

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF DUKE ENERGY INDIANA, LLC)
PURSUANT TO IND. CODE §§ 8-1-2-42.7 AND)
8-1-2-61, FOR (1) AUTHORITY TO MODIFY)
ITS RATES AND CHARGES FOR ELECTRIC)
UTILITY SERVICE THROUGH A STEP-IN OF)
NEW RATES AND CHARGES USING A)
FORECASTED TEST PERIOD; (2) APPROVAL) CAUSE NO. 45253
OF NEW SCHEDULES OF RATES AND)
CHARGES, GENERAL RULES AND)
REGULATIONS, AND RIDERS; (3))
APPROVAL OF A FEDERAL MANDATE)
CERTIFICATE UNDER IND. CODE § 8-1-8.4-1;)
(4) APPROVAL OF REVISED ELECTRIC)
DEPRECIATION RATES APPLICABLE TO)
ITS ELECTRIC PLANT IN SERVICE; (5))
APPROVAL OF NECESSARY AND)
APPROPRIATE ACCOUNTING DEFERRAL)
RELIEF; AND (6) APPROVAL OF A)
REVENUE DECOUPLING MECHANISM FOR)
CERTAIN CUSTOMER CLASSES)

VERIFIED DIRECT TESTIMONY
OF
JEFFREY R. SETSER

On Behalf of Petitioner,
DUKE ENERGY INDIANA, LLC

Petitioner's Exhibit 16

July 2, 2019

DUKE ENERGY INDIANA 2019 BASE RATE CASE
DIRECT TESTIMONY OF JEFFREY R. SETSER

**DIRECT TESTIMONY OF JEFFREY R. SETSER
DIRECTOR, ALLOCATIONS AND REPORTING
DUKE ENERGY BUSINESS SERVICES LLC
ON BEHALF OF DUKE ENERGY INDIANA, LLC
BEFORE THE INDIANA UTILITY REGULATORY COMMISSION**

I. INTRODUCTION AND PURPOSE

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Jeffrey R. Setser, and my business address is 550 South Tyron Street,
Charlotte, North Carolina 28202.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Duke Energy Business Services LLC ("DEBS"), as Director of
Allocations and Reporting. DEBS provides various administrative and other services to
Duke Energy Indiana, LLC., ("Duke Energy Indiana" or "Company") and other affiliated
companies of Duke Energy Corporation ("Duke Energy").

**Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATION AND PROFESSIONAL
EXPERIENCE.**

A I graduated with a Bachelor of Science Degree in Industrial Engineering from North
Carolina State University and a Master's Degree in Business Administration from Queens
University in Charlotte. I am a Certified Public Accountant in North Carolina. I joined
the company in 1984 in the Nuclear Production Department's corporate office as an
Assistant Engineer, primarily focusing on nuclear process improvement activities. In
1986, I moved to Catawba Nuclear Station where I was promoted to Associate Engineer
and responsible for nuclear outage scheduling and training. In 1989, I was promoted to
Nuclear Production Engineer responsible for the supervision and scheduling of all online

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1 plant activities, and the planning for Nuclear Station Modifications. In 1992, I joined the
2 Catawba Nuclear Station Business group as a Strategic Business Consultant responsible
3 for site financial reporting, budgeting, performance measures, accounting support,
4 economic analysis and business case justifications. In 1996, I assumed the role of
5 Catawba Nuclear Station Manager of Financial Analysis supervising the development of
6 business plans, budgets and measures and the reporting on site financial results. In 2000,
7 I moved back to the corporate offices as an Accounting Manager overseeing the utilities'
8 Accounting Controls and Application Support Department, which included the
9 management of department level allocation processes. In 2002, I joined the Corporate
10 Controller's department as an Accounting Manager where I held numerous roles,
11 including overseeing the accounting and reporting for stock based compensation,
12 employee and executive benefits, managing the intercompany billing process and service
13 level agreements for joint venture and foreign entities, accounting for Canadian entities
14 related to corporate and captive insurance, reporting and analysis on the Duke Energy
15 Other business segment, and supervising the allocation of benefits and corporate costs.
16 In 2006, I assumed my current role as Director of Allocations and Reporting in the
17 Corporate Controller's department.

18 **Q. PLEASE BRIEFLY DESCRIBE YOUR DUTIES AS DIRECTOR OF**
19 **ALLOCATIONS AND REPORTING.**

20 A. I am responsible for various accounting activities, including the cost allocation processes
21 for service company costs utilized for Duke Energy and its affiliates, including
22 allocations to Duke Energy Indiana.

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1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

2 A. My testimony in this proceeding addresses the various cost assignment processes utilized
3 by Duke Energy Indiana and its affiliates, including its service company, DEBS, which as
4 an ordinary course of business provide services among each other. I will also provide an
5 overview of the other cost allocation methodologies utilized by Duke Energy Indiana
6 including: cost pools, loading rates and indirect overhead allocations. I discuss the
7 primary service agreements used by Duke Energy Indiana to enable the sharing of
8 expertise and personnel between and among the Duke Energy family of companies and to
9 assign costs for such services. These service agreements include the following: (1) the
10 Service Company Utility Service Agreement; (2) the Operating Companies Service
11 Agreement (Operating Companies Service Agreement); (3) Duke Energy Indiana,
12 Inc./Non-Utility Companies Service Agreement (Cost-Based Non-Utility Service
13 Agreement); (4) the Asymmetrically-Priced Duke Energy Indiana, Inc., Non-Utility
14 Companies Service Agreement; (5) the Intercompany Asset Transfer Agreement; and (6)
15 Indiana Non-Utility Transfer Agreement. In my testimony, I briefly describe the history
16 of these agreements as well as the Commission's approval thereof. I also describe the
17 processes to be used to assign costs to the various parties under those agreements as well
18 as the nature and types of cost assignment that Duke Energy Indiana experiences as an
19 electric utility and wholly owned subsidiary of Duke Energy Corporation. I sponsor
20 certain information that I supplied to Duke Energy Indiana witness, Mr. Chris Jacobi for
21 his use in developing the forecasted financial data. Finally, I will discuss the impact of
22 pension settlement accounting on the Company's pension cost.

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II. THE SERVICE AGREEMENTS

Q. DO ALL CHARGES FOR DUKE ENERGY INDIANA ORIGINATE ON DUKE ENERGY INDIANA'S BOOKS?

A. No. Charges can originate either on Duke Energy Indiana's books for its own operations or can originate from its parent company and/or other affiliated companies pursuant to several Commission-approved affiliate service agreements. These services enable Duke Energy Indiana to provide safe and reliable utility service to its Indiana customers at a reasonable price.

Q. WHAT IS MEANT BY THE TERM COST ASSIGNMENT?

A. The term cost assignment refers to the process of assigning the costs incurred in providing a product or service to the company(ies) receiving such product or service. In Duke Energy Indiana's case, cost assignment entails ensuring that Duke Energy Indiana bears the costs incurred on Duke Energy Indiana's behalf by affiliate companies, such as DEBS and ensuring that costs incurred by Duke Energy Indiana on behalf of affiliate companies are borne by the affiliate companies.

Q. PLEASE DESCRIBE DEBS.

A. DEBS is a Federal Energy Regulatory Commission ("FERC") authorized service company that provides various administrative and other services to Duke Energy Indiana and other affiliated companies of Duke Energy. DEBS provides a variety of administrative, management and support services ("Functions"), such as accounting and human resources, to the Duke Energy family of companies pursuant to the agreements discussed below.

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1 **Q. PLEASE BRIEFLY DESCRIBE THE VARIOUS SERVICE AGREEMENTS THAT**
2 **ENABLE DUKE ENERGY INDIANA TO PROVIDE SAFE, RELIABLE, AND**
3 **REASONABLE SERVICE TO ITS INDIANA CUSTOMERS.**

4 A. Duke Energy Indiana has several service agreements in place that allow the Company to
5 provide services to, or receive services from the Duke Energy family of companies that
6 are incidental or necessary to the provision of utility service. These agreements provide
7 for the standard procedures and defined accounting processes for cost assignment that
8 allow these services to occur on an equitably priced basis among all parties.

9 I have attached the six major service agreements to my testimony, all of which
10 were effective when the Company commenced these proceedings and submitted its pre-
11 filing notice. Petitioner's Exhibit 16-A (JRS) is the Service Company Utility Service
12 Agreement that governs the provision of various services and the associated cost
13 allocations to Duke Energy Indiana for the services DEBS provides.

14 Petitioner's Exhibit 16-B (JRS) is the Operating Companies Service Agreement
15 that governs services performed between or among Duke Energy's regulated utility
16 operating companies and the cost allocations or assignments for providing and receiving
17 those services.

18 Petitioner's Exhibits 16-C (JRS) and 16-D (JRS) are the two Utility/Non-Utility
19 Companies Service Agreements, which govern the services performed and cost
20 allocations between Duke Energy Indiana and its non-utility affiliates.

21 Finally, Petitioner's Exhibits 16-E (JRS) and 16-F (JRS) are the Asset Transfer
22 Agreements that allows for the transfer of assets by and between Duke Energy Indiana

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1 and its non-regulated and regulated utility affiliates.

2 **Q. HAS DUKE ENERGY INDIANA HISTORICALLY RELIED UPON SERVICE**
3 **AGREEMENTS TO SERVE ITS INDIANA CUSTOMERS?**

4 A. Yes. These service agreements allow Duke Energy Indiana, and in turn, its customers to
5 have access to equipment and personnel that are common to utility operations and share
6 in those costs between multiple businesses as opposed to having to maintain separate
7 pools of personnel. The use of service agreements has helped Duke Energy Indiana, and
8 its regulated utility affiliates, to manage staffing levels and costs through the sharing of
9 common business functions and to have ready access to experienced and expertly trained
10 personnel to manage its business and various utility functions. Absent the ability to share
11 these resources, Duke Energy Indiana would have to maintain its own independent
12 organizations and systems, as well as cost responsibility, for various operations including,
13 but not limited to, engineering, construction, operations and maintenance, installation
14 services, equipment testing, generation technical support, environmental health and
15 safety, and procurement services, not to mention, accounting, human resources, legal, and
16 other necessary business functions.

17 **Q. WHY IS THAT?**

18 A. The Company has benefitted from the economies of scale that occur with being part of a
19 larger corporate family that are not present as a standalone entity. By sharing resources
20 and personnel, Duke Energy Indiana is able to function as a lean utility without having to
21 invest in its own full-time corporate personnel and resources that are otherwise able to be
22 shared among a family of companies.

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With the creation of Cinergy Corp ("Cinergy") in the mid-1990s, by way of the merger of the Cincinnati Gas & Electric Company with PSI Energy, to the merger between Cinergy and Duke Power in 2006, followed by the merger of Duke Energy and Progress Energy ("Progress") in 2012, to the most recent merger between Duke Energy and Piedmont Natural Gas Company ("Piedmont"), Duke Energy Indiana has benefitted from the pool of expert personnel resources and access to equipment and expertise from its sister companies. Duke Energy Indiana has been able to share in common business functions rather than maintain its own dedicated and thus duplicative functions. These shared functions include but are not limited to, executive and management personnel, human resources, accounting, tax, legal services, and engineering. Through the Utility Service Agreement, Duke Energy Indiana has also been able to take advantage of the key personnel employed by its sister utilities, allowing the Company to take advantage of the economies of scale and best practices that exist with an organization the size of Duke Energy through shared expertise and resources.

Q. HAVE THERE BEEN ANY CHANGES TO THESE AGREEMENTS SINCE THE TIME OF THE COMPANY'S LAST ELECTRIC BASE RATE CASE?

A. Yes. There are regular and normal updates that occur to these agreements to reflect changes in the corporate structure and operations. Companies are routinely dissolved and are eliminated from some of the agreements. Duke Energy Indiana submits updates to these agreements as necessary.

The most notable changes occurred at the time of the Cinergy/Duke Energy Corporation merger in 2006. In Cause No. 42873, the Commission approved various

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1 affiliate agreements including the Service Company Utility Service Agreement, the
2 Operating Companies Service Agreement, and the Operating Company/Nonutility
3 Companies Services Agreement. The remaining agreements were submitted and
4 approved by this Commission via the 30-day review process.

5 Since the time of Cinergy Corp's merger with Duke Energy Corporation in 2006,
6 there have been changes to these agreements primarily to reflect the addition or removal
7 of the parties (affiliated companies) to these agreements. For example, during 2012,
8 immediately following the completion of the merger between Duke Energy and Progress,
9 Progress Energy Service Company ("PESC") became a party to the DEBS Service
10 Agreement and began providing services to Duke Energy Indiana. Since that time, PESC
11 was dissolved and removed from that agreement. The majority of PESC employees are
12 now DEBS employees and their work performed for Duke Energy Indiana is included as
13 part of the total DEBS allocations that the Company receives. Similarly, in 2016, Duke
14 Energy Corp. completed its merger with Piedmont. After this merger, the Piedmont
15 utility companies were added as parties to the relevant agreements. There have not been
16 any substantial changes to these agreements since Duke Energy completed this merger
17 and submitted the agreements to the Commission.

18 As a result of these and other additions and deletions to the service agreement
19 participants, allocations (direct and indirect) between and among the parties have also
20 changed over the years.

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A. Service Company Utility Service Agreement

Q. PLEASE BRIEFLY DESCRIBE THE SERVICE COMPANY UTILITY SERVICE AGREEMENT.

A. This agreement permits DEBS to provide services that are corporate or general utility in nature and are used by various business units, including Duke Energy Indiana. In general, the services provided by the service companies include, but are not limited to the following:

- Information Systems;
- Meters;
- Transportation;
- Power Planning and System Maintenance;
- Marketing and Customer Relations;
- Transmission and Distribution Engineering and Construction;
- Power Engineering and Construction;
- Human Resources;
- Supply Chain;
- Facilities;
- Accounting;
- Operations;
- Public Affairs;
- Legal;
- Rates;
- Finance;
- Rights of Way;
- Internal Auditing;
- Environmental, Health Safety;
- Fuels;
- Investor Relations;
- Planning; and
- Executive.

By the terms of the Service Company Utility Service Agreement, compensation for any service rendered by the DEBS to its utility affiliates is the fully embedded cost thereof (*i.e.*, the sum of: (i) direct costs; (ii) indirect costs; and (iii) costs of capital),

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1 except to the extent otherwise required by Section 482 of the Internal Revenue Code.

2 The affiliate companies receiving services from DEBS are referred to as "Client
3 Companies." Each client company is required to reasonably cooperate with each
4 respective service provider to record billings and payments in their common accounting
5 systems. This agreement was filed with the Commission on March 16, 2017.

6 **B. Operating Companies Service Agreement**

7 **Q. PLEASE BRIEFLY DESCRIBE THE OPERATING COMPANIES SERVICE**
8 **AGREEMENT AND ITS HISTORY.**

9 A. Like the Service Company Utility Service Agreement, the Operating Companies Service
10 Agreement has been in place in some form for decades. Under this agreement, Duke
11 Energy Indiana and its utility affiliates, Duke Energy Carolinas LLC, (Duke Energy
12 Carolinas), Duke Energy Ohio, Inc. (Duke Energy Ohio), Duke Energy Progress, LLC,
13 Duke Energy Florida, LLC, and Piedmont, are permitted to provide and receive services
14 to and from each other in the normal course of conducting business at the providing
15 company's fully embedded cost. This agreement was filed with the Commission on
16 March 16, 2017.

17 The services that may be provided between affiliate operating companies may
18 include, but are not limited to the following:

- 19 • Engineering and Construction;
- 20 • Generation Technical Support;
- 21 • Operations and Maintenance;
- 22 • Environmental, Health and Safety;
- 23 • Installation Services;
- 24 • Customer Operations;
- 25 • Equipment Testing; and
- 26 • Procurement Services.

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By the terms of the Operating Companies Service Agreement, compensation for any service rendered between utility affiliates is the fully embedded cost thereof (*i.e.*, the sum of: (i) direct costs; (ii) indirect costs; and (iii) costs of capital), except to the extent otherwise required by Section 482 of the Internal Revenue Code. Each client company is required to reasonably cooperate with each respective service provider to record billings and payments in their common accounting systems.

C. Non-Utility Service Agreements

Q. PLEASE DESCRIBE THE TWO NON-UTILITY SERVICE AGREEMENTS

A. Duke Energy Indiana is a party to two service agreements that identify services and cost allocations between the Company and its non-utility affiliates. The distinction between these agreements is due to timing in relation to FERC Orders and the types of pricing for the provision of services allowed therein.

Under the Operating Company/Non-Utility Service Agreement, Duke Energy Indiana and certain of its non-utility affiliates are authorized to provide certain services to one another, priced at the providing company's fully embedded cost. A copy of this agreement is included in Petitioner's Exhibit 16-C (JRS). This agreement was last approved by the Commission on September 1, 2008 as part of the merger of Duke Energy Corporation and Cinergy Corp. The permitted services provided by Duke Energy Indiana to certain of its non-utility affiliates may include, but are not limited to the following:

- Engineering and Construction;
- Operations and Maintenance;
- Installation Services;
- Equipment testing;
- Generation Technical Support;
- Environmental, Health and Safety; and

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- 1 • Procurement Services.

2 The types of services that may be provided by certain non-utility affiliates to
3 Duke Energy Indiana, include, but are not limited to, the following:

- 4 • Information Technology Services;
5 • Monitoring;
6 • Surveying;
7 • Inspecting;
8 • Constructing;
9 • Locating and Marking of Overhead and Underground Utility Facilities;
10 • Meter Reading;
11 • Materials Management;
12 • Vegetation Management; and
13 • Marketing and Customer Relations.

14 By the terms of the Operating/Company Non-Utility Agreement, requests for
15 services will be made in writing, in substantially the same form as set forth in “Exhibit
16 A” of the Agreement. Compensation for any service rendered between Duke Energy
17 Indiana and its non-utility affiliates are the fully embedded cost thereof (*i.e.*, the sum of:
18 (i) direct costs; (ii) indirect costs; and (iii) costs of capital), except to the extent otherwise
19 required by Section 482 of the Internal Revenue Code. The nonutility affiliates that are
20 parties to this agreement are limited to those that existed prior to FERC’s February 2008
21 Order 707 (Order 707) that expanded FERC’s asymmetrical pricing rules to include
22 transfers of non-power goods and services between a franchised utility and its non-utility
23 affiliates.

24 Non-utility companies that became affiliates of Duke Energy Indiana after Order
25 707 are subject to a different service agreement, the Asymmetrically-Priced Duke Energy
26 Indiana, Inc., Non-Utility Companies Service Agreement, included as Petitioner’s Exhibit
27 16-D (JRS). This agreement was created in response to Order 707. The non-utility

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1 affiliates who are parties to this agreement are subject to the asymmetric pricing
2 requirements of FERC. Duke Energy Indiana provides non-tariffed goods or services to a
3 Party to this agreement at the greater of cost or market, but pays the lesser of cost or
4 market for any goods or services received under this agreement. Duke Energy Indiana
5 submitted the final agreement, adding Progress Energy entities due to the merger between
6 Duke Energy and Progress Energy in November 2012.

7 **Q. CAN YOU PLEASE EXPLAIN WHAT CHANGED WITH THE FERC 707**
8 **ORDER?**

9 A. It is my understanding that prior to Order 707, FERC's asymmetrical pricing rules only
10 applied to transfers of non-power goods and services between franchised utilities and
11 nonregulated utility affiliates. However, following the Order 707 ruling, FERC's
12 asymmetric pricing requirements were extended to all transactions between utilities and
13 their non-utility affiliates. This asymmetric pricing requirement excluded services
14 provided by service companies or services between and among regulated utility affiliates.
15 The Order 707 ruling also provided a grandfathering exception to the asymmetric pricing
16 for pre-existing service agreements between regulated utilities and their non-regulated
17 non-utility affiliates, as well as, state affiliate pricing rules that are stricter than FERC's
18 pricing restrictions.

19 In short, the Asymmetrically-Priced Duke Energy Indiana, Inc., Non-Utility
20 Companies Service Agreement was entered into in response to FERC Order 707 and
21 includes new affiliates that were created after the effective date of Order 707 and that are
22 not grandfathered as parties under the Cost-Based Non-Utility Service Agreement. The

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1 Cost-Based Non-Utility Agreement remains unchanged since the issuance of Order 707,
2 except to reflect the dissolution of non-utility companies that were at one time a party.
3 No new companies have been added to that Cost-Based Non-Utility Agreement since
4 Order 707.

5 **Q. PLEASE EXPLAIN HOW SERVICES BETWEEN DUKE ENERGY INDIANA**
6 **AND ITS AFFILIATES THAT ARE NOT COVERED BY THE**
7 **AFOREMENTIONED SERVICE AGREEMENTS ARE PRICED?**

8 A. Non-covered services, as well as non-utility affiliates that are not a party to the Cost-
9 based Non-Utility Service Agreement, must follow Indiana's stricter asymmetric pricing
10 for any transaction with Duke Energy Indiana.

