



Mailing Address:  
139 East Fourth Street  
1303-Main  
Cincinnati, Ohio 45202  
o 513-287-4320  
f 513-287-4385

Rocco.D'Ascenzo@duke-energy.com  
Rocco O. D'Ascenzo  
Associate General Counsel

**VIA OVERNIGHT DELIVERY**

October 26, 2016

Talina Rose Matthews  
Executive Director  
Kentucky Public Service Commission  
211 Sower Blvd  
Frankfort, KY 40602-0615

RECEIVED

OCT 27 2016

PUBLIC SERVICE  
COMMISSION

**Re: In the Matter of the Application of Duke Energy Kentucky, Inc. for an Order Authorizing the Issuance of Unsecured Debt and Long-Term Notes, Execution and Delivery of Long-Term Loan Agreements, and Use of Interest Rate Management Instruments**  
Case No. 2016-\_\_\_\_\_

And

**In the Matter of the Application of Duke Energy Kentucky, Inc. for an Order to Enter into up to \$25,000,000 Principal Amount of Capital Lease Obligations**  
Case No. 2016- 00380

Dear Ms. Matthews:

Enclosed please find an original and twelve copies of each of the above-referenced Applications.

Please assign a separate case number for each enclosed Application and file-stamp and return two extra copies of each in the enclosed overnight envelope.

Feel free to contact me should you have any questions.

Respectfully submitted,

Rocco D'Ascenzo (92796)  
Associate General Counsel  
Duke Energy Kentucky, Inc.  
139 East Fourth Street, 1313 Main  
Cincinnati, Ohio 45201-0960  
(513) 287-4320  
(513) 287-4385 (f)  
[Rocco.D'Ascenzo@duke-energy.com](mailto:Rocco.D'Ascenzo@duke-energy.com)  
Counsel for Duke Energy Kentucky, Inc.

**COMMONWEALTH OF KENTUCKY**

**BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of the Application of Duke Energy )  
Kentucky, Inc. for an Order to Enter into up to )  
\$25,000,000 Principal Amount of Capital Lease )  
Obligations )

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COMMISSION

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**APPLICATION FOR CAPITAL LEASE AUTHORITY**

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Pursuant to KRS 278.300 and 807 KAR 5:001 Sections 12 and 18, Duke Energy Kentucky, Inc. (Duke Energy Kentucky) respectfully requests that the Commission authorize Duke Energy Kentucky to issue capital leases, and enter into all necessary agreements and other documents relating thereto, as more fully described herein. In support of this Application, Duke Energy Kentucky states as follows:

1. **807 KAR 5:001 Section 18(1)(a).** Pursuant to 807 KAR 5:001, Section 14(2), Duke Energy Kentucky is a Kentucky Corporation that was originally incorporated on March 20, 1901, is in good standing, and, as a public utility, as that term is defined in KRS 278.010(3), is subject to the Commission's jurisdiction. Duke Energy Kentucky is engaged in the business of providing retail gas and electric service to its customers in Northern Kentucky in various municipalities and unincorporated areas of Kenton, Campbell, Boone, Gallatin, Grant, and Pendleton Counties. Duke Energy Kentucky is thus subject to the Commission's jurisdiction. Duke Energy Kentucky's business address is 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's email address is

[KYfilings@duke-energy.com](mailto:KYfilings@duke-energy.com). Duke Energy Kentucky's articles of incorporation are on file with the Commission in Case No. 2013-00097 and are hereby incorporated by reference.

2. **807 KAR 5:001 Section 18(1)(b).** As of June 30, 2016, the original cost of Duke Energy Kentucky's property was \$2,111,739,000. The Company's principal properties consist of electric generating plants, and gas and electric distribution facilities.

