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OCT 16 2013

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

**VIA OVERNIGHT DELIVERY**

October 15, 2013

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

Re: Case No. 2011-124  
In the Matter of the Joint Application of Duke Energy Corporation, Cinergy Corp., Duke Energy Ohio, Inc., Duke Energy Kentucky, Inc., Diamond Acquisition Corporation, and Progress Energy, Inc. for Approval of the Indirect Transfer of Control of Duke Energy Kentucky, Inc.

Dear Mr. Derouen:

In the Stipulation in the above-referenced case, Duke Energy Kentucky, Inc. made several merger commitments. Duke Energy Kentucky regularly monitors these commitments to ensure compliance and hereby reports the following information regarding these commitments.

**Commitment #23**

Joint Applicants commit that when Duke Energy Kentucky files its monthly reports with the Commission, it shall include with that filing a schedule of the current capital structure and a schedule of any capital contributions made to Duke Energy Kentucky in the applicable month. The monthly reports shall also include separate gas and electric income statements and a combined gas and electric balance sheet for each of the eight months in which it does not make quarterly filings.

**Duke Energy Response:**

Duke Energy Kentucky, Inc.'s monthly financial statement for August is enclosed.

Mr. Jeff Derouen  
October 15, 2013  
Page 2 of 2

Duke Energy Kentucky will continue to provide ongoing reporting as required under the merger commitments. Please file stamp the two copies of this letter enclosed herein and return in the enclosed return-addressed envelope.

Very truly yours,



Rocco D'Ascenzo  
Associate General Counsel

Amy B. Spiller  
Deputy General Counsel

cc: Dennis G. Howard, II  
Jay Baucom  
Mark Outten

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements

Balance Sheet - Page 1

As of August 31, 2013

(Unaudited)

	<u>Total Company</u>
<u>Assets</u>	
Utility Plant in Service	1,704,555,681
Construction Work in Progress	21,047,723
Less Accum. Depreciation	<u>(787,458,475)</u>
Net Utility Plant	<u>938,144,929</u>
Nonutility Property	2,206
Other Investments	1,500
Other Special Funds	52,442
Total Other Property & Investments	<u>56,148</u>
Cash	11,283,752
Working Funds	-
Temporary Cash Investments	-
Customer Accounts Receivable	2,456,768
Other Accounts Receivable	4,299,724
Less Provision for Uncollectibles	(216,444)
Notes Receivable from Assoc. Co.	20,188,282
Accounts Receivable from Assoc. Co.	(3,839,010)
Fuel Stock	18,898,152
Gas Stored Underground Inventory	-
Plant Materials & Operating Supplies	17,864,993
Other Materials & Supplies	-
Stores Expense Undistributed	1,179,421
Prepayments	1,640,447
Emission Allowances	65,952
Derivative Instrument Assets	493,802
Interest & Dividends Receivable	-
Misc Current and Accrued Assets	14,417,790
Rents Receivable	-
Total Current & Accrued Assets	<u>88,733,629</u>
Unamortized Debt Expense	2,243,757
Other Regulatory Assets	14,492,113
Preliminary Survey & Investigation	2,124,893
Clearing Accounts	52,932
Temporary Facilities	(3,270)
Miscellaneous Deferred Debits	37,342,131
Unamortized Loss on Reacquired Debt	2,343,142
Accumulated Deferred Income Taxes	5,196,086
Unrecovered Purchased Gas Costs	<u>(289,558)</u>
Total Deferred Debits	<u>63,502,226</u>
TOTAL ASSETS AND OTHER DEBITS	1,090,436,932

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Balance Sheet - Page 2  
As of August 31, 2013  
(Unaudited)

	<u>Total Company</u>
<u>Proprietary Capital</u>	
Common Stock Issued	8,779,995
Premium on Capital Stock	18,838,946
Other Paid-in Capital Stock	148,655,189
Retained Earnings	189,866,970
Accumulated Other Comprehensive Income	-
Total Proprietary Capital	<u>366,141,100</u>
<u>Liabilities</u>	
Bonds	332,571,494
Less Unamortized Discount on Long-Term Debt	(559,550)
Total Long-Term Debt	<u>332,011,944</u>
Obligations Under Capital Leases - Noncurrent	6,104,010
Asset Retirement Obligation	6,256,391
Long-Term Portion of Derivative Instrument Liabilities	3,799,240
Accum. Misc. Operating Provisions	18,484,777
Total Other Noncurrent Liabilities	<u>34,644,418</u>
Accounts Payable	20,132,537
Notes Payable to Assoc. Co.	1,254,000
Accounts Payable to Assoc. Co.	10,341,988
Customer Deposits	9,154,484
Taxes Accrued	18,392,668
Interest Accrued	5,563,756
Tax Collections Payable	2,101,080
Misc. Current & Accrued Liabilities	8,685,708
Obligations Under Capital Leases - Current	1,775,192
Derivative Instrument Liabilities	4,784,896
Less: Long-Term Portion of Derivative Instrument Liabilities	(3,799,240)
Total Current & Accrued Liabilities	<u>78,387,069</u>
Customer Advances for Construction	683,719
Accum. Deferred Investment Tax Credits	1,368,698
Other Deferred Credits	26,594,564
Other Regulatory Liabilities	(145,021)
Accumulated Deferred Income Taxes	250,750,441
Total Deferred Credits	<u>279,252,401</u>
<b>TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS</b>	<b>1,090,436,932</b>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Income Statement  
For the 12 Months Ended August 31, 2013  
(Unaudited)

