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VIA OVERNIGHT DELIVERY

May 14, 2015

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

RECEIVED

MAY 15 2015

PUBLIC SERVICE
COMMISSION

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. Cline:

Enclosed please find Duke Energy Kentucky's financial statements for the end of March 2015, per order by the Commission in the above-referenced case.

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

If you have any questions regarding the financial statements, please contact me Mai Xuan Zinchenko at 980-373-2167.

Sincerely,

Rocco D'Ascenzo
Associate General Counsel

Enclosures

cc: Danielle Weatherston
Charmain Barnes

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 1
As of March 31, 2015
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<u>Assets</u>				
Utility Plant in Service	1,332,841,904	435,934,207	11,340,494	1,780,116,605
Construction Work in Progress	21,159,724	2,120,576	-	23,280,300
Less: Accumulated Depreciation	(670,800,272)	(146,696,244)	(7,081,574)	(824,578,090)
Net Utility Plant	<u>683,201,356</u>	<u>291,358,539</u>	<u>4,258,920</u>	<u>978,818,815</u>
Nonutility Property	-	-	2,206	2,206
Other Investments	-	-	1,500	1,500
Other Special Funds	-	-	590,221	590,221
Total Other Property & Investments	<u>-</u>	<u>-</u>	<u>593,927</u>	<u>593,927</u>
Cash	13,583,381	5,576,828	(1,017,103)	18,143,106
Working Funds	-	-	-	-
Temporary Cash Investments	-	-	-	-
Customer Accounts Receivable	676,158	228,906	-	905,064
Other Accounts Receivable	3,902,452	1,602,201	(292,210)	5,212,443
Less: Provision for Uncollectibles	(147,937)	(50,083)	-	(198,020)
Notes Receivable from Assoc. Co.	15,191,080	6,236,889	(1,137,485)	20,290,484
Accounts Receivable from Assoc. Co.	332,172	136,377	(24,872)	443,677
Fuel Stock	24,077,387	1,496,719	2,779,620	28,353,726
Gas Stored Underground Inventory	-	-	-	-
Plant Materials & Operating Supplies	20,945,568	421,091	-	21,366,659
Other Materials & Supplies	-	-	-	-
Stores Expense Undistributed	1,475,087	29,655	-	1,504,742
Prepayments	988,823	468,114	-	1,456,937
Emission Allowances	20,782	-	-	20,782
Derivative Instrument Assets	431,837	-	-	431,837
Interest & Dividends Receivable	-	-	-	-
Misc Current and Accrued Assets	14,393,731	1,228,214	-	15,621,945
Rents Receivable	-	-	-	-
Total Current & Accrued Assets	<u>95,870,521</u>	<u>17,374,911</u>	<u>307,950</u>	<u>113,553,382</u>
Unamortized Debt Expense	1,424,848	584,989	(106,690)	1,903,147
Other Regulatory Assets	23,516,273	7,307,403	-	30,823,676
Preliminary Survey & Investigation	1,598,004	656,080	(119,656)	2,134,428
Clearing Accounts	4,510	2,017	-	6,527
Temporary Facilities	-	-	-	0
Miscellaneous Deferred Debits	21,723,403	8,918,816	(1,626,615)	29,015,604
Unamortized Loss on Reacquired Debt	1,438,390	590,549	(107,704)	1,921,235
Accumulated Deferred Income Taxes	(6,131,469)	3,469,757	-	(2,661,712)
Unrecovered Purchased Gas Costs	-	(1,311,693)	-	(1,311,693)
