
6. Transactions may **not** be split into multiple transactions to allow the use of the Corporate Card.
7. The process must ensure appropriate sales tax is paid to the vendor.
8. Purchases must be reviewed by a higher level of management.
9. The Corporate Card should **not** be used to make personal purchases, even if the Company is later reimbursed.



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Corporate Responsibility

Corporate Responsibility in the sourcing process includes leveraging supplier diversity, local suppliers, and supplier environmental sustainability to create broader value for Duke Energy customers and communities. Qualified diverse and local suppliers will be actively solicited to participate in bidding opportunities and their bids will be evaluated on a nondiscriminatory basis. Additionally, prime suppliers will be encouraged to utilize diverse and local suppliers to fulfill their contracts with the Company.

Corporate Responsibility evaluation criteria shall be included in the evaluation process for all competitive bid events required by this policy.

Contingent Workers

It is the position of Duke Energy that we will only conduct business with Affordable Care Act (ACA) compliant suppliers. Supply Chain will require Senior Management Committee member (or their designee's) approval for the use of any non-ACA compliant supplier, as well as a written plan of action to transition to an ACA compliant supplier for future similar services. Additionally, Supply Chain will maintain compliance with the Human Resources Contingent Workforce Policy when engaging contractor vendor/firms for contingent workers. Refer to the Contingent Workforce Policy.

3. Contract Formation

Contracts can take many forms, such as purchase orders, written agreements, intellectual properties/software licenses, pricing agreements and engagement letters. These are defined below.

Contracts must be written and include:

- a. A clear, concise scope of work or description of materials/equipment.
- b. Standard legal terms and conditions or Legal Department approval of any significant exceptions.
- c. Specifications for accrual and payment of taxes for purchase of goods and services.
- d. The right to terminate the contract for convenience; exceptions must be approved by the Legal Department.
- e. Requirements for appropriate business conduct in accordance with Code of Business Ethics, EH&S programs and fitness for duty, as applicable.
- f. An audit clause for non-fixed price contracts and for any non-fixed price subcontracts created by Duke Energy's prime contractor within the scope of their work.

A purchase order (PO) is a legally binding document prepared by an authorized purchasing agent to describe all commitments, terms, and conditions of a purchase.

A written agreement is a legally binding document used to describe more complex contracts. It contains the terms and conditions needed to cover risks, complexities and/or service levels. This type of contract is used because the transaction is not adaptable to standard commercial terms and conditions.



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Intellectual properties/software licenses are used to document appropriate language specific to purchase of software, and it contains the terms and conditions necessary to protect the Company's interests related to use of software.

Engagement letters are used to describe specific work activities to be done by consultants or other professionals. They normally reference a master agreement or larger contract.

4. Purchasing Process Guidelines

The purchasing process and related documentation should reflect the complexity and materiality of the goods or services being purchased. The steps identified below should be considered and included in the process as appropriate to support compliance with this policy or to meet specific operational requirements.

- a. Engineering or technical representative to prepare and review to ensure compliance with scope of work or other specifications.
- b. Supplier qualification review.
- c. Compliance with a standard set of terms and conditions with any legal significant exceptions approved by Legal.
- d. Commercial and risk assessment including insurance, credit, foreign currency, and commodity risks.
- e. Reviews by Accounting and Corporate Tax for any sales or property tax implications (e.g., mill machinery) or accounting considerations (e.g., lease obligations).
- f. Ensure that Forms W-9 or W-8 have been obtained from the vendor in order to comply with Federal and State tax reporting requirements.
- g. Other analyses and functional coordination as appropriate.

Documentation of the purchase process should support that the appropriate steps were taken and provide an audit trail. Documentation should be maintained in accordance with the Records Management Policy and the Duke Energy Records Retention Schedule (DERRS) and may be attached to the request in the purchasing system.

5. Changes in any Contract Terms, Requirements, or Work Scope

Prior to being implemented, any material changes in contract terms including requirements, work scope, or cost should be documented in writing and approved in accordance with this policy, the Delegation of Authority, and Approval of Business Transactions policies.

6. Confidentiality

In cases where Duke Energy is entering into a relationship with a prospective or selected supplier and confidential or proprietary information will be shared, a **Mutual Confidentiality and Non-Disclosure Agreement** must be signed by both parties, if the disclosure of the confidential or proprietary information is not addressed by an executed set of terms and conditions governing the relationship. This is a legally binding agreement that will



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protect Duke Energy and the supplier's interests and information. These non-disclosure requirements should also be included in the procurement documentation.

Supplier quotations should always be maintained as confidential information. Quotations of one supplier are not to be divulged to another. This information should not be made available within the Company except to individuals with a business need to know. The number of bidders, who is bidding, how much is in the budget, the past performance of bidders, and future business potential are topics that should **not** be discussed with suppliers unless Supply Chain personnel or Designated Sourcing personnel authorize the discussion.

7. Segregation of Duties

The following functions should be segregated between at least two people:

- Requisitioning and/or specifying
- Vendor File Maintenance
- Procurement/contracting
- Contract administration
- Receipt of goods or services
- Invoice approval
- Check signing or disbursements

Weaker segregation structures should be accompanied by additional management review. If anyone performs both the procurement and invoice approval processes, an additional level of management must review the approval of the invoice.

8. Standard of Business Conduct and Ethics / Foreign Corrupt Practices Act (FCPA)

Duke Energy complies with all applicable governmental laws, rules and regulations and maintains the highest standard of business ethics and conduct. Employees should refer to the Duke Energy Code of Business Ethics for an explanation of the Company's policies pertaining to topics such as gifts and entertainment; conflicts of interest; and bribery, kickbacks and other improper payments. Employees or contractors who are concerned about unethical behavior can anonymously report their concerns on the EthicsLine by calling 1-866-838-4427 or visiting <https://ethicsline.duke-energy.com/>. Employees should also consult and follow policies, procedures, and guidelines for complying with applicable Affiliate Codes of Conduct for any transactions between the regulated and non-regulated businesses.

Due diligence must be performed prior to engaging certain third party vendors. Due diligence requirements are based on several factors including dollar value of the contract, risk considerations, the type of third party vendor and the services or goods to be provided. All agency agreements must contain an FCPA clause that states that the third party vendor acknowledges an understanding of the FCPA and affirms compliance with the FCPA. All



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agency agreements must include special provisions in the terms and conditions of the contract. The law department should be consulted for confirmation that proposed contracts comply with these requirements.

9. Sourcing Requirements Summary

Category	Requirements
Purchases >\$100K	Competitive bid process will be required unless sourced through a strategic agreement. Approval by Supply Chain personnel and Designated Sourcing personnel in accordance with DOA limits. Must actively involve Supply Chain personnel or Designated Sourcing personnel.
Purchases <\$100K	Approval at appropriate DOA limits.
Single source recommendation above \$100,000	Documentation and approval by functional VP or their designee. Approval by Supply Chain personnel or Designated Sourcing personnel in accordance with DOA limits.
Sole source recommendation above \$100,000	Approval by Supply Chain personnel or Designated Sourcing personnel in accordance with their DOA limits.
Corporate Card	Should be used for low risk services or non-stock purchases of \$5,000 or less per transaction.

Related Links:

- [Purchasing Controls Policy - Frequently Asked Questions](#)
- [Purchasing Authority Policy](#)
- [Business Courtesy Policy](#)
- [Brand Policy](#)
- [Contingent Workforce Policy](#)
- [Diversity and Inclusion](#)
- [Approval of Business Transactions Policy](#)
- [Delegation of Authority](#)
- [Delegation of Authority – International Employees](#)
- [Sales/Use and Excise Tax Policy](#)
- [Records and Information Management \(RIM\) Compliance Policy](#)
- [Code of Business Ethics](#)
- [Legal Services Portal Page - Corporate Governance](#)
- [FCPA - Compliance with the Foreign Corrupt Practices Act Policy](#)
- [Engaging Major Accounting Firms for All Services Policy](#)



Duke Energy Policy

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- Engaging The Independent Auditor For Services
- IT 200 Information Technology Asset Management



Duke Energy Policy

Inventory Controls Policy

Applicability: Applies to Enterprise
Originator: Supply Chain
Approval: SVP Supply Chain & CPO, Chief Accounting Officer and Controller
Effective Date: 12/28/2015
Revision Date:

Statement of Purpose

This policy defines the roles, responsibilities, and requirements related to inventory management processes at Duke Energy Corporation and its subsidiaries (Duke Energy or the Company). Specific topics addressed include:

- 1) Required approvals for adding new inventory or increasing inventory stocking levels;
- 2) Returns of material back into inventory from work orders and projects;
- 3) Identification and review of potential obsolete and surplus inventory;
- 4) Implementing Engineering and Standards changes; and,
- 5) Inventory treatment of materials related to repairs and engineering evaluations.

Accountability: Roles and Responsibilities

The **Duke Energy Controller and Chief Accounting Officer** are responsible for approving this policy and exceptions to the policy.

The **Duke Energy Chief Procurement Officer** is the owner of this policy and is responsible for communicating this policy throughout the corporation to all persons involved in supply chain processes. Any exceptions to this policy should be documented and approved in advance by the Chief Procurement Officer prior to obtaining approval by the Duke Energy Controller.

Executive Operational Management (SVP, VP) is accountable and responsible for the compliance with this policy within their areas of responsibility. This responsibility includes ensuring that all business operational personnel are aware of the policy. Additional requirements include that adequate internal controls and practices are in place to enable effective compliance of the inventory controls policy.

Asset Accounting will work with operational management, functional business support (Regulated Utility, Financial Planning, Legal, and Regulatory Compliance) and Supply Chain to resolve any inventory accounting issues in the application of this policy.



Inventory Controls Policy

Supply Chain Management (Managing Directors) is responsible for compliance with this policy for all inventory management processes performed by their personnel. The Supply Chain organization is responsible for managing all materials and supplies processed through the warehouse facilities; excluding exceptions as defined within this policy.

Definitions

Inventory

Inventory is comprised of materials purchased primarily for use in the utility business for construction, operation, and maintenance purposes. For purposes of this inventory controls policy, fuel and emission allowances are excluded. Materials become Inventory when they are assigned a Catalog Identifier in our inventory management system (Maximo / CAS / Passport) and placed into stock within a Duke Energy warehouse and/or storeroom with an assigned book value. Inventory shall be useful in Duke Energy operations and have an intended use that satisfies future demand. Materials and supplies carried in Inventory will be tracked in general ledger FERC Account 154.

Critical Materials (Capital / Rotable Spares / Emergency Spares)

A select group of materials are designated by a Business Operations representative as Critical Materials in our inventory management system. These materials are typically classified as capital spares, rotatable spares or emergency spares and are often capitalized and held in reserve for future use. Quantities of these materials are tracked in our inventory systems. Cost associated with these materials may be accounted for within property in-service accounts if they are capitalized.

Expensed Consumable Materials

Expensed Consumable Materials are expensed upon receipt and their quantities are not tracked in inventory management systems. Expensed Consumable Materials are typically available to approved employees to use in their operations and maintenance activities without the need to perform an inventory transaction (goods issue). These materials are often available in open bins that are replenished through vendor managed inventory processes.

Direct Purchased Materials

Direct Purchased Materials are items that are charged directly to a cost object such as a work order or project that are not issued from our inventory management systems. These materials are often delivered



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directly to the job or project and can be charged to either capital or O&M general ledger accounts. Direct Purchased Materials are not tracked or managed in our inventory management systems.

Stock Material

Stock Material is an item that has a Catalog Identifier in our Inventory Management system with one or more assigned storage locations. Stock materials have a recommended minimum and maximum inventory levels for purposes of inventory management and replenishment. Stock materials may be reserved and are available for material goods issues, receipts and returns.

Non-Stock Material

Non-Stock Material has a Catalog Identifier in our Inventory Management system, but is not intended to be placed into Inventory. Non-Stock Materials are created to ensure the item is fully documented, qualified and to ease the procurement process. A Stock Justification Form is required for Non-Stock Material to be placed into Inventory. If a Non-Stock Material is accepted into Inventory it will not be replenished once it has been issued.

Static Material

Static Material is defined as Inventory material within the FERC 154 General Ledger account that has had no material usage transactions (goods issues) within the last five year period and is not designated as a Critical Material with an associated bill of material related to an active installed asset.

Inventory Control Policy Statements

1. Required Approvals for Adding New Inventory or Increasing Inventory Stocking Levels

New materials are created by establishing a new unique catalog identifier (Cat ID) within the Inventory Management system (Maximo, Passport, and CAS). Creating Stock Material should only be performed if the material will be needed for a future recurring demand. Material that is for a single one time use should be designated as a Non-Stock Material and preferably procured through a direct purchase

Requests to either increase the stocking level of an existing inventoried item or creating a new inventoried material are initiated by the appropriate Business Operations Representative through the completion of a Stock Justification Form (SJF). The SJF for new Inventory requests will document the material description, unit of measure, average unit price, manufacture, manufacture part number, stocking

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location(s), applicable bills of material, requested stocking level and rationale for creating a new inventoried item. A Stock Justification Form to increase the stocking level will identify the requested Cat ID; document the requested stocking level unit increase, stocking locations that are included, and rationale for increasing stocking levels.

The Stock Justification Form will require financial approval based on the item's average unit price multiplied by the recommended maximum stocking level of all associated stocking locations for new items, or the change to the requested stocking level for existing items. Changes to the Inventory levels require site or business unit approval per the Delegation of Authority approval matrix. Inventory stocking requests that exceed \$250,000 require the site or regional leadership approval and higher level approval if the DOA level of site leadership is exceeded. Site leadership is defined as Fossil Hydro Plant Manager, Nuclear Site Vice President, or Transmission or Distribution Regional Vice President.

Corporate Inventory investments for materials that exceed \$250,000 require a business justification completed by the appropriate Business Operations Representative and included with the Stock Justification Form. The business justification should evaluate the technical rationale for the purchase, risk analysis of the inventory investment, and economic analysis of purchasing and storing the capital spares in inventory. The outputs of the business justification shall consider total cost of ownership from the business first cost to purchase the material through the long term supply chain commercial costs related to financing the inventory and carrying costs. Spares associated with new assets should be included in the PMCoE estimating process as per guidelines: [PJM-00006-ENTSTD Project and Operations Support Planning Standard](#).

Stock Justification Forms will be reviewed and processed by the appropriate Supply Chain Central Inventory Management Group. The Central Inventory Management Group will ensure the material is not currently identified within the inventory management systems to avoid duplicate inventory records. In addition, they will create new Cat IDs per the Inventory Management Standards and associate the material with the appropriate system and storage locations.

Stocking Levels

Supply Chain is responsible and accountable to review and establish economic stocking levels for Inventory items as well as stocking locations (storeroom associations) in support of ensuring plant and system reliability, effective supply chain performance, and corporate financial objectives. For Critical Materials, such as capital spares, rotatable materials, emergency spares and critical nuclear safety

Inventory Controls Policy

materials, business operations technical input will be used in establishing minimum stocking levels and stocking locations.

2. Returns of Material into Inventory

Stock Material that has been issued from Inventory may be returned back to Inventory and a credit will be issued to the appropriate cost object (work order/project) should the cost object still be open and valid. A return transaction will be entered into the appropriate Inventory Management system and require a reason code associated with the return.

Non-Stock Material that has been issued to a project will be accepted (returned) into inventory based on the following guidelines for temporary project delays:

- For O&M Projects that have been delayed and the materials are planned to be used by the project: materials not used within 30 days of receipt must be returned to Inventory at original cost or system average unit price (AUP).
- For Capital Projects that have been delayed and the materials are planned to be used by the project: Materials not used by in-service date or ready for service date (whichever occurs first) of the capital project should be returned to Inventory as soon as possible but no later than 90 days.
- Materials returned into Inventory based on a project delay will have a material reservation entered into the Inventory Management system by the Business Operations Representative. The material reservation will designate a date associated with the expected usage of the material that was provided during the return. If the Inventory item(s) has not been issued to the work order/project by the associated material reservation date or thereafter within a reasonable timeframe, that Inventory shall be expensed by the respective business unit. An approved Stock Justification Form is required to avoid this action.

Non-Stock Material that is not used or needed for a project or work order completion may be returned to Inventory, if a Stock Justification Form has been initiated and approved to accept the material into Inventory. A decision to accept material for a return to stock is based on the material meeting the definition of Inventory.



Inventory Controls Policy

Contingent Material Returns

Contingent material is associated with work on a conditional basis. It is usually related to uncertainty concerning the quantity needed of the material, or whether the defined scope of work will require the use of the material. Contingent material that is Stock Material will be accepted back into inventory based on the material having a future use and will not require a Stock Justification Form. Contingent material returns for Non-Stock Material will require a Stock Justification Form.

Inventoried Material Repair Returns

Material that is removed from service needing refurbishment or that may have a defect requiring repair is a common practice. Once an item has been removed from service it may be returned back into Inventory in repair status. The work and analysis to determine if the item can be repaired and continue to support an in service asset must be completed within a one year period. The repair of a material should be completed within a reasonable period of time and will be accounted for and tracked as a control by Asset Accounting.

3. Identification and Review of Potential Obsolete and Surplus Inventory

Per the US Electric & Gas Materials and Supplies Accounting Standards (Inventory) a formal review of Inventory for obsolete and surplus material shall be conducted annually (or more often if events dictate) by line of business personnel for Inventory stored at warehouse facilities. Prompt identification of obsolete or surplus materials is the responsibility of each line of business.

The Supply Chain and Asset Accounting organizations are the administrators of the review process for potential obsolete and surplus materials. To facilitate this process a report listing of Static Materials will be generated each annual cycle period. The Static Material report will identify all Inventory materials that do not have usage (goods issue transaction) within the last five years. The report will exclude catalog items that are designated as Critical Materials with an associated bill of material related to an active installed asset.

If an item is identified as obsolete/surplus by the Business Operations Representative, the Supply Chain Central Inventory Management Group will designate the CAT ID as obsolete and will inactivate the use and replenishment of the item. In addition, the total book value of the Inventory for the obsoleted material will be written off (expensed) against the associated business unit obsolete/surplus account. Supply Chain will work to remove the items from their storage locations and coordinate the scrap and/or recycling with the Asset Recovery Group.



Inventory Controls Policy

Each year the Supply Chain organization will provide a rolling twenty four month forecast of materials that are likely to appear on future Static Material Inventory reports. This forecast will facilitate the identification of Critical Material needing association with an active bill of material that might otherwise be identified on the static report. The Supply Chain Central Inventory Management Group is responsible for updating the CAT ID record once this information is provided by the Business Operations Representative.

Obsolete material created as a result of modifications and/or upgrades shall be identified and documented during project close out planning activities per the PMCoE Standard: PJM-00006-ENTSTD Project and Operations Support Planning Standard. Per the standard, the handling, storage and disposal of obsolescent and/or decommissioning assets should be addressed in logistics planning. Ultimate storage, reuse, recycling and/or disposal of assets created and/or dismantled by the Project should be included in the lifecycle cost of the Project as they are a part of the cost of ownership to the company. Total Cost of Ownership (TCO) calculations should include eventual decommissioning and disposal of the asset delivered.

4. Implementing Engineering and Standards Changes

Engineering and Standards changes impacting existing Inventory shall be defined and communicated to the Supply Chain Central Inventory Management organization prior to taking effect. The Supply Chain will work with Engineering and Standards to conduct an analysis of Stock Materials that may be affected by the new standard or specification. This will include a "where used" analysis for items that are no longer associated with the bill of material (BOM). This step will identify material storage locations, stocking levels, other related bills of material, and uses for the material. The Engineering representative that is introducing the new standard or specification will be informed of the potential impact to existing Inventory. The Central Inventory Management Group will facilitate an optimization plan to rationalize (use up) existing Inventory before activating the new engineering standard. This can be accomplished through CAT ID and BOM maintenance that will enable the use of the old material until Inventory is depleted and then activate the new material per the new standard.

If the engineering and standard change identified a material that is no longer useful in operations due to safety, reliability, or in-service applicability; then, the existing Inventory balance of the item must be expensed to the appropriate project or asset accounting. The material would be designated as obsolete. Thereby the disposition of the material will follow the process defined in Section 3: Identification and review of potential obsolete and excess inventory.

Inventory Controls Policy

5. Inventory Treatment of Materials Related to Repairs and Engineering Evaluations

Materials may be placed into an inactive status within the Inventory Management system for the following reasons: repair hold, quality assurance hold, stores hold, repair vendor, procurement evaluation, and engineering evaluation. Materials that are placed in this status are not available for use. Inventory placed into an inactive status must return to an active state within a one year period of time. If the item is not active within this period it will be designated as a Static Material item and will be included in our Static Material review process.

Inventory Management Standards

The Inventory Controls Policy reinforces several of the asset accounting requirements for materials and supplies. There are additional Inventory Management Standards that must satisfy the minimum requirements that are outlined in the policies provided within this document.

Enterprise Asset Management Systems Standard

Supply Chain Management will be responsible and accountable for maintaining Inventory Management process documents for each of the Supply Chain Enterprise Asset Management (EAM) systems. This will include ensuring consistent Inventory Management system processes are identified and available for use by each Supply Chain employee. System processes and procedures that enable Inventory Management activities may be revised through continuous process improvement.

Inventory Access Standard

All Duke Energy employees, not in the Supply Chain organization, having access to facilities where material is managed and stored, are not permitted to remove Inventory material unless one of more of the following conditions has been met:

- Employee has provided the applicable information for a goods issue system transaction with the appropriate accounting for each Inventory item withdrawal.
- Supply Chain has communicated a Direct Purchase Material release of the items to a job site staging area for work completion.
- Employee is removing pre-charged Inventory items in order to support emergent work completion after hours or in an un-manned warehouse.



Duke Energy Policy

Inventory Controls Policy

Note: Duke Energy employees are responsible and accountable for third party contractors that perform Inventory withdrawals to adhere to the Inventory Access Standard.

Related Links:

- [US Electric & Gas Materials and Supplies Accounting Guidelines: \(Inventory and Capital\)](#)
- [US Electric & Gas Materials and Supplies Accounting Guidelines: Capitalization](#)
- [Purchasing Authority Policy](#)
- [Delegation of Authority](#)
- [Code of Business Ethics](#)



Duke Energy Policy

Purchasing Authority Policy

Applicability:	Applies to Enterprise
Originator:	Supply Chain
Approval:	Chief Procurement Officer
Effective Date:	01/01/2008
Revision Date:	09/01/2016

Statement of Purpose and Philosophy:

This Policy defines the approval limits for employees of Duke Energy who are in Supply Chain or who have been granted purchasing authority (excluding Duke Energy employees based outside the United States). Approval limits will be assigned based on an employee's position and /or responsibilities in the organization. This policy will be maintained in the Duke Energy Supply Chain organization.

Note: These DOA levels only apply to Purchasing activities.

Roles and Responsibilities

The **Duke Energy Chief Procurement Officer (CPO)** is the owner of this policy and is responsible for approving this policy and all exceptions to this policy. The approval authority for purchasing is delegated to individuals in supply chain organizations by the CPO based on approval levels delegated to the CPO per the Corporate Delegation of Authority (DOA) policy. **Supply Chain Management** is responsible for compliance with this policy.

DOA Approval Levels

The job positions in the following Approval matrix are general purchasing titles; however, actual purchasing positions throughout Duke Energy will be mapped to these titles. **Non purchasing positions who perform purchasing functions will be treated as exceptions to this policy and require CPO approval.** The approval levels are based on the purchasing organizational hierarchy. The approval levels and exceptions will be maintained in a DOA database.

Approval of Purchasing and Contract Documents

- Purchase orders and new purchasing contracts must be approved per the following Approval matrix. Includes signing of original contract document.

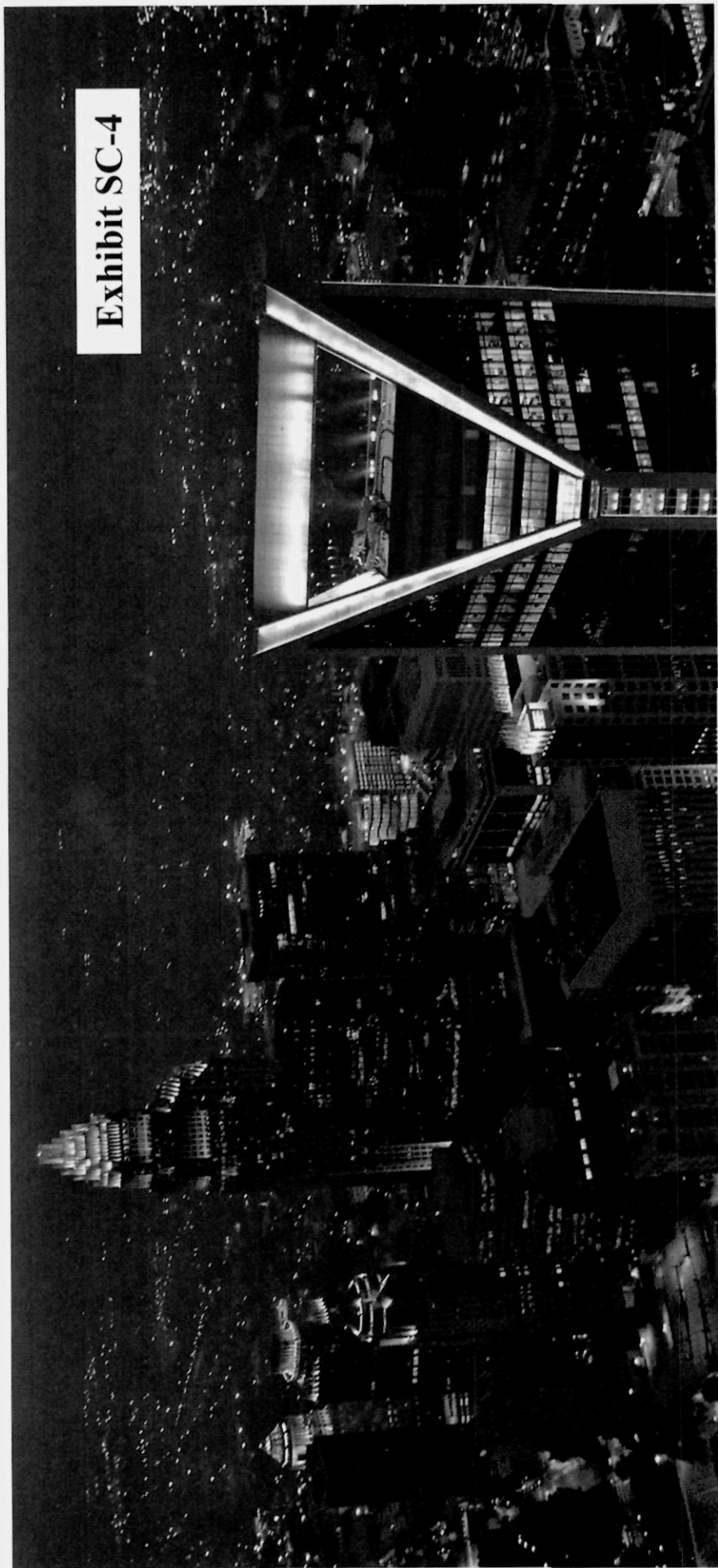
- Change orders or other contract amendments can be signed by the designated Purchasing Agent for any dollar amount as long as the transaction has been approved in a Supply Chain system per the following Approval matrix.

Job Position / Authority Level	Approval Dollar Limits
CPO	up to previously approved amount
Managing Director	\$10,000,000
Director, Sourcing	\$7,500,000
Category Manager Director, Commercial Contracts Management Manager, Sourcing I Manager, Sourcing II	\$5,000,000
Director, Materials Management Lead Sourcing Specialist Sourcing Manager	\$2,500,000
Commercial Contract Manager II Director, Nuclear Inventory Mgmt & Ops Support Director, Regional Sourcing and Warehousing Senior Sourcing Specialist	\$1,000,000
Director, Nuclear Supply Chain Operations Sourcing Specialist	\$750,000
Commercial Contract Manager I Contract Manager Manager, Nuclear Site Supply Chain Senior Buyer Senior Inventory Analyst	\$500,000
Associate Sourcing Specialist Buyer Inventory Analyst NSC Procurement Specialist II Supply Chain Associate I	\$250,000
Associate Buyer NSC Procurement Specialist I	\$100,000

Related Documents

- Approval of Business Transactions Policy
- Delegation of Authority Policy

Exhibit SC-4



Supply Chain Organization

December 2016



Supply Chain

SVP, Chief Procurement Officer

Jeff Corbett

Exec. Asst.