3. **807 KAR 5:001 Section 18(1)(c).** Duke Energy Kentucky proposes, with the necessary consent and authority of this Commission, to enter into from time to time over a period ending December 31, 2018, up to \$25 million principal amount of capital lease obligations (Capital Leases). Duke Energy Kentucky proposes to utilize Capital Leases purely as another form of financing its capital requirements. The Capital Leases will have structures and terms similar to other forms of debt financing, but with the potential, in certain instances, to lower the overall cost associated with financing property acquisitions.

Capital Leases will be used to finance new property, including construction, or re-finance existing property, in order to optimize the cost of financing commensurate with such property's expected life (such property being more fully described in "Property Expected to be Leased" below).

Advantages of Leasing. Leasing can allow Duke Energy Kentucky to access lower cost funds. One reason for this is because lessors may have a higher credit rating than Duke Energy Kentucky, and therefore, may secure capital at a lower cost. Capital leasing may also deliver lower cost funds because the lessor may be better able to use the tax depreciation benefits than the lessee, thus lowering the cost of financing. Some portion of this lower cost may be passed on to Duke Energy Kentucky, along with a spread for profit to the lessor, which usually is at a cost below what Duke Energy Kentucky could have obtained otherwise.

Established financing practices are employed to determine whether ownership or lease (including sale/leaseback) of certain assets is the appropriate method of financing. The impact on earnings and cash flow for available financing alternatives are analyzed.

Capital lease financing is similar to debt except that for certain acquisitions it can be more easily tailored to match the useful life of the acquisition. It is often more effective to enter into a capital lease whose maturity is concurrent with an asset's useful life than to issue a large amount of bonds for a basket of assets having various useful lives. When compared to bonds, the effective cost of capital lease financing may be lower due to reduced transaction costs. And, in the case of variable rate leases, small interest spreads over short-term borrowing indexes such as London Interbank Offered Rate (LIBOR) may be negotiated, thus making Capital Leases a cost-effective source of financing which may lower overall utility costs.

Property Expected to be Leased. The property expected to be leased will consist of equipment used in Duke Energy Kentucky's operations including, but not limited to, meters, computers and office equipment, and intangible property such as software and site licenses (collectively, the Property). The Property may also include land, plant or equipment in service, plant under construction or land, plant or equipment to be acquired or constructed.

Accounting. Duke Energy Kentucky proposes to account for the Capital Leases as prescribed by the Federal Energy Regulatory Commission Uniform System of Accounts as currently in effect.

The amount financed under each Capital Lease, excluding transaction costs, is not expected to be more than the net capitalized cost of the Property or the appraised value of the Property (in the event more than the capitalized cost is financed).

In accordance with generally accepted accounting principles, the net capitalized cost of property usually includes installation, training, allowance for funds, administrative overhead and other costs capitalized in connection with acquiring and placing the property in service. Such costs are expected to be included in the Property cost financed under a Capital Lease.

Method of Transacting Capital Leases. To effectuate the lease transactions, Duke Energy Kentucky will: (1) obtain third-party lease financing for Property acquisitions; or (2) in the case of existing Property, sell the Property to a third-party finance lessor (Lessor), and simultaneously therewith Duke Energy Kentucky will lease the Property back from the Lessor. In connection therewith, the terms of each Capital Lease will be approved by Duke Energy Kentucky's Board of Directors, or by such persons authorized by the Board, and it is anticipated that an agreement setting forth the terms of each Capital Lease will be executed.

In the case of new Property that is acquired or constructed, the Lessor will either: (a) pay the vendor and Duke Energy Kentucky for their respective costs associated with the acquisition; or (b) reimburse Duke Energy Kentucky for the capitalized cost of the property, with Duke Energy Kentucky concurrently paying the vendor the invoice cost; this latter option being undertaken solely to allow for administrative efficiencies.

Related Agreements. Duke Energy Kentucky may enter into one or more participation agreements with its affiliates and the Lessor in connection with the Capital Leases, with such agreements defining Duke Energy Kentucky's role as principal and, as applicable, agent on behalf of its affiliates for billing and payment remittance purposes. Such arrangements will be undertaken solely for administrative efficiencies and convenience of the parties involved.



