

Cline, Jeff D (PSC)

From: PSC_UFR_WebApp@ky.gov
Sent: Monday, April 29, 2013 8:24 AM
To: PSC - Reports; Cline, Jeff D (PSC); Owen, Kenneth R (PSC); Rhodes, Jim R (PSC)
Subject: 22210012 ALL Schedules Complete - Duke Energy Kentucky, Inc.(2012)

Importance: High

22210012 has just marked all schedules complete. The Utility Financial Report is ready for your review.
This message has been autogenerated by the PSC Utility Financial .NET Application.
Please do not respond to this message.

**ADDITIONAL INFORMATION TO BE FURNISHED WITH
ANNUAL REPORT
GAS PURCHASES**

(Accounts 800, 801, 802, 803, 804, 804.1, 805, 805.1, 805.2, 806)

Name of Seller	Account Number	Gas Purchased - Mcf	Cost of Gas
STORAGE CONTRA-EXPENSE	801	(1,039,466)	(4,060,551)
UNDETERMINED SUPPLIER	801	-	-
INTER-CO TRANSFER	801	(106,151)	(436,145)
SEQUENT	801	6,044,792	24,188,226
NEXTERA	801	2,089,170	7,767,382
NET	801	-	857,500
IT END-USER CASHOUT (BANK)	805	(14,661)	-
IT END-USER UNAUTHORIZED OVERRUN	805	4,402	-
		6,978,086	28,316,412

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APR 30 2013
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**ADDITIONAL INFORMATION TO BE FURNISHED WITH
ANNUAL REPORT**

GAS UTILITIES - CLASS A & B

Please furnish the following information, for Kentucky Operations only, and attach to your annual report.

Name of Counties in which you furnish Gas Service:

Boone County
Bracken County
Campbell County
Gallatin County
Grant County
Kenton County
Pendleton County

PUBLIC SERVICE COMMISSION ANNUAL REPORT BRANCH
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Duke Energy Kentucky, Inc.
Supplemental Gas Information
Revenues, Customers and MCF Sales

	<u>For Reporting Year 2012</u>		
	<u>Revenues</u>	<u>MCFs of Natural Gas Sold</u>	<u>Customers</u>
480 Residential	58,699,531	5,230,077	87,883
481 Commercial & Industrial Sales			
Small (or Commercial)	20,906,859	2,581,891	7,032
Large (or Industrial)	1,606,960	221,589	209
482 Other Sales to Public Authorities	2,399,947	335,058	357
484 Interdepartmental Sales	19,322	2,845	
TOTAL Sales to Ultimate Customers	83,632,619	8,371,460	95,481
483 Sales for Resale	-	-	
TOTAL Natural Gas Service	<u>83,632,619</u>	<u>8,371,460</u>	<u>95,481</u>

PUBLIC SERVICE COMMISSION
ANNUAL REPORT BRANCH

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OATH

Commonwealth of NORTH CAROLINA)
County of MECKLENBURG COUNTY) ss:

Steven K. Young makes oath and says
(Name of Officer)

that he/she is Vice President, Chief Accounting Officer and Controller of
(Official title of officer)

Duke Energy Kentucky, Inc.
(Exact legal title or name of respondent)

that it is her/her duty to have supervision over the books of account of the respondent and to control the manner in which such books are kept; that he/she knows that such books have, during the period covered by the foregoing report, been kept in good faith in accordance with the accounting and other orders of the Public Service Commission of Kentucky, effective during the said period; that he/she has carefully examined the said report and to have the best of his/her knowledge and belief the entries contained in the said report have, so far as they relate to matters of account, been accurately taken from the said books of account and are in exact accordance therewith; that he/she believes that all other statements of fact contained in the said report are true; and that the said report is a correct and complete statement of the business and affairs of the above-named respondent during the period of time from and including

January 1, 2012, to and including December 31, 2012

Steven K. Young
(Signature of Officer)

subscribed and sworn to before me, a Notary Public, in and for
the State and County named in the above this 16 day of April, 2013

(Apply Seal Here)

My Commission expires October 24, 2014

Kim V. Beal
(Signature of officer authorized to administer oath)



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ANNUAL REPORT BRANCH

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Duke Energy Kentucky, Inc. 01/01/2012 - 12/31/2012

No Errors Found in Total Rows
CheckList Items

Item	value 1	value 2	Agree	Explain
Statement of Income (continued) (Ref Pg 116) Line 49. Provision for Deferred Inc. Taxes agrees with Sched Accumulated Deferred Income Taxes (Ref Pg 234) Line Total Acct 190 Col 410.2 (e)	259817.00	228625.00	False	VALUE 2 SHOULD ALSO INCLUDE \$31,192 (PAGE 275, COLUMN E) AND \$0 (PAGE 277, COLUMN E) WHICH ARE AMOUNTS DEBITED TO 410.2
Statement of Income (continued) (Ref Pg 116) Line 52. (Less) Provision for Deferred Inc. Taxes CR agrees with Sched Accumulated Deferred Income Taxes (Ref Pg 234) Line Total Acct 190 Col 411.2 (f)	3387854.00	35603.00	False	VALUE 2 SHOULD ALSO INCLUDE \$3,352,251 (PAGE 275, COLUMN F) AND \$0 (PAGE 277, COLUMN F) WHICH ARE AMOUNTS DEBITED TO 410.2

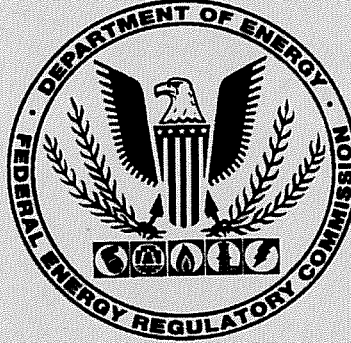


THIS FILING IS

Item 1: An Initial (Original) Submission OR Resubmission No. _____

Form 2 Approved
OMB No.1902-0028
(Expires 10/31/2014)

Form 3-Q Approved
OMB No.1902-0205
(Expires 05/31/2014)



PUBLIC SERVICE COMMISSION
ANNUAL REPORT BRANCH

APR 30 2013

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FERC FINANCIAL REPORT

FERC FORM No. 2: Annual Report of Major Natural Gas Companies and Supplemental Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Natural Gas Act, Sections 10(a), and 16 and 18 CFR Parts 260.1 and 260.300. Failure to report may result in criminal fines, civil penalties, and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of a confidential nature.

Exact Legal Name of Respondent (Company)

Duke Energy Kentucky, Inc.

Year/Period of Report

End of 2012/Q4

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder of
Duke Energy Kentucky, Inc.
Charlotte, North Carolina

We have audited the accompanying financial statements of Duke Energy Kentucky, Inc. (the "Company"), which comprise the balance sheet — regulatory basis as of December 31, 2012, and the related statements of income — regulatory basis, retained earnings — regulatory basis, and cash flows — regulatory basis for the year then ended, included on pages 110 through 122 of the accompanying Federal Energy Regulatory Commission Form 2, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors and Stockholder of
Duke Energy Kentucky, Inc.
April 16, 2013
Page 2

Opinion

In our opinion, the regulatory-basis financial statements referred to above present fairly, in all material respects, the assets, liabilities, and proprietary capital of Duke Energy Kentucky, Inc. as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases.

Basis of Accounting

As discussed on pages 122.1 and 122.2, these financial statements were prepared in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restricted Use

This report is intended solely for the information and use of the board of directors and management of the Company and for filing with the Federal Energy Regulatory Commission and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP

April 16, 2013

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QUARTERLY/ANNUAL REPORT OF MAJOR NATURAL GAS COMPANIES

IDENTIFICATION

01 Exact Legal Name of Respondent Duke Energy Kentucky, Inc.		Year/Period of Report End of <u>2012/Q4</u>	
03 Previous Name and Date of Change (If name changed during year)			
04 Address of Principal Office at End of Year (Street, City, State, Zip Code) 1697 A. Monmouth Street, Newport, KY 41071			
05 Name of Contact Person Sharon Hood		06 Title of Contact Person Lead Accounting Analyst	
07 Address of Contact Person (Street, City, State, Zip Code) 550 South Tryon Street, Charlotte, NC 28202			
08 Telephone of Contact Person, Including Area Code 704-382-3451		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	10 Date of Report (Mo, Da, Yr)

ANNUAL CORPORATE OFFICER CERTIFICATION

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

11 Name Steven K. Young		12 Title Controller/Chief Accounting Officer/VP	
13 Signature <i>Steven K. Young</i>		14 Date Signed 04/16/2013	

Title 18, U.S.C. 1001, makes it a crime for any person knowingly and willingly to make to any Agency or Department of the United States any false, fictitious or fraudulent statements as to any matter within its jurisdiction.

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2012/Q4
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List of Schedules (Natural Gas Company)

Enter in column (d) the terms "none," "not applicable," or "NA" as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the responses are "none," "not applicable," or "NA."

Line No.	Title of Schedule (a)	Reference Page No. (b)	Date Revised (c)	Remarks (d)
	GENERAL CORPORATE INFORMATION AND FINANCIAL STATEMENTS			
1	General Information	101		
2	Control Over Respondent	102		
3	Corporations Controlled by Respondent	103		N/A
4	Security Holders and Voting Powers	107		
5	Important Changes During the Year	108		
6	Comparative Balance Sheet	110-113		
7	Statement of Income for the Year	114-116		
8	Statement of Accumulated Comprehensive Income and Hedging Activities	117		
9	Statement of Retained Earnings for the Year	118-119		
10	Statements of Cash Flows	120-121		
11	Notes to Financial Statements	122		
	BALANCE SHEET SUPPORTING SCHEDULES (Assets and Other Debits)			
12	Summary of Utility Plant and Accumulated Provisions for Depreciation, Amortization, and Depletion	200-201		
13	Gas Plant in Service	204-209		
14	Gas Property and Capacity Leased from Others	212		
15	Gas Property and Capacity Leased to Others	213		N/A
16	Gas Plant Held for Future Use	214		N/A
17	Construction Work in Progress-Gas	216		
18	Non-Traditional Rate Treatment Afforded New Projects	217		N/A
19	General Description of Construction Overhead Procedure	218		
20	Accumulated Provision for Depreciation of Gas Utility Plant	219		
21	Gas Stored	220		
22	Investments	222-223		
23	Investments in Subsidiary Companies	224-225		N/A
24	Prepayments	230		
25	Extraordinary Property Losses	230		N/A
26	Unrecovered Plant and Regulatory Study Costs	230		N/A
27	Other Regulatory Assets	232		
28	Miscellaneous Deferred Debits	233		
29	Accumulated Deferred Income Taxes	234-235		
	BALANCE SHEET SUPPORTING SCHEDULES (Liabilities and Other Credits)			
30	Capital Stock	250-251		
31	Capital Stock Subscribed, Capital Stock Liability for Conversion, Premium on Capital Stock, and Installments Received on Capital Stock	252		
32	Other Paid-in Capital	253		
33	Discount on Capital Stock	254		N/A
34	Capital Stock Expense	254		N/A
35	Securities issued or Assumed and Securities Refunded or Retired During the Year	255		
36	Long-Term Debt	256-257		
37	Unamortized Debt Expense, Premium, and Discount on Long-Term Debt	258-259		

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of <u>2012/Q4</u>
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List of Schedules (Natural Gas Company) (continued)

Enter in column (d) the terms "none," "not applicable," or "NA" as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the responses are "none," "not applicable," or "NA."

Line No.	Title of Schedule (a)	Reference Page No. (b)	Date Revised (c)	Remarks (d)
38	Unamortized Loss and Gain on Reacquired Debt	260		
39	Reconciliation of Reported Net Income with Taxable Income for Federal Income Taxes	261		
40	Taxes Accrued, Prepaid, and Charged During Year	262-263		
41	Miscellaneous Current and Accrued Liabilities	268		
42	Other Deferred Credits	269		
43	Accumulated Deferred Income Taxes-Other Property	274-275		
44	Accumulated Deferred Income Taxes-Other	276-277		
45	Other Regulatory Liabilities	278		
	INCOME ACCOUNT SUPPORTING SCHEDULES			
46	Monthly Quantity & Revenue Data by Rate Schedule	299		
47	Gas Operating Revenues	300-301		
48	Revenues from Transportation of Gas of Others Through Gathering Facilities	302-303		N/A
49	Revenues from Transportation of Gas of Others Through Transmission Facilities	304-305		
50	Revenues from Storage Gas of Others	306-307		N/A
51	Other Gas Revenues	308		
52	Discounted Rate Services and Negotiated Rate Services	313		N/A
53	Gas Operation and Maintenance Expenses	317-325		
54	Exchange and Imbalance Transactions	328		N/A
55	Gas Used in Utility Operations	331		N/A
56	Transmission and Compression of Gas by Others	332		N/A
57	Other Gas Supply Expenses	334		N/A
58	Miscellaneous General Expenses-Gas	335		
59	Depreciation, Depletion, and Amortization of Gas Plant	336-338		
60	Particulars Concerning Certain Income Deduction and Interest Charges Accounts	340		
	COMMON SECTION			
61	Regulatory Commission Expenses	350-351		
62	Employee Pensions and Benefits (Account 926)	352		
63	Distribution of Salaries and Wages	354-355		
64	Charges for Outside Professional and Other Consultative Services	357		
65	Transactions with Associated (Affiliated) Companies	358		
	GAS PLANT STATISTICAL DATA			
66	Compressor Stations	508-509		N/A
67	Gas Storage Projects	512-513		N/A
68	Transmission Lines	514		N/A
69	Transmission System Peak Deliveries	518		N/A
70	Auxiliary Peaking Facilities	519		
71	Gas Account-Natural Gas	520		
72	Shipper Supplied Gas for the Current Quarter	521		N/A
73	System Map	522		N/A
74	Footnote Reference	551		N/A
75	Footnote Text	552		N/A
76	Stockholder's Reports (check appropriate box)			
	<input type="checkbox"/> Four copies will be submitted <input checked="" type="checkbox"/> No annual report to stockholders is prepared			

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of <u>2012/Q4</u>
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General Information

1. Provide name and title of officer having custody of the general corporate books of account and address of office where the general corporate books are kept and address of office where any other corporate books of account are kept, if different from that where the general corporate books are kept.

Steven K. Young
 Controller, Chief Accounting Officer & Vice President
 550 South Tryon Street
 Charlotte, NC 28202

2. Provide the name of the State under the laws of which respondent is incorporated and date of incorporation. If incorporated under a special law, give reference to such law. If not incorporated, state that fact and give the type of organization and the date organized.

Commonwealth of Kentucky
 Date of Incorporation: March 20, 1901

3. If at any time during the year the property of respondent was held by a receiver or trustee, give (a) name of receiver or trustee, (b) date such receiver or trustee took possession, (c) the authority by which the receivership or trusteeship was created, and (d) date when possession by receiver or trustee ceased.

Not applicable

4. State the classes of utility and other services furnished by respondent during the year in each State in which the respondent operated.

Kentucky - Gas and Electric

5. Have you engaged as the principal accountant to audit your financial statements an accountant who is not the principal accountant for your previous year's certified financial statements?

- (1) Yes... Enter the date when such independent accountant was initially engaged:
 (2) No

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of <u>2012/Q4</u>
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Control Over Respondent

1. Report in column (a) the names of all corporations, partnerships, business trusts, and similar organizations that directly, indirectly, or jointly held control (see page 103 for definition of control) over the respondent at the end of the year. If control is in a holding company organization, report in a footnote the chain of organization.

2. If control is held by trustees, state in a footnote the names of trustees, the names of beneficiaries for whom the trust is maintained, and the purpose of the trust.

3. In column (b) designate type of control over the respondent. Report an "M" if the company is the main parent or controlling company having ultimate control over the respondent. Otherwise, report a "D" for direct, an "I" for indirect, or a "J" for joint control.

Line No.	Company Name (a)	Type of Control (b)	State of Incorporation (c)	Percent Voting Stock Owned (d)
1	Duke Energy Ohio, Inc.	M	OH	100.00
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Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of <u>2012/Q4</u>
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Security Holders and Voting Powers

1. Give the names and addresses of the 10 security holders of the respondent who, at the date of the latest closing of the stock book or compilation of list of stockholders of the respondent, prior to the end of the year, had the highest voting powers in the respondent, and state the number of votes that each could cast on that date if a meeting were held. If any such holder held in trust, give in a footnote the known particulars of the trust (whether voting trust, etc.), duration of trust, and principal holders of beneficiary interests in the trust. If the company did not close the stock book or did not compile a list of stockholders within one year prior to the end of the year, or if since it compiled the previous list of stockholders, some other class of security has become vested with voting rights, then show such 10 security holders as of the close of the year. Arrange the names of the security holders in the order of voting power, commencing with the highest. Show in column (a) the titles of officers and directors included in such list of 10 security holders.

2. If any security other than stock carries voting rights, explain in a supplemental statement how such security became vested with voting rights and give other important details concerning the voting rights of such security. State whether voting rights are actual or contingent; if contingent, describe the contingency.

3. If any class or issue of security has any special privileges in the election of directors, trustees or managers, or in the determination of corporate action by any method, explain briefly in a footnote.

4. Furnish details concerning any options, warrants, or rights outstanding at the end of the year for others to purchase securities of the respondent or any securities or other assets owned by the respondent, including prices, expiration dates, and other material information relating to exercise of the options, warrants, or rights. Specify the amount of such securities or assets any officer, director, associated company, or any of the 10 largest security holders is entitled to purchase. This instruction is inapplicable to convertible securities or to any securities substantially all of which are outstanding in the hands of the general public where the options, warrants,

1. Give date of the latest closing of the stock book prior to end of year, and, in a footnote, state the purpose of such closing:	2. State the total number of votes cast at the latest general meeting prior to the end of year for election of directors of the respondent and number of such votes cast by proxy. Total: 585333 By Proxy:	3. Give the date and place of such meeting:
---	--	---

Line No.	Name (Title) and Address of Security Holder (a)	VOTING SECURITIES			
		4. Number of votes as of (date):			
		Total Votes (b)	Common Stock (c)	Preferred Stock (d)	Other (e)
5	TOTAL votes of all voting securities	585,333	585,333		
6	TOTAL number of security holders	1	1		
7	TOTAL votes of security holders listed below	585,333	585,333		
8					
9	Duke Energy Ohio, Inc.				
10	139 East Fourth Street				
11	Cincinnati, OH 45202				
12					
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Important Changes During the Quarter/Year			

Give details concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Answer each inquiry. Enter "none" or "not applicable" where applicable. If the answer is given elsewhere in the report, refer to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration and state from whom the franchise rights were acquired. If the franchise rights were acquired without the payment of consideration, state that fact.
2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.
3. Purchase or sale of an operating unit or system: Briefly describe the property, and the related transactions, and cite Commission authorization, if any was required. Give date journal entries called for by Uniform System of Accounts were submitted to the Commission.
4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents, and other conditions. State name of Commission authorizing lease and give reference to such authorization.
5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and cite Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service.
Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements, etc.
6. Obligations incurred or assumed by respondent as guarantor for the performance by another of any agreement or obligation, including ordinary commercial paper maturing on demand or not later than one year after date of issue: State on behalf of whom the obligation was assumed and amount of the obligation. Cite Commission authorization if any was required.
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.
8. State the estimated annual effect and nature of any important wage scale changes during the year.
9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
10. Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.
11. Estimated increase or decrease in annual revenues caused by important rate changes: State effective date and approximate amount of increase or decrease for each revenue classification. State the number of customers affected.
12. Describe fully any changes in officers, directors, major security holders and voting powers of the respondent that may have occurred during the reporting period.
13. In the event that the respondent participates in a cash management program(s) and its proprietary capital ratio is less than 30 percent please describe the significant events or transactions causing the proprietary capital ratio to be less than 30 percent, and the extent to which the respondent has amounts loaned or money advanced to its parent, subsidiary, or affiliated companies through a cash management program(s). Additionally, please describe plans, if any to regain at least a 30 percent proprietary ratio.

1. None
2. See Notes to Financial Statements, Note 2, "Acquisitions and Dispositions of Businesses and Sales of Other Assets"
3. See Notes to Financial Statements, Note 2, "Acquisitions and Dispositions of Businesses and Sales of Other Assets" and Note 3, "Regulatory Matters"
4. None
5. None
6. See Notes to Financial Statements, Note 5, "Debt and Credit Facilities"
7. None
8. None
9. See Notes to Financial Statements, Note 3, "Regulatory Matters" and Note 4, "Commitments and Contingencies"
10. None

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2012/Q4
Important Changes During the Quarter/Year			

11. None

12. The officer and director appointments and resignations that occurred during the fourth quarter of 2012 are as follows:

APPOINTMENTS

Effective 12/17/2012

Lloyd M. Yates	Director & Executive Vice President, Regulated Utilities
James P. Henning	President
Julia S. Janson	Executive Vice President & Chief Legal Officer
B. Keith Trent	Executive Vice President & Chief Operation Officer, Regulated Utilities

Effective 10/08/2012

B. Keith Trent	Executive Vice President, Regulated Utilities
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RESIGNATIONS

Effective 12/31/2012

Jeffrey J. Lyash	Executive Vice President, Energy Supply
------------------	---

Effective 12/17/2012

James E. Rogers	Director
Julia S. Janson	President
B. Keith Trent	Executive Vice President, Regulated Utilities
Lloyd M. Yates	Executive Vice President

Effective 10/08/2012

Myron L. Caldwell	Vice President-Financial Planning & Analysis
Jim L. Stanley	Senior Vice President & Chief Distribution Officer
Thomas F. Moses	Assistant Treasurer

13. None

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of <u>2012/Q4</u>
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Comparative Balance Sheet (Assets and Other Debits)

Line No.	Title of Account (a)	Reference Page Number (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	UTILITY PLANT			
2	Utility Plant (101-106, 114)	200-201	1,683,376,033	1,629,663,486
3	Construction Work in Progress (107)	200-201	20,861,207	27,611,713
4	TOTAL Utility Plant (Total of lines 2 and 3)	200-201	1,704,237,240	1,657,275,199
5	(Less) Accum. Provision for Depr., Amort., Depl. (108, 111, 115)		761,652,249	744,281,884
6	Net Utility Plant (Total of line 4 less 5)		942,584,991	912,993,315
7	Nuclear Fuel (120.1 thru 120.4, and 120.6)		0	0
8	(Less) Accum. Provision for Amort., of Nuclear Fuel Assemblies (120.5)		0	0
9	Nuclear Fuel (Total of line 7 less 8)		0	0
10	Net Utility Plant (Total of lines 6 and 9)		942,584,991	912,993,315
11	Utility Plant Adjustments (116)	122	0	0
12	Gas Stored-Base Gas (117.1)	220	0	0
13	System Balancing Gas (117.2)	220	0	0
14	Gas Stored in Reservoirs and Pipelines-Noncurrent (117.3)	220	0	0
15	Gas Owed to System Gas (117.4)	220	0	0
16	OTHER PROPERTY AND INVESTMENTS			
17	Nonutility Property (121)		24,088,348	24,088,348
18	(Less) Accum. Provision for Depreciation and Amortization (122)		18,613,056	17,723,306
19	Investments in Associated Companies (123)	222-223	0	0
20	Investments in Subsidiary Companies (123.1)	224-225	0	0
21	(For Cost of Account 123.1 See Footnote Page 224, line 40)			
22	Noncurrent Portion of Allowances		0	0
23	Other Investments (124)	222-223	1,500	1,500
24	Sinking Funds (125)		0	0
25	Depreciation Fund (126)		0	0
26	Amortization Fund - Federal (127)		0	0
27	Other Special Funds (128)		0	0
28	Long-Term Portion of Derivative Assets (175)		0	0
29	Long-Term Portion of Derivative Assets - Hedges (176)		0	0
30	TOTAL Other Property and Investments (Total of lines 17-20, 22-29)		5,476,792	6,366,542
31	CURRENT AND ACCRUED ASSETS			
32	Cash (131)		10,692,801	9,873,513
33	Special Deposits (132-134)		0	0
34	Working Funds (135)		0	0
35	Temporary Cash Investments (136)	222-223	0	0
36	Notes Receivable (141)		0	0
37	Customer Accounts Receivable (142)		1,658,353	2,711,715
38	Other Accounts Receivable (143)		4,111,586	4,009,492
39	(Less) Accum. Provision for Uncollectible Accounts - Credit (144)		164,057	243,221
40	Notes Receivable from Associated Companies (145)		23,649,581	31,908,184
41	Accounts Receivable from Associated Companies (146)		(4,481,465)	70,462
42	Fuel Stock (151)		20,599,164	17,624,306
43	Fuel Stock Expenses Undistributed (152)		0	0

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of <u>2012/Q4</u>
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Comparative Balance Sheet (Liabilities and Other Credits)

Line No.	Title of Account (a)	Reference Page Number (b)	Current Year End of Quarter/Year Balance	Prior Year End Balance 12/31 (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	8,779,995	8,779,995
3	Preferred Stock Issued (204)	250-251	0	0
4	Capital Stock Subscribed (202, 205)	252	0	0
5	Stock Liability for Conversion (203, 206)	252	0	0
6	Premium on Capital Stock (207)	252	18,838,946	18,838,946
7	Other Paid-In Capital (208-211)	253	148,655,189	148,655,189
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254	0	0
11	Retained Earnings (215, 215.1, 216)	118-119	196,610,413	178,389,553
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	0	0
13	(Less) Reacquired Capital Stock (217)	250-251	0	0
14	Accumulated Other Comprehensive Income (219)	117	0	0
15	TOTAL Proprietary Capital (Total of lines 2 thru 14)		372,884,543	354,663,683
16	LONG TERM DEBT			
17	Bonds (221)	256-257	0	0
18	(Less) Reacquired Bonds (222)	256-257	0	0
19	Advances from Associated Companies (223)	256-257	0	0
20	Other Long-Term Debt (224)	256-257	332,571,494	332,571,494
21	Unamortized Premium on Long-Term Debt (225)	258-259	0	0
22	(Less) Unamortized Discount on Long-Term Debt-Dr (226)	258-259	619,835	710,262
23	(Less) Current Portion of Long-Term Debt		1,888,974	1,955,899
24	TOTAL Long-Term Debt (Total of lines 17 thru 23)		330,062,685	329,905,333
25	OTHER NONCURRENT LIABILITIES			
26	Obligations Under Capital Leases-Noncurrent (227)		6,999,647	8,878,042
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		0	0
29	Accumulated Provision for Pensions and Benefits (228.3)		18,448,724	13,754,004
30	Accumulated Miscellaneous Operating Provisions (228.4)		570,000	520,000
31	Accumulated Provision for Rate Refunds (229)		0	0

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Comparative Balance Sheet (Liabilities and Other Credits)(continued)

Line No.	Title of Account (a)	Reference Page Number (b)	Current Year End of Quarter/Year Balance	Prior Year End Balance 12/31 (d)
32	Long-Term Portion of Derivative Instrument Liabilities		7,423,301	8,472,629
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
34	Asset Retirement Obligations (230)		6,078,048	5,859,011
35	TOTAL Other Noncurrent Liabilities (Total of lines 26 thru 34)		39,519,720	37,483,686
36	CURRENT AND ACCRUED LIABILITIES			
37	Current Portion of Long-Term Debt		1,888,974	1,955,899
38	Notes Payable (231)		0	0
39	Accounts Payable (232)		24,627,751	27,166,108
40	Notes Payable to Associated Companies (233)		0	0
41	Accounts Payable to Associated Companies (234)		20,032,722	25,977,263
42	Customer Deposits (235)		8,922,494	8,367,445
43	Taxes Accrued (236)	262-263	7,509,437	7,389,694
44	Interest Accrued (237)		3,964,498	4,133,070
45	Dividends Declared (238)		0	0
46	Matured Long-Term Debt (239)		0	0
47	Matured Interest (240)		0	0
48	Tax Collections Payable (241)		1,667,569	1,625,734
49	Miscellaneous Current and Accrued Liabilities (242)	268	7,987,897	7,733,476
50	Obligations Under Capital Leases-Current (243)		1,888,974	2,046,316
51	Derivative Instrument Liabilities (244)		8,416,102	8,472,629
52	(Less) Long-Term Portion of Derivative Instrument Liabilities		7,423,301	8,472,629
53	Derivative Instrument Liabilities - Hedges (245)		0	0
54	(Less) Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
55	TOTAL Current and Accrued Liabilities (Total of lines 37 thru 54)		79,483,117	86,395,005
56	DEFERRED CREDITS			
57	Customer Advances for Construction (252)		708,594	1,030,284
58	Accumulated Deferred Investment Tax Credits (255)		1,008,530	1,776,454
59	Deferred Gains from Disposition of Utility Plant (256)		0	0
60	Other Deferred Credits (253)	269	28,208,820	22,449,809
61	Other Regulatory Liabilities (254)	278	4,418,869	6,823,376
62	Unamortized Gain on Reacquired Debt (257)	260	0	0
63	Accumulated Deferred Income Taxes - Accelerated Amortization (281)		394,497	394,496
64	Accumulated Deferred Income Taxes - Other Property (282)		248,370,380	232,620,280
65	Accumulated Deferred Income Taxes - Other (283)		3,713,838	9,691,413
66	TOTAL Deferred Credits (Total of lines 57 thru 65)		286,823,528	274,786,112
67	TOTAL Liabilities and Other Credits (Total of lines 15,24,35,55,and 66)		1,108,773,593	1,083,233,819

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Statement of Income

Quarterly

1. Enter in column (d) the balance for the reporting quarter and in column (e) the balance for the same three month period for the prior year.
2. Report in column (f) the quarter to date amounts for electric utility function; in column (h) the quarter to date amounts for gas utility, and in (j) the quarter to date amounts for other utility function for the current year quarter.
3. Report in column (g) the quarter to date amounts for electric utility function; in column (i) the quarter to date amounts for gas utility, and in (k) the quarter to date amounts for other utility function for the prior year quarter.
4. If additional columns are needed place them in a footnote.

Annual or Quarterly, if applicable

5. Do not report fourth quarter data in columns (e) and (f)
6. Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others, in another utility column in a similar manner to a utility department. Spread the amount(s) over lines 2 thru 26 as appropriate. Include these amounts in columns (c) and (d) totals.
7. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.
8. Report data for lines 8, 10 and 11 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1 and 407.2.
9. Use page 122 for important notes regarding the statement of income for any account thereof.
10. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in material refund to the utility with respect to power or gas purchases. State for each year effected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power or gas purchases.
11. Give concise explanations concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and a summary of the adjustments made to balance sheet, income, and expense accounts.
12. If any notes appearing in the report to stockholders are applicable to the Statement of Income, such notes may be included at page 122.
13. Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also, give the appropriate dollar effect of such changes.
14. Explain in a footnote if the previous year's/quarter's figures are different from that reported in prior reports.
15. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles report the information in a footnote to this schedule.

Line No.	Title of Account (a)	Reference Page Number (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current Three Months Ended Quarterly Only No Fourth Quarter (e)	Prior Three Months Ended Quarterly Only No Fourth Quarter (f)
1	UTILITY OPERATING INCOME					
2	Gas Operating Revenues (400)	300-301	427,627,327	458,674,872	0	0
3	Operating Expenses					
4	Operation Expenses (401)	317-325	274,779,814	306,812,697	0	0
5	Maintenance Expenses (402)	317-325	34,886,077	27,533,307	0	0
6	Depreciation Expense (403)	336-338	39,672,351	38,438,584	0	0
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-338	0	0	0	0
8	Amortization and Depletion of Utility Plant (404-405)	336-338	3,970,647	4,595,742	0	0
9	Amortization of Utility Plant Acu. Adjustment (406)	336-338	0	0	0	0
10	Amort. of Prop. Losses, Unrecovered Plant and Reg. Study Costs (407.1)		0	0	0	0
11	Amortization of Conversion Expenses (407.2)		0	0	0	0
12	Regulatory Debits (407.3)		(2,316,400)	7,052,265	0	0
13	(Less) Regulatory Credits (407.4)		0	0	0	0
14	Taxes Other than Income Taxes (408.1)	262-263	14,850,162	11,869,635	0	0
15	Income Taxes-Federal (409.1)	262-263	1,403,969	3,733,788	0	0
16	Income Taxes-Other (409.1)	262-263	3,291,869	1,415,793	0	0
17	Provision of Deferred Income Taxes (410.1)	234-235	55,014,396	54,160,006	0	0
18	(Less) Provision for Deferred Income Taxes-Credit (411.1)	234-235	42,788,022	33,606,494	0	0
19	Investment Tax Credit Adjustment-Net (411.4)		(132,145)	(142,557)	0	0
20	(Less) Gains from Disposition of Utility Plant (411.6)		0	0	0	0
21	Losses from Disposition of Utility Plant (411.7)		0	0	0	0
22	(Less) Gains from Disposition of Allowances (411.8)		226	6,841	0	0
23	Losses from Disposition of Allowances (411.9)		0	0	0	0
24	Accretion Expense (411.10)		0	0	0	0
25	TOTAL Utility Operating Expenses (Total of lines 4 thru 24)		382,632,492	421,855,925	0	0
26	Net Utility Operating Income (Total of lines 2 less 25) (Carry forward to page 116, line 27)		44,994,835	36,818,947	0	0

Statement of Income(continued)

Line No.	Title of Account (a)	Reference Page Number (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current Three Months Ended Quarterly Only No Fourth Quarter (e)	Prior Three Months Ended Quarterly Only No Fourth Quarter (f)
27	Net Utility Operating Income (Carried forward from page 114)		44,994,835	36,818,947	0	0
28	OTHER INCOME AND DEDUCTIONS					
29	Other Income					
30	Nonutility Operating Income					
31	Revenues form Merchandising, Jobbing and Contract Work (415)		227,569	220,100	0	0
32	(Less) Costs and Expense of Merchandising, Job & Contract Work (416)		86,206	78,550	0	0
33	Revenues from Nonutility Operations (417)		13,980	8,289	0	0
34	(Less) Expenses of Nonutility Operations (417.1)		2,784	(181,222)	0	0
35	Nonoperating Rental Income (418)		159,618	(239,695)	0	0
36	Equity in Earnings of Subsidiary Companies (418.1)	119	0	0	0	0
37	Interest and Dividend Income (419)		1,243,599	2,815,133	0	0
38	Allowance for Other Funds Used During Construction (419.1)		258,123	595,773	0	0
39	Miscellaneous Nonoperating Income (421)		1,265	1,484	0	0
40	Gain on Disposition of Property (421.1)		468,150	0	0	0
41	TOTAL Other Income (Total of lines 31 thru 40)		2,283,314	3,503,756	0	0
42	Other Income Deductions					
43	Loss on Disposition of Property (421.2)		20,688	0	0	0
44	Miscellaneous Amortization (425)		0	0	0	0
45	Donations (426.1)	340	967,253	51,800	0	0
46	Life Insurance (426.2)		0	18,226	0	0
47	Penalties (426.3)		13,025	4,338	0	0
48	Expenditures for Certain Civic, Political and Related Activities (426.4)		554,880	299,532	0	0
49	Other Deductions (426.5)		282,037	1,378,539	0	0
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)	340	1,837,883	1,752,435	0	0
51	Taxes Applic. to Other Income and Deductions					
52	Taxes Other than Income Taxes (408.2)	262-263	137,852	294,580	0	0
53	Income Taxes-Federal (409.2)	262-263	2,750,399	2,312,927	0	0
54	Income Taxes-Other (409.2)	262-263	370,225	367,360	0	0
55	Provision for Deferred Income Taxes (410.2)	234-235	259,817	1,819,917	0	0
56	(Less) Provision for Deferred Income Taxes-Credit (411.2)	234-235	3,387,854	7,593,444	0	0
57	Investment Tax Credit Adjustments-Net (411.5)		(431,215)	(433,041)	0	0
58	(Less) Investment Tax Credits (420)		0	0	0	0
59	TOTAL Taxes on Other Income and Deductions (Total of lines 52-58)		(300,776)	(3,231,701)	0	0
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		746,207	4,983,022	0	0
61	INTEREST CHARGES					
62	Interest on Long-Term Debt (427)		14,193,942	13,821,653	0	0
63	Amortization of Debt Disc. and Expense (428)	258-259	516,157	294,680	0	0
64	Amortization of Loss on Reacquired Debt (428.1)		283,143	283,143	0	0
65	(Less) Amortization of Premium on Debt-Credit (429)	258-259	0	0	0	0
66	(Less) Amortization of Gain on Reacquired Debt-Credit (429.1)		0	0	0	0
67	Interest on Debt to Associated Companies (430)	340	1,753	0	0	0
68	Other Interest Expense (431)	340	2,736,819	3,306,183	0	0
69	(Less) Allowance for Borrowed Funds Used During Construction-Credit (432)		211,632	213,308	0	0
70	Net Interest Charges (Total of lines 62 thru 69)		17,520,182	17,492,351	0	0
71	Income Before Extraordinary Items (Total of lines 27,60 and 70)		28,220,860	24,309,618	0	0
72	EXTRAORDINARY ITEMS					
73	Extraordinary Income (434)		0	0	0	0
74	(Less) Extraordinary Deductions (435)		0	0	0	0
75	Net Extraordinary Items (Total of line 73 less line 74)		0	0	0	0
76	Income Taxes-Federal and Other (409.3)	262-263	0	0	0	0
77	Extraordinary Items after Taxes (Total of line 75 less line 76)		0	0	0	0
78	Net Income (Total of lines 71 and 77)		28,220,860	24,309,618	0	0

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Statement of Accumulated Comprehensive Income and Hedging Activities

1. Report in columns (b) (c) and (e) the amounts of accumulated other comprehensive income items, on a net-of-tax basis, where appropriate.
2. Report in columns (f) and (g) the amounts of other categories of other cash flow hedges.
3. For each category of hedges that have been accounted for as "fair value hedges", report the accounts affected and the related amounts in a footnote.

Line No.	Item (a)	Unrealized Gains and Losses on available-for-sale securities (b)	Minimum Pension liability Adjustment (net amount) (c)	Foreign Currency Hedges (d)	Other Adjustments (e)
1	Balance of Account 219 at Beginning of Preceding Year				
2	Preceding Quarter/Year to Date Reclassifications from Account 219 to Net Income				
3	Preceding Quarter/Year to Date Changes in Fair Value				
4	Total (lines 2 and 3)				
5	Balance of Account 219 at End of Preceding Quarter/Year				
6	Balance of Account 219 at Beginning of Current Year				
7	Current Quarter/Year to Date Reclassifications from Account 219 to Net Income				
8	Current Quarter/Year to Date Changes in Fair Value				
9	Total (lines 7 and 8)				
10	Balance of Account 219 at End of Current Quarter/Year				

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Statement of Accumulated Comprehensive Income and Hedging Activities(continued)

Line No.	Other Cash Flow Hedges Interest Rate Swaps (f)	Other Cash Flow Hedges (Insert Category) (g)	Totals for each category of items recorded in Account 219 (h)	Net Income (Carried Forward from Page 116, Line 78) (i)	Total Comprehensive Income (j)
1					
2					
3					
4				24,309,618	24,309,618
5					
6					
7					
8					
9				28,220,860	28,220,860
10					

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Statement of Retained Earnings

- Report all changes in appropriated retained earnings, unappropriated retained earnings, and unappropriated undistributed subsidiary earnings for the year.
- Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436-439 inclusive). Show the contra primary account affected in column (b).
- State the purpose and amount for each reservation or appropriation of retained earnings.
- List first Account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items, in that order.
- Show dividends for each class and series of capital stock.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter Year to Date Balance (c)	Previous Quarter Year to Date Balance (d)
	UNAPPROPRIATED RETAINED EARNINGS			
1	Balance-Beginning of Period		178,389,553	289,079,935
2	Changes (Identify by prescribed retained earnings accounts)			
3	Adjustments to Retained Earnings (Account 439)			
4	TOTAL Credits to Retained Earnings (Account 439) (footnote details)			
5	TOTAL Debits to Retained Earnings (Account 439) (footnote details)			
6	Balance Transferred from Income (Acct 433 less Acct 418.1)		28,220,860	24,309,618
7	Appropriations of Retained Earnings (Account 436)			
8	TOTAL Appropriations of Retained Earnings (Account 436) (footnote details)			
9	Dividends Declared-Preferred Stock (Account 437)			
10	TOTAL Dividends Declared-Preferred Stock (Account 437) (footnote details)			
11	Dividends Declared-Common Stock (Account 438)			
12	TOTAL Dividends Declared-Common Stock (Account 438) (footnote details)	131	10,000,000	135,000,000
13	Transfers from Account 216.1, Unappropriated Undistributed Subsidiary Earnings			
14	Balance-End of Period (Total of lines 1, 4, 5, 6, 8, 10, 12, and 13)		196,610,413	178,389,553
15	APPROPRIATED RETAINED EARNINGS (Account 215)			
16	TOTAL Appropriated Retained Earnings (Account 215) (footnote details)			
17	APPROPRIATED RETAINED EARNINGS-AMORTIZATION RESERVE, FEDERAL (Account			
18	TOTAL Appropriated Retained Earnings-Amortization Reserve, Federal (Account			
19	TOTAL Appropriated Retained Earnings (Accounts 215, 215.1) (Total of lines			
20	TOTAL Retained Earnings (Accounts 215, 215.1, 216) (Total of lines 14 and 1		196,610,413	178,389,553
21	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account 216.1)			
	Report only on an Annual Basis no Quarterly			
22	Balance-Beginning of Year (Debit or Credit)			
23	Equity in Earnings for Year (Credit) (Account 418.1)			
24	(Less) Dividends Received (Debit)			
25	Other Changes (Explain)			
26	Balance-End of Year			

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FOOTNOTE DATA			

Schedule Page: 118 Line No.: 12 Column: c

September 2011 Common Stock Dividend	\$135,000,000
September 2012 Common Stock Dividend	\$10,000,000

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Statement of Cash Flows

(1) Codes to be used: (a) Net Proceeds or Payments; (b) Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.
(4) Investing Activities: Include at Other (line 25) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

Line No.	Description (See Instructions for explanation of codes) (a)	Current Year to Date Quarter/Year	Previous Year to Date Quarter/Year
1	Net Cash Flow from Operating Activities		
2	Net Income (Line 78(c) on page 116)	28,220,860	24,309,618
3	Noncash Charges (Credits) to Income:		
4	Depreciation and Depletion	39,672,351	38,438,584
5	Amortization of (Specify) (footnote details)	4,769,947	5,173,565
6	Deferred Income Taxes (Net)	9,098,337	14,779,985
7	Investment Tax Credit Adjustments (Net)	(563,360)	(575,598)
8	Net (Increase) Decrease in Receivables	11,832,634	17,531,761
9	Net (Increase) Decrease in Inventory	(1,792,391)	(624,587)
10	Net (Increase) Decrease in Allowances Inventory	425,863	1,026,805
11	Net Increase (Decrease) in Payables and Accrued Expenses	(4,912,011)	(1,880,075)
12	Net (Increase) Decrease in Other Regulatory Assets	(594,120)	179,321
13	Net Increase (Decrease) in Other Regulatory Liabilities	(2,404,507)	3,226,484
14	(Less) Allowance for Other Funds Used During Construction	258,123	595,773
15	(Less) Undistributed Earnings from Subsidiary Companies		
16	Other (footnote details):	(945,017)	9,890,034
17	Net Cash Provided by (Used in) Operating Activities		
18	(Total of Lines 2 thru 16)	82,550,463	110,880,124
19			
20	Cash Flows from Investment Activities:		
21	Construction and Acquisition of Plant (including land):		
22	Gross Additions to Utility Plant (less nuclear fuel)	(71,954,554)	(54,253,866)
23	Gross Additions to Nuclear Fuel		
24	Gross Additions to Common Utility Plant	(2,561,588)	(722,841)
25	Gross Additions to Nonutility Plant		
26	(Less) Allowance for Other Funds Used During Construction	(258,123)	(595,773)
27	Other (footnote details):		
28	Cash Outflows for Plant (Total of lines 22 thru 27)	(74,258,019)	(54,380,934)
29			
30	Acquisition of Other Noncurrent Assets (d)		
31	Proceeds from Disposal of Noncurrent Assets (d)		
32			
33	Investments in and Advances to Assoc. and Subsidiary Companies	2,678,000	56,410,000
34	Contributions and Advances from Assoc. and Subsidiary Companies		
35	Disposition of Investments in (and Advances to)		
36	Associated and Subsidiary Companies		
37			
38	Purchase of Investment Securities (a)		
39	Proceeds from Sales of Investment Securities (a)		

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2012/Q4
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Statement of Cash Flows (continued)

Line No.	Description (See Instructions for explanation of codes) (a)	Current Year to Date Quarter/Year	Previous Year to Date Quarter/Year
40	Loans Made or Purchased		
41	Collections on Loans		
42			
43	Net (Increase) Decrease in Receivables		
44	Net (Increase) Decrease in Inventory		
45	Net (Increase) Decrease in Allowances Held for Speculation		
46	Net Increase (Decrease) in Payables and Accrued Expenses		
47	Other (footnote details):		
48	Net Cash Provided by (Used in) Investing Activities		
49	(Total of lines 28 thru 47)	(71,580,019)	2,029,066
50			
51	Cash Flows from Financing Activities:		
52	Proceeds from Issuance of:		
53	Long-Term Debt (b)		
54	Preferred Stock		
55	Common Stock		
56	Other (footnote details):		
57	Net Increase in Short-term Debt (c)		
58	Other (footnote details):		
59	Cash Provided by Outside Sources (Total of lines 53 thru 58)		
60			
61	Payments for Retirement of:		
62	Long-Term Debt (b)		
63	Preferred Stock		
64	Common Stock		
65	Other (footnote details):	(151,156)	(833,598)
66	Net Decrease in Short-Term Debt (c)		
67			
68	Dividends on Preferred Stock		
69	Dividends on Common Stock	(10,000,000)	(135,000,000)
70	Net Cash Provided by (Used in) Financing Activities		
71	(Total of lines 59 thru 69)	(10,151,156)	(135,833,598)
72			
73	Net Increase (Decrease) in Cash and Cash Equivalents		
74	(Total of line 18, 49 and 71)	819,288	(22,924,408)
75			
76	Cash and Cash Equivalents at Beginning of Period	9,873,513	32,797,921
77			
78	Cash and Cash Equivalents at End of Period	10,692,801	9,873,513

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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FOOTNOTE DATA			

Schedule Page: 120 Line No.: 5 Column: c

Amortization of:

Plant Items	\$4,595,742
Debt Discount, Premium, Expense and Loss on Reacquired Debt	<u>\$ 577,823</u>
Total Amortization	\$5,173,565

Schedule Page: 120 Line No.: 5 Column: b

Amortization of:

Plant Items	\$3,970,647
Debt Discount, Premium, Expense and Loss on Reacquired Debt	<u>\$ 799,300</u>
Total Amortization	\$4,769,947

Schedule Page: 120 Line No.: 16 Column: c

Other:

Unrecovered Purchased Gas Costs	1,889,653
Prepayments	(1,466,788)
Clearing Accounts	(13,724)
Miscellaneous Current and Accrued Assets	(722,542)
Derivative Instrument Assets	(221,976)
Miscellaneous Deferred Debits	(2,097,693)
Obligations under Capital Leases-Non-current	(2,036,609)
Accumulated Provisions	3,228,505
Customer Advances for Construction	(293,226)
Other Deferred Credits	13,794,688
Contributions to Company Sponsored Pension Plan	(6,339,082)
Temporary Facilities	20,070
Net Utility Plant and Nonutility Property	1,364,923
Cost of Removal	3,075,458
Deferred Income Taxes	14,572
Derivative Instruments	(42,847)
Preliminary Survey and Investigation Charges	(540,212)
Debt Expenses	288,901
Derivative Instrument Liabilities	<u>(12,037)</u>
Total Other	9,890,034

Schedule Page: 120 Line No.: 16 Column: b

Other:

Unrecovered Purchased Gas Costs	(849,046)
Prepayments	(18,503)
Clearing Accounts	(8,564)
Miscellaneous Current and Accrued Assets	(5,356,372)
Derivative Instrument Assets	(210,713)
Miscellaneous Deferred Debits	2,254,122
Accumulated Provisions	(734,029)
Customer Advances for Construction	(321,689)
Other Deferred Credits	5,636,481
Temporary Facilities	(21,595)
Net Utility Plant and Nonutility Property	(377,780)
Deferred Income Taxes	(631,206)
Derivative Instruments	(1,294)
Preliminary Survey and Investigation Charges	(314,926)

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FOOTNOTE DATA			

Debt Expenses	<u>10,097</u>
Total Other	(945,017)

Schedule Page: 120 Line No.: 65 Column: c

Other:

Premium payments and fees on deferred debt	(\$833,598)
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Schedule Page: 120 Line No.: 65 Column: b

Other:

Premium payments and fees on deferred debt	(\$151,156)
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Schedule Page: 120 Line No.: 78 Column: b

	<u>YTD Dec '12</u>	<u>YTD Dec '11</u>
Supplemental Disclosures (in thousands):		
Cash paid for interest, net of amount capitalized	\$ 16,827	\$ 16,875
Cash paid for income taxes	2,907	4,817

Significant non-cash transactions (in thousands):		
AFUDC - equity component	\$ 258	\$ 596
Accrued capital expenditures	5,327	7,794

	<u>YTD Dec '12</u>	<u>YTD Dec '11</u>
Cash and Cash Equivalents at End of Period:		
Cash (131)	\$10,692,801	\$ 9,873,513
Working Funds (135)	0	0
Temporary Cash Investments (136)	0	0
Total	<u>\$10,692,801</u>	<u>\$ 9,873,513</u>

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Duke Energy Kentucky, Inc.			
Notes to Financial Statements			

1. Provide important disclosures regarding the Balance Sheet, Statement of Income for the Year, Statement of Retained Earnings for the Year, and Statement of Cash Flow, or any account thereof. Classify the disclosures according to each financial statement, providing a subheading for each statement except where a disclosure is applicable to more than one statement. The disclosures must be on the same subject matters and in the same level of detail that would be required if the respondent issued general purpose financial statements to the public or shareholders.
2. Furnish details as to any significant contingent assets or liabilities existing at year end, and briefly explain any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or a claim for refund of income taxes of a material amount initiated by the utility. Also, briefly explain any dividends in arrears on cumulative preferred stock.
3. Furnish details on the respondent's pension plans, post-retirement benefits other than pensions (PBOP) plans, and post-employment benefit plans as required by instruction no. 1 and, in addition, disclose for each individual plan the current year's cash contributions. Furnish details on the accounting for the plans and any changes in the method of accounting for them. Include details on the accounting for transition obligations or assets, gains or losses, the amounts deferred and the expected recovery periods. Also, disclose any current year's plan or trust curtailments, terminations, transfers, or reversions of assets. Entities that participate in multiemployer postretirement benefit plans (e.g. parent company sponsored pension plans) disclose in addition to the required disclosures for the consolidated plan, (1) the amount of cost recognized in the respondent's financial statements for each plan for the period presented, and (2) the basis for determining the respondent's share of the total plan costs.
4. Furnish details on the respondent's asset retirement obligations (ARO) as required by instruction no. 1 and, in addition, disclose the amounts recovered through rates to settle such obligations. Identify any mechanism or account in which recovered funds are being placed (i.e. trust funds, insurance policies, surety bonds). Furnish details on the accounting for the asset retirement obligations and any changes in the measurement or method of accounting for the obligations. Include details on the accounting for settlement of the obligations and any gains or losses expected or incurred on the settlement.
5. Provide a list of all environmental credits received during the reporting period.
6. Provide a summary of revenues and expenses for each tracked cost and special surcharge.
7. Where Account 189, Unamortized Loss on Recquired Debt, and 257, Unamortized Gain on Recquired Debt, are not used, give an explanation, providing the rate treatment given these item. See General Instruction 17 of the Uniform System of Accounts.
8. Explain concisely any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
9. Disclose details on any significant financial changes during the reporting year to the respondent or the respondent's consolidated group that directly affect the respondent's gas pipeline operations, including: sales, transfers or mergers of affiliates, investments in new partnerships, sales of gas pipeline facilities or the sale of ownership interests in the gas pipeline to limited partnerships, investments in related industries (i.e., production, gathering), major pipeline investments, acquisitions by the parent corporation(s), and distributions of capital.
10. Explain concisely unsettled rate proceedings where a contingency exists such that the company may need to refund a material amount to the utility's customers or that the utility may receive a material refund with respect to power or gas purchases. State for each year affected the gross revenues or costs to which the contingency relates and the tax effects and explain the major factors that affect the rights of the utility to retain such revenues or to recover amounts paid with respect to power and gas purchases.
11. Explain concisely significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and summarize the adjustments made to balance sheet, income, and expense accounts.
12. Explain concisely only those significant changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.
13. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
14. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
15. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

This Federal Energy Regulatory Commission (FERC) Form 2 represents the financial statements of Duke Energy Kentucky, Inc. (Duke Energy Kentucky) as of and for the year ended December 31, 2012. Duke Energy Kentucky's financial statements have been prepared in conformity with the requirements of the FERC as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than Generally Accepted Accounting Principles (GAAP). The following areas represent the significant differences between the Uniform System of Accounts and GAAP: (1) the presentation of significant non-cash transactions, (2) the presentation of business segments, (3) the presentation of current and non-current portions of long-term debt, preferred stock and other liabilities, (4) the presentation of the current portion of regulatory assets and liabilities, (5) the presentation of extraordinary deductions, (6) the presentation of removal costs, (7) the presentation of ASC 740-10 (formerly SFAS No. 109) regulatory assets and liabilities, (8) the presentation of the current portion of deferred income taxes, (9) the presentation of purchases and sales of emission allowances, (10) the presentation of credit balances in asset accounts and debit balances in liability accounts, and (11) the presentation of capital leases vs. operating leases.

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2012/Q4
Notes to Financial Statements			

GAAP requires that the current and non-current portions of long-term debt, preferred stock and other liabilities be appropriately identified and reported on the Balance Sheet. FERC requires that these items be reported as set forth in the Uniform System of Accounts and published accounting releases, which does not recognize any segregation between the current and non-current portions of these items for reporting purposes.

GAAP requires that the current portion of regulatory assets and regulatory liabilities be reported as current assets and current liabilities, respectively, on the Balance Sheet. FERC requires that the current portion of regulatory assets and liabilities be reported as Regulatory Assets within Deferred Debits and Regulatory Liabilities within Deferred Credits, respectively. The current portion of regulatory assets was approximately \$0 at December 31, 2012, and the current portion of regulatory liabilities was approximately \$6 million at December 31, 2012.

GAAP requires that public business enterprises report certain information about operating segments in complete sets of financial statements of the enterprise and certain information about their products and services, which are not required for FERC reporting purposes. The item reported differently due to these guidelines is the non-current portion of profits from wholesale power sales to be shared with customers, reported as a deferred credit per GAAP and as a current liability per FERC.

FERC requires that losses of unusual nature and infrequent occurrence, which would significantly distort the current year's income, be recorded as extraordinary deductions.

GAAP requires that removal costs for property that does not have an associated legal retirement obligation be presented as a liability on the Balance Sheet. These costs are presented as accumulated depreciation on the Balance Sheet for FERC reporting purposes. The portion of accumulated depreciation related to removal costs was \$67 million at December 31, 2012 and \$63 million at December 31, 2011.

GAAP requires the regulatory assets and liabilities resulting from the implementation of ASC 740-10 (formerly SFAS No. 109) be presented as a net amount on the Balance Sheet. For FERC reporting purposes, these assets and liabilities are presented separately and are included in the other regulatory asset and other regulatory liability line items.

GAAP requires the current portion of deferred income taxes be reported as a current asset or liability on the balance sheet. For FERC reporting purposes, the current portion of deferred income taxes are included in Accumulated Deferred Income Taxes, which is non-current.

GAAP requires proceeds from the purchase and sale of emission allowances to be presented within the Investing Section of the Statement of Cash Flows. For FERC purposes, these amounts are included within the Operating Section of the Cash Flow Statement.

GAAP requires that certain account balances within financial statement line items which are not in the natural position for that line item (i.e., an account within Accounts Receivable with a credit balance) be reclassified to the appropriate side of the Balance Sheet. FERC does not require certain accounts which are not in a natural position for their respective line item to be reclassified, as long as the line item in total is in its natural position.

GAAP requires the payments related to capital leases to be included within the Financing Section of the Statement of Cash Flows. For FERC purposes, payments related to these capital leases are included within the Operating Section of the Cash Flow Statement.

In Docket No. A1-07-2-000, the FERC issued accounting and financial reporting guidance related to the implementation of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FSB Statement No. 109" (FIN 48). Duke Energy Kentucky reflects this guidance in the FERC Form No. 2.

Duke Energy Kentucky's Notes to the Financial Statements have been prepared in conformity with GAAP. Accordingly, certain footnotes are not reflective of Duke Energy Kentucky's Financial Statements contained herein.

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Duke Energy Kentucky, Inc.			
Notes to Financial Statements			

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Basis of Presentation.

Duke Energy Kentucky, Inc. (Duke Energy Kentucky) is a combination electric and gas public utility company that provides service in northern Kentucky. Duke Energy Kentucky's principal lines of business include generation, transmission and distribution of electricity, as well as the sale of and/or transportation of natural gas. Duke Energy Kentucky is subject to the regulatory provisions of the Kentucky Public Service Commission (KPSC) and the Federal Energy Regulatory Commission (FERC). Duke Energy Kentucky's common stock is wholly owned by Duke Energy Ohio, Inc. (Duke Energy Ohio), an indirect wholly owned subsidiary of Duke Energy Corporation (Duke Energy).

These statements reflect Duke Energy Kentucky's proportionate share of the East Bend generating station, which is jointly owned with Dayton Power & Light.

Use of Estimates.

To conform to generally accepted accounting principles (GAAP) in the United States (U.S.), management makes estimates and assumptions that affect the amounts reported in the Financial Statements and Notes. Although these estimates are based on management's best available information at the time, actual results could differ.

Cost-Based Regulation.

Duke Energy Kentucky accounts for its regulated operations in accordance with applicable regulatory accounting guidance. The economic effects of regulation can result in a regulated company recording assets for costs that have been or are expected to be approved for recovery from customers in a future period or recording liabilities for amounts that are expected to be returned to customers in the rate-setting process in a period different from the period in which the amounts would be recorded by an unregulated enterprise. Accordingly, Duke Energy Kentucky records assets and liabilities that result from the regulated ratemaking process that would not be recorded under GAAP for non-regulated entities. Regulatory assets and liabilities are amortized consistent with the treatment of the related costs in the ratemaking process. Management continually assesses whether regulatory assets are probable of future recovery by considering factors such as applicable regulatory changes, recent rate orders applicable to other regulated entities and the status of any pending or potential deregulation legislation. Additionally, management continually assesses whether any regulatory liabilities have been incurred. Based on this continual assessment, management believes the existing regulatory assets are probable of recovery and that no regulatory liabilities, other than those recorded, have been incurred. These regulatory assets and liabilities are primarily classified in the Balance Sheets as Regulatory assets and Other in Current Assets and as Regulatory liabilities and Other in Current Liabilities. Duke Energy Kentucky periodically evaluates the applicability of regulatory accounting treatment, and considers factors such as regulatory changes and the impact of competition. If cost-based regulation ends or competition increases, Duke Energy Kentucky may have to reduce its asset balances to reflect a market basis less than cost and write-off the associated regulatory assets and liabilities.

For further information, see Note 3.

Fuel Costs and Fuel Cost Deferrals.

Duke Energy Kentucky utilizes cost-tracking mechanisms, commonly referred to as a fuel clause, to recover the retail portion of fuel and purchased power, and natural gas purchased. Duke Energy Kentucky defers the related cost through Fuel used in electric generation and purchased power and Natural gas purchased on the Statements of Operations, unless a regulatory requirement exists for deferral through Operating Revenues.

Fuel used in electric generation and purchased power includes fuel, purchased power and recoverable costs that are deferred through fuel clauses established by the KPSC. Natural gas purchased includes purchases of natural gas and recoverable costs that are deferred through fuel clauses established by the KPSC. These clauses allow Duke Energy Kentucky to recover fuel costs, fuel-related costs, natural gas purchased and portions of purchased power costs through surcharges on customer rates. Duke Energy Kentucky records any under-recovery or over-recovery resulting from the differences between estimated and actual costs as a regulatory asset or regulatory liability until billed or refunded to customers, at which point the differences are adjusted through revenues.

Cash and Cash Equivalents.

All highly liquid investments with remaining maturities of three months or less at the date of acquisition are considered cash equivalents.

Inventory.

Inventory consists primarily of coal held for electric generation, materials and supplies and natural gas held in storage for transmission and sales commitments. Inventory is recorded primarily using the average cost method. Inventory related to regulated operations are valued at historical cost consistent with rate-making treatment. Materials and supplies are recorded as inventory when purchased and subsequently charged to expense or capitalized to property, plant and equipment when installed. Reserves are established for excess and obsolete inventory. The following table presents the components of Duke Energy Kentucky's inventory.

(in thousands)	December 31,	
	2012	2011
Coal held for electric generation	\$ 17,686	\$ 14,500
Materials and supplies	19,688	21,081
Gas held in storage	1,217	1,236
Total inventory	\$ 38,591	\$ 36,817

Property, Plant and Equipment.

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Property, plant and equipment are stated at the lower of historical cost less accumulated depreciation or fair value, if impaired. Duke Energy Kentucky capitalizes all construction-related direct labor and material costs, as well as indirect construction costs. Indirect costs include general engineering, taxes and the allowance for funds used during construction (AFUDC). See "AFUDC and Interest Capitalized," below for additional information. The cost of renewals and betterments that extend the useful life of property, plant and equipment are also capitalized. The cost of repairs, replacements and major maintenance projects, which do not extend the useful life or increase the expected output of property, plant and equipment, is expensed as incurred. Depreciation is generally computed over the estimated useful life of the asset using the composite straight-line method. Depreciation studies are conducted periodically to update the composite rates and are approved by the KPSC. The composite weighted-average depreciation rate was 2.6% and 2.7% for the years ended December 31, 2012 and 2011, respectively.

When Duke Energy Kentucky retires its regulated property, plant and equipment under what is considered a normal retirement, the original cost plus the cost of retirement, less salvage value, is charged to accumulated depreciation, consistent with regulated rate-making practices. When it becomes probable that a regulated generation asset will be retired substantially in advance of its original expected useful life or is abandoned, the cost of the asset and its accumulated depreciation is removed from Cost and Accumulated depreciation and amortization within Property, Plant and Equipment of the Balance Sheets and a separate asset is recognized. The carrying value of the asset is based on historical cost if Duke Energy Kentucky is allowed to recover the remaining net book value and a full return on the asset. If Duke Energy Kentucky does not expect to recover the full remaining cost and a full return, the carrying value of the asset is based on the lower of cost or the present value of the future revenues expected to be provided to recover the allowable costs discounted at Duke Energy Kentucky's incremental borrowing rate. An impairment is recognized if the cost of the asset exceeds the present value of the future revenues to be recovered in rates.

When Duke Energy Kentucky sells entire regulated operating units, the original cost is removed from property and the related accumulated depreciation and amortization balances are reduced. Any gain or loss is recorded in earnings, unless otherwise required by the applicable regulatory body.

See Note 7 for further information on the components and estimated useful lives of property, plant and equipment.

AFUDC and Interest Capitalized.

In accordance with applicable regulatory accounting guidance, Duke Energy Kentucky records AFUDC, which represents the estimated debt and equity costs of capital funds necessary to finance the construction of new regulated facilities. The equity component of AFUDC is a non-cash amount within the Statements of Operations. AFUDC is capitalized as a component of the cost of property, plant and equipment, with an offsetting credit to Other Income and Expenses, net on the Statements of Operations for the equity component and as an offset to Interest Expense on the Statements of Operations for the debt component. After construction is completed, Duke Energy Kentucky is permitted to recover these costs through inclusion in the rate base and recognition of the corresponding depreciation expense.

AFUDC equity is a permanent difference item for income tax purposes (i.e. a permanent difference between financial statement and income tax reporting), thus reducing Duke Energy Kentucky's effective tax rate during the construction phase in which AFUDC equity is being recorded. The effective tax rate is subsequently increased in future periods when the completed property, plant and equipment is placed in service and depreciation of the AFUDC equity commences.

Asset Retirement Obligations.

Duke Energy Kentucky recognizes asset retirement obligations for legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal use of the asset, and for conditional asset retirement obligations. The term conditional asset retirement obligation refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Thus, the timing and (or) method of settlement may be conditional on a future event. When recording an asset retirement obligation, the present value of the projected liability is recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made. The liability is then accreted over time by applying an interest method of allocation to the liability. Substantially all accretion is related to regulated operations and is deferred pursuant to regulatory accounting. The present value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the remaining life of the asset.

The present value of the initial obligation and subsequent updates are based on discounted cash flows, which include estimates regarding the timing of future cash flows, the selection of discount rates and cost escalation rates, among other factors. These underlying assumptions and estimates are made as of a point in time and are subject to change.

See Note 6 for further information.

Revenue Recognition and Unbilled Revenue.

Revenues on sales of electricity and gas are recognized when either the service is provided or the product is delivered. Unbilled retail revenues are estimated by applying average revenue per kilowatt-hour (kWh) or per thousand cubic feet (Mcf) for all customer classes to the number of estimated kWh or Mcf delivered but not billed. Unbilled wholesale energy revenues are calculated by applying the contractual rate per megawatt-hour (MWh) to the number of estimated MWh delivered, but not yet billed. Unbilled wholesale demand revenues are calculated by applying the contractual rate per megawatt (MW) to the MW volume not yet billed. The amount of unbilled revenues can vary significantly from period to period as a result of factors, including seasonality, weather, customer usage patterns and customer mix.

Cinergy Receivables Company, LLC (CRC) is a bankruptcy remote, special-purpose entity that is a wholly owned limited liability company of Cinergy, a wholly owned subsidiary of Duke Energy. Unbilled revenues, which are primarily recorded as Receivables on the Balance Sheets and exclude receivables sold to Cinergy Receivables, primarily relate to wholesale sales and were immaterial at both December 31, 2012 and 2011.

Additionally, Duke Energy Kentucky sells, on a revolving basis, nearly all of its retail accounts receivable and related collections to CRC. As discussed further in Note 12, these transfers meet sales/derecognition criteria of the accounting rules and, therefore, Duke Energy Kentucky accounts

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for the transfers of receivables to CRC as sales. Accordingly, the receivables sold are not reflected on the Balance Sheets of Duke Energy Kentucky. Receivables for unbilled revenues related to retail accounts receivable at Duke Energy Kentucky included in the sales of accounts receivable to CRC at December 31, 2012 and 2011 were \$21 million and \$19 million, respectively.

Accounting for Risk Management and Hedging Activities and Financial Instruments.

Duke Energy Kentucky may use a number of different derivative and non-derivative instruments in connection with its interest rate risk management activities, including swaps, futures, forwards and options. All derivative instruments not designated as hedges and not qualifying for the normal purchase/normal sale (NPNS) exception within the accounting guidance for derivatives are recorded on the Balance Sheets at their fair value. The effective portion of the change in the fair value of derivative instruments designated as cash flow hedges is recorded in AOCI. The effective portion of the change in the fair value of a fair value hedge is offset in net income by changes in the hedged item. Duke Energy Kentucky may designate qualifying derivative instruments as either cash flow hedges or fair value hedges, while others either have not been designated as hedges or do not qualify as a hedge (hereinafter referred to as undesignated contracts).

For all contracts accounted for as a hedge, Duke Energy Kentucky prepares formal documentation of the hedge in accordance with the accounting guidance for derivatives. In addition, at inception and at least every three months thereafter, Duke Energy Kentucky formally assesses whether the hedge contract is highly effective in offsetting changes in cash flows or fair values of hedged items. Duke Energy Kentucky documents hedging activity by transaction type and risk management strategy.

See Note 10 for further information.

Unamortized Debt Premium, Discount and Expense.

Premiums, discounts and expenses incurred with the issuance of outstanding long-term debt are amortized over the terms of the debt issues. Any call premiums or unamortized expenses associated with refinancing higher-cost debt obligations to finance regulated assets and operations are amortized consistent with regulatory treatment of those items, where appropriate. The amortization expense is recorded as a component of Interest Expense in the Statements of Operations and is reflected as Depreciation and amortization within Net cash provided by operating activities on the Statements of Cash Flows.

Loss Contingencies and Environmental Liabilities.

Duke Energy Kentucky is involved in certain legal and environmental matters that arise in the normal course of business. Contingent losses are recorded when it is determined that it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. When a range of the probable loss exists and no amount within the range is a better estimate than any other amount, Duke Energy Kentucky records a loss contingency at the minimum amount in the range. Unless otherwise required by GAAP, legal fees are expensed as incurred.

Environmental liabilities are recorded on an undiscounted basis when the necessity for environmental remediation becomes probable and the costs can be reasonably estimated, or when other potential environmental liabilities are reasonably estimable and probable. Duke Energy Kentucky expenses environmental expenditures related to conditions caused by past operations that do not generate current or future revenues. Certain environmental expenses receive regulatory accounting treatment, under which the expenses are recorded as regulatory assets. Environmental expenditures related to operations that generate current or future revenues are expensed or capitalized, as appropriate.

See Note 4 for further information.

Pension and Other Post-Retirement Benefit Plans.

Duke Energy maintains qualified, non-qualified and other post-retirement benefit plans. Duke Energy Kentucky participates in Duke Energy's qualified and non-qualified and other post-retirement benefit plans and is allocated its proportionate share of benefit costs by Duke Energy.

See Note 14 for further information, including certain accounting policies associated with these plans.

Severance and Special Termination Benefits.

Duke Energy has an ongoing severance plan under which, in general, the longer a terminated employee worked prior to termination the greater the amount of severance benefits. Duke Energy Kentucky records a liability for involuntary severance once an involuntary severance plan is committed to by management, or sooner, if involuntary severances are probable and the related severance benefits can be reasonably estimated. For involuntary severance benefits that are incremental to its ongoing severance plan benefits, Duke Energy Kentucky measures the obligation and records the expense at its fair value at the communication date if there are no future service requirements, or, if future service is required to receive the termination benefit, ratably over the service period. From time to time, Duke Energy offers special termination benefits under voluntary severance programs. Special termination benefits are measured upon employee acceptance and recorded immediately absent a significant retention period. If a significant retention period exists, the cost of the special termination benefits are recorded ratably over the remaining service periods of the affected employees. Employee acceptance of voluntary severance benefits is determined by management based on the facts and circumstances of the special termination benefits being offered.

See Note 13 for further information.

Accounting For Purchases and Sales of Emission Allowances.

Emission allowances are issued by the Environmental Protection Agency (EPA) at zero cost and permit the holder of the allowance to emit certain gaseous by-products of fossil fuel combustion, including sulfur dioxide (SO₂) and nitrogen oxide (NO_x). Allowances may also be bought and sold via third party transactions. Allowances allocated to or acquired by Duke Energy Kentucky are held primarily for consumption. Duke Energy Kentucky records emission allowances in Intangibles, net on its Balance Sheets at cost and recognizes expense as the allowances are consumed or sold. Gains or losses on sales of recoverable emission allowances are returned to customers via profit sharing mechanism riders included in the rate structure of the regulated entity and are deferred as a regulatory asset or liability. Purchases and sales of emission allowances are presented gross as investing activities on the Statements of Cash Flows.

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Income Taxes.

Duke Energy Kentucky entered into a tax sharing agreement with Duke Energy, where the separate return method is used to allocate tax expenses and benefits to the subsidiaries whose investments or results of operations provide these tax expenses or benefits. The accounting for income taxes essentially represents the income taxes that Duke Energy Kentucky would incur if it was a separate company filing its own federal tax return as a C-Corporation. Deferred income taxes have been provided for temporary differences between the GAAP and tax carrying amounts of assets and liabilities. These differences create taxable or tax-deductible amounts for future periods. Investment tax credits (ITC) associated with regulated operations are deferred and are amortized as a reduction of income tax expense over the estimated useful lives of the related properties.

Duke Energy Kentucky records tax benefits for uncertain positions taken or expected to be taken on tax returns, including the decision to exclude certain income or transactions from a return, when a more-likely-than-not threshold is met for a tax position and management believes that the position will be sustained upon examination by the taxing authorities. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Duke Energy Kentucky records the largest amount of the uncertain tax benefit that is greater than 50% likely of being realized upon settlement or effective settlement. Management considers a tax position effectively settled for the purpose of recognizing previously unrecognized tax benefits when the following conditions exist: (i) the taxing authority has completed its examination procedures, including all appeals and administrative reviews that the taxing authority is required and expected to perform for the tax positions, (ii) Duke Energy Kentucky does not intend to appeal or litigate any aspect of the tax position included in the completed examination, and (iii) it is remote that the taxing authority would examine or reexamine any aspect of the tax position.

Duke Energy Kentucky records, as it relates to taxes, interest expense as Interest Expense and interest income and penalties in Other Income and Expenses, net, in the Statements of Operations.

See Note 15 for further information.

New Accounting Standards.

The following new accounting standards were adopted by Duke Energy Kentucky during the year ended December 31, 2012, and the impact of such adoption, if applicable, has been presented in the accompanying Financial Statements:

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 220 — Comprehensive Income. In June 2011, the FASB amended the existing requirements for presenting comprehensive income in financial statements primarily to increase the prominence of items reported in other comprehensive income (OCI) and to facilitate the convergence of U.S. GAAP and International Financial Reporting Standards (IFRS). Specifically, the revised guidance eliminates the option previously provided to present components of OCI as part of the statement of changes in stockholders' equity. Accordingly, all non-owner changes in stockholders' equity are required to be presented either in a single continuous statement of comprehensive income or in two separate but consecutive financial statements. For Duke Energy Kentucky, this revised guidance was effective on a retrospective basis for interim and annual periods beginning January 1, 2012. The adoption of this new guidance did not have a significant impact on Duke Energy Kentucky's disclosures or their results of operations, cash flows, or financial position.

ASC 820 — Fair Value Measurements and Disclosures. In May 2011, the FASB amended existing requirements for measuring fair value and for disclosing information about fair value measurements. This revised guidance results in a consistent definition of fair value, as well as common requirements for measurement and disclosure of fair value information between U.S. GAAP and IFRS. In addition, the amendments set forth enhanced disclosure requirements with respect to recurring Level 3 measurements, nonfinancial assets measured or disclosed at fair value, transfers between levels in the fair value hierarchy, and assets and liabilities disclosed but not recorded at fair value. For Duke Energy Kentucky, the revised fair value measurement guidance was effective on a prospective basis for interim and annual periods beginning January 1, 2012. The adoption of this new guidance did not have a significant impact on Duke Energy Kentucky's disclosures or their results of operations, cash flows, or financial position.

The following new accounting standards were adopted by Duke Energy Kentucky during the year ended December 31, 2011, and the impact of such adoption, if applicable has been presented in the accompanying Financial Statements:

ASC 605 — Revenue Recognition. In October 2009, the FASB issued new revenue recognition accounting guidance in response to practice concerns related to the accounting for revenue arrangements with multiple deliverables. This new accounting guidance primarily applies to all contractual arrangements in which a vendor will perform multiple revenue generating activities and addresses the unit of accounting for arrangements involving multiple deliverables, as well as how arrangement consideration should be allocated to the separate units of accounting. For Duke Energy Kentucky, the new accounting guidance was effective January 1, 2011, and applied on a prospective basis. This new accounting guidance did not have a material impact to the results of operations, cash flows or financial position of Duke Energy Kentucky.

ASC 805 — Business Combinations. In November 2010, the FASB issued new accounting guidance in response to diversity in the interpretation of pro forma information disclosure requirements for business combinations. The new accounting guidance requires an entity to present pro forma financial information as if a business combination occurred at the beginning of the earliest period presented as well as additional disclosures describing the nature and amount of material, nonrecurring pro forma adjustments. This new accounting guidance was effective January 1, 2011, and has been applied to all business combinations consummated after that date.

ASC 820 — Fair Value Measurements and Disclosures. In January 2010, the FASB amended existing fair value measurements and disclosures accounting guidance to clarify certain existing disclosure requirements and to require a number of additional disclosures, including amounts and reasons for significant transfers between the three levels of the fair value hierarchy, and presentation of certain information in the reconciliation of recurring Level 3 measurements on a gross basis. For Duke Energy Kentucky, certain portions of this revised accounting guidance were effective on January 1, 2010, with additional disclosures effective for periods beginning January 1, 2011. The adoption of this accounting guidance resulted in additional disclosure in the notes to the financial statements but did not have an impact on Duke Energy Kentucky's results of operations, cash flows or financial position.

ASC 350 — Intangibles—Goodwill and Other. In September 2011, the FASB amended existing goodwill impairment testing accounting

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guidance to provide an entity testing goodwill for impairment with the option of performing a qualitative assessment prior to calculating the fair value of a reporting unit in step one of a goodwill impairment test. Under this revised guidance, a qualitative assessment would require an evaluation of economic, industry, and company-specific considerations. If an entity determines, on a basis of such qualitative factors, that the fair value of a reporting unit is more likely than not less than the carrying value of a reporting unit, the two-step impairment test, as required under pre-existing applicable accounting guidance, would be required. Otherwise, no further impairment testing would be required. The revised goodwill impairment testing accounting guidance is effective for Duke Energy Kentucky's annual and interim goodwill impairment tests performed for fiscal years beginning January 1, 2012, with early adoption of this revised guidance permitted for annual and interim goodwill impairment tests performed as of a date before September 15, 2011. Since annual goodwill impairment tests are performed by Duke Energy as of August 31, Duke Energy Kentucky early adopted this revised accounting guidance during the third quarter of 2011.

The following new Accounting Standards Updates (ASU) have been issued, but have not yet been adopted by Duke Energy Kentucky, as of December 31, 2012.

ASC 210 — Balance Sheet. In December 2011, the FASB issued revised accounting guidance to amend the existing disclosure requirements for offsetting financial assets and liabilities to enhance current disclosures, as well as to improve comparability of balance sheets prepared under U.S. GAAP and IFRS. The revised disclosure guidance affects all companies that have financial instruments and derivative instruments that are either offset in the balance sheet (i.e., presented on a net basis) or subject to an enforceable master netting arrangement and/or similar agreement. The revised guidance requires that certain enhanced quantitative and qualitative disclosures be made with respect to a company's netting arrangements and/or rights of setoff associated with its financial instruments and/or derivative instruments including associated collateral. For Duke Energy Kentucky, the revised disclosure guidance is effective on a retrospective basis for interim and annual periods beginning January 1, 2013. Other than additional disclosures, this revised guidance does not impact Duke Energy Kentucky's results of operations, cash flows or financial position.

ASC 220 — Comprehensive Income. In February 2013, the FASB amended the existing requirements for presenting comprehensive income in financial statements to improve the reporting of reclassifications out of AOCI. The amendments in this Update seek to attain that objective by requiring an entity to report the effect of significant reclassifications out of AOCI on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts. This would be the case when a portion of the amount reclassified out of AOCI is reclassified to a balance sheet account (for example, inventory) instead of directly to income or expense in the same reporting period. For Duke Energy Kentucky, this revised guidance is effective on a prospective basis for interim and annual periods beginning January 1, 2013. The adoption of this new guidance did not have a significant impact on Duke Energy Kentucky's disclosures or their results of operations, cash flows, or financial position.

2. ACQUISITIONS

Duke Energy Kentucky consolidates assets and liabilities from acquisitions as of the purchase date, and includes earnings from acquisitions in earnings after the purchase date.

On July 2, 2012, Duke Energy completed the merger contemplated by the Agreement and Plan of Merger (Merger Agreement), among Diamond Acquisition Corporation, a North Carolina corporation and Duke Energy's wholly owned subsidiary (Merger Sub) and Progress Energy, a North Carolina corporation engaged in the regulated utility business of generation, transmission and distribution and sale of electricity in portions of North Carolina, South Carolina and Florida. As a result of the merger, Merger Sub was merged into Progress Energy and Progress Energy became a wholly owned subsidiary of Duke Energy.

The merger between Duke Energy and Progress Energy provides increased scale and diversity with potentially enhanced access to capital over the long-term and a greater ability to undertake the significant construction programs necessary to respond to increasing environmental regulation, plant retirements and customer demand growth. Duke Energy's business risk profile is expected to improve over-time due to the increased proportion of the business that is regulated.

On June 24, 2011, Duke Energy and Progress Energy filed a settlement agreement with the Kentucky Attorney General. On August 2, 2011, the KPSC issued an order conditionally approving the merger and required Duke Energy and Progress Energy to accept all conditions contained in the order. Duke Energy and Progress Energy requested and were granted rehearing on the limited issue of the wording of one condition relating to the composition of Duke Energy's post-merger board of directors. On October 28, 2011, the KPSC issued its order approving a settlement with the Kentucky Attorney General on the revised condition relating to the composition of the post-merger Duke Energy board. Duke Energy and Progress Energy filed their acceptance of the condition on November 2, 2011. Duke Energy Kentucky agreed to (i) not file new gas or electric base rate applications for two years from the date of the KPSC's final order in the merger proceedings, (ii) make five annual shareholder contributions of \$165,000 to support low-income weatherization efforts and economic development within Duke Energy Kentucky's service territory and (iii) not seek recovery from retail customers for any of their allocable share of merger related costs.

3. REGULATORY MATTERS

Regulatory Assets and Liabilities. Duke Energy Kentucky's regulated operations apply regulatory accounting. Accordingly, Duke Energy Kentucky records assets and liabilities that result from the regulated ratemaking process that would not be recorded under GAAP for non-regulated entities. See Note 1 for further information.

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The following table represents the regulatory assets and liabilities on Duke Energy Kentucky's Balance Sheets.

(in thousands)	December 31,		Recovery/Refund Period Ends
	2012	2011	
Regulatory Assets^(a)			
Deferred debt expense	\$ -	\$ 283	
Vacation accrual	2,055	1,853	2013
Under-recovery of fuel costs	763	1,537	2013
Hedge costs and other deferrals	566	529	2013
Other	-	56	
Total Current Regulatory Assets^(e)	3,384	4,258	
Accrued pension and other post-retirement benefits ^(a)	37,432	34,414	(b)
Storm cost deferrals	4,913	4,913	(b)
Hedge costs and other deferrals	7,423	7,516	(b)
Deferred debt expense	2,531	2,531	2036
Demand side management/Energy efficiency costs	2,511	-	(b)
Other	800	599	(b)
Total Non-Current Regulatory Assets	55,610	49,973	
Total Regulatory Assets	\$ 58,994	\$ 54,231	
Regulatory Liabilities^(a)			
Gas purchase costs	\$ 1,335	\$ 2,353	2013
Demand side management/Energy efficiency costs	6,248	-	2013
Other	1,033	222	2013
Total Current Regulatory Liabilities^(f)	8,616	2,575	
Removal costs ^(c)	62,993	59,167	(d)
Accrued pension and other post-retirement benefits	3,130	3,512	(b)
Demand side management/Energy efficiency costs	-	6,054	(b)
Other	663	1,726	(b)
Total Non-Current Regulatory Liabilities	66,786	70,459	
Total Regulatory Liabilities	\$ 75,402	\$ 73,034	

- (a) All regulatory assets and liabilities are excluded from rate base unless otherwise noted.
(b) Recovery/refund period varies for these items with some currently unknown.
(c) Included in rate base.
(d) Recovery/refund is over the life of the associated asset or liability.
(e) Included in Other within Current Assets on the Balance Sheets.
(f) Included in Other within Current Liabilities on the Balance Sheets.

Rate Related Information. The KPSC approves rates for retail electric and gas services within the Commonwealth of Kentucky. The FERC approves rates for electric sales to wholesale customers served under cost-based rates, as well as sales of transmission service.

In conjunction with the KPSC's approval of Duke Energy's merger with Progress Energy, which is discussed further in Note 2, Duke Energy Kentucky agreed to not file new gas or electric base rate applications for two years from the date of the KPSC's final order in the merger proceedings. As a result of this agreement, Duke Energy Kentucky is not able to file gas or electric based rate applications until November 2013.

Potential Plant Retirements. Duke Energy Kentucky periodically files Integrated Resource Plans (IRP) with the KPSC. The IRPs provide a view of forecasted energy needs over a long term (15-20 years), and options being considered to meet those needs. The IRPs filed by Duke Energy Kentucky in 2011 and 2010 included planning assumptions to potentially retire by 2015, Miami Fort Unit 6, which does not have the requisite emission control equipment, primarily to meet the EPA Mercury and Air Toxics Standard (MATS) regulation. The net book value of the 163 MW Miami Fort Unit 6, as of December 31, 2012, is \$12 million. As of December 31, 2012, no decision has been made regarding the retirement.

Regional Transmission Organization Realignment. Duke Energy Ohio, which includes its wholly owned subsidiary Duke Energy Kentucky, transferred control of its transmission assets to effect a Regional Transmission Organization (RTO) realignment from the Midwest Independent Transmission System Operator, Inc. (MISO) to PJM interconnection, L.L.C. (PJM), effective December 31, 2011.

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On December 16, 2010, the FERC issued an order related to MISO's cost allocation methodology surrounding Multi-Value Projects (MVP), a type of MISO Transmission Expansion Planning (MTEP) project cost. MISO expects that MVP will fund the costs of large transmission projects designed to bring renewable generation from the upper Midwest to load centers in the eastern portion of the MISO footprint. MISO approved MVP proposals with estimated project costs of approximately \$5.2 billion prior to the date of Duke Energy Ohio's exit from MISO on December 31, 2011. These projects are expected to be undertaken by the constructing transmission owners from 2012 through 2020 with costs recovered through MISO over the useful life of the projects. The FERC order did not clearly and expressly approve MISO's apparent interpretation that a withdrawing transmission owner is obligated to pay its share of costs of all MVP projects approved by MISO up to the date of the withdrawing transmission owners' exit from MISO. Duke Energy Ohio, including Duke Energy Kentucky, has historically represented approximately five-percent of the MISO system. Duke Energy Ohio and Duke Energy Kentucky, among other parties, sought rehearing of the FERC MVP order. On October 21, 2011, the FERC issued an order on rehearing in this matter largely affirming its original MVP order and conditionally accepting MISO's compliance filing as well as determining that the MVP allocation methodology is consistent with cost causation principles and FERC precedent. The FERC also reiterated that it would not prejudge any settlement agreement between an RTO and a withdrawing transmission owner for fees that a withdrawing transmission owner owes to the RTO. The order further states that any such fees that a withdrawing transmission owner owes to an RTO are a matter for those parties to negotiate, subject to review by the FERC. The FERC also ruled that Duke Energy Ohio and Duke Energy Kentucky's challenge of MISO's ability to allocate MVP costs to a withdrawing transmission owner is beyond the scope of the proceeding. The order further stated that MISO's tariff withdrawal language establishes that once cost responsibility for transmission upgrades is determined, withdrawing transmission owners retain any costs incurred prior to the withdrawal date. In order to preserve their rights, Duke Energy Ohio and Duke Energy Kentucky filed an appeal of the FERC order in the D.C. Circuit Court of Appeals. The case was consolidated with appeals of the FERC order by other parties in the Seventh Circuit Court of Appeals.

On October 14, 2011, Duke Energy Ohio and Duke Energy Kentucky filed an application with the FERC to establish new wholesale customer rates for transmission service under PJM's Open Access Transmission Tariff. In this filing, Duke Energy Ohio and Duke Energy Kentucky sought recovery of their legacy MTEP costs, including MVP costs, and submitted an analysis showing that the benefits of the RTO realignment outweigh the costs to the customers. The new rates went into effect, subject to refund, on January 1, 2012. Protests were filed by certain transmission customers. On April 24, 2012, FERC issued an order in which it denied recovery of legacy MTEP costs without prejudice to the right of Duke Energy Ohio and Duke Energy Kentucky to make another filing including a more comprehensive cost-benefit analysis to support such recovery, and set the return on equity component of the rate for hearing. Duke Energy Ohio and Duke Energy Kentucky have entered into a settlement agreement with the only remaining protester, American Municipal Power, Inc. (AMP), under which the return on equity will be set at 11.38%, legacy MTEP costs will be recovered in rates, and AMP will receive a credit equal to 75% of its share of the legacy MTEP costs. The settlement agreement was filed with the FERC on February 4, 2012 and requires FERC approval.

On December 29, 2011, MISO filed with FERC a Schedule 39 to MISO's tariff. Schedule 39 provides for the allocation of MVP costs to a withdrawing owner based on the owner's actual transmission load after the owner's withdrawal from MISO, or, if the owner fails to report such load, based on the owner's historical usage in MISO assuming annual load growth. On January 19, 2012, Duke Energy Ohio and Duke Energy Kentucky filed with FERC a protest of the allocation of MVP costs to them under Schedule 39. On February 27, 2012, the FERC accepted Schedule 39 as a just and reasonable basis for MISO to charge for MVP costs, a transmission owner that withdraws from MISO after January 1, 2012. The FERC set for hearing whether MISO's proposal to use the methodology in Schedule 39 to calculate the obligation of transmission owners who withdrew from MISO prior to January 1, 2012 (such as Duke Energy Ohio and Duke Energy Kentucky) to pay for MVP costs is consistent with the MVP-related withdrawal obligations in the tariff at the time that they withdrew from MISO, and, if not, what amount of, and methodology for calculating, any MVP cost responsibility should be.

On March 28, 2012, Duke Energy Ohio and Duke Energy Kentucky filed a request for rehearing of FERC's February 27, 2012 order on MISO's Schedule 39. On December 19, 2012, the FERC Trial Staff submitted testimony in the Schedule 39 hearing proceeding in which its witness stated his opinion that Duke Energy Ohio and Duke Energy Kentucky should not be liable for any MVP costs. The role of the FERC Trial Staff is to act as an independent party in the proceeding; it has no judicial authority. The hearing has been scheduled for April 2013.

On December 31, 2011, Duke Energy Kentucky recorded a liability for its MISO exit obligation and share of MTEP costs, excluding MVP, of approximately \$18 million, of which a portion is included in Other within Current Liabilities and the remainder is included in Other within Deferred Credits and Other Liabilities on the Balance Sheets. The charges were recorded to Operation, maintenance and other in Duke Energy Kentucky's statement of operations, and were included in Other liabilities within the operating section of the statement of cash flows, upon exit from the MISO on December 31, 2011. In addition to the above amounts, Duke Energy Kentucky may also be responsible for costs associated with MISO MVP projects. Duke Energy Kentucky is contesting its obligation to pay for such costs. However, depending on the final outcome of this matter, Duke Energy Kentucky could incur material costs associated with MVP projects, which are not reasonably estimable at this time. Regulatory accounting treatment will be pursued for any costs incurred in connection with the resolution of this matter.

The following table provides a reconciliation of the beginning and ending balance of Duke Energy Kentucky's recorded obligations related to its withdrawal from MISO.

(in thousands)	Balance at December 31, 2011	Provision / Adjustments	Cash Reductions	Balance at December 31, 2012
MISO Withdrawal Liability	\$ 18,401	\$ 6,370	\$ (3,152)	\$ 21,619

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4. COMMITMENTS AND CONTINGENCIES

General Insurance

Duke Energy Kentucky has insurance and reinsurance coverage either directly or through indemnification from Duke Energy's captive insurance company, Bison Insurance Company, and its affiliates, consistent with companies engaged in similar commercial operations with similar type properties. Duke Energy Kentucky's coverage includes (i) commercial general liability coverage for liabilities arising to third parties for bodily injury and property damage resulting from Duke Energy Kentucky's operations; (ii) workers' compensation liability coverage to statutory limits; (iii) automobile liability coverage for all owned, non-owned and hired vehicles covering liabilities to third parties for bodily injury and property damage; (iv) insurance policies in support of the indemnification provisions of Duke Energy Kentucky's by-laws and (v) property coverage for all real and personal property damage, excluding electric transmission and distribution lines, including damages arising from boiler and machinery breakdowns, earthquake, flood damage and extra expense, but not outage or replacement power coverage. All coverage is subject to certain deductibles or retentions, sublimits, terms and conditions common for companies with similar types of operations.

Duke Energy Kentucky self-insures its transmission and distribution lines against loss due to storm damage and other natural disasters. Duke Energy Kentucky also maintains excess liability insurance coverage above the established primary limits for commercial general liability and automobile liability insurance. Limits, terms, conditions and deductibles are comparable to those carried by other energy companies of similar size.

The cost of Duke Energy Kentucky's coverage can fluctuate year to year reflecting any changing claims history and conditions of the insurance and reinsurance markets.

