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**VIA OVERNIGHT DELIVERY**

August 13, 2013

**RECEIVED**

**AUG 14 2013**

**PUBLIC SERVICE  
COMMISSION**

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

Re: In the Matter of an Adjustment of Gas Rates of The Union Light, Heat and Power Company,  
Case No. 2001-00092; and

In the Matter of the Joint Application of Duke Energy Corporation, Duke Energy Holding Corp., Deer Acquisition Corp., Cougar Acquisition Corp., Cinergy Corp., The Cincinnati Gas & Electric Company and The Union Light, Heat and Power Company for Approval of a Transfer and Acquisition of Control, Case No. 2005-00228.

Dear Mr. Cline:

I have enclosed Duke Energy Kentucky, Inc.'s Second Quarter 2013 jurisdictional financial statements per order by the Commission in the above-referenced cases.

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 Mr. Jay Baucom, Manager, Accounting at (980) 373-2147.

Sincerely,

Kristen Ryan  
Senior Paralegal  
[kristen.ryan@duke-energy.com](mailto:kristen.ryan@duke-energy.com)

Enclosures

cc: Jay Baucom  
Mark Outten

Duke Energy Kentucky, Inc.

Quarterly Supplemental Financial Statements  
Balance Sheet - Page 1  
As of June 30, 2013  
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<b>Assets</b>				
Utility Plant in Service	1,262,940,448	421,066,308	12,677,524	1,696,684,280
Construction Work in Progress	17,643,620	1,137,353	-	18,780,973
Less Accumulated Depreciation	(640,821,837)	(128,535,046)	(7,909,465)	(777,266,348)
Net Utility Plant	<u>639,762,231</u>	<u>293,668,615</u>	<u>4,768,059</u>	<u>938,198,905</u>
Nonutility Property	-	-	2,606	2,206
Other Investments	-	-	1,500	1,500
Other Special Funds	-	-	-	-
Total Other Property & Investments	<u>-</u>	<u>-</u>	<u>3,706</u>	<u>3,706</u>
Cash	4,230,540	1,736,901	(316,776)	5,650,665
Working Funds	-	-	-	-
Temporary Cash Investments	-	-	-	-
Customer Accounts Receivable	584,106	167,643	-	751,749
Other Accounts Receivable	2,095,163	860,195	(156,883)	2,798,475
Less Provision for Uncollectibles	(154,475)	(44,336)	-	(198,811)
Notes Receivable from Assoc. Co.	35,399,103	14,533,548	(2,650,630)	47,282,021
Accounts Receivable from Assoc. Co.	802,060	329,296	(60,057)	1,071,299
Fuel Stock	15,571,675	369,948	687,045	16,628,668
Gas Stored Underground Inventory	-	-	-	-
Plant Materials & Operating Supplies	17,508,992	76,877	-	17,585,869
Other Materials & Supplies	-	-	-	-
Stores Expense Undistributed	1,015,468	4,459	-	1,019,927
Prepayments	801,370	379,373	-	1,180,743
Emission Allowances	82,577	-	-	82,577
Derivative Instrument Assets	493,802	-	-	493,802
Interest & Dividends Receivable	-	-	-	-
Misc Current and Accrued Assets	7,226,210	3,246,883	-	10,473,093
Rents Receivable	-	-	-	-
Total Current & Accrued Assets	<u>85,656,591</u>	<u>21,660,787</u>	<u>(2,497,301)</u>	<u>104,820,077</u>
Unamortized Debt Expense	1,730,296	710,395	(129,562)	2,311,129
Other Regulatory Assets	12,062,099	3,188,017	-	15,250,116
Preliminary Survey & Investigation	1,589,817	652,719	(119,043)	2,123,493
Clearing Accounts	48,924	1,760	-	50,684
Temporary Facilities	-	-	-	-
Miscellaneous Deferred Debits	28,415,167	11,666,204	(2,127,684)	37,953,687
Unamortized Loss on Reacquired Debt	1,788,552	734,313	(133,924)	2,388,941
Accumulated Deferred Income Taxes	742,223	4,648,847	-	5,391,070
Unrecovered Purchased Gas Costs	-	(1,107,191)	-	(1,107,191)
Total Deferred Debits	<u>46,377,078</u>	<u>20,495,064</u>	<u>(2,510,213)</u>	<u>64,361,929</u>
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<u><u>771,795,900</u></u>	<u><u>335,824,466</u></u>	<u><u>(235,749)</u></u>	<u><u>1,107,384,617</u></u>

Duke Energy Kentucky, Inc.