11 **D. The Asset Transfer Agreements**

12 **Q. PLEASE EXPLAIN AND DESCRIBE THE ASSET TRANSFER AGREEMENTS.**

13 A. Duke Energy Indiana has two Asset Transfer Agreements: the Non-Utility Asset
14 Transfer Agreement and the Intercompany Asset Transfer Agreement. These agreements
15 permit the transfer of assets between and among Duke Energy Indiana and its regulated
16 utility affiliates as well as among the non-utility affiliates, excluding commodities, at the
17 transferring company's fully-allocated cost, subject to certain limitations. These
18 agreements were most recently approved by the Commission September 1, 2016, to
19 reflect the addition of Piedmont. Copies of these agreements are included as Petitioner's
20 Exhibits 16-E (JRS) and 16-F (JRS).

A. Overview of Cost Allocations

A. “Cost”, as used in the Service Company Utility Service Agreement and Non-Utility Service Agreement, means fully embedded cost, which is the sum of: (1) direct costs; (2) indirect costs; and (3) cost of capital. Direct costs include labor, material and the expenses incurred specifically for a particular service and any associated loadings. Indirect costs include labor, material and other expenses, and any associated loadings that cannot be directly identified with any particular service. Indirect costs include, but are not limited to, overhead costs, administrative support costs, and taxes. Cost of capital represents financing costs, including, but not limited to, interest on debt and a fair return on equity to shareholders.

A. In general, there are three primary categories of cost allocations that affect Duke Energy Indiana and its affiliates: (1) cost allocations from DEBS; (2) cost allocations for goods and services provided between and among Duke Energy Indiana and its sister regulated utilities; and Loadings for various costs pools that are applied to labor, materials, contracts and vehicles depending on the type of cost.

Duke Energy Indiana also provides various services and goods to and receives various services and goods from its regulated and nonregulated affiliates as set forth in various service agreements I previously described.

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Q. WHAT ARE “LOADINGS”?

A. “Loadings” represent costs that are incurred and aggregated in “cost pools,” which are then subsequently “loaded” out to specific entities and projects by attaching an additional charge (loading rate) to the associated direct cost. Duke Energy’s loadings include fringe benefits (*e.g.*, medical, dental, pension, postretirement), unproductive time (*e.g.*, vacation, holiday, sick-time) for actuals only, stores, freight and handling (*e.g.*, material management labor, freight), transportation (*e.g.*, vehicle leases, fuel, oil), and payroll taxes (*e.g.*, Federal Insurance Contributions Act (FICA) taxes, and state and federal unemployment taxes). Loading rates are determined through annual studies of both actual and budgeted information and are calculated by dividing the anticipated component costs by anticipated labor cost, material issues, or vehicle utilization, as applicable.

Q. ARE THERE OTHER SIGNIFICANT TYPES OF LOADINGS THAT NEED TO BE ADDRESSED?

A. Yes. There is a DEBS Service Company Overhead Loader that is applied to all DEBS labor. There is a Utility to Utility Affiliate Loader, which is applied when employees of one utility charge to another utility or charge time to a non-regulated account. There are also functional indirect overheads, which clear common costs within a function (*e.g.* Distribution, Fossil) of Indiana across a common allocator, typically department labor.

Q. WHAT IS THE PURPOSE OF THE DEBS SERVICE COMPANY OVERHEAD LOADER?

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A. As part of a fully distributed cost, an overhead component is charged to Affiliates as a percentage of Service Company labor costs, whether direct charged, distributed or allocated. This overhead represents the cost of shared services provided to shared services employees. The rate is based on historical enterprise and governance costs in the following functions: Information Systems, Facilities, Transportation, Human Resources, Supply Chain, Accounting, Public Affairs, Legal, Finance, Internal Auditing, Environmental, Health and Safety, Investor Relations, Planning and Executive. The purpose of this loader is to better align the cost of shared services provided to shared services employees, following their actual labor charged. The offset for the Overhead Loader in effect reduces the dollars being allocated through the normal Service Company Allocations process. The Overhead Loader is calculated and updated annually as part of the budget.

**Q. WHAT IS THE PURPOSE OF THE UTILITY TO UTILITY AFFILIATE
LOADER?**

A. The purpose is to assign fully burdened costs to utility labor. Charges are generated when a utility employee charges labor to a business unit outside their jurisdiction. For example, when an Indiana employee charges outside of the Indiana utility, not only is the labor and associated benefit load costs moved off of Indiana's books, a portion of costs for administrative and governance costs, training, facilities and supervisory costs that are charged by or allocated to Indiana are also removed from Indiana's regulated books. The Utility to Utility loader is calculated annually and utilized for actuals during the calendar year.

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1 **Q. PLEASE DESCRIBE THE FUNCTIONAL INDIRECT OVERHEADS PROCESS.**

2 A. Overhead costs are accumulated for a function (*e.g.*, production, transmission,
3 distribution) in a functional departmental pool. These costs could include dollars
4 allocated or direct charged from DEBS as well as departmental management costs. These
5 costs are then typically cleared as an overhead load on department labor following the
6 same account charged by employees of the department. To the extent a department
7 employee is working on a capital project, a portion of these costs are then capitalized.

8 **B. Cost Allocations Under the Service Agreements**

9 **Q. PLEASE DESCRIBE HOW COSTS INCURRED BY DEBS ARE ACCOUNTED**
10 **FOR UNDER THE SERVICE AGREEMENTS.**

11 A. DEBS maintains an accounting system in which all its costs are accumulated. These
12 costs are charged to the appropriate Client companies monthly, using one of the three
13 approved methods of assignment.

14 **Q. WHAT ARE THE APPROVED METHODS OF ASSIGNMENT?**

15 A. The approved methods of assignment are: (1) directly assignable; (2) distributable; and
16 (3) allocable.

17 **Q. PLEASE DESCRIBE EACH METHOD OF ASSIGNMENT.**

18 A. The directly assignable basis of cost assignment is utilized to directly charge costs for
19 services specifically performed for a single Client company. Costs are direct charged to
20 the extent possible. The distributable cost assignment method is used to assign costs for
21 services rendered specifically for two or more Client companies. The allocable method
22 of assignment is used to allocate costs for services of a general nature, which are

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applicable to all Client companies or to a class or classes of Client companies. The objectives of the cost distribution process are to:

- Meet Regulatory Requirements
- Ensure that each affiliate shares in and is appropriately charged for the relevant shared services costs
- Assist affiliates in the understanding the cost drivers and basis for allocation of shared services costs that affect their operating results
- Provide an accounting model whereby affiliates can see how much is allocated to them for each shared service

Q. WHAT TYPES OF EXPENDITURES ARE DIRECTLY ASSIGNED FROM DEBS TO DUKE ENERGY INDIANA?

A. DEBS employees who work on a project specifically for Duke Energy Indiana charge their labor and expenses directly to Duke Energy Indiana. For example, the legal services function will charge Duke Energy Indiana directly for work performed specifically for Duke Energy Indiana. This is determined by the number of hours spent on jurisdictional activities.

Q. PLEASE EXPLAIN THE ALLOCABLE CHARGES FROM DEBS TO DUKE ENERGY INDIANA.

A. Allocable charges to Duke Energy Indiana are for a portion of expenditures originating on DEBS' books that are applicable to Duke Energy Indiana and one or more other Client Companies, but which are not directly assignable to Duke Energy Indiana. These charges are allocated to Duke Energy Indiana based on allocation ratios set forth in Appendix A of the DEBS Service Agreement. For example, costs related to Investor Relations activities are applicable to all Duke Energy affiliates but cannot be directly charged to any one affiliate. Those costs are allocated to all affiliates using the allocation factor

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described for the Investor Relations Function in Appendix A of the DEBS Service Agreement.

Q. WHAT ARE THE ALLOCATION METHODS SPECIFIED IN APPENDIX A OF THE DEBS SERVICE AGREEMENT?

A. Twenty (20) allocation ratios are specified in the Utility Service Agreement. These ratios are the: (1) Sales Ratio; (2) Electric Peak Load Ratio; (3) Number of Customers Ratio; (4) Number of Employees Ratio; (5) Construction-Expenditures Ratio; (6) Miles of Electric Distribution Lines Ratio; (7) Circuit Miles of Electric Transmission Lines Ratio; (8) Number of Central Processing Unit Seconds Ratio/Millions of Instructions Per Second Ratio (Mainframe Services); (9) Revenues Ratio; (10) Inventory Ratio; (11) Procurement Spending Ratio; (12) Square Footage Ratio; (13) Gross Margin Ratio; (14) Labor Dollars Ratio; (15) Number of Personal Computer Work Stations Ratio; (16) Number of Information Systems Servers Ratio; (17) Total Property, Plant and Equipment Ratio; (18) Generating Unit MW Capability Ratio; (19) Number of Meters Ratio; and (20) O&M Expenditures Ratio.

In addition to the individual methods listed above, combinations of above methods will be used. The most widely used are “Weighted Average of the Number of Customers and the Number of Employees Ratio” and the “Weighted Average of the Gross Margin Ratio, Labor Dollars Ratio, and Total Property, Plant and Equipment Ratio” (Three Factor Formula). Other combined methods used but not limited to are “Weighted Average Circuit Miles of Electric Transmission Lines Ratio and Electric Peak Load Ratio” as well as “Weighted Average of Circuit Miles of Electric Distribution Lines

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Ratio and the Electric Peak Load Ratio”.

Q. WHAT WAS THE RATIONALE BEHIND THE SELECTION OF THESE RATIOS?

A. Consistent with traditional cost causation principles, the ratios represent “cost drivers” for a particular function (*i.e.*, those factors which are the greatest contributors to costs). For example, costs related to human resources are allocated based on the Number of Employees Ratio. Costs related to support of personal computers are allocated based on the Number of Personal Computer Workstations Ratio. Costs related to meter reading and to customer billing and payment processing in the Marketing and Customer Relations Function, are allocated based on the Number of Customers Ratio. For some Functions, costs of a general nature are allocated based on a weighted-average of more than one ratio. The DEBS Service Agreement describes how the weighted-average ratios are calculated.

Q. UNDER WHAT CIRCUMSTANCES ARE THE ALLOCATION RATIOS SET FORTH IN APPENDIX A OF THE DEBS SERVICE AGREEMENT USED TO DETERMINE CHARGES TO DUKE ENERGY INDIANA?

A. The allocation ratios provided in Appendix A of the DEBS Service Agreement are used to assign charges to Client Companies, including Duke Energy Indiana, for activities that cannot be charged directly. For example, costs associated with the human resources function are allocated to the Client Companies, including Duke Energy Indiana, using the Number of Employees Ratio as provided in the DEBS Service Agreement.

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1 **Q. WHAT PROCESSES DO DEBS' EMPLOYEES FOLLOW IN ALLOCATING**
2 **THEIR TIME AND EXPENSES?**

3 A. All source documents (*e.g.*, time records, expense accounts, and journal entries)
4 applicable to DEBS require a special input code, "Operating Unit" ("OU"), to be used.
5 The initiating department determines the appropriate OU for each transaction. The
6 specific OU indicates whether the cost should be assigned directly, distributed, or
7 allocated, and it also determines the appropriate percentage allocation to be used. Using
8 the OU, the accounting system will process each transaction and assign the appropriate
9 costs to each respective Client Company. For the allocable OUs, the percentage allocated
10 to each Client Company is determined periodically, at a minimum on an annual basis, by
11 way of a cost study.

12 **Q. WERE ANY AUDITS CONDUCTED OF DEBS?**

13 A. Yes. Duke Energy has conducted an internal audit of DEBS' cost allocations on a regular
14 basis. To date, these audit reports support that Duke Energy has adequate processes in
15 place for allocating costs and have not found any issues with the DEBS' cost allocations.
16 In addition, after the merger between Duke Energy and Cinergy Corp, Duke Energy
17 Indiana worked with the Indiana Office of Utility Consumer Counselor to hire
18 independent auditors to conduct an audit every other year for the years 2009, 2011 and
19 2013. These audit reports were filed in Cause No. 42873.

20 **Q. DO THE UTILITY TO UTILITY ALLOCATIONS WORK THE SAME WAY?**

21 A. Yes, the Utility to Utility Allocations work the same way and use some of the same
22 allocation factors as the service company allocations. Some of these steps reflect

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1 departmental reporting functions such as Fossil-Hydro. A large portion of the employees
2 are Carolinas' utility employees, but they support the entire enterprise from a functional
3 standpoint. Common costs for these functions are allocated by a utility to utility
4 allocation. It should be noted that employees are instructed to direct charge whenever
5 possible, and to not default to the allocation pool, which would result in inappropriate
6 costs being allocated to Indiana.

7 **Q. WHAT INFORMATION DID YOU PROVIDE TO MR. JACOBI FOR THE**
8 **FORECASTED TEST YEAR.**

9 A. Through the budgeting process, I received information from Ms. Metzler regarding
10 budgeted benefits and incentives. Benefits, incentives and Other labor loadings were
11 calculated based on this information. My area also prepared the basis data used for
12 allocations of the service company and utility to utility allocations where applicable.
13 Under the DEBS and Utility agreements discussed above, allocations were then
14 calculated based on this information. This information was then provided and used for
15 the Forecasted Test Year.

16 **Q. PLEASE DESCRIBE FURTHER THE COST STUDY USED TO DETERMINE**
17 **THE OU ALLOCATION PERCENTAGES.**

18 A. Annually during the budget cycle, DEBS conducts a cost study, applying the applicable
19 data to the allocation ratios described in Appendix A to the DEBS Service Agreement.
20 From these cost studies, DEBS updates the allocation percentages of each allocable OU
21 to reflect the current underlying foundation of the allocation ratios. For example,
22 annually during the budget cycle, the OU based on the number of employees, which is

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primarily utilized by the human resources function within DEBS, is updated to reflect the number of employees of each of DEBS' affiliate companies. These same calculations are then used during the actuals period for which the budget was prepared. For the test period at issue in this proceeding, the Company used the cost study developed for 2019.

Q. WHAT LEVEL OF ADMINISTRATIVE AND GENERAL ("A&G") OPERATIONS & MAINTENANCE ("O&M") EXPENSES ARE REFLECTED IN DUKE ENERGY INDIANA'S 2020 FORECAST?

A. Duke Energy Indiana's 2020 A&G O&M Forecast is \$127 Million.

Q. HOW DOES THE 2020 A&G O&M FORECAST COMPARE TO THE 2019 A&G O&M BUDGET AND THE ACTUAL 2018 A&G O&M EXPENDITURES?

A. A comparison of the Forecasted 2020 A&G O&M expenses to the 2019 Budget and 2018 Actual A&G O&M expenses is shown in the table below.

<i>\$ in Millions</i>	2018 Actual	2019 Budget	2020 Forecast
Administrative & General O&M	\$148	\$132	\$127
Increase / (Decrease)		(\$16)	(\$5)

Q. PLEASE DESCRIBE THE MAJOR CHANGES BETWEEN THE 2018 ACTUAL, 2019 BUDGET AND 2020 FORECASTED A&G O&M EXPENDITURES INCLUDING ANY MAJOR ASSUMPTIONS UTILIZED TO ARRIVE AT THE 2020 FORECAST.

A. The 2018 A&G actual amounts reflect payments for severance that are not included in the out years. The Budget and Forecasted test period reflect lower amounts for Labor and Contracts. This is a result of lower headcount based on the 2018 severance initiative, as

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1 well as continued efficiency efforts. The Budget and Forecasted periods assume lower
2 headcount and a lower reliance on contractors.

3 **IV. PENSION SETTLEMENT ACCOUNTING**

4 **Q. DOES DUKE ENERGY INDIANA HAVE ANY PENSION SETTLEMENT**
5 **ACCOUNTING FOR THE TEST PERIOD?**

6 A. Yes.

7 **Q. FOR PENSION ACCOUNTING PURPOSES, WHAT IS A SETTLEMENT?**

8 A. A settlement is defined as an irrevocable transaction that relieves an employer of primary
9 responsibility for benefit obligations under a benefit plan and eliminates significant risks
10 related to the obligation and assets used to affect the settlement. Examples of settlement
11 transactions include making lump-sum cash payments to plan participants in exchange
12 for their rights to receive their pension benefit, assumption of the benefit obligation by a
13 buyer as part of a business combination, and the purchase of a nonparticipating annuity
14 contracts to cover participant's vested benefits.

15 **Q. WHAT ARE THE COMPONENTS OF NET PERIODIC PENSION COST UNDER**
16 **GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP")?**

17 A. Net periodic pension cost is the amount recognized in an employer's financial statements
18 as the cost of a pension plan for a period. The term net periodic pension cost is used
19 instead of net pension expense because the service cost component recognized in a period
20 may be capitalized as part of an asset such as inventory. Components of net periodic
21 pension cost under Accounting Standards Codification ("ASC") 715 are:

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1 Service cost. Service cost is the actuarial present value of benefits attributed by
2 the plan's benefit formula to services rendered by employees during the period.

3 Interest cost. Interest cost is the increase in projected benefit obligation due to
4 passage of time.

5 Expected return on plan assets. The expected return on plan assets is calculated
6 by applying the expected rate of return on plan assets to the beginning of year
7 amount of plan assets.

8 Gain or loss amortization. Gains and losses are changes in the amount of
9 projected benefit obligations or plan assets due to actual experience that is
10 different than assumed experience, as well as changes in assumptions, such as the
11 discount rate applied to future cash flows expected to satisfy the pension
12 obligation. Amortization expense is included in net periodic pension cost when
13 beginning of year unrecognized gain or loss exceeds a "corridor" of ten percent of
14 the greater of the projected benefit obligation or the market-related value of plan
15 assets. Amounts in excess of the corridor are amortized over the average
16 remaining future service of active plan participants, or average remaining life
17 expectance for plans, where almost all (more than 90%) of the plan participants
18 are inactive.

19 Prior service cost or credit. Prior service cost or credit represents the cost of
20 retroactive benefits granted in a plan amendment that increase or decrease the
21 projected benefit obligation. Amounts are amortized over the average remaining

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1 future service of active plan participants, or average remaining life expectancy for
2 plans, where almost all (more than 90%) of the plan participants are inactive.

3 **Q. WHAT IS SETTLEMENT ACCOUNTING?**

4 A. Settlement accounting triggers recognition in earnings of gains or losses from settlements
5 equal to the percentage of the settled obligations when the cost of all settlements during a
6 year is greater than the sum of the service cost and interest cost components of net
7 periodic pension cost for the pension plan for the year. In other words, amortization of a
8 portion of the gains and losses that have been deferred in a regulatory asset account for
9 future inclusion in pension costs over time per GAAP governing pension accounting
10 instead are accelerated and must be charged to expense all at once.

11 **Q. IS SETTLEMENT ACCOUNTING EXPECTED TO BE TRIGGERED IN THE**
12 **FUTURE FOR PENSION PLANS IN WHICH DUKE ENERGY INDIANA**
13 **EMPLOYEES OR SERVICE COMPANY EMPLOYEES PROVIDING**
14 **SERVICES TO DUKE ENERGY INDIANA ARE PARTICIPANTS?**

15 A. Yes. Duke Energy Indiana anticipates settlement accounting will be triggered during the
16 second quarter of 2019 for the Duke Energy Retirement Cash Balance Plan, which is the
17 plan that most active Duke Energy Indiana employees participate. Settlements occur
18 regularly throughout any given year, normally as the result of a benefit plan making
19 lump-sum cash payments to plan participants. When the cost of settlements for the plan
20 for the year is less than the sum of the service cost and interest cost components of net
21 periodic pension cost, gain or loss recognition in earnings is not required for those
22 settlements. This is the first time settlement costs for Duke Energy Indiana have been

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greater than the sum of service cost and interest cost components of net periodic pension cost for a plan year. However, as discussed by Company witness Ms. Renee H. Metzler, the Company has closed its pension plans to new hires and transitioned to use of 401(k) plan matching. Because of this and the opportunity for most existing pension plan participants to take lump-sum payouts instead of annuities, it is likely the Company will trigger settlement accounting more frequently in the future.

Q. HOW WILL DUKE ENERGY INDIANA APPLY SETTLEMENT ACCOUNTING TO ITS SETTLEMENTS?

A. Net periodic pension cost is included by Duke Energy Indiana as part of its revenue requirement. Gain or loss amortization is one component of net periodic pension cost. The recognition in earnings resulting from settlement accounting (settlement charge) represents an acceleration of amounts recognized as the result of gain or loss amortization. Settlement accounting does not change the total pension cost over the life of the pension plan. Instead, for U.S. GAAP purposes, settlement accounting accelerates the timing of recognition of loss amortization that would otherwise have been recognized over the remaining service life of Duke Energy Retirement Cash Balance Plan participants. Settlement charges incurred by Duke Energy Indiana because of the triggering of settlement accounting will be deferred as a regulatory asset. Amortization expense of the settlement charge will be recognized over the average remaining service life of Duke Energy Retirement Cash Balance Plan participants, currently 9.75 years.