In the event of a loss, the terms and amount of insurance and reinsurance available might not be adequate to cover claims and other expenses incurred. Uninsured losses and other expenses, to the extent not recovered by other sources, could have a material effect on Duke Energy Kentucky's results of operations, cash flows or financial position. Duke Energy Kentucky is responsible to the extent losses may exceed limits of the coverage available.

Environmental

Duke Energy Kentucky is subject to federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. These regulations can be changed from time to time, imposing new obligations on Duke Energy Kentucky.

Remediation Activities. Duke Energy Kentucky is responsible for environmental remediation at various contaminated sites. These include some properties that are part of ongoing operations and sites formerly owned or used by Duke Energy Kentucky. In some cases, Duke Energy Kentucky no longer owns the property. These sites are in various stages of investigation, remediation and monitoring. Managed in conjunction with relevant federal, state and local agencies, activities vary with site conditions and locations, remediation requirements, complexity and sharing of responsibility. If remediation activities involve joint and several liability provisions, strict liability, or cost recovery or contribution actions, Duke Energy Kentucky could potentially be held responsible for contamination caused by other parties. In some instances, Duke Energy Kentucky may share liability associated with contamination with other potentially responsible parties, and may also benefit from insurance policies or contractual indemnities that cover some or all cleanup costs. All of these sites generally are managed as part of business or affiliate operations. Duke Energy Kentucky continually assesses the nature and extent of known or potential environmentally related contingencies and records liabilities when losses become probable and are reasonably estimable. Duke Energy Kentucky has accrued costs associated with remediation activities at some of its current and former sites for the stages of investigation, remediation and monitoring that can be reasonably estimated, as well as other relevant environmental contingent liabilities. At this time, Duke Energy Kentucky cannot estimate the total costs that may be incurred in connection with the remediation of all stages of all sites because the extent of environmental impact, allocation among potentially responsible parties, remediation alternatives, and/or regulatory decisions have not yet been determined. It is anticipated that additional costs, which could be material, associated with remediation activities at certain sites will be incurred in the future. Costs associated with remediation activities within Duke Energy Kentucky's operations are typically expensed as Operation, maintenance and other unless regulatory recovery of the costs is deemed probable.

Duke Energy Kentucky's accruals relate to certain sites that have required, or are anticipated to require, investigation and/or remediation. Duke Energy Kentucky has accrued approximately \$570 thousand for probable and estimable costs related to its various environmental sites. These amounts are recorded in Other within Deferred Credits and Other Liabilities on the Duke Energy Kentucky Balance Sheets. Duke Energy Kentucky could incur additional losses in excess of its recorded reserves of up to approximately \$8 million for the stages of investigation, remediation and monitoring for its environmental sites that can be reasonably estimated at this time. The maximum amount of the range for all stages of Duke Energy Kentucky's environmental sites cannot be determined at this time. Actual experience may differ from current estimates, and it is probable that estimates will continue to change in the future.

Clean Water Act 316(b). The EPA published its proposed cooling water intake structures rule on April 20, 2011. The proposed rule advances one main approach and three alternatives. The main approach establishes aquatic protection requirements for existing facilities that withdraw 2 million gallons or more of water per day from rivers, streams, lakes, reservoirs, estuaries, oceans, or other U.S. waters for cooling purposes. Based on the main approach proposed, Duke Energy Kentucky's two coal-fired generating facilities are likely affected sources unless retired prior to implementation of the 316(b) requirements.

The EPA plans to finalize the 316(b) rule by June 2013. Compliance with portions of the rule could begin as early as 2016. Because of the wide range of potential outcomes, including the other three alternative proposals, Duke Energy Kentucky is unable to predict the outcome of the rulemaking or estimate its costs to comply at this time.

Cross-State Air Pollution Rule (CSAPR). On August 8, 2011, the final Cross-State Air Pollution Rule (CSAPR) was published in the Federal Register. The CSAPR established state-level annual SO₂ budgets and annual seasonal NO_x budgets that were to take effect on January 1, 2012.

Numerous parties challenged the rule. On August 21, 2012, by a 2-1 decision, the United States Court of Appeals for the District of Columbia vacated the CSAPR. The court also directed the EPA to continue administering the Clean Air Interstate Rule (CAIR) that Duke Energy Kentucky has been complying with since 2009, pending completion of a remand rulemaking to replace CSAPR with a valid rule. The CAIR requires additional

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reductions in SO₂ and NO_x emissions beginning in 2015. The EPA petitioned for rehearing by the Court of Appeals, which was denied. The EPA might seek review by the U.S. Supreme Court. The CAIR will remain in force for an unknown period of time until the EPA develops a replacement rule.

Duke Energy Kentucky cannot predict the outcome of any further appeal or how a potential CSAPR replacement rule could affect future emission reduction requirements. The continued implementation of the CAIR pending the outcome of the rehearing process and a potential CSAPR replacement rulemaking will not result in Duke Energy Kentucky adding new emission controls.

Coal Combustion Residuals (CCR). On June 21, 2010, the EPA issued a proposal to regulate, under the Resource Conservation and Recovery Act, coal combustion residuals (CCR), a term the EPA uses to describe the coal combustion byproducts associated with the generation of electricity. The EPA proposal contains two regulatory options whereby CCRs not employed in approved beneficial use applications either would be regulated as hazardous waste or would continue to be regulated as non-hazardous waste. Duke Energy Kentucky cannot predict the outcome of this rulemaking. The EPA has stated that it may be 2014 before it finalizes the regulation.

Mercury and Air Toxics Standards (MATS). The final Mercury and Air Toxics Standards rule, previously referred to as the Utility MACT Rule, was published in the Federal Register on February 16, 2012. The final rule establishes emission limits for hazardous air pollutants from new and existing coal-fired and oil-fired steam electric generating units. The rule requires sources to comply with the emission limits by April 16, 2015. Under the CAA, permitting authorities have the discretion to grant up to a 1-year compliance extension, on a case-by-case basis, to sources that are unable to complete the installation of emission controls before the compliance deadline. Duke Energy Kentucky continues to develop and implement strategies for complying with the rule's requirements. Strategies to achieve compliance with the final MATS rules could include installing new or upgrading existing air emission control equipment, developing monitoring processes, fuel switching and accelerating retirement of some coal-fired electric-generating units. For additional information, refer to Note 3 regarding potential plant retirements.

Numerous petitions for review of the final MATS rule have been filed with the United States Court of Appeals for the District of Columbia. The court established a schedule for the litigation that has final briefs being filed on April 8, 2013. Oral arguments have not been scheduled. Duke Energy Kentucky cannot predict the outcome of the litigation or how it might affect the MATS requirements as they apply to Duke Energy Kentucky. As discussed below, the cost to Duke Energy Kentucky to comply with the proposed MATS regulations will be material.

EPA Greenhouse Gas New Source Performance Standards (NSPS). On April 13, 2012, the EPA published in the Federal Register its proposed rule to establish carbon dioxide (CO₂) emissions standards for pulverized coal, IGCC, and natural gas combined cycle electric generating units that are permitted and constructed in the future. The proposal would not apply to any of the Duke Energy Kentucky's coal and natural gas electric generation plants that are currently under construction or in operation. Any future pulverized coal and IGCC units will have to employ carbon capture and storage (CCS) technology to meet the CO₂ emission standard the EPA has proposed. The proposed standard will not require new natural gas combined cycle facilities to install CCS technology.

Management does not expect any material impact on Duke Energy Kentucky's future results of operations or cash flows based on the EPA's proposal. The final rule, however, could be significantly different from the proposal. It is not known when the EPA might finalize the rule.

Estimated Cost and Impacts of EPA Rulemakings. The ultimate compliance requirements for Duke Energy Kentucky for MATS, Clean Water Act 316(b) and CCRs will not be known until all the rules have been finalized. Duke Energy Kentucky's estimated costs for new control equipment necessary to comply with the MATS, which is the only rule that has been finalized, are \$30 million to \$75 million, excluding AFUDC, over the next 10 years.

Duke Energy Kentucky also expects to incur increased fuel, purchased power, operation and maintenance, and other expenses in conjunction with these EPA regulations. Until the final regulatory requirements of the group of EPA regulations are known and can be fully evaluated, the potential compliance costs associated with these EPA regulatory actions are subject to considerable uncertainty. Therefore, the actual compliance costs incurred may be materially different from these estimates based on the timing and requirements of the final EPA regulations. Duke Energy Kentucky intends to seek regulatory recovery of amounts incurred associated with regulated operations in complying with these regulations. Refer to Note 3 for further information regarding potential plant retirements and regulatory filings related to Duke Energy Kentucky.

Litigation and Legal Proceedings

Duke Energy Kentucky is involved in other legal, tax and regulatory proceedings arising in the ordinary course of business, some of which involve substantial amounts. Duke Energy Kentucky believes that the final disposition of these proceedings will not have a material adverse effect on its results of operations, cash flows or financial position. Duke Energy Kentucky expenses legal costs related to the defense of loss contingencies as incurred.

Other Commitments and Contingencies

General

As part of its normal business, Duke Energy Kentucky is a party to various financial guarantees, performance guarantees and other contractual commitments to extend guarantees of credit and other assistance to various third parties. To varying degrees, these guarantees involve elements of performance and credit risk, which are not included on the Balance Sheets. The possibility of Duke Energy Kentucky having to honor its contingencies is largely dependent upon future operations of various investees and other third parties, or the occurrence of certain future events.

In addition, Duke Energy Kentucky enters into various fixed-price, non-cancelable commitments to purchase or sell power (tolling arrangements or power purchase contracts), take-or-pay arrangements, transportation or throughput agreements and other contracts that may or may not be recognized on the Balance Sheets. Some of these arrangements may be recognized at fair value on the Balance Sheets if such contracts meet the definition of a derivative and the NPNS exception does not apply. As of December 31, 2012, most of these commitments are non-derivative contracts or designated as normal purchases and sales and therefore are not recognized on the Balance Sheets. In most cases, Duke Energy Kentucky's purchase obligation contracts contain provisions for price adjustments, minimum purchase levels and other financial commitments. The commitment amounts presented are estimates and therefore will likely differ from actual purchase amounts.

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Purchase Obligations

Duke Energy Kentucky did not have long-term commitments that are noncancelable or are cancelable only under certain conditions, have a term of more than one year, and that third parties have used to secure financing for the facilities that will provide the contracted goods or services or ongoing purchased power contracts as of December 31, 2012.

Operating and Capital Lease Commitments

Duke Energy Kentucky leases assets in several areas of its operations. Duke Energy Kentucky leases vehicles, computer equipment and other property and equipment with various terms and expiration dates. Capitalized lease obligations are classified as Long-term debt on the Balance Sheets (see Note 5). Amortization of assets recorded under capital leases is included in Depreciation and amortization on the Statements of Operations.

Rental expense for operating leases, which is included in Operation, maintenance and other on the Statements of Operations, was \$2 million and \$3 million for the years ended December 31, 2012 and 2011.

The following table presents future minimum lease payments under operating leases, which at inception had a non-cancelable term of more than one year, and capital leases as of December 31, 2012.

(in thousands)	Operating Leases	Capital Leases
2013	\$ 1,685	\$ 2,287
2014	1,587	2,075
2015	1,290	1,882
2016	1,129	1,703
2017	903	797
Thereafter	694	1,572
Minimum annual payments	7,288	10,316
Less amount representing interest	-	(1,428)
Total	\$ 7,288	\$ 8,888

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5. DEBT AND CREDIT FACILITIES

Summary of Debt and Related Terms

(in thousands)	Weighted-Ave rage Rate	Year Due	December 31,	
			2012	2011
Unsecured debt	5.32 %	2014-2036	\$ 255,000	\$ 255,000
Capital leases	5.41 %	2013-2020	8,888	10,924
Other debt ^(a)	0.80 %	2013-2027	77,572	77,572
Unamortized debt discount and premium, net			(620)	(710)
Total debt			340,840	342,786
Current maturities of long-term debt			(1,889)	(1,956)
Total long-term debt			\$ 338,951	\$ 340,830

- (a) Includes \$77 million of tax-exempt bonds as of both December 31, 2012 and 2011. Of the \$77 million, \$27 million is backstopped by the bilateral letter of credit agreement as of both December 31, 2012 and 2011.

Money Pool. Duke Energy Kentucky receives support for its short-term borrowing needs through participation with Duke Energy and certain of its subsidiaries in a money pool arrangement. Under this arrangement, those companies with short-term funds may provide short-term loans to affiliates participating under this arrangement. The money pool is structured such that Duke Energy Kentucky separately manages its cash needs and working capital requirements. Accordingly, there is no net settlement of receivables and payables related to the money pool between the money pool participants. Money pool receivable balances are reflected within Notes receivable from affiliated companies in the Balance Sheets. The change in receivables is reflected within Investing Activities on the Statements of Cash Flows.

Floating Rate Debt. Other debt includes \$77 million of floating-rate debt as of both December 31, 2012 and 2011. Floating-rate debt is primarily based on commercial paper rates or a spread relative to an index such as LIBOR. As of December 31, 2012 and 2011, the average interest rate associated with floating rate debt was 0.76% and 0.71%, respectively.

Maturities, Call Options and Acceleration Clauses.

Annual Maturities as of December 31, 2012

(in thousands)	
2013	\$ 1,889
2014	41,725
2015	1,617
2016	51,518
2017	687
Thereafter	243,404
Total long-term debt (including current maturities)	\$ 340,840

Duke Energy Kentucky has the ability under certain debt facilities to call and repay the obligation prior to its scheduled maturity. Therefore, the actual timing of future cash repayments could be materially different than as presented above.

Available Credit Facilities. In November 2011, Duke Energy entered into a \$6 billion, five-year master credit facility, expiring November 2016, with \$4 billion available at closing and the remaining \$2 billion became effective July 2, 2012, following the closing of the merger with Progress Energy. In October 2012, Duke Energy reached an agreement with banks representing \$5.63 billion of commitments under the master credit facility to extend the expiration date by one year to November 2017. Through 2016, the available credit under this facility remains \$6 billion. Duke Energy Kentucky has borrowing capacity under the master credit facility up to a specified sublimit. However, Duke Energy has the unilateral ability at any time to increase or decrease the borrowing sublimit, subject to maximum sublimits, for Duke Energy Kentucky. At December 31, 2012, Duke Energy Kentucky had a borrowing sublimit and available capacity under Duke Energy's master credit facility of \$100 million. The amount available to Duke Energy Kentucky under the master credit facility may be reduced by the use of the master credit facility to backstop the issuances of letters of credit and certain tax-exempt bonds. At December 31, 2012, Duke Energy Kentucky's available capacity was \$73 million under the master credit facility.

At December 31, 2012 and 2011, \$27 million of tax-exempt bonds, which are short-term obligations by nature, were classified as Long-term debt on the Balance Sheets due to Duke Energy Kentucky's intent and ability to utilize such borrowings as long-term financing. Duke Energy's credit facilities with non-cancelable terms in excess of one year as of the balance sheet date give Duke Energy Kentucky the ability to refinance these short-term obligations on a long-term basis. All of the \$27 million of tax-exempt bonds outstanding at December 31, 2012 and 2011 were backstopped by a letter

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of credit.

In January 2012, Duke Energy Kentucky and Duke Energy Indiana, Inc. (Duke Energy Indiana), a wholly-owned subsidiary of Duke Energy, collectively entered into a \$156 million two-year bilateral letter of credit agreement, under which Duke Energy Kentucky and Duke Energy Indiana may request the issuance of letters of credit up to \$27 million and \$129 million, respectively, on their behalf to support various series of variable rate demand bonds. In addition, Duke Energy Indiana entered into a \$78 million two-year bilateral letter of credit facility. This credit facility may not be used for any purpose other than to support the variable rate demand bonds issued by Duke Energy Kentucky and Duke Energy Indiana. In February 2012, letters of credit were issued corresponding to the amount of the facilities to support various series of tax-exempt bonds at Duke Energy Kentucky and Duke Energy Indiana. In February 2013, the letters of credit were amended to extend the expiration date to January 2015.

Restrictive Debt Covenants. Duke Energy Kentucky's debt and credit agreements contain various financial and other covenants. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements. As of December 31, 2012, Duke Energy Kentucky was in compliance with all covenants related to its significant debt agreements. In addition, some credit agreements may allow for acceleration of payments or termination of the agreements due to nonpayment, or the acceleration of other significant indebtedness of the borrower or some of its subsidiaries. None of the significant debt or credit agreements contain material adverse change clauses.

6. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations, which represent legal obligations associated with the retirement of certain tangible long-lived assets, are computed as the present value of the projected costs for the future retirement of specific assets and are recognized in the period in which the liability is incurred, if a reasonable estimate of fair value can be made. The present value of the liability is added to the carrying amount of the associated asset in the period the liability is incurred, and this additional carrying amount is depreciated over the remaining life of the asset. Subsequent to the initial recognition, the liability is adjusted for any revisions to the estimated future cash flows associated with the asset retirement obligation (with corresponding adjustments to property, plant, and equipment), which can occur due to a number of factors including, but not limited to, cost escalation, changes in technology applicable to the assets to be retired and changes in federal, state or local regulations, as well as for accretion of the liability due to the passage of time until the obligation is settled. Depreciation expense is adjusted prospectively for any increases or decreases to the carrying amount of the associated asset. The recognition of asset retirement obligations has no impact on the earnings of Duke Energy Kentucky's regulated electric operations as the effects of the recognition and subsequent accounting for an asset retirement obligation are offset by the establishment of regulatory assets and liabilities pursuant to regulatory accounting.

Asset retirement obligations at Duke Energy Kentucky relate primarily to the retirement of gas mains, asbestos abatement at certain generating stations and closure and post-closure activities of landfills. Certain assets of Duke Energy Kentucky have an indeterminate life, and thus the fair value of the retirement obligation is not reasonably estimable. A liability for these asset retirement obligations will be recorded when a fair value is determinable.

The following table presents the changes to the liability associated with asset retirement obligations for Duke Energy Kentucky.

(in thousands)	Years Ended December 31,	
	2012	2011
Balance as of January 1,	\$ 5,859	\$ 5,512
Accretion expense	343	204
Revisions to estimates of cash flows	(124)	143
Balance as of December 31,	\$ 6,078	\$ 5,859

Duke Energy Kentucky's regulated electric and regulated natural gas operations accrue costs of removal for property that does not have an associated legal retirement obligation based on regulatory orders from the KPSC. These costs of removal are recorded as a regulatory liability in accordance with regulatory accounting treatment. See Note 3 for the estimated cost of removal for assets without an associated legal retirement obligation, which are included in Regulatory liabilities on the Balance Sheets as of December 31, 2012 and 2011.

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7. PROPERTY, PLANT AND EQUIPMENT

(in thousands)	Estimated Useful Life (Years)	December 31,	
		2012	2011
Land		\$ 19,640	\$ 19,492
Plant			
Electric generation, distribution and transmission(a)(b)	8 - 100	1,194,194	1,154,753
Natural gas transmission and distribution(a)	12 - 60	412,752	399,194
Other buildings and improvements	25 - 100	34,820	32,092
Equipment	5 - 25	14,898	14,562
Construction in process(b)		20,861	27,612
Other(b)	5 - 20	31,161	33,659
Total property, plant and equipment		1,728,326	1,681,364
Total accumulated depreciation(c)(d)		(713,020)	(698,977)
Total net property, plant and equipment		\$ 1,015,306	\$ 982,387

- (a) Includes capitalized leases of \$21 million and \$26 million at December 31, 2012 and 2011, respectively. Duke Energy Kentucky and Dayton Power & Light jointly own East Bend Station, an electric generating unit. Duke Energy Kentucky's 69% share of revenues and operating costs are included within the corresponding line on the Statements of Operations. Each participant in the jointly owned facility must provide its own financing. This table includes East Bend Station property, plant and equipment of \$445 million and \$434 million at December 31, 2012 and 2011, respectively. This table also includes construction work in progress of \$9 million and \$6 million at December 31, 2012 and 2011, respectively.
- (b) Includes accumulated amortization of capitalized leases of \$4 million at both December 31, 2012 and 2011.
- (c) Includes East Bend Station accumulated depreciation of \$231 million and \$234 million at December 31, 2012 and 2011, respectively.

The debt component of AFUDC was less than \$500 thousand for each of the years ended December 31, 2012 and 2011.

8. OTHER INCOME AND EXPENSES, NET

The components of Other Income and Expenses, net on Duke Energy Kentucky's Statement of Operations for the years ended December 31, 2012 and 2011 are as follows.

(in thousands)	Years Ended December 31,	
	2012	2011
Income/(Expense):		
Interest Income	\$ 1,244	\$ 2,815
AFUDC Equity	258	596
Other	(12)	(22)
Other Income and Expense, net	\$ 1,490	\$ 3,389

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9. RELATED PARTY TRANSACTIONS

Duke Energy Kentucky engages in related party transactions, which are generally performed at cost and in accordance with the applicable state and federal commission regulations. Refer to the Balance Sheets of Duke Energy Kentucky for balances due to or due from related parties. Amounts related to transactions with related parties included in the Statements of Operations are presented in the following table.

(in thousands)	Years Ended	
	December 31, 2012	December 31, 2011
Corporate governance and shared service expenses ^(a)	\$ 78,985	\$ 91,391
Midwest ISO expenses ^(b)	-	9,651

- (a) Duke Energy Kentucky is charged its proportionate share of corporate governance and other costs by an unconsolidated affiliate that is a consolidated affiliate of Duke Energy. Corporate governance and other shared services costs are primarily related to human resources, employee benefits, legal and accounting fees, as well as other third party costs. These amounts are recorded in Operation, Maintenance and Other within Operating Expenses on the Statements of Operations.
- (b) Duke Energy Kentucky incurred expenses from Duke Energy Ohio related to purchasing network integration transmission service from the Midwest ISO and ancillary services during 2011. These expenses are recorded in Operations, maintenance and other within Operating Expenses on the Statements of Operations.

In addition to the amounts presented above, Duke Energy Kentucky participates in a money pool arrangement with Duke Energy and certain of its subsidiaries. See Note 5 for more information regarding money pool. As discussed in Note 12, certain trade receivables have been sold by Duke Energy Kentucky to CRC, an unconsolidated entity formed by a subsidiary of Duke Energy. The proceeds obtained from the sales of receivables are largely cash but do include a subordinated note from CRC for a portion of the purchase price. The interest income associated with the subordinated note, which is recorded in Other Income and Expenses, net on the Statements of Operations, was immaterial and \$3 million for the years ended December 31, 2012 and 2011, respectively. Interest income and interest expense associated with the money pool arrangement was not material for the years ended December 31, 2012 and 2011.

10. RISK MANAGEMENT, DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Duke Energy Kentucky has limited exposure to market price changes of fuel and emission allowance costs incurred for its retail customers due to the use of cost tracking and recovery mechanisms. Duke Energy Kentucky does have exposure to the impact of market fluctuations in the prices of electricity, fuel and emission allowances associated with its generation output not utilized to serve retail operations or committed load (off-system, wholesale power sales). Exposure to interest rate risk exists as a result of the issuance of variable and fixed rate debt. Duke Energy Kentucky employs established policies and procedures to manage its risks associated with these market fluctuations using various commodity and financial derivative instruments, including swaps, futures, forwards and options.

Duke Energy Kentucky does not have any significant commodity derivatives.

Interest Rate Risk. Changes in interest rates expose Duke Energy Kentucky to risk as a result of its issuance of variable and fixed rate debt. Duke Energy Kentucky manages its interest rate exposure by limiting its variable-rate exposures to a percentage of total debt and by monitoring the effects of market changes in interest rates. To manage risk associated with changes in interest rates, Duke Energy Kentucky may enter into financial contracts; primarily interest rate swaps and U.S. Treasury lock agreements. Because Duke Energy Kentucky meets the criteria for regulatory accounting treatment any contracts entered into are treated as undesignated and any pre-tax gain or loss recognized from inception to termination of the hedges are recorded as a regulatory liability or asset and amortized as a component of interest expense over the life of the debt. As a result there is no mark-to-market impact on earnings. The notional amount for Duke Energy Kentucky's interest rate swaps was \$27 million at December 31, 2012 and December 31, 2011.

Credit Risk. Where exposed to credit risk, Duke Energy Kentucky analyzes the counterparties' financial condition prior to entering into an agreement, establishes credit limits and monitors the appropriateness of those limits on an ongoing basis.

Duke Energy Kentucky's industry has historically operated under negotiated credit lines for physical delivery contracts. Duke Energy Kentucky may use master collateral agreements to mitigate certain credit exposures. The collateral agreements provide for a counterparty to post cash or letters of credit to the exposed party for exposure in excess of an established threshold. The threshold amount represents an unsecured credit limit, determined in accordance with the corporate credit policy. Collateral agreements also provide that the inability to post collateral is sufficient cause to terminate contracts and liquidate all positions.

Duke Energy Kentucky also obtains cash or letters of credit from customers to provide credit support outside of collateral agreements, where appropriate, based on its financial analysis of the customer and the regulatory or contractual terms and conditions applicable to each transaction.

See Note 11 for additional information on fair value disclosures related to derivatives.

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11. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Under existing accounting guidance, fair value is considered to be the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The fair value definition focuses on an exit price, which is the price that would be received to sell an asset or paid to transfer a liability versus an entry price, which would be the price paid to acquire an asset or received to assume a liability.

Recurring and non-recurring fair value measurements are classified based on the following fair value hierarchy, as prescribed by the accounting guidance for fair value, which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities that Duke Energy Kentucky has the ability to access. An active market for the asset or liability is one in which transactions for the asset or liability occur with sufficient frequency and volume to provide ongoing pricing information. Duke Energy Kentucky does not adjust quoted market prices on Level 1 inputs for any blockage factor.

Level 2 – a fair value measurement utilizing inputs other than a quoted market price that are observable, either directly or indirectly, for the asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted market prices that are observable for the asset or liability, such as interest rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk and default rates. A Level 2 measurement cannot have more than an insignificant portion of the valuation based on unobservable inputs.

Level 3 – any fair value measurements which include unobservable inputs for the asset or liability for more than an insignificant portion of the valuation. A Level 3 measurement may be based primarily on Level 2 inputs.

The fair value accounting guidance for financial instruments permits entities to elect to measure many financial instruments and certain other items at fair value that are not required to be accounted for at fair value under other GAAP. There are no financial assets or financial liabilities that are not required to be accounted for at fair value under GAAP for which the option to record at fair value has been elected. However, in the future, Duke Energy Kentucky may elect to measure certain financial instruments at fair value in accordance with this accounting guidance.

Duke Energy Kentucky's policy for the recognition of transfers between levels of the fair value hierarchy is to recognize the transfer at the end of the period.

Commodity derivatives. The pricing for commodity derivatives is primarily a calculated value which incorporates the forward price and is adjusted for liquidity (bid-ask spread), credit or non-performance risk (after reflecting credit enhancements such as collateral) and discounted to present value. The primary difference between a Level 2 and a Level 3 measurement has to do with the level of activity in forward markets for the commodity. If the market is relatively inactive, the measurement is deemed to be a Level 3 measurement. Commodity derivatives with clearinghouses are classified as Level 1 measurements.

The following tables provide the fair value measurement amounts for assets and liabilities recorded on Duke Energy Kentucky's Balance Sheets.

(in thousands)	December 31, 2012			
	Total Fair Value	Level 1	Level 2	Level 3
Description				
Derivative Assets ^(a)	\$ 433	\$ -	\$ -	\$ 433
Derivative Liabilities ^(b)	(8,416)	-	(8,416)	-
Net (Liabilities) Assets	\$ (7,983)	\$ -	\$ (8,416)	\$ 433

(in thousands)	December 31, 2011			
	Total Fair Value	Level 1	Level 2	Level 3
Description				
Derivative Assets ^(a)	\$ 222	\$ -	\$ -	\$ 222
Derivative Liabilities ^(b)	(8,473)	-	(8,473)	-
Net Assets	\$ (8,251)	\$ -	\$ (8,473)	\$ 222

(a) Included in Other within Current Assets and Other within Investments and Other Assets on the Balance Sheets.

(b) Included in Other within Current Liabilities and Other within Deferred Credits and Other Liabilities on the Balance Sheets.

The following table provides a reconciliation of beginning and ending balances of assets and liabilities measured at fair value on a recurring basis where the determination of fair value includes significant unobservable inputs (Level 3):

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(in thousands)	Year Ended December 31, 2012	
	Derivatives (net)	
Balance at January 1, 2012	\$	222
Total pre-tax realized or unrealized gains (losses) included in earnings:		
Regulated electric(a)		42
Net, purchases, sales, issuances and settlements:		
Purchases		590
Settlements		(632)
Total gains included on the Balance Sheet as regulatory asset or liability		211
Balance at December 31, 2012	\$	433

(in thousands)	Year Ended December 31, 2011	
	Derivatives (net)	
Balance at January 1, 2011	\$	(43)
Total pre-tax realized or unrealized gains (losses) included in earnings:		
Regulated electric(a)		47
Net, purchases, sales, issuances and settlements:		
Purchases(a)		207
Settlements		(234)
Total gains included on the Balance Sheet as regulatory asset or liability		245
Balance at December 31, 2011	\$	222

(a) Amounts presented relate to Duke Energy Kentucky financial transmission rights (FTR).

Additional Fair Value Disclosures—Long-term debt, including current maturities :

The fair value of long-term debt is summarized in the following table. Judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates determined are not necessarily indicative of the amounts the Duke Energy Kentucky could have settled in current markets. The fair value of long-term debt is determined using Level 2 measurements.

(in thousands)	December 31, 2012		December 31, 2011	
	Book Value	Fair Value	Book Value	Fair Value
Long-term debt, including current maturities	\$ 340,840	\$ 379,315	\$ 342,786	\$ 380,248

At both December 31, 2012 and December 31, 2011, the fair value of cash and cash equivalents, accounts and notes receivable, accounts payable, commercial paper and non-recourse notes payable of variable interest entities are not materially different from their carrying amounts because of the short-term nature of these instruments and/or because the stated rates approximate market rates.

12. VARIABLE INTEREST ENTITIES

A variable interest entity (VIE) is an entity that is evaluated for consolidation by more than a simple analysis of voting control. The analysis to determine whether an entity is a VIE considers contracts with an entity, credit support for an entity, the adequacy of the equity investment of an entity and the relationship of voting power to the amount of equity invested in an entity. This analysis is performed either upon the creation of a legal entity or upon the occurrence of an event requiring reevaluation, such as a significant change in an entity's assets or activities. If an entity is determined to be a VIE, a qualitative analysis of control determines the party that consolidates a VIE based on what party has the power to direct the most significant activities of a legal entity that impact its economic performance as well as what party has rights to receive benefits or is obligated to absorb losses that are significant to the VIE. The analysis of the party that consolidates a VIE is a continual assessment.

NON-CONSOLIDATED VIEs

Duke Energy Kentucky had Receivables of \$22,093 and \$27,673 at December 31, 2012 and December 31, 2011 from CRC. As discussed below, Duke Energy Kentucky does not consolidate CRC as it is not the primary beneficiary.

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Duke Energy Kentucky is not aware of any situations where the maximum exposure to loss significantly exceeds the carrying values shown.

No financial support was provided to this non-consolidated VIE during the years ended December 31, 2012 or the year ended December 31, 2011, or is expected to be provided in the future, that was not previously contractually required.

CRC. CRC was formed in order to secure low cost financing for Duke Energy Kentucky and other operating subsidiaries of Cinergy. Duke Energy Kentucky sells on a revolving basis, at a discount, nearly all of its customer accounts receivable and related collections to CRC. The receivables which are sold are selected in order to avoid any significant concentration of credit risk and exclude delinquent receivables. The receivables sold are securitized by CRC through a facility managed by two unrelated third parties and the receivables are used as collateral for commercial paper issued by the unrelated third parties. These loans provide the cash portion of the proceeds paid by CRC to Duke Energy Kentucky. The proceeds obtained by Duke Energy Kentucky from the sales of receivables are cash and a subordinated note from CRC (subordinated retained interest in the sold receivables) for a portion of the purchase price (typically approximates 25% of the total proceeds). The amount borrowed by CRC against these receivables is non-recourse to the general credit of Duke Energy, and the associated cash collections from the accounts receivables sold is the sole source of funds to satisfy the related debt obligation. Borrowing is limited to 75% of the transferred receivables. Losses on collection in excess of the discount are first absorbed by the equity of CRC and next by the subordinated retained interests held by Duke Energy Kentucky and the other operating subsidiaries who sell receivables to CRC. The discount on the receivables reflects interest expense plus an allowance for bad debts net of a servicing fee charged by Duke Energy Kentucky. Duke Energy Kentucky is responsible for the servicing of the receivables (collecting and applying the cash to the appropriate receivables). Depending on the experience with collections, additional equity infusions to CRC may be required to be made by Duke Energy in order to maintain a minimum equity balance of \$3 million. The amount borrowed fluctuates based on the amount of receivables sold. The debt is classified as short-term as the facility has an expiration date of November 2013.

CRC is considered a VIE because the equity capitalization is insufficient to support its operations, the power to direct the most significant activities of the entity are not performed by the equity holder, Cinergy, and deficiencies in the net worth of CRC are not funded by Cinergy, but by Duke Energy. The most significant activity of CRC relates to the decisions made with respect to the management of delinquent receivables. These decisions, as well as the requirement to make up deficiencies in net worth, are made by Duke Energy and not by Duke Energy Kentucky. Accordingly, CRC is consolidated by Duke Energy and not by Duke Energy Kentucky.

The subordinated note is a retained interest (right to receive a specified portion of cash flows from the sold assets) and is classified within Receivables in Duke Energy Kentucky's Balance Sheets at December 31, 2012 and December 31, 2011. The retained interests reflected on the Balance Sheets of Duke Energy Kentucky approximate fair value.

The carrying value of the retained interest is determined by allocating the carrying value of the receivables between the assets sold and the interests retained based on relative fair value. The key assumptions used in estimating the fair value for Duke Energy Kentucky in 2012 were an anticipated credit loss ratio of 0.7%, a discount rate of 1.2% and a receivable turnover rate of 11.6%. The key assumptions used in estimating the fair value for Duke Energy Kentucky in 2011 were an anticipated credit loss ratio of 0.8%, a discount rate of 2.6% and a receivable turnover rate of 11.9%. Because the receivables generally turnover in less than two months, credit losses are reasonably predictable due to the broad customer base and lack of significant concentration, and the purchased beneficial interest (equity in CRC) is subordinate to all retained interests and thus would absorb losses first, the allocated bases of the subordinated notes are not materially different than their face value. The hypothetical effect on the fair value of the retained interest assuming both a 10% and a 20% unfavorable variation in credit losses or discount rates is not material due to the short turnover of receivables and historically low credit loss history. Interest accrues to Duke Energy Kentucky on the retained interest using the accretable yield method, which generally approximates the stated rate on the notes since the allocated basis and the face value are nearly equivalent. An impairment charge is recorded against the carrying value of both the retained interest and purchased beneficial interest whenever it is determined that an other-than-temporary impairment has occurred.

The following table shows the gross and net receivables sold.

(in thousands)	December 31,	
	2012	2011
Receivables sold	\$ 59,111	\$ 59,131
Less: Retained interests	22,093	27,673
Net receivables sold	\$ 37,018	\$ 31,458

The following table shows the retained interests, sales and cash flows during years ended December 31, 2012 and 2011, respectively.

(in thousands)	Years Ended December 31,	
	2012	2011
Sales		
Receivables sold	\$ 476,970	\$ 500,488
Loss recognized on sale	2,578	4,048
Cash flows		
Cash proceeds from receivables sold	\$ 479,795	\$ 511,277
Collection fees received	238	250
Return received on retained interests	1,145	2,546

Cash flows from the sale of receivables are reflected within Operating Activities on Duke Energy Kentucky's Statements of Cash Flows. Collection fees received in connection with the servicing of transferred accounts receivable are included in Operation, maintenance and other on Duke

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Energy Kentucky's Statements of Operations.

Collection fees received in conjunction with the servicing of transferred accounts receivable are included Operation, maintenance, and other on Duke Energy Kentucky's Statement of Operations. The loss recognized on the sale of receivables is calculated monthly by multiplying the receivables sold during the month by the required discount which is derived monthly utilizing a three year weighted average formula that considers charge-off history, late charge history, and turnover history on the sold receivables, as well as a component for the time value of money. The discount rate, or component for the time value of money, is calculated monthly by summing the prior month-end London Interbank Offered Rate (LIBOR) plus a fixed rate of 1.00% as of December 31, 2012, as compared to 2.39% as of December 31, 2011.

13. SEVERANCE

In conjunction with the merger with Progress Energy, in November 2011 Duke Energy and Progress Energy offered a voluntary severance plan to certain eligible employees. As this was a voluntary severance plan, all severance benefits offered under this plan are considered special termination benefits under U.S. GAAP. Special termination benefits are measured upon employee acceptance and recorded immediately absent any significant retention period. If a significant retention period exists, the cost of the special termination benefits are recorded ratably over the retention period. Duke Energy Kentucky recorded allocated severance and related expense of \$3.6 million, which is included in Operation, maintenance and other within Operating Expenses on the Statements of Operations for the year ended December 31, 2012. Duke Energy Kentucky recorded an insignificant amount for severance expense during 2011 for past and on-going severance plans.

14. EMPLOYEE BENEFIT PLANS

Consistent with the process for rate recovery of pension and postretirement benefits for its employees, Duke Energy Kentucky accounts for its participation in, and related costs of, pension and other postretirement benefit plans sponsored Duke Energy as multiple employer plans. Duke Energy Kentucky is responsible for its share of cash contributions, plan costs and obligations and is entitled to its share of plan assets; accordingly, Duke Energy Kentucky accounts for its pro rata share of these plans, including pension expense and contributions, resulting in accounting consistent with that of a single employer plan exclusively for Duke Energy Kentucky employees.

Net periodic benefit cost disclosed in the tables below for the qualified, non-qualified and other post-retirement benefit plans represent the cost of the respective plan for the periods presented. However, portions of the net periodic benefit cost disclosed in the tables have been capitalized as a component of property, plant and equipment.

Duke Energy uses a December 31 measurement date for its defined benefit retirement plan assets and obligations. Amounts presented in the tables below represent the amounts of pension and other post-retirement benefit cost allocated by Duke Energy for employees of Duke Energy Kentucky. Additionally, Duke Energy Kentucky is allocated its proportionate share of pension and other post-retirement benefit cost for employees of Duke Energy's shared services affiliate that provides support to Duke Energy Kentucky. These allocated amounts are included in the governance and shared services costs discussed in Note 9.

Qualified Pension Plans

Duke Energy's qualified defined benefit pension plans cover substantially all employees meeting certain minimum age and service requirements. The plans cover most employees using a cash balance formula. Under a cash balance formula, a plan participant accumulates a retirement benefit consisting of pay credits that are based upon a percentage (which varies with age and years of service) of current eligible earnings and current interest credits. Certain legacy Cinergy employees are covered under plans that use a final average earnings formula. Under a final average earnings formula, a plan participant accumulates a retirement benefit equal to a percentage of their highest 3- year average earnings, plus a percentage of their highest 3-year average earnings in excess of covered compensation per year of participation (maximum of 35 years), plus a percentage of their highest 3-year average earnings times years of participation in excess of 35 years. Duke Energy Kentucky also participates in Duke Energy sponsored non-qualified, non-contributory defined benefit pension plans which cover certain executives.

Duke Energy's policy is to fund amounts on an actuarial basis to provide assets sufficient to meet benefits to be paid to plan participants. The following table includes information related to Duke Energy Kentucky's contributions to Duke Energy's qualified defined benefit pension plans.

(in thousands)	Years Ended December 31,		
	2013	2012	2011
Contributions made	-	\$ -	\$ 6,339
Anticipated contributions	\$ 3,357	-	-

Actuarial gains and losses are amortized over the average remaining service period of the active employees. The average remaining service period of the active employees covered by the qualified retirement plan is nine years. The average remaining service period of active employees covered by the non-qualified retirement plans is also nine years. Duke Energy determines the market-related value of plan assets using a calculated value that recognizes changes in fair value of the plan assets over five years.

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Components of Net Periodic Pension Costs as allocated by Duke Energy: Qualified Pension Plans

(in thousands)	Years Ended December 31,	
	2012	2011
Service cost	\$ 1,327	\$ 1,474
Interest cost on projected benefit obligation	4,420	4,532
Expected return on plan assets	(6,614)	(6,870)
Amortization of prior service cost	120	123
Amortization of loss	2,013	1,776
Other	70	328
Net periodic pension costs	\$ 1,336	\$ 1,363

Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Regulatory Assets: Qualified Pension Plans

(in thousands)	December 31,	
	2012	2011
Regulatory assets, net increase	\$ 3,346	\$ 3,110

Reconciliation of Funded Status to Net Amount Recognized: Qualified Pension Plans

(in thousands)	Years Ended December 31,	
	2012	2011
Change in Projected Benefit Obligation		
Obligation at prior measurement date	\$ 88,349	\$ 94,212
Service cost	1,327	1,474
Interest cost	4,420	4,532
Actuarial losses (gains)	11,630	(463)
Transfers	(370)	(6,206)
Plan amendments	(23)	-
Benefits paid	(5,321)	(5,200)
Obligation at measurement date	\$ 100,012	\$ 88,349
Accumulated Benefit Obligation	\$ 95,253	\$ 83,596
Change in Fair Value of Plan Assets		
Plan assets at prior measurement date	\$ 83,151	\$ 87,147
Actual return on plan assets	12,671	1,071
Benefits paid	(5,321)	(5,200)
Transfers	(370)	(6,206)
Employer contributions	-	6,339
Plan assets at measurement date	\$ 90,131	\$ 83,151

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Amounts Recognized in the Balance Sheets: Qualified Pension Plans

(in thousands)	December 31,	
	2012	2011
Accrued pension liability(a)	\$ (9,881)	\$ (5,198)
Regulatory assets(b)	33,449	30,103

(a) Amounts reflected in Accrued pension and other post-retirement costs on the Balance Sheets at December 31, 2012 and 2011.

(b) Amounts reflected in Other within Regulatory Assets and Deferred Debits on the Balance Sheets at December 31, 2012 and 2011. Includes approximately \$3 million in unrecognized net actuarial losses and approximately \$96 thousand in prior service cost will be recognized in net periodic pension costs in 2013.

Additional Information: Qualified Pension Plans

Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets as allocated by Duke Energy

(in thousands)	December 31,	
	2012	2011
Projected benefit obligation	\$ 100,012	\$ -
Accumulated benefit obligation	95,253	-
Fair value of benefit plan assets	90,131	-

Assumptions Used for Duke Energy's Pension Benefits Accounting

	December 31,	
	2012	2011
Benefit Obligations		
Discount rate	4.10 %	5.10 %
Salary increase	4.30 %	4.40 %
Net Periodic Benefit Cost		
Discount rate	5.10 %	5.00 %
Salary increase	4.40 %	4.10 %
Expected long-term rate of return on plan assets	8.00 %	8.25 %

The discount rate used to determine the current year other post-retirement benefits obligation and following year's other postretirement benefits expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for the projected benefit payments of the plan. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

Non-Qualified Pension Plans

Components of Net Periodic Pension Costs as allocated by Duke Energy: Non-Qualified Pension Plans

(in thousands)	Years Ended December 31,	
	2012	2011
Interest cost on projected benefit obligation	\$ 7	\$ 7
Amortization of actuarial loss	11	12
Net periodic pension costs	\$ 18	\$ 19

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Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Regulatory Assets: Non-Qualified Pension Plans

(in thousands)	December 31,	
	2012	2011
Regulatory assets, net increase (decrease)	\$ 2	\$ (18)

Reconciliation of Funded Status to Net Amount Recognized: Non-Qualified Pension Plans

(in thousands)	Years Ended December 31,	
	2012	2011
Change in Projected Benefit Obligation		
Obligation at prior measurement date	\$ 138	\$ 147
Interest cost	7	7
Actuarial losses (gains)	12	(5)
Benefits paid	(11)	(11)
Obligation at measurement date	\$ 146	\$ 138
Accumulated Benefit Obligation	\$ 146	\$ 138
Change in Fair Value of Plan Assets		
Plan assets at prior measurement date	\$ -	\$ -
Benefits paid	(11)	(11)
Employer contributions	11	11
Plan assets at measurement date	\$ -	\$ -

Amounts Recognized in the Balance Sheets: Non-Qualified Pension Plans

(in thousands)	December 31,	
	2012	2011
Accrued pension liability ^(a)	\$ (146)	\$ (138)
Regulatory assets ^(b)	75	73

- (a) Amounts reflected in Other within Deferred Credits and Other Liabilities on the Balance Sheets at December 31, 2012 and 2011. Includes approximately \$10 thousand and \$14 thousand recognized in Other within Current Liabilities on the Balance Sheets as of December 31, 2012 and 2011, respectively.
- (b) Amounts reflected in Other within Regulatory Assets and Deferred Debits on the Balance Sheets at December 31, 2012 and 2011. Includes approximately \$10 thousand in unrecognized net actuarial losses that will be recognized in net periodic pension costs in 2013.

Additional Information: Non-Qualified Pension Plans

Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets as allocated by Duke Energy

(in thousands)	December 31,	
	2012	2011
Projected benefit obligation	\$ 146	\$ 138
Accumulated benefit obligation	146	138

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Assumptions Used for Duke Energy's Pension Benefits Accounting

	December 31,	
	2012	2011
Benefit Obligations		
Discount rate	4.10 %	5.10 %
Salary increase	4.30 %	4.40 %
Net Periodic Benefit Cost		
Discount rate	5.10 %	5.00 %
Salary increase	4.40 %	4.10 %

The discount rate used to determine the current year other post-retirement benefits obligation and following year's other postretirement benefits expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for the projected benefit payments of the plan. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

Other Post-Retirement Benefit Plans

Duke Energy Kentucky participates in other post-retirement benefit plans sponsored by Duke Energy. Duke Energy provides certain health care and life insurance benefits to retired employees and their eligible dependents on a contributory and non-contributory basis. These benefits are subject to minimum age and service requirements. The health care benefits include medical coverage, dental coverage, and prescription drug coverage and are subject to certain limitations, such as deductibles and co-payments. These benefit costs are accrued over an employee's active service period to the date of full benefits eligibility. The net unrecognized transition obligation is amortized over 20 years. Actuarial gains and losses are amortized over the average remaining service period of the active employees. The average remaining service period of the active employees covered by the plan is ten years. Duke Energy did not make any pre-funding contributions to its other post-retirement plans in 2012 or 2011.

