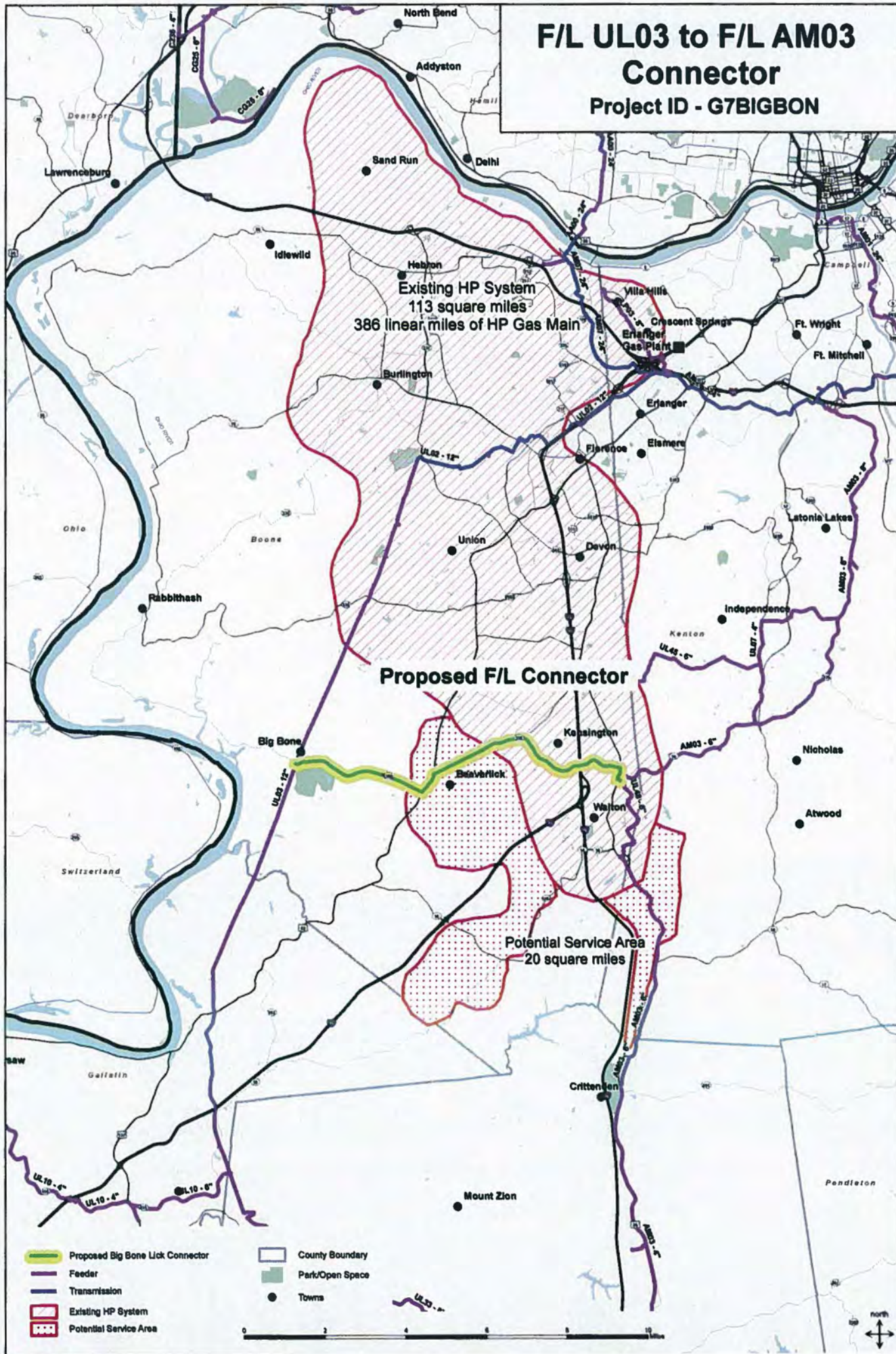


F/L UL03 to F/L AM03 Connector Project ID - G7BIGBON



FINANCIAL EXHIBIT

(1) **Section 12(2)(a) Amount and kinds of stock authorized.**

1,000,000 shares of Capital Stock \$15 par value amounting to \$15,000,000 par value.