Quarterly Supplemental Financial Statements  
Balance Sheet - Page 2  
As of June 30, 2013  
(Unaudited)

	<u>Electric Jurisdictional</u>	<u>Gas Jurisdictional</u>	<u>Non- Jurisdictional</u>	<u>Total Company</u>
<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	185,355,038	72,600,806	(35,661,157)	222,294,687
Accumulated Other Comprehensive Income	-	-	-	-
Total Proprietary Capital	<u>317,327,954</u>	<u>126,783,948</u>	<u>(45,543,085)</u>	<u>398,568,817</u>
<u>Liabilities</u>				
Bonds	248,989,626	102,225,826	(18,643,958)	332,571,494
Less Unamortized Discount on Long-Term Debt	(430,207)	(176,627)	32,213	(574,621)
Total Long-Term Debt	<u>248,559,419</u>	<u>102,049,199</u>	<u>(18,611,745)</u>	<u>331,996,873</u>
Obligations Under Capital Leases - Noncurrent	4,490,261	1,843,507	-	6,333,768
Asset Retirement Obligation	1,967,867	4,243,319	-	6,211,186
Long-Term Portion of Derivative Instrument Liabilities	4,505,466	162,105	-	4,667,571
Accumulated Miscellaneous Operating Provisions	17,933,623	645,244	-	18,578,867
Total Other Noncurrent Liabilities	<u>28,897,217</u>	<u>6,894,175</u>	<u>-</u>	<u>35,791,392</u>
Accounts Payable	8,814,090	3,618,736	(659,986)	11,772,840
Notes Payable to Associated Companies	-	-	-	-
Accounts Payable to Associated Companies	5,559,789	2,282,641	(416,308)	7,426,122
Customer Deposits	5,473,135	3,680,796	-	9,153,931
Taxes Accrued	9,881,615	2,599,001	68,046	12,548,662
Interest Accrued	3,027,600	1,243,019	(226,702)	4,043,917
Tax Collections Payable	1,570,759	590,340	7,855	2,168,954
Misc. Current & Accrued Liabilities	7,717,633	277,677	-	7,995,310
Obligations Under Capital Leases - Current	1,276,846	524,217	-	1,801,063
Derivative Instrument Liabilities	5,457,463	196,357	-	5,653,820
Less: Long-Term Portion of Derivative Instrument Liabilities	(4,505,466)	(162,105)	-	(4,667,571)
Total Current & Accrued Liabilities	<u>44,273,464</u>	<u>14,850,679</u>	<u>(1,227,095)</u>	<u>57,897,048</u>
Customer Advances for Construction	-	683,719	-	683,719
Accumulated Deferred Investment Tax Credits	(2,314,260)	882,513	2,839,403	1,407,656
Other Deferred Credits	20,936,524	6,662,374	-	27,598,898
Other Regulatory Liabilities	(97,720)	573,223	-	475,503
Accumulated Deferred Income Taxes	114,213,302	76,444,636	62,306,773	252,964,711
Total Deferred Credits	<u>132,737,846</u>	<u>85,246,465</u>	<u>65,146,176</u>	<u>283,130,487</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u>771,795,900</u>	<u>335,824,466</u>	<u>(235,749)</u>	<u>1,107,384,617</u>

Duke Energy Kentucky, Inc.