Components of Net Periodic Other Post-Retirement Benefit Costs as allocated by Duke Energy

(in thousands)	Years Ended December 31,	
	2012	2011
Service cost	\$ 141	\$ 175
Interest cost on projected benefit obligation	435	477
Expected return on plan assets	(78)	(79)
Amortization of prior service credit	(40)	(40)
Amortization of loss	42	70
Net periodic pension costs	\$ 500	\$ 603

Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Regulatory Assets and Regulatory Liabilities: Other Post-Retirement Benefit Plans

(in thousands)	December 31,	
	2012	2011
Regulatory assets, net decrease	\$ (329)	\$ (293)
Regulatory liabilities, net (decrease) increase	(382)	318

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Reconciliation of Funded Status to Accrued Other Post-Retirement Benefit Costs: Other Post-Retirement Benefit Plans

(in thousands)	Years Ended December 31,	
	2012	2011
Change in Projected Benefit Obligation		
Accumulated post-retirement benefit obligation at prior measurement date	\$ 8,705	\$ 9,850
Service cost	141	175
Interest cost	435	477
Plan participants' contributions	566	212
Actuarial losses (gains)	122	(649)
Transfers	-	(651)
Early retiree reinsurance program subsidy	-	21
Benefits paid	(947)	(730)
Accumulated post-retirement benefit obligation at measurement date	\$ 9,022	\$ 8,705
Change in Fair Value of Plan Assets		
Plan assets at prior measurement date	\$ 922	\$ 911
Actual return on plan assets	145	11
Plan participants' contributions	566	212
Benefits paid	(947)	(730)
Employer contributions	381	518
Plan assets at measurement date	\$ 1,067	\$ 922

Amounts Recognized in the Balance Sheets: Other Post-Retirement Benefit Plans

(in thousands)	December 31,	
	2012	2011
Accrued other post-retirement liability ^(a)	\$ (7,955)	\$ (7,783)
Regulatory assets ^(b)	3,908	4,237
Regulatory liabilities ^(b)	3,130	3,512

- (a) Amounts reflected in Other within Deferred Credit and Other Liabilities on the Balance Sheets at December 31, 2012 and 2011. Include approximately \$126 thousand and \$118 thousand recognized in Other within Current liabilities on the Balance Sheets as of December 31, 2012 and 2011, respectively.
- (b) Amounts reflected in Other within Regulatory Assets and Deferred Debits and Accrued pension and other post-retirement benefit costs on the Balance Sheets at December 31, 2012 and 2011. Includes approximately \$54 thousand of unrecognized losses and \$40 thousand of unrecognized prior service credit (which will reduce pension expense) will be recognized in net periodic pension costs in 2013.

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Assumptions Used for Duke Energy's Other Post-Retirement Benefits Accounting

	December 31,	
	2012	2011
Benefit Obligations		
Discount rate	4.10 %	5.10 %
Net Periodic Benefit Cost		
Discount rate	5.10 %	5.00 %
Expected long-term rate of return on plan assets	8.00 %	8.25 %

The discount rate used to determine the current year other post-retirement benefits obligation and following year's other postretirement benefits expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for the projected benefit payments of the plan. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

Assumed Health Care Cost Trend Rates

	2012	2011
Health care cost trend rate assumed for next year	8.50 %	8.75 %
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	5.00 %	5.00 %
Year that the rate reaches the ultimate trend rate	2020	2020

Expected Benefit Payments

The following table presents Duke Energy's expected benefit payments to participants on behalf of Duke Energy Kentucky in its qualified, non-qualified and other post-retirement benefit plans over the next 10 years, which are primarily paid out of the assets of various trusts. These benefit payments reflect expected future service, as appropriate.

(in thousands)	Qualified	Non-Qualified	Other Post-Retireme nt Plans	Total
Years ending December 31,				
2013	\$ 6,391	\$ 11	\$ 755	\$ 7,157
2014	6,117	11	817	6,945
2015	6,067	11	748	6,826
2016	6,163	11	719	6,893
2017	6,344	10	738	7,092
2018-2022	35,572	51	3,870	39,493

Master Retirement Trust. The assets for the Duke Energy Kentucky plans discussed above are derived from the Master Trust that is held by Duke Energy, as such, each are allocated their proportionate share of assets discussed below. Assets for both the qualified pension and other post-retirement benefits are maintained in a Master Retirement Trust (Master Trust). The investment objective of the Master Trust is to achieve reasonable returns, subject to a prudent level of portfolio risk, for the purpose of enhancing the security of benefits for plan participants. The asset allocation targets were set after considering the investment objective and the risk profile. U.S. equities are held for their high expected return. Non-U.S. equities, debt securities, and real estate are held for diversification. Investments within asset classes are to be diversified to achieve broad market participation and reduce the impact of individual managers or investments. Duke Energy regularly reviews its actual asset allocation and periodically rebalances its investments to the targeted allocation when considered appropriate. The following table presents target and actual asset allocations for the Master Trust at December 31, 2012 and 2011.

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Asset Category	Target Allocation	Actual Allocation at December 31,	
		2012	2011
U.S. equity securities	28 %	28 %	28 %
Non-U.S. equity securities	15 %	15 %	15 %
Global equity securities	10 %	10 %	9 %
Debt securities	32 %	32 %	32 %
Global private equity securities	3 %	3 %	1 %
Hedge funds	4 %	4 %	3 %
Real estate and cash	4 %	4 %	9 %
Other global securities	4 %	4 %	3 %
Total	100 %	100 %	100 %

Employee Savings Plan

Duke Energy Kentucky also participates in employee savings plans sponsored by Duke Energy that cover substantially all U.S. employees. Duke Energy contributes a matching contribution equal to 100% of employee before-tax and Roth 401(k) contributions, of up to 6% of eligible pay per period. Duke Energy Kentucky's expense related to its proportionate share of pre-tax employer contributions was approximately \$773 thousand and \$760 thousand for the year ended December 31, 2012 and 2011, respectively.

15. INCOME TAXES

Duke Energy Kentucky files income tax returns in the U.S. with federal and various state governmental authorities. The taxable income of Duke Energy Kentucky is reflected in Duke Energy's U.S. federal income tax returns. Duke Energy Kentucky has a tax sharing agreement with Duke Energy where the separate return method is used to allocate tax expenses and benefits to Duke Energy Kentucky whose investments or results of operations provide these tax expenses and benefits. The accounting for income taxes essentially represents the income taxes that Duke Energy Kentucky would incur if it were a separate company filing its own tax return as a C-Corporation.

Income Tax Expense

(in thousands)	Years Ended December 31,	
	2012	2011
Current income taxes		
Federal	\$ 4,154	\$ 6,470
State	3,662	1,856
Total current income taxes	7,816	8,326
Deferred income taxes		
Federal	12,358	12,835
State	(3,260)	1,448
Total deferred income taxes	9,098	14,283
Investment tax credit amortization	(563)	(575)
Total income tax expense presented in Statement of Operations^(a)	\$ 16,351	\$ 22,034

- (a) Included in the Total current income taxes line above is an uncertain tax benefit relating primarily to certain temporary differences of \$397 thousand for 2012 and \$497 thousand for 2011. The offset to these temporary differences is included in the Total deferred income taxes line above. Includes benefits of net operating loss (NOL) carry forwards of \$997 thousand for 2012.

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**Reconciliation of Income Tax Expense at the U.S. Federal Statutory Tax Rate to the Actual Tax Expense
(Statutory Rate Reconciliation)**

(in thousands)	Years Ended December 31,	
	2012	2011
Income tax expense, computed at the statutory rate of 35%	\$ 15,600	\$ 16,220
State income tax, net of federal income tax effect	261	2,148
Manufacturing deduction	-	(225)
Federal true up	1,368	3,336
Other items, net	(878)	555
Total income tax expense	\$ 16,351	\$ 22,034
Effective tax rates^(a)	36.7 %	47.5 %

(a) The change in the effective tax rate for the year ended December 31, 2012, compared to December 31, 2011 is primarily related to certain deferred tax adjustments made to property, plant and equipment in 2011.

Net Deferred Income Tax Liability Components

(in thousands)	Years Ended December 31,	
	2012	2011
Deferred credits and other liabilities	\$ 11,514	\$ 9,854
Investments and other assets	-	2,116
Tax credit and NOL carryforwards	1,186	34
Other	1,813	2,245
Total deferred income tax assets	14,513	14,249
Investments and other assets	(1,015)	-
Accelerated depreciation rates	(238,574)	(221,617)
Regulatory assets and deferred debits	(12,447)	(21,068)
Total deferred income tax liabilities	(252,036)	(242,685)
Net deferred income tax liabilities	\$ (237,523)	\$ (228,436)

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Classification of Deferred Tax Assets (Liabilities) in the Balance Sheets

(in thousands)	Years Ended December 31,	
	2012	2011
Current deferred tax assets, included in other assets	\$ 5,264	\$ 2,666
Non-current deferred tax liabilities	(242,787)	(231,102)
Total net deferred income tax liabilities	\$ (237,523)	\$ (228,436)

Changes in Unrecognized Tax Benefits

(in thousands)	2012	2011
Unrecognized tax benefits - January 1	\$ 7,535	\$ 7,038
Unrecognized tax benefits increases (decreases)		
Gross increases - tax positions in prior periods	371	482
Gross decreases - tax positions in prior periods	(21)	(781)
Gross increases - current period tax positions	47	796
Total changes	397	497
Unrecognized tax benefits - December 31	\$ 7,932	\$ 7,535

The following table includes information regarding Duke Energy Kentucky's unrecognized tax benefits^(a).

(in thousands)	December 31, 2012
Amount that if recognized, would affect the effective tax rate or regulatory liability ^(b)	\$ 47

- (a) Duke Energy Kentucky does not anticipate a material increase or decrease in unrecognized tax benefits in the next 12 months.
(b) Duke Energy Kentucky is unable to estimate the specific amounts that would affect the effective tax rate or regulatory liability.

The following table includes interest and penalties recognized in the Statements of Operations and the Balance Sheets.

(in thousands)	As of December 31,	
	2012	2011
Net interest (income) expense recognized related to income taxes	\$ (62)	\$ 246
Interest payable related to income taxes included in the balance sheets	518	581

Duke Energy Kentucky is no longer subject to U.S. federal examination for years before 2006. The Internal Revenue Service (IRS) is currently auditing the federal income tax returns for years 2006 and 2007. With few exceptions, Duke Energy Kentucky is no longer subject to state, local or non-U.S. income tax examinations by tax authorities for years before 2005.

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Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2012/Q4
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Summary of Utility Plant and Accumulated Provisions for Depreciation, Amortization and Depletion

Line No.	Item (a)	Total Company For the Current Quarter/Year
1	UTILITY PLANT	
2	In Service	
3	Plant in Service (Classified)	1,427,967,122
4	Property Under Capital Leases	21,372,139
5	Plant Purchased or Sold	7,724,030
6	Completed Construction not Classified	226,312,742
7	Experimental Plant Unclassified	
8	TOTAL Utility Plant (Total of lines 3 thru 7)	1,683,376,033
9	Leased to Others	
10	Held for Future Use	
11	Construction Work in Progress	20,861,207
12	Acquisition Adjustments	
13	TOTAL Utility Plant (Total of lines 8 thru 12)	1,704,237,240
14	Accumulated Provisions for Depreciation, Amortization, & Depletion	761,652,249
15	Net Utility Plant (Total of lines 13 and 14)	942,584,991
16	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION	
17	In Service:	
18	Depreciation	730,897,052
19	Amortization and Depletion of Producing Natural Gas Land and Land Rights	
20	Amortization of Underground Storage Land and Land Rights	
21	Amortization of Other Utility Plant	30,755,197
22	TOTAL In Service (Total of lines 18 thru 21)	761,652,249
23	Leased to Others	
24	Depreciation	
25	Amortization and Depletion	
26	TOTAL Leased to Others (Total of lines 24 and 25)	
27	Held for Future Use	
28	Depreciation	
29	Amortization	
30	TOTAL Held for Future Use (Total of lines 28 and 29)	
31	Abandonment of Leases (Natural Gas)	
32	Amortization of Plant Acquisition Adjustment	
33	TOTAL Accum. Provisions (Should agree with line 14 above)(Total of lines 22, 26, 30, 31, and 32)	761,652,249

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Summary of Utility Plant and Accumulated Provisions for Depreciation, Amortization and Depletion (continued)

Line No.	Electric (c)	Gas (d)	Other (specify) (e)	Common (f)
1				
2				
3	1,094,362,004	297,426,942		36,178,176
4	5,552,658	15,217,968		601,513
5	7,724,030			
6	113,743,581	107,617,453		4,951,708
7				
8	1,221,382,273	420,262,363		41,731,397
9				
10				
11	19,097,549	1,062,709		700,949
12				
13	1,240,479,822	421,325,072		42,432,346
14	607,590,890	125,355,666		28,705,693
15	632,888,932	295,969,406		13,726,653
16				
17				
18	603,120,253	122,017,100		5,759,699
19				
20				
21	4,470,637	3,338,566		22,945,994
22	607,590,890	125,355,666		28,705,693
23				
24				
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32				
33	607,590,890	125,355,666		28,705,693

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Gas Plant in Service (Accounts 101, 102, 103, and 106)

- Report below the original cost of gas plant in service according to the prescribed accounts.
- In addition to Account 101, Gas Plant in Service (Classified), this page and the next include Account 102, Gas Plant Purchased or Sold, Account 103, Experimental Gas Plant Unclassified, and Account 106, Completed Construction Not Classified-Gas.
- Include in column (c) and (d), as appropriate corrections of additions and retirements for the current or preceding year.
- Enclose in parenthesis credit adjustments of plant accounts to indicate the negative effect of such accounts.
- Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d) reversals of tentative distributions of prior year's unclassified retirements. Attach supplemental statement showing the account distributions of these tentative classifications in columns (c) and (d).

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
1	INTANGIBLE PLANT		
2	301 Organization		
3	302 Franchises and Consents		
4	303 Miscellaneous Intangible Plant	2,743,916	707,337
5	TOTAL Intangible Plant (Enter Total of lines 2 thru 4)	2,743,916	707,337
6	PRODUCTION PLANT		
7	Natural Gas Production and Gathering Plant		
8	325.1 Producing Lands		
9	325.2 Producing Leaseholds		
10	325.3 Gas Rights		
11	325.4 Rights-of-Way		
12	325.5 Other Land and Land Rights		
13	326 Gas Well Structures		
14	327 Field Compressor Station Structures		
15	328 Field Measuring and Regulating Station Equipment		
16	329 Other Structures		
17	330 Producing Gas Wells-Well Construction		
18	331 Producing Gas Wells-Well Equipment		
19	332 Field Lines		
20	333 Field Compressor Station Equipment		
21	334 Field Measuring and Regulating Station Equipment		
22	335 Drilling and Cleaning Equipment		
23	336 Purification Equipment		
24	337 Other Equipment		
25	338 Unsuccessful Exploration and Development Costs		
26	339 Asset Retirement Costs for Natural Gas Production and		
27	TOTAL Production and Gathering Plant (Enter Total of lines 8		
28	PRODUCTS EXTRACTION PLANT		
29	340 Land and Land Rights		
30	341 Structures and Improvements		
31	342 Extraction and Refining Equipment		
32	343 Pipe Lines		
33	344 Extracted Products Storage Equipment		

Gas Plant in Service (Accounts 101, 102, 103, and 106) (continued)

including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Account 101 and 106 will avoid serious omissions of respondent's reported amount for plant actually in service at end of year.

6. Show in column (f) reclassifications or transfers within utility plant accounts. Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102. In showing the clearance of Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits to primary account classifications.

7. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirements of these pages.

8. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchaser, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give date of such filing.

Line No.	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)
1				
2				
3				
4			21,720	3,472,973
5			21,720	3,472,973
6				
7				
8				
9				
10				
11				
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Gas Plant in Service (Accounts 101, 102, 103, and 106) (continued)

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
34	345 Compressor Equipment		
35	346 Gas Measuring and Regulating Equipment		
36	347 Other Equipment		
37	348 Asset Retirement Costs for Products Extraction Plant		
38	TOTAL Products Extraction Plant (Enter Total of lines 29 thru 37)		
39	TOTAL Natural Gas Production Plant (Enter Total of lines 27 and		
40	Manufactured Gas Production Plant (Submit Supplementary	6,229,239	906,648
41	TOTAL Production Plant (Enter Total of lines 39 and 40)	6,229,239	906,648
42	NATURAL GAS STORAGE AND PROCESSING PLANT		
43	Underground Storage Plant		
44	350.1 Land		
45	350.2 Rights-of-Way		
46	351 Structures and Improvements		
47	352 Wells		
48	352.1 Storage Leaseholds and Rights		
49	352.2 Reservoirs		
50	352.3 Non-recoverable Natural Gas		
51	353 Lines		
52	354 Compressor Station Equipment		
53	355 Other Equipment		
54	356 Purification Equipment		
55	357 Other Equipment		
56	358 Asset Retirement Costs for Underground Storage Plant		
57	TOTAL Underground Storage Plant (Enter Total of lines 44 thru		
58	Other Storage Plant		
59	360 Land and Land Rights		
60	361 Structures and Improvements		
61	362 Gas Holders		
62	363 Purification Equipment		
63	363.1 Liquefaction Equipment		
64	363.2 Vaporizing Equipment		
65	363.3 Compressor Equipment		
66	363.4 Measuring and Regulating Equipment		
67	363.5 Other Equipment		
68	363.6 Asset Retirement Costs for Other Storage Plant		
69	TOTAL Other Storage Plant (Enter Total of lines 58 thru 68)		
70	Base Load Liquefied Natural Gas Terminaling and Processing Plant		
71	364.1 Land and Land Rights		
72	364.2 Structures and Improvements		
73	364.3 LNG Processing Terminal Equipment		
74	364.4 LNG Transportation Equipment		
75	364.5 Measuring and Regulating Equipment		
76	364.6 Compressor Station Equipment		
77	364.7 Communications Equipment		
78	364.8 Other Equipment		
79	364.9 Asset Retirement Costs for Base Load Liquefied Natural Gas		
80	TOTAL Base Load Liquefied Nat'l Gas, Terminaling and		

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Gas Plant in Service (Accounts 101, 102, 103, and 106) (continued)

Line No.	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)
34				
35				
36				
37				
38				
39				
40				7,135,887
41				7,135,887
42				
43				
44				
45				
46				
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48				
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Gas Plant in Service (Accounts 101, 102, 103, and 106) (continued)

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
81	TOTAL Nat'l Gas Storage and Processing Plant (Total of lines 57,		
82	TRANSMISSION PLAN		
83	365.1 Land and Land Rights		
84	365.2 Rights-of-Way		
85	366 Structures and Improvements		
86	367 Mains		
87	368 Compressor Station Equipment		
88	369 Measuring and Regulating Station Equipment		
89	370 Communication Equipment		
90	371 Other Equipment		
91	372 Asset Retirement Costs for Transmission Plant		
92	TOTAL Transmission Plant (Enter Totals of lines 83 thru 91)		
93	DISTRIBUTION PLANT		
94	374 Land and Land Rights	1,137,195	157
95	375 Structures and Improvements	158,514	12,665
96	376 Mains	241,297,143	7,075,749
97	377 Compressor Station Equipment		
98	378 Measuring and Regulating Station Equipment-General	6,147,278	543,974
99	379 Measuring and Regulating Station Equipment-City Gate		
100	380 Services	110,939,917	5,336,601
101	381 Meters	9,992,218	964,191
102	382 Meter Installations	9,365,806	1,554,544
103	383 House Regulators	6,550,596	265,246
104	384 House Regulator Installations	6,486,772	(588,365)
105	385 Industrial Measuring and Regulating Station Equipment	514,768	
106	386 Other Property on Customers' Premises		
107	387 Other Equipment	138,495	
108	388 Asset Retirement Costs for Distribution Plant	1,087,598	
109	TOTAL Distribution Plant (Enter Total of lines 94 thru 108)	393,816,300	15,164,762
110	GENERAL PLANT		
111	389 Land and Land Rights		
112	390 Structures and Improvements		
113	391 Office Furniture and Equipment	278,995	130,347
114	392 Transportation Equipment	96,158	
115	393 Stores Equipment		
116	394 Tools, Shop, and Garage Equipment	2,647,022	5,457
117	395 Laboratory Equipment		
118	396 Power Operated Equipment	47,221	
119	397 Communication Equipment	7,780	(440)
120	398 Miscellaneous Equipment	125,562	
121	Subtotal (Enter Total of lines 111 thru 120)	3,202,738	135,364
122	399 Other Tangible Property		
123	399.1 Asset Retirement Costs for General Plant		
124	TOTAL General Plant (Enter Total of lines 121, 122 and 123)	3,202,738	135,364
125	TOTAL (Accounts 101 and 106)	405,992,193	16,914,111
126	Gas Plant Purchased (See Instruction 8)		
127	(Less) Gas Plant Sold (See Instruction 8)		
128	Experimental Gas Plant Unclassified		
129	TOTAL Gas Plant In Service (Enter Total of lines 125 thru 128)	405,992,193	16,914,111

Gas Plant in Service (Accounts 101, 102, 103, and 106) (continued)

Line No.	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)
81				
82				
83				
84				
85				
86				
87				
88				
89				
90				
91				
92				
93				
94	4,836		8,596	1,141,112
95				171,179
96	386,020			247,986,872
97				
98	92,692			6,598,560
99				
100	405,900			115,870,618
101	1,302,541		130,946	9,784,814
102	656,915		95,774	10,359,209
103				6,815,842
104				5,898,407
105				514,768
106				
107				138,495
108				1,087,598
109	2,848,904		235,316	406,367,474
110				
111				
112				
113	758		(21,720)	386,864
114				96,158
115				
116	29,595			2,622,884
117				
118				47,221
119				7,340
120				125,562
121	30,353		(21,720)	3,286,029
122				
123				
124	30,353		(21,720)	3,286,029
125	2,879,257		235,316	420,262,363
126				
127				
128				
129	2,879,257		235,316	420,262,363

Gas Property and Capacity Leased from Others

1. Report below the information called for concerning gas property and capacity leased from others for gas operations.
 2. For all leases in which the average annual lease payment over the initial term of the lease exceeds \$500,000, describe in column (c), if applicable: the property or capacity leased. Designate associated companies with an asterisk in column (b).

Line No.	Name of Lessor (a)	* (b)	Description of Lease (c)	Lease Payments for Current Year (d)
1	2003 Bank of America Leasing & Capital		meters	446,392
2	2004 Bank of America Leasing & Capital		meters	196,450
3	2005 Bank of America Leasing & Capital		meters	210,696
4	2006 Bank of America Leasing & Capital		meters	219,526
5	2007 Bank of America Leasing & Capital		meters	294,374
6	2009 Bank of America Leasing & Capital		meters	332,276
7	2010 Bank of America Leasing & Capital		meters	111,976
8	Erlanger		service center	57,491
9				
10				
11				
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13				
14				
15				
16				
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44				
45	Total			1,869,181

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Construction Work in Progress-Gas (Account 107)

1. Report below descriptions and balances at end of year of projects in process of construction (Account 107).
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstration (see Account 107 of the Uniform System of Accounts).
3. Minor projects (less than \$1,000,000) may be grouped.

Line No.	Description of Project (a)	Construction Work in Progress-Gas (Account 107) (b)	Estimated Additional Cost of Project (c)
1	MISCELLANEOUS PROJECTS UNDER \$1,000,000	1,062,709	
2			
3			
4			
5			
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31			
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44			
45	Total	1,062,709	

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General Description of Construction Overhead Procedure			

1. For each construction overhead explain: (a) the nature and extent of work, etc., the overhead charges are intended to cover, (b) the general procedure for determining the amount capitalized, (c) the method of distribution to construction jobs, (d) whether different rates are applied to different types of construction, (e) basis of differentiation in rates for different types of construction, and (f) whether the overhead is directly or indirectly assigned.
2. Show below the computation of allowance for funds used during construction rates, in accordance with the provisions of Gas Plant Instructions 3 (17) of the Uniform System of Accounts.
3. Where a net-of-tax rate for borrowed funds is used, show the appropriate tax effect adjustment to the computations below in a manner that clearly indicates the amount of reduction in the gross rate for tax effects.

. CONSTRUCTION OVERHEAD COSTS INCLUDE ENGINEERING AND SUPERVISORY SALARIES, ADMINISTRATIVE AND GENERAL SALARIES AND ASSOCIATED PAYROLL TAXES AND BENEFITS AND EMPLOYEE EXPENSES.

IN GENERAL, IF ENGINEERS, SUPERVISORS, AND CLERICAL EMPLOYEES DEVOTE ALL OR SUBSTANTIALLY ALL OF THEIR TIME TO CAPITAL CONSTRUCTION PROJECTS, THE SALARIES AND RELATED EXPENSES ARE CHARGED DIRECTLY TO THE SPECIFIC CAPITAL CONSTRUCTION PROJECTS.

FOR POWER DELIVERY, CONSTRUCTION OVERHEAD COSTS ARE CHARGED TO THE ALLOCATION POOLS AND FROM THERE TRANSFERRED TO THE SPECIFIC CAPITAL CONSTRUCTION PROJECTS WHERE THE LABOR (INTERNAL AND CONTRACT) WAS CHARGED DURING THE MONTH.

2. ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC) IS APPLIED TO THE TOTAL CONSTRUCTION EXPENDITURES, LESS CERTAIN EXCLUSIONS, ON JOBS UNDER CONSTRUCTION. EFFECTIVE JULY 1, 1982, THE RESPONDENT ADOPTED THE PRACTICE OF UPDATING THE AFUDC RATE MONTHLY, AS AUTHORIZED BY THE FEDERAL ENERGY REGULATORY COMMISSION IN A LETTER DATED MAY 27, 1982. THE AVERAGE AFUDC RATE FOR 2012 WAS 7.40%. THE MONTHLY RATE DOES NOT INCLUDE A REDUCTION FOR THE INCOME TAX EFFECT ON THE COST OF DEBT.

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General Description of Construction Overhead Procedure (continued)

COMPUTATION OF ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION RATES

1. For line (5), column (d) below, enter the rate granted in the last rate proceeding. If not available, use the average rate earned during the preceding 3 years.
2. Identify, in a footnote, the specific entity used as the source for the capital structure figures.
3. Indicate, in a footnote, if the reported rate of return is one that has been approved in a rate case, black-box settlement rate, or an actual three-year average rate.

1. Components of Formula (Derived from actual book balances and actual cost rates):

Line No.	Title (a)	Amount (b)	Capitalization Ratio (percent) (c)	Cost Rate Percentage (d)
(1)	Average Short-Term Debt	S		
(2)	Short-Term Interest			s
(3)	Long-Term Debt	D		d
(4)	Preferred Stock	P		p
(5)	Common Equity	C		c
(6)	Total Capitalization			
(7)	Average Construction Work In Progress Balance	W		

2. Gross Rate for Borrowed Funds $s(S/W) + d[(D/(D+P+C)) (1-(S/W))]$

3. Rate for Other Funds $[1-(S/W)] [p(P/(D+P+C)) + c(C/(D+P+C))]$

4. Weighted Average Rate Actually Used for the Year:

- a. Rate for Borrowed Funds -
- b. Rate for Other Funds -

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Accumulated Provision for Depreciation of Gas Utility Plant (Account 108)

1. Explain in a footnote any important adjustments during year.
2. Explain in a footnote any difference between the amount for book cost of plant retired, line 10, column (c), and that reported for gas plant in service, page 204-209, column (d), excluding retirements of nondepreciable property.
3. The provisions of Account 108 in the Uniform System of Accounts require that retirements of depreciable plant be recorded when such plant is removed from service. If the respondent has a significant amount of plant retired at year end which has not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired. In addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications.
4. Show separately interest credits under a sinking fund or similar method of depreciation accounting.
5. At lines 7 and 14, add rows as necessary to report all data. Additional rows should be numbered in sequence, e.g., 7.01, 7.02, etc.

Line No.	Item (a)	Total (c+d+e) (b)	Gas Plant in Service (c)	Gas Plant Held for Future Use (d)	Gas Plant Leased to Others (e)
	Section A. BALANCES AND CHANGES DURING YEAR				
1	Balance Beginning of Year	115,524,405	115,524,405		
2	Depreciation Provisions for Year, Charged to				
3	(403) Depreciation Expense	9,984,589	9,984,589		
4	(403.1) Depreciation Expense for Asset Retirement Costs				
5	(413) Expense of Gas Plant Leased to Others				
6	Transportation Expenses - Clearing				
7	Other Clearing Accounts				
8	Other Clearing (Specify) (footnote details):	10,619	10,619		
9					
10	TOTAL Deprec. Prov. for Year (Total of lines 3 thru 8)	9,995,208	9,995,208		
11	Net Charges for Plant Retired:				
12	Book Cost of Plant Retired	(2,848,904)	(2,848,904)		
13	Cost of Removal	(284,326)	(284,326)		
14	Salvage (Credit)	10,589	10,589		
15	TOTAL Net Chrgs for Plant Ret. (Total of lines 12 thru 14)	(3,143,819)	(3,143,819)		
16	Other Debit or Credit Items (Describe) (footnote details):	(358,694)	(358,694)		
17					
18	Book Cost of Asset Retirement Costs				
19	Balance End of Year (Total of lines 1,10,15,16 and 18)	122,017,100	122,017,100		
	Section B. BALANCES AT END OF YEAR ACCORDING TO FUNCTIONAL CLASSIFICATIONS				
21	Productions-Manufactured Gas	3,758,835	3,758,835		
22	Production and Gathering-Natural Gas				
23	Products Extraction-Natural Gas				
24	Underground Gas Storage				
25	Other Storage Plant				
26	Base Load LNG Terminaling and Processing Plant				
27	Transmission				
28	Distribution	118,198,702	118,198,702		
29	General	59,563	59,563		
30	TOTAL (Total of lines 21 thru 29)	122,017,100	122,017,100		

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FOOTNOTE DATA			

Schedule Page: 219 Line No.: 8 Column: c

ARO Provision \$10,619

Schedule Page: 219 Line No.: 16 Column: c

Common Utility Plant Provision \$(363,876)

Gain/Loss \$(5,065)

Transfers/Adjustments \$10,247

\$(358,694)

Schedule Page: 219 Line No.: 3 Column: c

This amount includes \$363,876 of common plant provision that was allocated to gas utility plant. This amount ties to the depreciation expense shown on page 115, line 6, Column I. \$363,876 ties to the amount of common plant that was allocated to gas plant per page 336, Line 11, Column B.

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of <u>2012/Q4</u>
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Gas Stored (Accounts 117.1, 117.2, 117.3, 117.4, 164.1, 164.2, and 164.3)

1. If during the year adjustments were made to the stored gas inventory reported in columns (d), (f), (g), and (h) (such as to correct cumulative inaccuracies of gas measurements), explain in a footnote the reason for the adjustments, the Dth and dollar amount of adjustment, and account charged or credited.
2. Report in column (e) all encroachments during the year upon the volumes designated as base gas, column (b), and system balancing gas, column (c), and gas property recordable in the plant accounts.
3. State in a footnote the basis of segregation of inventory between current and noncurrent portions. Also, state in a footnote the method used to report storage (i.e., fixed asset method or inventory method).

Line No.	Description (a)	(Account 117.1) (b)	(Account 117.2) (c)	Noncurrent (Account 117.3) (d)	(Account 117.4) (e)	Current (Account 164.1) (f)	LNG (Account 164.2) (g)	LNG (Account 164.3) (h)	Total (i)
1	Balance at Beginning of								
2	Gas Delivered to Storage								
3	Gas Withdrawn from								
4	Other Debits and Credits								
5	Balance at End of Year					0			
6	Dth								
7	Amount Per Dth								

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2012/Q4
FOOTNOTE DATA			

Schedule Page: 220 Line No.: 5 Column: f
 Gas inventory is now stored and managed by Duke Energy's Asset Manager.

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2012/Q4
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Investments (Account 123, 124, and 136)

- Report below investments in Accounts 123, Investments in Associated Companies, 124, Other Investments, and 136, Temporary Cash Investments.
- Provide a subheading for each account and list thereunder the information called for:
 - Investment in Securities-List and describe each security owned, giving name of issuer, date acquired and date of maturity. For bonds, also give principal amount, date of issue, maturity, and interest rate. For capital stock (including capital stock of respondent reacquired under a definite plan for resale pursuant to authorization by the Board of Directors, and included in Account 124, Other Investments) state number of shares, class, and series of stock. Minor investments may be grouped by classes. Investments included in Account 136, Temporary Cash Investments, also may be grouped by classes.
 - Investment Advances-Report separately for each person or company the amounts of loans or investment advances that are properly includable in Account 123. Include advances subject to current repayment in Account 145 and 146. With respect to each advance, show whether the advance is a note or open account.

Line No.	Description of Investment (a)	*	Book Cost at Beginning of Year (If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference) (c)	Purchases or Additions During the Year (d)
1	124-9 CAMPBELL COUNTY BUSINESS DEV. CORP.		1,500	
2	DATE ACQUIRED 06/18/62			
3	DATE OF MATURITY			
4	CAPITAL STOCK			
5				
6				
7	TOTAL ACCOUNT 124		1,500	
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Investments (Account 123, 124, and 136) (continued)

List each note, giving date of issuance, maturity date, and specifying whether note is a renewal. Designate any advances due from officers, directors, stockholders, or employees.

3. Designate with an asterisk in column (b) any securities, notes or accounts that were pledged, and in a footnote state the name of pledges and purpose of the pledge.

4. If Commission approval was required for any advance made or security acquired, designate such fact in a footnote and cite Commission, date of authorization, and case or docket number.

5. Report in column (h) interest and dividend revenues from investments including such revenues from securities disposed of during the year.

6. In column (i) report for each investment disposed of during the year the gain or loss represented by the difference between cost of the investment (or the other amount at which carried in the books of account if different from cost) and the selling price thereof, not including any dividend or interest adjustment includible in column (h).

Line No.	Sales or Other Dispositions During Year (e)	Principal Amount or No. of Shares at End of Year (f)	Book Cost at End of Year (If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference) (g)	Revenues for Year (h)	Gain or Loss from Investment Disposed of (i)
1			1,500		
2					
3					
4					
5					
6					
7			1,500		
8					
9					
10					
11					
12					
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Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of <u>2012/Q4</u>
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Prepayments (Acct 165), Extraordinary Property Losses (Acct 182.1), Unrecovered Plant and Regulatory Study Costs (Acct 182.2)

PREPAYMENTS (ACCOUNT 165)

1. Report below the particulars (details) on each prepayment.

Line No.	Nature of Payment (a)	Balance at End of Year (in dollars) (b)
1	Prepaid Insurance	
2	Prepaid Rents	
3	Prepaid Taxes	
4	Prepaid Interest	
5	Miscellaneous Prepayments	1,154,486
6	TOTAL	1,154,486

Other Regulatory Assets (Account 182.3)

1. Report below the details called for concerning other regulatory assets which are created through the ratemaking actions of regulatory agencies (and not includable in other accounts).
2. For regulatory assets being amortized, show period of amortization in column (a).
3. Minor items (5% of the Balance at End of Year for Account 182.3 or amounts less than \$250,000, whichever is less) may be grouped by classes.
4. Report separately any "Deferred Regulatory Commission Expenses" that are also reported on pages 350-351, Regulatory Commission Expenses.
5. Provide in a footnote, for each line item, the regulatory citation where authorization for the regulatory asset has been granted (e.g. Commission Order, state commission order, court decision).

Line No.	Description and Purpose of Other Regulatory Assets (a)	Balance at Beginning Current Quarter/Year (b)	Debits (c)	Written off During Quarter/Year Account Charged (d)	Written off During Period Amount Recovered (e)	Written off During Period Amount Deemed Unrecoverable (f)	Balance at End of Current Quarter/Year (g)
1	INCOME TAXES	(209,555)	398,303				188,748
2							
3	LIMITED EARLY RETIREMENT PROGRAM DELAYED CASH COSTS - GAS	1,514		930.2		1,514	
4	(Amortized 120 months, Feb., 2002 - Jan., 2012)						
5							
6	AMRP STUDY COSTS - GAS (Amortized 120 Months February 2002 - January 2012)	2,670		928		2,670	
7							
8	DEMAND SIDE MANAGEMENT COSTS		1,305,468	Various		1,305,468	
9	(Amortized in accordance with rider revenue)						
10							
11	ARO OTHER REGULATORY ASSET	552,342	148,406				700,748
12							
13	GAS ARO OTHER REGULATORY ASSET	3,309,409	242,444				3,551,853
14							
15	INTEREST RATE HEDGES	7,515,838	2,909,132	244		3,001,669	7,423,301
16	(Amortized over life of associated debt)						
17							
18	HURRICANE IKE REGULATORY ASSET	4,912,684					4,912,684
19							
20	CARBON MGMT REGULATORY ASSET	600,000	200,000				800,000
21							
22							
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40	Total	16,684,902	5,203,753		4,311,321	0	17,577,334

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Miscellaneous Deferred Debits (Account 186)

1. Report below the details called for concerning miscellaneous deferred debits.
2. For any deferred debit being amortized, show period of amortization in column (a).
3. Minor items (less than \$250,000) may be grouped by classes.

Line No.	Description of Miscellaneous Deferred Debits (a)	Balance at Beginning of Year (b)	Debits (c)	Credits Account Charged (d)	Credits Amount (e)	Balance at End of Year (f)
1	Items deferred pending investigation		49,446	Various	49,446	
2						
3	Private outdoor lighting	84,298	17,818	143	34,567	67,549
4						
5	LT lease receivable	977,547		418	27,690	949,857
6						
7	Vacation accrual	1,853,101	202,378			2,055,479
8						
9	Accrued pension post retire - FAS158	34,413,590	5,491,023	Various	2,472,252	37,432,361
10						
11	Indirect overhead allocation pool - undistributed	(13,476)	3,898,101	Various	3,848,835	35,790
12						
13						
14	Joint Owner		50,450			50,450
15						
16	Duke Energy Kentucky 2009 gas rate case (amortization period 1/1/10-12/31/12)	51,799		928	51,799	
17						
18						
19						
20	Other miscellaneous items	10,000	3,892	588	3,892	10,000
21						
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39	Miscellaneous Work in Progress					
40	Total	37,376,859	9,713,108		6,488,481	40,601,486

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of <u>2012/Q4</u>
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Accumulated Deferred Income Taxes (Account 190)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes.
2. At Other (Specify), include deferrals relating to other income and deductions.
3. Provide in a footnote a summary of the type and amount of deferred income taxes reported in the beginning-of-year and end-of-year balances for deferred income taxes that the respondent estimates could be included in the development of jurisdictional recourse rates.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Changes During Year Amounts Debited to Account 410.1 (c)	Changes During Year Amounts Credited to Account 411.1 (d)
1	Account 190			
2	Electric	547,522	3,964,449	5,042,750
3	Gas	5,946,769	615,890	922,165
4	Other (Define) (footnote details)			
5	Total (Total of lines 2 thru 4)	6,494,291	4,580,339	5,964,915
6	Other - Non-Utility	241,542		
7	TOTAL Account 190 (Total of lines 5 thru 6)	6,735,833	4,580,339	5,964,915
8	Classification of TOTAL			
9	Federal Income Tax	5,786,685	3,944,008	5,291,112
10	State Income Tax	949,148	636,331	673,803
11	Local Income Tax			

Accumulated Deferred Income Taxes (Account 190) (continued)

Line No.	Changes During Year	Changes During Year	Adjustments	Adjustments	Adjustments	Adjustments	Balance at End of Year
	Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Debits Account No. (g)	Debits Amount (h)	Credits Account No. (i)	Credits Amount (j)	
1							
2					190 & 254	1,627,396	3,253,219
3					190 & 254	174,832	6,427,876
4							
5						1,802,228	9,681,095
6	228,625	35,603	190	1,892,952			(1,844,432)
7	228,625	35,603		1,892,952		1,802,228	7,836,663
8							
9	191,945	30,657		1,662,993		1,709,057	7,018,565
10	36,680	4,946		229,959		93,171	818,098
11							

Capital Stock (Accounts 201 and 204)

1. Report below the details called for concerning common and preferred stock at end of year, distinguishing separate series of any general class. Show separate totals for common and preferred stock.
2. Entries in column (b) should represent the number of shares authorized by the articles of incorporation as amended to end of year.
3. Give details concerning shares of any class and series of stock authorized to be issued by a regulatory commission which have not yet been issued.

Line No.	Class and Series of Stock and Name of Stock Exchange (a)	Number of Shares Authorized by Charter (b)	Par or Stated Value per Share (c)	Call Price at End of Year (d)
1	COMMON STOCK (ACCT 201)	1,000,000	15.00	
2	TOTAL COMMON STOCK	1,000,000		
3				
4	PREFERRED STOCK (ACCT 204)			
5	TOTAL PREFERRED STOCK			
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Capital Stock (Accounts 201 and 204)

4. The identification of each class of preferred stock should show the dividend rate and whether the dividends are cumulative or noncumulative.
5. State in a footnote if any capital stock that has been nominally issued is nominally outstanding at end of year.
6. Give particulars (details) in column (a) of any nominally issued capital stock, reacquired stock, or stock in sinking and other funds which is pledged, stating name of pledgee and purpose of pledge.

Line No.	Outstanding per Bal. Sheet (total amt outstanding without reduction for amts held by respondent) Shares (e)	Outstanding per Bal. Sheet Amount (f)	Held by Respondent As Reacquired Stock (Acct 217) Shares (g)	Held by Respondent As Reacquired Stock (Acct 217) Cost (h)	Held by Respondent In Sinking and Other Funds Shares (i)	Held by Respondent In Sinking and Other Funds Amount (j)
1	585,333	8,779,995				
2	585,333	8,779,995				
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Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of <u>2012/Q4</u>
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Capital Stock: Subscribed, Liability for Conversion, Premium on, and Installments Received on (Accts 202, 203, 205, 206, 207, and 212)

- Show for each of the above accounts the amounts applying to each class and series of capital stock.
- For Account 202, Common Stock Subscribed, and Account 205, Preferred Stock Subscribed, show the subscription price and the balance due on each class at the end of year.
- Describe in a footnote the agreement and transactions under which a conversion liability existed under Account 203, Common Stock Liability for Conversion, or Account 206, Preferred Stock Liability for Conversion, at the end of year.
- For Premium on Account 207, Capital Stock, designate with an asterisk in column (b), any amounts representing the excess of consideration received over stated values of stocks without par value.

Line No.	Name of Account and Description of Item (a)	* (b)	Number of Shares (c)	Amount (d)
1	Accounts 202, 203, 205, 206, and 212			
2	Accounts 207 - Premium of \$15 per Share on Capital Stock in 1955		62,419	936,287
3	Accounts 207 - Premium of \$17 per Share on Capital Stock in 1957		104,000	1,768,003
4	Accounts 207 - Premium of \$38 per Share on Capital Stock in 1961		69,333	2,634,656
5	Accounts 207 - Premium of \$135 per Share on Capital Stock in 1992		100,000	13,500,000
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40	Total		335,752	18,838,946

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2012/Q4
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Other Paid-In Capital (Accounts 208-211)

1. Report below the balance at the end of the year and the information specified below for the respective other paid-in capital accounts. Provide a subheading for each account and show a total for the account, as well as a total of all accounts for reconciliation with the balance sheet, page 112. Explain changes made in any account during the year and give the accounting entries effecting such change.

- (a) Donations Received from Stockholders (Account 208) - State amount and briefly explain the origin and purpose of each donation.
- (b) Reduction in Par or Stated Value of Capital Stock (Account 209) - State amount and briefly explain the capital changes that gave rise to amounts reported under this caption including identification with the class and series of stock to which related.
- (c) Gain or Resale or Cancellation of Reacquired Capital Stock (Account 210) - Report balance at beginning of year, credits, debits, and balance at end of year with a designation of the nature of each credit and debit identified by the class and series of stock to which related.
- (d) Miscellaneous Paid-In Capital (Account 211) - Classify amounts included in this account according to captions that, together with brief explanations, disclose the general nature of the transactions that gave rise to the reported amounts.

Line No.	Item (a)	Amount (b)
1	Account 208 Donations Received from Stockholders	148,811,383
2		
3		
4		
5		
6		
7	Subtotal Balance - End of Year	148,811,383
8		
9		
10	Account 211 - Miscellaneous Paid-In Capital	
11	Balance - Beginning of Year (Sharesaver)	(156,194)
12		
13	Subtotal Balance - End of Year (Sharesaver)	(156,194)
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40	Total	148,655,189

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Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2012/Q4
Securities Issued or Assumed and Securities Refunded or Retired During the Year			

1. Furnish a supplemental statement briefly describing security financing and refinancing transactions during the year and the accounting for the securities, discounts, premiums, expenses, and related gains or losses. Identify as to Commission authorization numbers and dates.
2. Provide details showing the full accounting for the total principal amount, par value, or stated value of each class and series of security issued, assumed, retired, or refunded and the accounting for premiums, discounts, expenses, and gains or losses relating to the securities. Set forth the facts of the accounting clearly with regard to redemption premiums, unamortized discounts, expenses, and gain or losses relating to securities retired or refunded, including the accounting for such amounts carried in the respondent's accounts at the date of the refunding or refinancing transactions with respect to securities previously refunded or retired.
3. Include in the identification of each class and series of security, as appropriate, the interest or dividend rate, nominal date of issuance, maturity date, aggregate principal amount, par value or stated value, and number of shares. Give also the issuance of redemption price and name of the principal underwriting firm through which the security transactions were consummated.
4. Where the accounting for amounts relating to securities refunded or retired is other than that specified in General Instruction 17 of the Uniform System of Accounts, cite the Commission authorization for the different accounting and state the accounting method.
5. For securities assumed, give the name of the company for which the liability on the securities was assumed as well as details of the transactions whereby the respondent undertook to pay obligations of another company. If any unamortized discount, premiums, expenses, and gains or losses were taken over onto the respondent's books, furnish details of these amounts with amounts relating to refunded securities clearly earmarked.

In January 2012, the 2010 Series Pollution Control Bonds were refinanced. There was no change to the principal amount of debt issued or amortization period as a result of refinancing these bonds. A letter of credit facility was issued to support the remarketing of the tax exempt bonds. The additional expenses incurred to issue the letter of credit are being amortized over the two-year life of the letter of credit.

