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COMMISSION

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**VIA OVERNIGHT DELIVERY**

November 13, 2014

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 Third Quarter 2014 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 Danielle Weatherston, Manager, Accounting at (980) 373-1697.

Sincerely,

Rocco D'Ascenzo  
Associate General Counsel  
[rocco.d'ascenzo@duke-energy.com](mailto:rocco.d'ascenzo@duke-energy.com)

Enclosures

cc: Danielle Weatherston  
Charmain Barnes

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Balance Sheet - Page 1  
As of September 30, 2014  
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<u>Assets</u>				
Utility Plant in Service	1,301,167,746	433,581,460	12,859,230	1,747,608,436
Construction Work in Progress	15,766,647	1,351,144	-	17,117,791
Less: Accumulated Depreciation	(659,039,696)	(142,101,129)	(8,139,867)	(809,280,692)
Net Utility Plant	<u>657,894,697</u>	<u>292,831,475</u>	<u>4,719,363</u>	<u>955,445,535</u>
Nonutility Property	-	-	2,206	2,206
Other Investments	-	-	1,500	1,500
Other Special Funds	-	-	1,253,206	1,253,206
Total Other Property & Investments	<u>-</u>	<u>-</u>	<u>1,256,912</u>	<u>1,256,912</u>
Cash	10,864,815	4,460,687	(813,541)	14,511,961
Working Funds	-	-	-	-
Temporary Cash Investments	-	-	-	-
Customer Accounts Receivable	3,083,614	1,009,698	-	4,093,312
Other Accounts Receivable	12,297,299	5,048,811	(920,803)	16,425,307
Less: Provision for Uncollectibles	(128,208)	(41,981)	-	(170,189)
Notes Receivable from Assoc. Co.	8,977,459	3,685,809	(672,218)	11,991,050
Accounts Receivable from Assoc. Co.	(5,877)	(2,413)	440	(7,850)
Fuel Stock	20,186,141	2,027,954	3,766,200	25,980,295
Gas Stored Underground Inventory	-	9,549,435	-	9,549,435
Plant Materials & Operating Supplies	17,909,947	207,391	-	18,117,338
Other Materials & Supplies	-	-	-	-
Stores Expense Undistributed	1,366,966	15,829	-	1,382,795
Prepayments	1,410,552	667,762	-	2,078,314
Emission Allowances	37,682	-	-	37,682
Derivative Instrument Assets	1,585,951	-	-	1,585,951
Interest & Dividends Receivable	-	-	-	-
Misc Current and Accrued Assets	13,878,562	-	-	13,878,562
Rents Receivable	-	-	-	-
Total Current & Accrued Assets	<u>91,464,903</u>	<u>26,628,982</u>	<u>1,360,078</u>	<u>119,453,963</u>
Unamortized Debt Expense	1,491,632	612,409	(111,691)	1,992,350
Other Regulatory Assets	17,368,224	9,241,188	-	26,609,412
Preliminary Survey & Investigation	1,591,303	653,330	(119,154)	2,125,479
Clearing Accounts	46,115	24,975	-	71,090
Temporary Facilities	-	-	-	0
Miscellaneous Deferred Debits	17,247,468	7,081,165	(1,291,464)	23,037,169
Unamortized Loss on Reacquired Debt	1,538,142	631,504	(115,174)	2,054,472
Accumulated Deferred Income Taxes	(4,371,641)	(634,897)	-	(5,006,538)
Unrecovered Purchased Gas Costs	-	2,265,385	-	2,265,385