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V. CONCLUSION

**Q. DID YOU PROVIDE ANY INFORMATION TO OTHER WITNESSES FOR
THEIR USE IN THIS PROCEEDING?**

A. Yes, I supplied Mr. Jacobi with the DEBS and Utility allocation factors and Loading rates
as well as the A&G O&M in effect for his use in developing the forecasted financial data.

**Q. IN YOUR OPINION, DO THE VARIOUS SERVICE AGREEMENTS FAIRLY
AND ACCURATELY ALLOCATE COSTS AND REVENUES TO DUKE
ENERGY INDIANA?**

A. Yes, these agreements are designed to fairly allocate costs and revenues among the
participants and in my opinion, they have done so. They have been approved as
reasonable mechanisms to allocate costs by this Commission and others in the Duke
Energy family.

**Q. WERE PETITIONER'S EXHIBITS 16-A (JRS) THROUGH 16-F (JRS)
PROVIDED BY YOU OR UNDER YOUR SUPERVISION?**

A. Yes.

Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?

A. Yes.

**SERVICE COMPANY
UTILITY SERVICE AGREEMENT**

This Service Company Utility Service Agreement (this "Agreement") is by and among Duke Energy Carolinas, LLC ("DEC"), a North Carolina limited liability company, Duke Energy Ohio, Inc., an Ohio corporation ("DEO"), Duke Energy Indiana, LLC an Indiana limited liability company ("DEI"), Duke Energy Kentucky, Inc., a Kentucky corporation ("DEK"), Duke Energy Progress, LLC, a North Carolina limited liability company ("DEP"), Piedmont Natural Gas Company, Inc., a North Carolina corporation ("Piedmont"), Duke Energy Florida, LLC ("DEF"), a Florida limited liability company, and Duke Energy Business Services LLC ("DEBS"), a Delaware limited liability company. DEBS is sometimes hereinafter referred to as a "Service Company." DEC, DEO, DEI, DEK, DEP, DEF, and Piedmont are sometimes hereinafter referred to individually as a "Client Company" and collectively as the "Client Companies". The Effective Date as stated herein is the date on which this Agreement is executed or, as may be required, submitted to the appropriate regulatory body for approval, whichever occurs last. This Agreement supersedes and replaces in its entirety all previous Service Company Utility Service Agreements dated before the Effective Date of this Agreement.

WITNESSETH

WHEREAS, each of the Client Companies and the Service Company are direct or indirect subsidiaries of Duke Energy Corporation;

WHEREAS, the Service Company and the Client Companies have entered into this Agreement whereby the Service Company agrees to provide and the Client Companies agree to accept and pay for various services as provided herein at cost, except to the extent otherwise required by Section 482 of the Internal Revenue Code; and

WHEREAS, economies and efficiencies benefiting the Client Companies will result from the performance by the Service Company of services as herein provided;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties to this Agreement covenant and agree as follows:

ARTICLE I – SERVICES

Section 1.1 The Service Company shall furnish to the Client Companies, upon the terms and conditions hereinafter set forth, such of the services described in Appendix A hereto, at such times, for such periods and in such manner as the Client Companies may from time to time request and which the Service Company concludes it is equipped to perform. The Service Company shall also provide Client Companies with such special services, including without limitation cost management services, in addition to those services described in Appendix A hereto, as may be requested by a Client Company and which the Service Company concludes it is equipped to perform. In supplying such services, the Service Company may (i) arrange, where it deems appropriate, for the services of such experts, consultants, advisers and other persons with necessary qualifications as are required for or pertinent to the rendition of such services, and (ii) tender payments to third parties as agent for and on behalf of Client Companies, with such charges being passed through to the appropriate Client Companies.

Section 1.2 Each of the Client Companies shall take from the Service Company such of the services described in Section 1.1 and such additional general or special services, whether or not now contemplated, as are requested from time to time by the Client Companies and which the Service Company concludes it is equipped to perform.

Section 1.3 The services described herein shall be directly assigned, distributed or allocated by activity, process, project, responsibility center, work order or other appropriate basis. A Client Company shall have the right from time to time to amend, alter or rescind any activity, process, project, responsibility center or work order, provided that (i) any such amendment or alteration which results in a material change in the scope of the services to be performed or equipment to be provided is agreed to by the Service Company, (ii) the cost for the services covered by the activity, process, project, responsibility center or work order shall include any expense incurred by the Service Company as a direct result of such amendment, alteration or rescission of the activity, process, project, responsibility center or work order, and (iii) no amendment, alteration or rescission of an activity, process, project, responsibility center or work order shall release a Client Company from liability for all costs already incurred by or contracted for by the Service Company pursuant to the activity, process, project, responsibility center or work order, regardless of whether the services associated with such costs have been completed.

Section 1.4 The Service Company shall maintain a staff trained and experienced in the design, construction, operation, maintenance and management of public utility properties.

ARTICLE II - COMPENSATION

Section 2.1 Except to the extent otherwise required by Section 482 of the Internal Revenue Code, as compensation for the services to be rendered hereunder, each of the Client Companies shall pay to the Service Company all costs which reasonably can be identified and related to particular services performed by the Service Company for or on its behalf. Where more than one Client Company is involved in or has received benefits from a service performed, costs will be directly assigned, distributed or allocated, as set forth in Appendix A hereto, between or among such companies on a basis reasonably related to the service performed to the extent reasonably practicable.

Section 2.2 The method of assignment, distribution or allocation of costs described in Appendix A shall be subject to review annually, or more frequently if appropriate. Such method of assignment, distribution or allocation of costs may be modified or changed by the Service Company without the necessity of an amendment to this Agreement, provided that in each instance, all services rendered hereunder shall be at actual cost thereof, fairly and equitably assigned, distributed or allocated, except to the extent otherwise required by Section 482 of the Internal Revenue Code. The Service Company shall promptly advise the Client Companies of any material changes in such method of assignment, distribution or allocation. As appropriate, the Client Companies shall advise the North Carolina Utilities Commission ("NCUC"), the Public Service Commission of South Carolina, the Florida Public Service Commission; the Indiana Utility Regulatory Commission, the Public Utilities Commission of Ohio, the Kentucky Public Service Commission, and the Tennessee Regulatory Authority ("the "Affected State Commissions") of any such changes. Such notice shall be in compliance with the requirements of applicable state law, regulations and regulatory conditions.

Section 2.3 The Service Company shall render a monthly statement to each Client Company which shall reflect the billing information necessary to identify the costs charged for that month. By the last day of each month, each Client Company shall remit to the Service Company all charges billed to it. For avoidance of doubt, the Service Company and each Client Company may satisfy the foregoing requirement by recording billings and payments required hereunder in their common accounting systems without rendering paper or electronic monthly statements or remitting cash payments.

Section 2.4 Subject to Section 482 of the Internal Revenue Code, it is the intent of this Agreement that the payment for services rendered by the Service Company to the Client Companies shall cover all the costs of its doing business (less the cost of services provided to affiliated companies not a party to

this Agreement and to other non-affiliated companies, and credits for any miscellaneous income items), including, but not limited to, salaries and wages, office supplies and expenses, outside services employed, property insurance, injuries and damages, employee pensions and benefits, miscellaneous general expenses, rents, maintenance of structures and equipment, depreciation and amortization and compensation for use of capital. Without limitation of the foregoing, "cost," as used in this Agreement, means fully embedded cost, namely, the sum of (1) direct costs, (2) indirect costs and (3) costs of capital.

ARTICLE III - TERM

Section 3.1 This Agreement is entered into as of the Effective Date and shall continue in force with respect to a Client Company until terminated by the Service Company and Client Company with respect to such Client Company (provided that no such termination with respect to less than all of the Client Companies shall thereby affect the term of this Agreement or any of the provisions hereof) or until terminated by unanimous agreement of all the parties then signatory to this Agreement.

ARTICLE IV – ACCOUNTS AND RECORDS

Section 4.1 The Service Company shall utilize the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission.

Section 4.2 The Service Company shall permit each Affected State Commission and applicable statutory utility consumer representative(s), together with other interested parties as required under applicable law, access to its accounts and records, including the basis and computation of allocations, necessary for each Affected State Commission to review a Client Company's operating results.

ARTICLE V – MISCELLANEOUS

Section 5.1 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each party and delivered to the other parties.

Section 5.2 Entire Agreement; No Third Party Beneficiaries. This Agreement (including Appendix A and any other appendices or other exhibits or schedules hereto) (i) constitutes the entire agreement, and supersedes any prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement; and (ii) is not intended to confer upon any person other than the parties hereto any rights or remedies.

Section 5.3 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflict of laws.

Section 5.4 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, in whole or in part, by operation of law or otherwise by any of the parties hereto without the prior written consent of each of the other parties. Any attempted or purported assignment in violation of the preceding sentence shall be null and void and of no effect whatsoever. Subject to the preceding two sentences, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

Section 5.5 Amendments. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties. To the extent that applicable state law or regulation or other binding obligation requires that any such amendment be filed with any Affected State Commission for its review

or otherwise, each Client Company shall comply in all respects with any such requirements.

Section 5.6 Interpretation. When a reference is made in this Agreement to an Article, Section or Appendix or other Exhibit, such reference shall be to an Article or Section of, or an Appendix or other Exhibit to, this Agreement unless otherwise indicated. The headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words “include”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation”. The words “hereof”, “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. References to a person are also to its permitted successors and assigns.

Section 5.7 DEC, DEP, and Piedmont Conditions. In addition to the terms and conditions set forth herein, with respect to DEC and DEP, the provisions set out in Appendix B are hereby incorporated herein by reference. In addition, DEC's, DEP's, and Piedmont's participation in this Agreement is explicitly subject to the Regulatory Conditions and Code of Conduct approved by the NCUC in its Order Approving Merger Subject to Regulatory Conditions and Code of Conduct issued, in NCUC Docket Nos. E-2, Sub 1095, E-7, Sub 1100, and G-9, Sub 682. In the event of any conflict between the provisions of this Agreement and the approved Regulatory Conditions and Code of Conduct provisions, the Regulatory Conditions and Code of Conduct shall govern.

IN WITNESS WHEREOF, the parties hereto have caused this Service Agreement to be executed as of _____, 201__.

DUKE ENERGY BUSINESS SERVICES LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY CAROLINAS, LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY OHIO, INC.

By: _____
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY INDIANA, LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY KENTUCKY, INC.

By: _____
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY PROGRESS, LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY FLORIDA, LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

PIEDMONT NATURAL GAS COMPANY, INC.

By: _____
Nancy M. Wright
Assistant Corporate Secretary

APPENDIX A

Description of Services and Determination of Charges for Services

I. The Service Company will maintain an accounting system for accumulating all costs on an activity, process, project, responsibility center, work order, or other appropriate basis. To the extent practicable, time records of hours worked by Service Company employees will be kept by activity, process, project, responsibility center or work order. Charges for salaries will be determined from such time records and will be computed on the basis of employees' labor costs, including the cost of fringe benefits, indirect labor costs and payroll taxes. Records of employee-related expenses and other indirect costs will be maintained for each functional group within the Service Company (hereinafter referred to as "Function"). Where identifiable to a particular activity, process, project, responsibility center or work order, such indirect costs will be directly assigned to such activity, process, project, responsibility center or work order. Where not identifiable to a particular activity, process, project, responsibility center or work order, such indirect costs within a Function will be distributed in relationship to the directly assigned costs of the Function. For purposes of this Appendix A, any costs not directly assigned or distributed by the Service Company will be allocated monthly.

II. Service Company costs accumulated for each activity, process, project, responsibility center or work order will be directly assigned, distributed, or allocated to the Client Companies or other Functions within the Service Company as follows:

1. Costs accumulated in an activity, process, project, responsibility center or work order for services specifically performed for a single Client Company or Function will be directly assigned and charged to such Client Company or Function.

2. Costs accumulated in an activity, process, project, responsibility center or work order for services specifically performed for two or more Client Companies or Functions will be distributed among and charged to such Client Companies or Functions. The appropriate method of distribution will be determined by the Service Company on a case-by-case basis consistent with the nature of the work performed and will be based on the application of one or more of the methods described in paragraphs IV and V of this

Appendix A. The distribution method will be provided to each such affected Client Company or Function.

3. Costs accumulated in an activity, process, project, responsibility center or work order for services of a general nature which are applicable to all Client Companies or Functions or to a class or classes of Client Companies or Functions will be allocated among and charged to such Client Companies or Functions by application of one or more of the methods described in paragraphs IV and V of this Appendix A.

III. For purposes of this Appendix A, the following definitions or methodologies shall be utilized:

1. Where applicable, the following will be utilized to convert gas sales to equivalent electric sales: 1 cubic foot of gas sales equals 0.303048 kilowatt-hour of electric sales (based on electricity at 3412 Btu/kWh and natural gas at 1034 Btu/cubic foot).

2. "Domestic utility" refers to a utility which operates in the contiguous United States of America.

3. "Gross margin" refers to revenues as defined by Generally Accepted Accounting Principles, less cost of sales, including but not limited to fuel, purchased power, emission allowances and other cost of sales.

4. "Distribution" means electric distribution and local gas distribution as applicable.

5. "Distribution Lines" mean electric power lines at distribution voltages measured in circuit miles, and gas mains and lines, as applicable.

The weights utilized in the weighted average ratios in paragraph V of this Appendix A shall represent the percentage relationship of the activities associated with the function for which costs are to be allocated. For example, if an expense item is to be allocated on the weighted average of the Gross Margin Ratio, the Labor Dollars Ratio and the Total Property, Plant and Equipment ("PP&E") Ratio, and the activity to be allocated is one-third gross margin related, one-third labor related and one-third PP&E related, 33 percent of the Gross Margin Ratio would be utilized, 33 percent of the Labor Dollars Ratio and 34

percent of the PP&E Ratio would be utilized. To illustrate this application, assuming that the Gross Margin Ratio were 53.75 percent for Company A and 46.25 percent for Company B, the Labor Dollars Ratio were 25 percent for Company A and 75 percent for Company B, and the Total PP&E Ratio were 60 percent for Company A and 40 percent for Company B, the following weighted average ratio would be computed:

Activity	Weight	Company A		Company B	
		Ratio	Weighted	Ratio	Weighted
Gross Margin Ratio	33%	53.75%	17.74%	46.25%	15.26%
Labor Dollars Ratio	33%	25.00%	8.25%	75.00%	24.75%
Total Property, Plant and Equipment Ratio	<u>34%</u>	60.00%	<u>20.40%</u>	40.00%	<u>13.60%</u>
	100%		46.39%		53.61%

IV. The following allocation methods will be applied, as specified in paragraph V of this Appendix A, to assign costs for services applicable to two or more clients and/or to allocate costs for services of a general nature.

1. Sales Ratio

A ratio, based on the applicable domestic firm kilowatt-hour electric sales (and/or the equivalent cubic feet of gas sales, where applicable), excluding intra-system sales, for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable), This ratio will be determined annually, or at such time as may be required due to a significant change.

2. Electric Peak Load Ratio

A ratio, based on the sum of the applicable monthly domestic firm electric maximum system demands for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable), This ratio will be determined annually, or at such time as may be required due to a significant change.

applicable). This ratio will be determined annually, or at such time as may be required due to a significant change.

3. Number of Customers Ratio

A ratio, based on the sum of the applicable domestic firm electric customers (and/or gas customers, where applicable) at the end of a recent month in the preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually, or at such time as may be required due to a significant change.

4. Number of Employees Ratio

A ratio, based on the applicable number of employees at the end of a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually, or at such time as may be required due to a significant change.

5. Construction-Expenditures Ratio

A ratio, based on the applicable projected construction expenditures for the following twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). Separate ratios will be computed for total construction expenditures and appropriate functional plant (i.e., production, transmission, Distribution, and general) classifications. This ratio will be

determined annually, or at such time as may be required due to a significant change.

6. Miles of Distribution Lines Ratio

In the case of electric Distribution, a ratio, based on the applicable installed circuit miles of domestic electric Distribution Lines, and in the case of gas Distribution, a ratio, based on the applicable installed miles of domestic gas Distribution Lines, in either case at the end of the preceding calendar year, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies. This ratio will be determined annually, or at such time as may be required due to a significant change.

7. Circuit Miles of Electric Transmission Lines Ratio

A ratio, based on the applicable installed circuit miles of domestic electric transmission lines at the end of the preceding calendar year, the numerator of which is for a Client Company and the denominator of which is for all domestic utility Client Companies. This ratio will be determined annually, or at such time as may be required due to a significant change.

8. Millions of Instructions Per Second Ratio

A ratio, based on the sum of the applicable number of millions of instructions per second (MIPS) used to execute mainframe computer software applications for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company or Service Company Function, and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually, or at such time as may be required due to a significant change.

9. Revenues Ratio

A ratio, based on the total applicable revenues for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

10. Inventory Ratio

A ratio, based on the total applicable inventory balance for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). Separate ratios will be computed for total inventory and the appropriate functional plant (i.e., production, transmission, Distribution, and general) classifications. This ratio will be determined annually or at such time as may be required due to a significant change.

11. Procurement Spending Ratio

A ratio, based on the total amount of applicable procurement spending for the preceding year, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. Separate ratios will be computed for total procurement spending and appropriate functional plant (i.e., production, transmission, Distribution, and general) classifications. This ratio will be determined annually or at such time as may be required due to a significant change.

12. Square Footage Ratio

A ratio, based on the total amount of applicable square footage occupied in a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

13. Gross Margin Ratio

A ratio, based on the total applicable gross margin for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

14. Labor Dollars Ratio

A ratio, based on the total applicable labor dollars for a preceding twelve consecutive calendar month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

15. Number of Personal Computer Work Stations Ratio

A ratio, based on the total number of applicable personal computer work stations at the end of a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be

determined annually or at such time as may be required due to a significant change.

16. Number of Information Systems Servers Ratio

A ratio, based on the total number of applicable servers at the end of a recent month in the preceding twelve consecutive month period, the numerator of which is for a Client Company or Service Company Function and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable) and/or the Service Company. This ratio will be determined annually or at such time as may be required due to a significant change.

17. Total Property, Plant and Equipment Ratio

A ratio, based on the total applicable Property, Plant and Equipment balance (net of accumulated depreciation and amortization) for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

18. Generating Unit MW Capability / Maximum Dependable Capacity (MDC) Ratio

A ratio, based on the total applicable installed megawatt capability for the preceding year, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). This ratio will be determined annually or at such time as may be required due to a significant change.

19. Number of Meters Ratio

A ratio, based on the number of electric and/or gas meters, as applicable, the numerator of which is for a Client Company and the denominator of

which is for all domestic utility Client Companies. Separate ratios will be computed for appropriate meter classifications (e.g., type of metering technology). This ratio will be determined annually, or at such time as may be required due to a significant change.

20. O&M Expenditures Ratio

A ratio, based on the operation and maintenance (O&M) expenditures for a prior twelve month period, the numerator of which is for a Client Company and the denominator of which is for all Client Companies (and Duke Energy Corporation's non-utility and non-domestic utility affiliates, where applicable). Separate ratios will be computed for total O&M expenditures and appropriate functional plant (i.e., production, transmission, Distribution, and general) classifications. This ratio will be determined annually.

V. A description of each Function's activities, which may be modified from time to time by the Service Company, is set forth below in paragraph "a" under each Function. As described in paragraph II, "1" and "2" of this Appendix A, where identifiable, costs will be directly assigned or distributed to Client Companies or to other Functions of the Service Company. For costs accumulated in activities, processes, projects, responsibility centers, or work orders which are for services of a general nature that cannot be directly assigned or distributed, as described in paragraph II, "3" of this Appendix A, the method or methods of allocation are set forth below in paragraph "b" under each Function. For any of the functions set forth below other than Information Systems, Transportation, Human Resources or Facilities, costs of a general nature to be allocated pursuant to this Agreement shall exclude costs of a general nature which have been allocated to affiliated companies not a party to this Agreement. Substitution or changes may be made in the methods of allocation hereinafter specified, as may be appropriate, and will be provided to state regulatory agencies and to each Client Company. Any such substitution or changes shall be in compliance with the requirements of applicable state law, regulations and regulatory conditions.

1. Information Systems

a. Description of Function

Provides communications and electronic data processing services. The activities of the Function include:

- (1) Development and support of mainframe computer software applications.
- (2) Procurement and support of personal computers and related network and software applications.
- (3) Development and support of distributed computer software applications (e.g., servers).
- (4) Installation and operation of communications systems.
- (5) Information systems management and support services.

b. Method of Allocation

- (1) Development and support of mainframe computer software applications - allocated between the Client Companies and other Functions of the Service Company based on the number of Millions of Instructions per Second Ratio (MIPS).
- (2) Procurement and support of personal computers and related network and software applications - allocated to the Client Companies and to other Functions of the Service Company based on the Number of Personal Computer Work Stations Ratio.
- (3) Development and support of distributed computer software applications - allocated to the Client Companies and to other Functions of the Service Company based on the Number of Information Systems Servers Ratio.
- (4) Installation and operation of communications systems - allocated to the Client Companies and to other Functions of the Service Company based on the Number of Employees Ratio.
- (5) Information systems management and support services – allocated to the Client Companies and to other Functions of the Service Company based on the Number of Personal Computer Work Stations Ratio.