Long-Term Debt (Accounts 221, 222, 223, and 224)

1. Report by Balance Sheet Account the details concerning long-term debt included in Account 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt.
2. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.
3. For Advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
4. For receivers' certificates, show in column (a) the name of the court and date of court order under which such certificates were issued.

Line No.	Class and Series of Obligation and Name of Stock Exchange (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Outstanding (Total amount outstanding without reduction for amts held by respondent) (d)
1	ACCOUNT 221 - NONE			
2				
3	ACCOUNTS 222 & 223 - NONE			
4				
5	ACCOUNT 224			
6				
7	UNSECURED DEBENTURES 5.00% DUE IN 2014	12/06/2004	12/15/2014	40,000,000
8	UNSECURED DEBENTURES 5.75% DUE IN 2016	03/07/2006	03/10/2016	50,000,000
9	UNSECURED DEBENTURES 6.20% DUE IN 2036	03/07/2006	03/10/2036	65,000,000
10	POLLUTION CONTROL BONDS 2008 SERIES A DUE IN 2027	12/11/2008	08/01/2027	50,000,000
11	POLLUTION CONTROL BONDS 2010 SERIES DUE IN 2027	11/24/2010	08/01/2027	26,720,000
12	GAS STORAGE FROM SALE OF TODHUNTER CAVERN (TEPPCO)	07/31/2007	07/31/2027	851,494
13	UNSECURED DEBENTURES 4.65% DUE IN 2019	09/22/2009	10/01/2019	100,000,000
14				
15				
16	SUBTOTAL 224			332,571,494
17				
18	SEE FOOTNOTE			
19				
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40	TOTAL			332,571,494

Long-Term Debt (Accounts 221, 222, 223, and 224)

5. In a supplemental statement, give explanatory details for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year (b) interest added to principal amount, and (c) principal repaid during year. Give Commission authorization numbers and dates.
6. If the respondent has pledged any of its long-term debt securities, give particulars (details) in a footnote, including name of the pledgee and purpose of the pledge.
7. If the respondent has any long-term securities that have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
8. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (f). Explain in a footnote any difference between the total of column (f) and the total Account 427, Interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.
9. Give details concerning any long-term debt authorized by a regulatory commission but not yet issued.

Line No.	Interest for Year Rate (in %) (e)	Interest for Year Amount (f)	Held by Respondent Reacquired Bonds (Acct 222) (g)	Held by Respondent Sinking and Other Funds (h)	Redemption Price per \$100 at End of Year (i)
1					
2					
3					
4					
5					
6					
7	5.000	2,000,000			0.25
8	5.750	2,875,000			0.20
9	6.200	4,030,000			0.30
10	1.098	532,414			1.00
11	0.120	106,528			1.00
12					
13	4.650	4,650,000			0.25
14					
15					
16		14,193,942			
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40		14,193,942			

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Schedule Page: 256 Line No.: 10 Column: a

In December 2011, the 2008 Series A Pollution Control bonds were refinanced. There was no change to the principal amount of debt issued or amortization period as a result of refinancing these Bonds. Additional debt expenses were incurred and are being amortized over the remaining life of the bond.

Schedule Page: 256 Line No.: 18 Column: a

On November 10, 2010 the Kentucky PSC approved Duke Energy Kentucky's long-term financing application authorizing the issuance of up to \$100 million of secured and/or unsecured notes. One December 21, 2012, the KPSC granted an extension to DE Kentucky's existing authority approved in Case No. 2010-369, set to expire December 31, 2012, until an order is granted in the pending application 2-12-575 for the issuance of up to \$150 million of secured and/or unsecured notes.

Schedule Page: 256 Line No.: 10 Column: e

The interest rate varies on this pollution control bond. The interest rate is as of December 31, 2012.

Schedule Page: 256 Line No.: 11 Column: e

The interest rate varies on this pollution control bond. The interest rate is as of December 31, 2012.

Schedule Page: 256 Line No.: 10 Column: i

This pollution control bond is redeemable at par (\$100) and is not subject to the redemption calculation.

Schedule Page: 256 Line No.: 11 Column: i

This pollution control bond is redeemable at par (\$100) and is not subject to the redemption calculation.

Schedule Page: 256 Line No.: 7 Column: i

Redemption price of the Debenture is based on the present value of the future interest and principal payments discounted at a rate equal to the yield of US government securities with a maturity similar to the Debenture plus a certain spread. this spread is presented in Column (i) and is shown as basis points. The calculated Redemption price can never be less than \$100.

Schedule Page: 256 Line No.: 8 Column: i

See Footnote for Line 7.

Schedule Page: 256 Line No.: 9 Column: i

See Footnote for line 7.

Schedule Page: 256 Line No.: 13 Column: i

See Footnote for line 7.

Schedule Page: 256 Line No.: 11 Column: a

In January 2012, the 2010 Series Pollution Control Bonds were refinanced. There was no change to the principal amount of debt issued or amortization period as a result of refinancing these bonds. A letter of credit facility was issued to support the remarketing of the tax exempt bonds. The additional expenses incurred to issue the letter of credit are being amortized over the two-year life of the letter of credit.

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Unamortized Debt Expense, Premium and Discount on Long-Term Debt (Accounts 181, 225, 226)

1. Report under separate subheadings for Unamortized Debt Expense, Unamortized Premium on Long-Term Debt and Unamortized Discount on Long-Term Debt, details of expense, premium or discount applicable to each class and series of long-term debt.
2. Show premium amounts by enclosing the figures in parentheses.
3. In column (b) show the principal amount of bonds or other long-term debt originally issued.
4. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.

Line No.	Designation of Long-Term Debt (a)	Principal Amount of Debt Issued (b)	Total Expense Premium or Discount (c)	Amortization Period Date From (d)	Amortization Period Date To (e)
1	UNAMORTIZED EXPENSE:				
2					
3	REVOLVING CREDIT FACILITY DUE 2012	73,517,045	33,472	06/28/2007	06/29/2012
4	MASTER CREDIT FACILITY		454,094	11/18/2011	11/18/2017
5	5.00% UNSECURED DEBENTURES DUE 2014	40,000,000	410,000	12/06/2004	12/15/2014
6	6.20% UNSECURED DEBENTURES DUE 2036	65,000,000	653,550	03/10/2006	03/10/2036
7	5.75% UNSECURED DEBENTURES DUE 2016	50,000,000	390,200	03/10/2006	03/10/2016
8	4.65% UNSECURED DEBENTURES DUE 2019	100,000,000	756,468	09/22/2009	10/01/2019
9	POLLUTION CONTROL BONDS 2010 SERIES DUE IN 2027	26,720,000	939,966	11/24/2010	08/01/2027
10	POLLUTION CONTROL BONDS 2008 SER A DUE 2027	50,000,000	691,754	12/03/2008	08/01/2027
11					
12	TOTAL ACCOUNT 181	405,237,045	4,329,504		
13					
14	UNAMORTIZED PREMIUM ON LONG-TERM DEBT:				
15					
16					
17	TOTAL ACCOUNT 225 - NONE				
18					
19					
20	UNAMORTIZED DISCOUNT ON LONG-TERM DEBT:				
21					
22					
23	5.00% UNSECURED DEBENTURES DUE 2014	40,000,000	379,200	12/06/2004	12/15/2014
24	6.20% UNSECURED DEBENTURES DUE 2036	65,000,000	367,900	03/10/2006	03/10/2036
25	5.75% UNSECURED DEBENTURES DUE 2016	50,000,000	30,000	03/10/2006	03/10/2016
26	4.65% UNSECURED DEBENTURES DUE 2019	100,000,000	374,000	09/22/2009	10/01/2019
27					
28	TOTAL ACCOUNT 226	255,000,000	1,151,100		
29					
30					
31					
32					
33					
34					
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Unamortized Debt Expense, Premium and Discount on Long-Term Debt (Accounts 181, 225, 226)

5. Furnish in a footnote details regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.

6. Identify separately undisposed amounts applicable to issues which were redeemed in prior years.

7. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount and Expense, or credited to Account 429, Amortization of Premium on Debt-Credit.

Line No.	Balance at Beginning of Year (f)	Debits During Year (g)	Credits During Year (h)	Balance at End of Year (i)
1				
2				
3	3,597		3,597	
4	443,247	25,310	86,913	381,644
5	120,988		40,936	80,052
6	527,025		21,785	505,240
7	163,594		39,029	124,565
8	516,306		86,777	429,529
9	310,405	115,806	61,234	364,977
10	707,939	3,541	89,057	622,423
11				
12	2,793,101	144,657	429,328	2,508,430
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23	111,888		37,857	74,031
24	296,671		12,263	284,408
25	12,575		3,000	9,575
26	289,128		37,307	251,821
27				
28	710,262		90,427	619,835
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Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2012/Q4
FOOTNOTE DATA			

Schedule Page: 258 Line No.: 4 Column: a

In October 2012, the Duke Energy Registrants reached an agreement with banks representing \$5.63 billion of commitments under the master credit facility to extend the expiration date by one year to November 2017. Through November 2016, the available credit under this facility remains \$6 billion. The Duke Energy Registrants each have borrowing capacity under the master credit facility up to specified sublimits for each borrower. Duke Energy Kentucky has a \$100 million borrowing limit as of December 31, 2012.

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2012/Q4
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Unamortized Loss and Gain on Reacquired Debt (Accounts 189, 257)

1. Report under separate subheadings for Unamortized Loss and Unamortized Gain on Reacquired Debt, details of gain and loss, including maturity date, on reacquisition applicable to each class and series of long-term debt. If gain or loss resulted from a refunding transaction, include also the maturity date of the new issue.
2. In column (c) show the principal amount of bonds or other long-term debt reacquired.
3. In column (d) show the net gain or net loss realized on each debt reacquisition as computed in accordance with General Instruction 17 of the Uniform Systems of Accounts.
4. Show loss amounts by enclosing the figures in parentheses.
5. Explain in a footnote any debits and credits other than amortization debited to Account 428.1, Amortization of Loss on Reacquired Debt, or credited to Account 429.1, Amortization of Gain on Reacquired Debt-Credit.

Line No.	Designation of Long-Term Debt (a)	Date Reacquired (b)	Principal of Debt Reacquired (c)	Net Gain or Loss (d)	Balance at Beginning of Year (e)	Balance at End of Year (f)
1	10-1/4% SERIES	06/01/1995	15,000,000	(925,479)	330,573	291,297
2	9.7% SERIES	09/01/1995	20,000,000	(1,596,748)	502,470	435,474
3	10-1/4% SERIES	02/15/1996	15,000,000	(917,675)	332,493	295,029
4						
5	7.65% SERIES	04/06/2006	15,000,000	(1,230,503)	865,613	801,692
6	5.5% SERIES	09/01/2006	48,000,000	(669,996)	463,844	425,190
7	1985A Floating	09/01/2006	16,000,000	(115,521)	26,445	9,743
8	6.5% SERIES	09/01/2006	12,720,663	(73,931)	49,605	45,044
9	2006A SERIES	12/26/2008	50,000,000	(289,319)	242,613	227,044
10	TOTAL 189		191,720,663	(5,819,172)	2,813,656	2,530,513
11						
12	TOTAL 257					
13						
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Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of <u>2012/Q4</u>
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Reconciliation of Reported Net Income with Taxable Income for Feder Income Taxes

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal Income Tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.
2. If the utility is a member of a group that files consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignments, or sharing of the consolidated tax among the group members.

Line No.	Details (a)	Amount (b)
1	Net Income for the Year (Page 116)	28,220,860
2	Reconciling Items for the Year	
3		
4	Taxable Income Not Reported on Books	
5	Contributions In Aid Of Construction	287,527
6		
7		
8	TOTAL	287,527
9	Deductions Recorded on Books Not Deducted for Return	
10	See Footnote For Details	35,927,863
11		
12		
13	TOTAL	35,927,863
14	Income Recorded on Books Not Included in Return	
15	Amortization Of Investment Tax Credits	563,360
16	Allowance For Funds Used During Construction	448,250
17		
18	TOTAL	1,011,610
19	Deductions on Return Not Charged Against Book Income	
20	See Footnote For Details	64,990,011
21		
22		
23		
24		
25		
26	TOTAL	64,990,011
27	Federal Tax Net Income	(1,565,371)
28	Show Computation of Tax:	
29		
30	Tax At 35% Of Federal Tax Net Income Of (1,565,371)	(547,880)
31	Plus: Prior Period Adjustments - Federal	4,777,415
32	Plus: Known Tax Reserve Adjustments - Federal	297,058
33	Plus: FIN 48 Adjustments - Federal	29,726
34	Less: Miscellaneous Federal Tax Adjustment	(401,951)
35	Tax Of Respondent	4,154,368

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2012/Q4
FOOTNOTE DATA			

Schedule Page: 261 Line No.: 10 Column: b

Federal Income Tax Expense	16,512,608
State Income Tax Benefit	(2,008,701)
Current Portion Of Regulatory Asset	6,248,226
Regulatory Asset - Transition From MISO To PJM	5,153,362
Retirement Plan	5,045,357
Regulatory Asset - Deferred Revenue	774,122
Charitable Contributions	660,000
Severance Accrual - Short Term	519,104
Excess Salvage	487,534
Accrued Vacation	434,088
Emissions Allowance Expense	425,864
Book Capital Lease Meters	415,344
Asset Retirement Obligation	390,849
Gas Supplier Refund	294,363
Tax Interest Capitalized	292,600
Amortization Of Loss On Reacquired Debt	283,143
Total	<u>35,927,863</u>

Schedule Page: 261 Line No.: 20 Column: b

Equipment Repairs	26,103,996
Depreciation Deducted In Excess Of Amount Booked	16,100,252
Demand Side Management Costs	8,564,626
Property Tax Reserves	3,584,274
Regulatory Asset - Accrued Pension - Post-Retirement Benefits - FAS 158	3,345,928
Joint Owner Pension Receivable	1,835,446
Leased Meters - Electric & Gas	1,745,418
Loss On Disposition Of Property	1,119,054
Unbilled Revenue - Fuel	971,576
Regulatory Asset - Asset Retirement Obligation	390,849
Non-Cash Overhead Basis Adjustment	265,040
Other	963,552
Total	<u>64,990,011</u>

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2012/Q4
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Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged)

1. Give details of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual or estimated amounts of such taxes are known, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes). Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b) amounts credited to the portion of prepaid taxes charged to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

Line No.	Kind of Tax (See Instruction 5) (a)	Balance at Beg. of Year	Balance at Beg. of Year
		Taxes Accrued (b)	Prepaid Taxes (c)
1			
2	FEDERAL TAXES:		
3			
4	INCOME	(2,773,124)	1,814,514
5	FUEL TAXES		
6	FEDERAL INSURANCE	44,127	
7	UNEMPLOYMENT	9,338	
8			
9			
10	STATE TAXES:		
11			
12	INCOME	761,717	
13	UNEMPLOYMENT	(3,447)	
14	PROPERTY	937,749	
15	SALES & USE TAXES	372,612	
16	PUBLIC UTILITIES		383,290
17	FRANCHISE		
18			
19			
20	OTHER:		
21			
22	PROPERTY	8,040,722	
23			
24			
25			
26			
27			
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39			
TOTAL		7,389,694	2,197,804

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2012/Q4
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Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged)
(continued)

5. If any tax (exclude Federal and State income taxes) covers more than one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a footnote. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Show in columns (i) thru (p) how the taxes accounts were distributed. Show both the utility department and number of account charged. For taxes charged to utility plant, show the number of the appropriate balance sheet plant account or subaccount.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.
10. Items under \$250,000 may be grouped.
11. Report in column (q) the applicable effective state income tax rate.

Line No.	Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjustments (f)	Balance at End of Year Taxes Accrued (Account 236) (g)	Balance at End of Year Prepaid Taxes (Included in Acct 165) (h)
1					
2					
3					
4	4,154,368	2,962,901	966.802	(2,429,369)	
5	2,549	2,549			
6	2,662,317	2,659,749		46,695	
7	32,218	40,586		970	
8					
9					
10					
11					
12	3,662,094	2,365,369		2,058,442	
13	11,091	7,437		207	
14	1,260,342	1,448,251		749,840	
15	2,651,575	2,737,120		287,067	
16			383,290		
17	(797)	(797)			
18					
19					
20					
21					
22	8,368,719	9,613,856		6,795,585	
23					
24					
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31					
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39					
TOTAL	22,804,476	21,837,021	1,350,092	7,509,437	

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of <u>2012/Q4</u>
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Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged)

1. Give details of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual or estimated amounts of such taxes are known, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes). Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b) amounts credited to the portion of prepaid taxes charged to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

DISTRIBUTION OF TAXES CHARGED (Show utility department where applicable and account charged.)

Line No.	Electric (Account 408.1, 409.1) (i)	Gas (Account 408.1, 409.1) (j)	Other Utility Dept. (Account 408.1, 409.1) (k)	Other Income and Deductions (Account 408.2, 409.2) (l)
1				
2				
3				
4	2,839,553	(1,435,584)		2,750,399
5	1,867	683		
6	2,007,651	654,666		
7	23,866	8,351		
8				
9				
10				
11				
12	2,614,847	677,022		370,225
13	7,969	3,122		
14	815,533	447,160		
15	2,513,180	(1)		138,396
16				
17	(614)	(183)		
18				
19				
20				
21				
22	5,422,236	2,944,676		(544)
23				
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25				
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TOTAL	16,246,088	3,299,912		3,258,476

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2012/Q4
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Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged)
(continued)

5. If any tax (exclude Federal and State income taxes) covers more than one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a footnote. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Show in columns (i) thru (p) how the taxes accounts were distributed. Show both the utility department and number of account charged. For taxes charged to utility plant, show the number of the appropriate balance sheet plant account or subaccount.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.
10. Items under \$250,000 may be grouped.
11. Report in column (q) the applicable effective state income tax rate.

DISTRIBUTION OF TAXES CHARGED (Show utility department where applicable and account charged.)

Line No.	Extraordinary Items (Account 409.3) (m)	Other Utility Opn. Income (Account 408.1, 409.1) (n)	Adjustment to Ret. Earnings (Account 439) (o)	Other (p)	State/Local Income Tax Rate (q)
1					
2					
3					
4					
5					
6					
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39					
TOTAL					

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2012/Q4
FOOTNOTE DATA			

Schedule Page: 262 Line No.: 4 Column: f

Federal NOL Reclass

Schedule Page: 262 Line No.: 16 Column: f

Other

Miscellaneous Current and Accrued Liabilities (Account 242)

1. Describe and report the amount of other current and accrued liabilities at the end of year.
2. Minor items (less than \$250,000) may be grouped under appropriate title.

Line No.	Item (a)	Balance at End of Year (b)
1	Vacation Entitlement Reserve	2,270,656
2	Retirement Bank Accrual	2,078,979
3	MISO MTEP - Short Term Accrual	993,000
4	Severance Reserve/Accrual	564,874
5	Provision for Incentive Benefits Program	549,768
6	Wages Payable	546,000
7	Native Deferred MTM Liability	432,689
8	FAS 158 Current Liabilities	279,983
9	Ratepayer Sharing Provisions	259,516
10	Other	12,432
11		
12		
13		
14		
15		
16		
17		
18		
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45	Total	7,987,897

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Other Deferred Credits (Account 253)

1. Report below the details called for concerning other deferred credits.
2. For any deferred credit being amortized, show the period of amortization.
3. Minor items (less than \$250,000) may be grouped by classes.

Line No.	Description of Other Deferred Credits (a)	Balance at Beginning of Year (b)	Debit Contra Account (c)	Debit Amount (d)	Credits (e)	Balance at End of Year (f)
1	Gas Refunds	46,769	various	617,196	911,560	341,133
2						
3	Pension Cost Adj. - DPL Share	3,663,413	various	1,863,955	2,227,387	4,026,845
4						
5	Post Retirement Benefits					
6	- Health DPL	(227,158)	various	182,495	18,957	(390,696)
7						
8	Pension Cost Adj. - FAS 106	3,511,792	186, 228.3	863,661	481,470	3,129,601
9						
10	Misc. Deferred Credits and Other	(17,900)	146	19,318	17,900	(19,318)
11						
12	MISO MTEP Accrual	15,472,893	various	859,061	6,012,423	20,626,255
13						
14	Merger - Related Donation Accrual				495,000	495,000
15						
16						
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44						
45	Total	22,449,809		4,405,686	10,164,697	28,208,820

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of <u>2012/Q4</u>
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Accumulated Deferred Income Taxes-Other Property (Account 282)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to property not subject to accelerated amortization.
2. At Other (Specify), include deferrals relating to other income and deductions.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Amounts Debited to Account 410.1 (c)	Amounts Credited to Account 411.1 (d)
1	Account 282			
2	Electric	187,814,505	26,681,413	22,367,057
3	Gas	55,299,643	21,573,348	5,908,077
4	Other (Define) (footnote details)			
5	Total (Enter Total of lines 2 thru 4)	243,114,148	48,254,761	28,275,134
6	Other - Non-Utility	(10,493,868)		
7	TOTAL Account 282 (Enter Total of lines 5 thr	232,620,280	48,254,761	28,275,134
8	Classification of TOTAL			
9	Federal Income Tax	204,801,299	38,274,284	16,370,954
10	State Income Tax	27,818,981	9,980,477	11,904,180
11	Local Income Tax			

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Accumulated Deferred Income Taxes-Other Property (Account 282) (continued)

3. Provide in a footnote a summary of the type and amount of deferred income taxes reported in the beginning-of-year and end-of-year balances for deferred income taxes that the respondent estimates could be included in the development of jurisdictional recourse rates.

Line No.	Changes during Year Amounts Debited to Account 410.2 (e)	Changes during Year Amounts Credited to Account 411.2 (f)	Adjustments Debits Acct. No. (g)	Adjustments Debits Amount (h)	Adjustments Credits Account No. (i)	Adjustments Credits Amount (j)	Balance at End of Year (k)
1							
2					182 & 282	79,164,646	112,964,215
3			182 & 282	4,726,704			75,691,618
4							
5				4,726,704		79,164,646	188,655,833
6	31,192	3,352,251	282	76,405,345	282	2,875,871	59,714,547
7	31,192	3,352,251		81,132,049		82,040,517	248,370,380
8							
9	(1,562)	2,886,527		72,657,751		73,614,110	222,860,181
10	32,754	465,724		8,474,298		8,426,407	25,510,199
11							

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Accumulated Deferred Income Taxes-Other (Account 283)

- Report the information called for below concerning the respondent's accounting for deferred income taxes relating to amounts recorded in Account 283.
- At Other (Specify), include deferrals relating to other income and deductions.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Changes During Year Amounts Debited to Account 410.1 (c)	Changes During Year Amounts Credited to Account 411.1 (d)
1	Account 283			
2	Electric	5,889,338	1,705,112	8,366,454
3	Gas	3,842,802	474,184	181,519
4	Other (Define) (footnote details)			
5	Total (Total of lines 2 thru 4)	9,732,140	2,179,296	8,547,973
6	Other - Non-Utility	(40,727)		
7	TOTAL Account 283 (Total of lines 5 thru 6)	9,691,413	2,179,296	8,547,973
8	Classification of TOTAL			
9	Federal Income Tax	8,344,996	1,876,528	7,360,425
10	State Income Tax	1,346,417	302,768	1,187,548
11	Local Income Tax			

Accumulated Deferred Income Taxes-Other (Account 283) (continued)

3. Provide in a footnote a summary of the type and amount of deferred income taxes reported in the beginning-of-year and end-of-year balances for deferred income taxes that the respondent estimates could be included in the development of jurisdictional recourse rates.

Line No.	Changes during Year Amounts Debited to Account 410.2 (e)	Changes during Year Amounts Credited to Account 411.2 (f)	Adjustments Debits Acct. No. (g)	Adjustments Debits Amount (h)	Adjustments Credits Account No. (i)	Adjustments Credits Amount (j)	Balance at End of Year (k)
1							
2			Misc Adj	329			(771,675)
3			Misc Adj	390,773			4,526,240
4							
5				391,102			3,754,565
6							(40,727)
7				391,102			3,713,838
8							
9				336,501			3,197,600
10				54,601			516,238
11							

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Other Regulatory Liabilities (Account 254)

1. Report below the details called for concerning other regulatory liabilities which are created through the ratemaking actions of regulatory agencies (and not includable in other amounts).
2. For regulatory liabilities being amortized, show period of amortization in column (a).
3. Minor items (5% of the Balance at End of Year for Account 254 or amounts less than \$250,000, whichever is less) may be grouped by classes.
4. Provide in a footnote, for each line item, the regulatory citation where the respondent was directed to refund the regulatory liability (e.g. Commission Order, state commission order, court decision).

Line No.	Description and Purpose of Other Regulatory Liabilities (a)	Balance at Beginning of Current Quarter/Year (b)	Written off during Quarter/Period Account Credited (c)	Written off During Period Amount Refunded (d)	Written off During Period Amount Deemed Non-Refundable (e)	Credits (f)	Balance at End of Current Quarter/Year (g)
1	INCOME TAXES	769,522	Various	88,107			681,415
2							
3	DSM ENERGY EFFICIENCY	6,053,854	407.3	3,025,091		708,691	3,737,454
4	(Amortized in accordance with rider revenue)						
5							
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44							
45	Total	6,823,376		3,113,198	0	708,691	4,418,869

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Monthly Quantity & Revenue Data by Rate Schedule

- Reference to account numbers in the USofA is provided in parentheses beside applicable data. Quantities must not be adjusted for discounts.
- Total Quantities and Revenues in whole numbers
- Report revenues and quantities of gas by rate schedule. Where transportation services are bundled with storage services, reflect only transportation Dth. When reporting storage, report Dth of gas withdrawn from storage and revenues by rate schedule.
- Revenues in Column (c) include transition costs from upstream pipelines. Revenue (Other) in Column (e) includes reservation charges received by the pipeline plus usage charges, less revenues reflected in Columns (c) and (d). Include in Column (e), revenue for Accounts 490-495.
- Enter footnotes as appropriate.

Line No.	Item (a)	Month 1 Quantity (b)	Month 1 Revenue Costs and Take-or-Pay (c)	Month 1 Revenue (GRI & ACA) (d)	Month 1 Revenue (Other) (e)	Month 1 Revenue (Total) (f)
1	Total Sales (480-488)	480,904			5,185,466	5,185,466
2	Transportation of Gas for Others (489.2 and 489.3)					
3	Rate - Case #PRO8-27				50,058	50,058
4	Rate FT	174,024			346,949	346,949
5	Rate IT	141,298			142,133	142,133
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Monthly Quantity & Revenue Data by Rate Schedule

- Reference to account numbers in the USofA is provided in parentheses beside applicable data. Quantities must not be adjusted for discounts.
- Total Quantities and Revenues in whole numbers
- Report revenues and quantities of gas by rate schedule. Where transportation services are bundled with storage services, reflect only transportation Dth. When reporting storage, report Dth of gas withdrawn from storage and revenues by rate schedule.
- Revenues in Column (c) include transition costs from upstream pipelines. Revenue (Other) in Column (e) includes reservation charges received by the pipeline plus usage charges, less revenues reflected in Columns (c) and (d). Include in Column (e), revenue for Accounts 490-495.
- Enter footnotes as appropriate.

Line No.	Month 2 Quantity (g)	Month 2 Revenue Costs and Take-or-Pay (h)	Month 2 Revenue (GRI & ACA) (i)	Month 2 Revenue (Other) (j)	Month 2 Revenue (Total) (k)	Month 3 Quantity (l)	Month 3 Revenue Costs and Take-or-Pay (m)	Month 3 Revenue (GRI & ACA) (n)	Month 3 Revenue (Other) (o)	Month 3 Revenue (Total) (p)
1	1,074,730			9,422,096	9,422,096	1,406,363			11,556,438	11,556,438
2										
3				50,058	50,058				50,058	50,058
4	250,538			469,950	469,950	214,230			391,703	391,703
5	140,111			139,356	139,356	120,151			121,874	121,874
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Monthly Quantity & Revenue Data by Rate Schedule (continued)

Line No.	Item (a)	Month 1 Quantity (b)	Month 1 Revenue Costs and Take-or-Pay (c)	Month 1 Revenue (GRI & ACA) (d)	Month 1 Revenue (Other) (e)	Month 1 Revenue (Total) (f)
48						
49						
50						
51						
52						
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54						
55						
56						
57						
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59						
60						
61						
62						
63	Total Transportation (Other than Gathering)	315,322			539,140	539,140
64	Storage (489.4)					
65						
66						
67						
68						
69						
70						
71						
72						
73						
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75						
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86						
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89						
90	Total Storage					
91	Gathering (489.1)					
92	Gathering-Firm					
93	Gathering-Interruptible					
94	Total Gathering (489.1)					
95	Additional Revenues					
96	Products Sales and Extraction (490-492)					
97	Rents (493-494)				4,048	4,048
98	Other Gas Revenues (495)					
99	(Less) Provision for Rate Refunds					

Monthly Quantity & Revenue Data by Rate Schedule (continued)

Line No.	Month 2 Quantity (g)	Month 2 Revenue Costs and Take-or-Pay (h)	Month 2 Revenue (GRI & ACA) (i)	Month 2 Revenue (Other) (j)	Month 2 Revenue (Total) (k)	Month 3 Quantity (l)	Month 3 Revenue Costs and Take-or-Pay (m)	Month 3 Revenue (GRI & ACA) (n)	Month 3 Revenue (Other) (o)	Month 3 Revenue (Total) (p)
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63	390,649			659,364	659,364	334,381			563,635	563,635
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97				617	617					
98										
99										

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Monthly Quantity & Revenue Data by Rate Schedule (continued)

Line No.	Item (a)	Month 1 Quantity (b)	Month 1 Revenue Costs and Take-or-Pay (c)	Month 1 Revenue (GRI & ACA) (d)	Month 1 Revenue (Other) (e)	Month 1 Revenue (Total) (f)
100	Total Additional Revenues				4,048	4,048
101	Total Operating Revenues (Total of Lines 1,63,90,94 & 100)	796,226			5,728,654	5,728,654

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Monthly Quantity & Revenue Data by Rate Schedule (continued)

Line No.	Month 2 Quantity (g)	Month 2 Revenue Costs and Take-or-Pay (h)	Month 2 Revenue (GRI & ACA) (i)	Month 2 Revenue (Other) (j)	Month 2 Revenue (Total) (k)	Month 3 Quantity (l)	Month 3 Revenue Costs and Take-or-Pay (m)	Month 3 Revenue (GRI & ACA) (n)	Month 3 Revenue (Other) (o)	Month 3 Revenue (Total) (p)
100				617	617					
101	1,465,379			10,082,077	10,082,077	1,740,744			12,120,073	12,120,073

Gas Operating Revenues

1. Report below natural gas operating revenues for each prescribed account total. The amounts must be consistent with the detailed data on succeeding pages.
2. Revenues in columns (b) and (c) include transition costs from upstream pipelines.
3. Other Revenues in columns (f) and (g) include reservation charges received by the pipeline plus usage charges, less revenues reflected in columns (b) through (e). Include in columns (f) and (g) revenues for Accounts 480-495.

Line No.	Title of Account (a)	Revenues for Transition Costs and Take-or-Pay Amount for Current Year (b)	Revenues for Transition Costs and Take-or-Pay Amount for Previous Year (c)	Revenues for GRI and ACA Amount for Current Year (d)	Revenues for GRI and ACA Amount for Previous Year (e)
1	480 Residential Sales				
2	481 Commercial and Industrial Sales				
3	482 Other Sales to Public Authorities				
4	483 Sales for Resale				
5	484 Interdepartmental Sales				
6	485 Intracompany Transfers				
7	487 Forfeited Discounts				
8	488 Miscellaneous Service Revenues				
9	489.1 Revenues from Transportation of Gas of Others Through Gathering Facilities				
10	489.2 Revenues from Transportation of Gas of Others Through Transmission Facilities				
11	489.3 Revenues from Transportation of Gas of Others Through Distribution Facilities				
12	489.4 Revenues from Storing Gas of Others				
13	490 Sales of Prod. Ext. from Natural Gas				
14	491 Revenues from Natural Gas Proc. by Others				
15	492 Incidental Gasoline and Oil Sales				
16	493 Rent from Gas Property				
17	494 Interdepartmental Rents				
18	495 Other Gas Revenues				
19	Subtotal:				
20	496 (Less) Provision for Rate Refunds				
21	TOTAL:				

Gas Operating Revenues

4. If increases or decreases from previous year are not derived from previously reported figures, explain any inconsistencies in a footnote.
 5. On Page 108, include information on major changes during the year, new service, and important rate increases or decreases.
 6. Report the revenue from transportation services that are bundled with storage services as transportation service revenue.

Line No.	Other Revenues	Other Revenues	Total Operating Revenues	Total Operating Revenues	Dekatherm of Natural Gas	Dekatherm of Natural Gas
	Amount for Current Year (f)	Amount for Previous Year (g)	Amount for Current Year (h)	Amount for Previous Year (i)	Amount for Current Year (j)	Amount for Previous Year (k)
1	58,699,530	76,858,764	58,699,530	76,858,764	5,283,598	6,097,591
2	22,513,819	28,949,629	22,513,819	28,949,629	2,831,714	3,208,009
3	2,399,947	3,340,849	2,399,947	3,340,849	338,447	409,794
4						
5	19,322	24,921	19,322	24,921	2,875	3,222
6						
7						
8	561,185	565,951	561,185	565,951		
9						
10	600,696	600,696	600,696	600,696		
11	5,077,659	4,847,008	5,077,659	4,847,008	3,325,063	3,227,047
12						
13						
14						
15						
16		14,240		14,240		
17						
18	5,255	1,686	5,255	1,686		
19	89,877,413	115,203,744	89,877,413	115,203,744		
20						
21	89,877,413	115,203,744	89,877,413	115,203,744		

Revenues from Transportation of Gas of Others Through Transmission Facilities (Account 489.2)

1. Report revenues and Dth of gas delivered by Zone of Delivery by Rate Schedule. Total by Zone of Delivery and for all zones. If respondent does not have separate zones, provide totals by rate schedule.
2. Revenues for penalties including penalties for unauthorized overruns must be reported on page 308.
3. Other Revenues in columns (f) and (g) include reservation charges received by the pipeline plus usage charges for transportation and hub services, less revenues reflected in columns (b) through (e).

Line No.	Zone of Delivery, Rate Schedule (a)	Revenues for Transition Costs and Take-or-Pay Amount for Current Year (b)	Revenues for Transition Costs and Take-or-Pay Amount for Previous Year (c)	Revenues for GRI and ACA Amount for Current Year (d)	Revenues for GRI and ACA Amount for Previous Year (e)
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Revenues from Transportation of Gas of Others Through Transmission Facilities (Account 489.2)

4. Delivered Dth of gas must not be adjusted for discounting.
 5. Each incremental rate schedule and each individually certificated rate schedule must be separately reported.
 6. Where transportation services are bundled with storage services, report total revenues but only transportation Dth.

Line No.	Other Revenues	Other Revenues	Total Operating Revenues	Total Operating Revenues	Dekatherm of Natural Gas	Dekatherm of Natural Gas
	Amount for Current Year (f)	Amount for Previous Year (g)	Amount for Current Year (h)	Amount for Previous Year (i)	Amount for Current Year (j)	Amount for Previous Year (k)
1	600,696	600,696	600,696	600,696	8,035,809	8,729,524
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Other Gas Revenues (Account 495)

Report below transactions of \$250,000 or more included in Account 495, Other Gas Revenues. Group all transactions below \$250,000 in one amount and provide the number of items.

Line No.	Description of Transaction (a)	Amount (in dollars) (b)
1	Commissions on Sale or Distribution of Gas of Others	
2	Compensation for Minor or Incidental Services Provided for Others	
3	Profit or Loss on Sale of Material and Supplies not Ordinarily Purchased for Resale	
4	Sales of Stream, Water, or Electricity, including Sales or Transfers to Other Departments	
5	Miscellaneous Royalties	
6	Revenues from Dehydration and Other Processing of Gas of Others except as provided for in the Instructions to Account 495	
7	Revenues for Right and/or Benefits Received from Others which are Realized Through Research, Development, and Demonstration Ventures	
8	Gains on Settlements of Imbalance Receivables and Payables	
9	Revenues from Penalties earned Pursuant to Tariff Provisions, including Penalties Associated with Cash-out Settlements	
10	Revenues from Shipper Supplied Gas	
11	Other revenues (Specify):	
12	Items under the Threshold	5,255
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	Total	5,255

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Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
59	C. Exploration and Development		
60	Operation		
61	795 Delay Rentals	0	0
62	796 Nonproductive Well Drilling	0	0
63	797 Abandoned Leases	0	0
64	798 Other Exploration	0	0
65	TOTAL Exploration and Development (Total of lines 61 thru 64)	0	0
66	D. Other Gas Supply Expenses		
67	Operation		
68	800 Natural Gas Well Head Purchases	0	0
69	800.1 Natural Gas Well Head Purchases, Intracompany Transfers	0	0
70	801 Natural Gas Field Line Purchases	38,854,469	53,561,882
71	802 Natural Gas Gasoline Plant Outlet Purchases	0	0
72	803 Natural Gas Transmission Line Purchases	0	0
73	804 Natural Gas City Gate Purchases	0	0
74	804.1 Liquefied Natural Gas Purchases	0	0
75	805 Other Gas Purchases	(1,306,847)	998,371
76	(Less) 805.1 Purchases Gas Cost Adjustments	0	0
77	TOTAL Purchased Gas (Total of lines 68 thru 76)	37,547,622	54,560,253
78	806 Exchange Gas	0	0
79	Purchased Gas Expenses		
80	807.1 Well Expense-Purchased Gas	0	0
81	807.2 Operation of Purchased Gas Measuring Stations	125,491	103,394
82	807.3 Maintenance of Purchased Gas Measuring Stations	60,557	49,922
83	807.4 Purchased Gas Calculations Expenses	0	0
84	807.5 Other Purchased Gas Expenses	232,193	272,905
85	TOTAL Purchased Gas Expenses (Total of lines 80 thru 84)	418,241	426,221

Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
86	808.1 Gas Withdrawn from Storage-Debit	0	0
87	(Less) 808.2 Gas Delivered to Storage-Credit	0	0
88	809.1 Withdrawals of Liquefied Natural Gas for Processing-Debit	0	0
89	(Less) 809.2 Deliveries of Natural Gas for Processing-Credit	0	0
90	Gas used in Utility Operation-Credit		
91	810 Gas Used for Compressor Station Fuel-Credit	0	0
92	811 Gas Used for Products Extraction-Credit	0	0
93	812 Gas Used for Other Utility Operations-Credit	0	0
94	TOTAL Gas Used in Utility Operations-Credit (Total of lines 91 thru 93)	0	0
95	813 Other Gas Supply Expenses	0	0
96	TOTAL Other Gas Supply Exp. (Total of lines 77,78,85,86 thru 89,94,95)	37,965,863	54,986,474
97	TOTAL Production Expenses (Total of lines 3, 30, 58, 65, and 96)	38,173,896	55,289,366
98	2. NATURAL GAS STORAGE, TERMINALING AND PROCESSING EXPENSES		
99	A. Underground Storage Expenses		
100	Operation		
101	814 Operation Supervision and Engineering	0	0
102	815 Maps and Records	0	0
103	816 Wells Expenses	0	0
104	817 Lines Expense	0	0
105	818 Compressor Station Expenses	0	0
106	819 Compressor Station Fuel and Power	0	0
107	820 Measuring and Regulating Station Expenses	0	0
108	821 Purification Expenses	0	0
109	822 Exploration and Development	0	0
110	823 Gas Losses	0	0
111	824 Other Expenses	0	0
112	825 Storage Well Royalties	0	0
113	826 Rents	0	0
114	TOTAL Operation (Total of lines of 101 thru 113)	0	0

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2012/Q4
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Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
115	Maintenance		
116	830 Maintenance Supervision and Engineering	0	0
117	831 Maintenance of Structures and Improvements	0	0
118	832 Maintenance of Reservoirs and Wells	0	0
119	833 Maintenance of Lines	0	0
120	834 Maintenance of Compressor Station Equipment	0	0
121	835 Maintenance of Measuring and Regulating Station Equipment	0	0
122	836 Maintenance of Purification Equipment	0	0
123	837 Maintenance of Other Equipment	0	0
124	TOTAL Maintenance (Total of lines 116 thru 123)	0	0
125	TOTAL Underground Storage Expenses (Total of lines 114 and 124)	0	0
126	B. Other Storage Expenses		
127	Operation		
128	840 Operation Supervision and Engineering	0	0
129	841 Operation Labor and Expenses	0	0
130	842 Rents	0	0
131	842.1 Fuel	0	0
132	842.2 Power	0	0
133	842.3 Gas Losses	0	0
134	TOTAL Operation (Total of lines 128 thru 133)	0	0
135	Maintenance		
136	843.1 Maintenance Supervision and Engineering	0	0
137	843.2 Maintenance of Structures	0	0
138	843.3 Maintenance of Gas Holders	0	0
139	843.4 Maintenance of Purification Equipment	0	0
140	843.5 Maintenance of Liquefaction Equipment	0	0
141	843.6 Maintenance of Vaporizing Equipment	0	0
142	843.7 Maintenance of Compressor Equipment	0	0
143	843.8 Maintenance of Measuring and Regulating Equipment	0	0
144	843.9 Maintenance of Other Equipment	0	0
145	TOTAL Maintenance (Total of lines 136 thru 144)	0	0
146	TOTAL Other Storage Expenses (Total of lines 134 and 145)	0	0

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Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
178	3. TRANSMISSION EXPENSES		
179	Operation		
180	850 Operation Supervision and Engineering	0	0
181	851 System Control and Load Dispatching	0	0
182	852 Communication System Expenses	0	0
183	853 Compressor Station Labor and Expenses	0	0
184	854 Gas for Compressor Station Fuel	0	0
185	855 Other Fuel and Power for Compressor Stations	0	0
186	856 Mains Expenses	0	0
187	857 Measuring and Regulating Station Expenses	0	0
188	858 Transmission and Compression of Gas by Others	0	0
189	859 Other Expenses	0	68,606
190	860 Rents	0	0
191	TOTAL Operation (Total of lines 180 thru 190)	0	68,606
192	Maintenance		
193	861 Maintenance Supervision and Engineering	0	0
194	862 Maintenance of Structures and Improvements	0	0
195	863 Maintenance of Mains	0	0
196	864 Maintenance of Compressor Station Equipment	0	0
197	865 Maintenance of Measuring and Regulating Station Equipment	0	0
198	866 Maintenance of Communication Equipment	0	0
199	867 Maintenance of Other Equipment	0	0
200	TOTAL Maintenance (Total of lines 193 thru 199)	0	0
201	TOTAL Transmission Expenses (Total of lines 191 and 200)	0	68,606
202	4. DISTRIBUTION EXPENSES		
203	Operation		
204	870 Operation Supervision and Engineering	2,276	9,376
205	871 Distribution Load Dispatching	182,919	176,867
206	872 Compressor Station Labor and Expenses	0	0
207	873 Compressor Station Fuel and Power	0	0

Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
208	874 Mains and Services Expenses	2,943,249	1,828,624
209	875 Measuring and Regulating Station Expenses-General	1,184	5,355
210	876 Measuring and Regulating Station Expenses-Industrial	43,871	38,197
211	877 Measuring and Regulating Station Expenses-City Gas Check Station	0	0
212	878 Meter and House Regulator Expenses	801,200	474,720
213	879 Customer Installations Expenses	1,280,145	1,239,450
214	880 Other Expenses	547,749	630,468
215	881 Rents	0	161,510
216	TOTAL Operation (Total of lines 204 thru 215)	5,802,593	4,564,567
217	Maintenance		
218	885 Maintenance Supervision and Engineering	48,352	38,525
219	886 Maintenance of Structures and Improvements	0	0
220	887 Maintenance of Mains	590,849	403,553
221	888 Maintenance of Compressor Station Equipment	0	0
222	889 Maintenance of Measuring and Regulating Station Equipment-General	44,238	26,019
223	890 Maintenance of Meas. and Reg. Station Equipment-Industrial	4,873	1,925
224	891 Maintenance of Meas. and Reg. Station Equip-City Gate Check Station	0	0
225	892 Maintenance of Services	652,379	848,507
226	893 Maintenance of Meters and House Regulators	244,363	249,858
227	894 Maintenance of Other Equipment	33,601	49,415
228	TOTAL Maintenance (Total of lines 218 thru 227)	1,618,655	1,617,802
229	TOTAL Distribution Expenses (Total of lines 216 and 228)	7,421,248	6,182,369
230	5. CUSTOMER ACCOUNTS EXPENSES		
231	Operation		
232	901 Supervision	0	282
233	902 Meter Reading Expenses	693,459	659,485
234	903 Customer Records and Collection Expenses	2,803,957	3,257,712

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Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
235	904 Uncollectible Accounts	547,638	925,068
236	905 Miscellaneous Customer Accounts Expenses	21	0
237	TOTAL Customer Accounts Expenses (Total of lines 232 thru 236)	4,045,075	4,842,547
238	6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
239	Operation		
240	907 Supervision	0	0
241	908 Customer Assistance Expenses	133,191	132,457
242	909 Informational and Instructional Expenses	9,468	3,923
243	910 Miscellaneous Customer Service and Informational Expenses	1,210,948	1,330,567
244	TOTAL Customer Service and Information Expenses (Total of lines 240 thru 243)	1,353,607	1,466,947
245	7. SALES EXPENSES		
246	Operation		
247	911 Supervision	(1,404)	2,301
248	912 Demonstrating and Selling Expenses	3,410	27
249	913 Advertising Expenses	25,343	34,826
250	916 Miscellaneous Sales Expenses	0	0
251	TOTAL Sales Expenses (Total of lines 247 thru 250)	27,349	37,154
252	8. ADMINISTRATIVE AND GENERAL EXPENSES		
253	Operation		
254	920 Administrative and General Salaries	2,554,894	2,023,847
255	921 Office Supplies and Expenses	1,431,640	1,479,614
256	(Less) 922 Administrative Expenses Transferred-Credit	(50)	(110)
257	923 Outside Services Employed	1,289,206	1,332,913
258	924 Property Insurance	152,510	210,573
259	925 Injuries and Damages	175,019	136,517
260	926 Employee Pensions and Benefits	2,589,141	2,372,491
261	927 Franchise Requirements	0	0
262	928 Regulatory Commission Expenses	261,390	284,622
263	(Less) 929 Duplicate Charges-Credit	204,857	247,938
264	930.1General Advertising Expenses	4,937	5,727
265	930.2Miscellaneous General Expenses	510,343	201,211
266	931 Rents	747,115	679,221
267	TOTAL Operation (Total of lines 254 thru 266)	9,511,388	8,478,908
268	Maintenance		
269	932 Maintenance of General Plant	49,705	56,000
270	TOTAL Administrative and General Expenses (Total of lines 267 and 269)	9,561,093	8,534,908
271	TOTAL Gas O&M Expenses (Total of lines 97,177,201,229,237,244,251, and 270)	60,582,268	76,421,897

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FOOTNOTE DATA			

Schedule Page: 317 Line No.: 3 Column: b

OPERATION:	<u>2012</u>	<u>2011</u>
711 Gas Boiler Labor	\$2,071	\$4,725
712 Other Power Expenses	2,257	4,641
717 Liquified Petroleum Gas Expense	5,226	37,671
728 Liquified Petroleum Gas	4,506	56,321
735 Misc. Production Expense	15,556	22,961
736 Gas Raw Material - Rents	<u>67,000</u>	<u>67,000</u>
Total Operation	\$96,616	\$193,319
Maintenance:		
742 Production Equipment	<u>111,417</u>	<u>109,573</u>
Total Maintenance	111,417	109,573
Total Manufactured Gas Production	\$208,033	\$302,892

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Miscellaneous General Expenses (Account 930.2)

- Provide the information requested below on miscellaneous general expenses.
- For Other Expenses, show the (a) purpose, (b) recipient and (c) amount of such items. List separately amounts of \$250,000 or more however, amounts less than \$250,000 may be grouped if the number of items of so grouped is shown.