Debbie Thrapp

Managing Director
Enterprise Supply Chain

James Chuber

- IT Sourcing
- Customer & Enterprise Sourcing
- Asset Recovery
- IT Contracts Management

Managing Director
Generation Supply Chain

Dan Herzberg

- Site Sourcing
- Warehouse Operations
- Strategic Sourcing
- Materials Mgmt
- Generation Operations

Managing Director
Supply Chain Strategy & Support

Ian McCulloch

- Accounts Payable
- Analytics
- Inventory Optimization
- Policy & Controls
- Supplier Engagement
- SC Operations

Managing Director T&D
Supply Chain

Sheri Straw

- Strategic Sourcing
- Materials Mgmt
- Warehouse Operations

Managing Director Gas
Operations Supply Chain

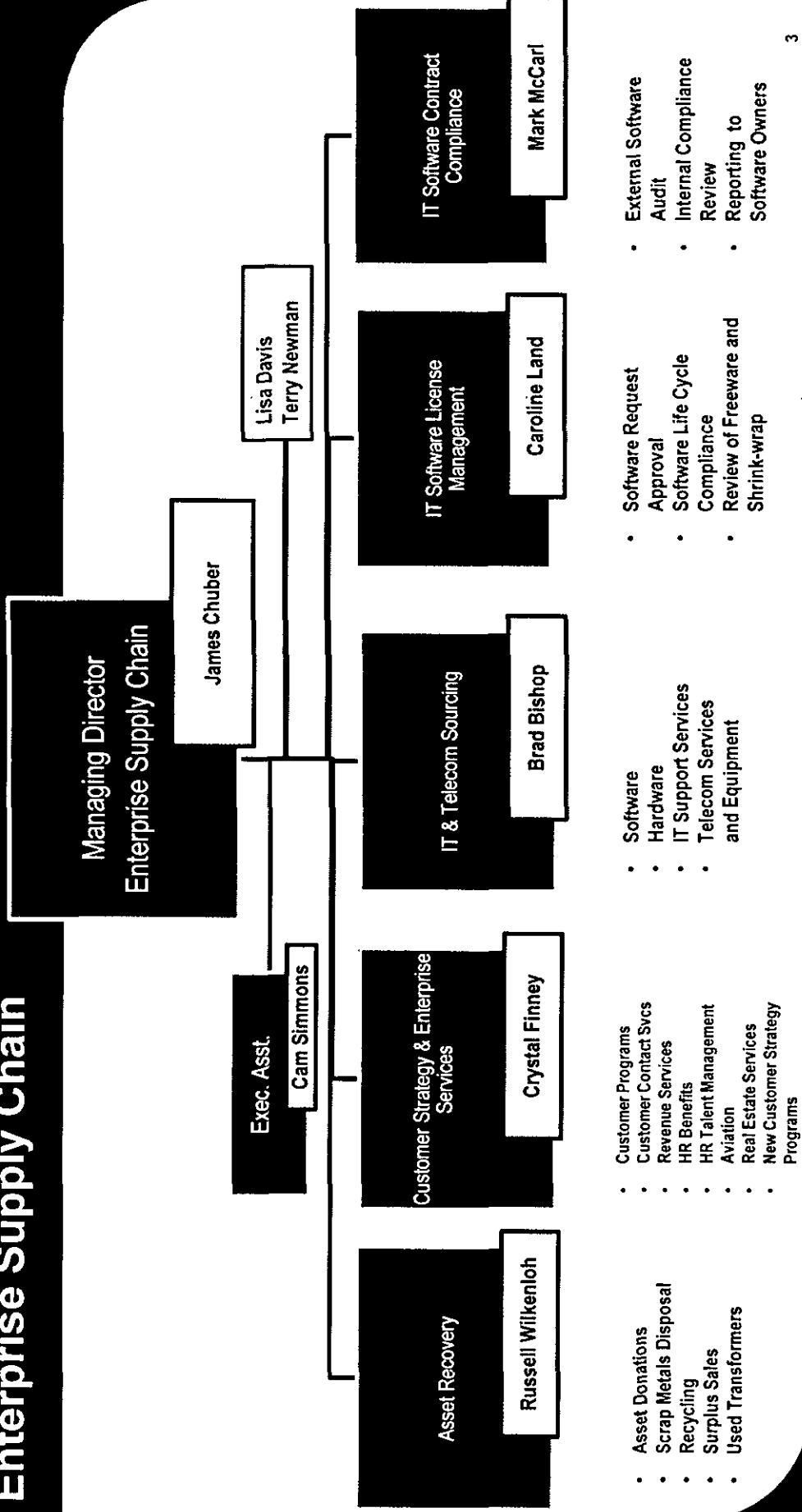
John Sutpin

Managing Director
Strategic Projects Supply Chain

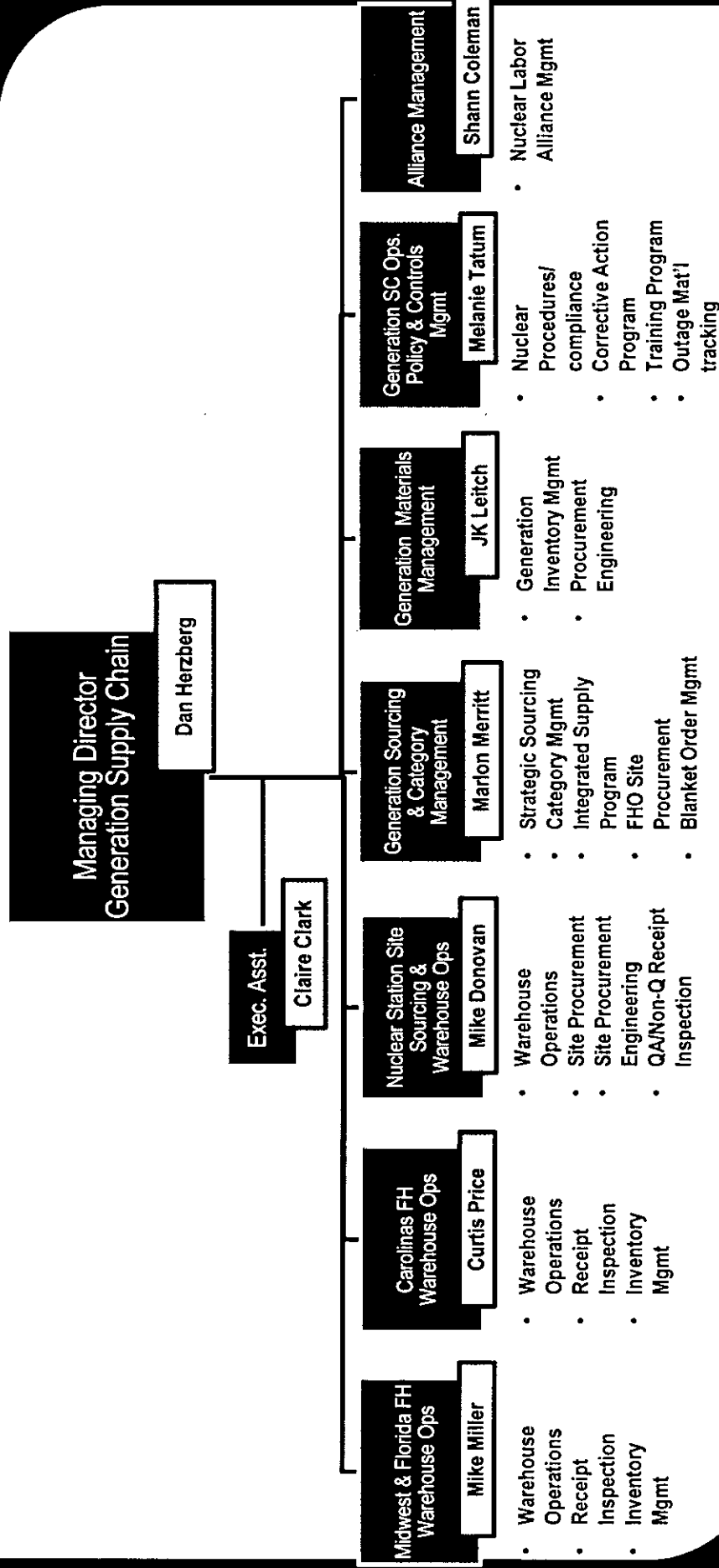
Mark Teague

- Coal Combustion Products Sourcing
- Renewables, Commercial, DE Intl
- New Generation
- Commercial Contract Management

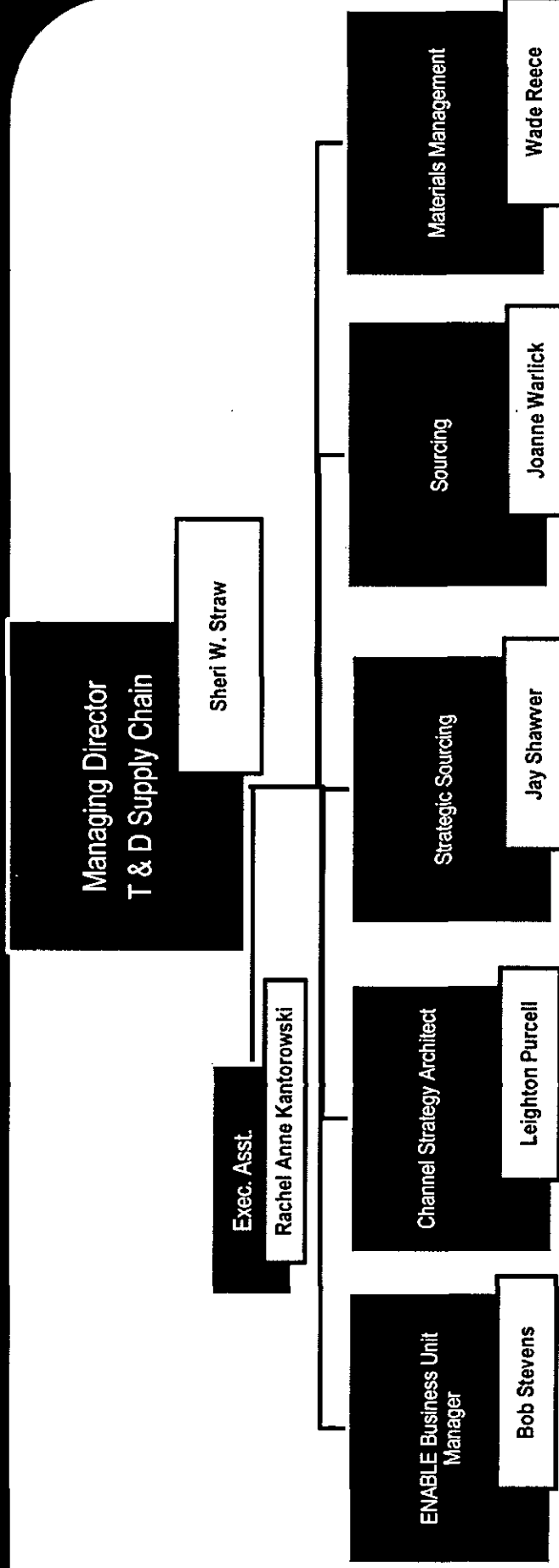
Enterprise Supply Chain



Generation Supply Chain

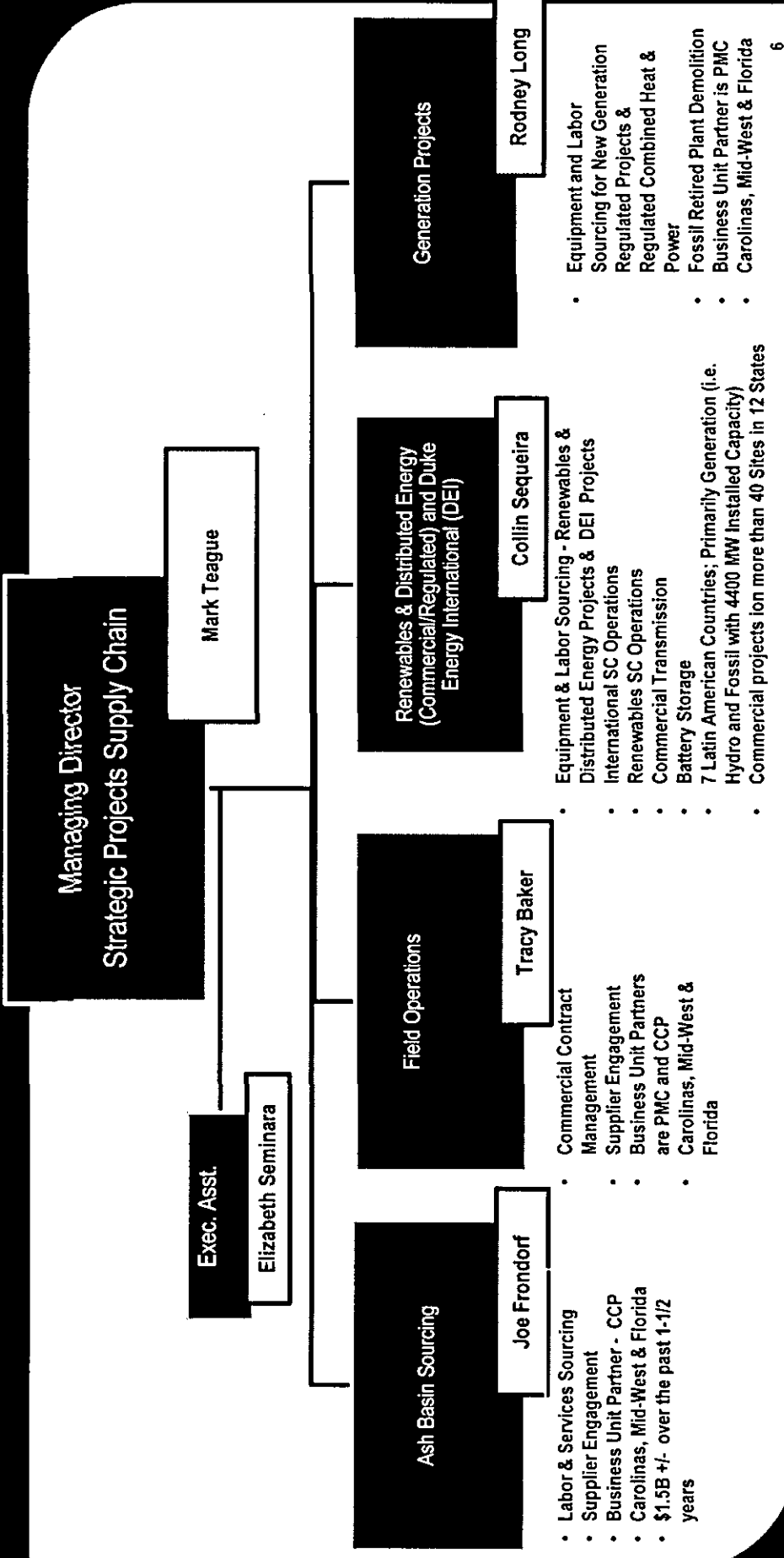


T & D Supply Chain

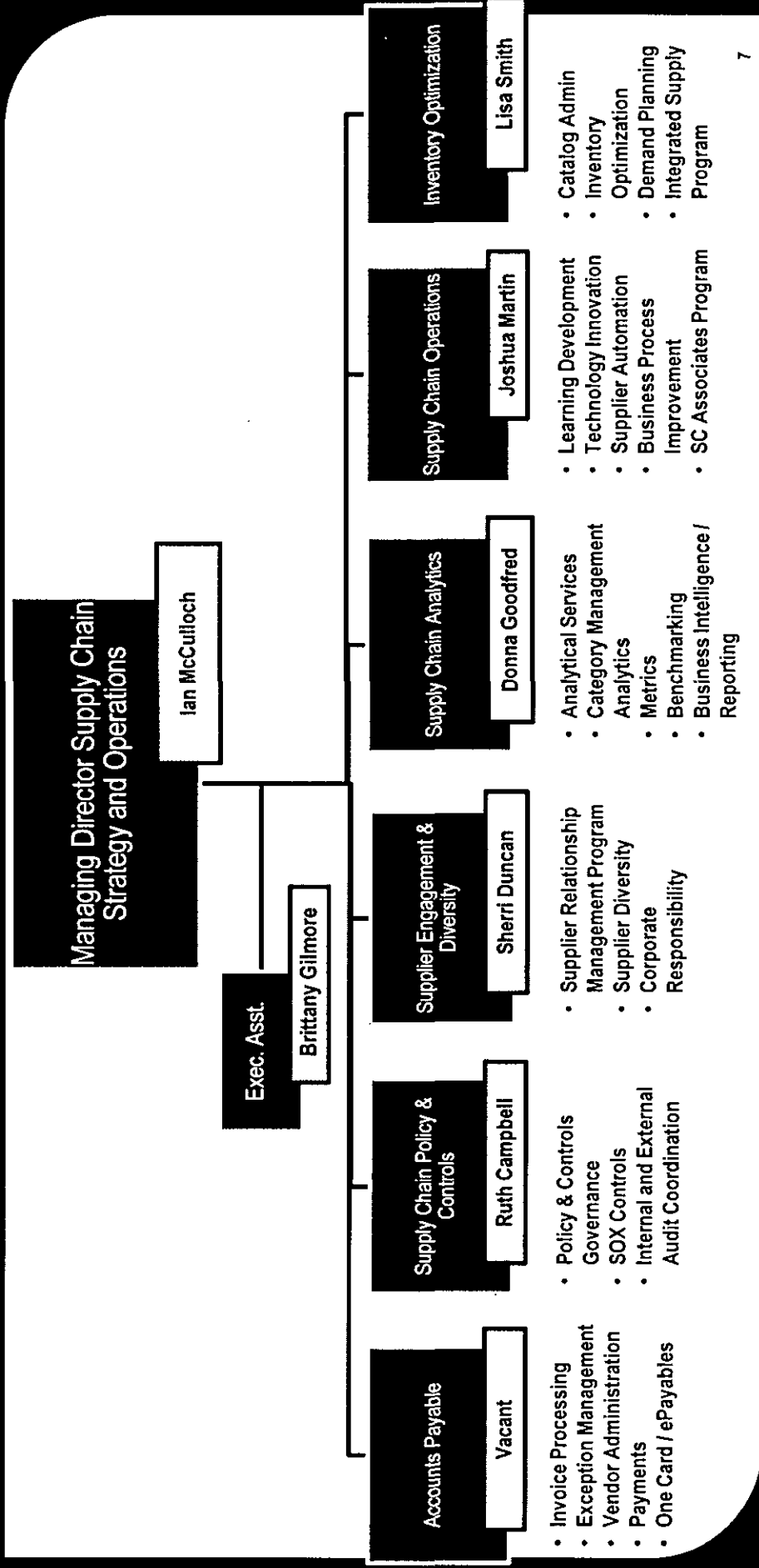


- \$480MM in inventory; \$3B in spend; 6 DCs; >200 operating center and job site locations
- Dedicated resources for Enable deployment and Channel Strategy design reporting to top leader
- Focused on End to End Category Strategies using variety of market approaches; less event driven bid and buy
- Use shared sourcing resources to develop broad experience within team
- Consolidates leadership for tactical fulfillment
- Organizes local focus in alignment with regions (Carolinas, Florida & Midwest)
- Drive to consistent processes

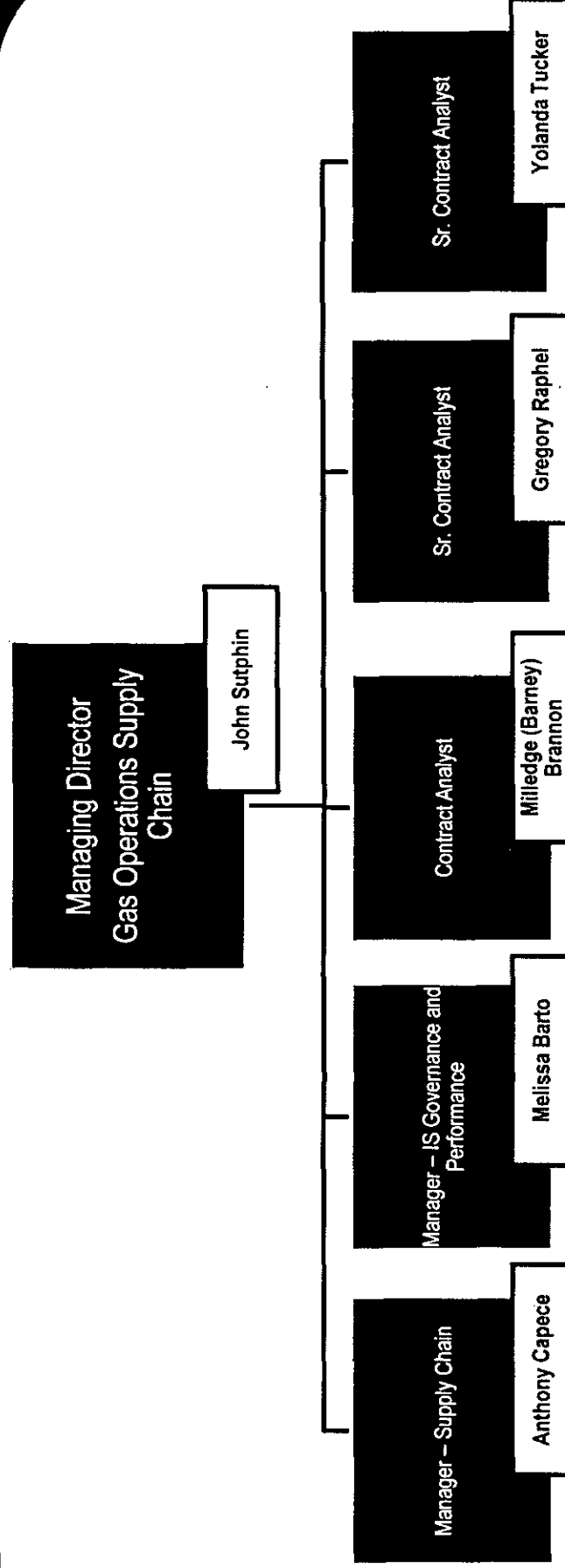
Strategic Projects Supply Chain



Supply Chain Strategy & Support

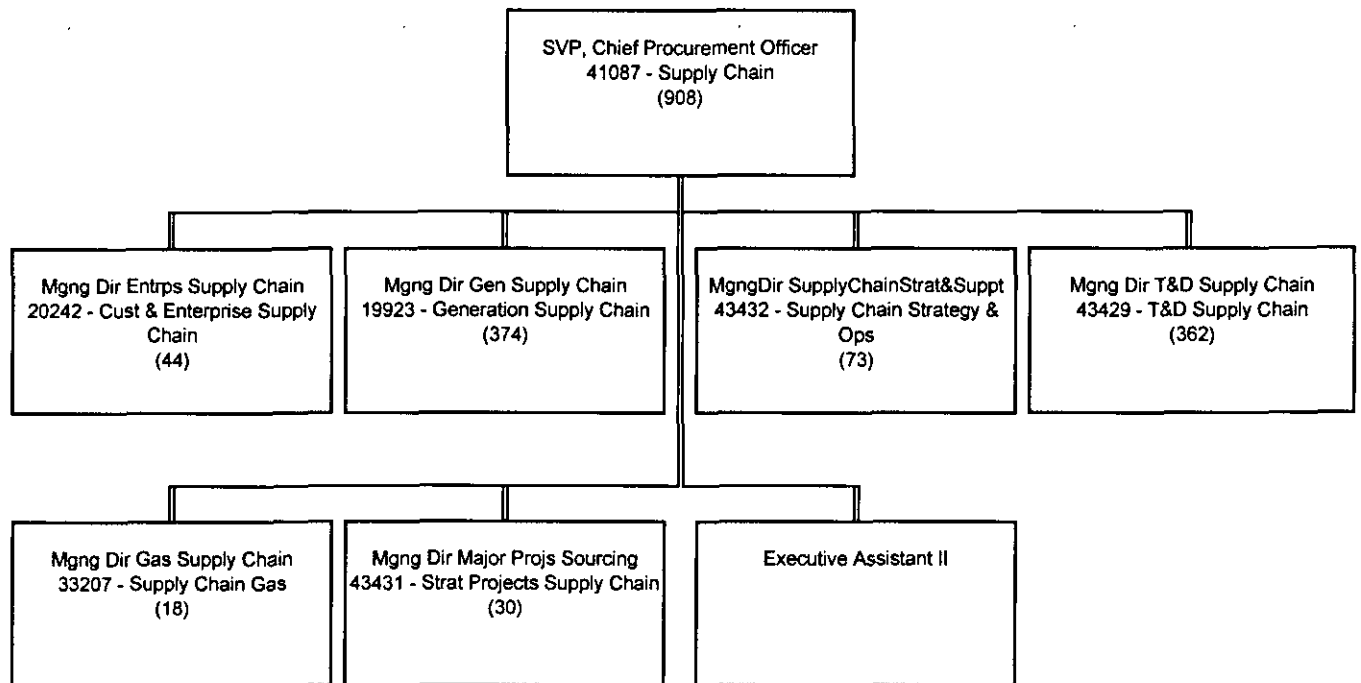


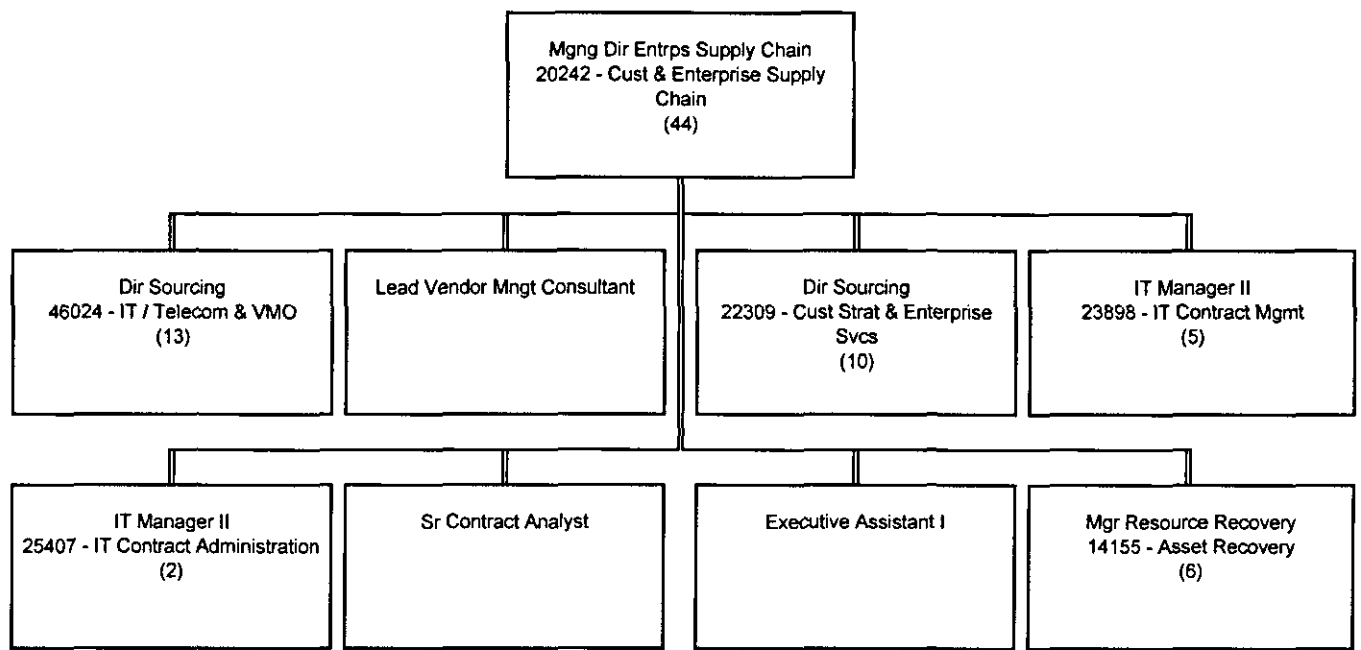
Gas Operations Supply Chain

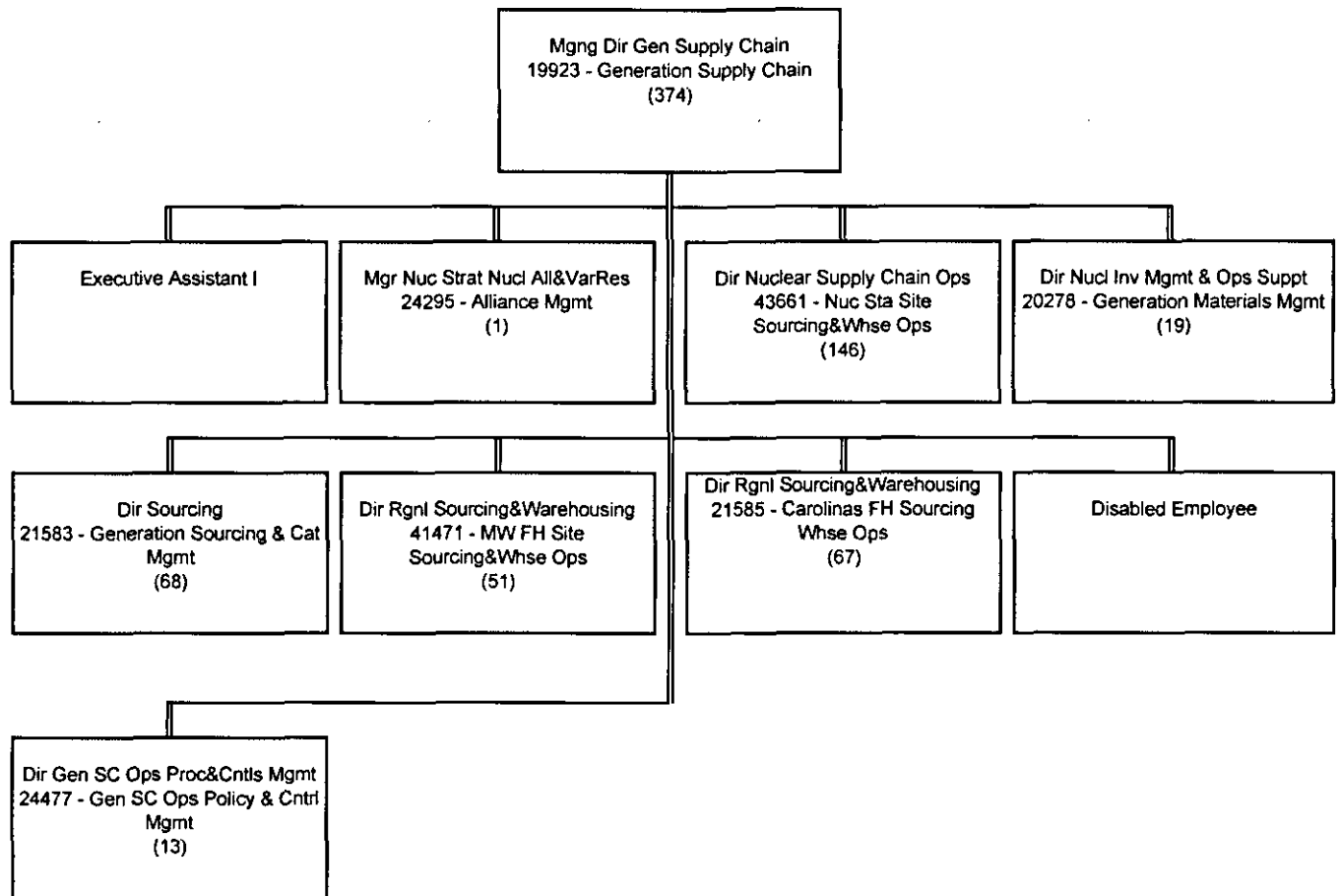


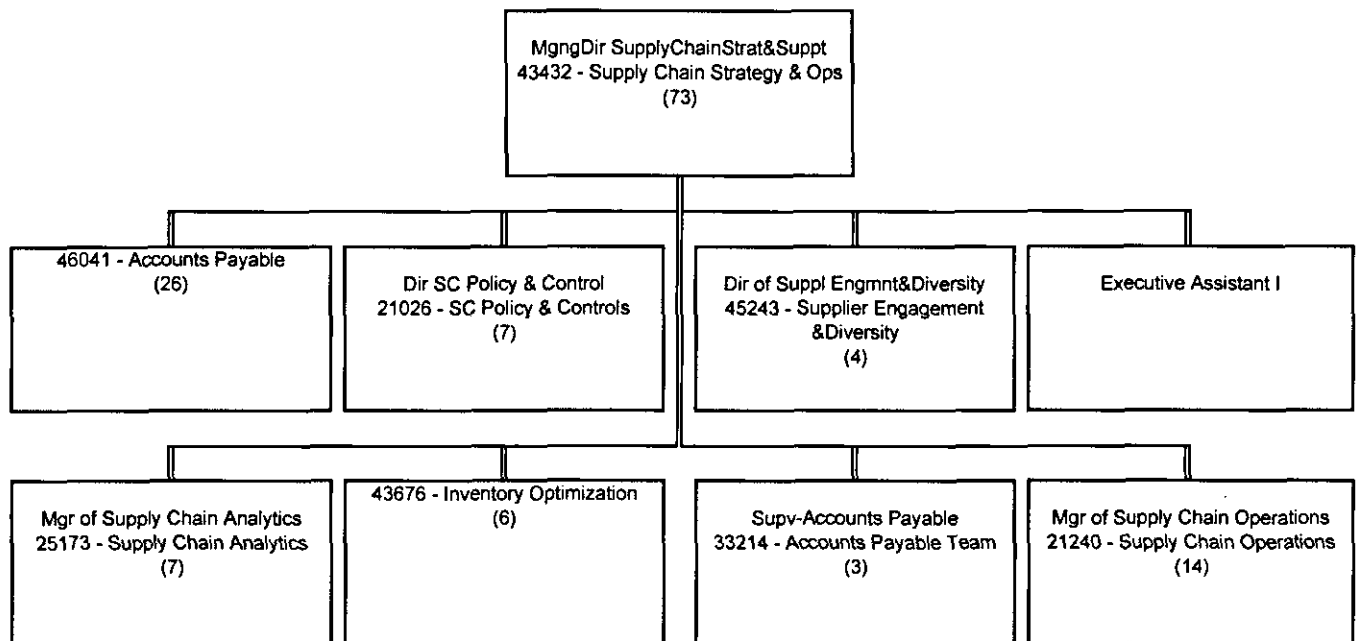
- Gas Business Sourcing
- IT Sourcing
- Contract Analysis
- Contract Analysis
- Contract Analysis

