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VIA OVERNIGHT DELIVERY

May 12, 2016

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

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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 2016, per order by the Commission in the above-referenced case.

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

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 1
As of March 31, 2016
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
Assets				
Utility Plant in Service	1,594,284,287	446,747,939	11,459,897	2,052,492,123
Construction Work in Progress	33,397,336	7,160,745	-	40,558,081
Less: Accumulated Depreciation	(822,400,387)	(155,291,196)	(7,161,644)	(984,853,227)
Net Utility Plant	<u>805,281,236</u>	<u>298,617,488</u>	<u>4,298,253</u>	<u>1,108,196,977</u>
Nonutility Property	-	-	2,206	2,206
Other Investments	-	-	1,500	1,500
Other Special Funds	-	-	1,191,709	1,191,709
Total Other Property & Investments	<u>-</u>	<u>-</u>	<u>1,195,415</u>	<u>1,195,415</u>
Cash	8,031,746	3,297,534	(601,405)	10,727,875
Working Funds	-	-	-	-
Temporary Cash Investments	-	-	-	-
Customer Accounts Receivable	727,295	180,832	-	908,127
Other Accounts Receivable	3,524,411	1,446,991	(263,902)	4,707,500
Less: Provision for Uncollectibles	(131,963)	(32,811)	-	(164,774)
Notes Receivable from Assoc. Co.	20,636,391	8,472,530	(1,545,221)	27,563,700
Accounts Receivable from Assoc. Co.	231,031	94,853	(17,299)	308,585
Fuel Stock	15,868,526	1,265,723	2,350,628	19,484,877
Gas Stored Underground Inventory	-	-	-	-
Plant Materials & Operating Supplies	20,115,299	469,284	-	20,584,583
Other Materials & Supplies	-	-	-	-
Stores Expense Undistributed	1,048,699	24,466	-	1,073,165
Prepayments	1,302,621	616,667	-	1,919,288
Emission Allowances	110,890	-	-	110,890
Derivative Instrument Assets	684,277	-	-	684,277
Interest & Dividends Receivable	-	-	-	-
Misc Current and Accrued Assets	15,074,317	1,208,780	-	16,283,097
Rents Receivable	2,500	-	-	2,500
Total Current & Accrued Assets	<u>87,226,040</u>	<u>17,044,849</u>	<u>(77,199)</u>	<u>104,193,690</u>
Unamortized Debt Expense	1,221,318	501,427	(91,450)	1,631,295
Other Regulatory Assets	48,998,423	2,930,937	-	51,929,360
Preliminary Survey & Investigation	203,582	83,583	(15,244)	271,921
Clearing Accounts	2,689	667	-	3,356
Temporary Facilities	-	-	-	-
Miscellaneous Deferred Debits	21,919,955	8,999,514	(1,641,332)	29,278,137
Unamortized Loss on Reacquired Debt	1,238,887	508,640	(92,766)	1,654,761
Accumulated Deferred Income Taxes	37,442,043	2,622,863	-	40,064,906
Unrecovered Purchased Gas Costs	-	1,768,279	-	1,768,279
Total Deferred Debits	<u>111,026,897</u>	<u>17,415,910</u>	<u>(1,840,792)</u>	<u>126,602,015</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>1,003,534,173</u></u>	<u><u>333,078,247</u></u>	<u><u>3,575,677</u></u>	<u><u>1,340,188,097</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of March 31, 2016
(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	229,288,772	39,506,944	(21,900,684)	246,895,032
Accumulated Other Comprehensive Income	-	-	-	-
Total Proprietary Capital	361,261,688	93,690,086	(31,782,612)	423,169,162
<u>Liabilities</u>				
Bonds	252,095,529	103,500,994	(18,876,523)	336,720,000
Advances from Associated Companies	18,717,000	7,684,500	(1,401,500)	25,000,000
Less: Unamortized Discount on Long-Term Debt	(280,850)	(115,306)	21,030	(375,126)
Total Long-Term Debt	270,531,679	111,070,188	(20,256,993)	361,344,874
Obligations Under Capital Leases - Noncurrent	1,405,392	576,993	-	1,982,385
Asset Retirement Obligation	98,055,217	5,289,541	-	103,344,758
Long-Term Portion of Derivative Instrument Liabilities	5,141,667	1,275,871	-	6,417,538
Accum. Misc. Operating Provisions	9,315,700	2,311,629	-	11,627,329
Total Other Noncurrent Liabilities	113,917,976	9,454,034	-	123,372,010
Accounts Payable	13,053,119	5,359,122	(977,397)	17,434,844
Notes Payable to Assoc. Co.	-	-	-	-
Accounts Payable to Assoc. Co.	10,851,531	4,455,232	(812,546)	14,494,217
Customer Deposits	6,133,268	4,124,748	-	10,258,016
Taxes Accrued	(1,955,241)	11,585,056	92,331	9,722,146
Interest Accrued	2,640,353	1,084,030	(197,706)	3,526,677
Tax Collections Payable	998,043	450,169	8,212	1,456,424
Misc. Current & Accrued Liabilities	6,944,304	1,723,183	-	8,667,487
Obligations Under Capital Leases - Current	1,025,371	420,973	-	1,446,344
Derivative Instrument Liabilities	5,879,751	1,459,021	-	7,338,772
Less: Long-Term Portion of Derivative Instrument Liabilities	(5,141,667)	(1,275,871)	-	(6,417,538)
Total Current & Accrued Liabilities	40,428,832	29,385,663	(1,887,106)	67,927,389
Customer Advances for Construction	-	978,709	-	978,709
Accum. Deferred Investment Tax Credits	(2,692,802)	689,638	2,839,403	836,239
Other Deferred Credits	18,454,238	5,872,466	-	24,326,704
Other Regulatory Liabilities	24,861	458,224	-	483,085
Accumulated Deferred Income Taxes	201,607,701	81,479,239	54,662,985	337,749,925
Total Deferred Credits	217,393,998	89,478,276	57,502,388	364,374,662
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	1,003,534,173	333,078,247	3,575,677	1,340,188,097