2. Meters

a. Description of Function

Procures, tests and maintains meters.

b. Method of Allocation

Allocated to the Client Companies based on the Number of Customers Ratio.

3. Transportation

a. Description of Function

(1) Procures and maintains vehicles and equipment.

(2) Procures and maintains aircraft and equipment.

b. Method of Allocation

(1) The costs of maintaining vehicles and equipment are allocated to the Client Companies and to other Functions of the Service Company based on the Number of Employees Ratio.

(2) The costs of maintaining aircraft and equipment are allocated to the Client Companies and to other Functions of the Service Company based on a weighted average of the Gross Margin Ratio, the Labor Dollars Ratio and the PP&E Ratio.

4. System Maintenance

a. Description of Function

Coordinates maintenance and support of electric transmission systems and Distribution systems.

b. Method of Allocation

(1) Services related to electric transmission systems - allocated to the Client Companies based on the Circuit Miles of Electric Transmission Lines Ratio.

(2) Services related to electric Distribution systems - allocated to the Client Companies based on the Miles of Distribution Lines Ratio.

(3) Services related to gas Distribution systems – allocated to the Client Companies based on the Labor Dollars Ratio.

5. Marketing and Customer Relations

a. Description of Function

Advises the Client Companies in relations with domestic utility customers.

The activities of the Function include:

- (1) Design and administration of sales and demand-side management programs.
- (2) Customer meter reading, billing and payment processing.
- (3) Customer services including the operation of call center.

b. Method of Allocation

- (1) Design and administration of sales and demand-side management programs - allocated to the Client Companies based on the Number of Customers Ratio.
- (2) Customer billing and payment processing - allocated to the Client Companies based on the Number of Customers Ratio.
- (3) Customer Services - allocated to the Client Companies based on the Number of Customers Ratio.

6. Transmission and Distribution Engineering and Construction

a. Description of Function

Designs and monitors construction of electric transmission and Distribution Lines and associated facilities. Prepares cost and schedule estimates, visits construction sites to ensure that construction activities coincide with plans, and administers construction contracts.

b. Method of Allocation

- (1) Transmission engineering and construction allocated to the Client Companies based on the Electric Transmission Plant's Construction-Expenditures Ratio.
- (2) Distribution engineering and construction allocated to the Client Companies based on the Distribution plant's Construction-Expenditures Ratio.

7. Power Engineering and Construction

a. Description of Function

Designs, monitors and supports the construction and retirement of electric generation facilities. Prepares specifications and administers contracts for construction of new electric generating units, improvements to existing electric generating units, and the retirement of existing electric generating equipment, including developing associated operating processes with operations personnel. Prepares cost and schedule estimates and visits construction sites to ensure that construction and retirement activities meet schedules and plans.

b. Method of Allocation

Allocated to the Client Companies based on the Electric Production Plant's Construction-Expenditures Ratio.

8. Human Resources

a. Description of Function

Establishes and administers policies and supervises compliance with legal requirements in the areas of employment, compensation, benefits and employee health and safety. Processes payroll and employee benefit payments. Supervises contract negotiations and relations with labor unions.

b. Method of Allocation

Allocated to the Client Companies and to other Functions of the Service Company based on the Number of Employees Ratio.

9. Supply Chain

a. Description of Function

Provides services in connection with the procurement of materials and contract services, processes payments to vendors, and provides management of material and supplies inventories.

b. Method of Allocation

(1) Procurement of materials and contract services and vendor payment processing - allocated to the Client Companies and to other Functions of the Service Company based on the Procurement Spending Ratio.

- (2) Management of materials and supplies inventory – allocated to the Client Companies on the Inventory Ratio.

10. Facilities

a. Description of Function

Operates and maintains office and service buildings. Provides security and housekeeping services for such buildings and procures office furniture and equipment.

b. Method of Allocation

Allocated to the Client Companies and to other Functions of the Service Company based on the Square Footage Ratio.

11. Accounting

a. Description of Function

Maintains the books and records of Duke Energy Corporation and its affiliates, prepares financial and statistical reports, prepares tax filings and supervises compliance with the laws and regulations.

b. Method of Allocation

(1) Allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollar Ratio and the PP&E Ratio.

(2) Certain merger related costs are allocated based on Generating Unit MW Capability/ MDC Ratio.

12. Power and Gas Planning and Operations

a. Description of Function

Coordinate the planning, management and operation of Duke Energy Corporation's power generation, transmission and Distribution systems. The activities of the Function include:

(1) System Planning - planning of additions and retirements to the electric generation units and transmission and Distribution systems belonging to the regulated utilities owned by Duke Energy Corporation.

- (2) System Operations - coordination of the dispatch and operation of the electric generating units and transmission and Distribution systems belonging to the regulated utilities owned by Duke Energy Corporation.
 - (3) Power Operations – provides management and support services for the electric generation units owned or operated by subsidiaries of Duke Energy Corporation.
 - (4) Wholesale Power Operations – coordination of Duke Energy Corporation's wholesale power operations.
- b. Method of Allocation
- (1) System Planning
 - (a) Generation planning - allocated to the Client Companies based on the Electric Peak Load Ratio.
 - (b) Transmission planning – allocated to the Client Companies based on the Electric Peak Load Ratio.
 - (c) Electric Distribution planning - allocated to the Client Companies based on a weighted average of the Miles of Distribution Lines Ratio and the Electric Peak Load Ratio.
 - (d) Gas Distribution planning – allocated to the Client Companies based on the Construction-Expenditures Ratio.
 - (2) System Operations –
 - (a) Generation Dispatch - allocated to the Client Companies based on the Sales Ratio.
 - (b) Transmission Operations - allocated to the Client Companies based on a weighted average of the Circuit Miles of Electric Transmission Lines Ratio and the Electric Peak Load Ratio.
 - (c) Electric Distribution Operations - allocated to the Client Companies based on a weighted average of the Miles of Distribution Lines Ratio and the Electric Peak Load Ratio.
 - (d) Gas Distribution Operations – allocated to the Client Companies based on the Construction-Expenditures Ratio.

- (3) Power Operations – allocated to the Client Companies based on the Generating Unit MW Capability / Maximum Dependable Capacity (MDC) Ratio.
- (4) Wholesale Power Operations – allocated to the Client Companies based on the Sales Ratio.

13. Public Affairs

a. Description of Function

Prepares and disseminates information to employees, customers, government officials, communities and the media. Provides graphics, reproduction lithography, photography and video services.

b. Method of Allocation

- (1) Services related to corporate governance, public policy, management and support services - allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollar Ratio and the PP&E Ratio.
- (2) Services related to utility specific activities - allocated to the Client Companies based on a weighted average of the Number of Customers Ratio and the Number of Employees Ratio.

14. Legal

a. Description of Function

Renders services relating to labor and employment law, litigation, contracts, rates and regulatory affairs, environmental matters, financing, financial reporting, real estate and other legal matters.

b. Method of Allocation

Allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollar Ratio and the PP&E Ratio.

15. Rates

a. Description of Function

Determines the Client Companies' revenue requirements and rates to electric and gas requirements customers. Administers interconnection and joint ownership agreements. Researches and forecasts customers' usage.

b. Method of Allocation

Allocated to the Client Companies based on the Sales Ratio.

16. Finance

a. Description of Function

Renders services to Client Companies with respect to investments, financing, cash management, risk management, claims and fire prevention. Prepares budgets, financial forecasts and economic analyses.

b. Method of Allocation

Allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollar Ratio and the PP&E Ratio.

17. Rights of Way

a. Description of Function

Purchases, surveys, records, and sells real estate interests for Client Companies.

b. Method of Allocation

- (1) Services related to Distribution system - allocated to the Client Companies based on the Miles of Distribution Lines Ratio.
- (2) Services related to electric generation system- allocated to the Client Companies based on the Electric Peak Load Ratio.
- (3) Services related to electric transmission system – allocated to the Client Companies based on the Circuit Miles of Electric Transmission Lines Ratio.

18. Internal Auditing

a. Description of Function

Reviews internal controls and procedures to ensure that assets are safeguarded and that transactions are properly authorized and recorded.

b. Method of Allocation

Allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollar Ratio and the PP&E Ratio.

19. Environmental, Health and Safety

a. Description of Function

Establishes policies and procedures and governance framework for compliance with environmental, health and safety ("EHS") issues, monitors compliance with EHS requirements and provides EHS compliance support to the Client Companies' personnel.

b. Method of Allocation

(1) Services related to corporate governance, environmental policy, management and support services - allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollar Ratio and the PP&E Ratio.

(2) Services related to utility specific activities – allocated to the Client Companies based on the Sales Ratio.

20. Fuels

a. Description of Function

Procures coal, gas and oil for the Client Companies. Ensures compliance with price and quality provisions of fuel contracts and arranges for transportation of the fuel to the generating stations.

b. Method of Allocation

Allocated to the Client Companies based on the Sales Ratio.

21. Investor Relations

a. Description of Function

Provides communications to investors and the financial community, performs transfer agent and shareholder record keeping functions, administers stock plans and performs stock-related regulatory reporting.

b. Method of Allocation

Allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollars Ratio and the PP&E Ratio.

22. Planning

a. Description of Function

Facilitates preparation of strategic and operating plans, monitors trends and evaluates business opportunities.

b. Method of Allocation

Allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollars Ratio and the PP&E Ratio.

23. Executive

a. Description of Function

Provides general administrative and executive management services.

b. Method of Allocation

Allocated to the Client Companies based on a weighted average of the Gross Margin Ratio, the Labor Dollars Ratio and the PP&E Ratio.

24. Nuclear Development

a. Description of Function

Provides design, engineering, project management and licensing for potentially proposed new operating units.

b. Method of Allocation

Directly assigned/charged to participating jurisdictions.

APPENDIX B

Duke Energy Carolinas, LLC, Duke Energy Progress, LLC and Piedmont Natural Gas Company, Inc. Conditions

In connection with the NCUC approval of the Merger in NCUC Docket No. E-2, Sub 1095, Docket No. E-7, Sub 1100, and Docket No. G-5, Sub 682, the NCUC adopted certain Regulatory Conditions and a revised Code of Conduct governing transactions between DEC, DEP, Piedmont, and their affiliates. Pursuant to the Regulatory Conditions, the following provisions are applicable to DEC, DEP, and Piedmont:

- (a) DEC's, DEP's and Piedmont's participation in this Agreement is voluntary. DEC, DEP, or Piedmont is not obligated to take or provide services or make any purchases or sales pursuant to this Agreement, and DEC, DEP, or Piedmont may elect to discontinue its participation in this Agreement at its election after giving any required notice;
- (b) DEC, DEP or Piedmont may not make or incur a charge under this Agreement except in accordance with North Carolina law and the rules, regulations and orders of the NCUC promulgated thereunder.
- (c) DEC, DEP or Piedmont may not seek to reflect in rates any (A) costs incurred under this Agreement exceeding the amount allowed by the NCUC or (B) revenue level earned under this Agreement less than the amount imputed by the NCUC; and
- (d) DEC, DEP or Piedmont shall not assert in any forum – whether judicial, administrative, federal, state, local or otherwise – either on its own initiative or in support of other entity's assertions, that the NCUC's authority to assign, allocate, make pro-forma adjustments to or disallow revenues and costs for retail ratemaking and regulatory accounting and reporting purposes is, in whole or in part, (A) preempted by Federal Law or (B) not within the Commission's power, authority, or jurisdiction; DEC, DEP, and Piedmont will bear the full risk of any preemptive effects of Federal Law with respect to this Agreement.

OPERATING COMPANIES SERVICE AGREEMENT

This Operating Companies Service Agreement (this "Agreement") by and among Duke Energy Carolinas, LLC ("DEC"), a North Carolina limited liability company, Duke Energy Ohio, Inc. ("DEO"), an Ohio corporation, Duke Energy Indiana, LLC ("DEI"), an Indiana limited liability company, Duke Energy Kentucky, Inc. ("DEK"), a Kentucky corporation, Duke Energy Progress, LLC ("DEP"), a North Carolina limited liability company, and Duke Energy Florida, LLC ("DEF"), a Florida limited liability company and Piedmont Natural Gas Company, Inc., a North Carolina corporation ("Piedmont"), supersedes and replaces in its entirety all previous Operating Company Service Agreements dated before the Effective Date of this Agreement. The Effective date as stated herein is the date on which this agreement is signed or, as may be required, submitted to the appropriate regulatory body for approval, whichever occurs last. DEC, DEO, DEI, DEK, DEP DEF and Piedmont are referred to collectively as the "Operating Companies" and, individually, an "Operating Company."

WITNESSETH:

WHEREAS, Duke Energy Corporation ("Duke Energy") is a Delaware corporation;

WHEREAS, each Operating Company is a subsidiary of Duke Energy and a public utility company;

WHEREAS, in the ordinary course of their businesses, Operating Companies maintain organizations of employees with technical expertise in matters affecting public utility companies and related businesses and own or acquire related equipment, facilities, properties and other resources; and

WHEREAS, subject to the terms and conditions herein set forth, and taking into consideration the parties' utility responsibilities or primary business operations, as the case may be, the parties hereto are willing, upon request from time to time, to perform such services, and in connection therewith to make available such equipment, facilities, properties and other resources, as they shall request from each other;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties agree as follows:

ARTICLE 1. PROVISION OF SERVICES; LOANED EMPLOYEES

Section 1.1 Provision of Services.

(a) Except as hereinafter provided with respect to DEC, DEP, and Piedmont providing services for each other, upon receipt by a party hereto (in such capacity, a "Service Provider") of a written request in substantially the same form attached hereto as Exhibit A (a "Service Request") from another party hereto (in such capacity, a "Client Company") for the provision to such Client

Company of such services as are specified therein, including if applicable use of any related equipment, facilities, properties or other resources (collectively, "Services"), the Service Provider, if in its sole discretion it has available the personnel or other resources needed to perform the Service Request without impairment of its utility responsibilities or business operations, as the case may be, shall furnish such Services to the Client Company at such times, for such periods and in such manner as the Client Company shall have so requested and otherwise in accordance with the provisions hereof.

(b) For purposes of this Agreement, "Services" may include, but shall not be limited to, services in such areas as engineering and construction; operations and maintenance; installation services; equipment testing; generation technical support; environmental, health and safety; and procurement services (including, but not limited to, fuel procurement).

(c) "Services" may also include the use of assets, equipment and facilities, provided the Client Company compensates the Service Provider for such use in accordance with Article 3.

(d) For the avoidance of doubt, affiliate transactions involving sales or other transfers of assets, goods, energy commodities (including electricity, natural gas, coal and other combustible fuels) or thermal energy products are outside the scope of this Agreement.

Section 1.2 Loaned Employees.

(a) If specifically requested in connection with the provision of Services, Service Provider shall loan one or more of its employees to such Client Company, provided that such loan shall not, in the sole discretion of Service Provider, interfere with or impair Service Provider's utility responsibilities or business operations, as the case may be. After the commencement thereof, any such loaned employees may be withdrawn by Service Provider from tasks duly assigned by Client Company, prior to completion thereof as contemplated in the associated Service Request, only with the consent of Client Company (which shall not be unreasonably withheld or delayed), except in the event of a demonstrable emergency requiring the use of any such employees in another capacity for Service Provider.

(b) While performing work on behalf of Client Company, any such loaned employees shall be under its supervision and control, and Client Company shall be responsible for their actions to the same extent as though such persons were its employees (it being understood that such persons shall nevertheless remain employees of Service Provider and nothing herein shall be construed as creating an employer-employee relationship between any Client Company and any loaned employees). Accordingly, for the duration of any such loan, Service Provider shall continue to provide its loaned employees with the same payroll, pension, savings, tax withholding, unemployment, bookkeeping and other personnel support services then being provided by Service Provider to its other employees.

ARTICLE 2. SERVICE REQUESTS

Section 2.1 Procedure. All Services (including any loans of employees) (i) shall be performed in accordance with Service Requests issued by or on behalf of Client Company and

accepted by Service Provider and (ii) shall be assigned to applicable activities, processes, projects, responsibility centers or on other appropriate bases to enable specific work to be properly assigned. Service Requests shall be as specific as practicable in defining the Services requested. Client Company shall have the right from time to time to amend or rescind any Service Request, *provided* that (a) Service Provider consents to any amendment that results in a material change in the scope of Services to be provided, (b) the costs associated with an amended or rescinded Service Request shall include the costs incurred by Service Provider as a result of such amendment or rescission, and (c) no amendment or rescission of a Service Request shall release Client Company from any liability for costs already incurred or contracted for by Service Provider pursuant to the original Service Request, regardless of whether any labor or the furnishing of any property or other resources has been commenced or completed.

ARTICLE 3. COMPENSATION FOR SERVICES

Section 3.1 Cost of Services. As compensation for any Services rendered to it pursuant to this Agreement, Client Company shall pay to Service Provider the Cost thereof, except to the extent otherwise required by Section 482 of the Internal Revenue Code. "Costs" means the sum of (i) direct costs, (ii) indirect costs and (iii) costs of capital. As soon as practicable after the close of each month, Service Provider shall render to each Client Company a statement reflecting the billing information necessary to identify the costs charged for that month. By the last day of each month, Client Company shall remit to Service Provider all charges billed to it. For avoidance of doubt, the Service Provider and each Client Company may satisfy the foregoing requirement by recording billings and payments required hereunder in their common accounting systems without rendering paper or electronic monthly statements or remitting cash payments.

Section 3.2 Exception. In the event any Services to be rendered under this Agreement are to be provided to or from DEC, DEP, and Piedmont in accordance with DEC's, DEP's, and Piedmont's North Carolina Code of Conduct at anything other than fully embedded cost as described above, then prior to entering into the transaction, DEI, DEK, DEF or DEO, whichever is applicable, shall provide 30 days written notice to the respective state commission staffs and state consumer representatives explaining the proposed transaction, including the benefits of the transaction. If no objection is received within 30 days, then the transaction may proceed. If one or more third parties object to the transaction in writing within 30 days, then DEI, DEK, DEF or DEO, whichever is applicable, must seek specific state commission approval of the transaction prior to entering into the transaction.

ARTICLE 4. LIMITATION OF LIABILITY; INDEMNIFICATION

Section 4.1 Limitation of Liability/Services. In performing Services pursuant to Section 1.1 hereof, Service Provider will exercise due care to assure that the Services are performed in a workmanlike manner in accordance with the specifications set forth in the applicable Service Request and consistent with any applicable legal standards. The sole and exclusive responsibility of Service Provider for any deficiency therein shall be promptly to correct or repair such deficiency or to re-perform such Services, in either case at no additional cost to Client Company, so that the Services fully conform to the standards described in the first sentence of this Section 4.1. No Service Provider makes any other warranty with respect to the provision of Services, and each Client Company agrees to accept any Services without further warranty of any nature.

Section 4.2 Limitation of Liability/Loaned Employees. In furnishing Services under Section 1.2 hereof (*i.e.*, involving loaned employees), neither the Service Provider, nor any officer, director, employee or agent thereof, shall have any responsibility whatsoever to any Client Company receiving such Services, and Client Company specifically releases Service Provider and such persons, on account of any claims, liabilities, injuries, damages or other consequences arising in connection with the provision of such Services under any theory of liability, whether in contract, tort (including negligence or strict liability) or otherwise, it being understood and agreed that any such loaned employees are made available without warranty as to their suitability or expertise.

Section 4.3 Disclaimer. WITH RESPECT TO ANY SERVICES PROVIDED UNDER THIS AGREEMENT, THE SERVICE PROVIDER THEREOF MAKES NO WARRANTY OR REPRESENTATION OTHER THAN AS SET FORTH IN SECTION 4.1, AND THE PARTIES HERETO HEREBY AGREE THAT NO OTHER WARRANTY, WHETHER STATUTORY, EXPRESS OR IMPLIED (INCLUDING BUT NOT LIMITED TO ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE AND WARRANTIES ARISING FROM COURSE OF DEALING OR USAGE OF TRADE), SHALL BE APPLICABLE TO THE PROVISION OF ANY SUCH SERVICES. THE PARTIES FURTHER AGREE THAT THE REMEDIES STATED HEREIN ARE EXCLUSIVE AND SHALL CONSTITUTE THE SOLE AND EXCLUSIVE REMEDY OF ANY PARTY HERETO FOR A FAILURE BY ANY OTHER PARTY HERETO TO COMPLY WITH ITS WARRANTY OBLIGATIONS.

Section 4.4 Indemnification.

(a) Subject to subparagraph (b) of this Section 4.4, Service Provider shall release, defend, indemnify and hold harmless each Client Company, including any officer, director, employee or agent thereof, from and against, and shall pay the full amount of, any loss, liability, claim, damage, expense (including costs of investigation and defense and reasonable attorneys' fees), whether or not involving a third-party claim, incurred or sustained by or against any such Client Company arising, directly or indirectly, from or in connection with Service Provider's negligence or willful misconduct in the performance of the Services.

