

JAN 15 2015

PUBLIC SERVICE
COMMISSIONMailing Address:
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January 14, 2015

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

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. 2012-00575**

Dear Mr. Derouen:

Pursuant to the February 12, 2013, Order in the above-referenced case, Duke Energy Kentucky, Inc. (Duke Energy Kentucky or the Company) hereby reports the following Statement of Long-term Debt Issuance:

On December 15, 2014, the Company, used cash on hand and money pool borrowings to fund the maturity of its \$40 million 5.00% Debentures due December 15, 2014. A portion of the money pool borrowings were designated as permanent and will be classified as long-term debt on the Company's balance sheet.

Classifying the money pool borrowings as long-term debt avoids a long-term debt issuance of \$25 million, which would generally be issued at a higher interest rate. The money pool borrowings will simulate the issuance of a floating rate note and the long-term nature is supported by the Company's borrowing capacity under the long-term Master Credit Facility terminating December 18, 2018. The amount and initial interest rate on the borrowings for the permanent layer of money pool are as follows:

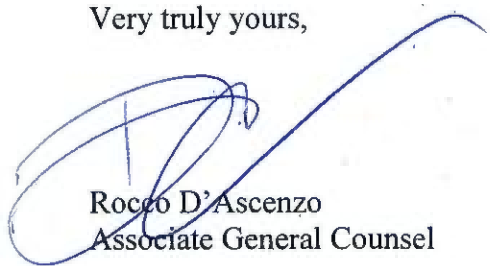
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Amount: \$25,000,000
Initial Interest Rate: 0.42%¹

Please file stamp the two copies of this letter enclosed herein and return in the enclosed return-addressed envelope.

Duke Energy Kentucky will continue to provide ongoing reporting as required under the Order. Thank you for your consideration in this matter.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'R. Ascenzo', with a long, sweeping flourish extending to the right.

Rocco D'Ascenzo
Associate General Counsel

cc: Jennifer Hans

¹ The proceeds for the money pool borrowings were obtained through Duke Energy Corporation's commercial paper program and loaned to the Company through the money pool. The commercial paper was issued at a discount, which is included in the calculation of the interest rate and includes fees and commissions for the commercial paper dealers.