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Income Statement
For the 12 Months Ended March 31, 2016
(Unaudited)

	Electric	Gas	Non- Jurisdictional	Total Company
Revenues				
Residential Sales	119,798,104	57,944,525	-	177,742,629
Commercial Sales	111,052,619	19,152,577	-	130,205,196
Industrial Sales	52,780,375	1,346,264	-	54,126,639
Sales to Public Authorities	21,398,918	1,986,709	-	23,385,627
Public Street & Highway Lighting	1,617,339	939	-	1,618,278
Inter-Departmental Sales	57,216	15,892	-	73,108
Misc. Service Revenues	3,763,476	36,508	629,276	4,429,260
Revenues from Transportation	-	5,927,854	-	5,927,854
Sales for Resale	31,938,874	-	-	31,938,874
Rents from Property	658,788	223	-	659,011
Other Revenues	7,009,979	701	-	7,010,680
Total Revenues	350,075,688	86,412,192	629,276	437,117,156
Operating Expenses				
Operation Expense	211,256,973	49,757,087	268,961	261,283,021
Maintenance Expense	29,579,051	1,919,347	56,484	31,554,882
Depreciation Expense	29,440,171	13,217,324	-	42,657,495
Amortization and Depletion	1,976,365	782,799	-	2,759,164
Taxes Other than Income Taxes	8,927,315	4,026,674	73,452	13,027,441
Income Taxes - Federal & Other	(10,172,866)	3,353,375	(14,634)	(6,834,125)
Provision for Deferred Income Taxes - Net	29,778,242	2,112,992	(743,670)	31,147,564
Investment Tax Credit Adjustment	-	39	(39)	-
Total Operating Expenses	300,785,251	75,169,637	(359,446)	375,595,442
NET OPERATING INCOME	49,290,437	11,242,555	988,722	61,521,714
Other Income & Deductions				
Revenues from Merchandising, Jobbing and Contract Work	-	-	591,307	591,307
Less: Expense of Merchandising, Jobbing and Contract Work	-	-	(166,224)	(166,224)
Revenues from Nonutility Operations	-	-	(91,799)	(91,799)
Interest & Dividend Income	-	-	965,710	965,710
AFUDC	781,006	89,187	-	870,193
Gain on Disposition of Property	-	-	10,665	10,665
Loss on Disposition of Property	-	-	-	-
Misc. Income Deductions	-	-	(1,913,843)	(1,913,843)
Taxes Other than Income Taxes	-	-	(120,277)	(120,277)
Income Taxes - Federal & Other	-	-	(2,417,279)	(2,417,279)
Provision for Deferred Income Taxes - Net	-	-	3,116,941	3,116,941
Total Other Income & Deductions	781,006	89,187	(24,799)	845,394
Interest Charges				
Interest on Long Term Debt	(9,677,907)	(3,973,386)	724,667	(12,926,626)
Amortization of Debt Disc. And Expense	(413,190)	(169,641)	30,939	(551,892)
Amortization of Loss on Reacquired Debt	(199,504)	(81,909)	14,939	(266,474)
Interest on Debt to Assoc. Co.	(153,111)	(62,862)	11,465	(204,508)
Other Interest Expense	(1,286,897)	(528,352)	96,361	(1,718,888)
Less: Allowance for Borrowed Fund Used During Construction - Credit	279,174	37,124	-	316,298
Net Interest Charges	(11,451,435)	(4,779,026)	878,371	(15,352,090)
Extraordinary Items after Taxes	-	-	-	-
NET INCOME	38,620,008	6,552,716	1,842,294	47,015,018

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Capital Structure
March 31, 2016
(Unaudited)

	<u>Actual Feb-16</u>	<u>Activity</u>	<u>Actual Mar-16</u>
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	284,990,356	32,999	285,023,355
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	2,039,036	(56,651)	1,982,385
Total Long-term debt	<u>312,029,392</u>	<u>(23,652)</u>	<u>312,005,740</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	228,157,431	-	228,157,431
Unappropriated Retained Earnings - Current Year Net Income	13,449,150	5,288,451	18,737,601
Total Common Stock Equity	<u>417,880,711</u>	<u>5,288,451</u>	<u>423,169,162</u>
TOTAL CAPITALIZATION	729,910,103	5,264,799	735,174,902

NOTE:

* "Long-Term Debt" under Non-Current Liabilities does not include current portion of Long-Term Debt, Unamortized Discount, nor Unamortized Debt Expense.