(b) Notwithstanding any other provision hereof, Service Provider's total liability hereunder with respect to any specific Services shall be limited to the amount actually paid to Service Provider for its performance of the specific Services for which the liability arises, and under no circumstances shall Service Provider be liable for consequential, incidental, punitive, exemplary or indirect damages, lost profits or other business interruption damages, by statute, in tort or contract, under any indemnity provision or otherwise (it being the intent of the parties that the indemnification obligations in this Agreement shall cover only actual damages and accordingly, without limitation of the foregoing, shall be net of any insurance proceeds actually received in respect of any such damages).

Section 4.5 Procedure for Indemnification. Within 15 business days after receipt by any Client Company of notice of any claim or the commencement of any action, suit, litigation or other proceeding against it (a "Proceeding") with respect to which it is eligible for indemnification hereunder, such Client Company shall notify Service Provider thereof in writing (it being understood that failure to so notify Service Provider shall not relieve the latter of its indemnification obligation, unless Service Provider establishes that defense thereof has been prejudiced by such

failure). Thereafter, Service Provider shall be entitled to participate in such Proceeding and, at its election upon notice to such Client Company and at its expense, to assume the defense of such Proceeding. Without the prior written consent of such Client Company, Service Provider shall not enter into any settlement of any third-party claim that would lead to liability or create any financial or other obligation on the part of such Client Company for which such Client Company is not entitled to indemnification hereunder. If such Client Company has given timely notice to Service Provider of the commencement of such Proceeding, but Service Provider has not, within 15 business days after receipt of such notice, given notice to Client Company of its election to assume the defense thereof, Service Provider shall be bound by any determination made in such Proceeding or any compromise or settlement made by Client Company. A claim for indemnification for any matter not involving a third-party claim may be asserted by notice from the applicable Client Company to Service Provider.

ARTICLE 5. MISCELLANEOUS

Section 5.1 Amendments. Any amendments to this Agreement shall be in writing executed by each of the parties hereto. To the extent that applicable state law or regulation or other binding obligation requires that any such amendment be filed with any affected state public utility commission for its review or otherwise, each Operating Company shall comply in all respects with any such requirements.

Section 5.2 Effective Date; Term. This Agreement shall become effective on the Effective Date and shall continue in full force and effect as to each party until terminated by any party, as to itself only, upon not less than 30 days prior written notice to the other parties hereto. Any such termination of parties shall not be deemed an amendment hereto. This Agreement may be terminated and thereafter be of no further force and effect upon the mutual consent of all of the parties hereto.

Section 5.3 Entire Agreement. This Agreement contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes any prior or contemporaneous contracts, agreements, understandings or arrangements, whether written or oral, with respect thereto. Any oral or written statements, representations, promises, negotiations or agreements, whether prior hereto or concurrently herewith, are superseded by and merged into this Agreement.

Section 5.4 Severability. If any provision of this Agreement or any application thereof shall be determined to be invalid or unenforceable, the remainder of this Agreement and any other application thereof shall not be affected thereby.

Section 5.5 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, in whole or in part, by operation of law or otherwise by any of the parties hereto without the prior written consent of each of the other parties. Any attempted or purported assignment in violation of the preceding sentence shall be null and void and of no effect whatsoever. Subject to the preceding two sentences, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

Section 5.6 Governing Law. This Agreement shall be construed and enforced under and in accordance with the laws of the State of New York, without regard to conflicts of laws principles.

Section 5.7 Captions, Headings. The captions and headings used in this Agreement are for convenience of reference only and shall not affect the construction to be accorded any of the provisions hereof. As used in this Agreement, "hereof," "hereunder," "herein," "hereto," and words of like import refer to this Agreement as a whole and not to any particular section or other paragraph or subparagraph thereof.

Section 5.8 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed a duplicate original hereof, but all of which shall be deemed one and the same Agreement.

Section 5.9 DEC, DEP, and Piedmont Conditions. In addition to the terms and conditions set forth herein, with respect to DEC, DEP, and Piedmont, the provisions set out in Appendix B are hereby incorporated herein by reference. In addition, except with respect to the pricing of Services as set forth herein, DEC's, DEP's and Piedmont's participation in this Agreement is explicitly subject to the Regulatory Conditions and Code of Conduct approved by the North Carolina Utilities Commission ("NCUC") in its *Order Approving Merger Subject to Regulatory Conditions and Code of Conduct* issued, in Docket Nos. E-2, Sub 1095 and E-7, Sub 1100, and G-9, Sub 682, and applicable to South Carolina, as such Regulatory Conditions and Code of Conduct may be amended from time to time. In the event of any conflict between the provisions of this Agreement and the approved Regulatory Conditions and Code of Conduct provisions, the Regulatory Conditions and Code of Conduct shall govern.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on _____, 201_, on its behalf by an appropriate officer thereunto duly authorized.

Duke Energy Carolinas, LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

Duke Energy Ohio, Inc.

By: _____
Nancy M. Wright
Assistant Corporate Secretary

Duke Energy Indiana, LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

Duke Energy Kentucky, Inc.

By: _____
Nancy M. Wright
Assistant Corporate Secretary

Duke Energy Progress, LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

Duke Energy Florida, LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

Piedmont Natural Gas Company, Inc.

By: _____
Nancy M. Wright
Assistant Corporate Secretary



Folder Name efr148v1-003818
Status New

Service Request for Affiliates

* Red Asterisk indicates required fields

* Functional Area (for the Service Provider):

Service Provider

* Service Provider
* Legal Approval Representative

Proposed Service

* Description of Proposed Service

Please Provide Basis for Estimated Costs, include # of employees requested and amount of time requested.

* Estimated Costs

(Numbers only, no commas or decimals)

\$0

* Scheduled Start Date

* Scheduled Completion Date

Client Company

* Client Company

PeopleSoft Accounting Codes for the Services Provided

*** **Process** OR **Project & Activities** OR **GL Account** for Client Company must be entered

* Client Company Operating Unit * Service Provider Resp. Center * **Process**

* **Project**

* **Activity**

* **GL Account**

Confirmation of Service Provider Utility Responsibilities by Service Provider Approver

* ☐ Check this box to confirm that this Service Request will not result in impairment of Service Provider's utility responsibilities or business operations.

Confirmation of Service Provider Utility Responsibilities by Service Provider Approver

- * ☐ Check this box to confirm that this Service Request will not result in impairment of Service Provider's utility responsibilities or business operations.

Miscellaneous Comments

Comments	<div></div>
Comments Log	<div></div>

Attachments

[Help](#)

+ ↻ ✕	
Filename	Size

Approver Selection

The approvers should be appropriate according to the [Delegation of Authority \(DOA\)](#) matrix.

Route To:	Name		Phone	Status
* Client	<input type="text"/>	Select	<input type="text"/>	<input type="text"/>
* Service Provider	<input type="text"/>	Select	<input type="text"/>	<input type="text"/>
* Legal	<input type="text"/>		<input type="text"/>	<input type="text"/>

Submitter Details

Created by	<input type="text"/>	Created on	<input type="text" value="11/10/2015 1:19:43 PM"/>
* Phone	<input type="text"/>		
Last Modified by	<input type="text"/>	Last Modified	<input type="text"/>

Exhibit B

DUKE ENERGY CAROLINAS, LLC DUKE ENERGY PROGRESS, LLC, AND PIEDMONT NATURAL GAS COMPANY, INC. CONDITIONS

1. In connection with the NCUC approval of the Merger in NCUC Docket No. E-2, Sub 1095, Docket No. E-7, Sub 1100, and Docket No. G-5, Sub 682, the NCUC adopted certain Regulatory Conditions and a revised Code of Conduct governing transactions between DEC, DEP, Piedmont, and their affiliates. Pursuant to the Regulatory Conditions, the following provisions are applicable to DEC, DEP, and Piedmont:

- (a) DEC's, DEP's and Piedmont's participation in this Agreement is voluntary. DEC, DEP, or Piedmont is not obligated to take or provide services or make any purchases or sales pursuant to this Agreement, and DEC, DEP, or Piedmont may elect to discontinue its participation in this Agreement at its election after giving any required notice;
- (b) DEC, DEP or Piedmont may not make or incur a charge under this Agreement except in accordance with North Carolina law and the rules, regulations and orders of the NCUC promulgated thereunder.
- (c) DEC, DEP or Piedmont may not seek to reflect in rates any (A) costs incurred under this Agreement exceeding the amount allowed by the NCUC or (B) revenue level earned under this Agreement less than the amount imputed by the NCUC; and
- (d) DEC, DEP or Piedmont shall not assert in any forum – whether judicial, administrative, federal, state, local or otherwise – either on its own initiative or in support of other entity's assertions, that the NCUC's authority to assign, allocate, make pro-forma adjustments to or disallow revenues and costs for retail ratemaking and regulatory accounting and reporting purposes is, in whole or in part, (A) preempted by Federal Law or (B) not within the Commission's power, authority, or jurisdiction; DEC, DEP, and Piedmont will bear the full risk of any preemptive effects of Federal Law with respect to this Agreement.

2. Transfers by DEC, DEP, or Piedmont. With respect to the transfer by DEC, DEP, or Piedmont under this Agreement of the control of, operational responsibility for, or ownership of any DEC, DEP, or Piedmont assets used for the generation, transmission or distribution of electric power to its North Carolina retail customers with a gross book value in excess of ten million dollars, the following shall apply: (a) neither DEC, DEP nor Piedmont may commit to or carry out the transfer except in accordance with all applicable law, and the rules, regulations and orders of the NCUC promulgated thereunder; and (b) neither DEC, DEP, or Piedmont may include in its North Carolina cost of service or rates the value of the transfer, whether or not subject to federal law, except as allowed by the NCUC in accordance with North Carolina law.

3. Access to DEC, DEP or Piedmont Information. Any Operating Company providing Services to DEC or DEP pursuant to this Agreement, including any loaned employees under Section 1.2 of the Agreement, shall be permitted to have access to DEC's, DEP's or Piedmont's Customer Information and Confidential Systems Operation Information, as those terms are defined in the Code of Conduct, to the extent necessary for the performance of such Services; provided that such Operating Company shall take reasonable steps to protect the confidentiality of such Information.

Exhibit B

4. Procedures for Services Received By DEC DEP, or Piedmont from each other or the other Operating Companies and for Services Provided by DEC, DEP or Piedmont to each other or the other Operating Companies. DEC, DEP, and Piedmont shall receive from each other and the other Operating Companies, upon the terms and conditions set forth in this agreement, such of the services listed in the Operating Companies Service Agreement List on file with the NCUC, at such times, for such periods and in such manner as DEC DEP, or Piedmont may from time to time request of each other or another Operating Company. DEC, DEP, or Piedmont may provide to each other and the other Operating Companies, upon the terms and conditions set forth in this Agreement, at such times for such periods, and in such a manner as DEC, DEP or Piedmont concludes it is equipped to perform for each other or another Operating Company. DEC, DEP, or Piedmont may perform these services for each other as described in this paragraph without the requirement of a written request in substantially the form attached to this Agreement as Exhibit A.



DUKE ENERGY INDIANA, INC.
1000 East Main St.
Plainfield, IN 46168

Kelley Korn
Associate General Counsel
317-838-2461
317-838-1842 - fax
kelley.korn@duke-energy.com

March 11, 2009

RECEIVED

MAR 12 2009

INDIANA UTILITY
REGULATORY COMMISSION

Mr. Scott Storms, General Counsel
Dr. Brad Borum, Director Electricity Division
Indiana Utility Regulatory Commission
National City Center
101 West Washington Street, Suite 1500E
Indianapolis, Indiana 46204

Mr. Randy Helmen
Office of Utility Consumer Counselor
115 W. Washington Street, Suite 1500 South
Indianapolis, Indiana 46204

Re: Duke Energy Indiana Amended Affiliate Agreements

Dear Colleagues:

On February 9, 2009, Duke Energy Indiana, Inc. ("Duke Energy Indiana") submitted to you for review the following Amended Affiliate Agreements:

1. Service Company Utility Service Agreement - describes the terms for Duke Energy Business Services, LLC to provide administrative, management and support services to Duke Energy Indiana and Duke Energy's other subsidiaries.
- ✓ 2. Operating Company/Nonutility Companies Service Agreement - describes the terms for services to be provided between Duke Energy Indiana and certain non-utility affiliates.
3. Operating Companies Service Agreement - describes the terms for services to be provided between Duke Energy Indiana and its utility affiliates.
4. Utility Money Pool Agreement - describes the terms for short-term loans between Duke Energy Indiana and the participating companies (except the agreement does not allow Duke Energy Indiana to loan funds to Cinergy Corp. or to Duke Energy Corporation).

As explained in the letter submitted to you for the 30-day review period, the agreements were amended as follows: (1) Service Company Utility Service Agreement, to clarify the parties' intentions regarding the scope of services; (2) Operating Company/Nonutility Companies Service Agreement to amend only the signatories to the Agreement to remove certain power marketing/generation function signatories; (3) Operating Companies Service Agreement to amend the pricing of the Agreement consistent with FERC's February 21, 2008 Order No. 707 and for a minor clarification; and (4) Utility Money Pool Agreement, to reflect the merger of Duke Energy Shared Services, Inc. into Duke Energy Business Services, LLC.

Scott Storm, Brad Borum
Randy Helmen
March 11, 2009
Page 2

We have received no objections to the Amended Affiliate Agreements during the review period, and therefore, Duke Energy Indiana is hereby officially filing the attached Amended Affiliate Agreements, to the extent required under Ind. Code § 8-1-2-49 and Duke Energy Indiana's Affiliate Standards.

Thank you for your review and please call me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Kelley Kam", with a stylized flourish at the end.

Kelley Kam
Associate General Counsel

Enclosures
#263261

**AMENDED AND RESTATED
OPERATING COMPANY/NONUTILITY
COMPANIES SERVICE AGREEMENT**

Effective September 1, 2008

**AMENDED AND RESTATED OPERATING COMPANY/NONUTILITY COMPANIES
SERVICE AGREEMENT**

This Amended and Restated Operating Company/Nonutility Companies Service Agreement (this "Agreement") dated September 1, 2008 (the "Effective Date") by and among Duke Energy Indiana, Inc., an Indiana corporation ("Operating Company"), and the respective associate nonutility companies listed on the signature pages hereto (each, a "Nonutility Company") supersedes and restates in its entirety the Operating Company/Nonutility Companies Service Agreement entered into between Operating Company and each Nonutility Company dated January 2, 2007.

WITNESSETH:

WHEREAS, Duke Energy Corporation ("Duke Energy") is a Delaware corporation;

WHEREAS, Operating Company is a subsidiary of Duke Energy and a public utility company;

WHEREAS, each Nonutility Company is a subsidiary of Duke Energy that is or was formed to engage in any one or more non-regulated businesses;

WHEREAS, certain non-regulated public utilities were added in error to the Operating Company/Nonutility Companies Service Agreement dated January 2, 2007 and are being removed in this Agreement;

WHEREAS, in the ordinary course of their businesses, Operating Company and each Nonutility Company maintain organizations of employees with technical expertise in matters affecting public utility companies and related businesses and own or acquire related equipment, facilities, properties and other resources; and

WHEREAS, subject to the terms and conditions herein set forth, and taking into consideration the parties' utility responsibilities or primary business operations, as the case may be, the parties hereto are willing, upon request from time to time, to perform such services, and in connection therewith to make available such equipment, facilities, properties and other resources, as they shall request from each other;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties agree as follows:

ARTICLE 1. PROVISION OF SERVICES; LOANED EMPLOYEES

Section 1.1 Provision of Services.

(a) Upon receipt by a party hereto (in such capacity, a "Service Provider") of a written request in substantially the form attached hereto as Exhibit A (a "Service Request") from another party hereto (in such capacity, a "Client Company") for the provision to such Client Company of such services as are specified therein, including if applicable use of any related equipment, facilities,

properties or other resources (collectively, "Services"), the Service Provider, if in its sole discretion it has available the personnel or other resources needed to perform the Service Request without impairment of its utility responsibilities or business operations, as the case may be, shall furnish such Services to the Client Company at such times, for such periods and in such manner as the Client Company shall have so requested and otherwise in accordance with the provisions hereof.

(b) For purposes of this Agreement, "Services" may include, but shall not be limited to: (i) in the case of Services that may be provided by Operating Company hereunder, services in such areas as engineering and construction; operations and maintenance; installation services; equipment testing; generation technical support; environmental, health and safety; and procurement services;¹ and (ii) in the case of Services that may be provided by Nonutility Companies hereunder, services in such areas as information technology services; monitoring, surveying, inspecting, constructing, locating and marking of overhead and underground utility facilities; meter reading; materials management, vegetation management; and marketing and customer relations.

(c) For the avoidance of doubt, affiliate transactions involving sales or other transfers of assets, goods, energy commodities (including electricity, natural gas, coal and other combustible fuels) or thermal energy products are outside the scope of this Agreement.

Section 1.2 Loaned Employees.

(a) If specifically requested in connection with the provision of Services, Service Provider shall loan one or more of its employees to such Client Company, provided that such loan shall not, in the sole discretion of Service Provider, interfere with or impair Service Provider's utility responsibilities or business operations, as the case may be. After the commencement thereof, any such loaned employees may be withdrawn by Service Provider from tasks duly assigned by Client Company, prior to completion thereof as contemplated in the associated Service Request, only with the consent of Client Company (which shall not be unreasonably withheld or delayed), except in the event of a demonstrable emergency requiring the use of any such employees in another capacity for Service Provider.

(b) While performing work on behalf of Client Company, any such loaned employees shall be under its supervision and control, and Client Company shall be responsible for their actions to the same extent as though such persons were its employees (it being understood that such persons shall nevertheless remain employees of Service Provider and nothing herein shall be construed as creating an employer-employee relationship between any Client Company and any loaned employees). Accordingly, for the duration of any such loan, Service Provider shall continue to provide its loaned employees with the same payroll, pension, savings, tax withholding, unemployment, bookkeeping and other personnel support services then being provided by Service Provider to its other employees.

ARTICLE 2. SERVICE REQUESTS

Section 2.1 Procedure. All Services (including any loans of employees) (i) shall be performed in accordance with Service Requests issued by or on behalf of Client Company and accepted by Service Provider and (ii) shall be assigned to applicable activities, processes, projects, responsibility centers or on other appropriate bases to enable specific work to be properly assigned. Service Requests shall be as specific as practicable in defining the Services requested. Client Company shall have the right from time to time to amend or rescind any Service Request, *provided* that (a) Service Provider consents to any amendment that results in a material change in the scope of Services to be provided, (b) the costs associated with an amended or rescinded Service Request shall include the costs incurred by Service Provider as a result of such amendment or rescission, and (c) no amendment or rescission of a Service Request shall release Client Company from any liability for costs already incurred or contracted for by Service Provider pursuant to the original Service Request, regardless of whether any labor or the furnishing of any property or other resources has been commenced or completed.

ARTICLE 3. COMPENSATION FOR SERVICES

Section 3.1 Cost of Services. As compensation for any Services rendered to it pursuant to this Agreement, Client Company shall pay to Service Provider the fully embedded cost thereof (i.e., the sum of (i) direct costs, (ii) indirect costs and (iii) costs of capital), except to the extent otherwise required by Section 482 of the Internal Revenue Code. As soon as practicable after the close of each month, Service Provider shall render to each Client Company a statement reflecting the billing information necessary to identify the costs charged for that month. By the last day of each month, Client Company shall remit to Service Provider all charged billed to it.

ARTICLE 4. LIMITATION OF LIABILITY; INDEMNIFICATION

Section 4.1 Limitation of Liability/Services. In performing Services pursuant to Section 1.1 hereof, Service Provider will exercise due care to assure that the Services are performed in a workmanlike manner in accordance with the specifications set forth in the applicable Service Request and consistent with any applicable legal standards. The sole and exclusive responsibility of Service Provider for any deficiency therein shall be promptly to correct or ~~repair~~ such deficiency or to re-perform such Services, in either case at no additional cost to Client Company, so that the Services fully conform to the standards described in the first sentence of this Section 4.1. No Service Provider makes any other warranty with respect to the provision of Services, and each Client Company agrees to accept any Services without further warranty of any nature.

Section 4.2 Limitation of Liability/Loaned Employees. In furnishing Services under Section 1.2 hereof (i.e., involving loaned employees), neither the Service Provider, nor any officer, director, employee or agent thereof, shall have any responsibility whatever to any Client Company receiving such Services, and Client Company specifically releases Service Provider and such persons, on account of any claims, liabilities, injuries, damages or other consequences arising in connection with the provision of such Services under any theory of liability, whether in contract, tort (including negligence or strict liability) or otherwise, it being understood and agreed that any such loaned employees are made available without warranty as to their suitability or expertise.

