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VIA 2ND DAY DELIVERY

November 10, 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. 2011-00124
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 September 2016, 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 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 September 30, 2016
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
Assets				
Utility Plant in Service	1,596,548,111	458,455,625	11,455,835	2,066,459,571
Construction Work in Progress	39,532,842	11,850,944	-	51,383,786
Less: Accumulated Depreciation	(832,176,054)	(159,465,003)	(7,222,653)	(998,863,710)
Net Utility Plant	<u>803,904,899</u>	<u>310,841,566</u>	<u>4,233,182</u>	<u>1,118,979,647</u>
Nonutility Property	-	-	2,206	2,206
Other Investments	-	-	1,500	1,500
Other Special Funds	-	-	1,332,733	1,332,733
Long Term Portion of Derivative Instrument Assets	-	-	441,442	441,442
Total Other Property & Investments	<u>-</u>	<u>-</u>	<u>1,777,881</u>	<u>1,777,881</u>
Cash	5,146,028	2,112,767	(385,327)	6,873,468
Working Funds	-	-	-	-
Temporary Cash Investments	-	-	-	-
Customer Accounts Receivable	1,135,162	285,754	-	1,420,916
Other Accounts Receivable	1,350,330	554,395	(101,111)	1,803,614
Less: Provision for Uncollectibles	(102,303)	(25,753)	-	(128,056)
Notes Receivable from Assoc. Co.	8,901,275	3,654,530	(666,514)	11,889,291
Accounts Receivable from Assoc. Co.	1,140,218	468,130	(85,378)	1,522,970
Fuel Stock	19,459,191	1,466,450	2,723,407	23,649,048
Gas Stored Underground Inventory	-	-	-	-
Plant Materials & Operating Supplies	19,857,561	469,554	-	20,327,115
Other Materials & Supplies	-	-	-	-
Stores Expense Undistributed	1,259,311	29,778	-	1,289,089
Prepayments	702,007	332,333	-	1,034,340
Emission Allowances	67,333	-	-	67,333
Derivative Instrument Assets	2,489,273	-	-	2,489,273
Interest & Dividends Receivable	-	-	-	-
Misc Current and Accrued Assets	14,828,240	4,183,860	-	19,012,100
Rents Receivable	2,500	-	-	2,500
Total Current & Accrued Assets	<u>76,236,126</u>	<u>13,531,798</u>	<u>1,485,077</u>	<u>91,253,001</u>
Unamortized Debt Expense	1,222,972	502,106	(91,574)	1,633,504
Other Regulatory Assets	60,066,039	3,786,606	-	63,852,645
Preliminary Survey & Investigation	79,172	32,505	(5,928)	105,749
Clearing Accounts	8,397	2,043	-	10,440
Temporary Facilities	-	-	-	-
Miscellaneous Deferred Debits	21,150,343	8,683,540	(1,583,705)	28,250,178
Unamortized Loss on Reacquired Debt	1,139,135	467,686	(85,297)	1,521,524
Accumulated Deferred Income Taxes	36,179,693	2,279,471	-	38,459,164
Unrecovered Purchased Gas Costs	-	1,934,743	-	1,934,743
Total Deferred Debits	<u>119,845,751</u>	<u>17,688,700</u>	<u>(1,766,504)</u>	<u>135,767,947</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>999,986,776</u></u>	<u><u>342,062,064</u></u>	<u><u>5,729,636</u></u>	<u><u>1,347,778,476</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of September 30, 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	213,779,513	68,358,770	(19,110,736)	263,027,547
Accumulated Other Comprehensive Income	-	-	-	-
Total Proprietary Capital	<u>345,752,429</u>	<u>122,541,912</u>	<u>(28,992,664)</u>	<u>439,301,677</u>
<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	(262,293)	(107,688)	19,640	(350,341)
Total Long-Term Debt	<u>270,550,236</u>	<u>111,077,806</u>	<u>(20,258,383)</u>	<u>361,369,659</u>
Obligations Under Capital Leases - Noncurrent	1,163,231	477,572	-	1,640,803
Asset Retirement Obligation	80,766,128	5,437,072	-	86,203,200
Long-Term Portion of Derivative Instrument Liabilities	5,365,523	1,305,358	-	6,670,881
Accum. Misc. Operating Provisions	9,301,009	2,262,808	-	11,563,817
Total Other Noncurrent Liabilities	<u>96,595,891</u>	<u>9,482,810</u>	<u>-</u>	<u>106,078,701</u>
Accounts Payable	17,033,083	6,993,147	(1,275,411)	22,750,819
Notes Payable to Assoc. Co.	-	-	-	-
Accounts Payable to Assoc. Co.	6,395,777	2,625,866	(478,906)	8,542,737
Customer Deposits	6,194,639	4,166,021	-	10,360,660
Taxes Accrued	11,562,332	(6,098,008)	(124,304)	5,340,020
Interest Accrued	2,586,175	1,061,786	(193,649)	3,454,312
Tax Collections Payable	1,093,105	487,606	8,132	1,588,843
Misc. Current & Accrued Liabilities	8,717,190	2,120,772	-	10,837,962
Obligations Under Capital Leases - Current	916,026	376,080	-	1,292,106
Derivative Instrument Liabilities	6,099,574	1,483,942	-	7,583,516
Less: Long-Term Portion of Derivative Instrument Liabilities	(5,365,523)	(1,305,358)	-	(6,670,881)
Total Current & Accrued Liabilities	<u>55,232,378</u>	<u>11,911,854</u>	<u>(2,064,138)</u>	<u>65,080,094</u>
Customer Advances for Construction	-	1,429,120	-	1,429,120
Accum. Deferred Investment Tax Credits	(2,759,108)	655,358	2,839,403	735,653
Other Deferred Credits	17,995,298	5,726,423	-	23,721,721
Other Regulatory Liabilities	18,128	436,788	-	454,916
Accumulated Deferred Income Taxes	216,601,524	78,799,993	54,205,418	349,606,935
Total Deferred Credits	<u>231,855,842</u>	<u>87,047,682</u>	<u>57,044,821</u>	<u>375,948,345</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u>999,986,776</u>	<u>342,062,064</u>	<u>5,729,636</u>	<u>1,347,778,476</u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Income Statement
For the 12 Months Ended September 30, 2016
(Unaudited)

