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VIA OVERNIGHT DELIVERY

January 14, 2016

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

RECEIVED

JAN 15 2016

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 November 2015, per order by the Commission in the above-referenced case.

These statements reflect a change in the calculation and presentation of the capital structure. Pursuant to the adoption of the new accounting standard ASU 2015-03, debt issuance costs are now reflected as an adjustment to the carrying amount of the specific debt that the cost is aligned to. Prior to the adoption of the accounting standard, these charges were treated as assets. Under both scenarios these costs are amortized over the life of the debt. The reduction in capital related to this change \$1.4M.

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 Mai Xuan Zinchenko at 980-373-2167.

Sincerely,

Rocco D'Ascenzo
Associate General Counsel

Enclosures

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Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 1
As of November 30, 2015
(Unaudited)

	<u>Total Company</u>
<u>Assets</u>	
Utility Plant in Service	2,044,960,203
Construction Work in Progress	35,723,720
Less: Accumulated Depreciation	(971,107,035)
Net Utility Plant	<u>1,109,576,888</u>
Nonutility Property	2,206
Other Investments	1,500
Other Special Funds	743,973
Total Other Property & Investments	<u>747,679</u>
Cash	10,723,923
Working Funds	-
Temporary Cash Investments	-
Customer Accounts Receivable	2,469,910
Other Accounts Receivable	4,703,910
Less: Provision for Uncollectibles	(273,647)
Notes Receivable from Assoc. Co.	9,505,885
Accounts Receivable from Assoc. Co.	(6,548,404)
Fuel Stock	23,679,996
Gas Stored Underground Inventory	-
Plant Materials & Operating Supplies	20,402,502
Other Materials & Supplies	-
Stores Expense Undistributed	1,902,999
Prepayments	1,048,611
Emission Allowances	59,725
Derivative Instrument Assets	4,058,933
Interest & Dividends Receivable	-
Misc Current and Accrued Assets	21,358,228
Rents Receivable	2,500
Total Current & Accrued Assets	<u>93,095,071</u>
Unamortized Debt Expense	1,748,836
Other Regulatory Assets	42,489,841
Preliminary Survey & Investigation	1,354,444
Clearing Accounts	12,397
Temporary Facilities	(5,875)
Miscellaneous Deferred Debits	25,088,117
Unamortized Loss on Reacquired Debt	1,743,586
Accumulated Deferred Income Taxes	48,392,889
Unrecovered Purchased Gas Costs	(103,209)
Total Deferred Debits	<u>120,721,026</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>1,324,140,664</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of November 30, 2015
(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	221,837,530
Accumulated Other Comprehensive Income	-
Total Proprietary Capital	<u>398,111,660</u>
<u>Liabilities</u>	
Bonds	291,720,000
Advances from Associated Companies	25,000,000
Less: Unamortized Discount on Long-Term Debt	(392,474)
Total Long-Term Debt	<u>316,327,526</u>
Obligations Under Capital Leases - Noncurrent	2,764,615
Asset Retirement Obligation	123,906,901
Long-Term Portion of Derivative Instrument Liabilities	5,829,987
Accum. Misc. Operating Provisions	7,275,987
Total Other Noncurrent Liabilities	<u>139,777,490</u>
Accounts Payable	23,066,775
Notes Payable to Assoc. Co.	51,147,000
Accounts Payable to Assoc. Co.	10,524,629
Customer Deposits	10,105,320
Taxes Accrued	9,896,990
Interest Accrued	2,375,447
Tax Collections Payable	1,151,400
Misc. Current & Accrued Liabilities	10,997,593
Obligations Under Capital Leases - Current	1,421,144
Derivative Instrument Liabilities	6,789,800
Less: Long-Term Portion of Derivative Instrument Liabilities	(5,829,987)
Total Current & Accrued Liabilities	<u>121,646,111</u>
Customer Advances for Construction	844,179
Accum. Deferred Investment Tax Credits	903,932
Other Deferred Credits	23,637,055
Other Regulatory Liabilities	502,261
Accumulated Deferred Income Taxes	322,390,450
Total Deferred Credits	<u>348,277,877</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u>1,324,140,664</u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Income Statement
For the 12 Months Ended November 30, 2015
(Unaudited)