Section 4.3 Disclaimer. WITH RESPECT TO ANY SERVICES PROVIDED UNDER THIS AGREEMENT, THE SERVICE PROVIDER THEREOF MAKES NO WARRANTY OR REPRESENTATION OTHER THAN AS SET FORTH IN SECTION 4.1, AND THE PARTIES HERETO HEREBY AGREE THAT NO OTHER WARRANTY, WHETHER STATUTORY, EXPRESS OR IMPLIED (INCLUDING BUT NOT LIMITED TO ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE AND WARRANTIES ARISING FROM COURSE OF DEALING OR USAGE OF TRADE), SHALL BE APPLICABLE TO THE PROVISION OF ANY SUCH SERVICES. THE PARTIES FURTHER AGREE THAT THE REMEDIES STATED HEREIN ARE EXCLUSIVE AND SHALL CONSTITUTE THE SOLE AND EXCLUSIVE REMEDY OF ANY PARTY HERETO FOR A FAILURE BY ANY OTHER PARTY HERETO TO COMPLY WITH ITS WARRANTY OBLIGATIONS.

Section 4.4 Indemnification.

(a) Indemnification In Respect of Services Provided by Operating Company.

(i) In circumstances where Operating Company is a Service Provider: (x) subject to subparagraph (ii) of this Section 4.4(a), Service Provider shall release, defend, indemnify and hold harmless each Client Company, including any officer, director, employee or agent thereof, from and against, and shall pay the full amount of, any loss, liability, claim, damage, expense (including costs of investigation and defense and reasonable attorneys' fees), whether or not involving a third-party claim (collectively, "Damages"), incurred or sustained by or against Service Provider or any such Client Company arising, directly or indirectly, from or in connection with Service Provider's negligence or willful misconduct in the performance of the Services, and (y) each Nonutility Company that is a Client Company with respect to such Services shall release, defend, indemnify and hold harmless Service Provider, including any officer, director, employee or agent thereof, from and against, and shall pay the full amount of, any Damages incurred or sustained by or against Service Provider or any such Client Company arising, directly or indirectly, from or in connection with Service Provider's negligence or willful misconduct in the performance of the Services, to the extent such Damages are not covered by Service Provider's indemnification obligation as provided in the preceding clause (x) or exceed the liability limits provided in subparagraph (ii) of this Section 4.4(a).

(ii) Notwithstanding any other provision hereof, in circumstances where Operating Company is a Service Provider: (x) Service Provider's total liability hereunder with respect to any specific Services shall be limited to the amount actually paid to Service Provider for its performance of the specific Services for which the liability arises, and (y) under no circumstances shall Service Provider be liable for consequential, incidental, punitive, exemplary or indirect damages, lost profits or other business interruption damages, by statute, in tort or contract, under any indemnity provision or otherwise (it being the intent of the parties that the indemnification obligations in this Agreement shall cover only actual damages and accordingly, without limitation of the foregoing, shall be net of any insurance proceeds actually received in respect of any such damages).

(b) Indemnification In Respect of Services Provided by Any Nonutility Company.

(i) In circumstances where a Nonutility Company is a Service Provider (i.e., where Operating Company is the Client Company): (x) subject to subparagraph (ii) of this Section 4.4(b),

Service Provider shall release, defend, indemnify and hold harmless the Client Company, including any officer, director, employee or agent thereof, from and against, and shall pay the full amount of, any Damages incurred or sustained by or against Client Company arising, directly or indirectly, from or in connection with Service Provider's negligence or willful misconduct in the performance of the Services.

(ii) Notwithstanding any other provision hereof, in circumstances where a Nonutility Company is a Service Provider (i.e., where Operating Company is the Client Company), under no circumstances shall Service Provider be liable for consequential, incidental, punitive, exemplary or Indirect damages, lost profits or other business interruption damages, by statute, in tort or contract, under any indemnity provision or otherwise (it being the intent of the parties that the indemnification obligations in this Agreement shall cover only actual damages and accordingly, without limitation of the foregoing, shall be net of any insurance proceeds actually received in respect of any such damages).

Section 4.5 Procedure for Indemnification. Within 15 business days after receipt by any Client Company of notice of any claim or the commencement of any action, suit, litigation or other proceeding against it (a "Proceeding") with respect to which it is eligible for indemnification hereunder, such Client Company shall notify Service Provider thereof in writing (it being understood that failure so to notify Service Provider shall not relieve the latter of its indemnification obligation, unless Service Provider establishes that defense thereof has been prejudiced by such failure). Thereafter, Service Provider shall be entitled to participate in such Proceeding and, at its election upon notice to such Client Company and at its expense, to assume the defense of such Proceeding. Without the prior written consent of such Client Company, Service Provider shall not enter into any settlement of any third-party claim that would lead to liability or create any financial or other obligation on the part of such Client Company for which it such Client Company is not entitled to indemnification hereunder. If such Client Company has given timely notice to Service Provider of the commencement of such Proceeding, but Service Provider has not, within 15 business days after receipt of such notice, given notice to Client Company of its election to assume the defense thereof, Service Provider shall be bound by any determination made in such Proceeding or any compromise or settlement made by Client Company. A claim for indemnification for any matter not involving a third-party claim may be asserted by notice from the applicable Client Company to Service Provider.

ARTICLE 5. MISCELLANEOUS

Section 5.1 Amendments. Any amendments to this Agreement shall be in writing executed by each of the parties hereto. To the extent that applicable state law or regulation or other binding obligation requires that any such amendment be filed with the Indiana Utility Regulatory Commission for its review or otherwise, Operating Company shall comply in all respects with any such requirements.

Section 5.2 Effective Date; Term. This Agreement shall become effective on the Effective Date and shall continue in full force and effect as to each party until terminated by any party, as to itself only, upon not less than 30 days prior written notice to the other parties hereto. Any such

Any such termination of parties shall not be deemed an amendment hereto. This Agreement may be terminated and thereafter be of no further force and effect upon the mutual consent of all of the parties hereto.

Section 5.3 Additional Parties. After the effective date of this Agreement, additional Nonutility Companies may become parties to this Agreement by executing appropriate signature pages, whereupon any such additional signatory shall be deemed a "party" hereto all purposes hereof and shall thereupon become bound by the terms and conditions of this Agreement as if an original party hereto. The addition of any such further signatories, in the absence of any changes to the terms of this Agreement, shall not be deemed an amendment hereto.

Section 5.4 Entire Agreement. This Agreement contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes any prior or contemporaneous contracts, agreements, understandings or arrangements, whether written or oral, with respect thereto (including that certain Services Agreement between Operating Company and certain nonutility subsidiaries of Duke Energy dated April 3, 2006). Any oral or written statements, representations, promises, negotiations or agreements, whether prior hereto or concurrently herewith, are superseded by and merged into this Agreement.

Section 5.5 Severability. If any provision of this Agreement or any application thereof shall be determined to be invalid or unenforceable, the remainder of this Agreement and any other application thereof shall not be affected thereby.

Section 5.6 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, in whole or in part, by operation of law or otherwise by any of the parties hereto without the prior written consent of each of the other parties. Any attempted or purported assignment in violation of the preceding sentence shall be null and void and of no effect whatsoever. Subject to the preceding two sentences, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

Section 5.7 Governing Law. This Agreement shall be construed and enforced under and in accordance with the laws of the State of Indiana, without regard to conflicts of laws principles.

Section 5.8 Captions, etc. The captions and headings used in this Agreement are for convenience of reference only and shall not affect the construction to be accorded any of the provisions hereof. As used in this Agreement, "hereof," "hereunder," "herein," "hereto," and words of like import refer to this Agreement as a whole and not to any particular section or other paragraph or subparagraph thereof.

Section 5.9 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed a duplicate original hereof, but all of which shall be deemed one and the same Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on its behalf by an appropriate officer thereunto duly authorized.

DUKE ENERGY INDIANA, INC.

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

CINERGY CORP.

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

CINERGY INVESTMENTS, INC.

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

KO TRANSMISSION COMPANY

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

TRI-STATE IMPROVEMENT COMPANY

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

SOUTH CONSTRUCTION COMPANY

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

DUKE-RELIANT RESOURCES, INC.

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

CINERGY TECHNOLOGY, INC.

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

DEGS OF TUSCOLA, INC.

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY ONE, INC.

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

CINERGY POWER GENERATION SERVICES, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY GENERATION SERVICES, INC.

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

DUKE TECHNOLOGIES, INC.

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

DUKE VENTURES II, INC.

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

SHREVEPORT RED RIVER UTILITIES, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

CINERGY RECEIVABLES COMPANY LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

DEGS OF SHREVEPORT, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

DEGS OF NARROWS, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

DEGS OF DELTA TOWNSHIP, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

DEGS O&M, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

CINERGY SOLUTIONS-UTILITY, INC.

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

DUKE-CADENCE, INC.

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

CINERGY-CENTRUS, INC.

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

CINERGY-CENTRUS COMMUNICATIONS, INC.

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

DUKE SUPPLY NETWORK, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

CINERGY SOLUTIONS PARTNERS, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY CORPORATION

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

BISON INSURANCE COMPANY LIMITED

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY AMERICAS, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY ROYAL, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY INTERNATIONAL, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY NORTH AMERICA, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

DUKE PROJECT SERVICES, INC.

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

DUKE VENTURES, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

PANENERGY CORP.

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY SERVICES, INC.

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

DETMi MANAGEMENT, INC.

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY BUSINESS SERVICES LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY MERCHANTS, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY RECEIVABLES FINANCE COMPANY, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

EXHIBIT A
Page 1 of 2

Service Request Form

Please use this form for all service requests. All data fields are required.

Facilitator/Contact
Information:

First Name:
Last Name:
Phone:
Email:

Service Provider:

Pull Down List to Select -

Or Other:

Pull Down List to Select -

Service Provider
Contact Information:

First Name:
Last Name:
Phone:

email Address of
Service Provider
Approver:

The approver should be appropriate
according to the Expenses,
Disbursements & Terminations Category of
the Delegation of Authority (DOA) matrix.

Description of
Proposed Service and
Please Provide Basis
for Estimated Costs:

Client Company:

Pull Down List to Select -

Or Other:

Pull Down List to Select -

Client Company
Contact Information:

First Name:
Last Name:
Phone:

(This e-mail address must be filled in properly for form to send
automatically to the Client Approver)

email Address of
Client Company

The approver should be appropriate

EXHIBIT A
Page 2 of 2

Approver: according to the Expenditures,
Divestitures & Terminations Category of
the Delegation of Authority (DOA) matrix.

Estimated Costs: \$
Format Numbers Only - do not include commas or periods

Scheduled Start Date:
MM/DD/YYYY

Scheduled
Completion Date:
MM/DD/YYYY

Legal Approval
Representative: - Pull Down List to Select -

Accounting codes (R&IS / BDMS) of Duke Energy
Company receiving the services:

Process / Work Code(s):

n/a / Cap. Number:

R&IS / Line of Business:

R&IS / Center:

Project:

Activity:

☐ © Duke Energy Corporation



Duke Energy Indiana, Inc.
1000 East Main Street
Plainfield, IN 46168

KELLEY A. KARN
Deputy General Counsel
T. (317) 838-2481
F. (317) 838-1842

November 20, 2012

RECEIVED

NOV 20 2012

INDIANA UTILITY
REGULATORY COMMISSION

Mr. Doug Webber, General Counsel
Dr. Brad Borum, Director Electricity Division
Indiana Utility Regulatory Commission
PNC Center
101 West Washington Street, Suite 1500E
Indianapolis, Indiana 46204

Mr. Robert G. Mork
Office of Utility Consumer Counselor
115 West Washington Street, Suite 1500S
Indianapolis, Indiana 46204

Re: Duke Energy Indiana Amended Merger-Related Affiliate Agreements

Dear Colleagues:

On August 12, 2011, Duke Energy Indiana ("Duke Energy Indiana") officially submitted to the Indiana Utility Regulatory Commission six unexecuted Amended Merger-Related Affiliate Agreements. At that time, Duke Energy Indiana advised the Commission that it would submit fully executed copies of these amended agreements upon consummation of the Duke Energy-Progress Energy merger. The Duke Energy - Progress Energy merger closed on July 2, 2012. Since that time, Duke Energy Indiana has been operating under the agreements submitted to the Commission in August, 2011.

Duke Energy Indiana hereby submits fully executed copies of the Utility Money Pool Agreement, Affiliate Contract No. DEI-2011-4, and the Asymmetrically-Priced Duke Energy Indiana, Inc./Nonutility Companies Service Agreement, Affiliate Contract No. DEI-2011-6.

Under separate letter Duke Energy Indiana is submitting some minor revisions to the remaining merger-related affiliate agreements for 30-day review. Please let me know if you request further information.

Sincerely,

Kelley A. Karn
Deputy General Counsel

cc: DeAnna Poon, IURC
448333

Affiliate Contract No. DEI-2011-6
Effective upon consummation of Duke Energy/Progress Energy Merger

**ASYMMETRICALLY-PRICED DUKE ENERGY INDIANA, INC./NONUTILITY
COMPANIES SERVICE AGREEMENT**

This Asymmetrically-Priced Duke Energy Indiana, Inc./Nonutility Companies Service Agreement (this "Agreement") is made and entered into by and among Duke Energy Indiana Inc., an Indiana corporation ("Operating Company"), and the respective associate nonutility companies listed on the signature pages hereto (each, a "Nonutility Company"). The Agreement supersedes and replaces in its entirety all prior Duke Energy Indiana/Nonutility Companies Service Agreements.

WITNESSETH:

WHEREAS, Duke Energy Corporation ("Duke Energy") is a Delaware corporation;

WHEREAS, Operating Company is a subsidiary of Duke Energy and a public utility company;

WHEREAS, each Nonutility Company is a subsidiary of Duke Energy that is or was formed to engage in any one or more non-regulated businesses;

WHEREAS, in the ordinary course of their businesses, Operating Company and each Nonutility Company maintain organizations of employees with technical expertise in matters affecting public utility companies and related businesses and own or acquire related equipment, facilities, properties and other resources; and

WHEREAS, subject to the terms and conditions herein set forth, and taking into consideration the parties' utility responsibilities or primary business operations, as the case may be, the parties hereto are willing, upon request from time to time, to perform such services, and in connection therewith to make available such equipment, facilities, properties and other resources, as they shall request from each other;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties agree as follows:

ARTICLE 1. PROVISION OF SERVICES; LOANED EMPLOYEES

Section 1.1 Provision of Services

(a) Upon receipt by a party hereto (in such capacity, a "Service Provider") of a written request in substantially the form attached hereto as Exhibit A (a "Service Request") from another party hereto (in such capacity, a "Client Company") for the provision to such Client Company of such services as are specified therein, including if applicable use of any related equipment, facilities,

properties or other resources (collectively, "Services"), the Service Provider, if in its sole discretion it has available the personnel or other resources needed to perform the Service Request without impairment of its utility responsibilities or business operations, as the case may be, shall furnish such Services to the Client Company at such times, for such periods and in such manner as the Client Company shall have so requested and otherwise in accordance with the provisions hereof.

(b) For purposes of this Agreement, "Services" may include, but shall not be limited to: (i) in the case of Services that may be provided by Operating Company hereunder, services in such areas as engineering and construction; operations and maintenance; installation services; equipment testing; generation technical support; environmental, health and safety; and procurement services; and (ii) in the case of Services that may be provided by Nonutility Companies hereunder, services in such areas as Information technology services; monitoring, surveying, inspecting, constructing, locating and marking of overhead and underground utility facilities; meter reading; materials management; vegetation management; and marketing and customer relations.

(c) For the avoidance of doubt, affiliate transactions involving sales or other transfers of assets, goods, energy commodities (including electricity, natural gas, coal and other combustible fuels) or thermal energy products are outside the scope of this Agreement.

Section 1.2 Loaned Employees.

(a) If specifically requested in connection with the provision of Services, Service Provider shall loan one or more of its employees to such Client Company, provided that such loan shall not, in the sole discretion of Service Provider, interfere with or impair Service Provider's utility responsibilities or business operations, as the case may be. After the commencement thereof, any such loaned employees may be withdrawn by Service Provider from tasks duly assigned by Client Company, prior to completion thereof as contemplated in the associated Service Request, only with the consent of Client Company (which shall not be unreasonably withheld or delayed), except in the event of a demonstrable emergency requiring the use of any such employees in another capacity for Service Provider.

(b) While performing work on behalf of Client Company, any such loaned employees shall be under its supervision and control, and Client Company shall be responsible for their actions to the same extent as though such persons were its employees (it being understood that such persons shall nevertheless remain employees of Service Provider and nothing herein shall be construed as creating an employer-employee relationship between any Client Company and any loaned employees). Accordingly, for the duration of any such loan, Service Provider shall continue to provide its loaned employees with the same payroll, pension, savings, tax withholding, unemployment, bookkeeping and other personnel support services then being provided by Service Provider to its other employees.

ARTICLE 2. SERVICE REQUESTS

Section 2.1 Procedure. All Services (including any loans of employees) (i) shall be performed in accordance with Service Requests issued by or on behalf of Client Company and accepted by Service Provider and (ii) shall be assigned to applicable activities, processes, projects,

responsibility centers or on other appropriate bases to enable specific work to be properly assigned. Service Requests shall be as specific as practicable in defining the Services requested. Client Company shall have the right from time to time to amend or rescind any Service Request, *provided* that (a) Service Provider consents to any amendment that results in a material change in the scope of Services to be provided, (b) the costs associated with an amended or rescinded Service Request shall include the costs incurred by Service Provider as a result of such amendment or rescission, and (c) no amendment or rescission of a Service Request shall release Client Company from any liability for costs already incurred or contracted for by Service Provider pursuant to the original Service Request, regardless of whether any labor or the furnishing of any property or other resources has been commenced or completed.

ARTICLE 3. COMPENSATION FOR SERVICES

Section 3.1 Cost of Services. Except to the extent otherwise required by Section 482 of the Internal Revenue Code or analogous state tax law, Client Company shall compensate Service Provider for any Services rendered to it pursuant to this Agreement in accordance with the Federal Energy Regulatory Commission's ("FERC") affiliate transaction pricing requirements. Accordingly (i) Services provided by the Operating Company to a Nonutility Company shall be priced at the greater of Cost or market, and (ii) Services provided by a Nonutility Company to the Operating Company shall be priced at no more than market. "Cost" means the sum of (i) direct costs, (ii) indirect costs and (iii) costs of capital. As soon as practicable after the close of each month, Service Provider shall render to each Client Company a statement reflecting the billing information necessary to identify the costs charged for that month. By the last day of each month, Client Company shall remit to Service Provider all charges billed to it. For avoidance of doubt, the Service Provider and each Client Company may satisfy the foregoing requirement by recording billings and payments required hereunder in their common accounting systems without rendering paper or electronic monthly statements or remitting cash payments.

ARTICLE 4. LIMITATION OF LIABILITY; INDEMNIFICATION

Section 4.1 Limitation of Liability/Services. In performing Services pursuant to Section 1.1 hereof, Service Provider will exercise due care to assure that the Services are performed in a workmanlike manner in accordance with the specifications set forth in the applicable Service Request and consistent with any applicable legal standards. The sole and exclusive responsibility of Service Provider for any deficiency therein shall be promptly to correct or repair such deficiency or to re-perform such Services, in either case at no additional cost to Client Company, so that the Services fully conform to the standards described in the first sentence of this Section 4.1. No Service Provider makes any other warranty with respect to the provision of Services, and each Client Company agrees to accept any Services without further warranty of any nature.

Section 4.2 Limitation of Liability/Loaned Employees. In furnishing Services under Section 1.2 hereof (i.e., involving loaned employees), neither the Service Provider, nor any officer, director, employee or agent thereof, shall have any responsibility whatever to any Client Company receiving such Services, and Client Company specifically releases Service Provider and such persons, on account of any claims, liabilities, injuries, damages or other consequences arising in connection with the provision of such Services under any theory of liability, whether in contract, tort

(including negligence or strict liability) or otherwise, it being understood and agreed that any such loaned employees are made available without warranty as to their suitability or expertise.

Section 4.3 Disclaimer. WITH RESPECT TO ANY SERVICES PROVIDED UNDER THIS AGREEMENT, THE SERVICE PROVIDER THEREOF MAKES NO WARRANTY OR REPRESENTATION OTHER THAN AS SET FORTH IN SECTION 4.1, AND THE PARTIES HERETO HEREBY AGREE THAT NO OTHER WARRANTY, WHETHER STATUTORY, EXPRESS OR IMPLIED (INCLUDING BUT NOT LIMITED TO ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE AND WARRANTIES ARISING FROM COURSE OF DEALING OR USAGE OF TRADE), SHALL BE APPLICABLE TO THE PROVISION OF ANY SUCH SERVICES. THE PARTIES FURTHER AGREE THAT THE REMEDIES STATED HEREIN ARE EXCLUSIVE AND SHALL CONSTITUTE THE SOLE AND EXCLUSIVE REMEDY OF ANY PARTY HERETO FOR A FAILURE BY ANY OTHER PARTY HERETO TO COMPLY WITH ITS WARRANTY OBLIGATIONS.

Section 4.4 Indemnification.