End of Term Options. At the end of each initial or renewal lease term, it is anticipated that Duke Energy Kentucky will have an option to either: (a) renew each Capital Lease pursuant to arm's length negotiation with the then existing Lessor or other lessors; (b) purchase the Property; or (c) terminate the Capital Lease.

Pricing Parameters. Duke Energy Kentucky has parameters within which the final negotiated Capital Leases, including sale and leasebacks, and rental obligations will fall, and requests authority to execute Capital Leases of the Property within such parameters. The parameters, as set forth in Exhibit A, would allow Duke Energy Kentucky to consummate transactions when it believes it is prudent to do so provided the terms are within the parameters.

Commission Authorization. Duke Energy Kentucky requests that the Commission issue its order authorizing the Capital Leases now, prior to the time Duke Energy Kentucky reaches specific agreement with respect to the terms of such lease transactions, to provide the Company flexibility in entering into the leases. Such Commission approval will not relieve Duke Energy Kentucky of its responsibility to obtain the best terms available for the structure selected and, therefore, it is appropriate and reasonable for this Commission to authorize Duke Energy Kentucky to agree to such terms and prices consistent with said parameters.

4. **807 KAR 5:001 Section 18(1)(d).** The proceeds from the Capital Lease obligations are expected to be used: (a) for necessary acquisitions of property, and estimated capital expenditures of approximately \$109 million in 2016 and \$190 million in 2017 and \$192 million in 2018; (b) for re-financing existing property; (c) for such additional expenditures as contemplated by KRS 278.300; or (d) for other lawful corporate purposes. Therefore, Capital Lease transactions are necessary and appropriate for and consistent with the proper performance

by Duke Energy Kentucky of its services to the public, will not impair its ability to perform those services, and are reasonably necessary and appropriate for such purposes.

5. **807 KAR 5:001 Section 18(1)(e).** See Exhibit B concerning estimated capital expenditures, attached hereto, and made a part hereof. Duke Energy Kentucky does not currently have any specific agreements other than those entered into under the existing authority and as reported to the Commission in 2014-00344. Duke Energy Kentucky requests that the Commission issue its order authorizing the Capital Leases now, prior to the time Duke Energy Kentucky reaches specific agreement with respect to the terms of such lease transactions, to provide the Company flexibility in entering into the leases. Duke Energy Kentucky will notify the Commission of the terms of any such agreements if and when the Company enters in to a Capital Lease.

6. **807 KAR 5:001 Section 12(1)(f).** This section is not applicable, since no specific discharge of obligations is contemplated at this time from transacting the Capital Leases.

7. **807 KAR 5:001 Section 12(1)(g).** In Case No. 2014-00344, the Commission approved up to \$25 million in principal amount of Capital Lease obligations for the period ending December 31, 2016. As of June 30, 2016, there remained approximately \$25 million of available authority.

8. **807 KAR 5:001 Section 12 and Section 18(2)(a).** Duke Energy Kentucky is filing the following information in Exhibit C, which is incorporated herein and made a part of this application:

<u>Exhibit C</u> <u>Page</u>	<u>Description</u>	<u>807 KAR 5:001</u> <u>Section Reference</u>
	Financial Exhibit	12 and 18(2)(a)
1	Amount and kinds of stock authorized	12(2)(a)

1	Amount and kinds of stock issued and outstanding	12(2)(b)
1	Terms of preference or preferred stock	12 (2)(c)
1	Brief description of each mortgage on property of Duke Energy Kentucky	12(2)(d)
1-2	Amount of bonds authorized and issued and related information	12(2)(e)
2	Notes outstanding and related information	12(2)(f)
2-3	Other indebtedness and related information	12(2)(g)
4	Dividend information	12(2)(h)
4-6	Detailed Income Statement and Balance Sheet	12(2)(i)


9. **807 KAR 5:001 Section 18(2)(b).** This section is not applicable, as there are no related deeds of trust or mortgage documents relevant to this application.