	Electric	Gas	Non- Jurisdictional	Total Company
<u>Revenues</u>				
Residential Sales	126,840,545	57,749,979	-	184,590,524
Commercial Sales	113,664,232	18,602,810	-	132,267,042
Industrial Sales	53,268,023	1,286,950	-	54,554,973
Sales to Public Authorities	21,659,746	1,959,809	-	23,619,555
Public Street & Highway Lighting	1,653,074	924	-	1,653,998
Inter-Departmental Sales	55,773	12,929	-	68,702
Misc. Service Revenues	277,611	32,816	675,980	986,407
Revenues from Transportation	-	6,156,238	-	6,156,238
Sales for Resale	20,427,929	-	-	20,427,929
Rents from Property	864,398	215	-	864,613
Other Revenues	4,831,796	1,223	-	4,833,019
Total Revenues	<u>343,543,127</u>	<u>85,803,893</u>	<u>675,980</u>	<u>430,023,000</u>
<u>Operating Expenses</u>				
Operation Expense	200,863,399	49,014,555	289,397	250,167,351
Maintenance Expense	34,219,597	1,903,112	23,011	36,145,720
Depreciation Expense	30,333,476	13,442,403	-	43,775,879
Amortization and Depletion	1,814,196	770,672	-	2,584,868
Taxes Other than Income Taxes	9,628,441	4,294,995	71,631	13,995,067
Income Taxes - Federal & Other	(22,420,481)	2,451,565	65,893	(19,903,023)
Provision for Deferred Income Taxes - Net	40,026,766	1,543,371	668,819	42,238,956
Investment Tax Credit Adjustment	-	86	(86)	-
Total Operating Expenses	<u>294,465,394</u>	<u>73,420,759</u>	<u>1,118,665</u>	<u>369,004,818</u>
NET OPERATING INCOME	<u>49,077,733</u>	<u>12,383,134</u>	<u>(442,685)</u>	<u>61,018,182</u>
<u>Other Income & Deductions</u>				
Revenues from Merchandising, Jobbing and Contract Work	-	-	513,356	513,356
Less: Expense of Merchandising, Jobbing and Contract Work	-	-	(132,557)	(132,557)
Revenues from Nonutility Operations	-	-	(24,853)	(24,853)
Interest & Dividend Income	-	-	1,000,850	1,000,850
AFUDC	823,561	256,818	-	1,080,379
Gain on Disposition of Property	-	-	43,381	43,381
Loss on Disposition of Property	-	-	(10,853)	(10,853)
Misc. Income Deductions	-	-	(2,925,334)	(2,925,334)
Taxes Other than Income Taxes	-	-	(119,242)	(119,242)
Income Taxes - Federal & Other	-	-	(3,152,896)	(3,152,896)
Provision for Deferred Income Taxes - Net	-	-	3,147,957	3,147,957
Total Other Income & Deductions	<u>823,561</u>	<u>256,818</u>	<u>(1,660,191)</u>	<u>(579,812)</u>
<u>Interest Charges</u>				
Interest on Long Term Debt	(10,091,799)	(4,143,315)	755,658	(13,479,456)
Amortization of Debt Disc. And Expense	(579,761)	(238,028)	43,412	(774,377)
Amortization of Loss on Reacquired Debt	(199,504)	(81,909)	14,939	(266,474)
Interest on Debt to Assoc. Co.	(176,469)	(72,452)	13,214	(235,707)
Other Interest Expense	(1,211,171)	(497,262)	90,691	(1,617,742)
Less: Allowance for Borrowed Fund Used During Construction - Credit	356,090	93,067	-	449,157
Net interest Charges	<u>(11,902,614)</u>	<u>(4,939,899)</u>	<u>917,914</u>	<u>(15,924,599)</u>
Extraordinary Items after Taxes	-	-	-	-
NET INCOME	<u>37,998,680</u>	<u>7,700,053</u>	<u>(1,184,962)</u>	<u>44,513,771</u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Capital Structure
September 30, 2016
(Unaudited)

	Actual Aug-16	Activity	Actual Sep-16
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	285,078,793	14,751	285,093,544
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	1,696,824	(56,021)	1,640,803
Total Long-term debt	311,775,617	(41,270)	311,734,347
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	31,177,763	3,692,353	34,870,116
Total Common Stock Equity	435,609,324	3,692,353	439,301,677
TOTAL CAPITALIZATION	747,384,941	3,651,083	751,036,024

NOTE:

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