(a) Indemnification In Respect of Services Provided by Operating Company. (i) In circumstances where Operating Company is a Service Provider: (x) subject to subparagraph (ii) of this Section 4.4(a), Service Provider shall release, defend, indemnify and hold harmless each Client Company, including any officer, director, employee or agent thereof, from and against, and shall pay the full amount of, any loss, liability, claim, damage, expense (including costs of investigation and defense and reasonable attorneys' fees), whether or not involving a third-party claim (collectively, "Damages"), incurred or sustained by or against Service Provider or any such Client Company arising, directly or indirectly, from or in connection with Service Provider's negligence or willful misconduct in the performance of the Services, and (y) each Nonutility Company that is a Client Company with respect to such Services shall release, defend, indemnify and hold harmless Service Provider, including any officer, director, employee or agent thereof, from and against, and shall pay the full amount of, any Damages incurred or sustained by or against Service Provider or any such Client Company arising, directly or indirectly, from or in connection with Service Provider's negligence or willful misconduct in the performance of the Services, to the extent such Damages are not covered by Service Provider's indemnification obligation as provided in the preceding clause (x) or exceed the liability limits provided in subparagraph (ii) of this Section 4.4(a).

(ii) Notwithstanding any other provision hereof, in circumstances where Operating Company is a Service Provider: (x) Service Provider's total liability hereunder with respect to any specific Services shall be limited to the amount actually paid to Service Provider for its performance of the specific Services for which the liability arises, and (y) under no circumstances shall Service Provider be liable for consequential, incidental, punitive, exemplary or indirect damages, lost profits or other business interruption damages, by statute, in tort or contract, under any indemnity provision or otherwise (it being the intent of the parties that the indemnification obligations in this Agreement shall cover only actual damages and accordingly, without limitation of the foregoing, shall be net of any insurance proceeds actually received in respect of any such damages).

(b) Indemnification In Respect of Services Provided by Any Nonutility Company.

(i) In circumstances where a Nonutility Company is a Service Provider (i.e., where Operating Company is the Client Company): (x) subject to subparagraph (ii) of this Section 4.4(b), Service Provider shall release, defend, indemnify and hold harmless the Client Company, including any officer, director, employee or agent thereof, from and against, and shall pay the full amount of, any Damages incurred or sustained by or against Client Company arising, directly or indirectly, from or in connection with Service Provider's negligence or willful misconduct in the performance of the Services.

(ii) Notwithstanding any other provision hereof, in circumstances where a Nonutility Company is a Service Provider (i.e., where Operating Company is the Client Company), under no circumstances shall Service Provider be liable for consequential, incidental, punitive, exemplary or indirect damages, lost profits or other business interruption damages, by statute, in tort or contract, under any indemnity provision or otherwise (it being the intent of the parties that the indemnification obligations in this Agreement shall cover only actual damages and accordingly, without limitation of the foregoing, shall be net of any insurance proceeds actually received in respect of any such damages).

Section 4.5 Procedure for Indemnification. Within 15 business days after receipt by any Client Company of notice of any claim or the commencement of any action, suit, litigation or other proceeding against it (a "Proceeding") with respect to which it is eligible for indemnification hereunder, such Client Company shall notify Service Provider thereof in writing (it being understood that failure so to notify Service Provider shall not relieve the latter of its indemnification obligation, unless Service Provider establishes that defense thereof has been prejudiced by such failure). Thereafter, Service Provider shall be entitled to participate in such Proceeding and, at its election upon notice to such Client Company and at its expense, to assume the defense of such Proceeding. Without the prior written consent of such Client Company, Service Provider shall not enter into any settlement of any third-party claim that would lead to liability or create any financial or other obligation on the part of such Client Company for which it such Client Company is not entitled to indemnification hereunder. If such Client Company has given timely notice to Service Provider of the commencement of such Proceeding, but Service Provider has not, within 15 business days after receipt of such notice, given notice to Client Company of its election to assume the defense thereof, Service Provider shall be bound by any determination made in such Proceeding or any compromise or settlement made by Client Company. A claim for indemnification for any matter not involving a third-party claim may be asserted by notice from the applicable Client Company to Service Provider.

ARTICLE 5. MISCELLANEOUS

Section 5.1 Amendments. Any amendments to this Agreement shall be in writing executed by each of the parties hereto. To the extent that applicable state law or regulation or other binding obligation requires that any such amendment be filed with the Indiana Utility Regulatory Commission for its review or otherwise, Operating Company shall comply in all respects with any such requirements.

Section 5.2 Effective Date; Term. Pursuant to Indiana Code §8-1-2-49(2)(g), this Agreement shall become effective upon the date it is filed with the Indiana Utility Regulatory Commission ("Effective Date"), and shall continue in full force and effect as to each party until terminated by any party, as to itself only, upon not less than 30 days prior written notice to the other parties hereto, or not more than five (5) years from the Effective Date, whichever may first occur. Any early termination of parties shall not be deemed an amendment hereto. This Agreement may be terminated and thereafter be of no further force and effect upon the mutual consent of all of the parties hereto. Upon expiration of the Agreement, the Agreement may be renewed upon written notice to all contracting parties and the Indiana Utility Regulatory Commission.

Section 5.3 Additional Parties. After the Effective Date of this Agreement, additional Nonutility Companies may become parties to this Agreement by executing appropriate signature pages, whereupon any such additional signatory shall be deemed a "party" hereto all purposes hereof and shall thereupon become bound by the terms and conditions of this Agreement as if an original party hereto. The addition of any such further signatories, in the absence of any changes to the terms of this Agreement, shall not be deemed an amendment hereto.

Section 5.4 Entire Agreement. This Agreement contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes any prior or contemporaneous contracts, agreements, understandings or arrangements, whether written or oral, with respect thereto. Any oral or written statements, representations, promises, negotiations or agreements, whether prior hereto or concurrently herewith, are superseded by and merged into this Agreement.

Section 5.5 Severability. If any provision of this Agreement or any application thereof shall be determined to be invalid or unenforceable, the remainder of this Agreement and any other application thereof shall not be affected thereby.

Section 5.6 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, in whole or in part, by operation of law or otherwise by any of the parties hereto without the prior written consent of each of the other parties. Any attempted or purported assignment in violation of the preceding sentence shall be null and void and of no effect whatsoever. Subject to the preceding two sentences, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

Section 5.7 Governing Law. This Agreement shall be construed and enforced under and in accordance with the laws of the State of Indiana, without regard to conflicts of laws principles.

Section 5.8 Captions, etc. The captions and headings used in this Agreement are for convenience of reference only and shall not affect the construction to be accorded any of the provisions hereof. As used in this Agreement, "hereof," "hereunder," "herein," "hereto," and words of like import refer to this Agreement as a whole and not to any particular section or other paragraph or subparagraph thereof.

Section 5.9 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed a duplicate original hereof, but all of which shall be deemed one and the same Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

EXHIBIT A
Page 1 of 2

Service Request Form

Please use this form for all service requests. All data fields are required.

Facilitator/Contact Information:

First Name:
Last Name:
Phone:
Email:

Service Provider:

- Pull Down List to Select -

Or Other:

- Pull Down List to Select -

Service Provider Contact Information:

First Name:
Last Name:
Phone:

email Address of Service Provider Approver:

The approver should be appropriate according to the Expenses, Dispositions & Terminations Category of the Delegation of Authority (DOA) matrix.

Description of Proposed Service and Please Provide Basis for Estimated Costs:

Client Company:

- Pull Down List to Select -

Or Other:

- Pull Down List to Select -

Client Company Contact Information:

First Name:
Last Name:
Phone:

(this e-mail address must be filled in properly for faxes to send automatically to the Client Approver)

email Address of Client Company

The approver should be appropriate

EXHIBIT A
Page 2 of 2

Apprver: according to the Expenditures,
Divestitures & Terminations Category of
the Delegation of Authority (DOA) matrix.

Estimated Costs: \$
Format Numbers Only - do not include commas or periods

Scheduled Start Date:
MM/DD/YYYY

Scheduled
Completion Date:
MM/DD/YYYY

Legal Approval
Representative: - Pull Down List to Select -

Accounting codes (PMIS / BDMIS) of Duke Energy
Company receiving the services:

Process / Work Code(s):

n/n / Corp. Number:

RCTs / Line of Business:

KLProm / Center:

Project:

Activity:

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on its behalf by an appropriate officer thereunto duly authorized.

DUKE ENERGY INDIANA, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Secretary

CINCAP V, LLC

(by Duke Energy Commercial Enterprises, Inc., its Managing Member)

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

DEG BIOMASS, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Secretary

DEGS WIND SUPPLY, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Secretary

DEGS WIND SUPPLY II, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Secretary

DUKE ENERGY COMMERCIAL ENTERPRISES, INC.

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY INDUSTRIAL SALES, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Secretary

HAPPY JACK WINDPOWER, LLC

By: 

Nancy M. Wright
Assistant Secretary

KIT CARSON WINDPOWER, LLC

By: 

Nancy M. Wright
Assistant Secretary

NORTH ALLEGHENY WIND, LLC

By: 

Nancy M. Wright
Assistant Secretary

NOTRESS WINDPOWER, LLC

(by TE Notress, LLC its General Partner)

By: 

Nancy M. Wright
Assistant Secretary

OCOTILLO WINDPOWER, LLC

(by TE Ocotillo, LLC its General Partner)

By: 

Nancy M. Wright
Assistant Secretary

SILVER SAGE WINDPOWER, LLC

By: 

Nancy M. Wright
Assistant Secretary

THREE BUTTES WINDPOWER, LLC

By: 

Nancy M. Wright
Assistant Secretary

TOP OF THE WORLD WIND ENERGY, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Secretary

LAUREL HILL WIND ENERGY, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Secretary

SOLAR STAR NORTH CAROLINA I, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Secretary

SOLAR STAR NORTH CAROLINA II, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Secretary

TX SOLAR I, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Secretary

GREEN FRONTIER WINDPOWER, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Secretary

IRONWOOD WINDPOWER, LLC

(by Free State Windpower, its Parent)

By: Nancy M. Wright
Nancy M. Wright
Assistant Secretary

LOS VIENTOS WINDPOWER IA, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Secretary

LOS VIENTOS WINDPOWER IB, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Secretary

MARTINS CREEK SOLAR NC, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Secretary

TAYLORSVILLE SOLAR, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Secretary

RP-ORLANDO, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Secretary

DUKE ENERGY VENTURES, INC.

By: Nancy M. Wright
Nancy M. Wright
Assistant Secretary

PROGRESS FUELS CORPORATION

By: Nancy M. Wright
Nancy M. Wright
Assistant Secretary

DUKE-AMERICAN TRANSMISSION COMPANY, LLC

(by Duke Energy Transmission Holding Company, LLC, its Parent)

By: Nancy M. Wright
Nancy Wright
Assistant Secretary

INTERCOMPANY ASSET TRANSFER AGREEMENT

This **Intercompany Asset Transfer Agreement** (this “Agreement”) is made and entered into by and among Duke Energy Carolinas, LLC (“DEC”), a North Carolina limited liability company, Duke Energy Ohio, Inc. (“DEO”), an Ohio corporation, Duke Energy Indiana, LLC (“DEI”), an Indiana limited liability company, Duke Energy Progress, LLC (“DEP”), a North Carolina limited liability company, Duke Energy Florida, LLC (“DEF”), a Florida limited liability company, Duke Energy Kentucky, Inc. (“DEK”), a Kentucky corporation, and Piedmont Natural Gas Company, Inc., a North Carolina corporation (collectively the “Operating Companies” and, individually, an “Operating Company”). The Effective Date as stated herein is the date on which this Agreement is executed or, as may be required, submitted to the appropriate regulatory body for approval, whichever occurs last. This Agreement supersedes and replaces in its entirety all previous Intercompany Asset Transfer Agreements dated before the Effective Date of this Agreement.

WITNESSETH:

WHEREAS, Duke Energy Corporation (“Duke Energy”) is a Delaware corporation;

WHEREAS, each Operating Company is a subsidiary of Duke Energy and a public utility company;

WHEREAS, in the ordinary course of their businesses, the Operating Companies maintain inventory and other assets for the operation and maintenance of their respective electric utility, and with respect to DEO DEK, and Piedmont, gas utility, businesses; and

WHEREAS, subject to the terms and conditions herein set forth, and taking into consideration the Operating Companies’ utility responsibilities, each Operating Company is willing, upon request from time to time, to transfer Assets, as defined herein, to each other Operating Company, as each shall request from each other.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties agree as follows:

ARTICLE 1. TRANSFER OF ASSETS

Section 1.1 Transfer. Upon request from one party (“Recipient”), the other party (“Transferor”) shall transfer to the Recipient those Assets requested by Recipient, provided that (i) Transferor believes, in its reasonable judgment, that such transfer will not jeopardize Transferor’s ability to render electric utility service or natural gas utility service to its customers consistent with Good Utility Practice; (ii) the Cost of any shipment of transmission- or generation-related item(s) does not exceed \$10,000,000; (iii) DEC and DEP shall not transfer any Asset hereunder in contravention of S.C. Code Ann. § 58-27-1300; (iii) DEK shall not transfer any Asset hereunder in contravention of KRS 278.218. and (iv) DEC and DEP may transfer or take receipt of any transmission transformers or other transmission-related equipment under this

Agreement to or from DEC, DEP or DEF. DEC and DEP shall not, however, transfer or take receipt of any transmission transformers or transmission-related equipment to or from DEO, DEI, and DEK, other than transmission-related equipment that may be used on/with transformers within a range of voltages or regardless of voltage. "Assets" means parts inventory, capital spares, equipment and other goods except for the following: coal; natural gas; fuel oil used for electric power generation; emission allowances; electric power; and environmental control reagents. "Good Utility Practice" means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry in the United States during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather includes all acceptable practices, methods, or acts generally accepted in the region.

Section 1.2 Compensation. Except to the extent otherwise required by Section 482 of the Internal Revenue Code or analogous state tax law, Recipient shall compensate Transferor for any Assets transferred hereunder at Cost. "Cost" means (i) for items of inventory accounted for in the FERC Uniform System of Accounts account 154 ("Inventory Items"), the average unit price of such Inventory Items as recorded on the books of the Transferor, plus stores, freight, handling, and other applicable costs, and (ii) for assets other than Inventory Items, net book value.

Alternatively, to the extent that an Asset may be transferred under this Agreement, the Transferor and Recipient may agree that the Asset transferred to the Recipient be replaced in kind. In this event, Transferor and Recipient shall agree to the timing of such replacement, and other necessary terms and conditions, and such in-kind replacement shall be deemed a transferred Asset for all purposes hereunder.

Section 1.3 Payment. Each Operating Company shall reasonably cooperate with each other Operating Company to record billings and payments required hereunder in their common accounting systems.

Section 1.4 Delivery; Title and Risk of Loss. The parties shall cooperate in providing transportation equipment necessary to deliver the Assets to the Recipient. Assets will be delivered FOB transportation equipment at the Transferor's location where such Assets reside ("Shipping Point"). All costs of transportation, including the cost of transporting in-kind replacement Assets to Transferor, shall be borne by the Recipient. Title to and risk of loss of the transferred Assets shall pass from the Transferor to the Recipient at the Shipping Point.

ARTICLE 2. WARRANTIES

Section 2.1 Warranties. Each Operating Company, as Transferor, warrants that it will have good and marketable title to the Assets transferred hereunder. Further, each Operating Company, as Transferor, warrants that it shall obtain release of any liens or other encumbrances on the transferred Assets within a reasonable time. ALL ASSETS TRANSFERRED

HEREUNDER ARE BEING SOLD "AS IS, WHERE IS" AND WITHOUT ANY WARRANTY AS TO ITS CONDITION, INCLUDING WITHOUT ANY WARRANTY AS TO MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

Section 2.2 Disclaimer. WITH RESPECT TO ANY ASSETS TRANSFERRED HEREUNDER, EACH OPERATING COMPANY AS TRANSFEROR MAKES NO WARRANTY OR REPRESENTATION OTHER THAN AS SET FORTH IN SECTION 2.1, AND THE PARTIES HERETO HEREBY AGREE THAT NO OTHER WARRANTY, WHETHER STATUTORY, EXPRESS OR IMPLIED (INCLUDING BUT NOT LIMITED TO ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE AND WARRANTIES ARISING FROM COURSE OF DEALING OR USAGE OF TRADE), SHALL BE APPLICABLE TO SUCH ASSETS. THE PARTIES FURTHER AGREE THAT THE REMEDIES STATED HEREIN ARE EXCLUSIVE AND SHALL CONSTITUTE THE SOLE AND EXCLUSIVE REMEDY OF ANY PARTY HERETO FOR A FAILURE BY ANY OTHER PARTY HERETO TO COMPLY WITH ITS WARRANTY OBLIGATIONS.

ARTICLE 3. INDEMNIFICATION

Section 3.1 Indemnification; Limitation of Liability.

(a) Subject to subparagraph (b) of this Section 3.1, each party (the "Indemnifying Party") shall release, defend, indemnify and hold harmless the other party (the "Indemnified Party"), including any officer, director, employee or agent thereof, from and against, and shall pay the full amount of, any loss, liability, claim, damage, expense (including costs of investigation and defense and reasonable attorneys' fees), whether or not involving a third-party claim, incurred or sustained by or against any such Indemnified Party arising, directly or indirectly, from or in connection with Indemnifying Party's negligence or willful misconduct in the performance of its obligations hereunder.

(b) Notwithstanding any other provision hereof, each party's total liability hereunder with respect to any Assets shall be limited to the amount actually paid to Transferor for such Assets for which the liability arises, and under no circumstances shall Transferor be liable for consequential, incidental, punitive, exemplary or indirect damages, lost profits or other business interruption damages, by statute, in tort or contract, under any indemnity provision or otherwise (it being the intent of the parties that the indemnification obligations in this Agreement shall cover only actual damages and accordingly, without limitation of the foregoing, shall be net of any insurance proceeds actually received in respect of any such damages).

Section 3.2 Procedure for Indemnification. Within 15 business days after receipt by an Indemnified Party of notice of any claim or the commencement of any action, suit, litigation or other proceeding against it (a "Proceeding") with respect to which it is eligible for indemnification hereunder, the Indemnified Party shall notify the Indemnifying Party thereof in writing (it being understood that failure so to notify the Indemnifying Party shall not relieve the latter of its indemnification obligation, unless the Indemnifying Party establishes that defense thereof has been prejudiced by such failure). Thereafter, the Indemnifying Party shall be entitled

to participate in such Proceeding and, at its election upon notice to such Indemnified Party and at its expense, to assume the defense of such Proceeding. Without the prior written consent of such Indemnified Party, Indemnifying Party shall not enter into any settlement of any third-party claim that would lead to liability or create any financial or other obligation on the part of such Indemnified Party for which such Indemnified Party is not entitled to indemnification hereunder. If such Indemnified Party has given timely notice to Indemnifying Party of the commencement of such Proceeding, but Indemnifying Party has not, within 15 business days after receipt of such notice, given notice to Indemnified Party of its election to assume the defense thereof, Indemnifying Party shall be bound by any determination made in such Proceeding or any compromise or settlement made by Indemnified Party. A claim for indemnification for any matter not involving a third-party claim may be asserted by notice from the applicable Indemnified Party to Indemnifying Party.

ARTICLE 4. MISCELLANEOUS

Section 4.1 Amendments. Any amendments to this Agreement shall be in writing executed by each of the parties hereto. To the extent that applicable state law or regulation or other binding obligation requires that any such amendment be filed with any affected state public utility commission for its review or otherwise, each Operating Company shall comply in all respects with any such requirements.

Section 4.2 Effective Date; Term. This Agreement shall become effective on the Effective Date and shall continue in full force and effect until terminated by either party upon not less than 30 days prior written notice to the other party. This Agreement may be terminated and thereafter be of no further force and effect upon the mutual consent of the parties hereto.

Section 4.3 Entire Agreement. This Agreement contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes any prior or contemporaneous contracts, agreements, understandings or arrangements, whether written or oral, with respect thereto. Any oral or written statements, representations, promises, negotiations or agreements, whether prior hereto or concurrently herewith, are superseded by and merged into this Agreement.

Section 4.4 Severability. If any provision of this Agreement or any application thereof shall be determined to be invalid or unenforceable, the remainder of this Agreement and any other application thereof shall not be affected thereby.

Section 4.5 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, in whole or in part, by operation of law or otherwise by any party hereto without the prior written consent of the other party. Any attempted or purported assignment in violation of the preceding sentence shall be null and void and of no effect whatsoever. Subject to the preceding two sentences, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

Section 4.6 Governing Law. This Agreement shall be construed and enforced under and in accordance with the laws of the State of New York, without regard to conflicts of laws principles.

Section 4.7 Captions, etc. The captions and headings used in this Agreement are for convenience of reference only and shall not affect the construction to be accorded any of the provisions hereof. As used in this Agreement, "hereof," "hereunder," "herein," "hereto," and words of like import refer to this Agreement as a whole and not to any particular section or other paragraph or subparagraph thereof.

