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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

Duke Energy Ohio's Tariff Docket	) Case No. 89-8002-GA-TRF
In the Matter of the Application of The Cincinnati Gas & Electric Company For Approval of its Revisions to Rate FRAS Gas Tariff Schedule in Response to H.B. 9.	) Case No. 02-2895-GA-ATA
In the Matter of the Joint Application Of Cinergy Corp., on Behalf of The Cincinnati Gas & Electric Company And Duke Energy Holding Corp. for Consent and Approval of a Change of Control of The Cincinnati Gas & Electric Company	) Case No. 05-732-EL-MER

NOTICE OF AMENDMENT TO DE-OHIO'S CREDIT WORTHINESS STANDARD COMPONENTS AND CREDIT COLLATERAL FORMULA

Now comes Duke Energy Ohio, Inc., (DE-Ohio) and hereby provides notice of changes to the Company's Credit Worthiness Standard Components and Credit Collateral Formula. Pursuant to paragraph three (3) of a Stipulation dated February 10, 2004 in Case No. 02-2895-GA-ATA, (February 2004 Stipulation) DE-Ohio agreed to "notify Suppliers, certified by the Commission and with an effective [DE-Ohio] Gas Supply Aggregation/Customer Pooling Agreement, and Retail Natural Gas Marketers certified by the Commission pursuant to O. A. C. 4901:1-27-04, by the next business day after amending its notice filing with the Commission of its Credit Worthiness Standard Components and/or its Credit Collateral Formula."

In its Entry dated April 27, 2005 in Case No. 02-2895-GA-ATA, which approved the February 2004 Stipulation, the Commission Ordered DE-Ohio to file the aforementioned notice in its TRF docket (Case No. 89-8002-GA-TRF), as well as any other appropriate dockets.

As a condition to the Commission's approval of the merger between Cinergy Corporation and Duke Energy in Case No. 05-732-EL-MER et al., DE-Ohio agreed to hold a collaborative workshop to discuss issues including but not limited to ways of increasing participation in DE-Ohio's natural gas choice program. The collaborative workshop consisted of representatives from many parties, including but not limited to DE-Ohio, Commission Staff, as well as representatives of marketers participating in, or considering participating in, DE-Ohio's choice program. The collaborative workshop resulted in a new stipulation, (Collaborative Stipulation) resolving all of the issues addressed during the collaborative process. On or about March 1, 2007, in Case No 05-732-EL-MER et al, DE-Ohio filed the Collaborative Stipulation for the Commission's consideration of approval.

In its Entry dated March 21, 2007, the Commission approved the Collaborative Stipulation finding, among other things, that it contained agreed upon enhancements to DE-Ohio's choice program and revised tariffs to implement the enhancements. Among the approved enhancements were modifications to DE-Ohio's Credit Collateral Formula and security collateral requirements of choice suppliers. The contemplated changes to the Credit Worthiness Standard Components and Credit Collateral Formula are fully described in the attached Exhibits A and B.

Additionally, as a condition to the Stipulation entered into in the above styled proceeding, DE-Ohio agreed to provide direct notice regarding changes to the Credit Worthiness Standard Components and Credit Collateral Formula to Staff, each Supplier and Retail Natural Gas Marketer. Accordingly, contemporaneously with the filing of this notice in the above referenced dockets, DE-Ohio is providing individual notice of the changes to Staff, Suppliers, and Retail Natural gas Marketers. In addition, and in accordance to the February 2004 Stipulation, DE-Ohio will hold a teleconference to provide an explanation of the changes to its Credit Worthiness Standard Components or its Credit Collateral Formula. This Teleconference will occur at the as follows:

DATE: Monday March 26, 2007

TIME: 10:30 am -12:30pm

Call in Number: (877)322-9654

Int'l Access/Caller Paid Dial In Number: (954)797-1657

Participant Code: 767723

During the aforementioned teleconference, DE-Ohio representatives will explain the changes to its Credit Worthiness

Standard Components and its Credit Collateral Formula and will be available to answer questions.

All Suppliers with a DE-Ohio Gas Supply Aggregation/Customer Pooling Agreement, Staff, and OCC are invited to participate along with the first Retail Natural Gas Marketers to indicate interest. DE-Ohio shall tape the teleconference and provide the tape to Staff or other parties upon request.