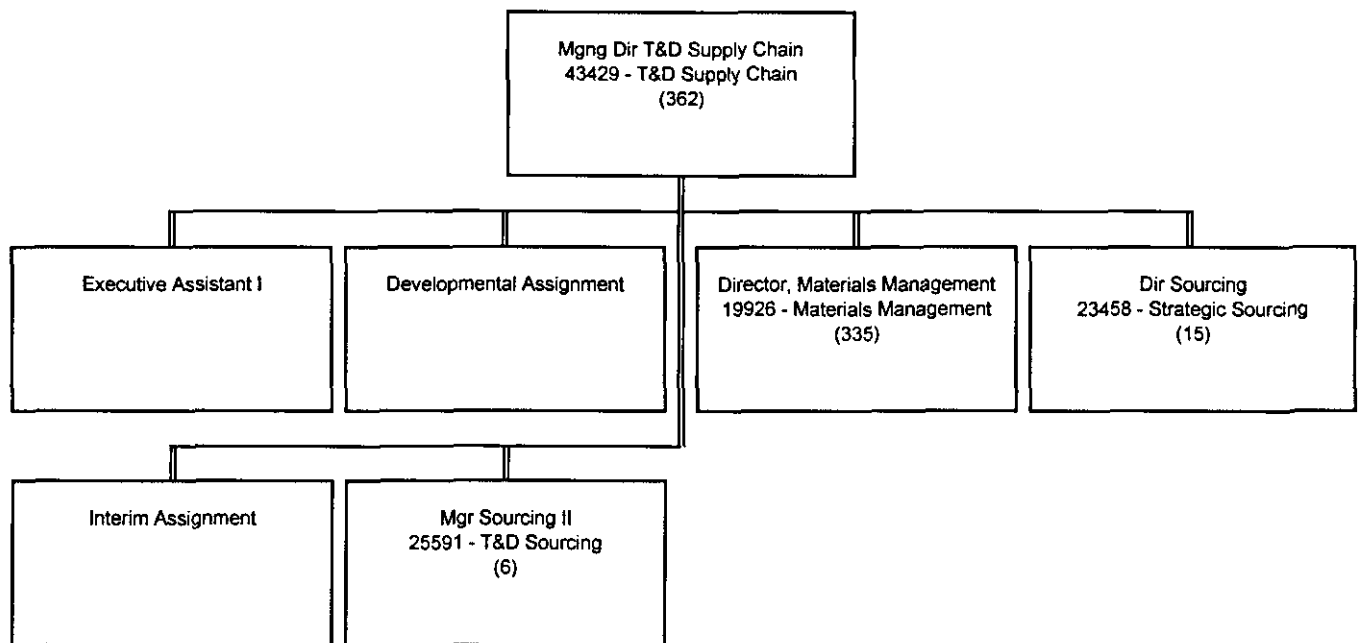


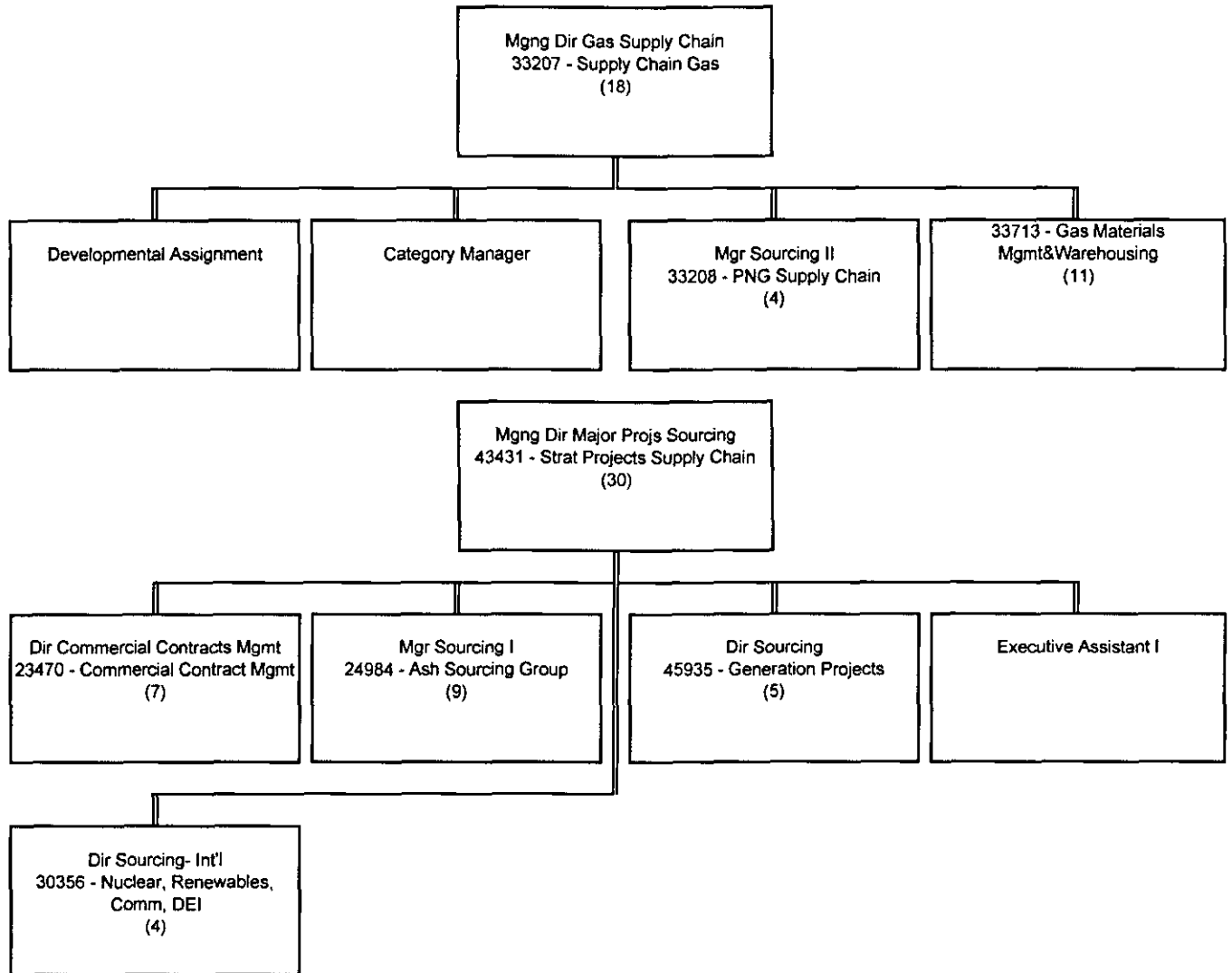












DUKE ENERGY CORPORATION
DUKE ENERGY OHIO, INC.
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
CORPORATE ENVIRONMENTAL HEALTH & SAFETY SERVICES
SFR Reference: Chapter II (B)(9)(a)(i, ii, vi, vii, viii)

I. Policy and Goal Setting

Environmental, Health & Safety Services (EHS) is a governance and service organization that provides EHS policy direction, leadership, guidance, and field support to all business units and functions within the enterprise by overseeing the development, deployment, and implementation of corporate policies, strategies and systems designed to protect the environment and the health and safety of employees, contractors and the public.

EHS is responsible for establishing internal policies, procedures and practices that address environmental, health, safety issues or concerns based on the best available technical information and judgment. The organization ensures that programs and management systems are in place to comply with all laws, regulations and standards promulgated by Federal, State and local agencies and that assessment and reporting programs within each business unit and operating area are established to meet all regulatory requirements and obligations.

The organization ensures that prevention and mitigation programs exist that evaluate and reduce risks and exposures from potential hazards in the work-place, and provides leadership across all business units and functions to drive an injury-free workplace and world class safety culture.

EHS gains insights and provides input into legislative agendas at both the Federal and State levels and works with key internal and external stakeholders on strategic EHS issues to develop collaborative and consensus positions within the enterprise that appropriately considers the diversity of all operational activities.

EHS provides EHS support and services to all businesses in the Duke Energy enterprise, including Piedmont Natural Gas.

Utilizing departmental directives, procedures and practices, EHS supports corporate policies and objectives described in the documents such as:

- Duke Energy Charter
- Code of Business Ethics
- Safety Vision and Principles
- Safe Work Practices
- EHS Policy and Management System

- Workforce Environment Policy Manual
- EHS Compliance Manual

EHS develops and publishes policy and practice guidelines as required in order to uniformly administer corporate directives and policies set by upper management. These policies are generally developed within the department, taking into account specific work conditions, schedules, department specific practices, industry standards, and processes developed through past experience. Policies and practices documents employed by management are available to the general employee population through departmental and corporate web sites.

Each year the Senior VP, Environment, Health & Safety requires that all direct reports use the Duke Energy Performance Management system to provide personal performance goals and competencies that are used to align and measure departmental performance with the corporate standards for performance set by Duke Energy Leadership and the Board of Directors. The Senior VP, Environment, Health & Safety's core accountabilities generally consist of high-level targets set for safety, O&M, reliability, environmental performance, etc., that are supportive of the corporate goals and business plan. As groups and individuals further down the management line develop their associated core accountabilities, they become more specific to the actual processes and procedures necessary to complete the work and attain the goals. The focus is on fixed, known and measurable indicators of performance to avoid subjective evaluation of results.

II. Strategic Planning

EHS contributes to the development of long-range plans in support of the Non-Nuclear Generation, Nuclear Generation, Power Delivery, and Duke Energy Corporate Groups business plans. EHS's input into the strategic planning process is to ensure that new electric generation assets that are planned, constructed and operated are done so in a manner that satisfies all EHS regulatory requirements and regulations.

Short-term planning provides near term direction in several areas of EHS. Operation of the department, execution of the EHS business plan, staff development and performance measurement against core accountabilities are some functions at the manager level. EHS is a service provider to the Nuclear, Non-Nuclear Generation, Power Delivery, Customer Group and International business units. As a service provider, short-term planning is used to ensure that needs of the customer are planned into the day-to-day operation of the groups. Short-term planning between the departments are used to develop the forward strategy.

III. Organizational Structure

The EHS Department is organized under the Senior VP, Environment, Health & Safety. The Senior VP, Environment, Health & Safety reports to Executive Vice

President and Chief Operating Officer. Under the Senior VP, Environment, Health & Safety, there are Vice Presidents, Managing Directors, Directors, and Managers assigned to lead various core functions of the Department.

There are four major functions within EHS. They are:

- Environmental Services
- Health & Safety Services
- EHS Coal Combustion Products
- EHS Risk, Governance, & Change Management

The organizational structure of EHS is charted in Exhibit EHS-1.

IV. Responsibilities

Overall responsibilities for the four major functions within EHS are as follows:

Environmental – This function provides environmental policy direction, leadership, guidance, and field support to all business units and functions within the enterprise by overseeing the development, deployment, and implementation of corporate policies, strategies and systems designed to protect the environment. This function directs and oversees the development of internal policies, procedures and practices in the areas of air, water and waste that address environmental concerns based on the best available technical information and judgment. The function ensures that programs and management systems are established to comply with all laws, regulations and standards promulgated by Federal, State and local agencies and that assessment and reporting programs within each business unit and operating area are in place to meet all regulatory requirements and obligations. This function is responsible for activities associated with performing internally or externally contracted analytical testing, as well as securing analytical testing by external vendor laboratories. A variety of related support services are performed for internal customers. Customers fall into four basic categories: Generating Stations, Transmission & Distribution, EHS, and Other. In addition to analytical testing, the Lab provides specialized research and scientific support when requested by customers. Specific programs and customer needs dictate the level of service provided.

Health & Safety – This function provides health and safety policy direction, leadership, guidance, and field support to all business units and functions within the enterprise by overseeing the development, deployment, and implementation of corporate policies, strategies and systems designed to protect the health and safety of employees, contractors and the public. This function directs and oversees the development of internal policies, procedures and practices for the corporation that address health and safety issues or concerns based on the best available technical information and judgment. The function ensures that programs and management systems are established to comply with all laws, regulations and standards

promulgated by Federal, State and local agencies and that assessment and reporting programs within each business unit and operating area are in place to meet all regulatory requirements and obligations. This function ensures that prevention and mitigation programs exist that evaluate and reduce risks and exposures from potential hazards in the work-place, and provides leadership across all business units and functions to drive an injury-free workplace and world class safety culture. This function ensures that new and pending regulatory changes and developments are understood and implemented across the enterprise as appropriate.

EHS Coal Combustion Products – This function supports the Coal Combustion Products (CCP) operation organizations. It is responsible for the support and compliance reporting required by the Plea and Debarment Agreements. This function also supports Waste and Groundwater Programs related to Coal Combustion Residuals (CCR). The group manages waste programs and practices that apply broadly across Duke Energy's operations. This group is responsible for technical report preparation, environmental compliance guidance, and regulatory review/analysis in these areas of expertise. Waste Programs has authority and responsibility for regulatory interpretation within these areas of expertise collaborating with Legal, Environmental and Energy Policy, business unit management and other functions.

EHS Risk Governance and Change Management – This function provides direction and oversight for a number of critical EHS support functions across Duke Energy. Staff oversees and directs the development and implementation of EHS Information Systems and the implementation of the Duke Energy EHS Management System. It is responsible for overseeing a comprehensive EHS compliance auditing program to identify and correct sources of programmatic and operational risk and share challenges and best practices across environmental and health/safety organizations and business units. The function is responsible for the development and implementation of the EHS IT strategy including identifying and deploying applications to drive efficiencies in EHS data management and reporting. This function supports corporate groups within Duke Energy by providing them EHS compliance support and also serves as a facilitator for the EHS strategic and business planning process. The change management function supports with the following EHS functions: impact assessments, stakeholder and sponsorship analyses, organizational readiness assessments, training and communications needs assessments, communications and training plan development, change network development and the deployment of the overall change management strategy. Staff is also responsible for leading the execution of the EHS communications strategy to meet stated objectives through creative, engaging, timely and relevant material. This includes creating communications to support change projects, monthly safety topics, leadership messages, employee grassroots campaigns, safety and environmental alerts and other communications between EHS and the various business units. EHS Training serves as the internal training team for EH&S organization, which includes creating and maintaining the EH&S Training Compliance Matrix, scheduling classes

for EH&S employees and supporting the tracking efforts and compliance schedules of EH&S management.

V. Practices And Procedures

Environmental, Health and Safety policies, procedures, practices and other related documents are located on an internal company employee portal. These documents provide administrative and functional information and guidance for use by EHS and other areas of the company to facilitate uniform management practices across the enterprise. This material provides guidance and consistency to application of company policies and ensures that the latest version of the policy is available at all times.

The Health & Safety function within EHS provides resources to develop, monitor, train, and audit compliance with a variety of safety and health laws, regulations and policies. Safety and health specialists are strategically located at generating stations, regional offices and corporate offices such that they can provide expertise and guidance for the administration of safety policies to managers and employees located over a regional geographic area. The safety specialists also provide consulting and liaison functions to other departments as well as liaison functions outside groups such as regulators, agencies, vendors, contractors and other utilities. They are required to attain safety certifications applicable to the power industry.

The Health & Safety function develops and maintains a wide variety of safety related policies and procedures for all business and operating areas across the entire Duke Energy Corporation. These policies and procedures are developed to ensure compliance with applicable laws and to maintain a high internal focus on employee safety. The safety and health specialists are also available to assist in the training and interpretation of these policies and procedures.

Although most of the safety services are required directly by the various businesses of the Duke Energy Corporation, the safety organization is located in the EHS Department. This is to ensure that auditing of compliance to procedures and reporting of safety statistics by the safety group is completed by an “outside” resource not in direct line control of the primary operating groups.

The Environmental function, including the Carolinas, Florida, Midwest and Programs teams, operate in a similar fashion and have similar responsibilities each for their specific areas. These groups contain highly qualified environmental scientists, engineers and professionals that provide their services to facility managers and capital project teams that require assistance with environmental program or regulatory compliance issues. They study, review and interpret requirements and provide guidance to management and engineers in the performance of their work. They may acquire outside environmental consulting firms to supplement internal resources. In addition to ensuring that monthly continuous emission data and discharge data is quality assured and supplied to government agencies, these groups

also perform, arrange, coordinate and oversee environmental testing services as required to demonstrate compliance with issued permits and applicable laws.

This EHS Department interfaces with the Environmental Policy and Governmental Affairs organizations which regularly interact with government agencies, industry committees, vendors, contractors, consultants and working groups to ensure a good flow of accurate and up-to-date information is both received and supplied by all parties involved with environmental decision making. Corporate EHS maintains programs to help ensure compliance with federal state and other requirements such as air, water and waste regulations and permits. for use by the Non-Nuclear Generation operating and Power Delivery groups.

VI. Decision-Making and Control

With few exceptions, personnel at all levels are provided general supervision and granted latitude to make daily decisions, plan activities, coordinate schedules and travel as required to perform their core functions. Directors and Managers review employee activities regularly, but not continuously, to monitor compliance with company policies and standards of conduct. If anomalies are discovered or decision-making seems inappropriate, a higher degree of control and monitoring is initiated and documented. Training and counseling can be provided in an attempt to improve performance. EHS Vice Presidents, and Directors review Manager activities on a frequency appropriate for the experience level of the employee. All employees are expected to comply with company policies and formally document completion of required training programs.

Control of individual purchasing activities and access to cash reimbursements are strictly controlled by each level of management in accordance with the authorized approvals manual and expenditure authority level. Specific policies are in place within the Supply Chain Department for sourcing of all purchased materials, equipment and services. Electronic systems provide verification of authorization levels and compliance with procedures before contracts are issued or payments disbursed.

VII. Internal And External Communication

Informal verbal communication may be conducted between individuals directly or by telephone. Telephone calls are normally conducted on an informal basis and are not generally documented.

Formal verbal communications are used in special circumstances involving direct orders, instructions or reports. Formal verbal communication is used in certain disciplinary actions and is normally confirmed by documents.

Verbal communications include conducting of meetings and conference calls. In general, meetings are held regularly to communicate internally within and

between the work groups, to receive updates, review department performance, strategy, progress towards goals, evaluate methods and discuss changes required to achieve goals.

Each functional area conducts regular staff meetings to exchange information relative to the EHS department and to pass on information gained from the next level of management. These meetings are generally not documented with meeting minutes. Conference calls are also used for this purpose.

Electronic Mail is used extensively, along with internal company departmental web sites to exchange both formal and informal communication. It is also used as a method of transmitting reports providing access to the latest up-to date policies and procedures. Most procedures that require the use of specific forms and documents are designed such that the forms are submitted and filed electronically.

EHS communicates with other shared service entities regularly to exchange information in the normal course of business. A partial listing includes Supply Chain, Treasury, Tax, Finance, Enterprise Risk Governance, Payroll, Accounting, Fuels, Human Resources, Information Technology, Corporate Communications, and Legal.

External communications would include contacts with:

- Vendors, suppliers, contractors, and service providers - These contacts are in the form of general communication required to receive services or products from outside sources. In addition, employees are included in users groups and process improvement committees that meet regularly;
- General public – Working with Corporate Communications and Community Relations, these contacts are in the form of general communications about environmental, health or safety topics to ensure the protection of public health and safety. These are generally informal in nature through in-person conversations, phone calls or media interviews, although sometimes more formal communications such as written notices or brochures are issued.
- Government Agencies – Communication with these agencies is of both formal and informal nature. Procedures generally dictate the formal contacts;
- Utilities – With co-owned units; and
- Professional Societies and Industry Trade Groups - The group also participates in a variety of industry committees and professional societies maintaining membership as well as leadership positions within these groups.

VIII. Goal Attainment Quantification

Meeting or exceeding the annually established goals is the measure of accomplishment of EHS.

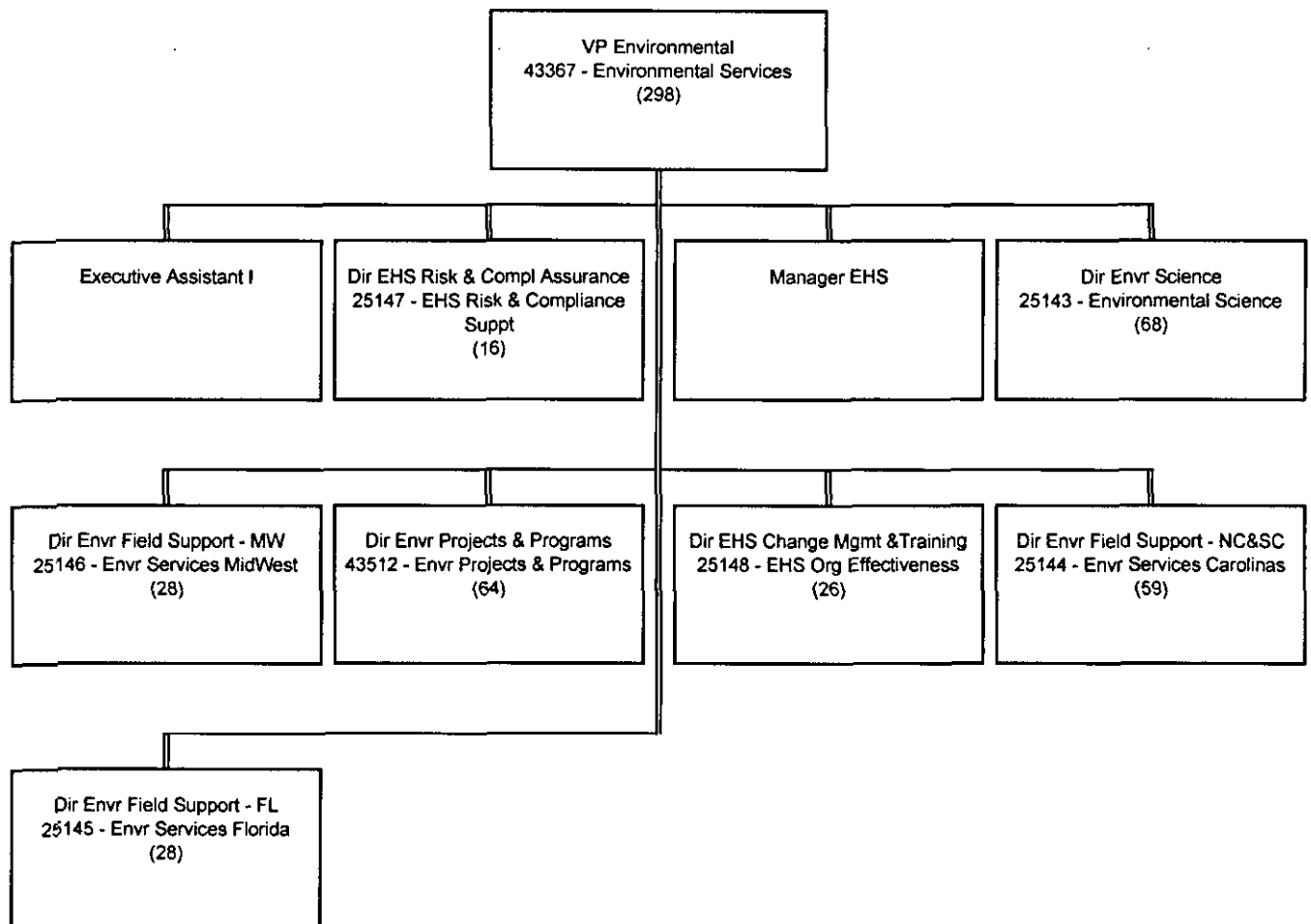
Performance indicators utilized by the organization are measures of goal performance. Examples of performance indicators that relate to specific goal performance are listed below:

- Safety - OSHA Total Incident Case Rate;
- Safety – Contractor safety performance;
- Financial - O & M Budget Variance;
- Financial - Capital Budget Variance;
- Environmental – Compliance; and
- Environmental – Reportable Environmental Events

Timely collection and reporting of information is essential to providing adequate control of department performance:

- Safety and Environmental statistics are reported at least monthly in accordance with industry standards and internal procedures;
- Corporate data systems provide financial information related to each department's O&M performance and capital budget performance on a monthly basis. Significant variances must be explained and new projections provided each month;
- Environmental compliance is a function of both electronic data submittals to the state EPA and testing to demonstrate compliance with permits.

Employees receive annual performance reviews to measure and report progress toward individual goals in support of the department and corporate goals.



DUKE ENERGY CORPORATION
DUKE ENERGY OHIO, INC.
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
ACCOUNTING DEPARTMENT
SFR Reference: Chapter II(B)(9)(b)(ii, iv), Chapter II(B)(9)(e)(iv)
Staff Letter, Chapter II(B)(9)

I. Policy and Goal Setting

The Corporate Controller's Department sets policies, as necessary, to comply with Financial Accounting Standards Board (FASB), Security Exchange Commission (SEC), Public Company Accounting Oversight Board (PCAOB), and Federal Energy Regulatory Commission (FERC) requirements. These policies are generally developed within the department, taking into account department and enterprise practices, industry standards and requirements, and processes developed through past experience. Policies and practices documents employed by management are available to the general employee population through department web sites on Duke Energy's intranet.

The Electric Utility and Infrastructure group is primarily responsible for the books and records of Duke Energy's electric utilities operations, including Duke Energy Ohio. This group supports the corporate policies developed by the Corporate Controller's Department through department directives, procedures and practices. The groups that report to the Corporate Controller set goals designed to support the financial and administrative goals of the Corporate Controller's Department, which are aligned to support the Company's strategic and business plans. The goal setting process is a joint effort of the Senior Vice President & Controller (Corporate Controller), other members of executive management, and other members of management of the Department. Progress toward achieving the established goals is reviewed as required.

II. Strategic Planning

Senior Management has the primary responsibility for establishing the Company's strategic plan. As mentioned in Section I, Policy and Goal Setting, the Corporate Controller's Department goals are designed to align with the Company's strategic and business plans.

The Corporate Controller's Department participates in the corporate planning process through input and suggestions given to the Group Executive & Chief Financial Officer, and through Corporate Controller Department participation on corporate teams established for this purpose.

III. Organizational Structure

The Company's accounting operations are centralized and led by the Corporate Controller. Reporting directly to the Corporate Controller are the Director, Electric Utilities and Infrastructure; Director, Gas Utilities and Infrastructure; Director, Asset Accounting; Director, Corporate Accounting; Director, Financial Reporting and Accounting Research; Director, Wholesale Accounting; and Director, Renewables Accounting.

An organizational chart of the Department is attached as Exhibit CO-1.

IV. Responsibilities

The Electric Utilities and Infrastructure group is responsible for ensuring the integrity of the electric utilities accounting books and records; providing accounting-related information to support Duke Energy's regulatory initiatives and assure that the organization's reporting documents are in compliance with generally accepted accounting principles and practices and established governmental standards set by regulators, such as the SEC, the FERC and the Utility Regulatory Commissions of Ohio, Indiana, Kentucky, Florida, North Carolina and South Carolina. This group also provides accounting support to the Gas Utilities and Infrastructure organization for Midwest gas operations.

The Electric Utilities and Infrastructure organization includes the following groups that have involvement with the Duke Energy Ohio jurisdiction:

1. Midwest Accounting and Reporting – duties of the group include:
 - closing the books on a monthly basis and analyze financial results;
 - preparing information for filings with regulators including FERC Form 1, FERC Form 2 and FERC Form 3Q or others as required;
 - supporting the company's regulatory activities including assistance in preparing accounting-related testimony, exhibits and discovery requests and coordination of regulatory audits;
 - assisting in preparing accounting-related data in support of corporate initiatives and activities;
 - establishing financial controls and test for compliance with Sarbanes-Oxley 404 requirements;
 - coordinating data gathering for 10Q/10K filings for Duke Energy Corp.; and
 - coordinating updates of key financial messages for Investor Relations.
2. Midwest and Florida Revenue Analysis – duties of the group include:
 - recording revenues, primarily utility related, for the business units;
 - performing accounting control functions for the utilities revenue processes to ensure data integrity;

- providing internal management reporting and analysis for revenue results; and
- providing billing and collection services for miscellaneous utility and certain non-utility services.

The duties of the Fixed Asset Accounting group include:

- maintaining property, fuel, materials and supplies inventory, and emission allowance records (Asset valuation, depreciation, AFUDC, capital recovery, etc.);
- establishing asset accounting policies;
- providing guidance on capital versus expense accounting;
- performing construction and retirement work order accounting;
- determining appropriate strategies for book depreciation, nuclear decommissioning funding and AFUDC;
- establishing financial controls and test for compliance with Sarbanes-Oxley requirements;
- preparing and analyze capital expenditure, fuel, materials and supplies inventory and emission allowance reports for management use; and
- preparing rate case exhibits and testimony and respond to recovery requests.

The specific duties of the Wholesale Accounting group include:

- providing accounting and settlement function for power and gas transactions;
- providing accounting and invoicing for jointly owned facilities and network point to point transmission;
- performing Post Analysis Cost Evaluation (PACE) modeling;
- reporting and analyzing product line profitability;
- Assisting with fuel clause, revenue sharing and other regulatory calculations; and
- supporting regulatory fuel clause and revenue sharing audits.

The Renewables Accounting group is responsible for the books and records, financial reporting and other accounting related aspects for both wind and solar related business activities.

The Corporate Accounting group is responsible for corporate level benefits accounting, service company allocations, governance accounting and reporting, labor loading factors, labor distribution (excluding international), and stock based compensation accounting. Additionally, the group is responsible for captive insurance accounting, parent company and joint venture accounting, reserves and accruals, incentive accruals, quarterly cash flow roll forwards, various quarterly schedules and analysis to support SEC (10Q and 10K) disclosures, income and balance sheet variance analysis and reporting for the Duke Other segment and other special projects of a corporate nature as needed.

The Financial Reporting group is responsible for:

- supporting the enterprise-wide consolidation of balance sheets and income statements, facilitating intercompany transactions reconciliation and elimination processes;
- managing the monthly close and reporting tasks, and manage non-routine transactions and non-routine SEC reporting that involve multiple business units and/or corporate areas;
- preparing and filing all SEC periodic reports and financial statements (Form 10-K, 10-Q, etc.);
- preparing certain monthly financial reports to executive management and the Board of Directors of Duke Energy and financial statement analysis; and
- leading enterprise efforts to enhance internal controls, including the development and enhancement of corporate control policies and compliance with sections of the Sarbanes-Oxley Act of 2002 related to internal controls and disclosure controls.

The Accounting Research group is responsible for providing assistance to the corporate and business unit personnel on resolution of accounting and reporting issues related to generally accepted accounting principles (GAAP), SEC reporting, and other regulatory matters. This group also provides implementation assistance and periodic training to corporate and business unit personnel on new accounting pronouncements and reporting matters and reviews significant accounting conclusions developed by the business units.

