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Rocco O. D'Ascenzo
Associate General Counsel

VIA OVERNIGHT DELIVERY

July 14, 2014

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

RECEIVED

JUL 15 2014

PUBLIC SERVICE
COMMISSION

Re: 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. *Case No. 2011-124*

Dear Mr. Cline:

In the Stipulation in the above-referenced case, Duke Energy Kentucky, Inc. (Duke Energy Kentucky) 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 Kentucky Response:

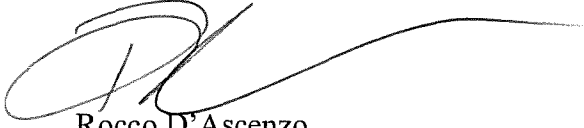
Duke Energy Kentucky, Inc.'s monthly financial statement for May 2014 is enclosed.

Mr. Jeff Cline
July 14, 2014
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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 to me in the envelope provided for that purpose.

Very truly yours,

A handwritten signature in black ink, appearing to be 'Rocco D'Ascenzo', with a long horizontal flourish extending to the right.

Rocco D'Ascenzo

cc: Charmain Barnes (via email w/o enclosures)

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 1
As of May 31, 2014
(Unaudited)

	<u>Total Company</u>
<u>Assets</u>	
Utility Plant in Service	1,722,719,744
Construction Work in Progress	42,633,783
Less: Accumulated Depreciation	<u>(812,540,824)</u>
Net Utility Plant	<u>952,812,703</u>
Nonutility Property	2,206
Other Investments	1,500
Other Special Funds	1,176,510
Total Other Property & Investments	<u>1,180,216</u>
Cash	11,734,162
Working Funds	-
Temporary Cash Investments	-
Customer Accounts Receivable	10,484,545
Other Accounts Receivable	14,553,124
Less: Provision for Uncollectibles	(257,794)
Notes Receivable from Assoc. Co.	12,761,938
Accounts Receivable from Assoc. Co.	(709,485)
Fuel Stock	24,081,761
Gas Stored Underground Inventory	3,517,574
Plant Materials & Operating Supplies	18,042,455
Other Materials & Supplies	-
Stores Expense Undistributed	1,117,656
Prepayments	2,007,736
Emission Allowances	52,798
Derivative Instrument Assets	1,653,071
Interest & Dividends Receivable	-
Misc Current and Accrued Assets	14,476,075
Rents Receivable	-
Total Current & Accrued Assets	<u>113,515,616</u>
Unamortized Debt Expense	2,092,105
Other Regulatory Assets	23,782,563
Preliminary Survey & Investigation	2,124,520
Clearing Accounts	67,427
Temporary Facilities	(7,330)
Miscellaneous Deferred Debits	24,061,626
Unamortized Loss on Reacquired Debt	2,143,297
Accumulated Deferred Income Taxes	(3,002,396)
Unrecovered Purchased Gas Costs	939,605
Total Deferred Debits	<u>52,201,417</u>
TOTAL ASSETS AND OTHER DEBITS	1,119,709,952

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of May 31, 2014
(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	214,939,666
Accumulated Other Comprehensive Income	-
Total Proprietary Capital	<u>391,213,796</u>
<u>Liabilities</u>	
Bonds	332,571,494
Less: Unamortized Discount on Long-Term Debt	(491,730)
Total Long-Term Debt	<u>332,079,764</u>
Obligations Under Capital Leases - Noncurrent	4,793,469
Asset Retirement Obligation	6,366,079
Long-Term Portion of Derivative Instrument Liabilities	4,080,354
Accum. Misc. Operating Provisions	7,451,596
Total Other Noncurrent Liabilities	<u>22,691,498</u>
Accounts Payable	28,847,294
Notes Payable to Assoc. Co.	7,056,000
Accounts Payable to Assoc. Co.	14,629,184
Customer Deposits	9,394,330
Taxes Accrued	7,861,283
Interest Accrued	3,426,891
Tax Collections Payable	2,013,409
Misc. Current & Accrued Liabilities	9,948,007
Obligations Under Capital Leases - Current	1,654,433
Derivative Instrument Liabilities	5,071,429
Less: Long-Term Portion of Derivative Instrument Liabilities	(4,080,354)
Total Current & Accrued Liabilities	<u>85,821,906</u>
Customer Advances for Construction	737,794
Accum. Deferred Investment Tax Credits	1,216,997
Other Deferred Credits	25,354,469
Other Regulatory Liabilities	593,840
Accumulated Deferred Income Taxes	259,999,888
Total Deferred Credits	<u>287,902,988</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	1,119,709,952

