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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of )  
Duke Energy Ohio for Authority to Issue )  
Not in Excess of \$600,000,000 at Any One ) Case No. 07-601-GE-AIS  
Time of Short-Term Unsecured Notes )  
and Other Evidences of Indebtedness. )

FINDING AND ORDER

The Commission finds:

- (1) Applicant, Duke Energy Ohio ("Duke"), formerly The Cincinnati Gas & Electric Company ("Cincinnati Gas"), is an Ohio corporation and a public utility as defined in Section 4905.02, Revised Code, subject to the jurisdiction of this Commission.
- (2) This application is filed under the provisions of Sections 4905.40, 4905.401(A) and 4905.41, Revised Code.
- (3) On April 1, 2006, as a result of the merger between Cinergy, Cincinnati Gas's parent company, and Duke Energy, Cincinnati Gas is now d/b/a Duke Energy Ohio.
- (4) Applicant has existing authority (Case No. 06-647-GE-AIS) through June 30, 2007, to issue and/or renew its unsecured notes and other evidences of short-term indebtedness, including commercial paper, maturing for periods of not more than twelve months, provided that the aggregate principal amount of short-term indebtedness will not exceed \$600 million at any one time.
- (5) To supplement and replace such existing authority, Applicant is now requesting Commission authority, through June 30, 2008, to continue to issue and/or renew its unsecured notes and other evidences of short-term indebtedness, including commercial paper, maturing for periods of not more than twelve months, in an aggregate principal amount not exceeding \$600 million at any one time.
- (6) Pursuant to Section 4905.401, Revised Code, Applicant was permitted to have outstanding notes and other evidences of short-term indebtedness issuable without prior authority of this Commission (the "Statutory Exemption") in the amount of

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approximately \$111.5 million, as of December 31, 2006. Applicant had approximately \$29.8 million in short-term debt outstanding as of March 31, 2007.

- (7) Pursuant to the Commission Order dated May 4, 1995, in Case No. 95-275-GE-AIS being *In the Matter of the Application of The Cincinnati Gas & Electric Company for Authority to Enter Into a Utility Money Pool Contract*, this Commission authorized the Applicant to enter into and file at the Securities and Exchange Commission ("SEC"), a utility money pool (the "Money Pool") financing arrangement among Applicant, its subsidiaries, and Applicant's parent company, Cinergy, and the subsidiaries of Cinergy. The purpose of the Money Pool is to assist Cinergy's utility subsidiaries in least-cost financing of their interim capital requirements.

By Orders dated August 25, 1995, May 30, 1997 and August 2, 2001, the SEC, pursuant to the Public Utility Holding Company Act of 1935 ("PUHCA"), authorized Cinergy and its subsidiaries, including the Applicant, to implement the Money Pool through June 30, 2006.

On December 2, 2004, Cinergy filed to extend the authorization period of the Money Pool through March 31, 2009, but the SEC has not ruled on this Application and since that time PUHCA has been repealed.

With the passage of the Energy Policy Act of 2005, among other things, the money pool transactions by regulated utility companies are subject to the jurisdiction of the Federal Energy Regulatory Commission (the "FERC").

On April 3, 2006, due to the Cinergy-Duke Energy merger, a new Utility Money Pool Agreement was entered into among the Duke Energy Corporation entities (Duke Energy Corp., Duke Power Co., LLC, Miami Power Corp., KO Transmission Co., Duke Business Services, LLC, and Duke Energy Shared Services, Inc.) along with CG&E, Cinergy, and their subsidiaries (collectively called the "Participating Companies"). Applicant has submitted this new Money Pool agreement to FERC for informational purposes.

- (8) Applicant plans to use the proceeds from the issuance of short-term indebtedness requested by this application to refund

Applicant's obligations, including debt and/or preferred stock, to temporarily finance its construction program, to acquire property, to make loans to other participants in the Money Pool, and to provide funds for working capital and other general corporate purposes, which may include its participation in the Money Pool.