V. Practices and Procedures

The Corporate Controller's Department's practices and procedures comply with Duke Energy policies and procedures located on the Company's intranet. These policies, including those established by the Corporate Controller's Department as noted in Section I, Policy and Goal Setting of this document, help ensure consistency across the enterprise. Policies and procedures are reviewed and updated as necessary to reflect new or modified accounting pronouncements and regulatory requirements, and to provide additional clarity.

As part of Duke Energy's due diligence process with respect to its SEC filed financial statements, senior management and certain key management employees are required to sign a quarterly certification representing that there are no material weaknesses in internal controls or any material misstatements in the financial statements of the company.

VI. Decision-Making and Control

Overall direction on the broad concepts for reflecting accounting and financial information is provided by the Corporate Controller. With few exceptions, personnel at all levels are

provided general supervision and granted latitude to make daily decisions, plan activities, coordinate personal schedules and travel as required to perform their core functions.

The decision-making process for the Corporate Controller's Department revolves primarily around the proper disclosure of accounting and financial data to satisfy external regulations and requirements. Department personnel research accounting issues as needed and formulate preliminary decisions which are communicated through the management hierarchy, as appropriate, for concurrence.

Control of individual purchasing activities and access to cash disbursements and reimbursements are strictly controlled in accordance with the Duke Energy Approval of Business Transactions policy and resulting delegations of authority (DOA) approval levels. For most transactions, DOA approval levels are captured in the various procurement and payable systems and are electronically verified to ensure compliance with established limits.

To provide greater controls and review of financial documents to be filed externally, the Corporate Controller's Department circulates drafts of each filing for comments from internally affected departments and externally from the Company's independent auditors. In addition, a due diligence process is performed each quarter to ensure that the financial statements include the most current and appropriate financial disclosures.

In addition to the internal reviews and controls associated with making accounting changes, compliance with certain accounting policies and procedures is monitored by the Audit Services Department, independent auditors, and/or regulators.

VII. Internal and External Communication

Periodic staff meetings are held by the Corporate Controller and each group that reports to the Corporate Controller to provide a sharing of events that have transpired and/or are planned that affect accounting operations, to provide updates on the progress of projects at various stages of completion, and to discuss personnel, policies and practices. Those items and events affecting the operations of the department are communicated to employees as appropriate. Electronic mail is used extensively, along with internal departmentally shared network drives to exchange both formal and informal communication.

Frequent communication is also required with other departments within the Company including, Legal, Rates, Tax, Human Resources, Risk Management, Budgets & Forecasts and Treasury in the form of oral or written requests to gain information/knowledge on certain issues to be considered when preparing external documents. These departments frequently request information from the Corporate Controller's Department as well.

The Corporate Controller and staff communicate with other utilities on accounting issues which may impact the utility industry. As needed, contact with other utilities is made by phone or email to obtain these companies' external reports such as Annual Reports or Form 10-Ks and also to discuss accounting methods or procedures. In addition, the Corporate

Controller's Department periodically responds in written format to regulatory agencies' and authoritative accounting bodies' proposed accounting changes.

Frequent contact is maintained with independent auditors during their testing of financial statements and documents. Occasional contacts are also made with outside legal and actuarial experts, as well as state and federal regulatory agencies, concerning audits for prescribed accounting and records supporting rate case issues.

VIII. Goal Attainment and Qualification

Performance measures are established annually and approved by the Duke Energy Compensation Committee. These performance measures include items that are critical to the enterprise as well as departmental items that support and align with enterprise measures. Enterprise measures may include earnings per share, operations and maintenances expense levels, reliability metrics, safety, etc. Departmental measures may include items such as timely and accurately closing the books and reporting financial results, and timely response to data requests. Actual performance against these measures is tracked and reported to all employees.

In addition, employees receive annual performance reviews to measure and report progress toward individual goals and performance against expectations.

Staff Letter

Purchase of Receivables

Duke Energy Ohio purchases certified supplier's receivables at a zero discount. Duke Energy Ohio assumes responsibility for collection of the revenues. In return for purchasing supplier receivables at a zero percent discount the uncollected supplier charges are allowed to be recovered through Rider UE-GEN. Please see an account example in Exhibit PR-1 and the supplier purchase of receivables agreement in Exhibit PR-2.

Uncollectible Rider

Duke Energy Ohio has two riders that deal with uncollectible expenses. The two riders are described below.

Rider UE-ED

This rider enables the recovery of uncollectible accounts expense and includes Percentage of Income Payment ("PIPP") customer installments not collected through the Universal Service Fund Rider. Also, to the extent that less than \$40,000 per month has not been credited to customers through electric Rate RSLI, any shortfall will be used to reduce collections in Rider UE-ED. The amounts in the Rider, exclusive of uncollectible PIPP installments, will only be collected from the class (residential or non-residential) that created the uncollectible accounts expense. Uncollectible accounts expense

associated with PIPP will be allocated in the manner consistent with the Universal Service Fund Rider. Rider UE-ED is non-bypassable.

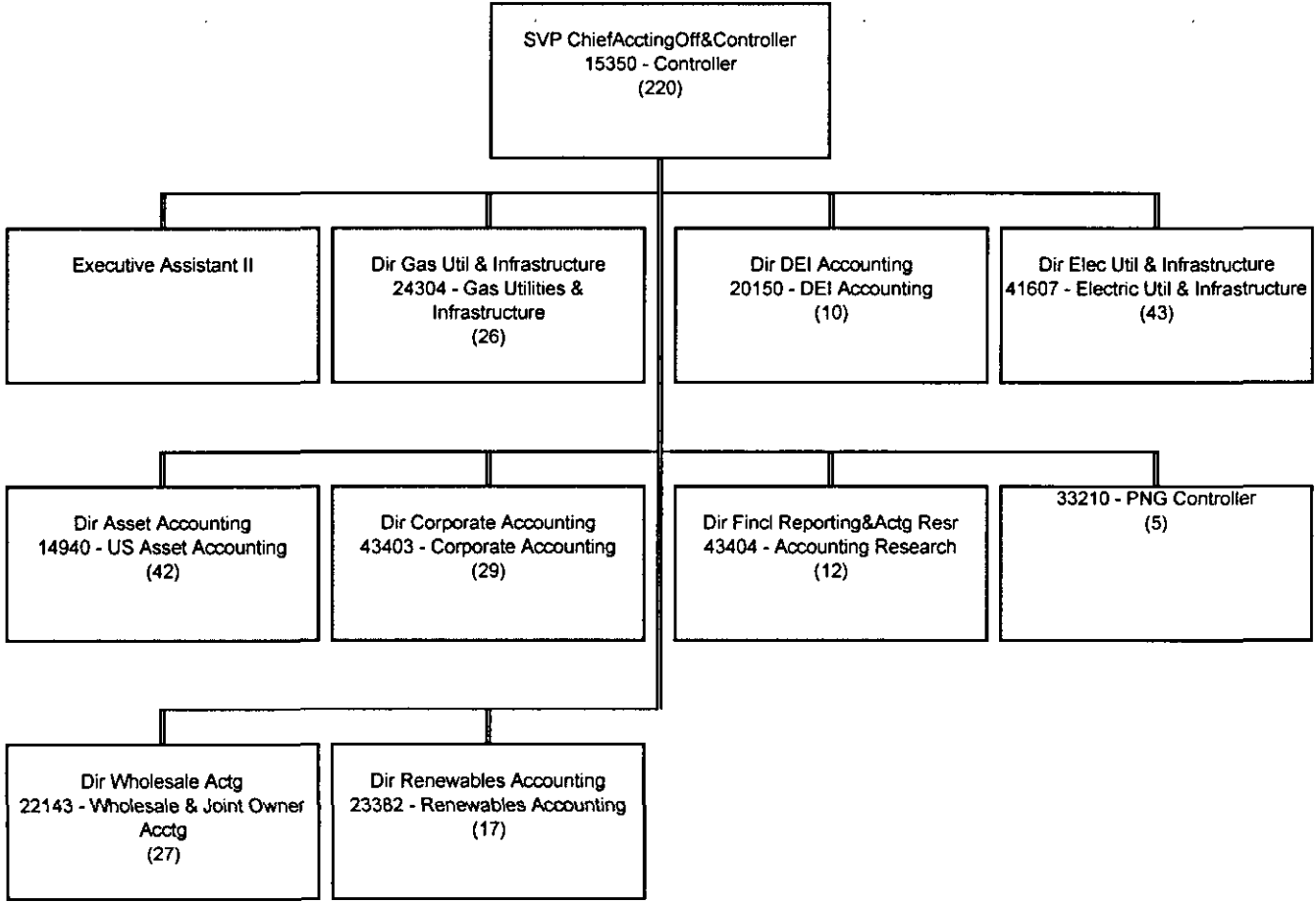
Rider UE-GEN

This rider enables the recovery of uncollectible accounts expense related to generation service. The amounts in the Rider will only be collected from the class (residential or non-residential) that created the uncollectible accounts expense. Rider UE-GEN is non-bypassable except for those accounts designated as not participating in the Purchase of Receivables program.

Please see Exhibit UE-1, UE-2 for an explanation of the process and worksheet example.

Bad Debt

Duke Energy Ohio bills customers on a monthly basis. When customers do not pay their bills in a timely manner the bill becomes delinquent. Delinquent bills move down the credit timeline toward disconnections of service and ultimately collection agency assignment and charge off. Examples of the credit timeline can be found in Exhibit BD-1, BD-2, BD-3 and an accounting example in Exhibit BD-4.



<u>Ferc</u>	<u>Ferc Sub</u>	<u>G/L Accounting</u>	<u>Description</u>
142	200	0142211	Receivables / Purchased from Gas
142	220	0142220	Receivables / Non-Purchased from Gas
142	400	0142220	Receivables / Purchased from Electric
142	465	0142220	Receivables / Non-Purchased from Electric

The CMS/ledger activity when a choice customer's account goes to billing as follows:

Ledger activity:	<u>G/L Accounting</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
	0142200	Utility Receivables	50.00	
	0142211 or 0142220	Supplier Receivables	100.00	
	0440000 (or similar)	Revenue		50.00
	0232223 or 0232892	Supplier Liability		100.00

CAPS online: *The CAPS activity when the supplier is paid as follows:*

	0232223 or 0232892	Supplier Liability	100.00	
	131000	Cash		100.00

ACCOUNT RECEIVABLES PURCHASE AGREEMENT

This ACCOUNT RECEIVABLE PURCHASE AGREEMENT (AGREEMENT), made and entered into on this _____ day of _____, 20____ between Duke Energy Ohio, Inc (Company), and _____ (CRES Provider), amends and supplements the CERTIFIED SUPPLIER SERVICE AGREEMENT entered into on the _____ day of _____, 20____ between the Company and the CRES Provider (EDU/CRES Provider Agreement). The Company and the CRES Provider are sometimes herein referred to collectively as the Parties.

WITNESSETH:

WHEREAS, in connection with the EDU/CRES Provider Agreement, the CRES Provider intends to offer and to sell one or more Competitive Retail Electric Services (as such term is defined in the EDU/CRES Provider Agreement); and

WHEREAS, the CRES Provider has requested that the Company bill the CRES Provider's customers for Competitive Retail Electric Services on the Company's bill (sometimes hereinafter referred to as Company consolidated billing); and

WHEREAS, the Company's Retail Tariff for Choice Participants provides that the Company will not purchase CRES Provider's applicable accounts receivables until this Agreement has been executed by the CRES Provider; and

WHEREAS, subject to the terms and conditions hereof, and consistent with the Company's Terms and Conditions of Service, CRES Provider desires to sell and Company desires to purchase, without recourse, certain accounts receivable arising from the sale of such Competitive Retail Electric Services in CRES Provider's ordinary course of business; and

WHEREAS, Company and CRES Provider intend the arrangements created herein to constitute a true sale of CRES Provider's accounts receivable to Company and not a loan or other arrangement.

NOW, THEREFORE, the Parties hereto agree as follows:

DEFINITIONS

1.1 Certain Defined Terms. These terms are in addition to or, when modified herein, in lieu of those in the EDU/CRES Provider Agreement. For all purposes of this Agreement, except as otherwise expressly provided herein or unless the context otherwise requires, the following terms shall have

the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

1.1.1. Adverse Claim. Adverse Claim means a lien, security interest, charge, encumbrance or other adverse right or claim of any kind of any Person, but does not include any loss that is due solely to the financial inability or bad faith failure of any Customer to pay at maturity any amount due and payable in respect of a Receivable.

1.1.2. Billed Receivable. Billed Receivable means an Outstanding Receivable representing a legal, valid, and binding payment obligation for which, as of the time of determination, a Customer Bill has been rendered. A Billed Receivable includes all rights to payment of interest or finance charges, and pursuant to the contract or other agreement relating to such Billed Receivable, all security interests, guarantees, and property securing or supporting the payment of such Billed Receivable, and all books and records relating to the Billed Receivable, and all proceeds of the foregoing.

1.1.3. Budget Account Receivable. Budget Account Receivable means a contract right of CRES Provider to receive payment for the sale of CRES Provider's outstanding receivable, regardless of the level of such services delivered, including rights of CRES Provider pursuant to average monthly payment plans or other special payment arrangements which the CRES Provider may from time to time enter into with any Customer.

1.1.4. Business Day. Business Day means any day other than a Saturday, Sunday, CRES Provider holiday, Company holiday or public holiday or the equivalent for banks of the Federal Reserve System. Business Day is limited to the hours of 8 am to 5 pm EST. An event occurring after business day hours will be deemed to have occurred on the next Business Day. Each Party to this Agreement shall provide to the other Party, upon execution of this Agreement and by December 1 of each year during the term of this Agreement, a schedule of the holidays it observes for the following calendar year.

1.1.5. Collections. Collections means, with respect to any Receivable, all cash collections, negotiable instruments, interest or finance charges, other cash or non-cash proceeds or any other form of payment in respect of any such Receivable and shall include all proceeds of any Receivable within the meaning of the Ohio Uniform Commercial Code (UCC) as may be in effect from time to time. Collections shall also mean, to the extent not prohibited under applicable law that portion of any security deposit applied in satisfaction of a Receivable in accordance with the Parties' written agreement.

1.1.6. Competitive Retail Electric Services. Competitive Retail Electric Services bears the meaning assigned to such term in the EDU/CRES Provider Agreement.

1.1.7. Customer. Customer means any Person obligated to make payment to CRES Provider for purchases from CRES provider of Competitive Retail Electric Services. Customer is limited to those persons whose load consuming facilities are located within the Company's service territory within the meaning of Ohio Revised Code Chapter 4933.

1.1.8. Customer Bill. Customer Bill means an invoice or any other evidence of a Customer's obligation to CRES Provider rendered by the Company to a Customer for purchases from CRES Provider of Competitive Retail Electric Services.

1.1.9 EDI Agreement. EDI Agreement means the Electronic Data Interchange Agreement between the Company and the CRES Provider.

1.1.10. EDU/CRES Provider Agreement. EDU/CRES Provider Agreement bears the meaning assigned to such term in the preamble of this Agreement.

1.1.11. Excluded Receivables. Excluded Receivables means: (a) Outstanding Receivables whose assignment is prohibited by applicable federal or state law; and (b) such other Outstanding Receivables as CRES Provider and Company from time to time shall mutually agree to be Excluded Receivables.

1.1.12. Face Amount. Face Amount means: (a) for a Billed Receivable, the unpaid balance thereof duly owed to CRES Provider by a Customer (excluding any portion of the unpaid balance relating to charges which are not Outstanding Accepted Receivables or which are Excluded Receivables); and (b) for a Budget Account Receivable, the contractual amount due and owing for the sale and delivery by CRES Provider to Customer of Competitive Retail Electric Services in the ordinary course of business; in any such case determined on the Purchase Date on which such Outstanding Accepted Receivable is purchased by Company hereunder (excluding any amount due relating to charges which are not Outstanding Accepted Receivables or which are Excluded Receivables).

1.1.13. Governmental Approvals. Governmental Approvals means all consents, approvals, authorizations, orders, registrations or qualifications of any Person or public authority as may be required by any appropriate regulatory authority in respect of the transactions contemplated hereby.

1.1.14. Outstanding Accepted Receivable. Outstanding Accepted Receivable means an Outstanding Receivable that is not an Excluded Receivable and that has been accepted by the Company via an electronic transmission.

1.1.15. Outstanding Receivable. Outstanding Receivable means any of CRES Provider's rights to payment, whether or not evidenced by a Customer Bill, arising from the electronic invoice document prepared by the Company and containing charges for Competitive Retail Electric Services that are to be billed to the CRES Provider's customers by the Company.

1.1.16. Person. Person means any natural person, corporation, company, voluntary association, partnership, joint venture, trust (including a business trust), unincorporated organization or government (or any agency, instrumentality or political subdivision thereof).

1.1.17. Purchase Date. Purchase Date means the date on which the transfer of title to the Company of Outstanding Accepted Receivables occurs beginning with the first billing cycle of _____, 20____.

1.1.18. Purchase Price. Purchase Price means the price paid by the Company to CRES Provider for the purchase by the Company from CRES Provider of Outstanding Accepted Receivables on any Purchase Date pursuant to this Agreement and calculated in accordance with Exhibit A attached hereto.

1.1.19. Receivable. Receivable means any Outstanding Accepted Receivable that has been purchased by the Company from the CRES Provider pursuant to this Agreement.

1.1.20. Sale and Assignment. Sale and Assignment means a sale and assignment agreement in substantially the form attached hereto as Exhibit B.

1.1.21. Termination Date. Termination Date means the date of the last Business Day for which a CRES Provider is certified by the PUCO or registered by the Company, or the date otherwise specified for termination of Company's obligation to purchase Outstanding Accepted Receivables hereunder in the notice contemplated by Section 8.1 hereof.

II. OBLIGATIONS OF THE PARTIES

2.1 Charges for Competitive Retail Electric Services for Rate Ready Consolidated Billing and Accounts Receivables Purchase. In a rate ready billing scenario the Company shall render a Customer Bill that includes the CRES Providers charges for Competitive Retail Electric Services.

2.2. Sale of Outstanding Accepted Receivables. The CRES Provider shall sell its Outstanding Accepted Receivables to the Company under the terms of this Agreement.

III. PURCHASE OF OUTSTANDING ACCEPTED RECEIVABLES

3.1. Purchases, Purchase Procedure, and Charge Off Limit Fees.

In accordance with the Purchase Price, Procedures, and Fees set forth in Exhibit A, the Company shall purchase from CRES Provider, without recourse, and CRES Provider shall sell and assign to Company, all right, title and interest in and to all of the Outstanding Accepted Receivables of CRES Provider described in the applicable Sale and Assignment, including all right, title and interest in all Collections whenever received by CRES Provider. Company and CRES Provider hereby agree that each such purchase of Outstanding Receivables shall constitute a true sale of all rights, title and interest in and to such Outstanding Receivables and to all amounts paid in respect of such Outstanding Receivables. The Company may apply its disconnection policies to disconnect any Customer of CRES Provider that has an arrearage arising out of past due Company owned Receivables, as well as past due transmission and/or distribution charges.

3.2 CRES Provider Contract and Company Billing Cycles.

The CRES Provider, in its contract for Competitive Retail Electric Service with any end use customer, shall include terms and conditions that match the CRES Provider's and such customer's billing and collection procedures to the Company's billing cycle pursuant to O.A.C. 4901:1-21-14(C).

IV. REPRESENTATIONS AND WARRANTIES

4.1. Representations and Warranties of CRES Provider.

These representations and warranties are in addition to those in the EDU/CRES Provider Agreement. CRES Provider represents and warrants to Company as follows:

4.1.1. No Restrictions.

The sale of Receivables pursuant to this Agreement, the performance of CRES Provider's obligations under this Agreement, and the consummation of the transactions herein contemplated do not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any Adverse Claim upon any of CRES Provider's property or assets pursuant to the terms of any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument (other than this Agreement) to which CRES Provider is a Party or by which any of CRES Provider's property or assets is subject, nor will such action result in any violation of the provisions of CRES Provider's Articles of Incorporation, Bylaws or other organizational documents, including but not limited to partnership agreements, or any statute or any order, rule or regulation of any court or governmental agency or body of the United States, any State or any political subdivision of either having jurisdiction over CRES Provider or any of CRES Provider's properties; and no consent, approval, authorization, order, registration or qualification of or with any such court or any such regulatory authority or other such governmental agency or body (other than the Governmental Approvals and such other consents, approvals,

authorizations, orders, registrations or qualifications as have been obtained) is required for the sale of Receivables hereunder or the consummation by CRES Provider or the other transactions contemplated by this Agreement.

4.1.2. CRES Provider's Authority and Information. The CRES Provider possesses the legal authority to sell the Outstanding Receivables pursuant to the terms and conditions of this Agreement and there exist no pending actions that might infringe such authority or CRES Providers rights and title in the Outstanding Receivables. The CRES Provider is the legal and beneficial owner of the Outstanding Receivables at the time of sale to the Company and warrants that all of the information provided by the CRES Provider related to this Agreement is accurate in all material respects.

4.1.3. Authorization and Effect of Agreement. This Agreement has been duly authorized, executed and delivered by CRES Provider and constitutes CRES Provider's valid and legally binding obligation, enforceable against CRES Provider in accordance with its terms, subject as to enforcement to bankruptcy, insolvency, reorganization and other similar laws of general applicability relating to or affecting creditors, rights and to general principles of equity.

4.1.4. Title of Receivables. The Parties intend that each Receivable at the time of its purchase by the Company pursuant to this Agreement (i) will constitute an -account- within the meaning of Section 1309.01(15) of the Ohio Revised Code, as now or hereafter in effect, (ii) will be, together with the rights to the Collections in respect thereof, owned by the CRES Provider free from any Adverse Claim, (iii) will be denominated and payable only in U.S. dollars, and (iv) will not knowingly contravene any law, rule or regulation applicable thereto, On each Purchase Date, the CRES Provider shall irrevocably and without recourse transfer and assign to the Company title to the Receivables (and all rights to the Collections in respect thereof) being purchased by the Company on such Purchase Date, free of any Adverse Claim, and the CRES Provider shall, at its cost and expense, defend the Company's title to such Receivables (and the Collections in respect thereof) against any Adverse Claim (except for any Adverse Claim arising from any act or omission of the Company) asserted by any Person at any time. To the CRES Provider's knowledge the Face Amount of each Receivable shall represent and constitute the legal, valid and binding obligation of the account debtor thereunder to pay such Face Amount. In the event that a jurisdictional court or regulatory agency determines that the sale of Receivables from the CRES Provider to the Company pursuant to this Agreement does not constitute a true sale then this Agreement shall constitute a security Agreement in regard to the affected Receivables.

4.1.5. No Financing Statements. There is no financing statement under the UCC of any jurisdiction, as now or hereafter in effect, (or similar statement or instrument of registration or otherwise under the laws of any jurisdiction) authorized by CRES Provider now on file or registered in any public office covering any interest of any kind in the Receivables or any Collections in respect thereof, or intended so to be, and CRES Provider will neither execute nor file in any public office any financing statement (or similar

statement or instrument of registration or otherwise under the laws of any jurisdiction) relating to such Receivables or any Collections in respect thereof, except for the UCC financing statements filed or to be filed in respect of and covering the purchase of the Receivables hereunder.

4.1.6. Principal Place of Business. The principal place of business and principal executive office of CRES Provider, as well as the offices where CRES Provider maintains CRES Provider's principal books, records, computer programs, electronically stored data and other documents evidencing Outstanding Receivables, are located at the address or addresses set forth in Section 10.2 hereof (or at such other location, of which Company shall be notified in accordance with Section 10.2 hereof). CRES Provider is a retail energy marketer duly organized or incorporated, validly existing and in good standing under the laws of the State in which it is organized or incorporated. In addition, CRES provider is authorized under the laws of the State of Ohio to do business under the name of _____.

4.1.7. Perfection. Upon the filing of the U.C.C. financing statements prepared by the Company and reviewed by the CRES Provider, all filings and recordings (including UCC financing statement filings) required to perfect any security interest of the Company in all Receivables (and all Collections in respect thereof) when sold and when value is received therefore have been accomplished and are in full force and effect, and CRES Provider shall at CRES Provider's expense perform all acts and execute all documents reasonably requested by Company at any time to evidence, perfect, maintain and enforce any security interest or title and interest of Company in such Receivables (and all Collections in respect thereof) and the priority thereof.

4.1.8. Investment Company. CRES Provider is not an investment company or a company controlled by an investment company within the meaning of the Investment Company Act of 1940, as amended.

4.1.9 CRES Provider. CRES Provider is certified by the Commission as a Retail Electric Generation Provider as the terms CRES Provider and Retail Electric Generation Provider are defined in OAC 4901:1-24-01(J) and 4901:1-24-01(W).

4.2. Representations and Warranties of Company. Company represents and warrants to CRES Provider as follows:

4.2.1. Organization and Power. Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Ohio with all requisite corporate power and authority to own its properties and to transact the business in which it is now engaged or in which it proposes to engage.

4.2.2. No Restrictions. The purchase by Company of Receivables pursuant to this Agreement and the consummation of the transactions herein contemplated will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under the terms of, any indenture,

mortgage, deed of trust, loan agreement or other agreement or instrument to which Company is a party or by which Company is bound or to which any of the property or assets of Company is subject, nor will such action result in any violation of the provisions of the certificate of incorporation or the by-laws of Company or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over Company or any of Company's properties; and no consent, approval, authorization, order, registration or qualification of or with any court or any such regulatory authority or other governmental agency or body (other than the Governmental Approvals and such other consents, approvals, authorizations, orders, registrations or qualifications as have been obtained) is required for the purchase by Company of Receivables hereunder or the consummation by Company of the other transactions contemplated by this Agreement.

4.2.3. Authorization and Effect of Agreement. This Agreement has been duly authorized, executed and delivered by Company and constitutes the valid and legally binding obligation of Company enforceable against Company in accordance with its terms, subject as to enforcement to bankruptcy, insolvency, reorganization and other similar laws of general applicability relating to or affecting creditors' rights and to general principles of equity.

V. COVENANTS OF CRES Provider

5.1. Preservation of CRES Provider Status. CRES Provider or its legal successor shall preserve and maintain its status as a CRES Provider during the term of this Agreement.

5.2. Maintenance of Offices. CRES Provider shall maintain originals or duplicates of the principal documents (including, without limitation, computer tapes and disks) evidencing all sales of Competitive Retail Electric Services, Receivables and Customer Bills (to the extent said Customer Bills are in CRES Provider's possession) at the address as set forth in Section 10.2 hereof, and CRES Provider shall give to the Company not less than 45 days prior written notice of any change in location of its principal executive offices or location of such documents, or any reincorporation or reorganization to a state other than as set forth in Section 4.1.6 hereof; and (b) CRES Provider agrees to take such reasonable action as may be requested by the Company, to maintain any security interest and title and interest and priority of the Company in such Receivables and Collections in respect thereof.

5.3. Continuing Obligations. The CRES Provider will duly and timely perform and fulfill all obligations on its part to be performed or fulfilled under or in connection with the Receivables, and will do nothing to limit, impair or restrict the Company's right, title and interest in and to any of the Receivables (or any Collections in respect thereof) or the collection or collectability of any of the Receivables. Notwithstanding the foregoing, the CRES Provider may make adjustments or allowances to any of the Receivables in the ordinary course of business, provided that the CRES Provider shall promptly inform the Company in writing of any such adjustment or allowance

so made and shall, upon the Company's written request therefore, promptly compensate the Company for any loss suffered or incurred by the Company as a result of any such adjustment or allowance.

5.4. Further Action. CRES Provider will make, execute or endorse, acknowledge, and file or deliver to Company from time to time such vouchers, invoices, schedules, confirmatory assignments, conveyances, transfer endorsements, powers of attorney, certificates, reports, and other assurances or instruments and take such further steps relating to the Receivables and Collections in respect thereof as Company may reasonably request for the protection of the rights of Company hereunder.

5.5. Approvals. CRES Provider shall use its best efforts to obtain, and to assist Company in obtaining, any and all consents, approvals, authorizations, orders, registrations and qualifications which may be required from time to time in the future to consummate the transactions contemplated by this Agreement, including without limitation the Governmental Approvals.

5.6. Sales, Adverse Claims, Etc. Except as otherwise herein provided, CRES Provider shall not sell, assign (by operation of law or otherwise), dispose of, or create or suffer to exist any Adverse Claim upon or with respect to, CRES Provider's undivided interest in any Receivable or Collections in respect thereof or assign any right to receive income in respect thereof. Without limiting the generality of the foregoing, CRES Provider will not claim any ownership or other interest in the Receivables and will respond to third party inquiries with respect to the ownership of the Receivables by stating that such ownership has been entirely transferred to Company.

5.7. Extension or Amendment of Receivables. Without the prior written consent of Company, CRES Provider shall not extend, amend or otherwise modify the terms of any Receivable.

5.8. Compliance with Laws, Etc. CRES Provider shall comply in all material respects with applicable laws, rules, regulations and orders applicable to all of its Outstanding Receivables as now or hereinafter in effect.

5.9. Keeping of Records and Books of Account. CRES Provider shall at its sole cost and expense maintain and implement, or cause to be maintained and implemented, administrative and operating procedures, and keep and maintain, or cause to be kept and maintained, all documents, books, records and other information including, without limitation, all tapes, disks or other electronically stored or computerized programs, data, records or documents, reasonably necessary or advisable for the calculation and collection of all Receivables for a period of not less than three (3) years. Such books and records shall appropriately reflect the sale of such Receivables to Company.

5.10. Inspection. Upon reasonable prior notice and, in any event, no more than two times per year for good cause shown, during regular business hours, CRES Provider shall permit Company or Company's agents or

representatives, or, upon reasonable notification to CRES Provider, agents or representatives of any lender providing financing to Company, for the purpose of protecting Company's interests hereunder, to examine and make copies of and abstracts from all relevant books, records and documents (including, without limitation, computer tapes and disks) in the possession or under the control of CRES Provider relating to sales of Receivables and Collections in respect thereof.

5.11. Annual Financial Audit. On the effective date of this Agreement or thereafter, the Company shall provide CRES Provider with a letter, from an appropriate financial institution or the Company's independent public accountant, that shall verify the need for the requirements set forth in Exhibit C to allow the Company to purchase and process CRES Provider's receivables. Thereafter, in connection with CRES Provider's annual independent financial audit, CRES Provider shall instruct its independent public accounting firm to audit the accounts receivable records maintained by CRES Provider in accordance with the audit outline set forth in Exhibit C hereto and to furnish the results of such audit to Company's independent public accountant. The CRES Provider shall pay for such audit and any incremental cost that may arise from the preparation of the materials required by this Agreement associated with such audit. The Company agrees to execute and deliver a confidentiality agreement in form and substance reasonably satisfactory to the CRES Provider and Company with respect to the information supplied by the Company's independent public accountants and agrees (a) to use such information only in connection with the purchase and process of CRES Provider's Receivables and (b) to not deliver or transmit such information to any third party unless such third party shall have executed and delivered a confidentiality agreement with the CRES Provider and only as part of the purchase and process of CRES Provider's Receivables unless the Company is ordered to transmit such information pursuant to a Court or Administrative Agency of competent jurisdiction. If a Court or Administrative Agency orders such disclosure by the Company, the Company shall use commercially reasonable efforts to provide Seller with notice.