Total Deferred Debits	<u>34,911,243</u>	<u>19,875,059</u>	<u>(1,637,483)</u>	<u>53,148,819</u>
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<u><u>784,270,843</u></u>	<u><u>339,335,516</u></u>	<u><u>5,698,870</u></u>	<u><u>1,129,305,229</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Balance Sheet - Page 2  
As of September 30, 2014  
(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	189,939,979	60,774,899	(24,729,635)	225,985,243
Accumulated Other Comprehensive Income	-	-	-	-
Total Proprietary Capital	<u>321,912,895</u>	<u>114,958,041</u>	<u>(34,611,563)</u>	<u>402,259,373</u>
<u>Liabilities</u>				
Bonds	248,989,626	102,225,826	(18,643,958)	332,571,494
Less: Unamortized Discount on Long-Term Debt	(345,582)	(141,883)	25,877	(461,588)
Total Long-Term Debt	<u>248,644,044</u>	<u>102,083,943</u>	<u>(18,618,081)</u>	<u>332,109,906</u>
Obligations Under Capital Leases - Noncurrent	3,112,698	1,277,939	-	4,390,637
Asset Retirement Obligation	1,998,763	4,459,883	-	6,458,646
Long-Term Portion of Derivative Instrument Liabilities	2,997,727	1,623,474	-	4,621,201
Accum. Misc. Operating Provisions	4,553,967	2,466,285	-	7,020,252
Total Other Noncurrent Liabilities	<u>12,663,155</u>	<u>9,827,581</u>	<u>-</u>	<u>22,490,736</u>
Accounts Payable	12,403,093	5,092,246	(928,724)	16,566,615
Notes Payable to Assoc. Co.	12,598,039	5,172,283	(943,322)	16,827,000
Accounts Payable to Assoc. Co.	9,343,780	3,836,207	(699,648)	12,480,339
Customer Deposits	5,737,750	3,858,755	-	9,596,505
Taxes Accrued	12,894,947	6,857,827	(6,355)	19,746,419
Interest Accrued	2,533,643	1,040,219	(189,715)	3,384,147
Tax Collections Payable	1,588,873	740,872	11,579	2,341,324
Misc. Current & Accrued Liabilities	5,846,840	3,166,463	-	9,013,303
Obligations Under Capital Leases - Current	1,132,705	465,039	-	1,597,744
Derivative Instrument Liabilities	3,638,167	1,970,316	-	5,608,483
Less: Long-Term Portion of Derivative Instrument Liabilities	(2,997,727)	(1,623,474)	-	(4,621,201)
Total Current & Accrued Liabilities	<u>64,720,110</u>	<u>30,576,753</u>	<u>(2,756,185)</u>	<u>92,540,678</u>
Customer Advances for Construction	-	755,935	-	755,935
Accum. Deferred Investment Tax Credits	(2,485,793)	793,599	2,839,403	1,147,209
Other Deferred Credits	19,252,664	6,126,540	-	25,379,204
Other Regulatory Liabilities	50,118	523,234	-	573,352
Accumulated Deferred Income Taxes	119,513,650	73,689,890	58,845,296	252,048,836
Total Deferred Credits	<u>136,330,639</u>	<u>81,889,198</u>	<u>61,684,699</u>	<u>279,904,536</u>
<b>TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS</b>	<u><u>784,270,843</u></u>	<u><u>339,335,516</u></u>	<u><u>5,698,870</u></u>	<u><u>1,129,305,229</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Income Statement  
For the 12 Months Ended September 30, 2014  
(Unaudited)