Respectfully submitted,

Paul A. Colbert
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Rocco D'Ascenzo
Counsel
Duke Energy Ohio, Inc.
139 East Fourth Street, Rm 25 AT II
Cincinnati, OH 45201-0960
Telephone: (513) 287-4326
Fax: (513) 287-3810

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing pleading was served on the following either electronically or by first class U.S. mail, postage prepaid, upon the following, this 23rd day of March 2007.

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Paul A. Colbert

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Exhibit A

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DE-Ohio's Credit Worthiness Standards

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DE-Ohio shall use debt ratings from rating agencies and consider tangible net worth based on financial information to determine the amount of unsecured credit, if any, to grant a certified retail natural gas supplier. DE-Ohio shall use the lowest debt rating from rating agencies to determine a potential maximum unsecured credit limit. If a debt rating is unavailable or does not exist, DE-Ohio shall establish a debt rating based upon DE-Ohio's financial model containing supplier-specific data. DE-Ohio shall also establish a potential maximum unsecured credit limit based on tangible net worth. DE-Ohio shall use the lower potential maximum unsecured credit limit determined by debt ratings or tangible net worth to assign an amount of unsecured credit, if any, available to a certified retail natural gas supplier.

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A supplier shall satisfy its creditworthiness requirement and receive an unsecured, but not unlimited, credit limit in accordance with the above criteria by demonstrating that it has, and maintains, investment grade senior unsecured debt ratings from both of the following rating agencies:

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Agency	Senior Securities Rating (Bonds)
Standard & Poors	BBB- or higher
Moody's Investors' Services	Baa3 or higher

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If a debt rating is unavailable or does not exist, DE-Ohio's financial model must assign an investment grade senior unsecured debt rating in order for the supplier to be considered for unsecured credit per the aforementioned criteria. The supplier will provide DE-Ohio with its or its parent's most recent independently-audited financial statements, (if applicable) and, it or its parent's most recent Form 10-K and Form 10-Q (if applicable).

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DE-Ohio shall make reasonable alternative credit arrangements with a supplier that is unable to meet the aforementioned criteria and with those suppliers whose credit requirements exceed their allowed unsecured credit limit. DE-Ohio will accept, in a form and format acceptable to DE-Ohio, a parental guarantee of payment or an irrevocable Letter of Credit; a cash deposit; or other mutually agreeable security or arrangement. The amount of the security required must be

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and remain commensurate with the financial risks placed on DE-Ohio by that supplier.

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When the dollar amount of the unsecured credit is determined, DE-Ohio shall reduce the result of the credit collateral equation set forth in Stipulation Exhibit B as follows:

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When DE-Ohio has a first secured interest in the supplier's receivables:

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Supplier Collateral Requirement shall = (CB per "X" MDQ block) + PRC - EBC - Unsecured Credit (payable as of the first Mcf enrolled per MDQ block).

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When DE-Ohio does not have a first secured interest in the supplier's receivables:

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Supplier Collateral Requirement shall = (CB per "Y" MDQ block) + PRC - EBC - Unsecured Credit (payable as of the first Mcf enrolled per MDQ block).

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Supplier shall also grant DE-Ohio a security interest and first priority lien in, and right to setoff against, the supplier's interstate pipeline capacity and gas supply contracts used for serving the supplier's customers in DE-Ohio's service area.

All terms used in Exhibit A have the same definition as those terms defined in Exhibit B and such definitions are incorporated herein by reference.

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Exhibit A

DE-Ohio's Credit Worthiness Standards

DE-Ohio shall use debt ratings from rating agencies and consider tangible net worth based on financial information to determine the amount of unsecured credit, if any, to grant a certified retail natural gas supplier. DE-Ohio shall use the lowest debt rating from rating agencies to determine a potential maximum unsecured credit limit. If a debt rating is unavailable or does not exist, DE-Ohio shall establish a debt rating based upon DE-Ohio's financial model containing supplier-specific data. DE-Ohio shall also establish a potential maximum unsecured credit limit based on tangible net worth. DE-Ohio shall use the lower potential maximum unsecured credit limit determined by debt ratings or tangible net worth to assign an amount of unsecured credit, if any, available to a certified retail natural gas supplier.

A supplier shall satisfy its creditworthiness requirement and receive an unsecured, but not unlimited, credit limit in accordance with the above criteria by demonstrating that it has, and maintains, investment grade senior unsecured debt ratings from both of the following rating agencies:

Agency	Senior Securities Rating (Bonds)
Standard & Poors	BBB- or higher
Moody's Investors' Services	Baa3 or higher

If a debt rating is unavailable or does not exist, DE-Ohio's financial model must assign an investment grade senior unsecured debt rating in order for the supplier to be considered for unsecured credit per the aforementioned criteria. The supplier will provide DE-Ohio with its or its parent's most recent independently-audited financial statements, (if applicable) and, it or its parent's most recent Form 10-K and Form 10-Q (if applicable).