5.12. Financial Statements. On the effective date of this Agreement or thereafter, the Company shall provide CRES Provider with a letter, from an appropriate financial institution or the Company's independent public accountant, that shall verify the need for Company to receive the financial statements referenced in Exhibit D to allow the Company to purchase and process CRES Provider's receivables. Exhibit D shall specify the financial statements and schedule of delivery of those financial statements that CRES Provider must provide to Company. Such fiscal year financial statements shall be accompanied by an opinion of CRES Provider's independent public accounting firm at CRES Provider's expense. The Company agrees to execute and deliver a confidentiality agreement in form and substance reasonably satisfactory to the CRES Provider and Company with respect to the information supplied by the Company's independent public accountants and agrees (a) to use such information only in connection with the purchase and process of CRES Provider's Receivables and (b) to not deliver or transmit such information to any third party unless such third party shall have executed and delivered a confidentiality agreement with the CRES Provider and only as part of the

purchase and process of CRES Provider's Receivables unless the Company is ordered to transmit such information pursuant to a Court or Administrative Agency of competent jurisdiction. If a Court or Administrative Agency orders such disclosure by the Company, the Company shall use commercially reasonable efforts to provide CRES Provider with notice.

5.13. Limitations to Annual Financial Audits and Financial Statements required pursuant to paragraphs 5.11 and 5.12. Neither the Company nor its auditors shall require CRES Provider to undergo the audit or provide the financial statements required pursuant to Exhibits C and D to this Agreement unless requested by The Company but no more than two times during any twelve (12) month period. The Company shall provide information in its possession related to this Agreement to its auditors upon such auditor's request.

VI. CONDITIONS PRECEDENT

6.1. Conditions Precedent to All Purchases. Each purchase of Outstanding Receivables hereunder shall be subject to, unless otherwise waived by Company in the manner set forth in Section 10.1 hereof, the following further conditions precedent:

(a) On the appropriate Purchase Date (and CRES Provider, by accepting the Purchase Price, shall be deemed to have certified that) the representations and warranties made by CRES Provider contained in Section 4.1 hereof are correct in all material respects on and as of such date, as though made on and as of such date (or if made as of a specific date, as of such date);

(b) All Governmental Approvals with respect to this Agreement and the EDU/CRES Provider Agreement required in connection with CRES Provider's execution, delivery and performance hereof and thereof, each Sale and Assignment and the other documents to be delivered hereunder, and the transactions documents to be delivered hereunder, and the transactions contemplated hereby required in connection with CRES Provider's execution, delivery and performance hereof or thereof, shall have been received and shall be in effect on the appropriate Purchase Date;

(c) Company shall have received from the CRES Provider such other approvals, opinions or documents as Company may reasonably request;

(d) CRES Provider shall not be in material breach of any covenant of this Agreement or of the EDU/CRES Provider Agreement;

(e) CRES Provider shall not have (i) instituted or consented to the institution of any proceeding, or filed a petition, answer,

consent or other pleading, in either case, seeking reorganization of CRES Provider or any other relief or procedure with respect to CRES Provider, under any applicable federal or state law relating to bankruptcy, insolvency, liquidation, dissolution or similar law, (ii) consented to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of CRES Provider or a substantial part of its property, (iii) made any assignment for the benefit of creditors, (iv) admitted in writing its inability to pay its debts generally as they become due, or (v) taken any corporate action in furtherance of any of the foregoing actions, and no involuntary proceeding shall have been instituted against CRES Provider or its properties for any such reorganization, relief, appointment, assignment or admission.

VII. ADMINISTRATION AND COLLECTION

7.1. Further Action Evidencing Purchases.

(a) CRES Provider agrees that from time to time, at its expense, it will promptly execute and deliver all further instruments and documents, and take all further action, that may be reasonably necessary or desirable or that Company may reasonably request, in order to perfect, protect or evidence the transfer of title of Receivables transferred hereunder and rights to Collections in respect thereof, or to enable Company to exercise or enforce any of its rights hereunder. Without limiting the generality of the foregoing, CRES Provider shall upon request of Company (i) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices as may be necessary or appropriate for the protection of Company's rights hereunder; and (ii) to the extent practical, mark its data processing records evidencing all of its Receivables with a legend, acceptable to Company, identifying those Receivables that have been sold in accordance with this Agreement.

(b) CRES Provider hereby authorizes Company to file one or more financing or continuation statements, and amendments thereto and further assignments thereof relative to all or any of the Receivables and rights in Collections in respect thereof now existing or hereafter arising without the signature of CRES Provider where permitted by law. If CRES Provider shall fail to execute or file any financing or continuation statement, amendment, instrument or notice in accordance with subsection (a) above, Company may, and is hereby irrevocably appointed attorney-in-fact to execute or file the same on behalf of and in the name of CRES Provider.

(c) If CRES Provider fails to perform any of its agreements or obligations under this Agreement related to the documentation of the transfer of title of Receivables transferred hereunder or the perfection of security interests therein, Company may (but shall not be required to) itself perform, or cause performance of such agreement or obligation and

the reasonable and necessary expenses of Company incurred in connection therewith shall be payable by CRES Provider upon demand by Company.

VIII. TERMINATION

8.1. Termination.

(a) In the event that the CRES Provider ceases to provide Competitive Retail Electric Services to Customer's in the Company's service territory or otherwise withdraws from the Ohio Choice market in accordance with the provisions of the EDU/CRES Provider Agreement, this Agreement shall immediately terminate. In addition, either party to this Agreement may terminate this Agreement at any time upon not less than 30-days' written notice to the other Party. [The termination of this Agreement pursuant to this Section 8.1 does not relieve the Company from its obligation to negotiate to purchase CRES Provider's Receivables or provide consolidated billing in the future pursuant to The Public Utilities Commission of Ohio's Orders, nor does it relieve CRES Provider of its obligations as a CRES Provider pursuant to The Public Utilities Commission of Ohio's Orders.

(b) Further, this Agreement may be terminated by a Party upon the occurrence of any of the following:

- (i) Immediately upon written notice in the event the other Party has materially breached any of its duties, obligations, representations or warranties under this Agreement and has not cured such breach pursuant to the Company's tariff, Commission Order, or OAC 4901:1-24-12; and
- (ii) Immediately upon the other Party committing any fraudulent or illegal act, or willful, reckless or grossly negligent misconduct; and
- (iii) Immediately upon written notice in the event there is any bankruptcy reorganization or other arrangement, receivership or similar insolvency proceeding commenced by or against the other Party.

From and after the Termination Date, the Company shall have no further obligation to purchase receivables pursuant to this Agreement. Except as specified in Section 8.2 hereof, termination of this Agreement by either Party shall not affect Receivables and rights in the Collections in respect thereof, or the rights and obligations of Company or CRES Provider with respect thereto, sold to Company pursuant to this Agreement prior to the date of such termination, and no such termination shall affect either Party's obligations to the other under Section 8.2, Article IX, Section 10.5 and Section 10.6 hereof.

8.2 Termination Procedures. Unless CRES Provider and Company are continuing billing and collection arrangements under the EDU/CRES Provider Agreement, not less than 30 days prior to the Termination Date (or, in the case of termination by Company, on the Termination Date), CRES Provider agrees to have accounting procedures that distinguish Receivables and Collections in respect thereof owned by Company from other receivables and collections, and to maintain such procedures so long as any such Receivables are outstanding. Following the Termination Date CRES Provider agrees to collect all Receivables, receive all Collections in respect thereof and otherwise facilitate Collections of Receivables purchased by the Company and remit to the Company pursuant to terms in the EDU/CRES Provider Agreement. In the event billing and collection arrangements between the CRES Provider and the Company are continuing under the EDU/CRES Provider Agreement, CRES Provider and Company shall coordinate to ensure records are adequately marked to distinguish Receivables from other receivables. In lieu of the foregoing, CRES Provider shall have the option by written notice to Company not less than 30 days prior to the Termination Date (or, in the case of termination by Company, on the Termination Date) to repurchase all Receivables from Company on the Termination Date. The repurchase price shall be the unpaid balance of the Receivables on the repurchase date. In the event of a repurchase under this Section 8.2, Company shall deliver to CRES Provider, at CRES Provider's expense, all instruments of transfer and related documents as may be reasonably necessary to effect such transfer, free of any Adverse Claim.

IX. INDEMNIFICATION

9.1. Indemnities by CRES Provider.

(a) Without prejudice to any other rights which Company may have hereunder or under applicable law, CRES Provider hereby agrees to indemnify and save harmless Company from and against any and all damages, losses, claims, liabilities, costs and expenses (including reasonable attorneys fees and disbursements) arising out of or resulting from the material breach of any representation or covenant of CRES Provider and its agents, employees, or assignees, under this Agreement.

(b) Notwithstanding any other provision of this Agreement, and in furtherance and not in limitation of the foregoing, CRES Provider agrees to pay to Company upon demand any and all reasonable amounts necessary to indemnify it and save it harmless from and against any and all damages, losses, claims, liabilities or expenses (including reasonable attorneys, fees and disbursements) awarded against or incurred by it arising out of or as a result of:

(i) Company's reliance on any representation or warranty made by or on behalf of CRES Provider under or in

connection with this Agreement, in any report from CRES Provider or in any other information delivered by CRES Provider pursuant hereto or thereto, which shall have been false or incorrect in any material respect when made or deemed made;

(ii) The failure by CRES Provider to comply with any applicable law, rule or regulation with respect to any of the Receivables, or the nonconformity of any of the Receivables with any such applicable law, rule or regulation.

(iii) The failure to vest in the Company ownership of the Receivables free and clear of any Adverse Claim;

(iv) The failure to file, or any delay in filing, financing statements, continuation statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to any Receivables, whether at the time of any purchase of any Receivable or at any subsequent time due to the action or inaction of the CRES Provider;

(v) Any Adverse Claim related to any Receivable (including, without limitation the Adverse Claims described in Section 4.1.4 hereof);

(vi) Any failure by CRES Provider to deliver timely to Company the Collections, books, records, documents or other information which may be required to be delivered pursuant to this Agreement;

(vii) Any failure by CRES Provider to be duly qualified to do business, and to be in good standing, in every jurisdiction where such qualification was required hereunder for the enforcement of any Receivable against the applicable Customer.

(c) CRES Provider shall not be liable for any loss suffered by Company that is due solely to the financial inability or bad faith failure of any Customer to pay at maturity any amounts due and payable in respect of a Receivable.

9.2. Indemnities by the Company.

(a) Without prejudice to any other rights which CRES Provider may have hereunder or under applicable law, the Company hereby agrees to indemnify and save harmless CRES Provider from and against any and all damages, losses, claims, liabilities, costs and expenses (including reasonable attorneys fees and disbursements) arising out of or resulting from the material breach of any representation

or covenant of the Company and its agents, employees, or assignees, under this Agreement.

(b) Notwithstanding any other provision of this Agreement, and in furtherance and not in limitation of the foregoing, the Company agrees to pay to CRES Provider upon demand any and all amounts necessary to indemnify it and save it harmless from and against any and all damages, losses, claims, liabilities or expenses (including reasonable attorneys, fees and disbursements) awarded against or incurred by it arising out of or as a result of:

(i) CRES Provider's reliance on any representation or warranty made by or on behalf of the Company under or in connection with this Agreement, in any report from the Company or in any other information delivered by the Company pursuant hereto or thereto, which shall have been false or incorrect in any material respect when made or deemed made;

(ii) The failure by the Company to comply with any applicable law, rule or regulation with respect to any of the Receivables, or the nonconformity of any of the Receivables with any such applicable law, rule or regulation;

(iii) Any failure by the Company timely to deliver to CRES Provider the Collections, books, records, documents or other information which may be required to be delivered pursuant to this Agreement;

(iv) Any failure by the Company to be duly qualified to do business, and to be in good standing, in every jurisdiction where such qualification was required hereunder for the enforcement of any Receivable against the applicable Customer.

9.3. Potential Liabilities. Each Party hereto will use commercially reasonable efforts to identify situations involving possible liability or obligations under this Article IX (other than Section 9.1(b) and 9.2(b) hereof) and to determine the amount of any such liability or obligations, and, upon having notice of such situations, it will promptly advise the other Party thereof.

9.4. Cooperation in Litigation. Each Party hereto agrees to reasonably assist, at the request of the other Party, in any action, suit or proceeding brought by or against either Party by a third party relating to any of the transactions contemplated by this Agreement, or to the collection of any Receivables. The Party requesting assistance should reimburse the other Party for all extraordinary costs that arise from such request.

X. MISCELLANEOUS

10.1. Amendments, Waivers, Etc. No amendment or waiver of any provision of this Agreement, nor consent to any departure by either Party herefrom or therefrom, shall in any event be effective unless the same be in writing and signed by the other Party hereto, then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it is given.

10.2. Notices, Etc. All notices and other communications required or permitted hereunder shall, unless otherwise stated herein, be in writing and mailed or delivered, as to each Party hereto, at such Party's address specified below:

(a) If to Company:

By courier or telecopy:

By Mail:

Duke Energy Ohio, Inc.
139 East Fourth Street, EY575
Cincinnati, OH 45202

(b) If to CRES Provider

Notice Address:

Location of CRES Provider's
Books and Records:

or at such other address as shall be designated by such Party in a written notice to the other Party hereto. All such notices and communications shall be deemed to have been duly given when delivered to the addressees at the appropriate addresses specified above.

10.3. No Waiver; Remedies. No failure on the part of either Party hereto to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

10.4. Binding Effect. This Agreement shall be binding upon and inure to the benefit of Company and CRES Provider, and their respective successors and assigns, except that the CRES Provider may not assign its rights or obligations hereunder without the prior written consent of Company, which consent shall not be unreasonably withheld. Company may assign its

rights or obligations hereunder in connection with any financing transaction relating to the Receivables without the consent of CRES Provider.

10.5. Costs, Expenses and Taxes. In addition to the rights of indemnification granted to Company under Article IX hereof, Company and CRES Provider shall negotiate and set forth in Exhibit A, the Company's and/or CRES Provider's recovery of all reasonable costs and expenses, if any (including reasonable attorneys fees and expenses), in connection with the negotiation, review, preparation, amendment, enforcement and release of this Agreement and the other documents and instruments to be delivered by it hereunder.

10.6. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by the Parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

10.7. Severability Clause. Any provisions of this Agreement that are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction.

10.8 No Petition: Set-Off. CRES Provider hereby irrevocably and unconditionally waives all right of set-off that it may have under contract (including this Agreement), applicable law or otherwise with respect to any property, funds or monies of Company at any time held by or in the possession of CRES Provider.

10.9. Controlling Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.

10.10 Except as otherwise specifically modified or supplemented by this Agreement, all terms and conditions, and the obligations and responsibilities of the Parties, as set forth in the EDU/CRES Provider Agreement, shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective officers hereto duly authorized, as of the date first above written.

By: _____
Name: _____
Title: _____

Duke Energy, Ohio Inc.

By: _____
Name: Jared Lawrence
Title: Vice President, Revenue
Services

Exhibit A

Duke Energy Ohio, Inc. (DE-Ohio) Calculation of Purchase Price 12 Month Year Ended December 31, 2012

Annual Base Carrying Cost	N/A
/ Days in Year	N/A
= Daily Carrying Charge	N/A
X DSO	N/A
= Carrying Cost Discount Factor	N/A
+ Collection Experience Component	N/A
= Total Discount Factor	0.00%

Exhibit B

Sale and Assignment Agreement

Date: _____, 20xx

Subject to and upon the terms and conditions set forth in the Account Receivables Purchase Agreement, dated as of _____, 20xx (the Agreement between Supplier, and Duke Energy Ohio, Inc.), Supplier, hereby sells and assigns to Duke Energy Ohio, Inc. (DE-Ohio), without recourse, for a Discount Rate of 0.00%, all right, title and interest in and to Outstanding Accepted Electric Receivables and all collections relating thereto, as more fully described on the attached, which outstanding accepted receivables arose from the transmission by Supplier, and acceptance by DE-Ohio of charges in a rate-ready billing format for Competitive Retail Electric or Gas Service that are billed to Supplier's customers by DE-Ohio. All of the representations and warranties of Supplier, contained in DE-Ohio's Certified Supplier Service and DE-Ohio's Certified Supplier Tariff are deemed incorporated herein by reference.

This sale and assignment shall be governed by and construed in accordance with the Account Receivables Purchase Agreement and the laws of the state of Ohio.

In witness whereof, Supplier, has caused the Sale and Assignment to be duly executed and delivered by its duly authorized officer as of the date first above written.

Supplier

(Insert blanks for signature, printed name, title, and date here)

Duke Energy Ohio, Inc.

(Insert blanks for signature, printed name, title, and date here)

Purchase of Accounts Receivable (PAR): Attachment 1 to Exhibit B of the Account Receivables Purchase Agreement

Consolidated Rate Ready Bill Option for Purchased Receivables:

1. Within 1 business day of validating the meter read, Duke Energy Ohio, Inc. (DE-Ohio) shall bill the customer for the applicable billing period. The bill shall include charges for service supplied by DE-Ohio and the electric commodity provided by Supplier, and billed under a rate-ready billing method.
2. The business day following validation of the meter reading, DE-Ohio will notify Supplier, electronically of the total amount it will pay Supplier for the particular accounts receivable.
3. After all charges have been billed on behalf of Supplier for all billing cycles of a given month, each with their separate electronic notifications, DE-Ohio's bank will transfer payment to Supplier's bank by no later than the 20th day of the month following the month in which the billing occurred. The amount transferred will be the total dollar amount billed by DE-Ohio to Supplier's customers for the electric commodity supplied during the billing cycles for the month.
4. Supplier shall act in accordance with DE-Ohio's tariffs.

Purchase of Accounts Receivable (PAR): Attachment 2 to Exhibit B of the Account Receivables Purchase Agreement

Consolidated Bill Ready Bill Option for Purchased Receivables:

- 1 Within 1 business day of validating the meter read, DE-Ohio shall bill the customer its distribution charges for the applicable billing period and hold those charges in its billing system for up to 3 business days.
2. The business day following the billing of its distribution charges, DE-Ohio will notify Supplier electronically of the energy consumed during the billing period and the last day that DE-Ohio can electronically receive Supplier's charges for the usage to include them on the current bill. If Supplier's charges are not received by said date, charges for the billing period will be displayed on a later bill when received.
- 3 The business day following receipt of Supplier's charges, DE-Ohio will notify Supplier electronically of the total amount it will pay Supplier for the particular accounts receivable.
- 4 After all payment notifications are sent to Supplier for a given month, DE-Ohio's bank will transfer payment to Supplier's bank by no later than the 20th day of the month following the month in which the payment notifications occurred. The amount transferred will be the total dollar amount of all payment notifications sent by DE-Ohio to Supplier during the given month.
- 5 Supplier shall act in accordance with DE-Ohio's tariffs.

Exhibit C

_____, 20__

Supplier name
Supplier number and address
Supplier city, state, and zip

Re: Exhibit C of the Purchase of Receivables Agreement with Supplier

Dear ---:

Pursuant to Section 5.10 of the Account Receivables Purchase Agreement dated ---, this letter is DE-Ohio's verification for the need of requirements and the Exhibit C requirements. In order for DE-Ohio to enter a purchase of receivables agreement it must have the ability to audit the books and records of the seller related to the sale of receivables. Such audit shall contain sufficient information such that DE-Ohio may verify the accuracy of the transactions related to the Purchase of Receivables Agreement. Therefore, at the expense of Supplier, it shall provide and permit the following as Exhibit C:

- (a) At any reasonable time and upon reasonable prior notice, and in any case no less than annually, Supplier, shall permit DE-Ohio or its respective agents or representatives to visit and inspect any of Supplier properties, to examine its books of account and other records and files, relating to Receivables, including, without limitation, computer tapes and disks, and to discuss its affairs, business, finances and accounts with its officers relating to the sale of the Receivables. In the case of examinations, inspections or other work performed by agents or representatives appointed by DE-Ohio, Supplier agrees to pay such agents or representatives immediately and unconditionally upon demand all reasonable fees and expenses incurred in connection with the performance by such agents or representatives of their duties pursuant to this covenant.
- (b) Maintain and implement administrative and operating procedures, including, without limitation, an ability to recreate records evidencing Receivables in the event of the destruction of the originals hereof, and keep and maintain all records and other information, reasonably necessary or advisable to allow verification of the agreements and contracts which support the obligation of the customer to pay the relevant Receivable.
- (c) Cause Supplier, at its expense, to timely and fully perform and comply with all material provisions and covenants required to be observed by Supplier under the contracts and agreements related to the Receivables.

Very truly yours,

Exhibit D

_____, 20__

Supplier name

Supplier number and street

Supplier city, state, and zip code

Re: Exhibit D of the Account Receivables Purchase Agreement with Supplier

Dear ---:

Pursuant to Section 5.12 of the Account Receivables Purchase Agreement dated ---, this letter is DE-Ohio's verification for the need of requirements and the Exhibit D requirements. In order for DE-Ohio to enter a purchase of receivables agreement it must have the ability to review financial statements of the seller related to the sale of receivables if seller issues the invoices and is responsible for the collection and servicing of such receivable (the seller, in such capacity, the "Servicer"). Such review shall concern financial statements such that DE-Ohio may verify the accuracy of the transactions related to the Purchase of Receivables Agreement. Therefore, at the expense of Supplier, it shall provide and permit the following as Exhibit D:

1. Periodic Reporting

Supplier shall provide its internally generated reports and support documents prepared in the normal course of business, as DE-Ohio may require, concerning the sale of receivables to DE-Ohio such that DE-Ohio may verify the accuracy of such receivable reports and determine whether the items shown on the reports comply with the terms of the Account Receivables Purchase Agreement dated _____, 20__, such as the proper calculation on ineligible receivables. The information shall enable DE-Ohio to trace all sections of such reports to supporting documentation and to the general ledger.

Supplier shall supply a reconciliation of the accounts receivable aging per the receivable reports to the detail-aged trial balance. And, in addition, a reconciliation of total receivables per the aged trial balance to the general ledger and the most recent reconciliation between the general ledger and company financial statements. The reconciliation must note the timeliness of completion and any material discrepancies.

2. Receivable Aging

Supplier shall prepare financial statements detailing its payment terms and aging methodology (i.e. invoice vs. due date, etc.). Supplier shall select 15 accounts from among the various aging categories on the current month trial balance to determine if the accounts are being aged in accordance with the terms and methodology.

Supplier shall discuss the accuracy of the accounts receivable aging system with DE-Ohio's auditors. It shall note the procedures utilized to test and substantiate the accuracy of the

receivable aging system and the results thereof. It shall also note any accounts that may be aged in a non-conforming manner. Regarding delinquent (+90 days past due) obligors, Supplier shall inquire as to the reasons for material past due amounts. It shall note the type of extensions granted on accounts and how an obligor qualifies for an extension. Supplier shall also discuss with DE-Ohio's auditors the magnitude of accounts that have been extended, modified or restructured to determine how unapplied amounts and/or partial payments affect an account's aging status (i.e. are receivables re-aged). In addition, Supplier shall note the accounting treatment and aging of unapplied deductions taken by customers.

3. Receivable Concentration

Supplier shall provide a listing of the 13 largest obligors as of the current period on a financial statement. Supplier shall include the aging of these accounts, verify the accuracy of this information by tracing amounts to the receivable trial balance, scan the trial balance noting any unidentified obligor concentrations, determine if it is properly aggregating exposure among affiliated obligors and if more than one entity is originating the receivables, exposure across the various entities.

4. Credit

Provide a statement setting forth Supplier credit policies and procedures related to the Receivables as of the implementation date of the Account Receivables Purchase Agreement date and set forth any amendments to such credit policies and procedures implemented since that date. Supplier shall provide a copy of any planned or implemented revisions.

5. Marking and Segregation

Supplier shall provide a statement demonstrating that the accounts receivable being purchased are marked and/or segregated in accordance with the terms of the Agreement to indicate the ownership interest.

6. Internal Audit Reports

Supplier shall inform DE-Ohio if its internal auditors have performed any reviews related to the Receivables of the credit procedures and/or receivable system during the last year. If so, it shall provide a copy of any reports noting any material issues which may pertain to the receivables being purchased. If not, Supplier shall inform DE-Ohio when any such review would be scheduled.

7. External Auditors Management Letter.

Supplier shall provide the most recent external auditors management letter regarding the management of the Purchase of Receivables Agreement. It shall note any weaknesses identified in Supplier receivable operations and/or related controls (i.e., EDP or general ledger systems) and discuss any material issues with management. It shall also include the results of the external auditor's most recent accounts receivable confirmation procedures, noting any material issues.

8. Seller/Originator of Receivables

Supplier shall provide an auditable statement verifying that it is the sole originator and legal entity of the receivables being sold pursuant to the Purchase of Receivables Agreement. Supplier shall inform DE-Ohio if there have been any events that have occurred, or are contemplated, that may necessitate refilling UCC Statements, including but not limited to mergers, acquisitions, asset sales, or any changes in: corporate names, location of chief executive offices, location of books and records relative to receivables.

Very truly yours,

Uncollectible Rider (UE-GEN) enables the recovery of uncollectible accounts expense related to generation service. Rider UE-GEN is applicable to all retail jurisdictional customers in the Company's electric service territory including those customers taking generation service from a Competitive Retail Electric Service provider, except for those customer accounts not designated for Duke Energy Ohio's Purchase of Accounts Receivable. The following expenses are recoverable for UE-GEN: loss on sale of A/R, chargeoffs, collection cost and time value of money. The amount booked to Ohio BU 75023 represents the over/ under collections of total rider revenue less expenses related to loss on sale of A/R, collection cost and time value of money. Duke Energy Ohio sells its accounts receivable to Cinergy Receivable Corp. Since Cinergy Receivable Corp now owns the receivable, chargeoffs are not allowed to be recovered on Ohio BU 75023. An additional entry is booked to Cinergy BU 75800 to record the over/under collections related to chargeoffs. Attached is an example of our monthly spreadsheet. The journal entries are as follows:

1. BU 75023 Account '0182394 (55,058)
 BU 75023 Account '0407907 55,058
2. BU 75800 Account '0182324 137,092
 BU 75800 Account '0407907 (137,092)

See Purchase of Receivables Journal enter exhibit.

Duke Energy Ohio Electric
Revenue Collected for Uncollectible Expense - Generation
0102304

Exhibit UE-2

Line	Description	Source	December 18
Revenue Calculation			
1	Total Revenue Recovered for Uncollectible Expense - Generation CAT tax rate (integrating into calc when new rate was effective 10/01/12)	MWY_RAC 44	\$332,747
2			1,002,068
3	Rider Revenue (Generation) Net of embedded CAT tax	Line 1 / Line 2	\$331,882
Allocation Calculation			
4	Total Generation Billed Revenue	Query - Pviol	25,464,703
5	Total Billed Revenue	Query - Pviol	85,747,634
6	Generation % of Total Revenue	Line 4 / Line 5	29.73%
Ohio BU Calculation (75023)			
7	Loss on Sale of AR	Reporting Group	525,558
8	Generation % of Total Revenue	Line 6	29.73%
9	Generation Portion of Loss on Sale of AR	Line 7 * Line 8	156,260
Collection Cost and Time Value of Money			
10	Collection Cost	Reporting Group	0.0600%
11	Time Value of Money	Reporting Group	0.4229%
12	Discount Rate	Sum Line 10 + Line 11	0.4729%
13	Collection Cost and Time Value of Money	Line 4 * Line 12	120,564
14	Total Generation Recovery	Line 9 + Line 13	276,824
15	(Over)/Under collected in base rates (Recorded on Ohio BU)	Line 14 - Line 3	(\$5,988) to JE
Total Company (Over)/Under calculation			
Chargeoffs			
16	Purchase Accounts Receivables Chargeoffs	CMS Reports	154,311
17	Purchase Accounts Receivables Recoveries	CMS Reports	(15,511)
18	Purchase Accounts Receivables Chargeoffs (Net of Recoveries)	Line 16 + Line 17	118,800
19	CMS Chargeoffs (Net of Recoveries)	Customer Service Group	567,080
20	Generation % of Total Revenue	Line 6	29.73%
21	Generation Portion of CMS Chargeoffs	Line 19 * Line 20	174,552
22	Total Chargeoffs to be recovered	Line 18 + Line 21	293,352
Total Balance to be Recovered			
23	(Chargeoffs + Collection Cost and Time Value of Money)	Line 13 + Line 22	413,916
24	Total Company (Over)/Under collection	Line 23 - Line 3	\$2,034
Cinergy BU Calculation (75800) - Account 0102324			
25	Variance Between Loss on Sale of AR and CMS Chargeoffs Net+ Collection Cost + Time Value of Money	Line 24- Line 15	137,092
	Additional (Over)/ Under collection to be deferred (Cinergy BU)		to JE
Asset/(Liability) Rollforward			
Beginning Balance			2,996,854
Monthly Total (Over) Under Collection			82,034
Total Regulatory Ending Balance			3,078,888

Exhibit BD-1

Residential for Ohio/Kentucky

Days in Past due amount	Utility Past due amount \$100 or Greater	Deposit Past due amount \$25 or Greater	Credit Status	Action
30 Day Past due amount, Good, Credit Status	x	N/A	Reminder Message	Reminder Message printed on bill
30 Day Past due amount, Good, Credit Status	x	N/A	DNP Notice Final Notice* DNP Eligible** DNP Complete*** (Service is Off)	DNP notice printed on bill 10 day notice* DNP Eligible (order is generated in CMS)** DNP order selected and completed by field tech.***
30 day Past Due amount Good, New, Reminder Message, or Acceptable Credit Status	N/A	x	DNP Notice Final Notice* DNP Eligible** DNP Complete*** (Service is Off)	DNP notice printed on bill 10 day notice* DNP Eligible (order is generated in CMS)** DNP order selected and completed by field tech.***

Winter Season Ohio

Winter final notices will be mailed to DNP customers (3 calendar days will be required for mailing)

Note: Kentucky final notices will be mailed year-round

Summer Season

Duke Energy does not mail final notices, the customers billing will serve as their final disconnection notice during the summer season

** DNP Eligible means the service order has been generated in CMS and is in the Filler Order Queue waiting to be pulled by the Revenue Collections Department.

*** DNP Complete the order was completed by the field tech, and the customer service is off.

Winter Only



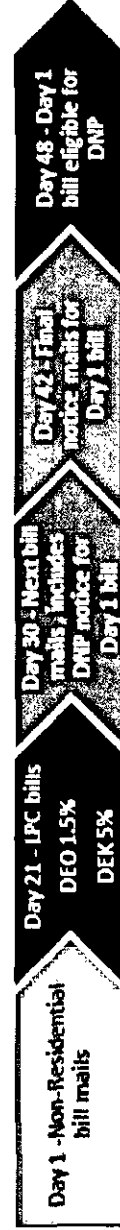
Non-Residential for Ohio/Kentucky

Days in Past due amount	Utility Past due amount \$100 or Greater	Deposit Past due amount \$25 or Greater	Credit Status	Action
30 Day Past due amount; Good, New, or Acceptable Credit Status	x	N/A	DNP Notice Final Notice* DNP Eligible** DNP Complete*** (Service is Off)	DNP notice printed on bill 5 day notice* DNP Eligible (order is generated in CMS)** DNP order selected and completed by field tech.***
30 day Past Due amount Good, New, or Acceptable Credit Status	N/A	x	DNP Notice Final Notice* DNP Eligible** DNP Complete*** (Service is Off)	DNP notice printed on bill 5 day notice* DNP Eligible (order is generated in CMS)** DNP order selected and completed by field tech.***

* Final Notice letter is generated by CMS. Customer's with a mailing address on their account receives two letters, one at the address where the service is located at and the other is sent to the mailing address. The customer has 5 days before the service is turned off.