	Electric	Gas	Non- Jurisdictional	Total Company
<u>Revenues</u>				
Residential Sales	132,781,901	77,260,948	-	210,042,849
Commercial Sales	118,909,611	29,061,415	-	147,971,026
Industrial Sales	58,701,364	2,292,989	-	60,994,353
Sales to Public Authorities	23,226,003	3,222,561	-	26,448,564
Public Street & Highway Lighting	1,763,690	1,020	-	1,764,710
Inter-Departmental Sales	72,060	32,716	-	104,776
Misc. Service Revenues	1,401,118	43,320	514,092	1,958,530
Revenues from Transportation	-	6,180,356	-	6,180,356
Sales for Resale	19,820,167	-	-	19,820,167
Rents from Property	765,030	54	-	765,084
Other Revenues	4,799,106	2,379	-	4,801,485
Total Revenues	<u>362,240,050</u>	<u>118,097,758</u>	<u>514,092</u>	<u>480,851,900</u>
<u>Operating Expenses</u>				
Operation Expense	245,415,146	78,529,035	177,360	324,121,541
Maintenance Expense	34,928,896	1,827,772	160,399	36,917,067
Depreciation Expense	27,568,236	6,798,179	-	34,366,415
Amortization and Depletion	2,156,833	1,053,022	-	3,209,855
Taxes Other than Income Taxes	8,211,908	3,829,108	59,844	12,100,860
Income Taxes - Federal & Other	6,376,495	3,929,337	(67,034)	10,238,798
Provision for Deferred Income Taxes - Net	5,008,983	4,672,343	1,754	9,683,080
Investment Tax Credit Adjustment	-	517	(517)	-
Total Operating Expenses	<u>329,666,497</u>	<u>100,639,313</u>	<u>331,806</u>	<u>430,637,616</u>
NET OPERATING INCOME	<u>32,573,553</u>	<u>17,458,445</u>	<u>182,286</u>	<u>50,214,284</u>
<u>Other Income &amp; Deductions</u>				
Revenues from Merchandising, Jobbing and Contract Work	-	-	273,816	273,816
Less: Expense of Merchandising, Jobbing and Contract Work	-	-	(137,305)	(137,305)
Revenues from Nonutility Operations	-	-	187,631	187,631
Interest & Dividend Income	-	-	1,117,803	1,117,803
AFUDC	600,828	24,671	-	625,499
Gain on Disposition of Property	-	-	218,875	218,875
Loss on Disposition of Property	-	-	-	-
Misc. Income Deductions	-	-	(1,043,334)	(1,043,334)
Taxes Other than Income Taxes	-	-	(135,040)	(135,040)
Income Taxes - Federal & Other	-	-	(1,644,696)	(1,644,696)
Provision for Deferred Income Taxes - Net	-	-	1,075,005	1,075,005
Total Other Income & Deductions	<u>600,828</u>	<u>24,671</u>	<u>(87,245)</u>	<u>538,254</u>
<u>Interest Charges</u>				
Interest on Long Term Debt	(10,579,948)	(4,343,731)	792,210	(14,131,469)
Amortization of Debt Disc. And Expense	(336,542)	(138,172)	25,200	(449,514)
Amortization of Loss on Reacquired Debt	(199,498)	(81,906)	14,938	(266,466)
Interest on Debt to Assoc. Co.	(6,212)	(2,550)	465	(8,297)
Other Interest Expense	(1,351,008)	(554,673)	101,161	(1,804,520)
Less: Allowance for Borrowed Fund Used During Construction - Credit	287,146	9,742	-	296,888
Net interest Charges	<u>(12,186,062)</u>	<u>(5,111,290)</u>	<u>933,974</u>	<u>(16,363,378)</u>
Extraordinary Items after Taxes	-	-	-	-
NET INCOME	<u>20,988,319</u>	<u>12,371,826</u>	<u>1,029,015</u>	<u>34,389,160</u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Capital Structure  
September 30, 2014  
(Unaudited)

	<u>Actual Aug 2014</u>	<u>Activity</u>	<u>Actual Sep 2014</u>
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
Long-term debt	292,113,308	4,380	292,117,688
Obligations under Capital Lease-Noncurrent	4,492,014	(101,377)	4,390,637
Total Long-term debt	<u>296,605,322</u>	<u>(96,997)</u>	<u>296,508,325</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)
Unappropriated Retained Earnings Balance	201,679,985	-	201,679,985
Unappropriated Retained Earnings - Current Year Net Income	21,502,747	2,802,511	24,305,258
Total Common Stock Equity	<u>399,456,862</u>	<u>2,802,511</u>	<u>402,259,373</u>
TOTAL CAPITALIZATION	696,062,184	2,705,514	698,767,698