Total Deferred Debits	<u>43,573,959</u>	<u>20,217,918</u>	<u>(1,960,665)</u>	<u>61,831,212</u>
TOTAL ASSETS AND OTHER DEBITS	<u>822,645,836</u>	<u>328,951,368</u>	<u>3,200,132</u>	<u>1,154,797,336</u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of March 31, 2015
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<u>Proprietary Capital</u>				
Common Stock Issued	6,573,407	2,698,795	(492,207)	8,779,995
Premium on Capital Stock	14,104,342	5,790,715	(1,056,111)	18,838,946
Other Paid-in Capital Stock	111,295,167	45,693,632	(8,333,610)	148,655,189
Retained Earnings	231,131,855	50,543,123	(26,794,964)	254,880,014
Accumulated Other Comprehensive Income	-	-	-	-
Total Proprietary Capital	<u>363,104,771</u>	<u>104,726,265</u>	<u>(36,676,892)</u>	<u>431,154,144</u>
<u>Liabilities</u>				
Bonds	218,404,929	89,668,894	(16,353,823)	291,720,000
Advances from Associated Companies	18,717,000	7,684,500	(1,401,500)	25,000,000
Less: Unamortized Discount on Long-Term Debt	(320,076)	(131,412)	23,967	(427,521)
Total Long-Term Debt	<u>236,801,853</u>	<u>97,221,982</u>	<u>(17,731,356)</u>	<u>316,292,479</u>
Obligations Under Capital Leases - Noncurrent	2,430,762	997,966	-	3,428,728
Asset Retirement Obligation	3,785,450	4,462,992	-	8,248,442
Long-Term Portion of Derivative Instrument Liabilities	4,146,123	1,853,621	-	5,999,744
Accum. Misc. Operating Provisions	6,112,874	2,732,903	-	8,845,777
Total Other Noncurrent Liabilities	<u>16,475,209</u>	<u>10,047,482</u>	<u>-</u>	<u>26,522,691</u>
Accounts Payable	19,136,747	7,856,833	(1,432,930)	25,560,650
Notes Payable to Assoc. Co.	3,309,166	1,358,619	(247,785)	4,420,000
Accounts Payable to Assoc. Co.	10,858,430	4,458,065	(813,062)	14,503,433
Customer Deposits	6,006,040	4,039,185	-	10,045,225
Taxes Accrued	10,341,408	6,917,193	(55,477)	17,203,124
Interest Accrued	2,085,048	856,043	(156,125)	2,784,966
Tax Collections Payable	1,760,736	817,060	13,754	2,591,550
Misc. Current & Accrued Liabilities	6,880,192	3,075,950	-	9,956,142
Obligations Under Capital Leases - Current	1,108,429	455,073	-	1,563,502
Derivative Instrument Liabilities	4,812,272	2,151,439	-	6,963,711
Less: Long-Term Portion of Derivative Instrument Liabilities	(4,146,123)	(1,853,621)	-	(5,999,744)
Total Current & Accrued Liabilities	<u>62,152,345</u>	<u>30,131,839</u>	<u>(2,691,625)</u>	<u>89,592,559</u>
Customer Advances for Construction	-	804,990	-	804,990
Accum. Deferred Investment Tax Credits	(2,555,363)	758,755	2,839,403	1,042,795
Other Deferred Credits	17,294,567	5,503,438	-	22,798,005
Other Regulatory Liabilities	41,344	501,446	-	542,790
Accumulated Deferred Income Taxes	129,331,110	79,255,171	57,460,602	266,046,883
Total Deferred Credits	<u>144,111,658</u>	<u>86,823,800</u>	<u>60,300,005</u>	<u>291,235,463</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u><u>822,645,836</u></u>	<u><u>328,951,368</u></u>	<u><u>3,200,132</u></u>	<u><u>1,154,797,336</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Income Statement
For the 12 Months Ended March 31, 2015
(Unaudited)