Line No.	Description (a)	Amount (in dollars) (b)
1	Industry association dues.	24,441
2	Experimental and general research expenses.	
	a. Gas Research Institute (GRI)	
	b. Other	3,266
3	Publishing and distributing information and reports to stockholders, trustee, registrar, and transfer agent fees and expenses, and other expenses of servicing outstanding securities of the respondent	
4	Other expenses	
5	Business and Service Company Support	468,584
6	Director's Fees and Expenses	9,663
7	Shareholders's Communications/Systems	2,828
8	Limited Early Retirement	1,514
9	Account Analysis Reconciliation Adjustments	47
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25	Total	510,343

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Depreciation, Depletion and Amortization of Gas Plant (Accts 403, 404.1, 404.2, 404.3, 405) (Except Amortization of Acquisition Adjustments)

- Report in Section A the amounts of depreciation expense, depletion and amortization for the accounts indicated and classified according to the plant functional groups shown.
- Report in Section B, column (b) all depreciable or amortizable plant balances to which rates are applied and show a composite total. (If more desirable, report by plant account, subaccount or functional classifications other than those pre-printed in column (a). Indicate in a footnote the manner in which column (b) balances are

Section A. Summary of Depreciation, Depletion, and Amortization Charges

Line No.	Functional Classification (a)	Depreciation Expense (Account 403) (b)	Amortization Expense for Asset Retirement Costs (Account 403.1) (c)	Amortization and Depletion of Producing Natural Gas Land and Land Rights (Account 404.1) (d)	Amortization of Underground Storage Land and Land Rights (Account 404.2) (e)
1	Intangible plant				
2	Production plant, manufactured gas	129,580			
3	Production and gathering plant, natural gas				
4	Products extraction plant				
5	Underground gas storage plant				
6	Other storage plant				
7	Base load LNG terminaling and processing plant				
8	Transmission plant				
9	Distribution plant	9,491,133			
10	General plant				
11	Common plant-gas	363,876			
12	TOTAL	9,984,589			

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Depreciation, Depletion and Amortization of Gas Plant (Accts 403, 404.1, 404.2, 404.3, 405) (Except Amortization of Acquisition Adjustments) (continued)

obtained. If average balances are used, state the method of averaging used. For column (c) report available information for each plant functional classification listed in column (a). If composite depreciation accounting is used, report available information called for in columns (b) and (c) on this basis. Where the unit-of-production method is used to determine depreciation charges, show in a footnote any revisions made to estimated gas reserves.

3. If provisions for depreciation were made during the year in addition to depreciation provided by application of reported rates, state in a footnote the amounts and nature of the provisions and the plant items to which related.

Section A. Summary of Depreciation, Depletion, and Amortization Charges

Line No.	Amortization of Other Limited-term Gas Plant (Account 404.3) (f)	Amortization of Other Gas Plant (Account 405) (g)	Total (b to g) (h)	Functional Classification (a)
1	560,985		560,985	Intangible plant
2			129,580	Production plant, manufactured gas
3				Production and gathering plant, natural gas
4				Products extraction plant
5				Underground gas storage plant
6				Other storage plant
7				Base load LNG terminaling and processing plant
8				Transmission plant
9			9,491,133	Distribution plant
10	170,015		170,015	General plant
11	656,839		1,020,715	Common plant-gas
12	1,387,839		11,372,428	TOTAL

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Depreciation, Depletion and Amortization of Gas Plant (Accts 403, 404.1, 404.2, 404.3, 405) (Except Amortization of Acquisition Adjustments) (continued)

4. Add rows as necessary to completely report all data. Number the additional rows in sequence as 2.01, 2.02, 3.01, 3.02, etc.

Section B. Factors Used in Estimating Depreciation Charges

Line No.	Functional Classification (a)	Plant Bases (in thousands) (b)	Applied Depreciation or Amortization Rates (percent) (c)
1	Production and Gathering Plant		
2	Offshore (footnote details)		
3	Onshore (footnote details)	6,994	1.85
4	Underground Gas Storage Plant (footnote details)		
5	Transmission Plant		
6	Offshore (footnote details)		
7	Onshore (footnote details)		
8	General Plant (footnote details)	3,286	5.21
9	Distribution Plant	405,226	2.34
10	Intangible Plant	3,473	20.00
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Particulars Concerning Certain Income Deductions and Interest Charges Accounts

Report the information specified below, in the order given, for the respective income deduction and interest charges accounts.

(a) Miscellaneous Amortization (Account 425)-Describe the nature of items included in this account, the contra account charged, the total of amortization charges for the year, and the period of amortization.

(b) Miscellaneous Income Deductions-Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2, Life Insurance; 426.3, Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities; and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less than \$250,000 may be grouped by classes within the above accounts.

(c) Interest on Debt to Associated Companies (Account 430)-For each associated company that incurred interest on debt during the year, indicate the amount and interest rate respectively for (a) advances on notes, (b) advances on open account, (c) notes payable, (d) accounts payable, and (e) other debt, and total interest. Explain the nature of other debt on which interest was incurred during the year.

(d) Other Interest Expense (Account 431) - Report details including the amount and interest rate for other interest charges incurred during the year.

Line No.	Item (a)	Amount (b)
1	Account 425 - Miscellaneous Amortization - None	
2	Total Account 425	
3		
4	Account 426.1 - Donations	
5	KPSC Merger Settlement Agreement - Low Income Weatherization Support	575,000
6	KPSC Merger Settlement Agreement - Local Economic Development Support	250,000
7	Customer Assistance Programs	50,488
8	World Business Chicago G-8 NATO	24,600
9	Items Under Threshold	67,165
10		
11	Account 426.2 - Life Insurance - None	
12		
13	Account 426.3 - Penalties	
14	FERC, RFC, and SERC Settlement	13,025
15		
16	Account 426.4 - Expenditures	
17	Civic, Political, & Related Activities	554,880
18		
19	Account 426.5 - Other Deductions	
20	Sale of A/R Fees	273,641
21	Items Under Threshold	8,396
22	Total Account 426	1,817,195
23		
24	Account 430 - Interest on Debt to Associated Companies	
25	Money Pool - Duke Energy Kentucky to Duke Energy Corporation	953
26	Money Pool - Duke Energy Kentucky to Duke Energy Carolinas	603
27	Money Pool - Duke Energy Kentucky to Duke Energy Ohio	197
28	Total Account 430	1,753
29		
30	Account 431 - Other Interest Expense	
31	Swap Net Interest	986,969
32	Credit Facility	500,972
33	Capital Meter Lease Interest	411,312
34	Interest Expense - Taxes - KY SUT Audit	355,953
35	Customer Service Deposits @ 6% Annum	286,444

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Particulars Concerning Certain Income Deductions and Interest Charges Accounts (continued)

Line No.	Item (a)	Amount (b)
1	Cox Avenue Office Lease	128,491
2	Interest - Assigned from Service Company	116,099
3	Deferred Compensation for Board of Directors	9,844
4	Interest Expense	3,597
5	Gas Refund/Recon Adj. in Accordance with PUCO Rule 28	(246)
6	FIN 48	(62,534)
7	Items Under Threshold	(82)
8	Total Account 431	2,736,819
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Regulatory Commission Expenses (Account 928)

1. Report below details of regulatory commission expenses incurred during the current year (or in previous years, if being amortized) relating to formal cases before a regulatory body, or cases in which such a body was a party.
2. In column (b) and (c), indicate whether the expenses were assessed by a regulatory body or were otherwise incurred by the utility.

Line No.	Description (Furnish name of regulatory commission or body, the docket number, and a description of the case.) (a)	Assessed by Regulatory Commission (b)	Expenses of Utility (c)	Total Expenses to Date (d)	Deferred in Account 182.3 at Beginning of Year (e)
1	Kentucky Public Service Commission Expense				
2	Gas Related				
3	Electric Related				
4					
5	Midwest Independent System Operator (MISO)				
6	FERC Annual Assessment				
7					
8	AMRP Rate Study Case No. 2001-092				
9					
10	Kentucky Public Service Commission				
11	Case No. 2009-00202				
12	Request for Rate Increase - Gas				
13					
14					
15					
16					
17					
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22					
23					
24					
25	Total				
		795,041	54,469	849,510	54,469

Regulatory Commission Expenses (Account 928)

3. Show in column (k) any expenses incurred in prior years that are being amortized. List in column (a) the period of amortization.
4. Identify separately all annual charge adjustments (ACA).
5. List in column (f), (g), and (h) expenses incurred during year which were charges currently to income, plant, or other accounts.
6. Minor items (less than \$250,000) may be grouped.

Line No.	Expenses Incurred During Year Charged Currently To Department (f)	Expenses Incurred During Year Charged Currently To Account No. (g)	Expenses Incurred During Year Charged Currently To Amount (h)	Expenses Incurred During Year Deferred to Account 182.3 (i)	Amortized During Year Contra Account (j)	Amortized During Year Amount (k)	Deferred in Account 182.3 End of Year (l)
1							
2	Gas	928	206,921				
3	Electric	928	566,324				
4							
5							
6	Electric	928	21,796				
7							
8	Gas	928	2,670			2,670	
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12	Gas	928	51,799			51,799	
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25			849,510			54,469	

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Employee Pensions and Benefits (Account 926)

1. Report below the items contained in Account 926, Employee Pensions and Benefits.

Line No.	Expense (a)	Amount (b)
1	Pensions – defined benefit plans	404,884
2	Pensions – other	218,863
3	Post-retirement benefits other than pensions (PBOP)	130,204
4	Post- employment benefit plans	(9,878)
5	Other (Specify)	
6	Medical and Dental	647,736
7	Vacation Carryover	(32,619)
8	Life Insurance	626
9	Service/Safety Awards	10,666
10	Other Work/Family Benefits/Tuition	1,578
11	MSA/DCSA Fees	
12	Benefits Distribution	966,431
13	Other	78,895
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	Total	2,417,386

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Schedule Page: 352 Line No.: 12 Column: a

Includes allocated benefits from Duke Energy Kentucky, Duke Energy Ohio, and Service Company through a system generated journal entry that adds a loaded percentage for benefits to all labor charged to Duke Energy Kentucky with an offset to the 926 account on the originating entity.

Schedule Page: 352 Line No.: 13 Column: a

Other expenses are primarily due to increase in executive savings plan.

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Distribution of Salaries and Wages

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals and Other Accounts, and enter such amounts in the appropriate lines and columns provided. Salaries and wages billed to the Respondent by an affiliated company must be assigned to the particular operating function(s) relating to the expenses.

In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used. When reporting detail of other accounts, enter as many rows as necessary numbered sequentially starting with 75.01, 75.02, etc.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Payroll Billed by Affiliated Companies (c)	Allocation of Payroll Charged for Clearing Accounts (d)	Total (e)
1	Electric				
2	Operation				
3	Production	3,948,884	2,610,017	60,463	6,619,364
4	Transmission	8,894	385,118	3,632	397,644
5	Distribution	772,145	1,587,900	21,756	2,381,801
6	Customer Accounts	1,030,978	2,012,914	28,060	3,071,952
7	Customer Service and Informational	30,479	602,801	5,838	639,118
8	Sales				
9	Administrative and General	599,394	9,461,902	92,749	10,154,045
10	TOTAL Operation (Total of lines 3 thru 9)	6,390,774	16,660,652	212,498	23,263,924
11	Maintenance				
12	Production	2,957,927	2,390,073		5,348,000
13	Transmission	35,492	278,872		314,364
14	Distribution	608,452	1,514,160		2,122,612
15	Administrative and General	31	15,370		15,401
16	TOTAL Maintenance (Total of lines 12 thru 15)	3,601,902	4,198,475		7,800,377
17	Total Operation and Maintenance				
18	Production (Total of lines 3 and 12)	6,906,811	5,000,090	60,463	11,967,364
19	Transmission (Total of lines 4 and 13)	44,386	663,990	3,632	712,008
20	Distribution (Total of lines 5 and 14)	1,380,597	3,102,060	21,756	4,504,413
21	Customer Accounts (line 6)	1,030,978	2,012,914	28,060	3,071,952
22	Customer Service and Informational (line 7)	30,479	602,801	5,838	639,118
23	Sales (line 8)				
24	Administrative and General (Total of lines 9 and 15)	599,425	9,477,272	92,749	10,169,446
25	TOTAL Operation and Maintenance (Total of lines 18 thru 24)	9,992,676	20,859,127	212,498	31,064,301
26	Gas				
27	Operation				
28	Production - Manufactured Gas	45,508	2,672	22	48,202
29	Production - Natural Gas(Including Exploration and Development)				
30	Other Gas Supply	6,559	320,068	144	326,771
31	Storage, LNG Terminaling and Processing				
32	Transmission				
33	Distribution	2,460,180	610,371	1,358	3,071,909
34	Customer Accounts	524,885	1,404,431	853	1,930,169
35	Customer Service and Informational	21,365	521,672	240	543,277
36	Sales				
37	Administrative and General	(30,600)	2,364,068	1,032	2,334,500
38	TOTAL Operation (Total of lines 28 thru 37)	3,027,897	5,223,282	3,649	8,254,828
39	Maintenance				
40	Production - Manufactured Gas	246,445	52,437		298,882
41	Production - Natural Gas(Including Exploration and Development)				
42	Other Gas Supply				
43	Storage, LNG Terminaling and Processing				
44	Transmission				
45	Distribution	232,296	330,368		562,664

Distribution of Salaries and Wages (continued)

Line No.	Classification (a)	Direct Payroll Distribution (b)	Payroll Billed by Affiliated Companies (c)	Allocation of Payroll Charged for Clearing Accounts (d)	Total (e)
46	Administrative and General		1,669		1,669
47	TOTAL Maintenance (Total of lines 40 thru 46)	478,741	384,474		863,215
48	Gas (Continued)				
49	Total Operation and Maintenance				
50	Production - Manufactured Gas (Total of lines 28 and 40)	291,953	55,109	22	347,084
51	Production - Natural Gas (Including Expl. and Dev.)(ll. 29 and 41)				
52	Other Gas Supply (Total of lines 30 and 42)	6,559	320,068	144	326,771
53	Storage, LNG Terminating and Processing (Total of ll. 31 and 43)				
54	Transmission (Total of lines 32 and 44)				
55	Distribution (Total of lines 33 and 45)	2,692,476	940,739	1,358	3,634,573
56	Customer Accounts (Total of line 34)	524,885	1,404,431	853	1,930,169
57	Customer Service and Informational (Total of line 35)	21,365	521,672	240	543,277
58	Sales (Total of line 36)				
59	Administrative and General (Total of lines 37 and 46)	(30,600)	2,365,737	1,032	2,336,169
60	Total Operation and Maintenance (Total of lines 50 thru 59)	3,506,638	5,607,756	3,649	9,118,043
61	Other Utility Departments				
62	Operation and Maintenance				
63	TOTAL ALL Utility Dept. (Total of lines 25, 60, and 62)	13,499,314	26,466,883	216,147	40,182,344
64	Utility Plant				
65	Construction (By Utility Departments)				
66	Electric Plant	2,307,743	4,594,276	812,574	7,714,593
67	Gas Plant	1,198,112	1,258,356	40,379	2,496,847
68	Other				
69	TOTAL Construction (Total of lines 66 thru 68)	3,505,855	5,852,632	852,953	10,211,440
70	Plant Removal (By Utility Departments)				
71	Electric Plant	306,889	316,582		623,471
72	Gas Plant	63,822	32,491		96,313
73	Other				
74	TOTAL Plant Removal (Total of lines 71 thru 73)	370,711	349,073		719,784
75	Other Accounts (Specify) (footnote details)	(794,286)	1,141,468		347,182
76	TOTAL Other Accounts	(794,286)	1,141,468		347,182
77	TOTAL SALARIES AND WAGES	16,581,594	33,810,056	1,069,100	51,460,750

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2012/Q4
FOOTNOTE DATA			

Schedule Page: 354 Line No.: 75 Column: b

Projects for Duke Subsidiaries and Merchandising	\$ 0
Other Work in Progress	(\$813,828)
Other Accounts	<u>\$ 19,542</u>

Total Other Accounts Direct Payroll Distribution (\$794,286)

Schedule Page: 354 Line No.: 75 Column: c

Projects for Duke Subsidiaries and Merchandising	\$ 2,481
Other Work in Progress	\$ 996,052
Other Accounts	<u>\$ 142,935</u>

Total Other Accounts Billed by Affiliated Cos. \$1,141,468

Schedule Page: 354 Line No.: 75 Column: e

Projects for Duke Subsidiaries and Merchandising	\$ 2,481
Other Work in Progress	\$182,224
Other Accounts	<u>\$162,477</u>

Total Other Accounts \$347,182

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2012/Q4
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Charges for Outside Professional and Other Consultative Services

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising, labor relations, and public relations, rendered for the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation partnership, organization of any kind, or individual (other than for services as an employee or for payments made for medical and related services) amounting to more than \$250,000, including payments for legislative services, except those which should be reported in Account 426.4 Expenditures for Certain Civic, Political and Related Activities.

(a) Name of person or organization rendering services.

(b) Total charges for the year.

2. Sum under a description "Other", all of the aforementioned services amounting to \$250,000 or less.

3. Total under a description "Total", the total of all of the aforementioned services.

4. Charges for outside professional and other consultative services provided by associated (affiliated) companies should be excluded from this schedule and be reported on Page 358, according to the instructions for that schedule.

Line No.	Description (a)	Amount (in dollars) (b)
1	AECOM TECHNICAL SERVICES INC - CONSULTANT - ENGINEERING	438,620
2	FROST BROWN TODD LLC - LEGAL SERVICES - CONTRACTS, ENVIRONMENTAL	327,326
3	EMPLOYMENT, LITIGATION	
4	MCGUIREWOODS LLP - LEGAL SERVICES - REGULATORY, LITIGATION	329,220
5	SIEMENS ENERGY INC - CONSULTANT - ENGINEERING	874,000
6	OTHER	907,186
7		
8		
9	TOTAL	2,876,352
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Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of <u>2012/Q4</u>
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Transactions with Associated (Affiliated) Companies

1. Report below the information called for concerning all goods or services received from or provided to associated (affiliated) companies amounting to more than \$250,000.
2. Sum under a description "Other", all of the aforementioned goods and services amounting to \$250,000 or less.
3. Total under a description "Total", the total of all of the aforementioned goods and services.
4. Where amounts billed to or received from the associated (affiliated) company are based on an allocation process, explain in a footnote the basis of the allocation.

Line No.	Description of the Good or Service (a)	Name of Associated/Affiliated Company (b)	Account(s) Charged or Credited (c)	Amount Charged or Credited (d)
1	Goods or Services Provided by Affiliated Company			
2	Services provided by Duke Energy Business Services (Service Company transactions)	Duke Energy Business Services, LLC	various	85,887,612
3	Services provided by Progress Energy Service Company (Service Company transactions)	Progress Energy Service Company, LLC	various	1,081,383
4	DE Ohio employees provide services for Miami Fort Unit 6 and Woodsdale generating stations	Duke Energy Ohio, Inc	various	9,895,709
5	DE Ohio employees provide O&M and capital services for electric transmission & distribution systems	Duke Energy Ohio, Inc	various	4,868,278
6	DE Ohio employees provide O&M and capital services for the gas distribution system	Duke Energy Ohio, Inc	various	1,973,110
7	Services provided by DE Commercial Enterprises for generation stations	Duke Energy Commercial Enterprises, Inc	various	717,618
8	Other goods or services provided by Duke Energy Indiana	Duke Energy Indiana, Inc	various	155,159
9	Other goods or services provided by Duke Energy Ohio	Duke Energy Ohio, Inc	various	79,333
10	Other goods or services provided by Progress Energy Carolinas	Progress Energy Carolinas	various	59,518
11	Other goods or services provided by Duke Energy Carolinas	Duke Energy Carolinas, LLC	various	51,042
12	Other goods or services provided by Progress Energy Florida	Progress Energy Florida	various	4,770
13				
14	Total			104,773,532
15				
16				
17				
18				
19				
20	Goods or Services Provided for Affiliated Company			
21	DE Kentucky employees provide O&M and capital services for the gas distribution system	Duke Energy Ohio, Inc	various	2,300,405
22	DE Kentucky employees provide O&M and capital services to DE Ohio for the electric transmission & distribution system	Duke Energy Ohio, Inc	various	1,418,818
23	DE Kentucky employees provide services to DE Indiana for admin, training & support at various combustion turbine sites	Duke Energy Indiana, Inc	various	882,808
24	Other goods or services provided by DE Kentucky to Duke Energy Indiana	Duke Energy Indiana, Inc	various	177,865
25	Other goods or services provided by DE Kentucky to Duke Energy Ohio	Duke Energy Ohio, Inc	various	175,659
26	Other goods or services provided by DE Kentucky to Duke Energy Business Services (Service Company)	Duke Energy Business Services, LLC	various	96,075
27	Other goods or services provided by DE Kentucky to KO Transmission	KO Transmission Company	various	66,426
28	Other goods or services provided by DE Kentucky to Duke Energy One	Duke Energy One, Inc	various	32,978
29	Other goods or services provided by DE Kentucky to Duke Energy Carolinas	Duke Energy Carolinas, LLC	various	11,888
30				
31	Total			5,162,922
32				
33				
34				

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2012/Q4
FOOTNOTE DATA			

Schedule Page: 358 Line No.: 2 Column: a

When an employee of the Service Company performs services for a Client Company, costs will be directly assigned or distributed or allocated. For allocated services, the allocation method will be on a basis reasonably related to the service performed. The Service Company Utility Service Agreement prescribes 23 Service Company functions and approximately 20 allocation methods.

Functions and Allocation Methods:

Information Systems

- Number of Central Processing Unit Seconds Ratio
- Number of Personal Computer Workstations Ratio
- Number of Information Systems Servers Ratio
- Number of Employees Ratio
- Three Factor Formula

Meters

- Number of Customers Ratio

Transportation

- Number of Employees Ratio
- Three Factor Formula

Electric System Maintenance

- Circuit Miles of Electric Transmission Lines Ratio
- Circuit Miles of Electric Distribution Lines Ratio

Marketing and Customer Relations

- Sales Ratio
- Number of Customers Ratio

Electric Transmission & Distribution Engineering & Construction

- Electric Transmission Plant's Construction - Expenditures Ratio
- Electric Distribution Plant's Construction - Expenditures Ratio

Power Engineering & Construction

- Electric Production Plant's Construction - Expenditures Ratio

Human Resources

- Number of Employees Ratio

Materials Management

- Procurement Spending Ratio
- Inventory Ratio

Facilities

- Square Footage Ratio

Accounting

- Three Factor Formula
- Generating Unit MW Capability Ratio

Power Planning and Operations

- Electric Peak Load Ratio
- Weighted Avg of the Circuit Miles of Electric Distribution Lines Ratio and the Electric Peak Load Ratio
- Sales Ratio
- Weighted Avg of the Circuit Miles of Electric Transmission Lines Ratio and the Electric Peak Load Ratio
- Generating Unit MW Capability Ratio

Public Affairs

- Three Factor Formula
- Weighted Avg of Number of Customers Ratio and Number of Employees Ratio

Legal

- Three Factor Formula

Rates

- Sales Ratio

Finance

- Three Factor Formula

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2012/Q4
Duke Energy Kentucky, Inc.			
FOOTNOTE DATA			

Rights of Way

- Circuit Miles of Electric Transmission Lines Ratio
- Circuit Miles of Electric Distribution Lines Ratio

Internal Auditing

- Three Factor Formula

Environmental, Health and Safety

- Three Factor Formula
- Sales Ratio

Fuels

- Sales Ratio

Investor Relations

- Three Factor Formula

Planning

- Three Factor Formula

Executive

- Three Factor Formula

Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of <u>2012/Q4</u>
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Auxiliary Peaking Facilities

1. Report below auxiliary facilities of the respondent for meeting seasonal peak demands on the respondent's system, such as underground storage projects, liquefied petroleum gas installations, gas liquefaction plants, oil gas sets, etc.
2. For column (c), for underground storage projects, report the delivery capacity on February 1 of the heating season overlapping the year-end for which this report is submitted. For other facilities, report the rated maximum daily delivery capacities.
3. For column (d), include or exclude (as appropriate) the cost of any plant used jointly with another facility on the basis of predominant use, unless the auxiliary peaking facility is a separate plant as contemplated by general instruction 12 of the Uniform System of Accounts.

Line No.	Location of Facility (a)	Type of Facility (b)	Maximum Daily Delivery Capacity of Facility Dth (c)	Cost of Facility (in dollars) (d)	Was Facility Operated on Day of Highest Transmission Peak Delivery?
1	Erlanger (KY)	Liquid Petroleum	25,060	7,033,790	Yes
2					
3					
4					
5					
6					
7					
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9					
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11					
12					
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Name of Respondent Duke Energy Kentucky, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2012/Q4
--	---	---------------------------------------	---

Gas Account - Natural Gas

- The purpose of this schedule is to account for the quantity of natural gas received and delivered by the respondent.
- Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.
- Enter in column (c) the year to date Dth as reported in the schedules indicated for the items of receipts and deliveries.
- Enter in column (d) the respective quarter's Dth as reported in the schedules indicated for the items of receipts and deliveries.
- Indicate in a footnote the quantities of bundled sales and transportation gas and specify the line on which such quantities are listed.
- If the respondent operates two or more systems which are not interconnected, submit separate pages for this purpose.
- Indicate by footnote the quantities of gas not subject to Commission regulation which did not incur FERC regulatory costs by showing (1) the local distribution volumes another jurisdictional pipeline delivered to the local distribution company portion of the reporting pipeline (2) the quantities that the reporting pipeline transported or sold through its local distribution facilities or intrastate facilities and which the reporting pipeline received through gathering facilities or intrastate facilities, but not through any of the interstate portion of the reporting pipeline, and (3) the gathering line quantities that were not destined for interstate market or that were not transported through any interstate portion of the reporting pipeline.
- Indicate in a footnote the specific gas purchase expense account(s) and related to which the aggregate volumes reported on line No. 3 relate.
- Indicate in a footnote (1) the system supply quantities of gas that are stored by the reporting pipeline during the reporting year and also reported as sales, transportation and compression volumes by the reporting pipeline during the same reporting year, (2) the system supply quantities of gas that are stored by the reporting pipeline during the reporting year which the reporting pipeline intends to sell or transport in a future reporting year, and (3) contract storage quantities.
- Also indicate the volumes of pipeline production field sales that are included in both the company's total sales figure and the company's total transportation figure. Add additional information as necessary to the footnotes.

Line No.	Item (a)	Ref. Page No. of (FERC Form Nos. 2/2-A) (b)	Total Amount of Dth Year to Date (c)	Current Three Months Ended Amount of Dth Quarterly Only
01 Name of System:				
2	GAS RECEIVED			
3	Gas Purchases (Accounts 800-805)		8,037,709	3,004,180
4	Gas of Others Received for Gathering (Account 489.1)	303		
5	Gas of Others Received for Transmission (Account 489.2)	305	8,035,809	2,277,147
6	Gas of Others Received for Distribution (Account 489.3)	301	3,356,245	978,554
7	Gas of Others Received for Contract Storage (Account 489.4)	307		
8	Gas of Others Received for Production/Extraction/Processing (Account 490 and 491)			
9	Exchanged Gas Received from Others (Account 806)	328		
10	Gas Received as Imbalances (Account 806)	328		
11	Receipts of Respondent's Gas Transported by Others (Account 858)	332		
12	Other Gas Withdrawn from Storage (Explain)			
13	Gas Received from Shippers as Compressor Station Fuel			
14	Gas Received from Shippers as Lost and Unaccounted for			
15	Other Receipts (Specify) (footnote details)		694	105
16	Total Receipts (Total of lines 3 thru 15)		19,430,457	6,259,986
17	GAS DELIVERED			
18	Gas Sales (Accounts 480-484)		8,456,627	2,963,056
19	Deliveries of Gas Gathered for Others (Account 489.1)	303		
20	Deliveries of Gas Transported for Others (Account 489.2)	305	8,035,809	2,277,147
21	Deliveries of Gas Distributed for Others (Account 489.3)	301	3,325,063	1,040,737
22	Deliveries of Contract Storage Gas (Account 489.4)	307		
23	Gas of Others Delivered for Production/Extraction/Processing (Account 490 and 491)			
24	Exchange Gas Delivered to Others (Account 806)	328		
25	Gas Delivered as Imbalances (Account 806)	328		
26	Deliveries of Gas to Others for Transportation (Account 858)	332		
27	Other Gas Delivered to Storage (Explain)			
28	Gas Used for Compressor Station Fuel	509		
29	Other Deliveries and Gas Used for Other Operations		4,517	1,282
30	Total Deliveries (Total of lines 18 thru 29)		19,822,016	6,282,222
31	GAS LOSSES AND GAS UNACCOUNTED FOR			
32	Gas Losses and Gas Unaccounted For		(354,549)	(22,236)
33	TOTALS			
34	Total Deliveries, Gas Losses & Unaccounted For (Total of lines 30 and 32)		19,467,467	6,259,986

Cline, Jeff D (PSC)

From: PSC - Reports
Sent: Monday, February 18, 2013 12:33 PM
To: Cocanougher, Kristen (Kristen.Cocanougher@duke-energy.com)
Subject: Duke Energy Kentucky, Inc. - 2012 Annual Financial and Statistical Report Extension

Dear Ms. Cocanougher:

In response to the extension request received February 18, 2013 for the 2012 Annual Report of Duke Energy Kentucky, please be advised that the report is now due on or before April 30, 2013. The Report of Gross Operating Revenues is still required to be filed by March 31, 2013.

Jeff D. Cline
Annual Report Branch Manager
Kentucky Public Service Commission
211 Sower Boulevard
PO Box 615
Frankfort, KY 40602

Phone: 502.782.2623 | Fax: 502.564.3460 | Web: www.psc.ky.gov

From: Cocanougher, Kristen [mailto:
Sent: Monday, February 18, 2013 11:34 AM
To: PSC - Reports
Subject: RE: Duke Energy Kentucky Annual Reporting Inquiry
Importance: High

Good afternoon,

Please see the attached letter requesting an extension of time until April 30, 2013 to submit the 2012 Duke Energy Kentucky Annual Financial and Statistical Reports.

Thank you in advance for your assistance.

Kristen Cocanougher

Sr. Paralegal
Duke Energy Business Services LLC
139 E. Fourth Street, 1212 Main
Cincinnati, Ohio 45201
Phone (513) 287-4315
Fax (513) 287-4386
E-mail: kristen.cocanougher@duke-energy.com



139 East Fourth Street
P.O. Box 960
Cincinnati, Ohio 45201-0960
Tel: 513-287-4320
Fax: 513-287-4385
Rocco.D'Ascenzo@duke-energy.com

Rocco O. D'Ascenzo
Associate General Counsel

VIA ELECTRONIC MAIL

February 18, 2013

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

Dear Mr. Cline:

This letter is to request an extension of time until April 30, 2013 to submit the 2011 Duke Energy Kentucky, Inc. Annual Financial and Statistical Reports (i.e. Federal Energy Regulatory Commission (FERC) Form 1 and Form 2) as well as the Kentucky Public Service Commission (KyPSC) supplemental reports. The FERC reporting deadline is April 18, 2013 so the extension would allow us time to complete that process and subsequently finalize the KyPSC electronic forms and hard copies submission.

In accordance with the KyPSC instructions, the gross operating report and assessable revenues report will be filed by the March 31, 2013 deadline.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'Rocco D'Ascenzo', with a long horizontal line extending to the right.

Rocco D'Ascenzo



RECEIVED
MAR 28 2013
PUBLIC SERVICE
COMMISSION

139 East Fourth Street, 1212-Main
Cincinnati, OH 45202

Telephone: (513) 287-4356
Facsimile: (513) 287-4386

E. Minna Rolfes
Paralegal
E-mail: Minna.Rolfes@duke-energy.com

March 27, 2013

VIA OVERNIGHT DELIVERY

Mr. Jeff Cline
Branch Manager of Financial Analysis
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

RE: Duke Energy Kentucky, Inc.'s Annual Report-Calendar Year 2012

Dear Mr. Cline:

Enclosed please find Duke Energy Kentucky, Inc.'s ("Duke Energy Kentucky") Annual Report to the Commission pursuant to 807 KAR 5:080, *Procedural and filing requirements and safeguards concerning nonregulated activities of utilities or utility affiliates*.

Please note that the responses to Commission data requests filed annually as ordered in Administrative Case No. 387 are being filed separately upon request.

Very truly yours,

E. Minna Rolfes
Paralegal to Rocco D'Ascenzo

EMR
Enclosure

Index to the Annual Reporting of
Duke Energy Kentucky, Inc. Calendar year 2012

DATA REQUIREMENT	SOURCE	REPORT
Description of Change to Cost Allocation Manual	807 KAR 5:080, Section 2 (1)(a)	Duke Energy Kentucky's Cost Allocation Manual will be filed with the Commission as required by 807 KAR 5:080, section 3. The updated manual reflects: 1) updates to the various reporting requirements of non-regulated activities.
Incidental nonregulated activities	807 KAR 5:080, Section 2 (1)(b)	Exhibit A
List of nonregulated affiliates	807 KAR 5:080, Section 2 (1)(c)	Exhibit B
Copy of service agreements	807 KAR 5:080, Section 2 (2)	<p>Exhibit C</p> <p>Amended and Restated Purchase and Sale Agreement was amended on or about October 27, 2010. The Agreement was updated to include <u>Receivables Dispositions</u>, Section 2.7 and Section 3 was slightly amended. Also, the signatories and addresses are being updated.</p> <p>Various service agreements approved in Case No. 2011-235 were finalized and executed to reflect completion of merger between Duke Energy Corp., and Progress Energy. The changes in the agreements, although effective upon completion of the merger on July 2, 2012, were only recently executed.</p>

Exhibit A

A report on the utility's incidental nonregulated activity that describes the activity and provides justification for reporting the nonregulated activity as an incidental nonregulated activity, including:

- 1. Revenue per year or percentage of total revenue per year of the activity reported as an incidental nonregulated activity;*
- 2. A calculation demonstrating the manner in which the affected utility has determined the percentage of revenue set forth in subparagraph 1 of this paragraph;*
- 3. A full explanation as to why the activity reported as an incidental nonregulated activity is reasonably related to the affected utility's regulated services*

**INCIDENTAL AND NON-REGULATED ACTIVITIES OF DUKE ENERGY
KENTUCKY
For Year Ended December 31, 2012**

Activity	Revenues
Gas Curb to Meter & Misc. Replacement & Repair Optional service offered to customers who need to have their customer-owned curb-to-meter service line replaced, maintained or repaired.	0
Joint Underground Trench – Telephone, internet and cable wiring Offers telecom and cable providers the option of placing their facilities in the same underground trench as those of the Company.	104,299
Pilot Lights Optional service offered to customers whose furnace or water heater pilot light needs to be re-lit. Usually offered when customer smells gas and calls the Company to investigate where the cause of the gas odor is an unlit pilot light.	150
Pole Sets Optional service offered to private “utility pole” owners whereby the Company will use its equipment and expertise to set a customer-owned pole into the ground.	76,900
Property Management – Lease/Rental General lease of Company land to another.	1,049,369
Repair Underground Electric – Permanent/Temp Service Optional service offered to customers who need to have their customer-owned underground electric line replaced, maintained or repaired.	4,310
Underground Repair Protection	6,300
Miscellaneous Work Performed on Customer Premises	43,279
Total 2012 Duke Energy Kentucky Non-Utility/Non-Regulated Revenue	1,284,607
Total 2012 Duke Energy Kentucky Revenue	428,911,934
Non-Utility/Non-Regulated % of Total Revenue	.30%

Exhibit B

A list of nonregulated affiliates and a brief description of the activities in which each affiliate is involved.

See attached. The entities on the attached list are non-regulated affiliates of Duke Energy Kentucky, Inc. except for certain affiliates that are regulated by other state utility commissions or the Federal Energy Regulatory Commission. The major regulated affiliates of Duke Energy Kentucky, Inc. are: Duke Energy Ohio, Inc.'s gas and electric transmission and distribution business, Duke Energy Indiana, Inc. and Duke Energy Carolinas, LLC.

DUKE ENERGY KENTUCKY, INC. - AFFILIATE LIST
as of 03/13/2013

Name	Nature of Business
ADAGE LLC	Identify, evaluate, develop, and pursue Biomass opportunities in the US.
Advance SC LLC	Distribute a portion of bulk power marketing revenues of Duke Power Company for certain South Carolina public assistance programs, education programs, economic development funding and manufacturing competitiveness funding. FERC Form 1: Grant making
Aguaytia Energy del Peru S.R.L. Ltda.	Peruvian limited liability company which provides thermal electric generation in the Peruvian Amazon Basin, and is dedicated to operations in connection to natural gas and derivatives.
Aguaytia Energy, LLC	Delaware limited liability holding company which owns 97.2238% of Aguaytia Energy del Peru SRL Ltda.
American Tax Credit Corporate Fund II	Real Estate Investments
Andershaw Wind Power Limited	Special purpose joint venture UK company formed with Statkraft UK Limited will hold assets of the Andershaw Wind Farm in order to facilitate the sale of the Berry Burn Windfarm
APOG, LLC	To provide technical, engineering and procurement support services to and for the benefit of Member-owned or operated nuclear facilities.
Asheville-Mountainside LLC	Real Estate Investments
Baker House Apartments LLC	Real Estate Development
Ball Hill Windpark, LLC	Developing a wind power generation project known as the "Ball Hill Windpark Project" in Villenova and Hanover Townships in Chautauqua County in New York State.
Barmoor Wind Power Limited	Special purpose company to hold assets of the Barmoor Wind Project in England and to facilitate the sale of the Barmoor Wind Project.
Berkley East Solar LLC	constructing and developing a 3.0 MW AC photovoltaic power plant to be located in the Town of Berkley, MA
Bison Insurance Company Limited	Bison Insurance Company Limited is a captive insurance company that insures the risks of Duke Energy Corporation and many of its subsidiaries and affiliates. Duke insures part or all of its risks with Bison, and Bison in turn retains a portion of its reinsurance premiums, claim costs and expenses and invests its cash just as any other insurance company would do.
Black Mountain Solar, LLC	Developing, constructing and thereafter operating and maintaining a 9.87 megawatt "MW" DC solar photovoltaic electric generation facility in Mojave County, AZ near the City of Kingman.
Boston Capital Corporate Tax Credit Fund	Real Estate Investments
Caldwell Power Company	The purpose of this entity is to generate, transmit, and distribute electric power and preserve property rights.
Capitan Corporation	Real Estate Operations
Carofund, Inc.	Investments in Real Estate Rental
CaroHome, LLC	Investments in Real Estate Rental
Carolina Power & Light Company	The production, transmission, distribution, and sale of electricity in North and South Carolina

Carolinas Virginia Nuclear Power Associates, Inc.	The Duke Power nuclear program began in 1956 with the formation of the Carolinas Virginia Nuclear Power Associates, Inc. (CVNPA), consisting of Duke Power, Carolina Power & Light, Virginia Electric Power Company, and South Carolina Electric & Gas. CVNPA sponsored the construction and operation of the demonstration Carolinas-Virginia Tube Reactor (CVTR) at the Parr site, north of Columbia, SC. The CVTR began its demonstration mission in 1964 with a generating capacity of 17 Mwe, and completed its mission in January, 1967. Decommissioning of the plant was delayed until 2001; it currently still on-going (Non-profit)
Catamount Celtic Energy Limited	Developing windpower generation in the United Kingdom
Catamount Energy Corporation	Owns non-regulated power generation companies in the USA and United Kingdom
Catamount Energy SC 1	Limited partnership that owns a Scottish limited company for wind power development
Catamount Energy SC 2	Limited partnership that owns a Scottish limited company for wind power development
Catamount Energy SC 3	Limited partnership that owns a Scottish limited company for wind power development
Catamount Rumford Corporation	Limited Partner in a cogeneration plant in Maine
Catamount Sweetwater 1 LLC	Member of a Limited Liability Company that owns wind power assets in Texas
Catamount Sweetwater 2 LLC	Member of a Limited Liability Company that owns wind power assets in Texas
Catamount Sweetwater 3 LLC	Member of a Limited Liability Company that owns wind power assets in Texas
Catamount Sweetwater 4-5 LLC	Member of a Limited Liability Company that owns wind power assets in Texas
Catamount Sweetwater 6 LLC	Member of a Limited Liability Company that is developing a wind facility in Texas
Catamount Sweetwater Corporation	Member of three Limited Liability Companies
Catamount Sweetwater Holdings LLC	Holding company that owns LLCs with interests in wind power assets in Texas
Catawba Manufacturing and Electric Power Company	The purpose of this entity is to generate, transmit and distribute electric power and preserves property rights.
CEC UK1 Holding Corp.	General Partner in Scottish limited partnerships
CEC UK2 Holding Corp.	Limited Partner in Scottish limited partnerships
CEC Wind Development LLC	Owns assets in windpower projects being developed in various states
Cedar Tree Properties Limited Partnership	Real Estate Rental
CES Sterling LLC	constructing and developing a 2.0 MW AC photovoltaic power plant to be located in the town of Sterling, Massachusetts
CGP Global Greece Holdings, SA	Greek company which holds 51% (ownership of Attiki Denmark ApS) interest in the Attiki Gas Project, and debt for the project.
Cimarron Windpower II, LLC	Project company that has been developing, constructing, owning and operating an approximately 131.1 megawatt wind-powered electric generation facility located in Gray County, KS
CinCap V, LLC	Markets electricity at wholesale.
Cinergy Climate Change Investments, LLC	Formed to facilitate investments by Cinergy or its subsidiaries, and other energy companies in reforestation projects in the Lower Mississippi River Valley, and possibly other sites, as a means for removing carbon dioxide (Co2) from the atmosphere.
Cinergy Corp.	The parent holding company of Duke Energy Indiana, Inc., Duke Energy Ohio, Inc., and Cinergy Investments, Inc.