Quarterly Supplemental Financial Statements  
Income Statement  
For the 12 Months Ended June 30, 2013  
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<u>Revenues</u>				
Residential Sales	130,390,361	63,956,564	-	194,346,925
Commercial Sales	115,879,890	23,290,982	-	139,170,872
Industrial Sales	55,056,232	1,872,484	-	56,928,716
Sales to Public Authorities	22,780,804	2,558,969	-	25,339,773
Public Street & Highway Lighting	1,722,785	967	-	1,723,752
Inter-Departmental Sales	66,316	22,285	-	88,601
Misc. Service Revenues	168,634	39,461	514,092	722,187
Revenues from Transportation	-	6,459,652	-	6,459,652
Sales for Resale	13,598,586	-	-	13,598,586
Rents from Property	728,243	6	872,766	1,601,015
Other Revenues	2,696,227	4,339	-	2,700,566
Total Revenues	<u>343,088,078</u>	<u>98,205,709</u>	<u>1,386,858</u>	<u>442,680,645</u>
<u>Operating Expenses</u>				
Operation Expense	228,457,211	64,954,607	73,672	293,485,490
Maintenance Expense	27,393,704	1,515,143	147,882	29,056,729
Depreciation Expense	25,376,553	8,387,138	815,605	34,579,296
Amortization and Depletion	2,352,858	1,507,339	-	3,860,197
Taxes Other than Income Taxes	11,333,381	4,259,434	56,680	15,649,495
Income Taxes - Federal & Other	8,908,975	1,064,585	82,710	10,056,270
Provision for Deferred Income Taxes - Net	(7,746,612)	15,078,338	71,876	7,403,602
Investment Tax Credit Adjustment	-	162	(162)	-
Total Operating Expenses	<u>296,076,070</u>	<u>96,766,746</u>	<u>1,248,263</u>	<u>394,091,079</u>
NET OPERATING INCOME	<u>47,012,008</u>	<u>1,438,963</u>	<u>138,595</u>	<u>48,589,566</u>
<u>Other Income &amp; Deductions</u>				
Revenues from Merchandising, Jobbing and Contract Work	-	-	224,688	224,688
Less Expense of Merchandising, Jobbing and Contract Work	-	-	(79,023)	(79,023)
Revenues from Nonutility Operations	-	-	6,639	6,639
Interest & Dividend Income	-	-	1,116,567	1,116,567
AFUDC	359,547	37,901	-	397,448
Loss on Disposition of Property	-	-	10,241,662	10,241,662
Gain from Disposition of Allowances	-	-	(5,448,514)	(5,448,514)
Misc. Income Deductions	-	-	(1,788,992)	(1,788,992)
Taxes Other than Income Taxes	-	-	(137,873)	(137,873)
Income Taxes - Federal & Other	-	-	(6,048,569)	(6,048,569)
Provision for Deferred Income Taxes - Net	-	-	4,326,201	4,326,201
Total Other Income & Deductions	<u>359,547</u>	<u>37,901</u>	<u>2,412,786</u>	<u>2,810,234</u>
<u>Interest Charges</u>				
Interest on Long Term Debt	(10,643,254)	(4,369,722)	796,950	(14,216,026)
Amortization of Debt Disc. And Expense	(368,004)	(151,089)	27,556	(491,537)
Amortization of Loss on Reacquired Debt	(211,984)	(87,032)	15,873	(283,143)
Interest on Debt to Assoc Co	(1,270)	(521)	95	(1,696)
Other Interest Expense	(1,693,833)	(695,425)	126,832	(2,262,426)
Less Allowance for Borrowed Fund Used During Construction - Credit	181,126	14,849	-	195,975
Net interest Charges	<u>(12,737,219)</u>	<u>(5,288,940)</u>	<u>967,306</u>	<u>(17,058,853)</u>
Extraordinary Items after Taxes	-	-	-	-
NET INCOME	<u>34,634,336</u>	<u>(3,812,076)</u>	<u>3,518,687</u>	<u>34,340,947</u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Capital Structure  
June 30, 2013  
(Unaudited)

	Actual March 2013	Activity	Actual June 2013
<b>Liabilities and Shareholders' Equity</b>			
<b>Non-Current Liabilities</b>			
Long-term debt	331,974,266	22,607	331,996,873
Obligations under Capital Lease-Noncurrent	6,674,678	(340,910)	6,333,768
Total Long-term debt	338,648,944	(318,303)	338,330,641
<b>Common Stock Equity</b>			
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)
Unappropriated Retained Earnings Balance	196,610,414	-	196,610,414
Unappropriated Retained Earnings - Current Year Net Income	18,797,343	6,886,930	25,684,273
Total Common Stock Equity	391,681,887	6,886,930	398,568,817
TOTAL CAPITALIZATION	730,330,831	6,568,627	736,899,458