	Electric	Gas	Total Company
<u>Revenues</u>			
Residential Sales	126,609,513	74,230,658	200,840,171
Commercial Sales	112,969,549	25,672,730	138,642,279
Industrial Sales	53,756,778	2,153,127	55,909,905
Sales to Public Authorities	21,743,854	2,766,920	24,510,774
Public Street & Highway Lighting	1,672,057	967	1,673,024
Inter-Departmental Sales	59,223	33,075	92,298
Misc. Service Revenues	(1,519,770)	590,457	(929,313)
Revenues from Transportation	-	6,290,588	6,290,588
Sales for Resale	36,484,323	-	36,484,323
Rents from Property	652,697	195	652,892
Other Revenues	9,350,263	969	9,351,232
Total Revenues	<u>361,778,487</u>	<u>111,739,686</u>	<u>473,518,173</u>
<u>Operating Expenses</u>			
Operation Expense	228,015,553	67,469,564	295,485,117
Maintenance Expense	29,585,147	1,845,527	31,430,674
Depreciation Expense	31,761,078	13,030,247	44,791,325
Amortization and Depletion	2,274,548	823,744	3,098,292
Taxes Other than Income Taxes	9,544,187	4,253,296	13,797,483
Income Taxes - Federal & Other	(4,068,955)	9,152,787	5,083,832
Provision for Deferred Income Taxes - Net	22,028,715	(614,362)	21,414,353
Investment Tax Credit Adjustment	-	-	-
Total Operating Expenses	<u>319,140,273</u>	<u>95,960,803</u>	<u>415,101,076</u>
NET OPERATING INCOME	<u>42,638,214</u>	<u>15,778,883</u>	<u>58,417,097</u>
<u>Other Income & Deductions</u>			
Revenues from Merchandising, Jobbing and Contract Work	569,487	-	569,487
Less: Expense of Merchandising, Jobbing and Contract Work	(232,414)	3,204	(229,210)
Revenues from Nonutility Operations	(125,382)	(883)	(126,265)
Interest & Dividend Income	877,043	258,403	1,135,446
AFUDC	499,755	48,149	547,904
Gain on Disposition of Property	4,289	241,021	245,310
Loss on Disposition of Property	-	-	-
Misc. Income Deductions	(1,394,513)	(436,389)	(1,830,902)
Taxes Other than Income Taxes	(81,189)	(29,509)	(110,698)
Income Taxes - Federal & Other	(3,134,448)	(7,871)	(3,142,319)
Provision for Deferred Income Taxes - Net	3,045,670	(249,974)	2,795,696
Total Other Income & Deductions	<u>28,298</u>	<u>(173,849)</u>	<u>(145,551)</u>
<u>Interest Charges</u>			
Interest on Long Term Debt	(8,848,122)	(3,409,599)	(12,257,721)
Amortization of Debt Disc. And Expense	(281,616)	(78,372)	(359,988)
Amortization of Loss on Reacquired Debt	(191,875)	(74,599)	(266,474)
Interest on Debt to Assoc. Co.	(118,969)	(39,965)	(158,934)
Other Interest Expense	(1,670,655)	(84,535)	(1,755,190)
Less: Allowance for Borrowed Fund Used During Construction - Credit	180,615	17,517	198,132
Net interest Charges	<u>(10,930,622)</u>	<u>(3,669,553)</u>	<u>(14,600,175)</u>
Extraordinary Items after Taxes	-	-	-
NET INCOME	<u>31,735,890</u>	<u>11,935,481</u>	<u>43,671,371</u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Capital Structure
November 30, 2015
(Unaudited)

	Actual October 2015	Activity	Actual November 2015
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	241,324,221	(1,418,407)	239,905,814
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	2,848,952	(84,337)	2,764,615
Total Long-term debt	<u>269,173,173</u>	<u>(1,502,744)</u>	<u>267,670,429</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)
Miscellaneous PIC	-	-	-
Unappropriated Retained Earnings Balance	201,981,800	(20,000,000)	181,981,800
Unappropriated Retained Earnings - Current Year Net Income	37,133,886	2,721,844	39,855,730
Total Common Stock Equity	<u>415,389,816</u>	<u>(17,278,156)</u>	<u>398,111,660</u>
TOTAL CAPITALIZATION	684,562,989	(18,780,900)	665,782,089

NOTE:

* "Long-Term Debt" under Non-Current Liabilities does not include current portion of Long-Term Debt, Unamortized Debt Discount or Unamortized Debt Expense.