	Electric	Gas	Total Company
<u>Revenues</u>			
Residential Sales	127,313,709	64,261,891	191,575,600
Commercial Sales	115,146,724	23,429,989	138,576,713
Industrial Sales	55,242,152	1,882,826	57,124,978
Sales to Public Authorities	22,479,012	2,597,135	25,076,147
Public Street & Highway Lighting	1,703,404	974	1,704,378
Inter-Departmental Sales	67,871	22,366	90,237
Misc. Service Revenues	577,060	552,677	1,129,737
Revenues from Transportation	-	5,907,161	5,907,161
Sales for Resale	13,842,413	-	13,842,413
Rents from Property	1,562,098	18	1,562,116
Other Revenues	1,851,408	4,428	1,855,836
<b>Total Revenues</b>	<b>339,785,851</b>	<b>98,659,465</b>	<b>438,445,316</b>
<u>Operating Expenses</u>			
Operation Expense	224,381,239	65,109,335	289,490,574
Maintenance Expense	25,588,923	1,678,389	27,267,312
Depreciation Expense	27,586,161	6,585,718	34,171,879
Amortization and Depletion	2,271,500	1,480,201	3,751,701
Taxes Other than Income Taxes	11,437,058	4,364,841	15,801,899
Income Taxes - Federal & Other	7,659,075	3,764,683	11,423,758
Provision for Deferred Income Taxes - Net	(5,920,867)	13,049,092	7,128,225
Investment Tax Credit Adjustment	-	-	-
<b>Total Operating Expenses</b>	<b>293,003,089</b>	<b>96,032,259</b>	<b>389,035,348</b>
<b>NET OPERATING INCOME</b>	<b>46,782,762</b>	<b>2,627,206</b>	<b>49,409,968</b>
<u>Other Income &amp; Deductions</u>			
Revenues from Merchandising, Jobbing and Contract Work	253,221	50	253,271
Less Expense of Merchandising, Jobbing and Contract Work	(80,409)	9,166	(71,243)
Revenues from Nonutility Operations	4,888	506	5,394
Interest & Dividend Income	1,050,204	46,657	1,096,861
AFUDC	410,552	26,400	436,952
Gain on Disposition of Property	3,179,198	41,563	3,220,761
Loss on Disposition of Property	1,307,087	(1,327,775)	(20,688)
Misc. Income Deductions	(702,148)	(366,660)	(1,068,808)
Taxes Other than Income Taxes	(103,457)	(34,050)	(137,507)
Income Taxes - Federal & Other	(6,446,622)	710,072	(5,736,550)
Provision for Deferred Income Taxes - Net	4,088,879	(38,659)	4,050,220
<b>Total Other Income &amp; Deductions</b>	<b>2,961,393</b>	<b>(932,730)</b>	<b>2,028,663</b>
<u>Interest Charges</u>			
Interest on Long Term Debt	(10,185,222)	(4,013,399)	(14,198,621)
Amortization of Debt Disc. And Expense	(369,248)	(115,036)	(484,284)
Amortization of Loss on Recquired Debt	(222,044)	(59,708)	(281,752)
Interest on Debt to Assoc Co	(723)	(287)	(1,010)
Other Interest Expense	(775,327)	(164,762)	(940,089)
Less Allowance for Borrowed Fund Used During Construction - Credit	198,043	9,778	207,821
<b>Net interest Charges</b>	<b>(11,354,521)</b>	<b>(4,343,414)</b>	<b>(15,697,935)</b>
Extraordinary Items after Taxes	-	-	-
<b>NET INCOME</b>	<b>38,389,634</b>	<b>(2,648,938)</b>	<b>35,740,696</b>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Capital Structure  
August 31, 2013  
(Unaudited)

	Actual July 2013	Activity	Actual August 2013
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
Long-term debt	332,004,408	7,536	332,011,944
Obligations under Capital Lease-Noncurrent	6,219,139	(115,129)	6,104,010
Total Long-term debt	338,223,547	(107,593)	338,115,954
Common Stock Equity			
Common Stock	8,779,995	-	8,779,995
Premium On Capital Stock Common	18,838,946	-	18,838,946
Donations Received From Stockholders	143,211,362	-	143,211,362
Donations Received From Stockholders Tax	5,600,021	-	5,600,021
Other Miscellaneous PIC	(156,194)	-	(156,194)
Unappropriated Retained Earnings Balance	196,610,414	(40,000,000)	156,610,414
Unappropriated Retained Earnings - Current Year Net Income	28,050,948	5,205,608	33,256,556
Total Common Stock Equity	400,935,492	(34,794,392)	366,141,100
TOTAL CAPITALIZATION	739,159,039	(34,901,985)	704,257,054