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Income Statement
For the 12 Months Ended May 31, 2014
(Unaudited)

	Electric	Gas	Total Company
<u>Revenues</u>			
Residential Sales	132,316,779	76,571,366	208,888,145
Commercial Sales	117,973,438	28,906,185	146,879,623
Industrial Sales	57,705,010	2,260,551	59,965,561
Sales to Public Authorities	22,988,116	3,238,432	26,226,548
Public Street & Highway Lighting	1,713,876	1,010	1,714,886
Inter-Departmental Sales	79,659	32,392	112,051
Misc. Service Revenues	(2,180,219)	552,850	(1,627,369)
Revenues from Transportation	-	5,669,749	5,669,749
Sales for Resale	19,572,090	-	19,572,090
Rents from Property	911,343	61	911,404
Other Revenues	4,089,784	2,002	4,091,786
Total Revenues	<u>355,169,876</u>	<u>117,234,598</u>	<u>472,404,474</u>
<u>Operating Expenses</u>			
Operation Expense	237,277,119	78,032,674	315,309,793
Maintenance Expense	33,274,917	2,038,476	35,313,393
Depreciation Expense	29,723,495	4,785,704	34,509,199
Amortization and Depletion	2,040,024	1,140,432	3,180,456
Taxes Other than Income Taxes	8,553,846	4,005,237	12,559,083
Income Taxes - Federal & Other	3,270,031	6,893,717	10,163,748
Provision for Deferred Income Taxes - Net	9,070,937	1,944,332	11,015,269
Investment Tax Credit Adjustment	-	-	-
Total Operating Expenses	<u>323,210,369</u>	<u>98,840,572</u>	<u>422,050,941</u>
NET OPERATING INCOME	<u>31,959,507</u>	<u>18,394,026</u>	<u>50,353,533</u>
<u>Other Income & Deductions</u>			
Revenues from Merchandising, Jobbing and Contract Work	308,879	50	308,929
Less: Expense of Merchandising, Jobbing and Contract Work	(81,279)	2,627	(78,652)
Revenues from Nonutility Operations	208,111	148	208,259
Interest & Dividend Income	1,074,633	164,678	1,239,311
AFUDC	698,562	25,283	723,845
Gain on Disposition of Property	-	41,563	41,563
Loss on Disposition of Property	(1,822,636)	-	(1,822,636)
Misc. Income Deductions	(710,737)	(311,788)	(1,022,525)
Taxes Other than Income Taxes	(105,825)	(33,973)	(139,798)
Income Taxes - Federal & Other	2,356,805	606,914	2,963,719
Provision for Deferred Income Taxes - Net	(2,318,829)	-	(2,318,829)
Total Other Income & Deductions	<u>(392,316)</u>	<u>495,502</u>	<u>103,186</u>
<u>Interest Charges</u>			
Interest on Long Term Debt	(10,208,170)	(3,967,752)	(14,175,922)
Amortization of Debt Disc. And Expense	(359,951)	(110,907)	(470,858)
Amortization of Loss on Reacquired Debt	(205,984)	(63,256)	(269,240)
Interest on Debt to Assoc. Co.	(489)	(191)	(680)
Other Interest Expense	(864,216)	(130,776)	(994,992)
Less: Allowance for Borrowed Fund Used During Construction - Credit	330,497	9,918	340,415
Net interest Charges	<u>(11,308,313)</u>	<u>(4,262,964)</u>	<u>(15,571,277)</u>
Extraordinary Items after Taxes	-	-	-
NET INCOME	<u>20,258,878</u>	<u>14,626,564</u>	<u>34,885,442</u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Capital Structure
May 31, 2014
(Unaudited)

	Actual April 2014	Activity	Actual May 2014
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
Long-term debt	292,095,784	4,381	292,100,165
Obligations under Capital Lease-Noncurrent	4,893,068	(99,599)	4,793,469
Total Long-term debt	<u>296,988,852</u>	<u>(95,218)</u>	<u>296,893,634</u>
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	201,679,985	-	201,679,985
Unappropriated Retained Earnings - Current Year Net Income	12,749,571	510,110	13,259,681
Total Common Stock Equity	<u>390,703,686</u>	<u>510,110</u>	<u>391,213,796</u>
 TOTAL CAPITALIZATION	 687,692,538	 414,892	 688,107,430