10. **807 KAR 5:001 Section 18(2)(c).** The proposed construction is primarily comprised of installations, improvements and extensions in the ordinary course of business as a utility. It is therefore impractical to submit maps and plans pertaining thereto.

WHEREFORE, Duke Energy Kentucky respectfully requests that the Commission issue an order authorizing Duke Energy Kentucky to enter into up to \$25 million principal amount of Capital Leases, including sale and leasebacks, for the purposes herein stated and in a manner as herein set forth, and authorizing Duke Energy Kentucky to account for such Capital Leases in the manner as herein set forth.



DUKE ENERGY KENTUCKY, INC.

By:   
Stephen G. De May  
Senior Vice President, Tax and Treasurer

Its Attorneys:

  
Rocco D'Ascenzo

Associate General Counsel  
Amy B. Spiller  
State Regulatory General Counsel  
Duke Energy Kentucky, Inc.  
139 East Fourth Street  
1303-Main  
Cincinnati Ohio 45202  
513-287-4359 (telephone)  
513-287-4385 (facsimile)  
Email: [rocco.d'ascenzo@duke-energy.com](mailto:rocco.d'ascenzo@duke-energy.com)

VERIFICATION

State of North Carolina     )  
  )   SS:  
County of Mecklenburg     )

Stephen G. De May, being first duly sworn, states that he is Senior Vice President, Tax and Treasurer of Duke Energy Business Services LLC; that he has read the foregoing application; and that the contents are true to the best of his knowledge, information and belief.

Stephen G. De May  
Stephen G. De May

Subscribed and sworn to before me, this 26<sup>th</sup> day of October, 2016.

Phoebe P. Elliott  
Notary Public

My Commission Expires:  
June 26, 2021

Phoebe P. Elliott  
Notary Public  
Mecklenburg County, NC

**Duke Energy Kentucky, Inc.**

**Capital Lease Parameter Summary**

<b>Property Description:</b>	The property expected to be leased will consist of equipment used in Duke Energy Kentucky's operations including, but not limited to, meters, computers and office equipment, and intangible property such as software and site licenses (collectively, the "Property"). The Property may also include land, plant or equipment in service, plant under construction or land, plant or equipment to be acquired or constructed.
<b>Use of Proceeds:</b>	To acquire property, fund construction expenditures, refinance existing property or for other general corporate purposes.
<b>Principal Amount:</b>	Up to \$25 million, depending on the capitalized cost or appraised value of the property, plus transaction costs.
<b>Lessor:</b>	One or more lessors to be named.
<b>Lease Term:</b>	To be determined.
<b>Lease Cost:</b>	Aggregate cost of rental payments, commitment fees and closing costs during each initial or renewal period that results in an interest rate (implicit or otherwise) that is equal to or less than those generally obtainable on capital lease financing having the same or reasonably similar terms offered to, or entered into, by utility companies or utility holding companies of the same or reasonably comparable credit quality.

**Duke Energy Kentucky**  
**Capital Expenditures**  
**(\$ in thousands)**

	2016		2017		2018	
New generation	\$	10,700	\$	0	\$	0
Environmental		27,600		33,900		49,000
Customer additions		8,200		8,000		8,300
Grid modernization		9,200		41,900		24,000
Distribution & gas expansion		2,500		8,800		800
Maintenance		50,600		97,700		110,200
<b>Total Forecasted Capital Expenditures</b>	<b>\$</b>	<b>108,800</b>	<b>\$</b>	<b>190,300</b>	<b>\$</b>	<b>192,300</b>

Notes:

1) Includes all additions (account 107000) and retirements (account 108000), including all AFUDC

**FINANCIAL EXHIBIT**

(1) **Section 12(2)(a) Amount and kinds of stock authorized.**

1,000,000 shares of Capital Stock \$15 par value amounting to \$15,000,000 par value.