	Electric	Gas	Non- Jurisdictional	Total Company
<u>Revenues</u>				
Residential Sales	131,736,534	80,811,438	-	212,547,972
Commercial Sales	119,396,595	28,219,035	-	147,615,630
Industrial Sales	58,878,139	2,344,483	-	61,222,622
Sales to Public Authorities	23,126,613	3,092,698	-	26,219,311
Public Street & Highway Lighting	1,759,918	1,021	-	1,760,939
Inter-Departmental Sales	60,180	33,269	-	93,449
Misc. Service Revenues	(1,186,495)	42,158	524,370	(619,967)
Revenues from Transportation	-	6,392,786	-	6,392,786
Sales for Resale	19,508,661	-	-	19,508,661
Rents from Property	754,433	86	-	754,519
Other Revenues	4,751,538	1,953	-	4,753,491
Total Revenues	<u>358,786,116</u>	<u>120,938,927</u>	<u>524,370</u>	<u>480,249,413</u>
<u>Operating Expenses</u>				
Operation Expense	232,080,304	76,432,879	346,610	308,859,793
Maintenance Expense	33,911,504	1,829,074	206,662	35,947,240
Depreciation Expense	28,023,844	12,289,362	-	40,313,206
Amortization and Depletion	2,304,915	950,767	-	3,255,682
Taxes Other than Income Taxes	9,218,738	4,277,907	72,013	13,568,658
Income Taxes - Federal & Other	4,397,822	4,829,980	(145,060)	9,082,742
Provision for Deferred Income Taxes - Net	10,977,862	3,494,084	(52,014)	14,419,932
Investment Tax Credit Adjustment	-	65	(65)	-
Total Operating Expenses	<u>320,914,989</u>	<u>104,104,118</u>	<u>428,146</u>	<u>425,447,253</u>
NET OPERATING INCOME	<u>37,871,127</u>	<u>16,834,809</u>	<u>96,224</u>	<u>54,802,160</u>
<u>Other Income & Deductions</u>				
Revenues from Merchandising, Jobbing and Contract Work	-	-	309,217	309,217
Less: Expense of Merchandising, Jobbing and Contract Work	-	-	(239,596)	(239,596)
Revenues from Nonutility Operations	-	-	(107,984)	(107,984)
Interest & Dividend Income	-	-	1,139,437	1,139,437
AFUDC	301,213	29,228	-	330,441
Gain on Disposition of Property	-	-	234,645	234,645
Loss on Disposition of Property	-	-	-	-
Misc. Income Deductions	-	-	(1,164,197)	(1,164,197)
Taxes Other than Income Taxes	-	-	(123,535)	(123,535)
Income Taxes - Federal & Other	-	-	(6,051,984)	(6,051,984)
Provision for Deferred Income Taxes - Net	-	-	5,640,866	5,640,866
Total Other Income & Deductions	<u>301,213</u>	<u>29,228</u>	<u>(363,131)</u>	<u>(32,690)</u>
<u>Interest Charges</u>				
Interest on Long Term Debt	(10,161,190)	(4,171,805)	760,854	(13,572,141)
Amortization of Debt Disc. And Expense	(305,794)	(125,548)	22,897	(408,445)
Amortization of Loss on Reacquired Debt	(199,504)	(81,909)	14,939	(266,474)
Interest on Debt to Assoc. Co.	(46,569)	(19,119)	3,487	(62,201)
Other Interest Expense	(1,314,898)	(539,848)	98,458	(1,756,288)
Less: Allowance for Borrowed Fund Used During Construction - Credit	141,059	12,025	-	153,084
Net interest Charges	<u>(11,886,896)</u>	<u>(4,926,204)</u>	<u>900,635</u>	<u>(15,912,465)</u>
Extraordinary Items after Taxes	-	-	-	-
NET INCOME	<u>26,285,444</u>	<u>11,937,833</u>	<u>633,728</u>	<u>38,857,005</u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Capital Structure
March 31, 2015
(Unaudited)

	Actual Feb 2015	Activity	Actual Mar 2015
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
Long-term debt	292,139,593	(50,849,939)	241,289,654
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	3,510,062	(81,334)	3,428,728
Total Long-term debt	320,649,655	(50,931,273)	269,718,382
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	236,981,800	-	236,981,800
Unappropriated Retained Earnings - Current Year Net Income	14,205,052	3,693,162	17,898,214
Total Common Stock Equity	427,460,982	3,693,162	431,154,144
TOTAL CAPITALIZATION	748,110,637	(47,238,111)	700,872,526