- (9) The staff has proposed the following conditions be imposed on the Applicant for its participation in the Money Pool:
- (a) The funds provided by the Applicant to the Money Pool and borrowed therefrom by the Participating Companies shall not exceed \$600 million at any one time through June 30, 2008.
  - (b) If any regulatory agency having jurisdiction over any one or more Participating Companies, imposes any condition limiting the amount of short-term debt that may be loaned to any Participating Company in the Money Pool, Duke shall inform the Director of the Utilities Department of this Commission within 10 days, so that this Commission may consider whether to impose a similar condition on Duke's loans to the Money Pool.
  - (c) Applicant's Loans to the Participating Companies made through the Money Pool should be made only to those Participating Companies that are parties to the Money Pool agreement, as originally approved by the SEC, and that have, or whose direct parent company has, an investment grade or higher credit ratings on their senior secured or unsecured debt from at least one nationally recognized rating agency. In the event the credit rating of any of the Participating Companies, or its parent company in the case of un-rated companies, falls below investment grade, Applicant shall inform the Director of the Utilities Department of this Commission in a timely manner.
  - (d) Applicant shall provide information to the Director of the Utilities Department of this Commission relating to the issuance of the notes and the details of its participation in the Money Pool arrangement on a quarterly basis.

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

- (10) The above-mentioned conditions are designed to insulate Applicant from financial risks associated with the affiliated companies and to enhance reporting requirements relating to Applicant's participation in the Money Pool. The Commission believes that these conditions should be adopted in this proceeding.
- (11) The Commission is of the opinion that Applicant's short-term indebtedness, including its participation in the Money Pool, should be in compliance with Applicant's electric transition plan as approved by this Commission in Case No. 99-1658-EL-ETP (the "Transition Plan"). Applicant's participation in the Money Pool will be monitored to ensure the compliance with the Transition Plan.
- (12) Based on the information contained in the Application and the Exhibits thereto, the purposes to which the proceeds from the short-term indebtedness shall be applied appear to be reasonably required for Applicant's lawful capital purposes, and the Commission is satisfied that consent and authority should be granted, subject to the conditions mentioned in Finding 9 above.

It is, therefore,

ORDERED, That Applicant, Duke Energy Ohio, is authorized, through June 30, 2008, to issue, and/or renew unsecured notes, including commercial paper and other evidences of short-term indebtedness, maturing at periods of not more than twelve months, provided that Applicant's aggregate principal amount of short-term indebtedness, including the Statutory Exemption, does not exceed \$600 million at any one time. It is, further,

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

ORDERED, That the funds provided by Applicant to the Money Pool and borrowed therefrom by the Participating Companies shall not

exceed \$600 million, at any one time through June 30, 2008. It is, further,

ORDERED, That, within 10 days of the time any regulatory agency, including the SEC, the Federal Energy Regulatory Commission, and the State Commissions for each state in which the Applicant and/or any of the Participating Companies do business, imposes any condition limiting the amount of short-term debt that may be loaned to any Participating Company in the Money Pool, Applicant shall inform the Director of the Utilities Department of this Commission, so that this Commission may consider whether to impose a similar condition on the authority of Applicant to loan funds to the Money Pool. It is, further,

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

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

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

ORDERED, That Applicant's short-term indebtedness, including participation in the Money Pool, shall be in compliance with Applicant's electric transition plan as approved by this Commission in Case No. 99-1658-EL-ETP. It is, further,

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

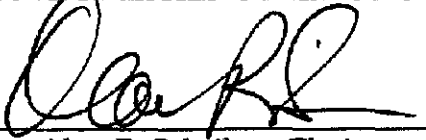
ORDERED, That nothing contained in this order shall be construed to imply any guaranty or obligation as to the unsecured notes and other evidences of indebtedness, or the associated interest, on the part of the State of Ohio. It is, further,

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

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

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

THE PUBLIC UTILITIES COMMISSION OF OHIO



Alan R. Schriber, Chairman



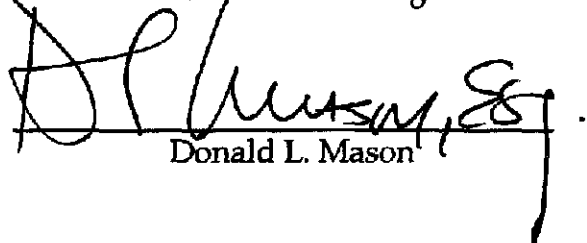
Paul A. Centolella



Ronda Hartman Fergus



Valerie A. Lemmie



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Entered in the Journal

JUN 27 2007



Renee J. Jenkins  
Secretary