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FILE

June 28, 2010

Renee Jenkins
Public Utilities Commission of Ohio
Docketing Division
11th Floor
180 East Broad Street
Columbus, OH 43215-3716

Re: Case No. 09-495-EL-UNC

Dear Ms. Jenkins:

Pursuant to an Entry issued on August 26, 2009, the Public Utilities Commission of Ohio (Commission) issued a request for proposals relative to an audit of Duke Energy Ohio, Inc.'s (Duke Energy Ohio or Company) Corporate Separation Plan filed pursuant to S.B. 221. On March 29, 2010, the Final Audit Report (Report) was filed with the Commission and Duke Energy Ohio submitted comments in response thereto on April 29, 2010. The purpose of this correspondence is to clarify Duke Energy Ohio's response to each of the recommendations contained in the Report, thereby eliminating any uncertainty in Duke Energy Ohio's comments.

As an initial matter, Duke Energy Ohio observes that the Report confirms the Company's compliance with Ohio's corporate separation laws. The Report further indicates that the methodology for cost allocation applicable to Duke Energy Ohio is both appropriate and consistent with Ohio law. The Company addresses below each of the six recommendations set forth in the Report, further incorporating by reference its comments filed on April 29.

Recommendation 1- Future cost allocation manuals (CAM) submitted by Duke Energy Ohio should include all agreements that describe the allocation of costs among its affiliates.

Duke Energy Ohio addressed this finding and confirms that it has now included the one agreement at issue in its CAM. The Company further confirms its intent to include all pertinent agreements in the CAM. Duke Energy Ohio thus believes that this recommendation is now moot.

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Recommendation 2 – Develop and maintain a formal affiliate transaction accounting manual.

In clarifying and addressing its response to this recommendation, Duke Energy Ohio first notes that the auditors have accepted, as appropriate, the Company's existing accounting system and methods. Indeed, the Report reflects the auditors' conclusion that the current accounting system and methods ensure proper accounting accuracy and reliability of affiliate transaction data. Notwithstanding this admission, the auditors recommend development of a uniform accounting manual for use by Duke Energy Ohio and its utility company affiliates. As there is no legal requirement for the development of a uniform manual involving multiple jurisdictions and because the Company's existing systems and methods properly ensure compliance with the Commission's rules on corporate separation, Duke Energy Ohio respectfully disagrees with the need to develop a formal, uniform accounting manual.

Recommendation 3 – Develop a plan, as part of the next Energy [sic] Security Plan discussions, to determine if further insulation from Duke Energy Ohio ratepayers or complete separation of risks associated with Duke Energy Ohio-owned generation assets is appropriate.

Duke Energy Ohio will address this issue by internally conducting those risk assessments it deems necessary for its next standard service offer filing.

Recommendation 4 – Duke Energy Ohio should clarify with Staff its position regarding the appropriate treatment of transactions between the regulated and non-regulated portions of Duke Energy Ohio.

Duke Energy Ohio addressed this and believes this recommendation is now moot given the factual corrections set forth in the Company's comments. That is, the Company has already provided further explanation to Commission Staff.

Recommendation 5 – Duke Energy Ohio should keep PUCO Staff informed of future changes to Service Company cost distribution methods.

Duke Energy Ohio addresses this recommendation and commits to continuing to inform Commission Staff of changes to Service Company cost distribution methods. Such information shall be provided in response to any inquiry or audit initiated by this Commission. The auditors further recommend that Duke Energy Ohio provide to Commission Staff audit reports from other jurisdictions and concerning utility companies that are not regulated by the Commission. As such other reports are likely irrelevant to Ohio regulatory proceedings, the Company respectfully requests confirmation that it need only produce relevant information on changes to Service Company cost distribution methods.

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Recommendation 6 – Duke Energy Ohio should keep PUCO Staff informed of improvements to Service Company charging practices.

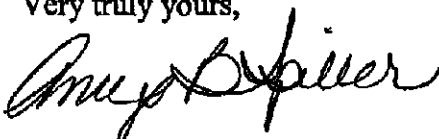
Duke Energy Ohio has addressed this recommendation and confirms that it has informed, and will continue to inform, Commission Staff of changes to Service Company charging practices, either in response to informal inquiries or formal audits. In fulfilling this commitment, Duke Energy Ohio does not believe it appropriate to produce and formally docket audit reports concerning foreign entities that are not regulated in Ohio. Such other audit reports are likely irrelevant to Ohio regulatory proceedings. As such, the Company respectfully requests confirmation that it need only provide the Commission with relevant information on changes to Service Company charges practices.

Duke Energy Ohio hopes that this correspondence clarifies its response to recommendations contained in the Report.

Please date-stamp the extra two copies of this correspondence and return them to me in the envelope provided for that purpose.

Thank you.

Very truly yours,



Amy B. Spiller
Associate General Counsel
Elizabeth H. Watts
Assistant General Counsel

cc: Ann Hotz
Dave Rhinebolt
Dave Boehm
Joe Buckley
Duane Luckey