** DNP Eligible means the service order has been generated in CMS and is in the Filler Order Queue waiting to be pulled by the Revenue Collections Department.

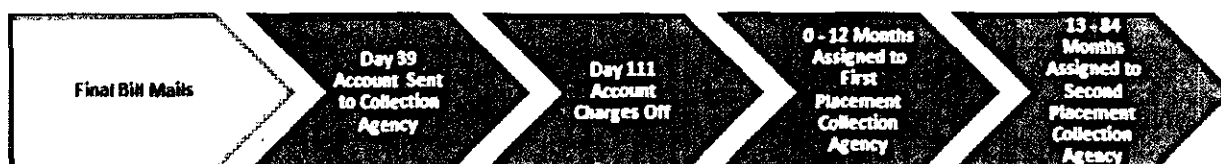
*** DNP Complete the order was completed by the field tech, and the customer service is off.



Duke Energy Timelines – Active Accounts



Duke Energy Timeline – Accounts that have gone Final



DEMW - Collection Agency; Overview

Collection Agency Assignments

Duke Energy can actively collect bills for seven (7) years after the charge-off date. A customer cannot be required to pay a bill older than seven (7) years old before starting service at a new address.

Time Line

One (1) day after Final Bill Due Date: An account balance is eligible to be assigned to pre-collections.

Four (4) days after Final Bill Due Date: An account balance is eligible to be assigned to collections; CMS transfers a final bill to a customer's active account, if available.

Collection Agency Processing - Accounts Receivable

Overview: (From job aid)

When a final bill goes unpaid for 14 days it starts down the 'Credit Timeline' in an attempt to collect the unpaid balance. One (1) day after the Final Bill Due Date the account balance is eligible to be assigned to pre-collections. Four (4) days after the Final Bill Due Date the account balance is eligible to be assigned to collections. DEO's billing system will transfer a final bill to a customer's active account, if available. Once an account has been assigned to a credit agency the Accounts Receivable Performer becomes the primary liaison between the credit agencies and the customer who has the unpaid bill.



Collection Agencies Requesting Account Information

Overview:

When a final energy bill goes unpaid for 14 days it starts down a 'Credit Timeline' in an attempt to collect the unpaid balance. Once an account has been assigned to a credit agency the Accounts Receivable Performer becomes the primary liaison between the credit agencies and the customer who has the unpaid bill. In an effort to collect the funds for Duke the collection agencies will request additional information regarding the debt. There are also situations Duke must recall the account from the collection agency such as fraud and Bankruptcy (BKT)

Givens:

The Accounts Receivable Performer has access to Helvey's Web Access Database

The Accounts Receivable Performer has access to Microsoft Outlook

The Accounts Receivable Performer has access to the Company R-Drive

The Accounts Receivable Performer is able to scan documents into an email

NOTE: Helvey and Associates has their own Website designed to streamline the communication process. Once access is given to the A/R performer they will use that email system embedded in their data base to communicate with Helvey. However, if a Helvey Representative sends you an email your Duke email account will get a notification which will alert you to check your Helvey email account.

NOTE: Duke uses One pre-collection agency and six collection agencies Alliance One-Pre Collection

- Helvey and Associates—Primary
- Interstate—Primary
- Bull City— Secondary
- Online---Secondary

Step by Step Process:

NOTE: A/R performer's Microsoft Outlook is open and notifications arrive at any given time

Notification Rec'd from Helvey?	Then:
No	Go to Step 2
Yes	Go to Step 1

1. Type (Clientaccessweb.com/Helvey/login/Secure.asp?status=) to access the Helvey data base to get emails from Helvey

What Type of Notification?	Then:
Request for Account Information	Go to Step 2
Bankruptcy	Forward email or paper documentation to BKTI Desk
Fraud/ID Theft	Forward email or paper documentation to Fraud Desk

NOTE: There are so many reason's and requests for various information-the most common requests are for:

- Account Printouts
- Balance Inquiries
- Bill Disputes

This Job aid is written on the presumption of the basic requests. More in-depth requests are processed the as a basics request but the research and information provided will differ.

2. Log into CMS:

```
DDDDDD  UU    UU KK    KK EEEEEEEE      06/12/12
DD  DD  UU    UU KK    KK  EE           12:00:31
DD  DD  UU    UU KK    KK  EE           T3BZ
DD  DD  UU    UU KKK    EEEE           ENERGY, INC  PC92-4
DD  DD  UU    UU KK    KK  EE
DD  DD  UU    UU KK    KK  EE
DDDDDD  UUUU    KK    KK EEEEEEEE

                TPX
-----
PRESS PF1 FOR HELP SCREEN      PLAINFIELD 24-HOUR HELP DESK 317-838-2100
                                CINCINNATI 24-HOUR HELP DESK 513-287-HELP
-----
USER-ID: ==> 123456
PASSWORD: ==>
NEW PASSWORD: ==> 
TRANSFER: ==>
```

Figure 1: Log in screen

3. Type User-ID
4. Type Password
5. Press Enter

TPX MENU FOR T32414			Panelid - TEN0041
Cmdkey=PF12/24	Jump=PF13	Menu=PA1	Terminal - T3BZ
Print=NONE	Cmdchar=		Model - PC92-4
			System - TPX
<u>Sessid</u>	<u>Sesskey</u>	<u>Session Description</u>	<u>Status</u>
- CMS-CGE	PF	CICS Production - CMS CGE	
- CMS-PSI	PF	CICS Production - CMS PSI	
- DC03	PF	DYNAMICALLY ADDED SESSION	
- ROSCOE	PF	West Production Roscoe	
- TPXNEW	PF	** What's new for TPX 4.0 **	
- TPXPASS	PF	TPX ACF2 PASSWORD CHANGE	
- TSOBDBA	PF	TSOB for DBS's (no acl)	
- CICS	PF 5	CICS Production - CMS	
■ CICS2	PF	CICS Production - CMS	
- ROSCOE1	PF 1	East Production Roscoe on PROD	
- TSOA	PF	TSO on DEVL	
- TSOB	PF	CG&E TSOB for PROD	
- TPXADMIN	PF	TPX Administration	
- TPXMAIL	PF	TPX Mailbox	
Command ==>			
PF1=Help	PF7/19=Up	PF8/20=Down	PF10/22=Left PF11/23=Right H =Cmd Help

Figure 2: TPX Menu

6. Move Cursor to CICS2 or CICS tab
7. Press Enter
8. Hit Shift and F12 keys at same time

```

CUSTOMER MANAGEMENT SYSTEM MASTER MENU 02:05 P 08/03/12 M35MST1
(C) THE CINCINNATI GAS AND ELECTRIC COMPANY AND PSI ENERGY INC. 1991-2001
CINERGY CG&E
TRANSACTION CODE: BASC ARCHIVED CHANGE CHANGE
BILLING STATUS: _ ACCOUNTS? N TRAN? Y CURSOR? Y

HOUSE NO OR DIR: _____
STREET: _____
APT: _____
FLOOR: _____
SUBURB: _____

CSS ACCOUNT NUMBER: _____
TELEPHONE NUMBER: _____
RES CUST FIRST NAME: john LAST: doe
BUSINESS CUST NAME: _____

METER NUMBER: _____

MAP OR CIRCUIT: _____ SERVICE TYPE: _ FIELD STATUS: _
POLE OR LAMP: _ SUFFIX: _
MAP: _____ PRIMARY STREET: _____
PRESS PF8 FOR SECOND PAGE OF MASTER MENU
  
```

Figure 3: Customer Management System Master Menu screen

9. Type in Customer's first name in the Res Cust First Name: field
10. Type in the customer's last name' in the Last: field
11. Press Enter

Does Customer have Any Active Accounts	Then:
No	Go To Step 12
Yes	Go To Step 16

```

CUSTOMER MANAGEMENT SYSTEM MASTER MENU 02:02 P 08/03/12 M35MST2
(C) THE CINCINNATI GAS AND ELECTRIC COMPANY AND PSI ENERGY INC. 1991-2001
CINERGY CG&E
TRANSACTION CODE: BASC ARCHIVED CHANGE CHANGE
BILLING STATUS: _ ACCOUNTS? N TRAN? Y CURSOR? Y

SERVICE REQUEST NUMBER: _ _ _ _ _
SOC SEC/FED TAX ID NUMBER: 134567891

SPECIAL LEDGER: ☐ _ _ _ _ _

PRESS PF7 FOR FIRST PAGE OF MASTER MENU
  
```

Figure 4: Customer Management System Master Menu screen

12. Enter Customer's Social Security number in the Soc Sec/Fed Tax ID Number:
field
13. Press Enter

Does Customer have Any Active Accounts	Then:
No	Go To Step 21
Yes	Go To Step 14

```

CUSTOMER MANAGEMENT SYSTEM MASTER MENU 02:22 P 08/03/12 M35MST1
(C) THE CINCINNATI GAS AND ELECTRIC COMPANY AND PSI ENERGY INC. 1991-2001
CINERGY CG&E
TRANSACTION CODE: trch ARCHIVED CHANGE CHANGE
BILLING STATUS: _ ACCOUNTS? N TRAN? Y CURSOR? Y

HOUSE NO OR DIR: _____
STREET: _____
APT: _____
FLOOR: _____
SUBURB: _____

CSS ACCOUNT NUMBER: 12345678 90
TELEPHONE NUMBER: _ _ _ _ _
RES CUST FIRST NAME: _____ LAST: _____
BUSINESS CUST NAME: _____

METER NUMBER: _____

SERVICE TYPE: _ FIELD STATUS: _
POLE OR LAMP: _ SUFFIX: _
PRIMARY STREET: _____
MAP OR CIRCUIT: _____
MAP: _____
PRESS PF8 FOR SECOND PAGE OF MASTER MENU
  
```

Figure 7: Customer Management System Master Menu screen

14. Type 'Trch' in the Next Transaction Code: field
15. Type 'OLD' account number in the CSS Account Number: field
16. Press Enter

```

TRCH TRANSFER CHARGE 02:25 P 08/03/12 M35TRCH
ACCT: 62502196 06 CS: DNP COMPLETE STATUS/DATE: CHARGED OFF 07/09/07
DIV : 90 CYC: 07 ZIP: 41006 CUST SIC : PRIVATE HOUSEHOLDS
NAME: PENDING : SPCD
ADDR: APT: FL: SUBURB: BUTLER

CURRENT AMOUNT DUE $ 604.06

----- TO ACCOUNT -----
CSS ACCOUNT NUMBER : 12345678 90
TRANSFER CHARGE TYPE: ALL_
APPROVED BY: 32414
COMMENTS : transferring to active account_____
  
```

Figure 8: Transfer Charge screen

17. Type 'Active Account Number' the account you are transferring to
18. Type 'Your T-number' in the Approved By: field
19. Type 'Transferring to active account' in the Comments: field
20. Press Enter

END OF TASK

```
CUSTOMER MANAGEMENT SYSTEM MASTER MENU 12:09 P 08/03/12 M35MST1
(C) THE CINCINNATI GAS AND ELECTRIC COMPANY AND PSI ENERGY INC. 1991-2001
CINERGY CG&E
TRANSACTION CODE: BASC  ARCHIVED      CHANGE      CHANGE
BILLING STATUS:  _  ACCOUNTS? N  TRAN? Y  CURSOR? Y

HOUSE NO OR DIR: _____
STREET: _____
APT: _____
FLOOR: _____
SUBURB: _____

CSS ACCOUNT NUMBER: 12345678 90
TELEPHONE NUMBER:  _  _  _
RES CUST FIRST NAME: _____ LAST: _____
BUSINESS CUST NAME: _____

METER NUMBER: _____

MAP OR CIRCUIT: _____ SERVICE TYPE: _  FIELD STATUS: _
POLE OR LAMP: _____ SUFFIX: _
MAP: _____ PRIMARY STREET: _____
PRESS PF8 FOR SECOND PAGE OF MASTER MENU
```

Figure 9: Customer Management System Master Menu screen

21. Type 'Basc' in the Transaction Code: field to get to Basic screen
22. Type 'Account Number' in the CSS Account Number: field
23. Press Enter

```

BASIC          BASIC ACCOUNT INFORMATION - METER      12:10 P 08/03/12 M35A530
ACCT: 05602090 01 CS: DNP NOTICE      STATUS/DATE: CHARGED OFF 05/30/11 PG: 1
DIV : 90   CYC: 13   ZIP: 41094      CUST SIC : PRIVATE HOUSEHOLDS
NAME:                               PENDING : SPCD
APT:                               FL:          SUBURB: WALTON

SERV                               MAIL
ADDR:                               ADDR:

MTR METER      ON/      BILL SERV SRV STAT MTR PRIM BILL RV MLT SRV
TYPE NUMBER    OFF DATE  STAT STAT DATE  STA USE  RATE CL OCC PHS BLK TAB
ELEC 10057192 OFF 02/03/11 FNL AVL 02/03/11 INS A/C RS 00 S 1 NO NO

NEXT TRAN CODE: amdi
  
```

Figure 10: Basic Account Information screen

24. Make a Print out of the Basic Account Information screen
25. Type 'Amdi' in the Next Tran Code: field to get to the Amount Due screen
26. Press Enter

```

AMDI          AMOUNT DUE INQUIRY      01:37 P 08/03/12 M35AMDI
ACCT: 05602090 01 CS: DNP NOTICE      STATUS/DATE: CHARGED OFF 05/30/11 PG: 1
DIV : 90   CYC: 13   ZIP: 41094      CUST SIC : PRIVATE HOUSEHOLDS
NAME:                               PENDING : SPCD
ADDR:                               APT:          FL:          SUBURB: WALTON

FOR THE BILL PREPARED: 02/04/11      DUE DATE: 02/28/11

          AMOUNT          POSTING DATE
          AMOUNT DUE $      979.72      02/04/11
          LATE PAYMENT CHARGE $ 47.41      02/28/11

CURRENT AMOUNT DUE INCL SEC DEP      1,027.13
SECURITY DEPOSIT DUE
CURRENT AMOUNT DUE EXCL SEC DEP      1,027.13 TOTAL ACCOUNT BALANCE
                                          1,027.13

NEXT TRAN CODE: fhs1
  
```

Figure 11: Amount Due Inquiry screen

27. Print Amount Due Inquiry screen
28. Type 'Fshl' in the Next Tran Code: field to get to the Financial History Selection screen
29. Press Enter

FHSL FINANCIAL HISTORY SELECTION				01:38 P 08/03/12 M35FHSL	
ACCT: 05602090 01 CS: DNP NOTICE				STATUS/DATE: CHARGED OFF 05/30/11 PG: 1	
DIV : 90 CYC: 13 ZIP: 41094				CUST SIC : PRIVATE HOUSEHOLDS	
NAME: [REDACTED]				PENDING : SPCD	
ADDR: [REDACTED]				APT: FL: SUBURB: WALTON	
LN	BILL PREP	DUE DATE	DATE ENTERED	AMOUNT	DESCRIPTION
01			05/30/11	0.00	CHARGED OFF
02			02/28/11	47.41	LATE PAYMENT CHARGE
	02/04/11	02/28/11		979.72	FINAL BILL
			02/04/11	198.77-	SEC DEP & INT APPLY
03			02/04/11	976.66	BILL CHARGE
			02/04/11	533.69-	ELECTRIC CHARGE CANCELATION
	01/25/11	02/16/11		735.52	BILL
04			01/25/11	290.70	BILL CHARGE
			01/24/11	180.45-	PAYMENT
			01/24/11	180.45	PENDING PAYMENT RECONCILED
			01/21/11	180.45-	PENDING PAYMENT
05			01/17/11	11.80	LATE PAYMENT CHARGE
	12/22/10	01/17/11		613.47	BILL
06			12/22/10	242.99	BILL CHARGE
LN NO: [REDACTED]					
PF: 8-DOWN					

Figure 12: Financial History Selection screen

30. Print screen
31. Press 'F8' key and print each page of Financial History
32. Scan all screen printouts into email
33. Send email back to Collection Agency Representative who requested the information
34. Print Email and file in the trays located in the overhead bin at the Collections Desk

T - Accounts

Exhibit BD-4

UNCOLLECTABLE UTILITY CHARGES

ACCOUNTS RECEIVABLE 0142200		REVENUE 04xxxxx	
5000	A		A 5000
	B 3000 C 2000		
5000		0	5000
			-5000
CASH 0131xxx		PROVISION FOR UNCOLLECTABLE 0144100 OR 0144330	
3000	B	2000	C
1000	D		D 1000
4000		2000	
			1000
			1000

- A Bill Customer - Utility charges are billed , Revenue is recognized, Accounts Receivables are created.
- B Utility charges are paid - Customer pays partial payment = \$3000
- C Unpaid receivable is charged off.
- D Partial payment is received on charged off amount.

DUKE ENERGY CORPORATION
DUKE ENERGY OHIO, INC.
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
INTERNAL CONTROLS GROUP
SFR Reference: Chapter II (B)(9)(b)(ii, vi, vii)

I. Policy and Goal Setting

The Finance Governance Group is responsible for various internal control matters within the Corporate Controller's function, including governance and oversight activities related to execution of Sections 302 and 404 of the Sarbanes-Oxley Act, ensuring that activities associated with documenting, testing, and evaluating the effectiveness of the Company's internal controls over financial reporting are successfully performed by the organization, and supporting Management's quarterly and annual assertions regarding the effectiveness of such internal controls. The Finance Governance Group is responsible for coordinating the external management representation letters and for maintaining specific finance and accounting policies.

II. Strategic Planning

Preparation of the Corporate closing calendar and applicable quarterly/annual due dates for specific regulatory filings is the responsibility of the SVP Chief Accounting Officer & Controller's Department. The Finance Governance Group adheres to these due dates as it establishes its applicable quarterly work plans relative to achievement of Sarbanes-Oxley, Section 302, quarterly compliance activities and applicable accounting policy updates.

Planning activities as they relate specifically to achievement of implementation of annual Sarbanes-Oxley, Section 404, compliance requirements are the direct responsibility of the Director, Finance Governance. Work plans are developed and communicated to affected business areas. Critical due dates are established and closely monitored; periodic status reports are provided to both executive management and the Audit Committee of the Board of Directors.

III. Organizational Structure

The Finance Governance Group is under the direction of the Director, Finance Governance, who reports to the Director, Corporate Accounting. Business process owners, for each applicable affected business area (e.g., Human Resources, Business Units, etc.), are also actively engaged in the various compliance activities, as it relates to both Section 302 and Section 404 efforts. See Exhibit IC-1 Org Chart.

IV. Responsibilities

Primary responsibilities for the Finance Governance Group include providing general oversight, guidance and monitoring to ensure that quarterly activities associated with the Section 302/404 internal representation letter process are executed by the applicable business process areas and maintaining the Corporate Financial/Accounting policies and procedures. Specific duties of the Finance Governance Group include:

- Maintaining Corporate Financial/Accounting policies and procedures;
- Coordinating Section 302/404 internal representation letter process, including disclosure controls and procedures;
- Coordinating management representation letters with external auditors;
- Providing support for the Approval of Business Transactions policy;
- Training applicable business process owners on Section 404 related requirements and responsibilities;
- Developing and monitoring detailed project plans and timelines;
- Performing risk assessments of the financial statements and footnotes to determine scope of Section 404 activities;
- Developing consistent standards for documentation and testing;
- Identifying, for each transaction cycle, the control objectives and risks and developing control activity guidance for the business process owners;
- Reviewing business process owner's identification and documentation of control activities and assessment of control design;
- Developing testing criteria and templates for use by business process owners for their effectiveness testing;
- Reviewing, as necessary, business process owner effectiveness testing and associated documentation;
- Coordinating the documentation of the Company's entity level controls and development of entity level test templates to facilitate business process owners certification of those controls;
- Coordinating re-testing of business process owner's transaction level testing;
- Coordinating overlap testing with Corporate Audit Services;
- Maintaining remediation database and monitoring remediation activities and status;
- Providing counsel and direction to business process owners in the completion of transaction level remediation activities, as necessary;
- Participating with business process owners responsible for the implementation of new company's initiatives to ensure the appropriate internal controls over financial reporting are being designed, implemented, and are working effectively;

- Monitoring the activities of the Securities and Exchange Commission and the Public Company Accounting Oversight Board in order to ensure Section 404 activities are in accordance with applicable authoritative guidance;
- Coordinating the Management Section 404 assertion process;
- Interfacing with the Company's external auditors regarding their attestation work;
- Communicating project status and other related information (e.g., remediation activities status) to key stakeholders; and
- Performing testing of IT General Controls testing that is in scope for the audit period.

V. Practices and Procedures

As stated earlier, the Finance Governance Group adheres to corporate practices and procedures as related to overall compliance with applicable due dates for both Section 302 and Section 404 regulatory requirements. The Finance Governance Group develops and directly manages to an overall program work plan; day-to-day work activities are closely monitored to ensure the timely completion of all Section 302/404 related requirements. Various monthly/quarterly meetings/communications are held with specific process owners, executive management and the Audit Committee of the Board of Directors to discuss current work activities, program status and any applicable issues. The Finance Governance Group monitors activities of the Securities and Exchange Commission and the Public Company Accounting Oversight Board as it relates to the issuance of authoritative guidance associated with Section 302/404, to ensure Company compliance.

VI. Decision-Making and Control

The Director, Finance Governance, and Director, Corporate Accounting, have responsibility for the general oversight, governance and monitoring of Section 302/404 activities, reporting directly to the SVP Chief Accounting Officer & Controller. In addition, ad hoc meetings of applicable business process owners occur, as necessary, to address areas of specific or immediate concern. Applicable business process areas have designated an area SOX Representative to aid in the execution of Section 302/404 activities, and to provide business process owners necessary guidance and assistance in order for them to provide their annual assertions as to the effectiveness of internal controls over financial reporting related specifically to their affected business areas. The SVP Chief Accounting Officer & Controller is ultimately responsible for providing periodic presentations on program status to the Audit Committee of the Board of Directors. In addition, the Director, Finance Governance Group, and/or the SVP Chief Accounting Officer & Controller is (are) responsible for reporting status on a periodic basis to executive management, including the Chief Financial Officer and the Chairman, President, and Chief Executive Officer.

VII. Internal and External Communication

The Finance Governance Group, in the performance of its duties and responsibilities, interfaces frequently with personnel from outside and within the Company. These interfaces are accomplished by written communications (e.g., e-mails, reports, memorandum, etc.), telephone conversations, and personal meetings.

External interfaces include the Company's external auditors and other utility companies. Periodic meetings are held between the Finance Governance Group and the Company's external auditors to discuss the status of the external auditor's attestation activities, including any potential issues or areas of concern.

Internally, there are frequent interfaces with business process owners and other key stakeholders.

The Finance Governance Group holds routine staff meetings. The purpose of these meetings is to communicate current work activities, status, and timelines and to provide a forum to discuss problems, concerns, and suggestions.

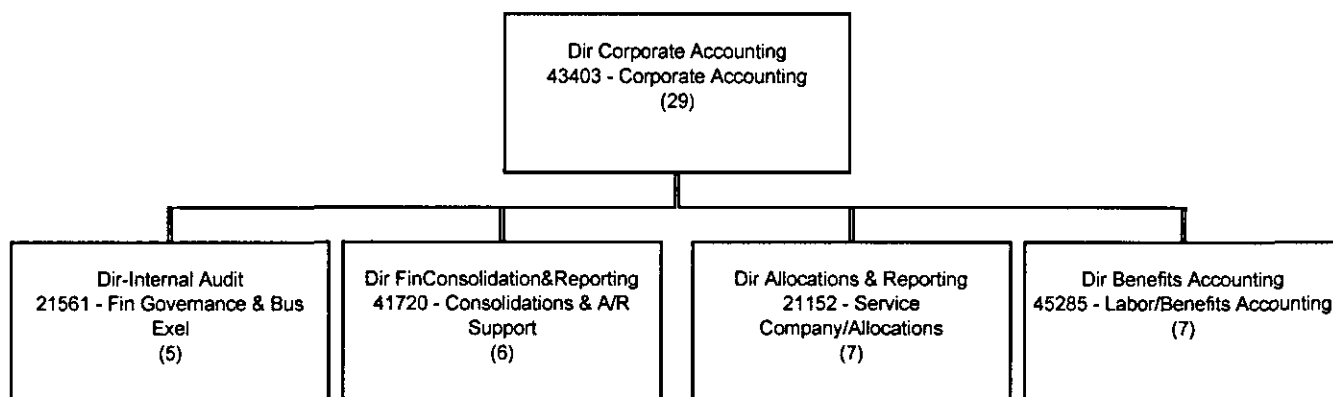
Quarterly meetings are held with the Corporate Disclosure Committee, made up of key executive financial officers and financial management, and of which the SVP Chief Accounting Officer & Controller serves as Chairperson. The purpose of the Corporate Disclosure Committee is to assist the Company's Chief Executive Officer and Chief Financial Officer in fulfilling their responsibilities for oversight of the accuracy and timeliness of disclosures made by the Company. The Corporate Disclosure Committee is responsible for considering the materiality of information and assisting in determining disclosure obligations pursuant to applicable securities laws and regulations and stock exchange requirements.

Periodic program status update meetings are held with executive management and the Audit Committee of the Board of Directors. Attendees of these meetings include the SVP Chief Accounting Officer & Controller, and the Company's internal and/or external audit engagement partners, as necessary.

Quarterly updates are provided to IT leadership which includes the CIO and CSO and Director of IT Security and Compliance.

VIII. Goal Attainment and Qualification

The achievement of the Company's financial compliance efforts are measured by the successful and timely execution of the department's established work plans, goals, and objectives. In addition, periodic meetings are held with executive management and the Audit Committee of the Board of Directors to report overall program status.



DUKE ENERGY CORPORATION
DUKE ENERGY OHIO, INC.
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
TREASURY DEPARTMENT
SFR Reference: Chapter II (B)(9)(b)(i,ii,iii,iv)

I. Policy and Goal Setting

The financial policies of the Company are the responsibility of the Chief Financial Officer, who is principally responsible for the development and protection of the Company's financial resources.

The Treasury Department supports the corporate financial policies and the corporate policies embodied in the Duke Energy Code of Business Ethics, which establishes the guidelines by which Duke Energy employees are expected to conduct business.

In addition, the Corporate Treasury Policy and Guideline Manual and Investment Policy Statements provide further policy and guideline parameters under which Treasury operates. Examples of specific Treasury policies include but are not limited to:

- Intercompany funding
- Wire Transfers
- Check signing and disbursements
- Short-term investments
- Financing Activity and Financial Risk Management Policy
- Delegation of authority and approval of business transactions

The annual goals and objectives of the Treasury Department are designed to support the achievement of the Duke Energy business plan. These goals and objectives are developed by all levels of departmental personnel and are approved by the Treasurer. The focus of treasury related goals routinely encompass items such as minimizing or reducing costs related to financing related transactions, increasing returns on cash investments, providing superior support to other corporate areas such as regulatory affairs and corporate accounting, and maintaining excellent credit rating agency support to encourage appropriate credit ratings.

II. Strategic Planning

Financial planning in the Treasury Department (i.e., Corporate Finance, Cash Management, and Long-Term Investments) centers on the cash forecast, which is prepared primarily from the Company's Annual Financial Plan. The cash forecast

is updated monthly to reflect variations between actual results and budget, as well as to reflect revised estimates of cash needs obtained from the major operating subsidiaries. The forecast identifies the magnitude, timing, and tenor of external financing needs. This information, as well as corporate policy, market information, and other Company-specific information, is used to determine the amount of short-term liquidity resources needed and to plan the type of external long-term financings needed. These financial plans are reviewed by the Treasurer and the Chief Financial Officer. Short-term financing requirements and all long-term financings are reviewed and approved by the Board of Directors.

Long-Term Investments provides management oversight of the assets in the Company's pension benefit trusts, 401(k) plans (Plans), and nuclear decommissioning trusts. In providing these services, Long-Term Investments partners with Human Resources and external service providers to effectively meet the goals and objectives of the Plans.

III. Organizational Structure

The Treasury Department is divided into four principal sections, Corporate Finance, Project & International Finance, Cash Management, and Long-Term Investments. The leaders of these functions all report directly to the Treasurer who reports to the Chief Financial Officer.

The organization chart of the Treasury Department is attached as Exhibit TR-1.

IV. Responsibilities

The Treasury Department, under the direction of the Treasurer, provides various financial services to the Company under four areas of responsibility:

- Corporate Finance;
- Project & International Finance;
- Cash Management; and
- Long-Term Investments

Through various short and long-term financing options, the Treasury Department provides, in a cost-effective manner, the funding necessary to support working capital outlays, capital expenditures and the cost of expansion into energy related markets for Duke Energy and affiliate companies. This includes developing alternative financing strategies that optimize benefits for both shareholders and ratepayers.

The department has responsibility for all corporate funds of the Company, including cash funds management, wire transfer disbursements and borrowing and/or investing of funds. Treasury also has responsibility for money pool administration, asset and liability management, leasing, indenture administration,

pension fund and 401(k) asset management oversight, and cost of capital studies. The department is also responsible for maintaining relationships with the banking community, fixed income investors, credit rating agencies, trust custodians, investment managers, and investment consultants.

V. Practices and Procedures

Cash Management

Daily money movement decisions (including borrowing and/or investing corporate funds) are the responsibility of the Assistant Treasurer, Cash Management. Cash Management personnel assist in executing this responsibility with oversight from the Assistant Treasurer. The Cash Management group obtains interest rates from banks/brokers/dealers, and evaluates the most advantageous actions to be taken by the Company. Various financial analyses and reports are prepared that reflect daily cash activity. These reports are distributed to the Treasurer and other financial employees as necessary.

Corporate Finance

Corporate Finance provides the resource which converts the Duke Energy Annual Financial Plan to actionable items. In doing so it regularly maintains active dialogues with relationship banks to analyze and investigate various financing alternatives in order to raise needed capital in a cost efficient manner. Individual financing transactions are coordinated with appropriate parties including banks, legal advisors, credit rating agencies and others to facilitate the transaction. These actions support the company's balance sheet strength in accordance with its credit ratings objectives and support other financial objectives such as exposure to floating rate interest rates, shareholder dividend policy, and short-term liquidity needs. All financing transactions are approved by the Treasurer and the Chief Financial Officer under the delegation of authority set forth in the corporate Approval of Business Transaction Policy. In addition, other activities include economic overview and analysis support for large capital expenditure recommendations, accounting and regulatory support for "finance oriented" projects, and periodic interaction with credit rating agencies to respond to needed data requests.

Project & International Finance

The Project & International Finance team provides support to the company's commercial businesses, specifically Duke Energy International and Duke Energy Renewables. In this role, the team supports non-recourse project financings and international transactions.

Long-Term Investments

Long-Term Investments manages the ongoing trust cash flows including contributions to various plans, funding benefit payments and paying management consultants and trustee fees and expenses. Activities also include re-balancing asset investment positions consistent with established benchmarks and objectives and monitoring manager and fund performances compared to performance benchmarks making manager changes as necessary. Performance is periodically reported to the Investment Committee of the Board of Directors and annually to the Board of Directors.

