



DUKE ENERGY CORPORATION

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VIA FACSIMILE (502-564-3460) AND OVERNIGHT DELIVERY

November 14, 2012

RECEIVED

Mr. Jeff Cline
Public Service Commission
Commonwealth of Kentucky
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

NOV 15 2012

PUBLIC SERVICE
COMMISSION

Re: In the Matter of an Adjustment of Gas Rates of The Union Light, Heat and Power Company, Case No. 2001-00092; and

In the Matter of the Joint Application of Duke Energy Corporation, Duke Energy Holding Corp., Deer Acquisition Corp., Cougar Acquisition Corp., Cinergy Corp., The Cincinnati Gas & Electric Company and The Union Light, Heat and Power Company for Approval of a Transfer and Acquisition of Control, Case No. 2005-00228.

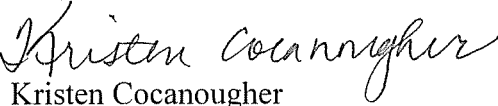
Dear Mr. Cline:

I have enclosed Duke Energy Kentucky, Inc.'s Third Quarter 2012 jurisdictional financial statements per order by the Commission in the above-referenced cases.

Please file-stamp the extra copy of this letter and return to me in the enclosed return-addressed envelope.

If you have any questions regarding the financial statements, please contact Mr. Jay Baucom Manager, Accounting at (980) 373-2147.

Very truly yours,


Kristen Cocanougher

Enclosures

cc: Mr. Jay Baucom
Mr. Matthew Schroeder

Duke Energy Kentucky, Inc.

Quarterly Supplemental Financial Statements
Balance Sheet - Page 1
As of September 30, 2012
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<u>Assets</u>				
Utility Plant in Service	1,246,225,958	408,326,850	12,381,510	1,666,934,318
Construction Work in Progress	18,171,678	4,761,462	-	22,933,140
Less Accum. Depreciation	(624,172,858)	(121,976,973)	(7,777,426)	(753,927,257)
Net Utility Plant	<u>640,224,778</u>	<u>291,111,339</u>	<u>4,604,084</u>	<u>935,940,201</u>
Nonutility Property	-	-	5,697,730	5,697,730
Other Investments	-	-	1,500	1,500
Total Other Property & Investments	<u>-</u>	<u>-</u>	<u>5,699,230</u>	<u>5,699,230</u>
Cash	5,726,400	2,351,046	(428,784)	7,648,662
Working Funds	-	-	-	-
Temporary Cash Investments	-	-	-	-
Customer Accounts Receivable	1,823,007	500,396	-	2,323,403
Other Accounts Receivable	1,509,183	619,614	(113,005)	2,015,792
Less Provision for Uncollectibles	(132,311)	(36,318)	-	(168,629)
Notes Receivable from Assoc. Co.	14,169,364	5,817,411	(1,060,980)	18,925,795
Accounts Receivable from Assoc. Co.	(13,639)	(5,600)	1,021	(18,218)
Fuel Stock	22,406,333	428,436	795,668	23,630,437
Gas Stored Underground Inventory	-	-	-	-
Plant Materials & Operating Supplies	17,106,964	71,290	-	17,178,254
Other Materials & Supplies	-	-	-	-
Stores Expense Undistributed	642,631	2,678	-	645,309
Prepayments	1,003,417	475,023	-	1,478,440
Emission Allowances	237,682	-	-	237,682
Derivative Instrument Assets	282,613	-	-	282,613
Interest & Dividends Receivable	-	-	-	-
Misc Current and Accrued Assets	8,032,383	5,690,037	-	13,722,420
Rents Receivable	17,765	-	-	17,765
Total Current & Accrued Assets	<u>72,811,792</u>	<u>15,914,013</u>	<u>(806,080)</u>	<u>87,919,725</u>
Unamortized Debt Expense	1,901,959	780,873	(142,416)	2,540,416
Other Regulatory Assets	14,489,902	2,447,617	-	16,937,519
Preliminary Survey & Investigation	2,001,008	821,539	(149,832)	2,672,715
Clearing Accounts	38,289	2,279	-	40,568
Temporary Facilities	-	-	-	0
Miscellaneous Deferred Debits	26,601,018	10,921,383	(1,991,843)	35,530,558
Unamortized Loss on Reacquired Debt	1,947,541	799,587	(145,829)	2,601,299
Accumulated Deferred Income Taxes	(758,199)	4,286,902	-	3,528,703
Unrecovered Purchased Gas Costs	-	(2,466,694)	-	(2,466,694)
Total Deferred Debits	<u>46,221,518</u>	<u>17,593,486</u>	<u>(2,429,920)</u>	<u>61,385,084</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>759,258,088</u></u>	<u><u>324,618,838</u></u>	<u><u>7,067,314</u></u>	<u><u>1,090,944,240</u></u>

Duke Energy Kentucky, Inc.