Cinergy Global (Cayman) Holdings, Inc.	Cayman holding entity. Formed to be utilized in connection with future EWG or FUCO acquisitions by Cinergy Corp.
Cinergy Global Holdings, Inc.	Delaware holding company which holds 100% of Cinergy Holdings B.V. and 1 share in CGP Global Holdings, SA.
Cinergy Global Power Africa (Proprietary) Limited	South African entity is currently in process for dissolution.
Cinergy Global Power, Inc.	To engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware as set forth in Title 8 of the Delaware Code (the "GCL").
Cinergy Global Resources, Inc.	The U.S. holding company created for Cinergy's international, non-regulated investments, as well as its domestic initiatives in renewable generation. Through its subsidiaries, Cinergy Global Resources, Inc. holds interests in power generation, transmission and distribution projects worldwide and is also active in European gas and electricity markets. Assets in operation/development are located in various countries, including the Czech Republic, Denmark, Greece, Kenya, Spain, South Africa, England and Wales, Cayman Islands, the Netherlands, Poland, the U.S. and the Republic of Zambia. O'Neill, Teri 6/14/2004 1:37:27 PM
Cinergy Global Tsavo Power	Holds 48% interest in IPS-Cinergy Power Limited, a Kenyan entity, through its joint venture with Industrial Promotion Services (Kenya) Limited which holds the other 51.8% in IPS-Cinergy Power Limited.
Cinergy Investments, Inc.	A non-utility subsidiary holding company that holds the majority of Cinergy's domestic non-utility businesses.
Cinergy Power Generation Services, LLC	Provides generation services, such as operation and maintenance services, to owners of electric generating facilities.
Cinergy Receivables Company LLC	Intended to and shall operate and function as a Qualified Special Purpose Entity ("QSPE") as that term is defined in the Statement of Financial Accounting Standards No. 140 ("FASB 140"). For detailed purpose, please refer to Section 7 of the A&R LLC Agreement dated 3.31.2002. Cinergy Receivables Company LLC was formed for the purpose of purchasing the accounts receivables and related rights of Duke Energy Indiana, Inc., Duke Energy Kentucky, Inc and Duke Energy Ohio, Inc. and then securitizing such receivables through a loan agreement with certain commercial banks.
Cinergy Retail Power General, Inc.	Formed to serve as the general partner of Cinergy Retail Power, L.P.
Cinergy Solutions - Utility, Inc.	To provide engineering, construction, operation and maintenance services with respect to electric and natural gas systems and infrastructure.
Cinergy Solutions Partners, LLC	The Company may carry on any lawful business, purpose or activity.
Cinergy Technology, Inc.	Manages Cinergy's existing non-regulated, technology-related investments, assess the market potential for non-regulated product and service development opportunities, and form key alliances for non-regulated product development.
Cinergy Wholesale Energy, Inc.	Cinergy Wholesale Energy, Inc. is a holding company for non-utility energy services businesses. O'Neill, Teri 6/14/2004 1:40:49 PM
Cinergy-Centrus Communications, Inc.	Inactive and being held open for tax purposes.
Cinergy-Centrus, Inc.	Inactive and is being held open for tax purposes.
Claiborne Energy Services, Inc.	Is the general partner of Clean Energy Partners Limited Partnership, a limited partnership which was formed to develop, own and operate a coal gasification electric power facility. Own and operate a uranium enrichment facility.
Clear Skies Solar Holdings, LLC	Holding company for Clear Skies Solar, LLC
Clear Skies Solar, LLC	Parent company that will hold 9 solar project companies

Comercializadora Duke Energy de Centro America, Limitada	Guatemalan company used as a trading and marketing vehicle. It was originally formed to buy excess electricity from El Salvador and sell it in the open market. It also buys power from DEI Guatemala y Cia SCA (Planta Arizona and Planta Las Palmas) under a PPA with that entity.
Conterra Ultra Broadband Holdings, Inc.	Conterra is a facilities-based, FCC common carrier that provides high quality, high capacity backhaul and wide area network services for mobile carriers, school districts and government entities throughout the country.
CS Murphy Point, LLC	Project company which owns and is developing and constructing a 998 kilowatt (DC) solar PV electric generation facility located on a site in Notia Township, Cherokee County, NC at 70 Wingate Road, Murphy, NC 28906
CST General, LLC	To transact or any and all lawful business for which limited liability companies may be organized under the Texas Limited Liability Company Act.
CST Green Power, L.P.	Purpose is to be the project company that will partially own and manage a long-term co-generation project located in Texas.
CST Limited, LLC	The Company may carry on any lawful business, purpose or activity.
CTE Petrochemicals Company	Cayman partnership 50% owned by Texas Eastern Arabian Ltd. (Duke entity) and 50% owned by sub of Duke's partner, Ceianese Corporation. CTE is the holding company for 50% interest in National Methanol Company, a methanol project in Saudi Arabia and JV with SABIC.
CURRENT Group, LLC	CURRENT provides electric utilities, a Smart Grid solution that increases the efficiency and reliability of the electric grid while reducing the environmental impact of electric usage.
D/FD Holdings, LLC	Holding company for previous D/FD companies
D/FD International Services Brasil Ltda.	Formed to be the contracting entity for the DI Project (and possibly other projects) in Brazil.
D/FD Operating Services LLC	Operation of electric generating plant
DATC Midwest Holdings, LLC	Holding company for DATC operating companies which will own and operate commercial transmission projects in the Midwest
DE Marketing Canada Ltd.	Holding Company/General Partner
DE Nuclear Engineering, Inc.	Nuclear Engineering Services
DEB - Pequenas Centrais Hidrelétricas Ltda.	Power generation and sale in Brazil.
DECAM Coal Gen FinCo, LLC	Holding Company
DECAM Gas Gen FinCo, LLC	Holding Company
DECAM Generation Holdco, LLC	Holding Company
DEGS Biomass, LLC	Acquiring, holding and funding 50% ownership interest in Adage, LLC.
DEGS NC Solar, LLC	To serve as a holding company for multiple solar project companies.
DEGS O&M, LLC	To operate and maintain several facilities owned by subsidiaries of KGen, LLC.
DEGS of Delta Township, LLC	To perform the construction and operating services for GM for the Delta Township assembly facilities.
DEGS of Lansing, LLC	Cinergy Solutions Operating Services of Lansing, LLC performs oversight, management, operation and maintenance of energy/utility service facilities at a General Motors vehicle assembly plant in Lansing, Michigan.

DEGS of Narrows, LLC	Formed for the purpose of operating, maintaining and managing the existing utility system at ten Celanese acetate manufacturing facility located in Narrows, Virginia.
DEGS of Shreveport, LLC	Cinergy Solutions Operating Services of Shreveport, LLC performs oversight, management, operation and maintenance of energy/utility service facilities at a General Motors vehicle assembly plant in Shreveport, Louisiana.
DEGS of South Charleston, LLC	To design, build, own, operate, and maintain certain steam generating equipment and ancillary water treatment equipment to be located at the UCC Technical Center in South Charleston, West Virginia.
DEGS of Tuscola, Inc.	Oversees the operations and staffing of a qualifying facility (QF) located in Tuscola, Illinois.
DEGS Solar, LLC	To serve as a holding company to hold all solar projects of Duke Energy Generation Services Holding Company, Inc. other than those in North Carolina.
DEGS Wind I, LLC	Holding Company for project companies which will develop wind assets.
DEGS Wind Supply II, LLC	To procure wind turbine generators from General Electric for projects under development by DEGS Wind I, LLC and its affiliates.
DEGS Wind Supply, LLC	The purpose of the Company is to engage in any activity for which limited liability companies may be organized in the State of Delaware.
DEMI Management, Inc.	Holding company.
Dixilyn-Field (Nigeria) Limited	Inactive, but still on the books
Dixilyn-Field Drilling Company	Inactive but still on the books
Dogwood Solar, LLC	Project company will hold solar assets for tax credit purposes
DS Cornerstone LLC	Joint venture company formed to engage in developing, constructing, owning, financing, refinancing, selling or otherwise disposing of, operating, maintaining, improving and managing either or both of the Cimarron Windpower II or the Ironwood Windpower Project companies
DTMSI Management Ltd.	Holding Company
Duke Communications Holdings, Inc.	Provides telecommunications services, information services, selling or leasing of long-haul optic fiber capacity and energy management services.
Duke Energy Americas, LLC	Holding Company
Duke Energy Beckjord, LLC	Owns and operates a generation facility
Duke Energy Business Services LLC	Management Services
Duke Energy Carolinas Plant Operations, LLC	Performs the operations and maintenance and provides other plant services for power generation and energy facilities.
Duke Energy Carolinas, LLC	The production, transmission, distribution, and sale of electricity in North and South Carolina
Duke Energy Cerros Colorados, S.A.	Argentine entity which serves as the operator of both generation facilities in Argentina: Alto Valle and Planicia Banderita.
Duke Energy China Corp.	Corporate staff operations; General Partner (1%) in PanEnergy Services Limited Partnership.
Duke Energy Commercial Asset Management, Inc.	Face to the market to perform hedge transactions for non-regulated Duke Energy Corporation affiliates.
Duke Energy Commercial Enterprises, Inc.	Duke Energy Commercial Enterprises, Inc. (f/k/a Cinergy Capital & Trading, Inc.) is engaged in the business of marketing energy commodities at wholesale.
Duke Energy Conesville, LLC	Owns and operates a generation facility

Duke Energy Corporate Services, Inc.	Serves as the holding company to Duke Energy Business Services LLC
Duke Energy Corporation	Holding Company.
Duke Energy Dicks Creek, LLC	Owns and operates a generation facility
Duke Energy Egenor S. en C. por A.	Peruvian joint stock company which owns 2 central hydroelectric plants: 263 MW Canon del Pato and 95 MW Carhuaquero. Also owns 6 thermoelectric plants in the north of Peru: 43 MW in Piura; 63 MW in Chimbote; 21 MW in Trujillo; 24 MW in Chiclayo; 9 MW in Paita; and 10 MW in Sullana.
Duke Energy Electroquil Partners	Delaware general partnership holding 99.75% in Duke Energy International del Ecuador Cia. Ltda. in connection with the Electroquil facility in Guayaquil, Ecuador.
Duke Energy Fayette II, LLC	Owns and operates a generation facility
Duke Energy Generating S.A.	Argentine holding company for Duke's 90.87% interest in Duke Energy Cerros S.A., an Argentine company which serves as the operator for both facilities in Argentina: Alto Valle and Palancia Banderita.
Duke Energy Generation Services Holding Company, Inc.	Markets an array of energy-related products and services and develops, acquires, owns and operates certain energy-related projects.
Duke Energy Generation Services, Inc.	Develops, acquires, owns and operates certain energy-related businesses, formerly conducted by Cnergy Solutions Holding Company, Inc.
Duke Energy Group Holdings, LLC	Delaware limited liability company which holds the 100% ownership interest in Duke Energy Group, LLC.
Duke Energy Group, LLC	Delaware limited liability company with interests in Duke's international companies involved with electric power projects and marketing of electric power.
Duke Energy Guatemala Ltd.	Bermuda holding company which holds ownership interest in Guatemalan entities which generate, sell, supply, transmit, trade in, purchase and market electricity, natural gas, and hydro carbon products.
Duke Energy Guatemala Transco Limitada	Guatemalan entity that owns and operates a 230 kv electric transmission line facility in Guatemala.
Duke Energy Guatemala y Compania Sociedad en Comandita por Acciones	Guatemalan joint stock entity which owns and operates with Duke Energy Transco Ltda an 235 MW electric generation facility in Guatemala which is comprised of the 150 MW Arizona plant and the 85 MW Las Palmas plant.
Duke Energy Hanging Rock II, LLC	Owns and operates a generation facility
Duke Energy Indiana, Inc.	The production, transmission, distribution, and sale of electricity in North Central, Central, and Southern Indiana.
Duke Energy Industrial Sales, LLC	The purpose of this entity is to engage in the sale of coal and other supplies to industrial companies.
Duke Energy International (Europe) Holdings ApS	Danish holding company slated for dissolution pending dissolutions of its UK subsidiaries.
Duke Energy International (Europe) Limited	UK company in process of voluntary dissolution.
Duke Energy International Antilaf Generación SpA	SPV 2 Holding Company for Hydro Plants in Chile - Ibener/Duke Energy Duqueco SA
Duke Energy International Argentina Holdings	Cayman entity slated for dissolution.
Duke Energy International Argentina Marketing/Trading (Bermuda) Ltd.	Bermuda entity slated for dissolution.
Duke Energy International Asia Pacific Ltd.	Bermuda holding company slated for dissolution pending liquidation of its subsidiaries.
Duke Energy International Aylen Generación SpA	SPV 1 Holding Company for Hydro Plants in Chile - Ibener/Duke Energy Duqueco SA
Duke Energy International Brasil Commercial, Ltda.	Brazilian entity which holds 99.99% in Duke Trading do Brasil Ltda.

Duke Energy International Brasil Holdings, LLC	Delaware entity which holds the minority interest in Duke Energy International Brasil Ltda.
Duke Energy International Brazil Holdings Ltd.	Bermuda holding company for Duke Energy International's assets in Brazil.
Duke Energy International Chile Holding I B.V.	Holding company for potential Chilean project.
Duke Energy International Chile Holding II B.V.	Holding company for potential Chile project.
Duke Energy International Chile Holding II BV Sociedad en Comandita por Acciones	Project company for potential Chilean project.
Duke Energy International Comercializadora de El Salvador, S.A. de C.V.	Salvadorean entity used for energy trading and marketing throughout the Central American region; import, export and domestic electric energy transactions.
Duke Energy International del Ecuador Cia. Ltda.	Ecuadorian company which owns 82.7482% in Electroquil SA, an electric power generation company located in Guayaquil, Ecuador.
Duke Energy International El Salvador Investments No. 1 Ltd	Bermuda holding entity for Duke Energy International's assets in El Salvador.
Duke Energy International El Salvador Investments No. 1 y Cia. S. en C. de C.V.	Salvadorean holding entity for Duke Energy International's assets in El Salvador..
Duke Energy International El Salvador, S en C de CV	Salvadorean operating company - a thermal electric generation plant.
Duke Energy International Electroquil Holdings, LLC	Delaware holding entity which owns 0.25% interest in Duke Energy International del Ecuador Cia, Ltda.
Duke Energy International Espana Holdings, S.L.U.	Spanish holding entity which holds ownership interests in Argentina and Ecuador.
Duke Energy International Group Cooperatie U.A.	Dutch holding company used for various financial transactions within Duke Energy International.
Duke Energy International Group, Ltd.	Bermuda holding company for all of Duke Energy International's interests in Latin America.
Duke Energy International Guatemala Holdings No. 2, Ltd.	Bermuda holding entity slated for dissolution.
Duke Energy International Holding, Ltd.	Holding company
Duke Energy International Holdings B.V.	Dutch holding company used for various transactions within Duke Energy International.
Duke Energy International Investments No. 2 Ltd.	Bermuda holding company which holds a minority interest in Duke Energy Generating S.A. and Duke Energy International Southern Cone SRL.
Duke Energy International Latin America, Ltd.	Bermuda holding company for all of Duke Energy International's interests in Latin America.
Duke Energy International Mexico Holding Company 1, S. de R.L. de C.V.	Mexican holding company used for various transaction within Duke Energy International.
Duke Energy International Mexico, S.A. de C.V.	Mexican company which previously managed the Campeche platform in Mexico. Currently in liquidation.
Duke Energy International Nehuén Generación SpA	Holding Company for Hydro Plants in Chile - Ibener/Duke Energy Duqueco SA
Duke Energy International Netherlands Financial Services B.V.	Dutch entity used for various financial transactions within DEI.
Duke Energy International Peru Inversiones No. 1, S.R.L.	Peruvian entity in process of dissolution.

Duke Energy International Peru Investments No. 1, Ltd.	Bermuda holding entity for the Peruvian companies.
Duke Energy International PJP Holdings, Ltd.	Bermuda entity slated for dissolution.
Duke Energy International Southern Cone SRL	Argentine limited liability entity set up for trade & marketing.
Duke Energy International Trading and Marketing (UK) Limited	Business Activity 4010 - As of October 25, 2006, Company is in process of voluntary dissolution.
Duke Energy International Uruguay Holdings, LLC	Delaware holding entity which holds a minority ownership interest in Duke Energy International Uruguay Investments, SRL.
Duke Energy International Uruguay Investments, S.R.L.	Uruguayan limited liability holding entity for Duke's assets in Argentina and Ecuador.
Duke Energy International, Brasil Ltda.	Brazilian company set up for the participation at bidding procedures and/or auctions for the transfer of ownership interests in electricity companies in Brazil.
Duke Energy International, Geracao Paranapanema S.A.	Brazilian entity which owns and operates 8 hydroelectric generating facilities in the Paranapanema River in Sao Paulo, Brazil.
Duke Energy International, LLC	Delaware parent/holding company for all of the DEI subsidiaries.
Duke Energy Kentucky, Inc.	The transmission, distribution, and sale of electricity energy and the sale and transportation of natural gas in northern Kentucky. O'Neill, Teri 3/10/2004 3:50:41 PM
Duke Energy Killen, LLC	Owns and operates a generation facility
Duke Energy Lee II, LLC	Owns and operates a generation facility
Duke Energy Marketing America, LLC	Energy marketing and energy management for unregulated merchant energy facilities of Duke Energy North America, LLC.
Duke Energy Marketing Corp.	Was formed to engage in the marketing of electric power.
Duke Energy Marketing Limited Partnership	Engage in the business of purchasing, selling and marketing natural gas, electric power and other energy products and services in Canada.
Duke Energy Merchants, LLC	Provides financial, risk management and asset management services to producers, transporters and users of global energy commodities and derivative products such as crude oil, refined products, LPGs, residual fuels, coal, and fertilizer.
Duke Energy Miami Fort, LLC	Owns and operates a generation facility
Duke Energy Moapa, LLC	Transact any and all lawful business for which limited liability companies may be organized under the act. All assets of the company were sold on 10/13/04. Company retains a title insurance policy which backs up the warranty deed given to Nevada Power and should not be dissolved.
Duke Energy Murray Operating, LLC	To own and operate merchant power plant.
Duke Energy North America, LLC	Development, ownership, and operation of energy facilities.
Duke Energy Ohio, Inc.	Engaged in the production, transmission, distribution and sale of electricity and the sale and transportation of natural gas in the southwestern portion of Ohio.

Duke Energy One, Inc.	Entity has two different businesses - one for residential customers and one for commercial/industrial customers. On the residential side, Michael Goldenberg directs DE One's strikstop and underground protection offerings. Strikestop is a whole-house surge protector that DE One sells to residential customers. Underground protection is an offering under which DE One repairs underground customer-owned electric. On the commercial/industrial side, Bruce Modlin directs DE One's customer-owned substation construction and maintenance activities. Evidently, there are large customers with their own transformers/substations. DE One builds these and repairs/maintains these.
Duke Energy Peru Holdings S.R.L.	Peruvian limited liability holding company.
Duke Energy Piketon, LLC	Owns and operates a generation facility
Duke Energy Receivables Finance Company, LLC	Receivables finance company
Duke Energy Registration Services, Inc.	Manages the brand protection of Duke energy Corporation.
Duke Energy Renewable Services, LLC	To acquire and hold the Outland Energy onsite wind operating and maintenance business and to hold other renewable operating and maintenance service businesses as well.
Duke Energy Retail Sales, LLC	To provide retail gas and electric services.
Duke Energy Royal, LLC	Holding Company
Duke Energy Services Canada ULC	Purchasing, selling and marketing natural gas, electric power and other energy products.
Duke Energy Services, Inc.	a holding company.
Duke Energy Stuart, LLC	Owns and operates a generation facility
Duke Energy Trading and Marketing, L.L.C.	Market natural gas, electricity and other energy related commodities. Member companies are DETMI Management, Inc., 60% and Mobil Natural Gas, Inc., 40%.
Duke Energy Transmission Holding Company, LLC	Holding company for transmission joint venture.
Duke Energy Vermillion II, LLC	Owns and operates a generation facility
Duke Energy Washington II, LLC	Owns and operates a generation facility
Duke Energy Zimmer, LLC	Owns and operates a generation facility
Duke Investments, LLC	The Company may carry on any lawful business, purpose or activity.
Duke Project Services, Inc.	Engaged in engineering activities for coal projects.
Duke Supply Network, LLC	The Company may carry on any lawful business, purpose or activity.
Duke Technologies, Inc.	A holding company for various Cinergy investments and initiatives.
Duke Trading Do Brasil Ltda.	Brazilian entity used to purchase and sell electric power.
Duke Ventures II, LLC	The Company may carry on any lawful business, purpose or activity.
Duke Ventures Real Estate, LLC	Holder/owner of real property currently owned by Duke Ventures, LLC
Duke Ventures, LLC	Holding company
Duke/Fluor Daniel	Engineering activities to coal fired plants.

Duke/Fluor Daniel Caribbean, S.E.	Execution of an engineering, procurement and construction services agreement between the partnership and AES Puerto Rico, L.P.
Duke/Fluor Daniel El Salvador S.A. de C.V.	Per Skip Weiss: Entity apparently set up as a contracting entity for El Salvador, but is apparently dormant.
Duke/Fluor Daniel International	Provides engineering, construction and operation services inside the U.S. to coal fired electric plants outside the U.S.
Duke/Fluor Daniel International Services	Coal Fired Generating Plant Services
Duke/Fluor Daniel International Services (Trinidad) Ltd.	Execution of an engineering, procurement and construction services agreement between Duke/Fluor Daniel International Services (partnership) and InCOGEN Limited.
Duke/Louis Dreyfus L.L.C.	A limited liability company formed to engage in the marketing of power. It sells both natural gas and electricity throughout the US.
Duke-American Transmission Company, LLC	The Company is organized for the purpose of evaluating, analysing and assessing potential Projects transmission facilities to determine whether such potential Porjects can be authorized, constructed, owned and operated on a profitable basis, and for any purposes and activities necessary, convenient, or incidental to the conduct, promotion, or attainment of such purpose.
Duke-Cadence, Inc.	To engage in the construction, operation, development or ownership of cogeneration facilities or power production facilities. To enter into joint ventures and partnership agreements.
DukeNet Communications Holdings, LLC	Holding Company
DukeNet Communications, LLC	Telecommunication Services
DukeNet VentureCo, Inc.	Holding Company
DukeNet/TCG LLC	Wholesale provider of fiber-optic services
Duke-Reliant Resources, Inc.	Holds Cinergy's investment in Reliant Services, LLC.
Eastman Whipstock do Brasil Ltda.	Dormant entity
Eastman Whipstock, S.A.	Dormant. Oil and gas field services
Eastover Land Company	Entity created for purposes of holding the land for Eastover Mining.
Eastover Mining Company	Mining company (NOT a payroll entity)
Electroquil, S.A.	Ecuadorean entity which owns and operates 4 diesel-fired turbines of 180 MW near Guayaquil, Ecuador.
Energy Pipelines International Company	Engineering & Management Services. Currenty Inactive.
Equinox Vermont Corporation	Non-regulated ownership of biomass and cogeneration facilities in Vermont and Maine
Etenorte S.R.L.	Peruvian entity engaged in activities related to electricity transmission.
Eteselva S. R. L.	Peruvian limited liability company, and subsidiary of Aguaytia Energy, LLC which owns and operates transmission lines from Aguaytia, Peru to Paramanga, Peru and transmits electricity to customers in Peru.
First Partners Corporate Limited Partnership II	Real Estate Investments
Florida Power Corporation	The production, generation, transmission, distribution, and sale of electricity in Florida.
Florida Progress Corporation	Holding Company
Florida Progress Funding Corporation	Obtains financing for Florida Progress Corporation and its direct and indirect subsidiaries and serves as depositor of statutory business trusts through which securities are issued.

FPC Capital I	Issues certain 10% cumulative quarterly income preferred securities Series A (QUIPS).
Free State Windpower, LLC	Serves as a holding company to facilitate the financing of the Ironwood and Cimarron Windpower II wind facilities.
Gas Integral S.R.L.	Peruvian limited liability which gathers gas in connection with the Aguaytia asset.
Gato Montes Solar, LLC	Construct and develop a 6/1 megawatt (DC) solar photovoltaic electric generation project located in the Solar Zone of the Univ of AZ Tech Park in Tucson, AZ
Green Frontier Windpower Holdings, LLC	Holding company formed for the purpose of financing a portfolio of wind energy project companies
Green Frontier Windpower, LLC	To serve as a holding company to hold certain wind power project companies that would be financed by Duke on a portfolio basis
Greenville Gas and Electric Light and Power Company	This corporation shall have for its object the manufacture of gas, and the generating of electricity to be sold for lighting, heating, and all other purposes for which gas and electricity or either of them may be used. The corporation also preserves property rights.
Grove Arcade Restoration LLC	Restoration of Public Market
Happy Jack Windpower, LLC	Owner of all the assets that comprise the 29.4 MW Happy Jack Windpower Project being developed in Cheyenne, Wyoming.
HGA Development, LLC	Real Estate Investments
Historic Property Management, LLC	Real Estate Rental - Holds investment interest in Tax Credit Projects
Iberoamericana de Energia Ibener SA	Operating Company of Hydro Plants in Chile.
IGC Aguaytia Partners, LLC	Cayman company with ownership interests in the Aguaytia project in Peru.
INDU Solar Holdings, LLC	To serve as a holding company for project companies related to the Commercial Rooftop Solar Program. To acquire, invest in, develop, improve, own, operate, finance, maintain, sell, lease, or otherwise dispose of, Project LLCs or, if not owned by a Project LLC, Energy Assets in accordance with Applicable Law and, to the extent applicable, the Master Development Agreement.
Inflexion Fund, LP	Real Estate Investments
Inver Energy Holdings I	Cayman Holding company establish for the San Cristobal Project in Guatemala and the Fuel Oil Supply Agreement with Glencore Ltd.
Inver Energy Holdings II	Cayman Holding company establish for the San Cristobal Project in Guatemala.
Inver-Energy y Cia. SCA	Guatemalan operating company establish for the San Cristobal Project in Guatemala.
IPS-Cinergy Power Limited	Holds a joint venture in Tsavo Power Company in Kenya.
Ironwood Windpower, LLC	Project Company that will hold the assets of the Ironwood Windpower project.
Ironwood-Cimarron Windpower Holdings, LLC	Serve as a holding company for the assets of Free State Windpower LLC.
ISH Solar AZ, LLC	To hold the assets of a solar project generating facility located in Prescott Valley, AZ
ISH Solar Beach, LLC	To acquire, own, operate, maintain & manage the solar power generating facility located on property owned by the Union Beach Board of Education at Memorial Elem School, 221 Morningside Ave, Union Beach, NJ 07735
ISH Solar CA, LLC	To hold the assets of 2 project solar generating facilities located in Santa Clara County, CA (SCC) and South Bayside Waste Management Agency in San Jose, CA (SBWMA).

ISH Solar Central, LLC	Owns, operates, maintains and manages the solar power generating facility located on property owned by the Central Regional School District/Board of Education at the High School & Middle School located on Forest Hills Parkway, Bayville, NJ 08721
ISH Solar Grin, LLC	Owns, operates maintains and manages the solar power generating facility located on property owned by GRINNELL Enterprises, Inc. in Sparta, NJ
ISH Solar Hospitals, LLC	This company holds various Kaiser solar projects that are developing and operating photovoltaic solar generating facilities located in Cudahy, Downey, Bellflower, Fontana, Irvine & San Diego, CA
ISH Solar Mouth, LLC	To acquire, own, operate, maintain and manage the solar power generating facility/facilities located on property owned by the County of Monmouth at various locations in Monmouth County, New Jersey
Kentucky May Coal Company, LLC	Coal Mining
Kinetic Ventures I LLC	Real Estate Investments
Kinetic Ventures II LLC	Real Estate Investments
Kit Carson Windpower, LLC	To develop, construct, own and operate a 51 MW wind farm facility located in Kit Carson County, Colorado, near Burlington.
KO Transmission Company	Engaged in the transportation of natural gas in interstate commerce between Kentucky and Ohio.
Laurel Hill Wind Energy, LLC	Limited Liability Company that owns and is developing and operating a wind powered electricity generation facility in Pennsylvania
Lehman Housing Tax Credit Fund L.P.	Investment in affordable housing
Los Vientos Windpower IA Holdings, LLC	Serve as a holding company for the project company that will hold Phase I of the Los Vientos Windpower project.
Los Vientos Windpower IA, LLC	Special purpose entity to hold Phase I of the Los Vientos Windpower project
Los Vientos Windpower IB Holdings, LLC	To serve as a holding company for the interests of the Los Vientos Windpower phase IB project company
Los Vientos Windpower IB, LLC	To own development rights, and ultimately to construct, own and operate the approximately 200 MW Phase IB of the Los Vientos Windpower project near Harlingen, TX
Louisiana Energy Services, LLC	A limited partnership formed to design, license, construct, own and operate a centrifuge uranium enrichment plant to be located in the U.S., and sell and provide enrichment services and products on a profitable basis therefrom.
Martins Creek Solar NC, LLC	Project company developing a 998 kilowatt (DC) solar photovoltaic ("PV") electric generation facility located in Murphy Township, Cherokee County, North Carolina
Maxey Flats Site IRP LLC	Real Estate Investments
McDonald Corporate Tax Credit Fund, L.P.	Investment in affordable housing
MCP, LLC	Owner of record of the land on which the Mill Creek Compustion Turbine Station sits in Cherokee County, South Carolina.
Miami Power Corporation	Owns an electric transmission line in Indiana. O'Neill, Teri 3/10/2004 3:56:30 PM
Murphy Farm Power, LLC	Owns and is developing and constructing a 998 kilowatt (DC) solar PV electric generation facility located on a site in Culberson, NC
National Corporate Tax Credit Fund VI	Investment in affordable housing.
National Methanol Company (IBN SINA)	A joint venture with SABIC for the operation of a methanol production plant in Saudi Arabia. 50% held by SABIC and 50% held by CTE Petrochemicals Company (Duke's partnership with Celanese).

North Allegheny Wind, LLC	Single purpose entity which owns and operates a 70 MW wind generating facility in Blair and Cambria Counties, Pennsylvania.
North Carolina Renewable Properties, LLC	Solar project company which owns and is developing and constructing a 998 kilowatt (DC) solar PV electric generation facility in Cherokee Ctny, NC at a site located at 480 Holiness Church Rd, Murphy, NC
NorthSouth Insurance Company Limited	A captive insurance company
Notrees Windpower, LP	Owner of all the assets that comprise that Notrees Windpower Project being developed in Ector and Winkler Counties, Texas.
NuStart Energy Development, LLC	NuStart Energy is a limited liability corporation comprised of ten power companies, created in 2004 for the dual purposes of: 1) obtaining a Construction and Operating License (COL) from the Nuclear Regulatory Commission (NRC), using the never before used, streamlined licensing process developed in 1992 and 2) completing the design engineering for the selected reactor technologies.
Ocotillo Windpower, LP	Owner of all the assets that comprise the 58.8 MW Ocotillo Windpower Project being developed near Big Spring, Texas.
Ohio Valley Electric Corporation	Formed for the purpose of providing the large electric power requirement projected for a major DOE uranium enrichment complex. OVEC has in turn a subsidiary called Indiana Kentucky Electric Corporation which provides similar services. Owns an electric generating facility and sells electricity to a government facility that makes weapons. It also provides the large electric power requirement for a major Department of Energy uranium enrichment complex.
Oklahoma Arcadian Utilities, LLC	Constructs, owns, operates and maintains energy-related facilities located at a General Motor vehicle assembly plant in Oklahoma City, Oklahoma.
Owings Mills Energy Equipment Leasing LLC	Energy equipment leasing
P.I.D.C. Aguaytia, L.L.C.	Delaware limited liability company with ownership interest in the Aguaytia project in Peru.
Pacific Power Holdings No. 1, B.V.	Danish Holding company for potential projects in Central America.
PanEnergy Corp.	Parent Company
Panoche Valley Solar LLC	Will develop and operate up to a 399 megawatt (ac) solar photovoltaic project to be located in Panoche Valley, CA
Peak Tower, LLC	Real Estate Rental
Peru Energy Holdings, LLC	Delaware holding company which holds 99% in Gas Integral SRL (Peru) with regard to the Aguaytia project in Peru.
Piedmont Venture Partners Limited Partnership	venture capital firm created to invest in high-technology and biotechnology (including clean energy) private start-up companies in the research triangle (Raleigh, Durham and Chapel Hill) of NC and the Southeast. Currently in bankruptcy proceedings.
PIH Tax Credit Fund III, Inc.	Holds Investments in Affordable Housing Fund.
PIH Tax Credit Fund IV, Inc.	Holds Investments in Affordable Housing Fund.
PIH Tax Credit Fund V, Inc.	Holds Investments in Affordable Housing Fund.
PIH, Inc.	Holding Company for investments in affordable housing projects.
Pioneer Transmission, LLC	Joint Venture company formed to engage in developing, constructing, owning, transmission lines
Prairie, LLC	Real Estate Investments

Progress Capital Holdings, Inc.	Downstream holding company for Florida Progress subsidiaries, except Florida Power Corporation; Provides financing to subsidiaries
Progress Energy EnviroTree, Inc.	Formed to hold a 5% interest in Power Tree Carbon Company, LLC, a consortium of utilities with the purpose of generating credits similar to Emission Allowance Credits through tree planting projects designed to reduce carbon dioxide emissions and global warming
Progress Energy Foundation, Inc.	To receive, administer, and make donation of funds for educational, scientific, and charitable purposes.
Progress Energy Service Company, LLC	Management Services
Progress Energy, Inc.	Holding Company
Progress Fuels Corporation	Procurement and transportation of coal and other bulk cargoes, railcar repair and marine transportation services.
Progress Telecommunications Corporation	Operate wholesale telecommunication services throughout the State of Florida
Progress Ventures Holdings, Inc.	The purpose for which the corporation is organized is to engage in any lawful business
Progress Ventures, Inc.	The Company may carry on any lawful business, purpose or activity.
Proyecto de Autoabastecimiento La Silla, S. de R.L. de C.V.	Mexican holding company used for various transactions within Duke Energy International.
PT Attachment Solutions, LLC	Telecommunication Services
PT Holding Company LLC	Wireless Services
Raleigh-CaroHome/WCK, LLC	Real Estate Investments
RE Ajo 1 LLC	Project company that owns, is developing and will operate a 5.0 megawatt (dc) ground-mounted solar photovoltaic (PV) plant currently in construction located near Ajo, Pima County, Az
RE AZ Holdings LLC	Commercial Solar Developer that owns 2 project solar companies in AZ: RE Ajo 1 LLC, and RE Bagdad Solar 1 LLC
RE Bagdad Solar 1 LLC	Project company that owns, is developing and will operate a 16.6 megawatt (dc) ground-mounted solar photovoltaic (PV) plant currently in construction located near Bagdad, Az
RP-Orlando, LLC	Project company that has been developing two solar photovoltaic ("PV") electric generation projects (Stanton project) and (Jetport project) to be located on property owned by the Oriando Utilities Commission in Orlando, FL
Ryegate Associates	Owns a biomass facility in Vermont
Sandy River Timber, LLC	Assemblage of land for future generation project use
SanGroup, LLC	Joint Venture
Seahorse do Brasil Servicos Maritimos Ltda.	Has been dormant for many years. Dissolution under review.
Searchlight Wind Energy LLC	Developing a windpower project in Nevada
SEC Bellefonte SD Solar One, LLC	Develop and own certain solar PV rooftop projects serving the Bellefonte SD in PA
SEC BESD Solar One, LLC	Develop and own certain solar PV rooftop projects serving the Bald Eagle SD in PA
Shirley Wind, LLC	Project Company which has developed and operates an approximately 20 megawatt wind-powered electric generation facility located in Brown Ctny, WI.

Shreveport Red River Utilities, LLC	The purpose of the company is to develop, design and construct the improvements; to own, operate and maintain the Central Utilities Complex; to obtain financing for such activities; and to take all actions incident thereto (the "Purpose").
Silver Sage Windpower, LLC	Holds a lease for some property in Laramie County, Wyoming.
Solar Star North Carolina I, LLC	Special purpose company devoted to developing, constructing, owning, operating and selling the electricity and associated renewable energy credits from its 1 megawatt (AC) solar electric generating facility in Shelby, NC (currently under construction).
Solar Star North Carolina II, LLC	Special purpose company devoted to developing, constructing, owning, operating and selling the electricity and associated renewable energy credits from its 5 one-megawatt (AC) solar photovoltaic electric generating facilities in Murfreesboro, Hertford County, NC (currently under development).
South Atlantic Private Equity Fund IV, LP	This partnership provides equity funds to privately owned emerging growth companies in both technology and in Technology related markets, with an emphasis on investments located in the southeastern United States, Florida and Texas.
South Construction Company, Inc.	Holds legal title to real estate and interests in real estate which are either not used and useful in the conduct of Duke Energy Indiana, Inc.'s business or which has some defect in title which is unacceptable to Duke Energy Indiana Inc.
Southern Power Company	The purpose of this entity is to generate, transmit, and distribute electric power and preserve property rights.
Strategic Resource Solutions Corp.	The Company may carry on any lawful business, purpose or activity.
SUEZ-DEGS of Orlando LLC	Develops, constructs, operates and maintains a district cooling business in Orlando, Florida.
SUEZ-DEGS of Owings Mills, LLC	Develops, constructs, operates and maintains a cogeneration facility located at the Sweetheart Cup Corporation in Owings Mills, Maryland.
SUEZ-DEGS, LLC	Engages in the preliminary development of cogeneration and/or thermal energy facilities. Specific projects are developed and held by special purpose affiliates.
Sugartree Timber, LLC	Hold land for future generation project use.
Sweetwater 4-5 Holdings LLC	Holding company that owns LLCs with interests in wind power assets in Texas
Sweetwater Development LLC	Developing a windpower project in Texas
Sweetwater Wind 1 LLC	Owns wind generation facility in Texas
Sweetwater Wind 2 LLC	Owns wind generation facility in Texas
Sweetwater Wind 3 LLC	Owns wind generation facility in Texas
Sweetwater Wind 4 LLC	Owns wind generation facility in Texas
Sweetwater Wind 5 LLC	Owns wind generation facility in Texas
Sweetwater Wind 6 LLC	Owns assets of windpower project being developed in Texas
Sweetwater Wind Power L.L.C.	Owns wind generation assets in Texas
Taylorsville Solar, LLC	To develop a 1 MW solar PV project in Alexander County, Taylorsville, North Carolina.
TBP Properties, LLC	Hold land for future project use
TE Notrees, LLC	Holding company.

TE Ocotillo, LLC	Holding company
TEC Aguaytia, Ltd.	Bermuda holding entity with indirect ownership interest in the Aguaytia project in Peru.
Termoselva S. R. L.	Peruvian limited liability company that owns and operates facility generating electricity in the Peruvian Amazon Basin.
Texas Eastern (Bermuda) Ltd.	Bermuda holding company with investments in international ventures.
Texas Eastern Arabian Ltd.	Investments in National Methanol Company.
The Duke Energy Foundation	To receive, administer, and make donation of funds for educational, scientific, and charitable purposes.
Three Buttes Windpower, LLC	Develop, construct, own and operate the Campbell Hill Windpower project near Casper, Wyoming.
Top of the World Wind Energy Holdings LLC	To act as the holding company of the project company that owns the Top of the World wind farm, and to pledge that ownership interest as security for a project financing arrangement upon the project.
Top of the World Wind Energy LLC	Developing windpower project in Wyoming
TRES Timber, LLC	Hold land for future project use
Tri-State Improvement Company	Acquiring and holding property in Ohio, Kentucky, and Indiana for substations, electric and gas rights of way, office space, and other uses in connection with the utility business of Duke Energy Ohio, Inc., and its utility subsidiaries. O'Neill, Teri 3/10/2004 3:53:24 PM
Tsavo Power Company Limited	Power plant at the Port of Mombasa, Kenya's main seaport. The facility sells power to Kenya Power and Lighting Corporation through a Purchased Power Agreement.
TX Solar I LLC	Special purpose company devoted to developing, constructing, owning, operating and selling the electricity and associated renewable energy credits from its 14 megawatt (AC) solar electric generating facility in San Antonio, TX (currently under construction).
Unidad de Transacciones, S.A. de C.V.	Administrates the wholesale electricity market in El Salvador, operate the transmission system, maintain safety, quality and security of the entire system, coordinate the dispatch of energy from generating plants and provide market participants timely information and services for the development of their activities.
Washington White Post Solar, LLC	Own, develop, construct, operate and maintain up to a 25 MWDC solar photovoltaic power project known as the Washington Solar Farm located in Beaufort County, NC
Wateree Power Company	The purpose of this entity is to generate, transmit, and distribute electric power and preserve property rights.
Western Carolina Power Company	The purpose of this entity is to generate, transmit, and distribute electric power and preserve property rights.
White Sands Solar, LLC	Project company will hold solar assets for tax credit purposes
Willow Creek Wind Energy LLC	Developing windpower project in Colorado
Wilrik Hotel Apartments LLC	Real Estate Development
WNC Institutional Tax Credit Fund, L.P.	Real Estate Investments
Zephyr Power Transmission LLC	Joint Venture company formed to engage in developing, constructing, owning,transmission lines

Exhibit C

A copy of each service agreement existing on the effective date of KRS 278.2201 through 278.2219 and remaining in effect shall be filed as an attachment to the annual report required by this subsection. After the initial filing, an affected utility shall file only new or amended service agreements with the annual report.

Intercompany Asset Transfer Agreement made and entered into as of July 2, 2012.

Operating Companies Service Agreement dated July 2, 2012.

Service Company Utility Service Agreement dated July 2, 2012.

Agreement for Filing Consolidated Income Tax Returns and for Allocation of Consolidated Income Tax Liabilities and Benefits dated July 2, 2012.

Utility Money Pool Agreement made and entered into as of July 3, 2012.

INTERCOMPANY ASSET TRANSFER AGREEMENT

This *Intercompany Asset Transfer Agreement* (this "Agreement") is made and entered into as of July 2, 2012 (the "Effective Date") by and among Duke Energy Carolinas, LLC, a North Carolina limited liability company ("DE Carolinas"), Duke Energy Ohio, Inc., an Ohio corporation ("DE Ohio"), Duke Energy Indiana, Inc., an Indiana corporation ("DE Indiana"), Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc., a North Carolina corporation ("PE-Carolinas"), Florida Power Corporation d/b/a Progress Energy Florida, Inc., a Florida corporation, and Duke Energy Kentucky, Inc., a Kentucky corporation ("DE Kentucky") (collectively the "Operating Companies" and, individually, an "Operating Company"). This Agreement supersedes and replaces in its entirety the Intercompany Asset Transfer Agreement dated December 22, 2008.

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 DE Ohio and DE Kentucky, 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 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) DE Carolinas and PE Carolinas shall not transfer any Asset hereunder in contravention of S.C. Code Ann. § 58-27-1300; (iii) DE Kentucky shall not transfer any Asset hereunder in contravention of KRS 278.218; (iv) DE Carolinas and PE Carolinas shall not transact with DE Ohio's generation operation under this Agreement and shall not transact with DE Kentucky or DE Indiana for purposes of circumventing or avoiding this prohibition; and (v) DE Carolinas and PE Carolinas shall not transfer or take receipt of any transmission transformers

or other equipment under this Agreement 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, 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 at Cost; provided however that any transfers of electric generation-related Assets between DE Ohio, on the one hand, and DE Indiana, or DE Kentucky on the other hand, will be priced in accordance with Federal Energy Regulatory Commission's ("FERC") affiliate transaction pricing requirements. Accordingly, generation-related Assets transferred from DE Indiana or DE Kentucky to DE Ohio shall be priced at the greater of Cost or market, and generation-related Assets transferred from DE Ohio to DE Indiana or DE Kentucky 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, 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 DE Carolinas Conditions and PE Carolinas. In addition to the terms and conditions set forth herein, with respect to DE Carolinas and PE Carolinas, 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, DE Carolinas' and PE Carolinas' 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-7, Sub 986 and E-2, Sub 998 ("Merger Order"), as such Regulatory Conditions and Code of Conduct may be amended from time to time. In accordance with Regulatory Condition 9 as approved in the Merger Order, nothing in this Agreement shall be construed or interpreted so as to commit DE Carolinas or PE Carolinas, or to involve DE Carolinas or PE Carolinas 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 DE Carolinas' or PE Carolinas' 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 DE Indiana Conditions. DE Indiana 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 DE Ohio's wholesale power marketing function, and (ii) it will process all requests for Assets from DE Ohio'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 its behalf by an appropriate officer thereunto duly authorized.

Duke Energy Carolinas, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

Duke Energy Indiana, Inc.

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

Duke Energy Ohio, Inc.

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

Duke Energy Kentucky, Inc.

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

Carolina Power & Light Company d/b/a Progress
Energy Carolinas, Inc.

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

Florida Power Corporation d/b/a Progress Energy
Florida, Inc.

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

EXHIBIT A

DE CAROLINAS and PE CAROLINAS CONDITIONS

In connection with the North Carolina Utilities Commission ("NCUC") approval of the Merger in NCUC Docket No. E-7, Sub 986 and Docket No. E-2, Sub 998, the NCUC imposed certain Regulatory Conditions ("Regulatory Conditions") and adopted a revised Code of Conduct governing transactions between DE Carolinas and its affiliates ("Code of Conduct"). Pursuant to the Regulatory Conditions and Code of Conduct, the following provisions are applicable to DE Carolinas and PE Carolinas and considered to be incorporated into the Intercompany Asset Transfer Agreement:

(1) DE Carolinas' and PE Carolinas' participation in this Agreement is voluntary. Neither DE Carolinas or PE Carolinas is obligated to take or provide services or make any purchases or sales pursuant to this Agreement, and DE Carolinas or PE Carolinas may elect to discontinue its participation in this Agreement at its election after giving notice under Section 4.2 of the Agreement.

(2) Neither DE Carolinas nor PE Carolinas may 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.

(3) Neither DE Carolinas nor PE Carolinas may not seek to reflect in rates any (i) costs incurred under this Agreement exceeding the amount allowed by the NCUC or (ii) revenue level earned under this Agreement less than the amount imputed by the NCUC; and

(4) DE Carolinas and PE Carolinas will not assert in any forum 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 preempted and will bear the full risk of any preemptive effects of federal law with respect to this Agreement.

(5) DE Carolinas and PE Carolinas shall retain appropriate documentation verifying compliance with the terms hereof for Public Staff and NCUC review.

(6) DE Carolinas and PE Carolinas shall submit to the NCUC for approval any changes in the terms and conditions of this Agreement having or likely to have a material effect on DE Carolinas or PE Carolinas.

(7) DE Carolinas and PE Carolinas acknowledge and agree that for ratemaking purposes, NCUC approval of DE Carolinas' and PE Carolinas' participation in this Agreement does not constitute approval of the amount of compensation paid with respect to transactions pursuant to the Agreement, and that the authority granted by the NCUC is without prejudice to the right of any party to take issue with any provision of the Agreement or with any transaction pursuant thereto in a future proceeding.

OPERATING COMPANIES SERVICE AGREEMENT

This Operating Companies Service Agreement (this "Agreement"), dated July 2, 2012 (the "Effective Date"), by and among Duke Energy Carolinas, LLC, a North Carolina limited liability company ("DE-Carolinas"), Duke Energy Ohio, Inc., an Ohio corporation ("DE-Ohio"), Duke Energy Indiana, Inc., an Indiana corporation ("DE-Indiana"), Duke Energy Kentucky, Inc., a Kentucky corporation ("DE-Kentucky"), Miami Power Corporation, an Indiana corporation ("Miami"), Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. ("PE-Carolinas"), a North Carolina corporation, and Florida Power Corporation d/b/a Progress Energy Florida, Inc., a Florida corporation ("PE-Florida"). DE-Carolinas, DE-Ohio, DE-Indiana, DE-Kentucky, Miami, PE-Carolinas and PE-Florida are referred to collectively as the "Operating Companies" and, individually, an "Operating Company" supersedes and replaces in its entirety the Operating Company Service Agreement dated May 18, 2010.

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 DE Carolinas and PE Carolinas 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.

(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; provided, however, that with respect to Services relating to wholesale merchant or electric generation functions, applicable only to the non-regulated generating assets owned by DE Ohio and only during its ownership of said assets, such Services provided by DE Carolinas, PE Carolinas, PE Florida, DE Indiana, or DE Kentucky to DE Ohio shall be priced at the greater of Cost or market, and such Services provided by the non-regulated generating assets owned by DE Ohio and only during its ownership of said assets to DE Carolinas, PE Carolinas, PE Florida DE Indiana, or DE Kentucky shall be priced at no more than market. Any other Services provided by DE Carolinas, PE Carolinas PE Florida, DE Indiana or DE Kentucky to regulated DE Ohio or by regulated DE Ohio to DE Carolinas, PE Carolinas, PE Florida, DE Indiana, or DE Kentucky shall be provided at Cost. "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 DE-Carolinas and PE-Carolinas in accordance with DE-Carolinas' and PE-Carolinas' North Carolina Code of Conduct at anything other than fully embedded cost as described above, then prior to entering into the transaction, DE-Indiana, DE-Kentucky, PE Florida or DE-Ohio, 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 DE-Indiana, DE-Kentucky PE-Florida or DE-Ohio, 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 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) 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 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 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, 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 5.8 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 DE-Carolinas and PE-Carolinas Conditions. In addition to the terms and conditions set forth herein, with respect to DE-Carolinas and PE-Carolinas, 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, DE-Carolinas' and PE-Carolinas' 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-7, Sub 986 and E-2, Sub 998, 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 its behalf by an appropriate officer thereunto duly authorized.