VI. Decision-Making and Control

The level at which decisions are made within Treasury and the amount of control exercised by individual department personnel are in many cases specified in resolutions approved by the Board of Directors (or subcommittees thereof). In addition, a formal Corporate Treasury Policy and Guideline Manual and Investment Policy Statements have been approved which further delineate, among other matters, decision-making authority within Treasury. The Treasury Policy and Guideline Manual is attached as Exhibit TR-2. All employees are apprised of their responsibilities and authority and are expected to make decisions within the parameters of that authority and report their results to the next level of supervision as appropriate.

Many of the major decisions in the area of Corporate Finance are made pursuant to resolutions approved by the Board of Directors. These resolutions delegate authority to the Chief Financial Officer, Treasurer, other Treasury management, or other designated persons (employees, agents, etc.).

VII. Internal and External Communication

Departmental groups hold periodic staff meetings for all employees of the group. The purpose of these staff meetings is to communicate policies and decisions of management, to discuss work assignments and work schedules, and to provide an informal forum to discuss problems, concerns, and suggestions of the employees. The Treasurer holds periodic staff meetings with all of his management team.

Daily interaction is maintained between the Treasurer, Managers, and other employees. Frequent informal communication lines are also maintained with other departments within the Company. In addition, department personnel are made available for presentations to other departments within the Company.

External communications are maintained with commercial and investment banks, credit rating agencies, pension fund managers, trust custodians and consultants.

VIII. Goal Attainment and Qualification

Corporate Finance

Performance is measured by the success of meeting time schedules for financing, obtaining long-term funds on the most favorable terms possible, and the accuracy of related documents. Performance for preparation of financial and disclosure documents is measured by timely and accurate preparation, distribution and filings with various agencies.

Other indicators which are part of the financial planning process and performance attainment comparisons include:

- Ability to complete financing requirements at costs comparable to or better than equivalent rated companies;
- Capital structure ratios;
- Interest coverage ratios;
- Levels of restrictive financial covenants contained in indentures or bank credit agreements;
- Implicit interest rates on leases; and
- Timely completion of disclosure reporting requirements.

Cash Management

Performance is measured by a number of factors, most of which relate to the following:

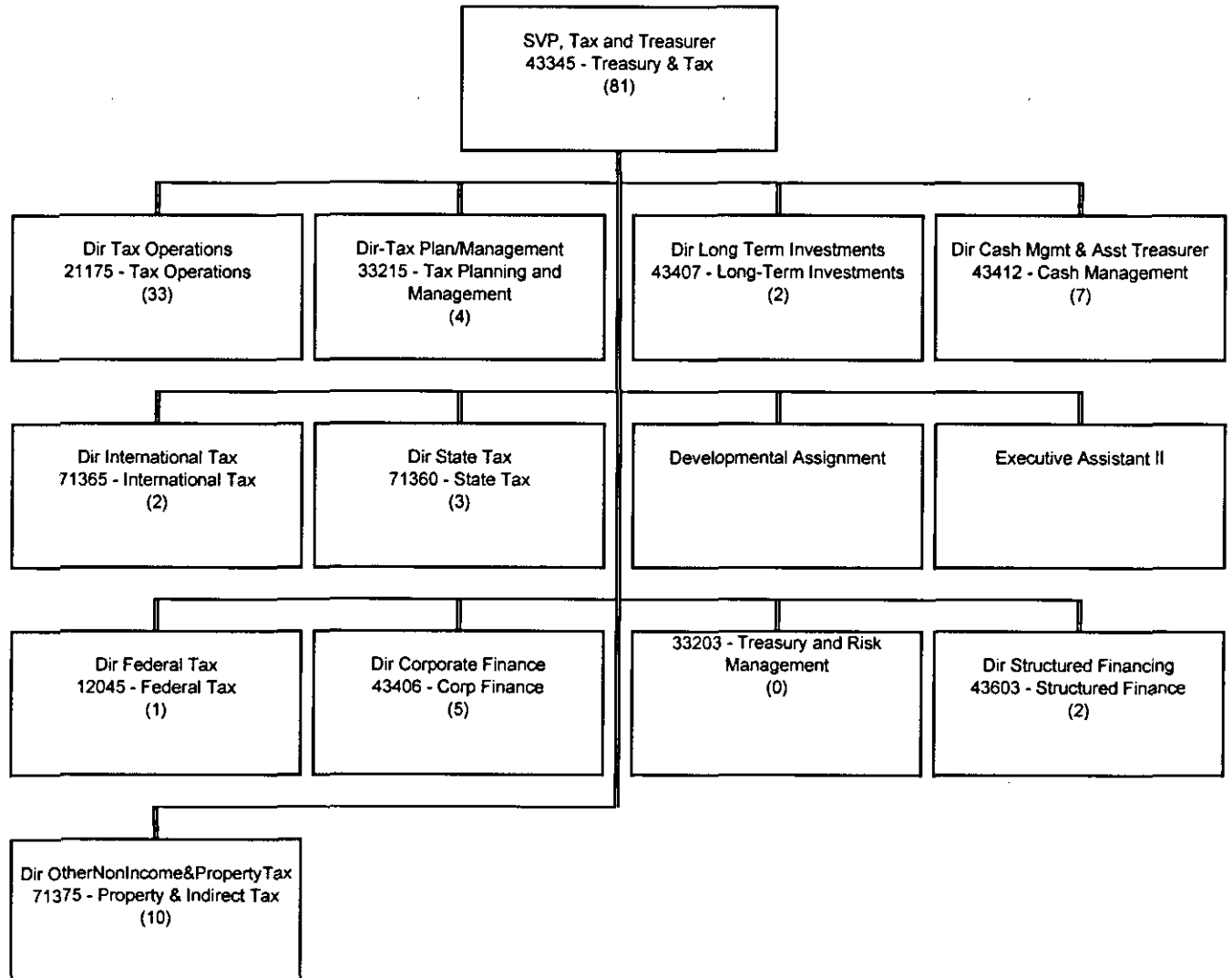
- Ability to concentrate funds for optimizing cash flow strategies;
- Ability to complete short-term borrowing requirements at costs comparable to equivalent or higher-rated companies;
- Ability of obtain favorable rates of return on cash investments;
- Ability to secure bank pricing that is below published national averages;
- Support of Company initiatives that impact cash receipts and disbursements; and
- Timely inputs into the monthly closing process.

Long-Term Investments

Performance is largely evaluated by comparing the total funds investment performance with the total fund composite benchmark. Further performance comparisons are made for total equity, total fixed income, and individual managers with their respective benchmarks.

Performance goals are specified in the approved Investment Policy Statement. While investment performance is monitored and evaluated on a continuous basis,

the attainment of performance goals have a longer term focus (e.g. generally rolling 3-year and 5-year periods) and are evaluated on such a basis.



DUKE ENERGY CORPORATION
DUKE ENERGY OHIO, INC.
SUMMARY OF MANAGEMENT POLICIES, PRACTICES & ORGANIZATION
FINANCE PROGRAM OFFICE
SFR Reference: Chapter II(B)(9)(b)(ii, iv)

I. Policy and Goal Setting

The Finance Program Office (FPO) Department does not issue policy statements, per se, but supports the Duke Energy Policies through directives, procedures, and practices. The annual goals and objectives of the FPO are designed to support the achievement of the strategic and operating initiatives of the Company.

II. Strategic Planning

Improving the finance and accounting processes involves close coordination with the strategic directions of the company. The FPO maintains an overall plan and regularly monitors actual performance against that plan. Where necessary, the FPO's plan is modified based on changes in the Company's strategic directions.

Direction of the FPO organization is provided by the Chief Financial Officer (CFO) and his direct reports when they meet to review progress and provide feedback.

III. Organizational Structure

The FPO directly reports to the Senior Vice President, Financial Planning & Analysis. It is a dynamic organization which changes as improvement initiatives change. Currently, the FPO has a project-based organization and a support function. A varying number of functional and technical employees have been assigned full time. These are supplemented by contractors and consultants, as necessary. An organizational chart is attached as Exhibit FPO-1.

IV. Responsibilities

This organization is responsible for developing the three-year Finance Roadmap and directing the accomplishment of Finance system projects and process improvement efforts. Also, the Functional User Support organization provides day-to-day business support for the enterprise financial systems platform (e.g. PeopleSoft, Hyperion, PowerPlan, etc.). The project management function supports the project organizations in terms of providing project reporting, standards/methodologies, budgeting, and change management services.

V. Practices and Procedures

Weekly control meetings are held at the project level and the program level to ensure that FPO projects and activities are on schedule and have the necessary resources to achieve the objectives. Such meetings are conducted in order to discuss the prior week's progress, assignments for the upcoming weeks, any communication that needs to be made to other employees, and to ensure the various teams are communicating issues that may affect more than one team.

VI. Decision-Making and Control

Day-to-day decisions regarding the conduct of team activities are the responsibility of the FPO management team. Key directional decisions are made as part of periodic review sessions with the CFO and his direct reports.

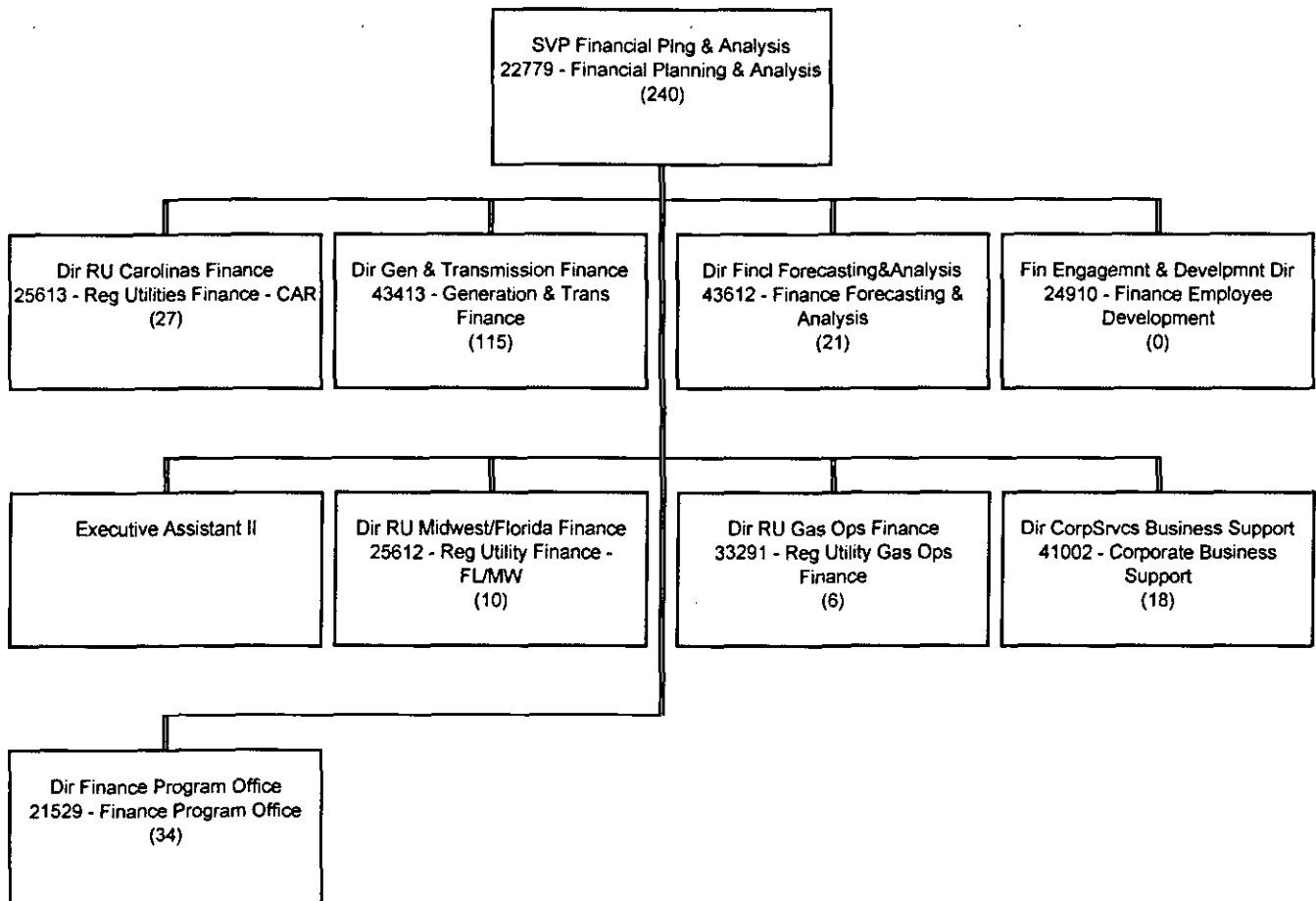
VII. Internal and External Communication

The FPO has recurring meetings with various management constituencies throughout the Company on the progress of FPO activities. Depending on the stakeholder group involved, the meetings may be bi-weekly, monthly, quarterly, or as-needed.

A large amount of internal communication results from daily interaction among department personnel, as well as regular, formal team meetings. Communication outside and inside the department can be in the form of telephone calls, letters, meetings, e-mails, etc. The FPO Change Management Services assists to disseminate formal communications outside the FPO to affected constituencies. A Finance Portal has been established to facilitate communications throughout the Finance organization.

VIII. Goal Attainment and Qualification

Performance of the FPO is considered in conjunction with other goals for the broader Financial Planning and Analysis department. Goal attainment will be to successfully deliver core Roadmap project milestones, meet Piedmont Natural Gas integration objectives / deadlines and maintain performance metrics on support of the Enterprise Financial Systems Platform.



DUKE ENERGY CORPORATION
DUKE ENERGY OHIO, INC.
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
CORPORATE AND REGULATORY STRATEGY
SFR Reference: Chapter II (B)(9)(a)(iv,v), Chapter II (B)(9)(d)(iv),
Chapter II (B)(9)(i)(i,ii,iii,v)

I. Policy and Goal Setting

The Corporate and Regulatory Strategy Department provides senior management with corporate intelligence designed to enhance organizational resilience to anticipate threats and take advantage of financial opportunities, develop robust business plans and formulate company strategy. The key functions of this group include market monitoring through the continuous tracking of changes in the industry, facilitating the development and communication of corporate strategy, researching emerging technologies, and providing research and analytical support as needed for senior management.

The Corporate and Regulatory Strategy Department is also responsible for load forecasting and market fundamentals.

The Department Executive, in consultation with his/her staff, coordinates goal setting for the group. Goals for the group reflect the financial and administrative goals established in the business plan of the Energy Solutions and Midwest and Florida Regions Group.

II. Strategic Planning

Planning for the department is the responsibility of the Department Executive in consultation with his/her staff. Departmental planning decisions are made annually for the next five years. These planning decisions are tailored to support corporate goals.

III. Organizational Structure

The Corporate and Regulatory Strategy Department is under the direction of the Department Executive and is a part of the Energy Solutions and Midwest and Florida Regions Group. There are eight direct reports to the Department Executive, including: the four heads of emerging technologies research, and Directors of Market Fundamentals and Load Forecasting, Production cost modeling and analytics, Wholesale and renewables analytics, and the strategic planning manager

The Organization chart of the Corporate and Regulatory Strategy Department is attached as Exhibit SP-1.

IV. Responsibilities

An important function of the Corporate and Regulatory Strategy Department is to monitor emerging trends within the industry, assess their impact and alert the organization on emerging threats and opportunities. In addition to facilitating the development and communication of corporate strategy, the group is responsible for coordinating the strategic planning cycle and ensuring that business plans are well aligned on a corporate basis. The department also supports the company's executive team by providing research and analytical support for special projects.

The Corporate and Regulatory Strategy Department also has input into the development, support and facilitation of long term planning efforts at Duke Energy. This includes responsibility for load forecasting and projecting market fundamentals

V. Practices and Procedures

The Corporate and Regulatory Strategy Department monitors key changes in the industry on a continuous basis and communicates the impact of these to the executive team. The group facilitates the discussion of critical strategic issues to develop clear articulation of the company's point of view regarding these issues. Strategy and Planning facilitates the development of the company's strategy and communicates it to employees and other stakeholders through information sessions.

VI. Decision Making and Control

All important decisions are subject to the review of the Department Executive.

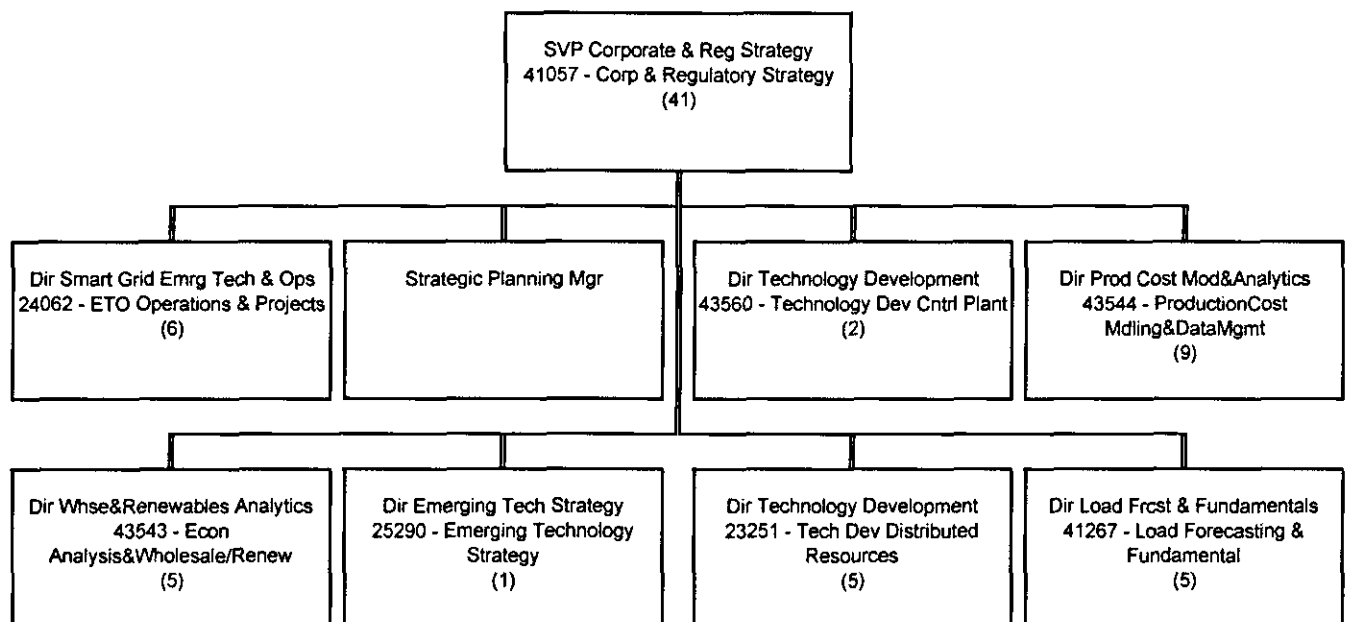
VII. Internal and External Communication

A large part of internal communication results from daily informal interaction among department personnel. This is augmented by regular meetings as well as written communications such as memos, e-mail, etc. The group communicates on a regular basis with the Business Units as well as with other Corporate center departments such as Financial Planning, and Mergers and Acquisitions. External communication includes publications, conferences, personal communication and industry forums.

VIII. Goal Attainment and Qualification

Performance of the group is usually measured by feedback from its customers. These include members of the executive management team as well as employees

from other departments that interact with the Corporate and Regulatory Strategy group. The group solicits feedback through surveys and direct interviews.



DUKE ENERGY CORPORATION
DUKE ENERGY OHIO, INC.
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
FINANCIAL PLANNING AND ANALYSIS
SFR Reference: Chapter II(B)(9)(b)(i, iii), Chapter II(B)(9)(i)(vi)

I. Policy and Goal Setting

The financial policies of the Company are the responsibility of the Company's Executive Vice President and Chief Financial Officer, who is principally responsible for the development and protection of the Company's financial resources.

The Financial Planning and Analysis function supports the overall corporate financial policies and the corporate policies embodied in the Duke Energy Code of Business Ethics, which establishes the guidelines by which Duke Energy employees are expected to conduct business.

The annual goals and objectives of Financial Planning and Analysis are designed to support the achievement of Duke Energy's financial and business plans. These goals and objectives are developed by all levels of departmental personnel and are approved by the Senior Vice-President Financial Planning and Analysis and the Executive Vice President and Chief Financial Officer.

II. Strategic Planning

Duke Energy's strategic direction is established by senior management. The Financial Planning and Analysis function addresses the needs of senior management generally by providing financial analyses of various strategic and financial alternatives prior to decisions being made. Once a strategic direction is identified, communication and coordination among many departments occurs to generate Duke Energy's Annual Financial Plan and Duke Energy's Five-Year Financial Plan, including various updates to these plans.

III. Organizational Structure

The Financial Planning and Analysis function consists of eight separate teams led by Directors who report to the Senior Vice-President Financial Planning and Analysis who then reports to the Executive Vice President and Chief Financial Officer. The eight teams are: 1) Regulated Utilities Finance – Carolinas, 2) Regulated Utilities Finance – Florida and Midwest, 3) Regulated Utility Gas Operations Finance, 4) Generation and Transmission Finance, 5) Finance Forecasting and Analysis, 6) Corporate Services Business Support, 7) Finance Program Office, and 8) Finance Employee Development.

An organizational chart is provided in Exhibit FPA-1.

IV. Responsibilities

Financial Planning and Analysis is primarily responsible for the preparation of Duke Energy's Annual Financial Plan and Duke Energy's Five-Year Financial Plan, which include short- and long-term operating and cash forecasts. It also assists Corporate Accounting in monitoring corporate budget variances and providing explanations to senior management. The forecasts are used to assist in the development of Duke Energy and its subsidiaries' (including Duke Energy Ohio) strategy for regulatory issues.

V. Practices and Procedures

The principle practices and procedures used by Financial Planning and Analysis, in addition to the above responsibilities, include the following:

- rating agencies presentations/support;
- regulatory planning & testimony support;
- short and long-term financial analysis;
- strategic and corporate planning support;
- short and long-term financial target setting;
- economic and financial decision-making support; and
- support senior management review process.

VI. Decision-Making and Control

Decision-making involves applying financial and economic evaluation methods along with independent judgment to the many financial and operating issues that impact the corporation. Most decisions are made on the reasonableness of data, comparing it to previous years, trend data, expected results based on analysis and forecasts of changes in the industry environment, and other operating or financial considerations.

There is not one defined criterion utilized for decision-making purposes but, rather, criteria are driven by the issue being addressed. Each department staff member has a multi-functional background and expertise, which he/she brings to each issue being analyzed.

Much of the decision-making in the department is iterative in that results of one analysis imply another analysis is necessary to validate assumptions or conclusions. These subsequent analyses are often provided to senior management for their review process.

Assumptions and analyses are reviewed by the Directors and the Senior Vice-President, Financial Planning and Analysis, for reasonableness and consistency in theory application.

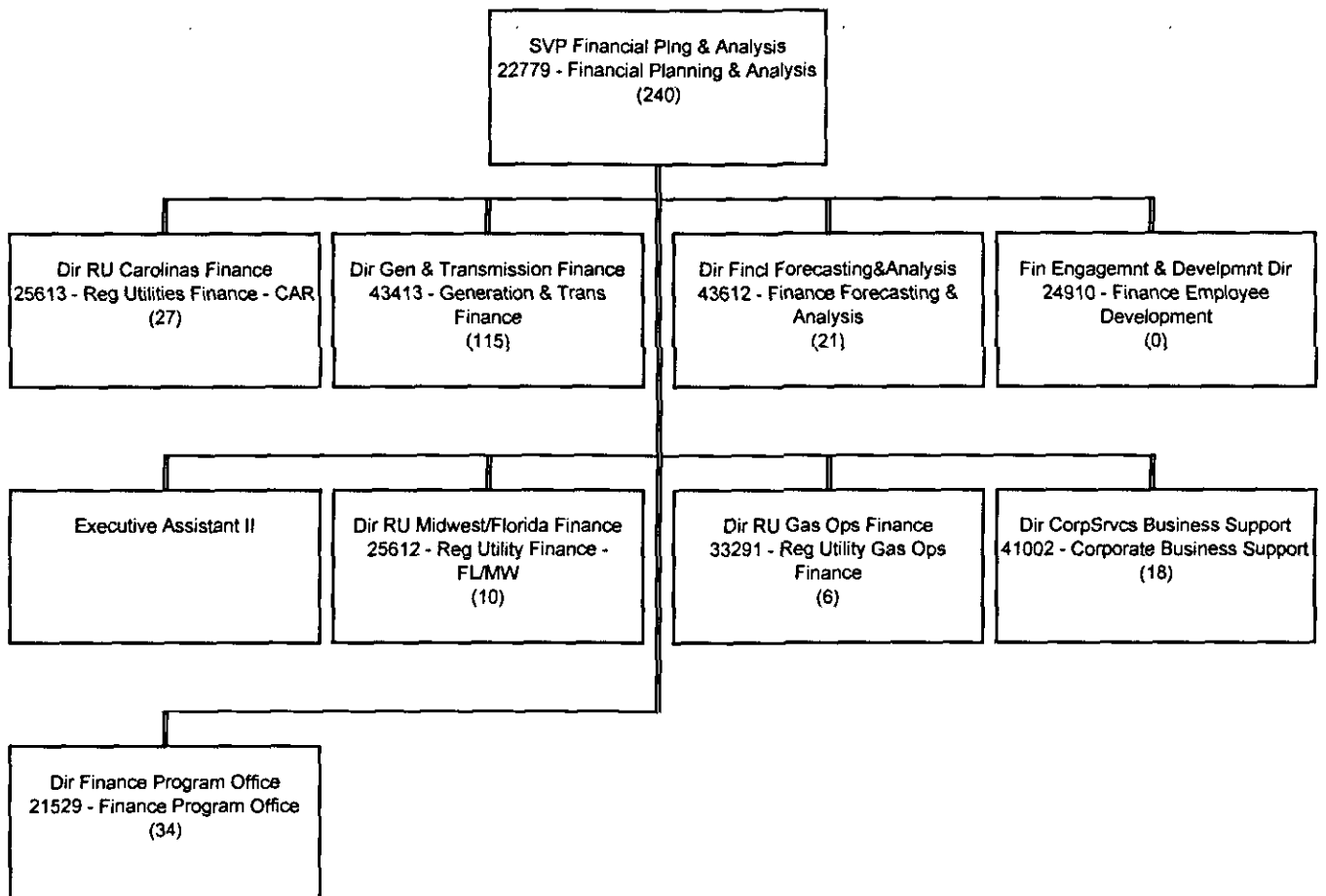
VII. Internal and External Communication

Communication within the department is achieved through regular staff meetings, conference calls and e-mail. Types of information shared within the department include directions and/or assumptions for a particular analysis; brainstorming for problem resolution; relaying information communicated from another meeting that involves assignments; and communication of corporate direction from senior management.

VIII. Goal Attainment and Qualification

The following are 2017 Financial Planning and Analysis Department goals. The goals are primarily subjective in nature and are based on quality of performance. The quantification is based on the assessment of the Executive Vice President and Chief Financial Officer and the direct feedback of the Senior Vice-President, Financial Planning and Analysis.

- Focus on operational excellence; optimize financial performance and lead organization with emphasis on efficiency, sound governance and risk management. An example includes advancing and continuing to develop organizational capabilities in pursuit of continuous improvement to enhance the five-year planning process.
- Implement Company's Utility Strategy, achieve growth and financial results through effective leadership and consultation with business functions and operating companies. An example includes enhancing the financial planning and related communications to provide timely strategic analysis, financial plan and support to executive management for the enterprise, business segments and jurisdictions.
- Foster a high performance and inclusive culture built on strong leadership and highly engaged and diverse employees. An example includes advancing leadership capabilities and bench strength through ongoing development, rotations, and succession planning.



DUKE ENERGY CORPORATION
DUKE ENERGY OHIO, INC.
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
INSURANCE MANAGEMENT DEPARTMENT
SFR Reference: 9 (e) (ii)

I. Policy and Goal Setting

Departmental practices and procedures are conducted within the guidelines established by Duke Energy (the Company) corporate policies.

Goal setting is performed annually during the budgeting and incentive development processes. The Insurance and Claims budget is part of the overall Finance group budget which is approved by the Group Executive, Chief Financial Officer. Departmental objectives are also included in employee incentive targets and are evaluated annually.

II. Strategic Planning

The Insurance strategic plan is determined annually by assessing industry trends regarding the limits and coverage available in insurance markets, by benchmarking with industry peers, and by examining the development of claims against the Company. Insurance coverage limits are purchased based upon current market conditions and risk assessments of the Company.

Analysis of the insurance strategy is performed during the annual renewal of insurance policies which generally takes place periodically throughout the year for major lines of insurance such as property and general liability. Significant changes to the insurance program are communicated to the Senior Vice-President Global Risk Management & Insurance & CRO and the Group Executive, Chief Financial Officer. An overview of the insurance program is provided to the Duke Energy Board of Directors on an annual basis.

III. Organizational Structure

The Insurance and Claims Department is led by a Director, Insurance Management, who reports to the Senior Vice-President Global Risk Management & Insurance & CRO. The Senior Vice-President Global Risk Management & Insurance & CRO reports to the Group Executive, Chief Financial Officer.

The organization chart for Insurance Management is provided in Exhibit IM-1.

IV. Responsibilities

Insurance Management Claims Department is responsible for assessing insurance risks, for negotiating and renewing insurance policies for the Company, and for managing claims against the Company and against insurance carriers, as described below:

Insurance

The insurance program is structured such that Duke Energy's subsidiaries (including Duke Energy Ohio) self-insure low-level losses. Duke Energy provides limited insurance above the subsidiaries' self-insured retentions through its captive insurance companies. The captives then reinsure with A. M. Best "A-", S&P "BBB+" or better rated insurers against losses above captives' retentions. The insurance program is designed to capture the business portfolio effect and save costs in the procurement of insurance.

Claims

The Claims department has responsibility for managing Duke Energy's risk to financial loss through claims management for all claims made against the Company. This includes establishing appropriate loss reserve levels, reviewing and adjusting loss estimates as necessary, and negotiating the settlement of claims in conjunction with the Legal Department.

V. Practices and Procedures

The Insurance group executes the placement of insurance policies, determines internal insurance premiums, and processes transactions related to the insurance policies, including the payment of premiums. For transactions of the captive insurance companies, procedures have been developed within the guidelines of corporate policies for transactions such as disbursements and investments. Compliance with procedures is monitored through the review of quarterly captive insurance company financial statements and the testing of internal controls.

Claims personnel collect data regarding claims, establish reserves, update the claims management system for changes in claims, and manage the resolution of individual claims. The Claims group also handles day-to-day operations for the collection, processing, and filing of data for claims.

VI. Decision-Making and Control

Decisions regarding Insurance and Claims are subject to the Duke Energy Approval of Business Transactions Policy, which regulates the delegation of authority. In

addition, Insurance and Claims maintains documentation of the internal controls observed in accordance with Sarbanes-Oxley requirements.

Duke Energy's captive insurance companies are governed by individual boards of directors which are composed of Duke Energy Insurance and Tax group personnel as well as third-party directors.