Quarterly Supplemental Financial Statements
Balance Sheet - Page 2
As of September 30, 2012
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<u>Proprietary Capital</u>				
Common Stock Issued	6,573,407	2,698,795	(492,207)	8,779,995
Premium on Capital Stock	14,104,342	5,790,715	(1,056,111)	18,838,946
Other Paid-in Capital Stock	111,295,167	45,693,632	(8,333,610)	148,655,189
Retained Earnings	151,083,723	71,214,456	(26,837,598)	195,460,581
Accumulated Other Comprehensive Income	-	-	-	-
Total Proprietary Capital	<u>283,056,639</u>	<u>125,397,598</u>	<u>(36,719,526)</u>	<u>371,734,711</u>
<u>Liabilities</u>				
Bonds	248,989,626	102,225,826	(18,643,958)	332,571,494
Less Unamortized Discount on Long-Term Debt	(480,983)	(197,474)	36,015	(642,442)
Total Long-Term Debt	<u>248,508,643</u>	<u>102,028,352</u>	<u>(18,607,943)</u>	<u>331,929,052</u>
Obligations Under Capital Leases - Noncurrent	5,197,968	2,134,060	-	7,332,028
Asset Retirement Obligation	2,051,588	4,063,022	-	6,114,610
Long-Term Portion of Derivative Instrument Liabilities	7,152,835	425,686	-	7,578,521
Accum. Misc. Operating Provisions	12,502,976	744,088	-	13,247,064
Total Other Noncurrent Liabilities	<u>26,905,367</u>	<u>7,366,856</u>	<u>-</u>	<u>34,272,223</u>
Accounts Payable	12,198,733	5,008,343	(913,422)	16,293,654
Notes Payable to Assoc. Co.	1,695,012	695,908	(126,920)	2,264,000
Accounts Payable to Assoc. Co.	13,267,332	5,447,070	(993,437)	17,720,965
Customer Deposits	5,281,221	3,551,729	-	8,832,950
Taxes Accrued	11,586,445	2,324,971	162,962	14,074,378
Interest Accrued	3,117,735	1,280,025	(233,451)	4,164,309
Tax Collections Payable	958,212	466,555	3,652	1,428,419
Misc. Current & Accrued Liabilities	6,378,344	379,593	-	6,757,937
Obligations Under Capital Leases - Current	1,365,591	560,652	-	1,926,243
Derivative Instrument Liabilities	8,089,624	481,436	-	8,571,060
Less: Long-Term Portion of Derivative Instrument Liabilities	(7,152,835)	(425,686)	-	(7,578,521)
Total Current & Accrued Liabilities	<u>56,785,414</u>	<u>19,770,596</u>	<u>(2,100,616)</u>	<u>74,455,394</u>
Customer Advances for Construction	-	712,549	-	712,549
Accum. Deferred Investment Tax Credits	153,048	935,514	111,948	1,200,510
Other Deferred Credits	16,586,821	5,839,925	-	22,426,746
Other Regulatory Liabilities	6,067,514	528,490	-	6,596,004
Accumulated Deferred Income Taxes	121,194,642	62,038,958	64,383,451	247,617,051
Total Deferred Credits	<u>144,002,025</u>	<u>70,055,436</u>	<u>64,495,399</u>	<u>278,552,860</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u><u>759,258,088</u></u>	<u><u>324,618,838</u></u>	<u><u>7,067,314</u></u>	<u><u>1,090,944,240</u></u>

Duke Energy Kentucky, Inc.