Duke Energy Carolinas, LLC

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

Duke Energy Ohio, Inc.

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

Duke Energy Indiana, Inc.

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

Duke Energy Kentucky, Inc.

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

Miami Power Corporation

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

Carolina Power & Light Company d/b/a Progress
Energy Carolinas, Inc.

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

Florida Power Corporation d/b/a Progress Energy
Florida, Inc.

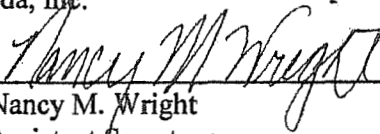
By: 
Nancy M. Wright
Assistant Secretary

Exhibit A



Folder Name: efr148v1-000142
Status: New

Service Request for Affiliates

* Red Asterisk Indicates required fields

Service Provider

* Service Provider Select
* Legal Approval Representative Select

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)

* Scheduled Start Date

* Scheduled Complete Date

Client Company

* Client Company Select

Accounting Codes (FMIS/BDMS) of the Client Company Receiving the Service

*** Process/Work Code(s) OR Project & Activities (FMIS only) OR GL Account must be entered

n/a / Corp. Number <input type="text"/>	* Operating Unit / Line of Business <input type="text"/>	* Resp. Center / Center <input type="text"/>	* Process / Work Code(s) <input type="text"/>
* Project <input type="text"/>	* Activity <input type="text"/>	* GL Account <input type="text"/>	

Confirmation of Service Provider Utility Responsibilities by Service Provider Approver

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

Miscellaneous Comments

Comments

Comments Log

Exhibit A

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 Company	<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	Pshutski, Michael J	Created on	3/9/2008 11:09:03 AM
* Phone	(513) 419-1803		
Last Modified by	<input type="text"/>	Last Modified	<input type="text"/>

Exhibit B

DE-CAROLINAS AND PE-CAROLINAS CONDITIONS

1. In connection with the North Carolina Utilities Commission (“NCUC”) approval of the Merger in NCUC Docket No. E-7, Sub 986, and E-2, Sub 998, the NCUC adopted certain Regulatory Conditions (“Regulatory Conditions”) and a revised Code of Conduct governing transactions between DE-Carolinas, PE-Carolinas and their affiliates (“Code of Conduct”). Pursuant to the Regulatory Conditions and Code of Conduct, the following provisions are applicable to DE-Carolinas and PE-Carolinas:

(a) DE-Carolinas’s and PE-Carolinas’ participation in this Agreement is voluntary. Neither DE-Carolinas nor PE-Carolinas is obligated to take or provide services or make any purchases or sales pursuant to this Agreement, and DE-Carolinas and PE-Carolinas may elect to discontinue its participation in this Agreement at its election after giving notice under Section 6.2 of the Agreement.

(b) Neither DE-Carolinas nor PE-Carolinas 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) Neither DE-Carolinas nor PE-Carolinas may seek to reflect in rates any (i) costs incurred under this Agreement exceeding the amount allowed by the NCUC or (ii) revenue level earned under this Agreement less than the amount imputed by the NCUC; and

(d) Except to the extent that requesting FERC review and authorization pursuant to 1275(b) of Subtitle F in Title XII of PUHCA 2005, as provided in Regulatory Condition 21, may be determined to have preemptive effect under the law, neither DE-Carolinas nor PE-Carolinas will assert in any forum – whether judicial, etc. or support any other entity’s assertions, etc. - that the NCUC’s authority to assign, allocate, impute, make pro-forma adjustments to or disallow revenues and costs for retail ratemaking and regulatory accounting and reporting purposes is preempted and will bear the full risk of any preemptive effects of federal law with respect to this Agreement.

2. Transfers by DE-Carolinas or PE-Carolinas. With respect to the transfer by DE-Carolinas or PE-Carolinas under this Agreement of the control of, operational responsibility for, or ownership of any DE-Carolinas or PE-Carolinas 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 DE-Carolinas nor PE-Carolinas 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 DE-Carolinas nor PE-Carolinas may not 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 DE-Carolinas or PE-Carolinas Information. Any Operating Company providing Services to DE-Carolinas or PE-Carolinas pursuant to this Agreement, including any loaned employees under Section 1.2 of the Agreement, shall be permitted to have access to DE-Carolinas and PE-Carolinas 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.

4. Procedure for Services Provided By DE Carolinas to PE Carolinas and PE Carolinas to DE Carolinas. DE Carolinas and PE Carolinas shall provide to each other, 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 North Carolina Utilities Commission, at such times, for such periods and in such manner as DE Carolinas or PE Carolinas may from time to time request of each other and which DE Carolinas or PE Carolinas concludes it is equipped to perform for each other. DE Carolinas and PE Carolinas 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.

CERTIFICATE OF SERVICE

I certify that a copy of Duke Energy Carolinas, LLC's Revised, Proposed Operating Companies Service Agreement in Docket No. E-7, Sub 986A and Docket No. E-2, Sub 998A, has been served by electronic mail (e-mail), hand delivery or by depositing a copy in the United States Mail, first class postage prepaid, properly addressed to parties of record.

This the 21st day of June, 2012.

Kendrick, C. Fentress
Associate General Counsel
Duke Energy Carolinas, LLC
3700 Glenwood Ave, Suite 330
Raleigh, NC 27612
Kendrick.fentress@duke-energy.com
919.784.8454

SERVICE COMPANY UTILITY SERVICE AGREEMENT

This Service Company Utility Service Agreement (this "Agreement"), dated July 2, 2012 (the "Effective Date") is by and among Duke Energy Carolinas, LLC ("DE-Carolinas"), a North Carolina limited liability company, Duke Energy Ohio, Inc., an Ohio corporation ("DE-Ohio"), Duke Energy Indiana, Inc., an Indiana corporation ("DE-Indiana"), Duke Energy Kentucky, Inc., a Kentucky corporation ("DE-Kentucky"), Miami Power Corporation, an Indiana corporation ("Miami"), Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc., a North Carolina corporation ("PE-Carolinas"), Florida Power Corporation d/b/a Progress Energy Florida, Inc., a Florida corporation ("PE-Florida"), Progress Energy Service Company, LLC, a North Carolina limited liability company ("PESC"), and Duke Energy Business Services LLC, a Delaware limited liability company ("DEBS"), (DEBS and PESC are sometimes hereinafter referred to individually as a "Service Company" and collectively as the "Service Companies") (DE-Carolinas, DE-Ohio, DE-Indiana, DE-Kentucky, PE-Carolinas, PE-Florida, and Miami are sometimes hereinafter referred to individually as a "Client Company" and collectively as the "Client Companies"). This Agreement supersedes and replaces in its entirety the Second Amended and Restated Utility Service Agreement dated September 1, 2008.

WITNESSETH

WHEREAS, each of the Client Companies and each of the Service Companies is a subsidiary of Duke Energy Corporation;

WHEREAS, the Service Companies and the Client Companies have entered into this Agreement whereby the Service Companies 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 Companies 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 Companies 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 Companies 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 Companies 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 Companies 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 Companies 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 Companies 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 Companies shall promptly advise the Client Companies and the North Carolina Utilities Commission ("NCUC"), the Public Service Commission of South Carolina ("PSCSC"), the Indiana Utility Regulatory Commission ("IURC"), The Public Utilities Commission of Ohio ("PUCO"), the Kentucky Public Service Commission ("KPSC;" and together with the NCUC, the PSCSC, the IURC and the PUCO, the "Affected State Commissions") from time to time of any material changes in such method of assignment, distribution or allocation. Such notice shall be in compliance with the requirements of applicable state law, regulations and regulatory conditions.

Section 2.3 The Service Companies 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 each Service Company all charges billed to it. For avoidance of doubt, the Service Companies 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 Companies 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 Companies 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 Companies shall utilize the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission.

Section 4.2 The Service Companies 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 DE-Carolinas and PE Carolinas Conditions. In addition to the terms and conditions set forth herein, with respect to DE-Carolinas and PE Carolinas, the provisions set out in Appendix B are hereby incorporated herein by reference. In addition, DE-Carolinas' and PE-Carolinas' 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 No. E-7, Sub 986 and Docket No. E-2, Sub 998. 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 the date and year first above written.

DUKE ENERGY BUSINESS SERVICES LLC

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

DUKE ENERGY CAROLINAS, LLC.

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

DUKE ENERGY OHIO, INC.

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

DUKE ENERGY INDIANA, INC.

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

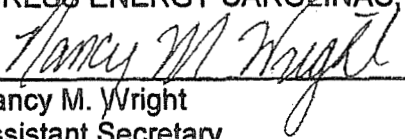
DUKE ENERGY KENTUCKY, INC.

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

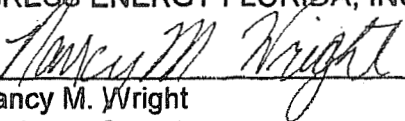
MIAMI POWER CORPORATION

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

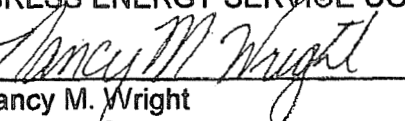
CAROLINA POWER & LIGHT COMPANY d/b/a
PROGRESS ENERGY CAROLINAS, INC.

By: 
Nancy M. Wright
Assistant Secretary

FLORIDA POWER CORPORATION d/b/a
PROGRESS ENERGY FLORIDA, INC.

By: 
Nancy M. Wright
Assistant Secretary

PROGRESS ENERGY SERVICE COMPANY, LLC

By: 
Nancy M. Wright
Assistant Secretary

APPENDIX A

Description of Services and Determination of Charges for Services

I. The Service Companies 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.

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. Number of Central Processing Unit Seconds Ratio

A ratio, based on the sum of the applicable number of central processing unit seconds expended 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 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 Companies, 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 Central Processing Unit Seconds Ratio, or allocated among the Client Companies on a weighted average of the Gross Margin Ratio, the Labor Dollar Ratio and the PP&E Ratio as appropriate.
- (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 a weighted average of the Gross Margin Ratio, the Labor Dollar Ratio and the PP&E 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 Sales 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. Materials Management

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

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

APPENDIX B

DE-CAROLINAS CONDITIONS

1. In connection with the NCUC approval the Merger in NCUC Docket No. E-7, Sub 986 and Docket No. E-2, Sub 998, the NCUC adopted certain Regulatory Conditions and a revised Code of Conduct governing transactions between DE-Carolinas, PE-Carolinas and their affiliates. Pursuant to the Regulatory Conditions, the following provisions are applicable to DE-Carolinas and PE Carolinas:

(a) DE-Carolinas' and PE-Carolinas' participation in this Agreement is voluntary. Neither DE-Carolinas nor PE-Carolinas is obligated to take or provide services or make any purchases or sales pursuant to this Agreement, and DE-Carolinas or PE-Carolinas may elect to discontinue its participation in this Agreement at its election after giving notice under Section 3.1 of the Agreement.

(b) Neither DE-Carolinas nor PE-Carolinas may 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) Neither DE-Carolinas nor PE-Carolinas may seek to reflect in rates any (i) costs incurred under this Agreement exceeding the amount allowed by the NCUC or (ii) revenue level earned under this Agreement less than the amount imputed by the NCUC; and

(d) Except to the extent that requesting FERC review and authorization pursuant to Section 1275(b) of Subtitle F in Title XII of PUHCA 2005, as provided in Regulatory Condition No. 21; may be determined to have preemptive effect under the law, DE-Carolinas nor PE-Carolinas will assert in any forum 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 preempted and will bear the full risk of any preemptive effects of federal law with respect to this Agreement.

2. With respect to the transfer by DE-Carolinas or PE-Carolinas under this Agreement of the control of, operational responsibility for, or ownership of any DE-Carolinas or PE-Carolinas 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 (\$10 million), the following shall apply:

(a) Neither DE-Carolinas nor PE-Carolinas may not 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 DE-Carolinas nor PE-Carolinas may not 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.

DUKE ENERGY CORPORATION AND CONSENTING MEMBERS OF ITS
CONSOLIDATED GROUP

AGREEMENT FOR FILING CONSOLIDATED
INCOME TAX RETURNS AND FOR
ALLOCATION OF CONSOLIDATED INCOME
TAX LIABILITIES AND BENEFITS

Duke Energy Corporation, a Delaware corporation ("Duke Energy"), and its Members hereby agree as of July 2, 2012 to join annually in the filing of a consolidated Federal income tax return and to allocate the consolidated Federal income tax liabilities and benefits among the Members of the Consolidated Group in accordance with the provisions of this Agreement ("Agreement"). This Agreement supersedes and replaces in its entirety the Agreement for Filing Consolidated Income Tax Returns and for Allocation of Consolidated Income and Tax Liabilities and Benefits dated October 1, 2008.

1. DEFINITIONS

"Affiliate" means a corporation, or a company that is treated as a corporation or a company wholly owned by an entity treated as a corporation that is disregarded for purposes of U.S. federal income taxation, other than the common parent which is a Member of the Affiliated Group.

"Affiliated Group" means a group of corporations, or companies that are treated as corporations or disregarded for purposes of U.S. federal income taxation, as defined in Internal Revenue Code ("IRC") section 1504 and the regulations enacted thereunder,

"Consolidated Group" means a group filing (or required to file) consolidated returns for the tax year.

"Consolidated tax" is the aggregate current Federal income tax liability for the Consolidated Group for a tax year shown on the consolidated Federal income tax return, including any adjustments thereto, or as described in section 5 hereof.

"Corporate taxable income" is the positive taxable income of an Affiliate for a tax year, computed as though such company had filed a separate return on the same basis as used in the consolidated return, except that dividend income from Affiliates shall be disregarded, and other intercompany transactions, eliminated in consolidation, shall be given appropriate effect.

"Corporate taxable loss" is the taxable loss of an Affiliate for a tax year, computed as though such entity had filed a Separate return on the same basis as used in the consolidated return, except that dividend income from

Affiliates shall be disregarded, and other intercompany transactions, eliminated in consolidation, shall be given appropriate effect.

"Corporate tax credit" is a negative separate regular tax of an Affiliate for a tax year, equal to the amount by which the consolidated regular tax is reduced by including the Corporate taxable loss of such Affiliate in the consolidated tax return.

"Environmental Tax" The Superfund Amendments and Reauthorization Act of 1986 imposed a new Environmental Tax. The tax was imposed only for the years beginning after December 31, 1986 and before January 1, 1996. The environmental tax was equal to 0.12 percent (\$12 of tax per \$10,000 of alternative minimum taxable income ("AMTI")) of the excess of AMTI over \$2,000,000 and was imposed whether or not the taxpayer was subject to the alternative minimum tax. The Environmental Tax is included in this Agreement for the purposes of any refund on liability with respect to those years when it was in effect.

"Group" means a group of Affiliates as defined in IRC section 1504.

"Separate return" is the tax liability calculated on the taxable income or loss of an Affiliate as though such entity were not a Member of a Consolidated Group.

"Member" is an Affiliate, including a Regulated Business as indicated in section 3 herein, which is part of the Affiliated Group as defined in IRC section 1504 that files consolidated tax returns and agrees to be subject to this Agreement.

These definitions shall apply, as appropriate, in the context of the regular income tax and the Alternative Minimum Tax ("AMT") unless otherwise indicated in the Agreement.

2. FILING OF RETURNS

A U.S. consolidated federal income tax return shall be filed by Duke Energy as the common parent for the tax year ended December 31, 2008, and for each subsequent taxable period for which the Affiliated Group is required or permitted to do so. Each Member of the Affiliated Group consents to the filing by Duke Energy of consolidated federal income tax returns for all taxable periods in which it is eligible to be a member of the Affiliated Group. Duke Energy and each Member of the Affiliated Group agrees to execute and file such consents, elections and other documents, and to take such other action as may be necessary, required or appropriate for the proper filing of such returns. Duke Energy will timely pay the Affiliated Group's federal income tax liability for each taxable year.

3. REGULATED BUSINESSES OPERATING IN LLC OR LP FORM

For purposes of allocating the consolidated federal and state tax liabilities and tax benefits under this Agreement, each business operating as a LLC, or LP that is subject to the rules and regulations of the Federal Energy Regulatory Commission or state utilities commissions (hereinafter, a "Regulated Business") shall be considered a Member of the Consolidated Group, and shall be responsible for tax due on its allocable share of taxable income (or shall be entitled to a credit for its allocable share of tax loss), as set forth in Sections 4 through 7 hereof. For purposes of this Agreement, the determination of a Regulated Business's allocable share shall be made (i) as if such Regulated Business was a taxable or regarded entity for U.S. federal income tax purposes and (ii) utilizing the separate "taxable income" method.

4. ALLOCATION PROCEDURES FOR CONSOLIDATED FEDERAL INCOME TAXES

For all taxable periods, Duke Energy shall calculate the consolidated federal income tax liability (including, if applicable, alternative minimum tax liability) of the Affiliated Group for the period. The Members agree that their respective shares of the Consolidated tax liability for each year shall be an amount equal to the amount determined under the income method in accordance with IRC 1552(a)(2)¹, with the absorption of tax benefits determined under the percentage method in accordance with Treas. Reg. section 1.1502-33(d)(3)², using 100% as the applicable percentage for allocation of any excess of a member's Separate return liability over that determined under the income method. To the extent that the Consolidated Group federal income tax liability is reduced by a loss or tax credit available to it as a result of the inclusion of a Member in the consolidated federal income tax return, Duke Energy shall make a payment or an inter-company account adjustment for the amount of the benefit to the Member as determined in accordance with this section.

To illustrate the above, the Consolidated tax liability shall be allocated among the Members of the Group utilizing the separate return "taxable income" allocation method attributable to each Member, in the following manner:

- a) Each Member, which has a Corporate taxable loss, will be entitled to a Corporate payment or intercompany credit equal to the amount by which the consolidated regular income tax is reduced by including the corporate tax loss of such Member in the consolidated tax return.

¹ Under IRC 1551(a)(2), tax liability is allocated to the several members of the group on the basis of the percentage of the total tax which the tax of such member if computed on a separate return would bear to the total amount of the taxes for all members of the group so computed.

² The percentage method under this regulation "allocates tax liability based on the absorption of tax attributes, without taking into account the ability of any member to subsequently absorb its own tax attributes. The allocation under this method is in addition to the allocation under section 1552."

The Members having corporate taxable income will be allocated an amount of regular income tax liability equal to the sum of the consolidated regular tax liability and the Corporate tax credits allocated to the Members having corporate tax losses based on the ratio that each such Member's Corporate taxable income bears to the total corporate taxable income of all Members having Corporate taxable income.

If the aggregate of the Members' Corporate taxable losses are not entirely utilized on the current year's consolidated return, the consolidated carryback or carryforward of such losses to the applicable taxable year(s) will be allocated to each Member having a Corporate taxable loss in the ratio that such Member's separate Corporate tax loss bears to the total corporate tax losses of all Members having Corporate taxable losses.

- b) The consolidated Environmental Tax will be allocated among the Members of the Group by applying the procedures set forth in subsection a) above, except that the basis for allocation will be Alternative Minimum Taxable Income ("AMTI") rather than regular corporate taxable income.
- c) The consolidated AMT will be allocated among the Members in accordance with the procedures and principles set forth in Proposed Treasury Regulation section 1.1502-55 in the form such Regulation existed on the date on which this Agreement was executed.
- d) Tax benefits such as general business credits, foreign tax benefits, or other tax credits shall be apportioned directly to those Members whose investments or contributions generated the credit or benefit.

If the credit or benefit cannot be entirely utilized to offset current Consolidated tax, the consolidated credit carryback or carryforward shall be apportioned to those Members whose investments or contributions generated the credit or benefit in proportion to the relative amounts of credits or benefits generated by each Member.

- e) If the amount of Consolidated tax allocated to any Member under this Agreement, as determined above, exceeds the separate return tax of such Member, such excess shall be reallocated among those Members whose allocated tax liability is less than the amount of their respective separate return tax liabilities. The reallocation shall be proportionate to the respective reductions in separate return tax liability of such Members. Any remaining unallocated tax liability shall be assigned to Duke Energy. The term "tax" and "tax liability" used in the subsection shall include regular tax, Environmental Tax and AMT.

5. TAX PAYMENTS AND COLLECTIONS FOR ALLOCATIONS

Duke Energy shall make any calculations on behalf of the Members necessary to comply with the estimated tax provisions of the Internal Revenue Code of 1986 as amended (the "Code"). Based on such calculations, Duke Energy shall charge or refund to the Members appropriate amounts at intervals consistent with the dates indicated by Code section 6655. Duke Energy shall be responsible for paying to the Internal Revenue Service the consolidated current Federal income tax liability.

After filing the consolidated Federal income tax return and allocating the Consolidated tax liability among the Members, Duke Energy and the Members agree to settle between them the difference, if any, between the allocable federal income tax liability as determined under this Agreement and the sum of all payments or inter-company adjustments previously made relating to that tax year no later than ninety (90) days after the filing of the consolidated Federal income tax return.

6. ALLOCATION OF STATE TAX LIABILITIES OR BENEFITS

State and local income tax liabilities will be allocated, where appropriate, among Members in accordance with principles similar to those employed in the Agreement for the allocation of consolidated Federal income tax liability.

7. TAX RETURN ADJUSTMENTS

In the event the consolidated tax return is subsequently adjusted by the Internal Revenue Service, state tax authorities, amended returns, claims for refund, or otherwise, such adjustments shall be reflected in the same manner as though they had formed part of the original consolidated return. Interest paid or received, and penalties imposed on account of any adjustment will be allocated to the responsible Member.

8. NEW MEMBERS

If, at any time, a corporation becomes a Member of the affiliated group, the parties hereto agree that such new Member shall become a party to this Agreement by executing a duplicate copy of this Agreement. Unless otherwise specified, such new Member shall have similar rights and obligations of all other Members under this Agreement, effective as of the day they become a member of the Affiliated Group that elects to file a consolidated return.

9. MEMBERS LEAVING THE AFFILIATED GROUP

In the event that any Member of the Affiliated Group at any time leaves the

Group and, under any applicable statutory provision or regulation, that Member is assigned and is deemed to take with it all or a portion of any of the tax attributes (including, but not limited to, net operating losses, credit carryforwards, and Minimum Tax Credit carryforwards) of the Affiliated Group, then, to the extent the amount of the attributes so assigned differs from the amount of such attributes previously allocated to such Member under this Agreement, the leaving Member shall appropriately settle with the Group. Such settlement shall consist of payment on a dollar-for-dollar basis for all differences in credits and, in the case of net operating loss differences, in an amount computed by reference to the highest marginal corporate tax rate. The settlement amounts shall be allocated among the remaining Members of the Group in proportion to the relative level of attributes possessed by each Member and the attributes of each Member shall be adjusted accordingly.

10. SUCCESSORS, ASSIGNS

The provisions and terms of the Agreement shall be binding on and inure to the benefit of any successor or assignee by reason of merger, acquisition of assets, or otherwise, of any of the Members hereto.

11. AMENDMENTS AND TERMINATION

This Agreement may be amended at any time by the written agreement of the parties hereto at the date of such amendment and may be terminated at any time by the written consent of all such parties.

12. GOVERNING LAW

This Agreement is made under the law of the State of Delaware, which law shall be controlling in all matters relating to the interpretation, construction, or enforcement hereof.

13. EFFECTIVE DATE

This Agreement is effective for the allocation of the current Federal income tax liabilities of the Members for the consolidated tax year 201_ and all subsequent years until this Agreement is revised in writing.

The above procedure for apportioning the consolidated annual net current federal and state tax liabilities and tax benefits of Duke Energy and consenting Members of its Consolidated Group have been agreed to by each of the below listed Members of the Consolidated Group as evidenced by the signature of an officer of each entity.

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 CORPORATION.

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

CINERGY CORP.

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

DUKE ENERGY BUSINESS SERVICES LLC

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

DUKE ENERGY OHIO, INC.

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

DUKE ENERGY INDIANA, INC.

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

SOUTH CONSTRUCTION COMPANY, INC.

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

DUKE ENERGY KENTUCKY, INC.

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

DUKE ENERGY CAROLINAS, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

MIAMI POWER CORPORATION

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

TRI-STATE IMPROVEMENT COMPANY

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

KO TRANSMISSION COMPANY

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

CINERGY INVESTMENTS, INC.

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

CINERGY TECHNOLOGY, INC.

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

DUKE ENERGY COMMERCIAL ENTERPRISES, INC.

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

CINERGY GLOBAL POWER, INC.

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

CINERGY GLOBAL RESOURCES, INC.

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

DUKE ENERGY COMMERCIAL ASSET MANAGEMENT, INC.

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

DUKE TECHNOLOGIES, INC.

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

DUKE ENERGY RETAIL SALES, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

DE NUCLEAR ENGINEERING, INC.

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

DETM I MANAGEMENT, INC.

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

DUKE ENERGY MARKETING AMERICA, LLC

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

DUKE ENERGY REGISTRATION SERVICES, INC.

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

DUKE ENERGY SERVICES, INC.

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

DUKE VENTURES, LLC

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

DUKENET VENTURECO, INC.

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

EASTOVER MINING COMPANY

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

DUKE ENERGY CHINA CORP.

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

Duke Energy Corporate Services, Inc.

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

Progress Energy, Inc.

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

Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc.

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

Florida Power Corporation d/b/a Progress Energy Florida, Inc.

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

CaroFund, Inc.
(by its parent, Carolina Power & Light Company)

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

Capitan Corporation
(by its parent, Carolina Power & Light Company)

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

Progress Energy EnviroTree, Inc.
(by its parent, Carolina Power & Light Company)

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

Strategic Resource Solutions Corp.
(by its parent company Progress Energy, Inc.)

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

Progress Ventures Holdings, Inc.
(by its parent, Progress Energy, Inc.)

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

Progress Ventures, Inc.
(by its parent, Progress Energy, Inc.)

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

Florida Progress Corporation

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

Florida Progress Funding Corporation

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

Progress Capital Holdings, Inc.

(by its parent, Florida Progress Corporation)

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

PIH, Inc.

(by its parent, Progress Capital Holdings, Inc.)

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

PIH Tax Credit Fund III, Inc.

(by its parent, Progress Capital Holdings, Inc.)

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

PIH Tax Credit Fund IV, Inc.

(by its parent, Progress Capital Holdings, Inc.)

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

PIH Tax Credit Fund V, Inc.

(by its parent, Progress Capital Holdings, Inc.)

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

Progress Telecommunications Corporation
(by its parent, Progress Capital Holdings, Inc.)

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

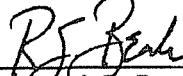
Progress Fuels Corporation

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

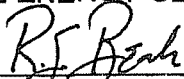
Progress Synfuel Holdings, Inc.
(by its parent, Progress Fuel Corporation)

By: Nancy M Wright
Nancy M. Wright
Assistant Secretary

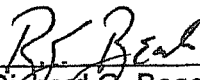
DUKE COMMUNICATIONS HOLDINGS, INC.

By: 
Richard G. Beach
Assistant Secretary

DUKE ENERGY GENERATION SERVICES HOLDING COMPANY, INC.

By: 
Richard G. Beach
Assistant Secretary

DUKE-CADENCE, INC.

By: 
Richard G. Beach
Assistant Secretary

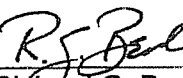
CINERGY-CENTRUS COMMUNICATIONS, INC.

By: 
Richard G. Beach
Assistant Secretary

CINERGY-CENTRUS, INC.

By: 
Richard G. Beach
Assistant Secretary

CINERGY GLOBAL HOLDINGS, INC.

By: 
Richard G. Beach
Secretary

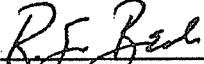
DEGS OF TUSCOLA, INC

By: 
Richard G. Beach
Assistant Secretary

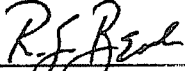
DUKE ENERGY ONE, INC.

By: 
Richard G. Beach
Assistant Secretary


DUKE-RELIANT RESOURCES, INC.

By: 
Richard G. Beach
Assistant Secretary

DUKE ENERGY GENERATION SERVICES, INC.

By: 
Richard G. Beach
Assistant Secretary

CINERGY WHOLESale ENERGY, INC.

By: 
Richard G. Beach
Assistant Secretary

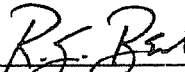
CINERGY CLIMATE CHANGE INVESTMENTS, LLC

By: 
Richard G. Beach
Assistant Secretary


CINERGY SOLUTIONS - UTILITY, INC.

By: 
Richard G. Beach
Assistant Secretary


CALDWELL POWER COMPANY

By: 
Richard G. Beach
Assistant Secretary

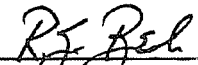
CATAWBA MANUFACTURING AND ELECTRIC POWER COMPANY

By: 
Richard G. Beach
Assistant Secretary


CLAIBORNE ENERGY SERVICES, INC.

By: 
Richard G. Beach
Assistant Secretary

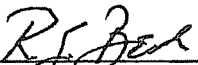
DIXILYN-FIELD DRILLING COMPANY

By: 
Richard G. Beach
Assistant Secretary

DUKE ENERGY MARKETING CORP.

By: 
Richard G. Beach
Assistant Secretary


EASTOVER LAND COMPANY

By: 
Richard G. Beach
Assistant Secretary


ENERGY PIPELINES INTERNATIONAL COMPANY

By: 
Richard G. Beach
Assistant Secretary


GREENVILLE GAS AND ELECTRIC LIGHT AND POWER COMPANY

By: 
Richard G. Beach
Assistant Secretary

SOUTHERN POWER COMPANY

By: 
Richard G. Beach
Assistant Secretary

WESTERN CAROLINA POWER COMPANY

By: 
Richard G. Beach
Assistant Secretary

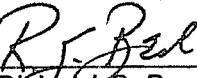
WATEREE POWER COMPANY

By: 
Richard G. Beach
Assistant Secretary

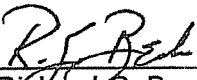
DUKE ENERGY TRANSMISSION HOLDING COMPANY, LLC

By: 
Richard G. Beach
Assistant Secretary

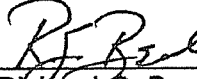
Catamount Energy Corporation

By: 
Richard G. Beach
Assistant Secretary

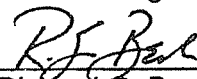
Catamount Rumford Corporation

By: 
Richard G. Beach
Assistant Secretary


Catamount Sweetwater Corporation

By: 
Richard G. Beach
Assistant Secretary


CEC UK1 Holding Corp.

By: 
Richard G. Beach
Assistant Secretary

CEC UK2 Holding Corp.

By: 
Richard G. Beach
Assistant Secretary

Equinox Vermont Corporation

By: 
Richard G. Beach
Assistant Secretary

DUKE ENERGY GROUP HOLDINGS, LLC

By: 
Donna T. Council
Assistant Treasurer

DUKE PROJECT SERVICES, INC.

By: 
Donna T. Council
Assistant Treasurer

PANENERGY CORP

By: 
Donna T. Council
Assistant Treasurer

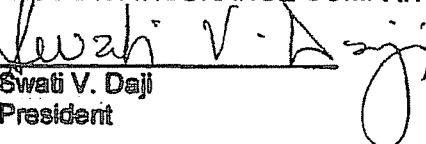
CINERGY RETAIL POWER GENERAL, INC.

By: 
Greer E. Mendelow
Assistant Secretary

BISON INSURANCE COMPANY LIMITED

By: 
Swati V. Daji
President

NORTHSOUTH INSURANCE COMPANY LIMITED

By: 
Swati V. Daji
President

UTILITY MONEY POOL AGREEMENT

This UTILITY MONEY POOL AGREEMENT (this "Agreement") is made and entered into as of July 3, 2012 ("Effective Date") by and among Duke Energy Corporation, a Delaware corporation ("Duke Energy"), Cinergy Corp., a Delaware corporation ("Cinergy"), Duke Energy Carolinas, LLC, a North Carolina limited liability company ("DE-Carolinas"), Duke Energy Indiana, Inc., an Indiana corporation ("DE-Indiana"), Duke Energy Ohio, Inc., an Ohio corporation ("DE-Ohio"), Duke Energy Kentucky, Inc., a Kentucky corporation ("DE-Kentucky"), Miami Power Corporation, an Indiana corporation ("Miami"), KO Transmission Company, a Kentucky corporation ("KO"), Progress Energy, Inc., a North Carolina corporation ("Progress Energy"), Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc., a North Carolina corporation ("PE-North Carolina"), Florida Power Corporation d/b/a Progress Energy Florida, Inc., a Florida corporation ("PE-Florida"), Progress Energy Service Company, LLC, a North Carolina corporation ("Progress Services"), and Duke Energy Business Services LLC, a Delaware limited liability company ("DEBS"), (each a "party" and collectively, the "parties"). For purposes of this Agreement, Progress Services and DEBS shall each collectively be referred to as Duke Services. This Agreement supersedes and replaces in its entirety the Utility Money Pool Agreement dated November 1, 2008.

Recitals

Each of DE-Carolinas, DE-Indiana, DE-Ohio, DE-Kentucky, PE-Florida, PE-North Carolina and Miami is a public utility company and a subsidiary company of Duke Energy. DEBS and Progress Services are subsidiary service companies of Duke Energy. KO is a nonutility company and a subsidiary company of DE-Ohio.

The parties from time to time have need to borrow funds on a short-term basis. Some of the parties from time to time have funds available to loan on a short-term basis. The parties desire to establish a cash management program (the "Utility Money Pool") to coordinate and provide for certain of their short-term cash and working capital requirements.

NOW THEREFORE, in consideration of the premises, and the mutual promises set forth herein, the parties hereto agree as follows:

ARTICLE I CONTRIBUTIONS AND BORROWINGS

Section 1.1 Contributions to Utility Money Pool. Each party will determine each day, on the basis of cash flow projections and other relevant factors, in such party's sole discretion, the amount of funds it has available for contribution to the Utility Money Pool, and will contribute such funds to the Utility Money Pool. The determination of

whether a party at any time has surplus funds to lend to the Utility Money Pool or shall lend funds to the Utility Money Pool will be made by such party's chief financial officer or treasurer, or by a designee thereof, on the basis of cash flow projections and other relevant factors, in such party's sole discretion. Each party may withdraw any of its funds at any time upon notice to Duke Services as administrative agent of the Utility Money Pool.

Section 1.2 Rights to Borrow. Subject to the provisions of Section 1.4(b) of this Agreement, all short-term borrowing needs of the parties, with the exception of Duke Energy, Progress Energy and Cinergy, will be met by funds in the Utility Money Pool to the extent such funds are available. Each party (other than Duke Energy, Progress Energy and Cinergy) shall have the right to make short-term borrowings from the Utility Money Pool from time to time, subject to the availability of funds and the limitations and conditions set forth herein. Each party (other than Duke Energy, Progress Energy and Cinergy) may request loans from the Utility Money Pool from time to time during the period from the date hereof until this Agreement is terminated by written agreement of the parties; provided, however, that the aggregate amount of all loans requested by any party hereunder shall not exceed the applicable borrowing limits set forth in applicable orders of regulatory authorities, resolutions of such party's shareholders and Board of Directors, such party's governing corporate documents, and agreements binding upon such party. No loans through the Utility Money Pool will be made to, and no borrowings through the Utility Money Pool will be made by Duke Energy, Progress Energy and Cinergy.

Section 1.3 Source of Funds. (a) Funds will be available through the Utility Money Pool from the following sources for use by the parties from time to time: (i) surplus funds in the treasuries of parties other than Duke Energy, Progress Energy and Cinergy, (ii) surplus funds in the treasuries of Duke Energy, Progress Energy and Cinergy, and (iii) proceeds from borrowings by parties, including the sale of commercial paper by Duke Energy, Progress Energy, Cinergy, DE-Carolinas, DE-Indiana, DE-Ohio, DE-Kentucky, PE-North Carolina and PE-Florida ("External Funds"), in each case to the extent permitted by applicable laws and regulatory orders. Funds will be made available from such sources in such other order as Duke Services, as administrator of the Utility Money Pool, may determine will result in a lower cost of borrowing to companies borrowing from the Utility Money Pool, consistent with the individual borrowing needs and financial standing of the parties providing funds to the Utility Money Pool.

(b) Borrowing parties will borrow pro rata from each lending party in the proportion that the total amount loaned by such lending party bears to the total amount then loaned through the Utility Money Pool. On any day when more than one fund source (e.g., surplus treasury funds of Duke Energy, Progress Energy and Cinergy and other Utility Money Pool participants ("Internal Funds") and External Funds), with different rates of interest, is used to fund loans through the Utility Money Pool, each borrowing party will borrow pro rata from each fund source in the same proportion that the amount of funds provided by that fund source bears to the total amount of short-term funds available to the Utility Money Pool.

Section 1.4 Authorization. (a) Each loan shall be authorized by the lending party's chief financial officer or treasurer, or by a designee thereof.

(b) All borrowings from the Utility Money Pool shall be authorized by the borrowing party's chief financial officer or treasurer, or by a designee thereof. No party shall be required to effect a borrowing through the Utility Money Pool if such party determines that it can (and is authorized to) effect such borrowing at lower cost from other sources, including but not limited to directly from banks or through the sale of its own commercial paper.

Section 1.5 Interest. Each party receiving a loan shall accrue interest monthly on the unpaid principal amount of such loan to the Utility Money Pool from the date of such loan until such principal amount shall be paid in full.

(a) If only Internal Funds comprise the funds available in the Utility Money Pool, the interest rate applicable to loans of such Internal Funds shall be the CD yield equivalent of the 30-day Federal Reserve "AA" Industrial Commercial Paper Composite Rate (or, if no such Composite Rate is established for that day, then the applicable rate shall be the Composite Rate for the next preceding day for which such Composite Rate was established).

(b) If only External Funds comprise the funds available in the Utility Money Pool, the interest rate applicable to loans of such External Funds shall be equal to the lending party's cost for such External Funds (or, if more than one party had made available External Funds on such day, the applicable interest rate shall be a composite rate, equal to the weighted average of the cost incurred by the respective parties for such External Funds).

(c) In cases where both Internal Funds and External Funds are concurrently borrowed through the Utility Money Pool, the rate applicable to all loans comprised of such "blended" funds shall be a composite rate, equal to the weighted average of the (i) cost of all Internal Funds contributed by parties (as determined pursuant to Section 1.5(a) above) and (ii) the cost of all such External Funds (as determined pursuant to Section 1.5(b) above); provided, that in circumstances where Internal Funds and External Funds are available for loans through the Utility Money Pool, loans may be made exclusively from Internal Funds or External Funds, rather than from a "blend" of such funds, to the extent it is expected that such loans would result in a lower cost of borrowing.

Section 1.6 Certain Costs. The cost of compensating balances and fees paid to banks to maintain credit lines by parties lending External Funds to the Utility Money Pool shall initially be paid by the party maintaining such line. A portion of such costs shall be retroactively allocated every month to the parties borrowing such External Funds through the Utility Money Pool in proportion to their respective daily outstanding borrowings of such External Funds.

Section 1.7 Repayment. Each party receiving a loan hereunder shall repay the principal amount of such loan, together with all interest accrued thereon, on demand and in any event within 365 days of the date on which such loan was made. All loans made through the Utility Money Pool may be prepaid by the borrower without premium or penalty.

Section 1.8 Form of Loans to Parties. Loans to the parties through the Utility Money Pool will be made pursuant to open-account advances, repayable upon demand and in any event not later than one year after the date of the advance; provided, that each lending party shall at all times be entitled to receive upon demand one or more promissory notes evidencing any and all loans by such lender. Any such note shall: (a) be dated as of the date of the initial borrowing, (b) mature on demand or on a date agreed by the parties to the transaction, but in any event not later than one year after the date of the applicable borrowing, and (c) be repayable in whole at any time or in part from time to time, without premium or penalty.

ARTICLE II OPERATION OF UTILITY MONEY POOL

Section 2.1 Operation. Operation of the Utility Money Pool, including record keeping and coordination of loans, will be handled by Duke Services under the authority of the appropriate officers of the parties. Duke Services shall be responsible for the determination of all applicable interest rates and charges to be applied to advances outstanding at any time hereunder, shall maintain records of all advances, interest charges and accruals and interest and principal payments for purposes hereof, and shall prepare periodic reports thereof for the parties. Duke Services will administer the Utility Money Pool on an at-cost basis. Separate records shall be kept by Duke Services for the money pool established by this agreement and any other money pool administered by Duke Services.

Section 2.2 Investment of Surplus Funds in the Utility Money Pool. Funds not required to meet Utility Money Pool loans (with the exception of funds required to satisfy the Utility Money Pool's liquidity requirements) will ordinarily be invested in one or more short-term investments, including: (i) interest-bearing accounts with banks; (ii) obligations issued or guaranteed by the U.S. government and/or its agencies and instrumentalities, including obligations under repurchase agreements; (iii) obligations issued or guaranteed by any state or political subdivision thereof, provided that such obligations are rated not less than A by a nationally recognized rating agency; (iv) commercial paper rated not less than A-1 or P-1 or their equivalent by a nationally recognized rating agency; (v) money market funds; (vi) bank certificates of deposit; (vii) Eurodollar certificates of deposit or time deposits; and (viii) such other investments as the parties mutually determine .

Section 2.3 Allocation of Interest Income and Investment Earnings. The interest income and other investment income earned by the Utility Money Pool on loans and investment of surplus funds will be allocated among the parties in accordance with the

proportion each party's contribution of funds in the Utility Money Pool bears to the total amount of funds in the Utility Money Pool and the cost of any External Funds provided to the Utility Money Pool by such party. Interest and other investment earnings will be computed on a daily basis and settled once per month.

Section 2.4 Event of Default. If any party shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or any proceeding shall be instituted by or against any party seeking to adjudicate it a bankrupt or insolvent, then the other parties may declare the unpaid principal amount of any loans to such party, and all interest thereon, to be forthwith due and payable and all such amounts shall forthwith become due and payable.

ARTICLE III MISCELLANEOUS

Section 3.1 Amendments. No amendment to this Agreement shall be effective unless set forth in writing and executed by 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 public utility commission for its review or otherwise, the parties shall comply in all respects with any such requirements.

Section 3.2 Legal Responsibility. Nothing herein contained shall render any party liable for the obligations of any other party hereunder and the rights, obligations and liabilities of the parties are several in accordance with their respective obligations, and not joint.

Section 3.3 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflicts of laws principles thereof.

Section 3.4 Effective Date; Term. This Agreement shall become effective on the Effective Date and shall continue in full force and effect until terminated by the parties. This Agreement may be terminated and thereafter will be of no further force and effect upon the mutual consent in writing of all of the parties.

Section 3.5 Entire Agreement. This Agreement contains the entire agreement between and among the parties 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 3.6 Severability; Regulatory Requirements. If any provision of this Agreement shall be determined to be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby. Without limiting the generality of the

foregoing, the transactions contemplated under this Agreement shall in all cases, and notwithstanding anything herein to the contrary, be subject to any limitations or restrictions contained in any applicable orders or authorizations, statutory provisions, rules or regulations, or agreements, whether now in existence or hereinafter promulgated, of those regulatory or governmental agencies, including without limitation any affected state public utility commission or the Federal Energy Regulatory Commission, having jurisdiction over any of the parties. To the extent, if any, that at any time any provision of this Agreement conflicts with any such limitation or restriction of any such regulatory agencies, such limitation shall control.

Section 3.7 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.

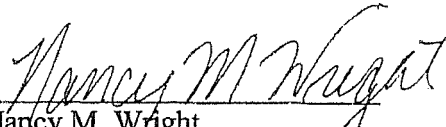
Section 3.8 Captions, etc. The captions and headings used in this Agreement are for convenience of reference only and shall not affect the construction to be accorded any of the provisions hereof. As used in this Agreement, "hereof," "hereunder," "herein," "hereto," and words of like import refer to this Agreement as a whole and not to any particular section or other paragraph or subparagraph thereof.

Section 3.9 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.

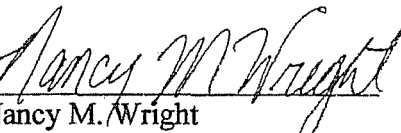
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IN WITNESS WHEREOF, the undersigned companies have duly caused this Utility Money Pool Agreement to be executed on their behalf on the Effective Date above by the undersigned thereunto duly authorized.

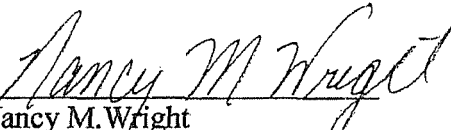
DUKE ENERGY CORPORATION

By: 
Nancy M. Wright
Assistant Corporate Secretary

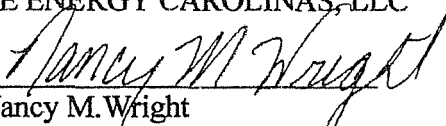
CINERGY CORP.

By: 
Nancy M. Wright
Assistant Secretary

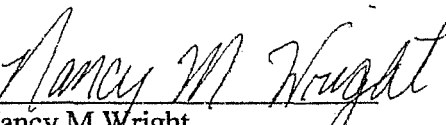
DUKE ENERGY BUSINESS SERVICES LLC

By: 
Nancy M. Wright
Assistant Secretary

DUKE ENERGY CAROLINAS, LLC

By: 
Nancy M. Wright
Assistant Secretary

DUKE ENERGY INDIANA, INC.

By: 
Nancy M. Wright
Assistant Secretary

DUKE ENERGY OHIO, INC.

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

DUKE ENERGY KENTUCKY, INC.

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

MIAMI POWER CORPORATION

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

KO TRANSMISSION COMPANY

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

PROGRESS ENERGY, INC.

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

CAROLINA POWER & LIGHT COMPANY D/B/A
PROGRESS ENERGY CAROLINAS, INC.

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

FLORIDA POWER CORPORATION D/B/A PROGRESS
ENERGY FLORIDA, INC.

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

PROGRESS ENERGY SERVICE COMPANY, LLC

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