

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 September 30, 2016:

Capital Stock and Additional Paid-in Capital
As of September 30, 2016
(\$ 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 four 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 three Supplemental Indentures. The Indenture allows the Company to issue debt securities in an unlimited amount from time to time. The Debentures issued and outstanding 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 2015
1 st Supplemental	3/7/2006	50,000,000	0	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	100,000,000	4.650%	10/1/2019	4,650,000
3 rd Supplemental	1/5/2016	45,000,000	45,000,000	3.420%	1/15/2026	0
3 rd Supplemental	1/5/2016	50,000,000	50,000,000	4.450%	1/15/2046	0
			<u>260,000,000</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 2015
Series 2010	11/24/2010	26,720,000	26,720,000	0.04% ⁽¹⁾	8/1/2027	9,531
Series 2008A	12/01/2011	50,000,000	<u>50,000,000</u>	1.07% ⁽²⁾	8/1/2027	<u>536,552</u>
			<u>76,720,000</u>			<u>546,083</u>

(1) The interest rate represents the average floating-rate of interest on the bonds for 2015. 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.

(2) The interest rate represents the average floating-rate of interest on the bonds for 2015. 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%.

The Company has issued and has outstanding as of September 30, 2016 the following capital leases:

Series	Date of Issue	Principal Amount Authorized and Issued	Principal Amount Outstanding	Rate of Interest	Date of Maturity
Erlanger	12/30/2006	2,100,000	857,417	8.634	09/30/2020
2007	12/31/2007	3,066,955	615,416	5.115	12/31/2016
2009	04/21/2009	3,429,432	1,061,186	4.821	04/21/2018
2010	06/18/2010	<u>955,061</u>	<u>398,891</u>	3.330	06/18/2019
		<u>9,551,448</u>	<u>2,932,910</u>		

The Company also has \$25,000,000 of money pool borrowings outstanding as of September 30, 2016, 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

<u>Year Ending</u>	<u>Per Share</u>	<u>Total</u>	<u>No. of Shares</u>	<u>Par Value of Stock</u>
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
December 31, 2015	93.96	55,000,000	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 September 30, 2016 and the detailed Balance Sheet as of September 30, 2016.

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

Twelve Months Ended
September 30
2016

Operating Revenues	
Electric	341,032
Gas	83,835
Total operating revenues	424,867
Operating Expenses	
Fuel used in electric generation and purchased power	124,418
Natural gas purchased	28,297
Operation, maintenance and other	136,724
Depreciation and amortization	41,551
Property and other taxes	14,114
Goodwill and other impairment charges	-
Total operating expenses	345,104
Gains on Sales of Other Assets and Other, net	32
Operating Income	79,795
Other Income and Expenses, net	2,082
Interest Expense	15,022
Income Before Income Taxes	66,855
Income Tax Expense	22,341
Income From Continuing Operations	44,514
Income From Discontinued Operations, net of tax	-
Net Income	44,514

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

(In thousands, except share amounts)	September 30, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and Cash Equivalents	6,873	9,141
Receivables (net of allowance for doubtful accounts of \$128 at September 30, 2016 and \$195 at December 31, 2015)	2,658	5,488
Receivables from affiliated companies	13,211	11,499
Notes receivable from affiliated companies	201	-
Inventory	45,265	44,141
Regulatory Assets	6,071	8,879
Other	25,248	36,956
Total Current Assets	99,527	116,104
Investments and Other Assets		
Intangibles, net	82	89
Other	3,003	6,359
Total Investments and Other Assets	3,085	6,448
Property, Plant and Equipment		
Cost	2,117,846	2,079,761
Less Accumulated Depreciation and Amortization	(945,165)	(923,578)
Net Property Plant and Equipment	1,172,681	1,156,183
Regulatory Assets and Deferred Debits		
Regulatory Assets	83,030	61,411
Other	271	332
Total Regulatory Assets and Deferred Debits	83,301	61,743
Total Assets	1,358,594	1,340,478
LIABILITIES AND COMMON STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	22,727	25,654
Accounts payable to affiliated companies	8,552	14,426
Notes payable to affiliated companies	-	55,743
Taxes Accrued	10,198	10,550
Interest Accrued	3,455	3,343
Current Maturities of Long-Term Debt	51,204	101,519
Regulatory Liabilities	2,449	2,668
Other	19,250	19,260
Total Current Liabilities	117,835	233,163
Long-Term Debt		
Notes payable to affiliated companies	25,000	25,000
Deferred Credits and Other Liabilities		
Deferred Income Taxes	311,138	289,642
Investment Tax Credit	736	887
Accrued Pension and Other Post-Retirement Benefit Costs	11,599	11,649
Asset Retirement Obligations	86,203	103,500
Regulatory Liabilities	51,676	52,986
Other	28,371	26,711
Total Deferred Credits and Other Liabilities	489,723	485,375
Commitments and Contingencies		
Equity		
Common Stock, \$15.00 par value, 1,000,000 shares authorized and 585,333 shares outstanding at September 30, 2016 and December 31, 2015	8,780	8,780
Additional Paid in Capital	167,494	167,494
Retained Earnings	263,028	228,158
Total Equity	439,302	404,432
Total Liabilities and Equity	1,358,594	1,340,478