DE-Ohio shall make reasonable alternative credit arrangements with a supplier that is unable to meet the aforementioned criteria and with those suppliers whose credit requirements exceed their allowed unsecured credit limit. DE-Ohio will accept, in a form and format acceptable to DE-Ohio, a parental guarantee of payment or an irrevocable Letter of Credit; a cash deposit; or other mutually agreeable security or arrangement. The amount of the security required must be and remain commensurate with the financial risks placed on DE-Ohio by that supplier.

When the dollar amount of the unsecured credit is determined, DE-Ohio shall reduce the result of the credit collateral equation set forth in Stipulation Exhibit B as follows:

When DE-Ohio has a first secured interest in the supplier's receivables:

Supplier Collateral Requirement shall = (CB per "X" MDQ block) + PRC – EBC - Unsecured Credit (payable as of the first Mcf enrolled per MDQ block).

When DE-Ohio does not have a first secured interest in the supplier's receivables:

Supplier Collateral Requirement shall = (CB per "Y" MDQ block) + PRC – EBC - Unsecured Credit (payable as of the first Mcf enrolled per MDQ block).

Supplier shall also grant DE-Ohio a security interest and first priority lien in, and right to setoff against, the supplier's interstate pipeline capacity and gas supply contracts used for serving the supplier's customers in DE-Ohio's service area.

All terms used in Exhibit A have the same definition as those terms defined in Exhibit B and such definitions are incorporated herein by reference.

Exhibit B

DE-Ohio's Credit Collateral Formula

Introduction:

A description of DE-Ohio's Credit Collateral Formula is that DE-Ohio takes three days of the gas marketer's maximum daily quantity usage multiplied by a rate that considers both the pipeline penalty rate for overruns and DE-Ohio's propane production rate plus the remaining 27 days of peak monthly usage at the greater of DE-Ohio's highest delivered city gate cost of gas in the last three (3) years, the current forward NYMEX price, or DE-Ohio's equivalent replacement cost of vaporized propane. In addition, the formula includes provisions for pipeline reservation charges and credits for "banked" gas. The specific credit collateral formula follows.

The Credit Collateral Formula for Utility Consolidated Billing:

Supplier Collateral Requirement shall = (CB per "X" MDQ block) + PRC – EBC or CB (whichever is higher)

Where:

- Collateral is payable as of the first Mcf enrolled per MDQ block; and
- DE-Ohio has a first secured interest in the supplier's receivables.

The Credit Collateral Formula for Dual Billing:

Supplier Collateral Requirement shall = (CB per "Y" MDQ block) + PRC – EBC or CB (whichever is higher)

Where:

- Collateral is payable as of the first Mcf enrolled per MDQ block; and
- This equation also applies to utility consolidated billing situations where DE-Ohio does not have a first secured interest in the supplier's receivables.

Definitions:

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Input = any change in value to a variable.

Mcf = 1,000 cubic feet of natural gas.

MDQ = Maximum Daily Quantity. The expected peak day natural gas usage for a supplier's pool of customers on DE-Ohio's system design peak day measured in Mcf.

CB = Collateral Block. DE-Ohio currently requests collateral in $50,000 blocks.

X = (CB divided by Z) x (PDC).

Y = (CB divided by W) x (PDC).

PRC = Pipeline Reservation Charges. These charges are associated with DE-Ohio's release of interstate pipeline capacity to a supplier per the "Upstream Capacity Requirements" section of DE-Ohio's Rate FRAS and are based on the Dekatherms (Dth) of interstate pipeline capacity DE-Ohio releases to a supplier times the price per Dth paid by DE-Ohio for the capacity. These charges are not applicable to this Credit Collateral Formula if the applicable pipeline company releases DE-Ohio from liability for the supplier's pipeline reservation charges.

EBC = Enhanced (Firm) Balancing Credit. The winter credit is based on 54% of a supplier's Bank Contract Quantity (BCQ), as defined in DE-Ohio's Rider EFBS, times DE-Ohio's inventory-weighted average cost of natural gas with its storage provider, plus 3 times the supplier's MDQ times the Penalty Gas Rate (PGR) used in the winter collateral calculation. The summer credit is based on 50% of the supplier's BCQ times the Commodity Rate (CR) used in the summer collateral calculation. This credit is only applicable to a supplier who selects Rider EFBS for its pool(s).