(2) **Section 12(2)(b) Amount and kinds of stock issued and outstanding.**

585,333 shares of Capital Stock \$15 par value amounting to \$8,779,995 total par value. Total Capital Stock and Additional Paid-in Capital as of July 31, 2016:

Capital Stock and Additional Paid-in Capital  
As of July 31, 2016  
(\$ per 1,000)

Capital Stock	\$8,780
Premiums thereon	18,839
Total Capital Contributions from Parent (since 2006)	8,594
Contribution from Parent Company for Purchase of Generation Assets	<u>140,061</u>
Total Capital Stock and Additional Paid-in-Capital	<u>\$176,274</u>

(3) **Section 12(2)(c) Terms of preference or preferred stock, cumulative or participating, or on dividends or assets or otherwise.**

There is no preferred stock authorized, issued or outstanding.

(4) **Section 12(2)(d) Brief description of each mortgage on property of applicant, giving date of execution, name of mortgagor, name or mortgagee, or trustee, amount of indebtedness authorized to be secured, and the amount of indebtedness actually secured, together with any sinking fund provision.**

Duke Energy Kentucky does not have any liabilities secured by a mortgage.

(5) **Section 12(2)(e) Amount of bonds authorized, and amount issued, giving the name of the public utility which issued the same, describing each class separately, and giving the date of issue, face value, rate of interest, date of maturity and how secured, together with the amount of interest paid thereon during the last fiscal year.**

The Company has four outstanding issues of unsecured senior debentures issued under an Indenture dated December 1, 2004, between itself and Deutsche Bank Trust Company Americas, as Trustee, as supplemented by three Supplemental Indentures. The Indenture allows the Company to issue debt securities in an unlimited amount

from time to time. The Debentures issued and outstanding under the Indenture are the following:

Supplemental Indenture	Date of Issue	Principal Amount Authorized and Issued	Principal Amount Outstanding	Rate of Interest	Date of Maturity	Interest Paid Year 2015
1 <sup>st</sup> Supplemental	3/7/2006	50,000,000	0	5.750%	3/10/2016	2,875,000
1 <sup>st</sup> Supplemental	3/7/2006	65,000,000	65,000,000	6.200%	3/10/2036	4,030,000
2 <sup>nd</sup> Supplemental	9/22/2009	100,000,000	100,000,000	4.650%	10/1/2019	4,650,000
3 <sup>rd</sup> Supplemental	1/5/2016	45,000,000	45,000,000	3.420%	1/15/2026	0
3 <sup>rd</sup> Supplemental	1/5/2016	50,000,000	50,000,000	4.450%	1/15/2046	0
			260,000,000			11,555,000

- (6) **Section 12(2)(f) Each note outstanding, giving date of issue, amount, date of maturity, rate of interest, in whose favor, together with amount of interest paid thereon during the last fiscal year.**

Not applicable.

- (7) **Section 12(2)(g) Other indebtedness, giving same by classes and describing security, if any, with a brief statement of the devolution or assumption of any portion of such indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid thereon during the last fiscal year.**

The Company has two series of Pollution Control Revenue Refunding Bonds issued under a Trust Indenture dated as of August 1, 2006 and a Trust Indenture dated as of December 1, 2008, between the County of Boone, Kentucky and Deutsche Bank National Trust Company as Trustee. The Company's obligation to make payments equal to debt service on the Bonds is evidenced by a Loan Agreement dated as of August 1, 2006 and December 1, 2008 between the County of Boone, Kentucky and Duke Energy Kentucky. The Bonds issued under the Indentures are as follows:

Indenture	Date of Issue	Principal Amount Authorized and Issued	Principal Amount Outstanding	Rate of Interest	Date of Maturity	Interest Paid Year 2015
Series 2010	11/24/2010	26,720,000	26,720,000	0.04% <sup>(1)</sup>	8/1/2027	9,531
Series 2008A	12/01/2011	50,000,000	50,000,000	1.07% <sup>(2)</sup>	8/1/2027	536,552
			76,720,000			546,083



(1) The interest rate represents the average floating-rate of interest on the bonds for 2015. The interest rate on the bonds resets every 7 days through an auction process. The variable-rate debt was swapped to a fixed rate of 3.86% for the life of the debt.

