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VIA HAND DELIVERY

May 2, 2008

Dr. Alan R. Schriber, Chairman
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43215

Re: *In re CG&E MBSSO*, Case Nos. 03-93-EL-ATA, *et al.*, and *In re Duke Energy Corporation and Cinergy Corp. Merger*, Case Nos. 05-732-EL-MER, *et al.*

Application for Authorization of Disposition of Jurisdictional Assets Under Section 203 of the Federal Power Act, FERC Docket No. EC08-78-000

Dear Chairman Schriber:

On April 24, 2008, Duke Energy Ohio, Inc. ("Duke Energy Ohio") and its affiliates applied to the Federal Energy Regulatory Commission ("FERC") under section 203 of the Federal Power Act for FERC approval to transfer Duke Energy Ohio's generating plants to affiliated companies.¹ The purpose of this letter is to acknowledge concerns raised by some of the parties to the above-referenced cases over the timing of this filing, and to assure the Public Utilities Commission of Ohio ("Commission") that Duke Energy Ohio will not transfer these generating plants without this Commission's appropriate approval.

As background, in Duke Energy Ohio's Electric Transition Plan case, the Commission approved a corporate separation plan requiring Duke Energy Ohio to transfer its generating plants.² Duke Energy Ohio delayed transferring its generating plants because it had a rate stabilization plan in effect. Additionally, Duke Energy Ohio is a subsidiary of Cinergy Corp., which merged with Duke Energy Corporation during the second quarter of 2006. As part of the merger, Duke Energy Corporation's subsidiary, Duke Energy North Americas, LLC ("DENA"), contributed five gas-fired plants to Duke

¹ *Application for Authorization of Disposition of Jurisdictional Assets Under Section 203 of the Federal Power Act*, EC08-78-000 (Application) (April 24, 2008).

² *In re CG&E Electric Transition Plan*, Case No. 99-1658-EL-ETP (Opinion and Order) (August 31, 2000).

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www.duke-energy.com

SANDRA P MEYER
President
Duke Energy Ohio
Duke Energy Kentucky

139 E. Fourth Street
EA503
Cincinnati, OH 45202

513 419 5499

513 419 5522 fax

spmeyer@duke-energy.com

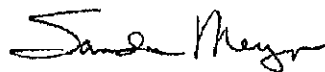
Energy Ohio. These plants were never subject to regulation by this Commission and were never included in Duke Energy Ohio's rate stabilization plan.

Based on the timing of Duke Energy Ohio's FERC application and the effective date of S.B. 221, Ohio's recent electric restructuring legislation, some have questioned whether Duke Energy Ohio is attempting to obtain FERC approval and complete the transaction without Commission approval for the asset transfer. This is not Duke Energy Ohio's intent. Instead, the Company had been planning this filing for some time and it waited until the General Assembly finalized the bill so that it could make sure that its filing appropriately reflected the legislation.

Duke Energy Ohio assures the Commission that it will not transfer its generating assets without Commission approval. The Company sees no reason why the Commission should be concerned about the transfer of the former DENA plants because they have never been subject to Ohio regulation. Duke Energy Ohio will file an application for approval of an electric security plan and does not intend to request approval of a market rate option in its initial filing.

We hope that this letter addresses the parties' questions about the timing of our application for FERC approval to transfer the generating plants. Thank you for the opportunity to clarify this matter.

Very truly yours,



Sandra P. Meyer, President

cc: Governor Ted Strickland
Dr. Mark Shanahan
Honorable Jon Husted
Honorable Bill Harris
Members of Senate Energy and Public Utilities Committee
Members of House Public Utilities Committee
Commissioner Ronda Hartman Fergus
Commissioner Valerie A. Lemmie
Commissioner Paul A. Centolella
Commissioner Cheryl Roberto
Commission Chief of Staff Steven Lesser
Federal Energy Regulatory Commission
All parties of record in the above-referenced cases