PDC= Peak Day Consumption for DE-Ohio's system average customer. Currently, the DE-Ohio winter average is 1.037 Mcf for residential and 5.099 Mcf for commercial.* The summer averages are 0.25 Mcf for residential and 1.0 Mcf for commercial.

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* The commercial consumption data (per day, month, or year) used in this Credit Collateral Formula is an average for all of DE-Ohio's non-residential customers (commercial, industrial, and other public authority (OPA) customers).

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Z = DE-Ohio's exposure per customer under utility consolidated billing with a first secured interest in the supplier's receivables, and is calculated as follows:

Z_{winter} = (PDC x PG% x PGR x PGD) + (PDC x PR% x PRR x PGD) + [PMC – (PGD) (PDC)] (CR) – (PMC) (SSR) (1 – RD%).

Z_{summer} = [PMC x CR] – (PMC) (SSR) (1 – RD%).

W = DE-Ohio's exposure per customer under dual billing or under utility consolidated billing without a first secured interest in the supplier's receivables, and is calculated as follows:

W_{winter} = (PDC x PG% x PGR x PGD) + (PDC x PR% x PRR x PGD) + [PMC - (PGD) (PDC)] (CR).

W_{summer} = [PMC x CR].

Where:

PG% = Penalty Gas Percentage. The percent of PDC served by penalty gas. DE-Ohio's current estimate is 80% or a factor of 0.8.

PGR = Penalty Gas Rate. DE-Ohio's current estimate is $15.00 per Mcf.

PGD = Penalty Gas Days. DE-Ohio shall use three days of penalty gas where any additional penalty gas shall be recovered through DE-Ohio's GCR.

PR% = Propane Percentage. The percent of PDC served by propane gas. DE-Ohio's current estimate is 20% or a factor of 0.2.

PRR = Propane Rate. DE-Ohio currently estimates the replacement cost of vaporized propane to be $15.88 per Mcf.

PMC = Peak Month Consumption for DE-Ohio's system average customer. Currently, the DE-Ohio winter average is 15 Mcf for residential and 81.4 Mcf for commercial. The summer averages are 4.1 Mcf for residential and 30 Mcf for commercial. Average annual consumption is 89.7 Mcf for residential and 483.1 Mcf for commercial.

CR = Commodity Rate. The city gate price DE-Ohio must pay to acquire gas when a supplier defaults during a peak month. DE-Ohio's current estimates are a winter rate of $10.02 per Mcf and a summer rate of $8.00 per Mcf. These estimates are based on

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the greater of the current NYMEX city gate cost, the highest delivered city gate cost of gas during the past three years, or DE-Ohio's equivalent replacement cost of vaporized propane.

SSR = Supplier Sales Rate. The rate DE-Ohio is billing the natural gas *on behalf of the supplier. DE-Ohio's current estimate is $9.00* per Mcf.

RD% = Receivables Discount Percentage. DE-Ohio currently discounts the receivables credit in its collateral calculation by 2% or a factor of 0.02 to account for supplier uncollectables.

Collateral Rules:

1) DE-Ohio must receive a first secured interest in the receivables it bills on behalf of competitive retail natural gas suppliers. If not, the competitive retail natural gas supplier shall follow the dual billing collateral equation.

2) The input values for the variables in these equations will vary by supplier. The reason for variations include, but are not limited to, average use per customer of the actual customers served by the supplier, the mix of residential and commercial customers in the supplier's pool, different supplier rates for residential customers, different supplier rates for commercial customers, and the proportionate mix of utility consolidated billing and dual billing within the supplier's pool.

3) The values of any inputs to these equations may be changed without a notice filing to the PUCO.

4) The summer collateral period is April 1st thru September 30th.

5) The winter collateral period is October 1st through March 31st.

6) Supplier shall also grant DE-Ohio a security interest and first priority lien in, and right to setoff against, the supplier's interstate pipeline capacity and gas supply contracts used for serving the supplier's customers in DE-Ohio's service area.

7) Failure to post the necessary collateral for the appropriate season subjects the supplier to the suspension and termination processes described in the "Consequences of Supplier's Failure to Perform or Comply" section of DE-Ohio's tariffs.

Exhibit B

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Where:

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Definitions:

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