(2) The interest rate represents the average floating-rate of interest on the bonds for 2015. The interest rate on the bonds resets on the first day of every month based on 75% of the sum of one month and spread of 1.25%.

The Company has issued and has outstanding as of July 31, 2016 the following capital leases:

Series	Date of Issue	Principal Amount Authorized and Issued	Principal Amount Outstanding	Rate of Interest	Date of Maturity
Erlanger	12/30/2006	2,100,000	887,135	8.634	09/30/2020
2007	12/31/2007	3,066,955	673,068	5.115	12/31/2016
2009	04/21/2009	3,429,432	1,124,210	4.821	04/21/2018
2010	06/18/2010	<u>955,061</u>	<u>415,271</u>	3.330	06/18/2019
		<u>9,551,448</u>	<u>3,099,684</u>		

The Company also has \$25,000,000 of money pool borrowings outstanding as of July 31, 2016, which is classified as Long-Term Debt payable to affiliated companies. This obligation, which is short-term by nature, is classified as long-term due to Duke Energy Kentucky's intent and ability to utilize such borrowings as long-term financing.

(8) **Section 12(2)(h) Rate and amount of dividends paid during the last five (5) previous fiscal years, and the amount of capital stock on which dividends were paid each year.**

**DIVIDENDS PER SHARE**

Year Ending	Per Share	Total	No. of Shares	Par Value of Stock
December 31, 2011	230.64	135,000,000	585,333	8,779,995
December 31, 2012	17.08	10,000,000	585,333	8,779,995
December 31, 2013	68.34	40,001,000	585,333	8,779,995
December 31, 2014	0.00	0	585,333	8,779,995
December 31, 2015	93.96	55,000,000	585,333	8,779,995

(9) **Section 12(2)(i) Detailed Income Statement and Balance Sheet**

See the attached pages for the detailed Income Statement for the twelve months ended July 31, 2016 and the detailed Balance Sheet as of July 31, 2016.

**FINANCIAL EXHIBIT**

**(1) Section 12(2)(a) Amount and kinds of stock authorized.**

1,000,000 shares of Capital Stock \$15 par value amounting to \$15,000,000 par value.

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**(3) Section 12(2)(c) Terms of preference or preferred stock, cumulative or participating, or on dividends or assets or otherwise.**

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**(5) Section 12(2)(e) Amount of bonds authorized, and amount issued, giving the name of the public utility which issued the same, describing each class separately, and giving the date of issue, face value, rate of interest, date of maturity and how secured, together with the amount of interest paid thereon during the last fiscal year.**

The Company has four outstanding issues of unsecured senior debentures issued under an Indenture dated December 1, 2004, between itself and Deutsche Bank Trust Company Americas, as Trustee, as supplemented by three Supplemental Indentures. The Indenture allows the Company to issue debt securities in an unlimited amount

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December 31, 2015	93.96	55,000,000	585,333	8,779,995

(9) **Section 12(2)(i) Detailed Income Statement and Balance Sheet**

See the attached pages for the detailed Income Statement for the twelve months ended July 31, 2016 and the detailed Balance Sheet as of July 31, 2016.



