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VIA HAND DELIVERY

March 31, 2016

City of Erlanger, Kentucky
Erlanger Municipal Center
Attention: City Clerk
505 Commonwealth Avenue
Erlanger, Kentucky 41018

BID FOR ELECTRIC AND NATURAL GAS FRANCHISE

In response to your offer contained in Municipal Order No. 02-16-16-02, incorporating the existing Ordinance Nos. 2378 and 2382, authorized by you on or about February 19, 2016, as amended (the "Ordinance") titled:

A MUNICIPAL ORDER OF THE CITY OF ERLANGER, IN KENTON COUNTY, KENTUCKY, AUTHORIZING A REQUEST FOR BIDS FOR THE AWARD OF A THREE (3) YEAR NON-EXCLUSIVE FRANCHISE FROM THE CITY FOR THE USE OF THE PUBLIC STREETS, ALLEYS AND OTHER PUBLIC GROUNDS IN THE CITY FOR THE TRANSMISSION AND DISTRIBUTION OF EITHER OR BOTH NATURAL GAS AND ELECTRICITY THROUGH AND FOR CONSUMPTION WITHIN THE CITY.

THE UNDERSIGNED, Duke Energy Kentucky, Inc., for itself, its successors and assigns, herein called Duke Energy Kentucky or Company, submits its bid and requests that such electric and natural gas franchise be awarded to it in consideration of which the Company shall pay the City of Erlanger, hereinafter called City, the cost of publishing necessary Ordinances hereto, render service and perform all the terms and conditions set forth in such Ordinances.

Duke Energy Kentucky is a Kentucky corporation with its principal office and principal place of business at 139 East Fourth Street, Cincinnati, Ohio 45202. The Company's local office in Kentucky is Duke Energy Envision Center, 4580 Olympic Boulevard, Erlanger, Kentucky 41018. Duke Energy Kentucky is a utility engaged in the natural gas and electric business. Duke Energy Kentucky purchases, sells, stores and transports natural gas in Boone, Bracken, Campbell, Gallatin, Grant, Kenton and Pendleton Counties, Kentucky. Duke Energy Kentucky also generates electricity, which it distributes and sells in Boone, Campbell, Grant, Kenton and Pendleton Counties.

In response to the Ordinance, Duke Energy Kentucky agrees to be bound by the terms and conditions stated therein with one exception. In response to "Section 3.10.9 Release" that would require the Company to release and discharge the City and all its officers, agent, employees, etc., from *the City's* negligence, Duke Energy Kentucky cannot agree to the provision as currently set forth as the Company believes it is overbroad, unreasonable and potentially contrary to Kentucky law, most notably KRS 371.180. Duke Energy Kentucky does agree however, to release and acquit and discharge the City and its officers, etc., from the City's negligence as set forth below and conditions its bid on the City's acceptance of the following revision:

3.10.9 Release

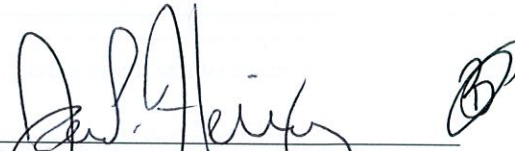
Except to the extent otherwise prohibited under Kentucky law, release, acquit and forever discharge the City, and all of the officers, agents, employees, successors and assigns thereof, from each, every, any and all uninsured obligations and liabilities of any of them to the Franchisee and the successors and assigns thereof for each, every, any and all personal injuries, property damage, costs, expenses, losses, compensation and all other damages of every kind and nature, and all claims and causes of action therefore, at law, or in equity, which may accrue to the Franchisee and the successors and assigns thereof, through any act, omission, event or occurrence proximately caused by any negligence of the City that is in any way related to the administration of the franchise established hereby or the award or grant thereof by the City to the Franchisee or the use of the public streets, alleys and other public grounds within the City by the Franchisee pursuant to the franchise established hereby.

Duke Energy Kentucky currently owns both electric and natural gas plant and equipment in the City of Erlanger that is sufficient to render service as required under the franchise established by the City. As such, pursuant to K.R.S. 96.020(2) and Section 3.2 of the Ordinance, this bid is tendered with the understanding that no bond is required with the submission of this bid. Moreover, the Company's bid is also conditioned upon the City's Mayor granting a waiver of the Surety Bond requirement set forth in Section 3.10.1 and the Liability Insurance requirement set forth in Section 3.10.2 of the Ordinance, as contemplated therein. The Company's bid is also submitted, in part, in reliance upon the representation of counsel for the City that there are currently no fees associated with applying for or receiving the permits described in Section 3.9 of the Ordinance, and that no such fees are contemplated. Duke Energy Kentucky respectfully requests that each of these waivers be included, and that each of these conditions be accepted, in any subsequent ordinance accepting this bid.

In compliance with the Ordinance, the attached tariffs, which are made a part hereof, shall upon acceptance hereof and due filing, be applicable to service rendered within the City, until lawfully changed.

Respectfully submitted,

DUKE ENERGY KENTUCKY, INC.



James P. Henning, President
Duke Energy Kentucky, Inc.

enclosure