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Betty McCauley
Docketing Division Chief
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43215-3793

PUCO

Re: In the Matter of Duke Energy Ohio's Application to Change Accounting Methods
Case No. 11-5985-EL-AAM

Dear Ms. McCauley,

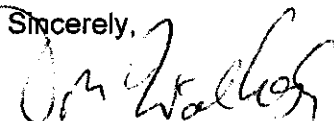
Duke Energy Ohio, Inc., (Duke Energy Ohio or Company) recently submitted an Application in the above-captioned matter requesting authority to establish an account through which it will track dividends declared and paid out of Duke Energy Ohio's stated capital account. The Company's Application in this matter addresses the reasons for the request and the history of the circumstances that led to this request.

As discussed in the Application, the Company recently sought and received approval from the Federal Energy Regulatory Commission (FERC) to pay dividends from certain equity accounts that were impacted by the 2006 merger between Duke Energy Corp. and Cinergy Corporation. The relief requested in this proceeding, and obtained in the FERC proceeding, is only intended to preserve the ability of Duke Energy Ohio to pay dividends from the retained earnings that would have existed absent the merger and the associated "push down" accounting impacts.

Pursuant to the FERC's recent approval, Duke Energy Ohio is required to maintain a minimum consolidated capital structure of at least 30 percent equity. (See also, PUCO Case No. 09-620-GE-AAM (Company to maintain a consolidated capital structure of at least 30 percent equity)). Duke Energy Ohio's current consolidated equity ratio exceeds 50 percent and a significant change in that ratio is not presently anticipated. Further, the current capitalization structure will be affected by the authority requested herein only to the extent Duke Energy Ohio actually pays dividends. The Company has no expectation that its consolidated capital structure will materially change as result of the relief requested in the Application and Duke Energy Ohio is not seeking authority, in the Application, to deviate from the approved consolidated capital structure.

It is, as is always the case, the Company's goal to ensure safe and reliable utility service to its customers at the lowest cost. Maintaining a reasonable consolidated capital structure is among the many measures Duke Energy Ohio takes to achieve these goals. And, the ability to pay dividends is a critical tool in managing the Company's capital structure. Therefore, Duke Energy Ohio believes that its Application properly supports the request for approval to pay dividends out of certain capital accounts as described therein.

Sincerely,



Don Wathen
VP Ohio/Kentucky Rates

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