DUKE ENERGY KENTUCKY, INC.  
CONDENSED STATEMENTS OF OPERATIONS  
(Unaudited)  
(In thousands)

	Twelve Months Ended July 31 2016	
<b>Operating Revenues</b>		
Electric	339,699	
Gas	83,953	
<b>Total operating revenues</b>	423,652	-
<b>Operating Expenses</b>		
Fuel used in electric generation and purchased power	125,374	
Natural gas purchased	28,306	
Operation, maintenance and other	135,099	
Depreciation and amortization	39,834	
Property and other taxes	13,956	
Goodwill and other impairment charges	-	
<b>Total operating expenses</b>	342,569	-
<b>Gains on Sales of Other Assets and Other, net</b>	-	
<b>Operating Income</b>	81,083	-
<b>Other Income and Expenses, net</b>	1,837	
<b>Interest Expense</b>	14,959	
<b>Income Before Income Taxes</b>	67,961	-
<b>Income Tax Expense</b>	23,141	
<b>Income From Continuing Operations</b>	44,820	-
<b>Income From Discontinued Operations, net of tax</b>	-	
<b>Net Income</b>	44,820	-

DUKE ENERGY KENTUCKY, INC.  
Condensed Balance Sheets  
(Unaudited)

(in thousands, except share amounts)	July 31, 2016	December 31, 2015		
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	4,960	9,141		
Receivables (net of allowance for doubtful accounts of \$135 at July 31, 2016 and \$195 at December 31, 2015)	2,616	5,488		
Receivables from affiliated companies	14,872	11,499		
Notes receivable from affiliated companies	575	-		
Inventory	40,605	44,141		
Regulatory Assets	4,844	8,879		
Other	25,635	36,956		
Total Current Assets	94,107	116,104	-	-
<b>Investments and Other Assets</b>				
Intangibles, net	103	89		
Other	2,360	6,359		
Total Investments and Other Assets	2,463	6,448	-	-
<b>Property, Plant and Equipment</b>				
Cost	2,115,683	2,079,761		
Less Accumulated Depreciation and Amortization	(937,825)	(923,578)		
Net Property Plant and Equipment	1,177,858	1,156,183	-	-
<b>Regulatory Assets and Deferred Debits</b>				
Regulatory Assets	78,780	61,411		
Other	284	332		
Total Regulatory Assets and Deferred Debits	79,064	61,743	-	-
<b>Total Assets</b>	<b>1,353,492</b>	<b>1,340,478</b>	-	-
<b>LIABILITIES AND COMMON STOCKHOLDERS' EQUITY</b>				
<b>Current Liabilities</b>				
Accounts Payable	16,244	25,654		
Accounts payable to affiliated companies	8,690	14,426		
Notes payable to affiliated companies	-	55,743		
Taxes Accrued	9,149	10,550		
Interest Accrued	3,384	3,343		
Current Maturities of Long-Term Debt	51,168	101,519		
Regulatory Liabilities	754	2,668		
Other	20,741	19,260		
Total Current Liabilities	110,130	233,163	-	-
<b>Long-Term Debt</b>				
<b>Notes payable to affiliated companies</b>	<b>25,000</b>	<b>25,000</b>	-	-
<b>Deferred Credits and Other Liabilities</b>				
Deferred Income Taxes	305,679	289,642		
Investment Tax Credit	769	887		
Accrued Pension and Other Post-Retirement Benefit Costs	11,623	11,649		
Asset Retirement Obligations	102,627	103,500		
Regulatory Liabilities	51,263	52,986		
Other	27,806	26,711		
Total Deferred Credits and Other Liabilities	499,767	485,375	-	-
<b>Commitments and Contingencies</b>				
<b>Equity</b>				
Common Stock, \$15.00 par value, 1,000,000 shares authorized and 585,333 shares outstanding at July 31, 2016 and December 31, 2015	8,780	8,780		
Additional Paid in Capital	167,494	167,494		
Retained Earnings	255,486	228,158		
Total Equity	431,760	404,432	-	-
<b>Total Liabilities and Equity</b>	<b>1,353,492</b>	<b>1,340,478</b>	-	-