(2) **Section 12(2)(b) Amount and kinds of stock issued and outstanding.**

585,333 shares of Capital Stock \$15 par value amounting to \$8,779,995 total par value. Total Capital Stock and Additional Paid-in Capital as of June 30, 2015:

Capital Stock and Additional Paid-in Capital
As of June 30, 2015
(\$ per 1,000)

Capital Stock	\$8,780
Premiums thereon	18,839
Total Capital Contributions from Parent (since 2006)	8,594
Contribution from Parent Company for Purchase of Generation Assets	<u>140,061</u>
Total Capital Stock and Additional Paid-in-Capital	<u>\$176,274</u>

(3) **Section 12(2)(c) Terms of preference or preferred stock, cumulative or participating, or on dividends or assets or otherwise.**

There is no preferred stock authorized, issued or outstanding.

(4) **Section 12(2)(d) Brief description of each mortgage on property of applicant, giving date of execution, name of mortgagor, name or mortgagee, or trustee, amount of indebtedness authorized to be secured, and the amount of indebtedness actually secured, together with any sinking fund provision.**

Duke Energy Kentucky does not have any liabilities secured by a mortgage.

(5) **Section 12(2)(e) Amount of bonds authorized, and amount issued, giving the name of the public utility which issued the same, describing each class separately, and giving the date of issue, face value, rate of interest, date of maturity and how secured, together with the amount of interest paid thereon during the last fiscal year.**

The Company has three outstanding issues of unsecured senior debentures issued under an Indenture dated December 1, 2004, between itself and Deutsche Bank Trust Company Americas, as Trustee, as supplemented by two Supplemental Indentures. The Indenture allows the Company to issue debt securities in an unlimited amount from time to time. The Debentures issued under the Indenture are the following:

Supplemental Indenture	Date of Issue	Principal Amount Authorized and Issued	Principal Amount Outstanding	Rate of Interest	Date of Maturity	Interest Paid Year 2014
1 st Supplemental	3/7/2006	50,000,000	50,000,000	5.750%	3/10/2016	2,875,000
1 st Supplemental	3/7/2006	65,000,000	65,000,000	6.200%	3/10/2036	4,030,000
2 nd Supplemental	9/22/2009	100,000,000	<u>100,000,000</u>	4.650%	10/1/2019	<u>4,650,000</u>
			<u>215,000,000</u>			<u>11,555,000</u>

(6) **Section 12(2)(f) Each note outstanding, giving date of issue, amount, date of maturity, rate of interest, in whose favor, together with amount of interest paid thereon during the last fiscal year.**

Not applicable.

(7) **Section 12(2)(g) Other indebtedness, giving same by classes and describing security, if any, with a brief statement of the devolution or assumption of any portion of such indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid thereon during the last fiscal year.**

The Company has two series of Pollution Control Revenue Refunding Bonds issued under a Trust Indenture dated as of August 1, 2006 and a Trust Indenture dated as of December 1, 2008, between the County of Boone, Kentucky and Deutsche Bank National Trust Company as Trustee. The Company's obligation to make payments equal to debt service on the Bonds is evidenced by a Loan Agreement dated as of August 1, 2006 and December 1, 2008 between the County of Boone, Kentucky and Duke Energy Kentucky. The Bonds issued under the Indentures are as follows:

Indenture	Date of Issue	Principal Amount Authorized and Issued	Principal Amount Outstanding	Rate of Interest	Date of Maturity	Interest Paid Year 2014
Series 2008A	12/01/2011	50,000,000	50,000,000	1.05% ⁽¹⁾	8/1/2027	527,295
Series 2010	11/24/2010	26,720,000	<u>26,720,000</u>	0.05% ⁽²⁾	8/1/2027	<u>14,107</u>
			<u>76,720,000</u>			<u>541,402</u>

(1) The interest rate represents the average floating-rate of interest on the bonds for 2014. The interest rate on the bonds resets on the first day of every month based on 75% of the sum of one month and spread of 1.25%.

(2) The interest rate on the bonds resets every 7 days through an auction process. The variable-rate debt was swapped to a fixed rate of 3.86% for the life of the debt.

The Company has issued and has outstanding as of June 30, 2015 the following capital leases:

Series	Date of Issue	Principal Amount Authorized and Issued	Principal Amount Outstanding	Rate of Interest	Date of Maturity
2006	12/28/2006	2,406,336	546,900	5.000	12/30/2015
Erlanger	12/30/2006	2,100,000	1,069,111	8.634	09/30/2020
2007	12/31/2007	3,066,955	1,036,085	5.115	12/31/2016
2009	04/21/2009	3,429,432	1,521,775	4.821	04/21/2018
2010	06/18/2010	<u>955,061</u>	<u>519,559</u>	3.330	06/18/2019
		<u>11,957,784</u>	<u>4,693,430</u>		

The Company also has outstanding as of June 30, 2015, \$29,845,000 of money pool borrowings, \$25,000,000 of which is classified as Long-Term Debt payable to affiliated companies. This obligation, which is short-term by nature, is classified as long-term due to Duke Energy Kentucky's intent and ability to utilize such borrowings as long-term financing.