Quarterly Supplemental Financial Statements
Income Statement
For the 12 Months Ended September 30, 2012
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<u>Revenues</u>				
Residential Sales	125,841,896	60,735,552	-	186,577,448
Commercial Sales	114,846,046	21,087,239	-	135,933,285
Industrial Sales	54,208,261	1,601,185	-	55,809,446
Sales to Public Authorities	23,211,618	2,495,254	-	25,706,872
Public Street & Highway Lighting	1,520,516	979	-	1,521,495
Inter-Departmental Sales	64,976	19,298	-	84,274
Misc. Service Revenues	(77,290)	46,321	514,092	483,123
Revenues from Transportation	-	5,478,221	-	5,478,221
Sales for Resale	10,093,446	-	-	10,093,446
Rents from Property	722,019	-	1,046,802	1,768,821
Other Revenues	3,615,962	1,582	-	3,617,544
Total Revenues	<u>334,047,450</u>	<u>91,465,631</u>	<u>1,560,894</u>	<u>427,073,975</u>
<u>Operating Expenses</u>				
Operation Expense	221,724,886	60,151,654	18,272	281,894,812
Maintenance Expense	31,520,902	1,663,809	184,513	33,369,224
Depreciation Expense	29,955,345	10,125,776	889,750	40,970,871
Amortization and Depletion	2,701,674	1,380,621	-	4,082,295
Taxes Other than Income Taxes	8,105,365	3,946,520	30,888	12,082,773
Income Taxes - Federal & Other	4,009,278	(1,515,559)	139,503	2,633,222
Provision of Deferred Income Taxes - Net	3,727,988	14,268,236	(57,471)	17,938,753
Investment Tax Credit Adjustment	-	190	(190)	-
Total Operating Expenses	<u>301,745,438</u>	<u>90,021,247</u>	<u>1,205,265</u>	<u>392,971,950</u>
NET OPERATING INCOME	<u>32,302,012</u>	<u>1,444,384</u>	<u>355,629</u>	<u>34,102,025</u>
<u>Other Income & Deductions</u>				
Revenues from Merchandising, Jobbing and Contract Work	-	-	184,692	184,692
Less Expense of Merchandising, Jobbing and Contract Work	-	-	(75,601)	(75,601)
Revenues from Nonutility Operations	-	-	196,183	196,183
Interest & Dividend Income	-	-	1,575,460	1,575,460
AFUDC	419,177	(99,389)	-	319,788
Loss on Disposition of Property	-	-	468,150	468,150
Gain from Disposition of Allowances	-	-	(20,688)	(20,688)
Misc. Income Deductions	-	-	(2,638,286)	(2,638,286)
Taxes Other than Income Taxes	-	-	(174,190)	(174,190)
Income Taxes - Federal & Other	-	-	(2,929,529)	(2,929,529)
Provision for Deferred Income Taxes - Net	-	-	6,871,751	6,871,751
Total Other Income & Deductions	<u>419,177</u>	<u>(99,389)</u>	<u>3,457,942</u>	<u>3,777,730</u>
<u>Interest Charges</u>				
Interest on Long Term Debt	(10,584,076)	(4,345,426)	792,519	(14,136,983)
Amortization of Debt Disc. And Expense	(359,145)	(147,451)	26,892	(479,704)
Amortization of Loss on Reacquired Debt	(211,984)	(87,032)	15,873	(283,143)
Interest on Debt to Assoc Co	(1,087)	(447)	81	(1,453)
Other Interest Expense	(2,047,715)	(840,715)	153,330	(2,735,100)
Less Allowance for Borrowed Fund Used During Construction - Credit	240,583	(36,506)	-	204,077
Net interest Charges	<u>(12,963,424)</u>	<u>(5,457,577)</u>	<u>988,695</u>	<u>(17,432,306)</u>
Extraordinary Items after Taxes	-	-	-	-
NET INCOME	<u>19,757,765</u>	<u>(4,112,582)</u>	<u>4,802,266</u>	<u>20,447,449</u>

Duke Energy Kentucky, Inc.
Capital Structure
September 30, 2012

	Actual June 2012	Activity	Actual September 2012
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
Long-term debt	\$ 331,996,872	\$ 22,607	\$ 332,019,479
Obligations under Capital Lease-Noncurr	\$ 8,123,789	\$ (791,761)	\$ 7,332,028
Total Long-term debt	\$ 340,120,661	\$ (769,154)	\$ 339,351,507
Common Stock Equity			
Common Stock	\$ 8,779,995	\$ -	\$ 8,779,995
Premium On Capital Stock Common	\$ 18,838,946	\$ -	\$ 18,838,946
Donat Recvd From Stkhld	\$ 143,211,362	\$ -	\$ 143,211,362
Donat Recvd From Stkhld Tax	\$ 5,600,021	\$ -	\$ 5,600,021
Other Misc PIC	\$ (156,194)	\$ -	\$ (156,194)
Unappropriated RE Bal	\$ 178,389,554	\$ (10,000,000)	\$ 168,389,554
Unapp Ret Erngs-Curr Yr Net In	\$ 19,564,186	\$ 7,506,841	\$ 27,071,027
Total Common Stock Equity	\$ 374,227,870	\$ (2,493,159)	\$ 371,734,711
TOTAL CAPITALIZATION	\$ 714,348,531	\$ (3,262,313)	\$ 711,086,218