VII. Internal and External Communication

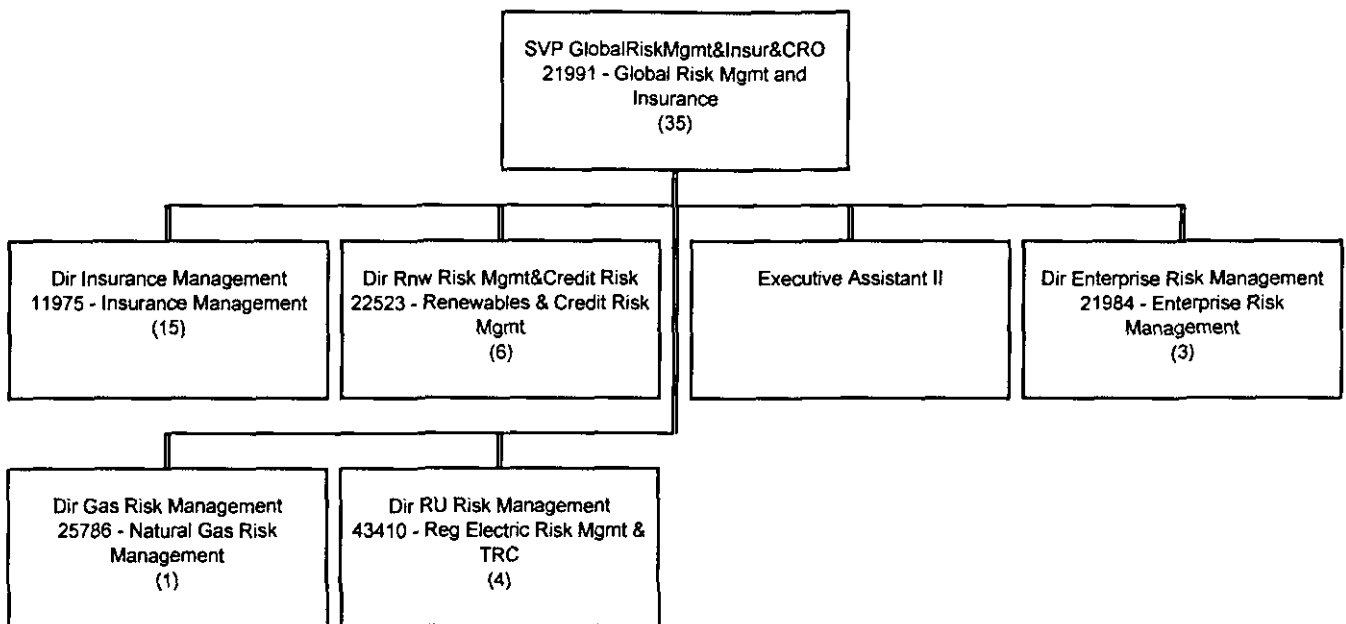
The Insurance Management Department works with an external rating agency to obtain a credit rating for Duke Energy's captive insurance company.

When a potentially significant claim is reported, the third-party insurance carrier is notified. Claims personnel then maintain ongoing periodic contact with insurance carriers as additional information becomes available.

Within Duke Energy, the Insurance Management Department works with various groups such as Corporate Accounting and in-house legal counsel to ensure that departmental activities support the overall corporate objectives.

VIII. Goal Attainment and Qualification

The achievement of Insurance Management Department objectives is monitored primarily through periodic budget to actual comparisons and annual incentive evaluations. Departmental financial performance relative to budget is examined by the Insurance Management Group Manager at least quarterly. In addition, Insurance Management has incentive goals regarding the timely and accurate submission of monthly financial supporting schedules to corporate accounting and reporting groups



DUKE ENERGY CORPORATION
DUKE ENERGY OHIO, INC.
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
TAX DEPARTMENT

SFR Reference: Chapter II (B)(9)(b)(ii), Chapter II (B)(9)(e)(iv)

I. Policy and Goal Setting

The Tax Department follows the Corporate Policies and Procedures. Each employee of the department is knowledgeable of these by having access to the company portal where the Corporate Policies and Procedures are available, as well as being made aware of these through employee orientation, discussions in company meetings and company training.

The goal-setting process for the Tax Department is a joint effort between the Senior Vice President, Tax and Treasurer, and the Executive Vice President and Chief Financial Officer (CFO). The objectives and annual goals of each department within Corporate Finance are designed to support the financial and administrative policies and the stated goals of Corporate Finance. Progress toward achieving the annual goals of the Tax Department is reviewed as required.

II. Strategic Planning

Senior Management has the primary responsibility for establishing the company's business plan. As mentioned in Section I, Policy and Goal Setting, the department sets general and specific goals to support the business plan established by Senior Management.

The department participates in the corporate planning process through input and suggestions given to the Senior Vice President, Tax and Treasurer and the Executive Vice President and Chief Financial Officer and through corporate teams established for this purpose.

III. Organizational Structure

The Tax Department is headed by the Senior Vice President, Tax and Treasurer who reports to the Executive Vice President and Chief Financial Officer. The Tax Department is currently divided into five areas, Federal Income Tax, State & Local Income Tax, International Tax, Other Non-Income and Property Tax, and Tax Operations. All of these areas report directly to the Senior Vice President, Tax and Treasurer. See Exhibit TX-1.

IV. Responsibilities

It is the Tax Department's responsibility to assemble, review, and prepare certain tax returns and reports for filing, along with forecasting, verifying, and remitting payments of such taxes. The Tax Department establishes and records all accounting entries necessary for the proper determination of tax liabilities and expenses in accordance with regulatory requirements.

Tax planning, budgeting, and research are also the responsibility of this department.

The specific duties of the Tax Department are as follows:

- Prepare and file on a timely basis appropriate federal, state, and local annual, quarterly, and monthly income and non-income tax returns;
- Forecast, verify, request, and remit payments of taxes;
- Develop and maintain necessary work papers as supporting documentation for tax returns and computations;
- Conduct tax research, including the review of current federal, state, and local tax decisions, rulings, regulations, and analyses of proposed legislation to determine their effect on Company operations;
- Communicate tax research findings to appropriate levels of the organization and assist in formulating appropriate tax strategies;
- Provide Company responses to inquiries made by various taxing authorities during audit;
- Defend the Company's tax positions by filing appeals and protests, as necessary;
- Prepare tax accounting journal entries; and
- Establish and maintain proper and necessary contacts with taxing authorities and various other government agencies.

The goals of the Tax Department are established to support the Department's basic objectives, which are:

- To comply with all applicable federal, state, and local tax laws;
- To ensure filing of all returns and payments on a timely basis;
- To assure that the Company's tax accounting practices are in accordance with the respective regulatory agencies' requirements;
- To support the Company's position in regulatory initiatives;
- To participate in the development of tax legislation; and
- To provide tax assistance as may be requested by others in the company.

V. Practices and Procedures

In order for the Tax Department to meet its desired objectives, clear communication and understanding of the business units and functional areas are required.

The Tax Department's compliance deadlines are dictated by federal, state, and local statutes, which govern due dates and filing requirements for various returns and payments. The Tax Department utilizes a computerized tax calendar to assist in managing this responsibility.

Tax strategies and planning opportunities and issues are reviewed and approved at the appropriate level.

VI. Decision-Making and Control

Decisions made in the Tax Department concern the proper measurement, timing, and reporting of tax data in returns as well as in the books of record.

Accounting research is required as a result of changes in accounting required by the Financial Accounting Standards Board, Federal or State Regulatory Commissions, or new financial circumstances. In addition, new legislation, court decisions, and changes in regulations require tax research.

General guidance for dealing with tax law, accounting reporting requirements, and rate case exhibits is identified by appropriate tax personnel and coordinated with the Senior Vice President, Tax, and Treasurer. Detailed direction is provided by each area's leader, who assigns responsibility to the appropriate staff employee. The respective leader monitors progress on the completion of the various tasks arising from the above mentioned items.

In addition to the internal reviews and controls covering tax and accounting changes, compliance related to accounting is monitored by the internal auditors, external auditors, and/or regulators. Also, compliance with tax changes is assured through periodic audits conducted by representatives of the various taxing authorities.

VII. Internal and External Communication

Periodic staff meetings are held by the Senior Vice President, Tax, and Treasurer. These meetings provide a forum for sharing events that affect Tax operations, project report updates and for discussions involving personnel policies and practices.

The Senior Vice President, Tax, and Treasurer attends quarterly CFO staff meetings. In addition, the heads of Federal Income Tax and State & Local Tax are members of several Transaction Review Committee Scrub Teams, which provide the forum for the exchange of information about the Company on a broad basis. The Senior Vice President, Tax, and Treasurer and the head of Tax Operations regularly attend meetings with the Senior Vice President, Chief Accounting Officer, and Controller, in which specific issues regarding accounting matters impacting the

Company are discussed. This information is disseminated within the leadership of the Tax Department by the Senior Vice President, Tax, and Treasurer and the head of Tax Operations. These meetings allow for the communication and identification of tax related issues.

Regular communication occurs among the Senior Vice President, Tax, and Treasurer, Directors, Managers, and other employees within the Tax Department regarding the status of routine and special projects.

Regular communication also occurs with the employees in business units and corporate functional areas in order to provide assistance in tax related matters and to stay informed of business activities.

Outside contacts are made regularly, both written and orally, between Tax Department personnel and employees of the various tax agencies with which the Company files tax returns. The Senior Vice President, Tax and Treasurer communicates with other utilities, members of utility industry organizations, tax leaders outside the industry, and tax & legal experts in the profession on tax and accounting issues, which may impact the company.

Frequent contact is required with external auditors during their review of financial statements and regulatory reports. Contacts are also made with outside legal and tax experts, as well as state and federal regulatory agencies.

VIII. Goal Attainment and Qualification

The primary measurement for timely and accurate accomplishment of Tax Department goals is based on the following:

- All tax returns and tax payments are correct and filed on a timely basis;
- Data for financial statement closing is supplied to the Corporate Controller's Department on a timely basis;
- Data for the Annual Budget is supplied to Budgets and Forecasts Department on a timely basis;
- Information requested by other departments is correct and timely; and
- Assessment of effectiveness in developing and advocating for federal and state tax policy.

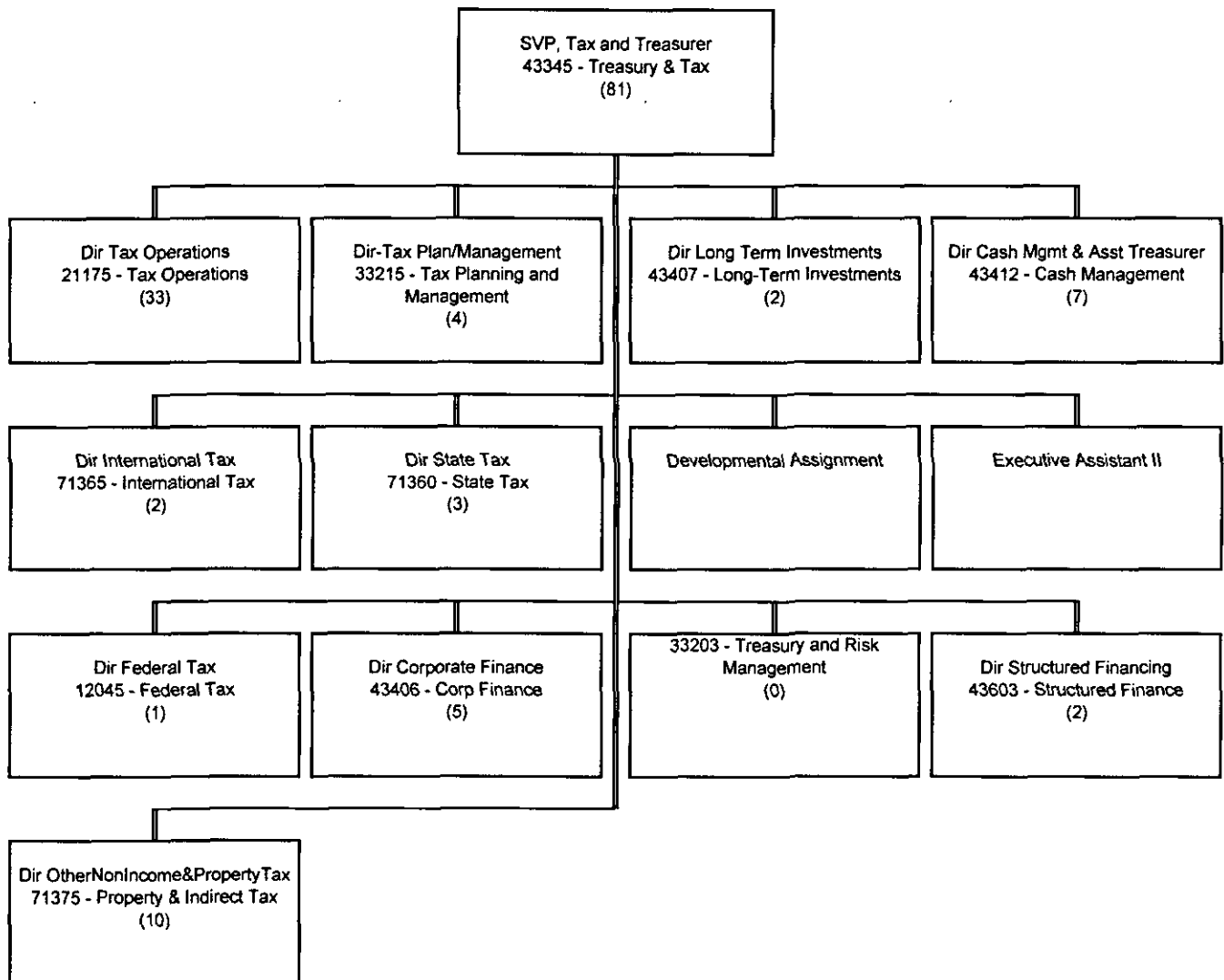
Assessments of the accuracy and timeliness of tax data and tax returns include the following:

- Tax Department monthly calendar of returns and payments due;
- Independent verification and review of returns, work papers and payment calculations; and
- On-going education and training of tax personnel.

Additional assurance of the accuracy of financial statements and accounting files and reports is provided by the regular reviews conducted by internal and external auditors. Measurement of the accuracy of tax returns is provided by annual or periodic audits by agents of the various taxing agencies.

Specific projects, studies or actions, which have been identified as key areas of focus for the Tax Department are monitored at regular intervals for progress. These are designed to meet the Tax Department's specific performance objectives. A key area of focus for the Tax Department is providing support for rate cases and regulatory proceedings.

Goals for attainment, which have been identified for individual employees, are also reviewed during the annual evaluation of these employees.



DUKE ENERGY CORPORATION
DUKE ENERGY OHIO, INC.
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
INVESTOR RELATIONS DEPARTMENT
SFR Reference: Chapter II (B)(9)(d)(v)

I. Policy and Goal Setting

The Investor Relations Department (Department) does not issue formal policy statements, but supports the corporate policies and objectives through Department practices.

All members of the Department are familiar with significant corporate policies and procedures impacting their daily work (*e.g.*, Regulation FD policy). Investor Relations' goals and objectives are designed to support the achievement of the strategic and financial initiatives of the Company. These goals and objectives are developed under the direction of the Vice President of Investor Relations ("Vice President") and approved by the Chief Financial Officer.

The Investor Relations Department's goals and objectives are to:

- Communicate timely, accurate and relevant information to shareholders and the investment community;
- Build marketplace recognition and confidence in the Company as a valuable equity and fixed income investment opportunity;
- Maintain a balanced investor base (equity and fixed-income);
- Educate employees, executive management and the Board of Directors about Duke Energy stock performance, investor perceptions on Duke, and financial terminology utilized by the investment community; and
- Ensure appropriate disclosure and recordkeeping compliance.

II. Strategic Planning

Departmental planning is focused on developing the specific tactics necessary to meet the Department's goals and objectives. On an ongoing basis, an investor relations calendar is maintained detailing our planned interaction with the investment community for the upcoming months (*e.g.*, attendance at a targeted number of bank-sponsored and industry conferences, completing a certain number of one-on-one meetings with analysts and investors, annual meeting of shareholders, etc.). Additionally, the Department is involved in the review of the Annual Report and proxy materials as well as assuring compliance with rules and regulations of the Securities and Exchange Commission and New York Stock Exchange.

III. Organizational Structure

The Vice President reports directly to the Chief Financial Officer of Duke Energy. The Department is responsible for two key functions: institutional investor relations' activities and retail shareholder services. Reporting to the Vice President is a Director who, along with a Manager, works primarily with institutional investors and analysts. Additionally, a Director of Shareholder Services also reports to the Vice President, with primary responsibility for shareholder services and retail shareholder communications.

An organization chart is attached as Exhibit IR-1.

IV. Responsibilities

Investor Relations, under the direction of the Vice President, has general charge of all investor relations' activities, including shareholder services. The Department is responsible for all communications with retail and institutional shareholders and the financial and investment community, including Wall Street analysts.

Specifically, the Department:

- Coordinates earnings releases and conference call presentation materials related to the Company's financial results on a quarterly basis;
- Develops Q&A responses for frequently asked questions;
- Prepares and coordinates presentations made at bank-sponsored and industry conferences;
- Coordinates one-on-one meetings with analysts and investors and senior executives of the Company;
- Performs investor targeting and monitoring based upon trends seen in the broad markets as well as the utility industry;
- Monitors trends and developments with our peer group utilities;
- Educates employees, executive management and the Board of Directors about Duke Energy stock performance, investor perceptions on Duke, and financial terminology utilized by the investment community; and
- Responds to investor inquiries.

In addition, from a retail investor perspective, the Department is responsible for answering inquiries from retail investors, shareholder recordkeeping, stock transfer, dividend disbursement, dividend reinvestment plan administration, and assists in preparations relating to the annual meeting of shareholders, including overseeing the distribution of proxies.

V. Practices and Procedures

The Department's activities are reviewed and approved by the Vice President and the Chief Financial Officer. The appropriate members of senior management review information and disclosures prior to external distribution.

Departmental personnel maintain close working relationships with nearly all areas of the organization in order to develop appropriate disclosures.

From a Shareholder Services perspective, the department acts as the Company's transfer agent, to ensure that stock transfers and shareholder recordkeeping are maintained in accordance with the rules and regulations of the Securities and Exchange Commission, the Internal Revenue Service, and the New York Stock Exchange. Audits are periodically performed by the Securities and Exchange Commission (SEC) as well as our external auditors, Deloitte & Touche. Audits have also been performed by our internal auditors.

VI. Decision-Making and Control

The Department is involved in both proactive and reactive issues and consults frequently with senior management and expert technical personnel from other departments to determine appropriate responses and disclosures. Primary disclosures are reviewed with senior management for input and concurrence.

Decision-making and control responsibilities performed by Investor Relations include:

- Authorizing the issuance of common stock for Plan purchases; and
- Ensuring the accurate distribution of dividend payments to shareholders.

VII. Internal and External Communication

The Department is responsible for external communications to shareholders and the investment community. Communications are conveyed through a combination of methods, including press releases, SEC filings (Form 8-K), presentations delivered at conferences, one-on-one meetings with investors, and formal written communications such as the Annual Report to Shareholders, a comprehensive internet website, teleconferences, and other communications by telephone, e-mail or face-to-face.

The Department holds periodic staff meetings to communicate policies and decisions of management, to discuss work assignments and work schedules, and to provide an informal forum to discuss problems, concerns, and suggestions of the employees.

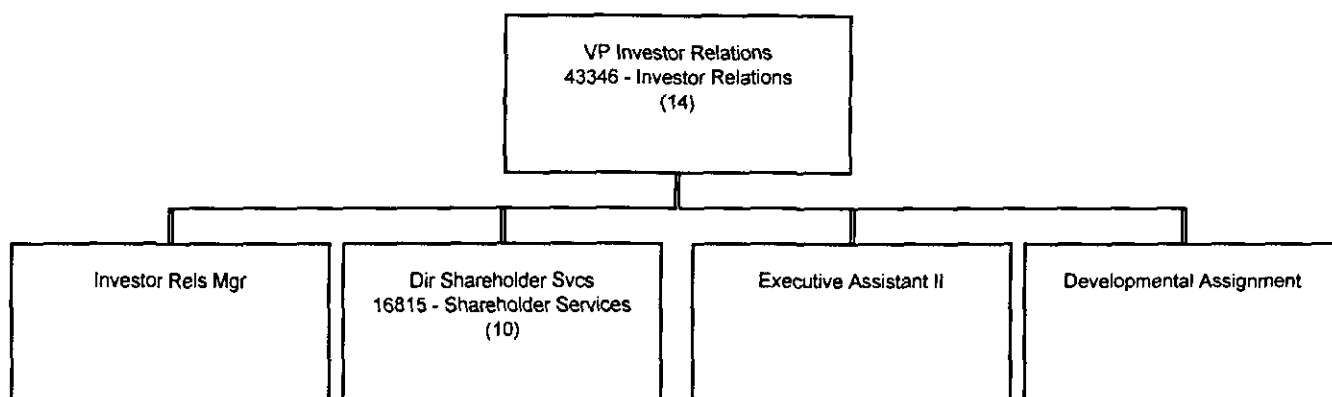
Frequent informal communication lines are also maintained with other departments within the Company.

VIII. Goal Attainment and Qualification

Department performance is measured by numerous factors, which include:

- Achieving effective communications, through, but not limited to, conferences and meetings with investors;
- Obtaining or maintaining an appropriate mix of institutional and retail investors; and
- Delivering shareholder returns that represent fair valuations of the Company's securities.

Performance in Investor Relations is also measured by the timely and accurate preparation and distribution of shareholder communications and dividend payments, and meeting the rules and regulations of the SEC, the Internal Revenue Service, and the New York Stock Exchange. Feedback received from analysts and shareholders are also used as an indication of performance.



DUKE ENERGY CORPORATION
DUKE ENERGY OHIO, INC.
SUMMARY OF MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
STRATEGY, PLANNING & RATES DEPARTMENT
SFR Reference: Chapter II (B)(9)(c)(i,ii,iii,iv,v), Chapter II (B)(9)(i)(iv,vii)

I. Policy and Goal Setting

The Executive Vice President and President of Midwest and Florida Regions and the State President of Ohio and Kentucky have the primary responsibility for establishing department goals. Goal achievement is the responsibility of the department's management team, which includes the Vice President, State President, Directors, and Managers. Department goals are developed to support the Midwest and Florida Regions department objectives as they pertain to the company's strategy and objectives that were communicated by the Duke Energy Chairman and Chief Executive Officer.

Rates and Regulatory Strategy Department establishes the policy by which the Company's rates are implemented and administered. Corporate workplace policies, which are established by the Company's Executive Management, are communicated to each member of the Rates and Regulatory Strategy Department in the Working Environment Policy Manual and are supported by department directives, practices and procedures.

II. Strategic Planning

The Rates and Regulated Strategy Department's goals are developed to support Duke Energy's five-year business plan. The timing and necessity of rate case filings are driven in part by the in-service date (timing) of new facilities, the erosion of regulatory earnings and changes in legislation. For this reason, the Rates and Regulatory Strategy Department participate in committee meetings with senior executives, to plan and organize regulatory initiatives. These committees are also a means to discuss and monitor ongoing processes and projects that affect the achievement of the corporate strategic goals. In addition, the Rates and Regulatory Strategy Department must address customers' needs in rate design and present rate options to best meet those needs. As an example, the Rates and Regulatory Strategy Department have received customer feedback through the Customer Market Analysis and Business Relations and Development Groups. Through the use of this feedback the Rates and Regulatory Strategy Department is able to design and propose rate options to serve the needs of customers. By monitoring and participating in the regulatory and legislative arenas, the Rates and Regulatory Strategy Department is able to be aware of current trends and address any political concerns.

III. Organizational Structure

The department consists primarily of exempt level employees with varied educational backgrounds and experience in the fields of accounting, finance, economics and engineering. The managers in the Rates and Regulatory Strategy Department report directly to the Director of Rates and Regulatory Strategy. The Director of Rates and Regulatory Strategy reports directly to the State President of Ohio and Kentucky. The department's management team leads employees in carrying out the responsibilities associated with revenue requirements, cost of service, pricing, and the administration of various cost recovery mechanisms.

The State President of Ohio and Kentucky reports directly to the Executive Vice President and President of Midwest and Florida Regions. The responsibilities of the Rates and Regulatory Strategy Department are divided into the jurisdictional groups, pricing, and regulatory accounting. The Directors and managers are responsible for the rate activities of the operating companies Duke Energy Ohio, Inc., and Duke Energy Kentucky, Inc. An organization chart depicting the Rates and Regulatory Strategy Department is attached as Exhibit RD-1.

IV. Responsibilities

The primary objective of the Rates and Regulatory Strategy Department is to assist the Company in meeting the corporate objective of earning a fair rate of return on its assets used in rendering safe and reliable gas and electric service, thereby maintaining financial health. The Rates and Regulatory Strategy Department is responsible for monitoring the rates of return on the Company's regulated operations and the regulatory issues that could impact the authorized rates of returns. To achieve its objective, the Rates and Regulatory Strategy Department prepares and timely files base rate case and cost recovery tracking mechanism applications in accordance with the standard filing requirements of PJM and state and Federal regulatory commissions. These requirements may be either by statute or in compliance with prior commission orders. In conjunction with filing regulatory applications, responsibilities include developing cost of service studies and presenting expert testimony that supports revisions to rates and rate structures and the administration thereof. In addition, the Rates and Regulatory Strategy Department prepares applications for changes in accounting methodology either separately or in conjunction with base rate applications. In summary, the Rates and Regulatory Strategy Department fulfills its corporate responsibility by:

- Developing revenue requirements for regulated operations;
- Developing cost of service requirements and allocating costs equitably among customer classes;
- Developing rates that provide sufficient revenues to recover the full cost of providing gas and electric service; and

- Preparing required rate and accounting applications presented to regulatory commissions.

The Rates and Regulatory Strategy Department provide a variety of services crucial to the overall success of its internal customers within the Company. More specifically, the department has the following responsibilities:

- Recommend the need to adjust current rates when the objectives of those rates are not currently being met;
- Direct the preparation of rate applications and coordinate all aspects of rate proceedings in conjunction with the Legal Department before state and Federal regulatory agencies;
- Coordinate and distribute changes to gas and electric tariff schedules;
- Maintain service regulations to reflect current safety and operating requirements;
- Provide administrative and technical support to assure the accurate implementation of the commissions' rules and regulations and authorized rates;
- Develop revenue requirements, cost allocations and rates for Federal Energy Regulatory Commission wholesale and coordination agreements including support for annual changes to the Open Access Transmission Tariff of PJM;
- Prepare the fuel cost recovery filings and reports, coordinate the periodic management audits, and participate in the subsequent related public hearings;
- Provide regulatory reporting of emission allowance costing and inventory;
- Participate in load management rate initiatives such as the Real Time Pricing, PowerShare[®], and Economic Development;
- Develop special contract rates to meet specific customer requirements;
- Maintain open lines of communications with departments that provide for appropriate ratemaking decisions and between the Company and regulatory agencies; and
- Participate in regulatory agency rulemakings and proposed state and Federal legislation.

V. Practices and Procedures

Principal duties of the Rates and Regulatory Strategy Department are to:

- Remain informed on local and national utility pricing and regulatory issues. Evaluate their effect on the Company's business, and recommend solutions through study and association with other utility personnel, industry groups, and committees;

- Calculate, as required, new or revised rate structures, including rates, service regulations, purchased gas and electric fuel cost recovery mechanisms;
- Analyze results of operations, trends, and deviations as they pertain to or affect rate structures.

The Rates and Regulatory Strategy Department personnel utilize a wide variety of sophisticated software and personal computers, as well as the corporate mainframe system to collect data, perform economic studies and produce various reports required by regulatory agencies. These personnel generally have free access to Company records and reports necessary in carrying out their responsibilities.

VI. Decision Making and Control

Daily operational decisions are made in a participative manner by the directors and managers of the affected areas. Decisions affecting corporate profits or establishing policies are reviewed and discussed with the Executive Vice President and President Midwest and Florida Regions.

The Directors provide weekly reports to the State President of Ohio and Kentucky of current activities. The State President of Ohio and Kentucky participates in staff meetings held by the Executive Vice President and President Midwest and Florida Regions in order to discuss top management's plans and current issues within the Company.

VII. Internal and External Communication

The rate making process is an extensive ongoing process that requires open lines of communication throughout the Company. As a result, the Rates and Regulatory Strategy Department works closely with the Legal Department, the various accounting and financial departments to obtain the necessary accounting and financial data to accurately complete the various regulatory applications in a timely fashion. Information and data exchange is conducted by face-to-face meetings, e-mail, teleconferences and facsimile machines.

The Rates and Regulatory Strategy Department interacts with the Customer Care Operations Department, the Customer Service Team, and other shared services groups throughout Duke Energy to implement and convey changes in gas and electric rates, as well as other rate and regulatory policy matters. Duke Energy News, as part of the Duke Energy Portal, is also a source used to communicate the results of regulatory activities to every Duke Energy employee.

An electric rate web page has been developed. This web site can be accessed internally by employees through Duke Energy's intranet. Current and prospective customers can also access the web site externally through Duke Energy's Corporate

Web site at www.duke-energy.com. This web page includes up-to-date rate and regulatory information for all of Duke Energy's regulated companies.

Internally, department meetings are convened weekly in order to provide a forum for open communication to all department personnel. Each team meets as needed to evaluate newly assigned projects, to plan and assign work activities, to discuss the status or results of current projects, to discuss any problems with regard to the team's assigned tasks, and to provide training to the members of the team as needs require.

VIII. Goal Attainment Quantification

Timeliness, communication, and accuracy are important performance standards for the Rates and Regulatory Strategy Department. To best meet these performance standards, the Rates and Regulatory Strategy Department is organized to support the utility operating companies Duke Energy Ohio, Inc., and Duke Energy Kentucky, Inc., Rates and Regulated Strategy. A flexible work force enables the department management team to realign job responsibilities to meet the stated goals and objectives for each operating company. Personal computers have become an indispensable tool. The streamlining of the data collection and analysis processes has enabled the department to produce highly accurate and timely reports. As an example, the revenue requirements and cost of service studies models for the respective operating companies have been streamlined and modified for uniformity.

The standards of performance utilized to meet stated goals and objectives are established by the specific requirements of job duties and projects. Rate case preparation is driven by the time frame constraints established by the regulatory agencies.

Measurements of performance are established and monitored by the team leaders. These measures include:

- Accurate completion of regulatory reporting requirements as scheduled;
- Results of independent audits performed in conjunction with public hearings and the Staff Report of Investigation issued in Ohio rate proceedings;
- Typical bill comparisons, which rank the operating companies with other utilities;
- Revenue requirements and control of the rate application process are measured by the results of the rate filings. Such measurements include an analysis of whether the filings were completed in a timely manner and contain necessary data to comply with the Commission's Standard Filing Requirements. The completeness and accuracy of responses to the various intervenors' requests for information in the rate cases provide a further measure of performance. The ultimate measurement of success of this process, however, is in the Commissions' Orders and the effective balancing of ratepayer and shareholder interests; and

- Individual employee annual performance reviews are conducted to evaluate the achievement of their pre-established key performance goals.