(8) **Section 12(2)(h) Rate and amount of dividends paid during the last five (5) previous fiscal years, and the amount of capital stock on which dividends were paid each year.**

DIVIDENDS PER SHARE

Year Ending	Per Share	Total	No. of Shares	Par Value of Stock
December 31, 2010	0.00	0	585,333	8,779,995
December 31, 2011	230.64	135,000,000	585,333	8,779,995
December 31, 2012	17.08	10,000,000	585,333	8,779,995
December 31, 2013	68.34	40,001,000	585,333	8,779,995
December 31, 2014	0.00	0	585,333	8,779,995

(9) Section 12(2)(i) Detailed Income Statement and Balance Sheet

See the attached pages for the detailed Income Statement for the twelve months ended June 30, 2015 and the detailed Balance Sheet as of June 30, 2015.

DUKE ENERGY KENTUCKY, INC.
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands)

Twelve Months Ended
June 30
2015

Operating Revenues	
Electric	369,596
Gas	115,762
Total operating revenues	485,358
Operating Expenses	
Fuel used in electric generation and purchased power	157,488
Natural gas purchased	51,574
Operation, maintenance and other	131,080
Depreciation and amortization	47,220
Property and other taxes	13,663
Goodwill and other impairment charges	-
Total operating expenses	401,025
Gains on Sales of Other Assets and Other, net	235
Operating Income	84,568
Other Income and Expenses, net	816
Interest Expense	15,331
Income Before Income Taxes	70,053
Income Tax Expense	26,700
Income From Continuing Operations	43,353
Income From Discontinued Operations, net of tax	-
Net Income	43,353

DUKE ENERGY KENTUCKY, INC.
Condensed Balance Sheets
(Unaudited)

(In thousands, except share amounts)	June 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 10,668	\$ 11,307
Receivables (net of allowance for doubtful accounts of \$208 at June 30, 2015 and \$187 at December 31, 2014)	1,255	2,248
Receivables from affiliated companies	16,453	25,567
Inventory	44,347	52,900
Regulatory assets	5,923	5,991
Other	29,581	31,551
Total current assets	108,227	129,564
Investments and Other Assets		
Intangibles, net	37	44
Other	6,886	5,858
Total investments and other assets	6,923	5,902
Property, Plant and Equipment		
Cost	2,069,483	1,711,836
Accumulated depreciation and amortization	(913,937)	(691,367)
Generation facilities to be retired, net	—	8,601
Net property, plant and equipment	1,155,546	1,029,070
Regulatory Assets and Deferred Debts		
Regulatory Assets	49,614	47,694
Other	1,848	1,928
Total regulatory assets and deferred debts	51,462	49,622
Total Assets	\$ 1,322,158	\$ 1,214,158
LIABILITIES AND COMMON STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	\$ 19,236	\$ 22,578
Accounts payable to affiliated companies	6,873	13,263
Notes payable to affiliated companies	4,845	37,609
Taxes accrued	14,178	14,483
Interest accrued	3,353	3,346
Current maturities of long-term debt	51,509	1,615
Regulatory liabilities	6,499	985
Other	20,218	17,365
Total current liabilities	126,711	111,244
Long-Term Debt	244,490	295,802
Long-term Debt payable to affiliated companies	25,000	25,000
Deferred Credits and Other Liabilities		
Deferred income taxes	275,242	271,308
Investment tax credits	991	1,095
Accrued pension and other post-retirement benefit costs	10,101	9,469
Asset retirement obligations	124,120	8,122
Regulatory liabilities	50,906	52,730
Other	25,781	26,132
Total deferred credits and other liabilities	487,141	368,856
Commitments and Contingencies		
Common Stockholder's Equity		
Common Stock, \$15.00 par value, 1,000,000 shares authorized and 585,333 shares outstanding	8,780	8,780
Additional paid-in-capital	167,494	167,494
Retained earnings	262,542	236,982
Total common stockholder's equity	438,816	413,256
Total Liabilities and Common Stockholder's Equity	\$ 1,322,158	\$ 1,214,158