Section 4.8 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed a duplicate original hereof, but all of which shall be deemed one and the same Agreement.

Section 4.9 DEC, DEP, and Piedmont Conditions. In addition to the terms and conditions set forth herein, with respect to DEC, DEP, and Piedmont, the provisions set out in Exhibit A are hereby incorporated herein by reference. In addition, except with respect to the pricing of Asset transfers as set forth herein, DEC's, DEP's and Piedmont's participation in this Agreement is explicitly subject to the Regulatory Conditions and Code of Conduct approved by the NCUC in its Order Approving Merger Subject to Regulatory Conditions and Code of Conduct issued in Docket No. E-2, Sub 1095, Docket No. E-7, Sub 1100, and Docket No. G-9, Sub 682 ("Merger Order"), as such Regulatory Conditions and Code of Conduct may be amended from time to time. In accordance with Regulatory Condition 3.9 as approved in the Merger Order, nothing in this Agreement shall be construed or interpreted so as to commit DEC or DEP, or to involve DEC or DEP in, joint planning, coordination, or operation of generation, transmission, or distribution facilities with one or more affiliates nor shall it be interpreted as otherwise altering DEC's or DEP's obligations with respect to the Regulatory Conditions approved in the Merger Order. In the event of a conflict between the provisions of this Agreement and the Regulatory Conditions and Code, the Regulatory Conditions and Code shall govern, except as altered by the Commission by Order for this Agreement.

Section 4.10 DEI Conditions. DEI agrees and acknowledges that in accordance with its Affiliate Standards, Section II O (i) it will make Assets available to non-affiliated wholesale power marketers under the same terms, conditions and prices, and at the same time, as it makes Assets available to a DEO's wholesale power marketing function, and (ii) it will process all requests for Assets from DEO's wholesale power marketing function and non-affiliated wholesale power marketers on a non-discriminatory basis.

Section 4.11 Regulatory Approvals. This Agreement is expressly contingent on the receipt of all regulatory approvals or waivers deemed necessary by the parties.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on _____, 201__, on its behalf by an appropriate officer thereunto duly authorized.

Duke Energy Carolinas, LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

Duke Energy Indiana, LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

Duke Energy Ohio, Inc.

By: _____
Nancy M. Wright
Assistant Corporate Secretary

Duke Energy Kentucky, Inc.

By: _____
Nancy M. Wright
Assistant Corporate Secretary

Duke Energy Progress, LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

Duke Energy Florida, LLC

By: _____
Nancy M. Wright
Assistant Corporate Secretary

Piedmont Natural Gas Company, Inc.

By: _____
Nancy M. Wright
Assistant Corporate Secretary

EXHIBIT A

Duke Energy Carolinas, LLC, Duke Energy Progress, LLC and Piedmont Natural Gas Company, Inc. Conditions

In connection with the NCUC approval of the Merger in NCUC Docket No. E-2, Sub 1095, Docket No. E-7, Sub 1100, and Docket No. G-5, Sub 682, the NCUC adopted certain Regulatory Conditions and a revised Code of Conduct governing transactions between DEC, DEP, Piedmont, and their affiliates. Pursuant to the Regulatory Conditions, the following provisions are applicable to DEC, DEP, and Piedmont:

- (a) DEC's, DEP's and Piedmont's participation in this Agreement is voluntary. DEC, DEP, or Piedmont is not obligated to take or provide services or make any purchases or sales pursuant to this Agreement, and DEC, DEP, or Piedmont may elect to discontinue its participation in this Agreement at its election after giving any required notice;
- (b) DEC, DEP or Piedmont may not make or incur a charge under this Agreement except in accordance with North Carolina law and the rules, regulations and orders of the NCUC promulgated thereunder.
- (c) DEC, DEP or Piedmont may not seek to reflect in rates any (A) costs incurred under this Agreement exceeding the amount allowed by the NCUC or (B) revenue level earned under this Agreement less than the amount imputed by the NCUC; and
- (d) DEC, DEP or Piedmont shall not assert in any forum – whether judicial, administrative, federal, state, local or otherwise – either on its own initiative or in support of other entity's assertions, that the NCUC's authority to assign, allocate, make pro-forma adjustments to or disallow revenues and costs for retail ratemaking and regulatory accounting and reporting purposes is, in whole or in part, (A) preempted by Federal Law or (B) not within the Commission's power, authority, or jurisdiction; DEC, DEP, and Piedmont will bear the full risk of any preemptive effects of Federal Law with respect to this Agreement.



DUKE ENERGY INDIANA, INC.
1000 East Main St.
Plainfield, IN 46168

Kelley Kam
Associate General Counsel
317-836-2481
317-836-1842 - fax
kelley.kam@duke-energy.com

February 23, 2009

RECEIVED

FEB 23 2009

INDIANA UTILITY
REGULATORY COMMISSION

Mr. Scott Storms, General Counsel
Dr. Brad Borum, Director Electricity Division
Indiana Utility Regulatory Commission
National City Center
101 West Washington Street, Suite 1500E
Indianapolis, Indiana 46204

Mr. Randy Helmen
Office of Utility Consumer Counselor
115 W. Washington Street, Suite 1500 South
Indianapolis, Indiana 46204

Re: Duke Energy Indiana Utility-Nonutility Asset Transfer Agreement

Dear Colleagues:

On January 9, 2009, Duke Energy Indiana, Inc. ("Duke Energy Indiana") submitted to you for review its Utility-Nonutility Asset Transfer Agreement by and between Duke Energy Indiana and the respective associate nonutility companies listed in the Agreement ("Nonutility Companies").

As explained in the letter submitted to you for the 30-day review period, the Utility-Nonutility Asset Transfer Agreement enables Duke Energy Indiana to transfer assets, other than commodities, among its non-utility affiliates allowing it to realize the benefits of economies of scale and improved reliability through access to a wider supply of equipment and inventory. In addition, this pre-approved asset transfer process eliminates the need for Duke Energy Indiana to ask the Commission for review of individual asset transfers.

Except to the extent otherwise required by Section 482 of the Internal Revenue Code or analogous state tax law, a Recipient party under this Agreement shall compensate the Transferor for any assets transferred in accordance with the FERC affiliate transaction pricing requirements. Accordingly, assets transferred from Duke Energy Indiana to a Nonutility Company shall be priced at the greater of cost or market, and assets transferred from a Nonutility Company to Duke Energy Indiana shall be priced at no more than market. Alternatively, to the extent that an asset may be transferred under this Agreement, the Transferor and Recipient may agree that the asset transferred to the Recipient be replaced in kind.

We have received no objections to the Utility-Nonutility Asset Transfer Agreement during the review period, and therefore, Duke Energy Indiana is hereby officially filing the attached Utility-Nonutility Asset Transfer Agreement entered into on January 1, 2009, to the extent required under Ind. Code § 8-1-2-49 and Duke Energy Indiana's Affiliate Standards.

Scott Storms, Brad Borum
Randy Helmen
February 23, 2009
Page 2

Thank you for your review and please call me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Kelley Karn", with a stylized flourish at the end.

Kelley Karn
Associate General Counsel

Enclosures
#260432

UTILITY-NONUTILITY ASSET TRANSFER AGREEMENT

This Utility-Nonutility Asset Transfer Agreement (this "Agreement") is made and entered into as of January 1, 2009 (the "Effective Date") by and among Duke Energy Indiana, Inc., an Indiana corporation ("Operating Company"), and the respective associate nonutility companies listed on the signature pages hereto (each, a "Nonutility Company").

WITNESSETH:

WHEREAS, Duke Energy Corporation ("Duke Energy") is a Delaware corporation;

WHEREAS, Operating Company is a subsidiary of Duke Energy and a public utility company;

WHEREAS, each Nonutility Company is a subsidiary of Duke Energy that is or was formed to engage in any one or more non-regulated businesses;

WHEREAS, in the ordinary course of their businesses, the Operating Company maintains inventory and other assets for the operation and maintenance of its electric utility business; and

WHEREAS, each Nonutility Company in the ordinary course of its business maintains inventory and/or other assets for the operation and maintenance of its non-regulated business; and

WHEREAS, subject to the terms and conditions herein set forth, and taking into consideration the Operating Company's utility responsibilities, the Operating Company is willing, upon request from time to time, to transfer Assets, as defined herein, to each Nonutility Company, and each Nonutility Company is willing, upon request from time to time, to transfer Assets, as defined herein, to the Operating Company, as each shall request from each other.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties agree as follows:

ARTICLE 1. TRANSFER OF ASSETS

Section 1.1 Transfer. Upon request from one party ("Recipient"), the other party ("Transferor") shall transfer (the "Transfer") to the Recipient those Assets requested by Recipient, provided that (i) Transferor believes, in its reasonable judgment, that such Transfer will not jeopardize Transferor's ability to (a) in the case of the Operating Company, render electric utility service to its customers consistent with Good Utility Practice, and (b) in the case of a Nonutility Company, conduct its business affairs consistent with reasonable business practices; and (ii) the Cost of any shipment of transmission- or generation-related item(s) does not exceed \$10,000,000. "Assets" means parts inventory, capital spares, equipment and other goods except for the following: coal; natural gas; fuel oil used for electric power generation;

emission allowances; and environmental control reagents. "Good Utility Practice" means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry in the United States during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather includes all acceptable practices, method, or acts generally accepted in the region.

Section 1.2 Compensation. Except to the extent otherwise required by Section 482 of the Internal Revenue Code or analogous state tax law, Recipient shall compensate Transferor for any Assets Transferred hereunder in accordance with the Federal Energy Regulatory Commission's ("FERC") affiliate transaction pricing requirements. Accordingly, Assets Transferred from the Operating Company to a Nonutility Company shall be priced at the greater of Cost or market, and Assets Transferred from a Nonutility Company to the Operating Company shall be priced at no more than market. "Cost" means (i) for items of inventory accounted for in the FERC Uniform System of Accounts account 154 ("Inventory Items"), the average unit price of such Inventory Items as recorded on the books of the Transferor, plus stores, freight, handling, and other applicable costs, and (ii) for Assets other than Inventory Items, net book value.

Alternatively, the Transferor and Recipient may agree that the Asset Transferred to the Recipient be replaced in kind. In this event, Transferor and Recipient shall agree to the timing of such replacement, and other necessary terms and conditions, and such in-kind replacement shall be deemed a Transferred Asset for all purposes hereunder.

Section 1.3 Payment. Each party shall reasonably cooperate with each other party to record billings and payments required hereunder in their common accounting systems.

Section 1.4 Delivery, Title and Risk of Loss. The parties shall cooperate in providing transportation equipment necessary to deliver the Assets to the Recipient. Assets will be delivered FOB transportation equipment at the Transferor's location where such Assets reside ("Shipping Point"). All costs of transportation, including the cost of transporting in-kind replacement Assets to Transferor, shall be borne by the Recipient. Title to and risk of loss of the transferred Assets shall pass from the Transferor to the Recipient at the Shipping Point.

ARTICLE 2. WARRANTIES

Section 2.1 Warranties. Each party, as Transferor, warrants that it will have good and marketable title to the Assets transferred hereunder. Further, each party, as Transferor, warrants that it shall obtain release of any liens or other encumbrances on the Transferred Assets within a reasonable time. ALL ASSETS TRANSFERRED HEREUNDER ARE BEING SOLD "AS IS, WHERE IS" AND WITHOUT ANY WARRANTY AS TO ITS CONDITION, INCLUDING WITHOUT ANY WARRANTY AS TO MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

Section 2.2 Disclaimer. WITH RESPECT TO ANY ASSETS TRANSFERRED HEREUNDER, EACH PARTY AS TRANSFEROR MAKES NO WARRANTY OR REPRESENTATION OTHER THAN AS SET FORTH IN SECTION 2.1, AND THE PARTIES HERETO HEREBY AGREE THAT NO OTHER WARRANTY, WHETHER STATUTORY, EXPRESS OR IMPLIED (INCLUDING BUT NOT LIMITED TO ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE AND WARRANTIES ARISING FROM COURSE OF DEALING OR USAGE OF TRADE), SHALL BE APPLICABLE TO SUCH ASSETS. THE PARTIES FURTHER AGREE THAT THE REMEDIES STATED HEREIN ARE EXCLUSIVE AND SHALL CONSTITUTE THE SOLE AND EXCLUSIVE REMEDY OF ANY PARTY HERETO FOR A FAILURE BY ANY OTHER PARTY HERETO TO COMPLY WITH ITS WARRANTY OBLIGATIONS.

ARTICLE 3. INDEMNIFICATION

Section 3.1 Indemnification In Respect of Transfers by Operating Company.

(i) In ~~circumstances~~ where Operating Company is the Transferor: (x) subject to subparagraph (ii) of this Section 3.1, Transferor shall release, defend, indemnify and hold harmless each Nonutility Company, including any officer, director, employee or agent thereof, from and against, and shall pay the full amount of, any loss, liability, claim, damage, expense (including costs of investigation and defense and reasonable attorneys' fees), whether or not involving a third-party claim (collectively, "Damages"), incurred or sustained by or against Transferor or any such Nonutility Company arising, directly or indirectly, from or in connection with Transferor's negligence or willful misconduct in the performance of its obligations hereunder, and (y) each Nonutility Company that is a Recipient with respect to such Assets shall release, defend, indemnify and hold harmless Transferor, including any officer, director, employee or agent thereof, from and against, and shall pay the full amount of, any Damages incurred or sustained by or against Transferor or any such Recipient arising, directly or indirectly, from or in connection with Transferor's negligence or willful misconduct in the performance of its obligations hereunder, to the extent such Damages are not covered by Transferor's indemnification obligation as provided in the preceding clause (x) or exceed the liability limits provided in subparagraph (ii) of this Section 3.1.

(ii) Notwithstanding any other provision hereof, in circumstances where Operating Company is a Transferor: (x) Transferor's total liability hereunder with respect to any specific Transfer shall be limited to the amount actually paid to Transferor in respect of such Transfer for which the liability arises, and (y) under no circumstances shall Transferor be liable for consequential, incidental, punitive, exemplary or indirect damages, lost profits or other business interruption damages, by statute, in tort or contract, under any indemnity provision or otherwise (it being the intent of the parties that the indemnification obligations in this Agreement shall cover only actual damages and accordingly, without limitation of the foregoing, shall be net of any insurance proceeds actually received in respect of any such damages).

Section 3.2 Indemnification In Respect of Transfers by Any Nonutility Company.

(i) In circumstances where a Nonutility Company is a Transferor (i.e., where Operating Company is the Recipient): (x) subject to subparagraph (ii) of this Section 3.2, Transferor shall release, defend, indemnify and hold harmless the Recipient, including any officer, director, employee or agent thereof, from and against, and shall pay the full amount of, any Damages incurred or sustained by or against Recipient arising, directly or indirectly, from or in connection with Transferor's negligence or willful misconduct in the performance of its obligations hereunder.

(ii) Notwithstanding any other provision hereof, in circumstances where a Nonutility Company is a Transferor (i.e., where Operating Company is the Recipient), under no circumstances shall Transferor be liable for consequential, incidental, punitive, exemplary or indirect damages, lost profits or other business interruption damages, by statute, in tort or contract, under any indemnity provision or otherwise (it being the intent of the parties that the indemnification obligations in this Agreement shall cover only actual damages and accordingly, without limitation of the foregoing, shall be net of any insurance proceeds actually received in respect of any such damages).

Section 3.3 Procedure for Indemnification. Within 15 business days after receipt by an Indemnified Party of notice of any claim or the commencement of any action, suit, litigation or other proceeding against it (a "Proceeding") with respect to which it is eligible for indemnification hereunder, the Indemnified Party shall notify the Indemnifying Party thereof in writing (it being understood that failure so to notify the Indemnifying Party shall not relieve the latter of its indemnification obligation, unless the Indemnifying Party establishes that defense thereof has been prejudiced by such failure). Thereafter, the Indemnifying Party shall be entitled to participate in such Proceeding and, at its election upon notice to such Indemnified Party and at its expense, to assume the defense of such Proceeding. Without the prior written consent of such Indemnified Party, Indemnifying Party shall not enter into any settlement of any third-party claim that would lead to liability or create any financial or other obligation on the part of such Indemnified Party for which such Indemnified Party is not entitled to indemnification hereunder. If such Indemnified Party has given timely notice to Indemnifying Party of the commencement of such Proceeding, but Indemnifying Party has not, within 15 business days after receipt of such notice, given notice to Indemnified Party of its election to assume the defense thereof, Indemnifying Party shall be bound by any determination made in such Proceeding or any compromise or settlement made by Indemnified Party. A claim for indemnification for any matter not involving a third-party claim may be asserted by notice from the applicable Indemnified Party to Indemnifying Party.

ARTICLE 4. MISCELLANEOUS

Section 4.1 Amendments. Any amendments to this Agreement shall be in writing executed by each of the parties hereto. To the extent that applicable state law or regulation or other binding obligation requires that any such amendment be filed with any affected state public utility commission for its review or otherwise, the Operating Company shall comply in all

respects with any such requirements, and each Nonutility Party shall reasonably cooperate with the Operating Company in complying with such requirements.

Section 4.2 Effective Date; Term. This Agreement shall become effective on the Effective Date and shall continue in full force and effect until terminated by either party upon not less than 30 days prior written notice to the other party. This Agreement may be terminated and thereafter be of no further force and effect upon the mutual consent of the parties hereto.

Section 4.3 Entire Agreement. This Agreement contains the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes any prior or contemporaneous contracts, agreements, understandings or arrangements, whether written or oral, with respect thereto. Any oral or written statements, representations, promises, negotiations or agreements, whether prior hereto or concurrently herewith, are superseded by and merged into this Agreement.

Section 4.4 Severability. If any provision of this Agreement or any application thereof shall be determined to be invalid or unenforceable, the remainder of this Agreement and any other application thereof shall not be affected thereby.

Section 4.5 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, in whole or in part, by operation of law or otherwise by any party hereto without the prior written consent of the other party. Any attempted or purported assignment in violation of the preceding sentence shall be null and void and of no effect whatsoever. Subject to the preceding two sentences, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

Section 4.6 Governing Law. This Agreement shall be construed and enforced under and in accordance with the laws of the State of Indiana, without regard to conflicts of laws principles.

Section 4.7 Captions, etc. The captions and headings used in this Agreement are for convenience of reference only and shall not affect the construction to be accorded any of the provisions hereof. As used in this Agreement, "hereof," "hereunder," "herein," "hereto," and words of like import refer to this Agreement as a whole and not to any particular section or other paragraph or subparagraph thereof.

Section 4.8 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed a duplicate original hereof, but all of which shall be deemed one and the same Agreement.

Section 4.9 Additional Parties. After the effective date of this Agreement, additional Nonutility Companies may become parties to this Agreement by executing appropriate signature pages, whereupon any such additional signatory shall be deemed a "party" hereto all purposes hereof and shall thereupon become bound by the terms and conditions of this Agreement as if an original party hereto. The addition of any such further signatories, in the absence of any changes to the terms of this Agreement, shall not be deemed an amendment hereto. Notwithstanding the

Foregoing, no FERC-jurisdictional Nonutility Company may become a party to this Agreement without first obtaining the approval of FERC, to the extent such approval is required for such entity to transact hereunder with Operating Company, and the addition of any such party prior to receiving FERC approval shall be void and of no effect.

Section 4.10 Regulatory Approvals. This Agreement is expressly contingent on the receipt of all regulatory approvals or waivers deemed necessary by the parties.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on its behalf by an appropriate officer thereunto duly authorized.

DUKE ENERGY INDIANA, INC.

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY ONE, INC.

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

CINERGY SOLUTIONS-UTILITY, INC.

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

DEGS OF TUSCOLA, INC.

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

THREE BUTTES WINDPOWER, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

CATAMOUNT ENERGY CORPORATION

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

NOTRESS WINDPOWER, LLC
(by TE Notress, LLC its General Partner)

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

OCOTILLO WINDPOWER, LLC
(by TE Ocotillo, LLC its General Partner)

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

SILVER SAGE WINDPOWER, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

HAPPY JACK WINDPOWER, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

CEC WIND DEVELOPMENT, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

TOP OF THE WORLD WIND ENERGY, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

CATAMOUNT SWEETWATER 6 LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

DEGS O&M, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

DEGS OF DELTA TOWNSHIP, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

DEGS OF LANSING, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

DEGS OF NARROWS, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

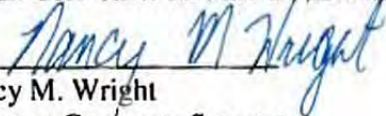
DEGS OF SHREVEPORT, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

DUKE ENERGY INDUSTRIAL SALES, LLC

By: Nancy M. Wright
Nancy M. Wright
Assistant Corporate Secretary

SHREVEPORT RED RIVER UTILITIES, LLC

By: 
Nancy M. Wright
Assistant Corporate Secretary

VERIFICATION

I hereby verify under the penalties of perjury that the foregoing representations are true to the best of my knowledge, information and belief.

Signed: Jeffrey R. Setser
Jeffrey R. Setser

Dated: 7/2/2019