



DUKE ENERGY CORPORATION

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VIA OVERNIGHT DELIVERY

November 11, 2010

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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.

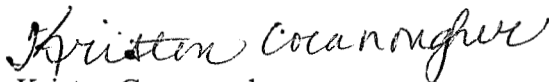
Dear Mr. Cline:

I have enclosed Duke Energy Kentucky, Inc.'s Third Quarter 2010 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 Ms. Brenda Melendez, Manager, Accounting at (513) 287-1554.

Very truly yours,


Kristen Cocanougher

Enclosures

cc: Ms. Brenda Melendez

Duke Energy Kentucky, Inc.

Quarterly Supplemental Financial Statements
Balance Sheet - Page 1
As of September 30, 2010
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<u>Assets</u>				
Utility Plant in Service	1,184,061,882	390,172,574	12,413,823	1,586,648,279
Construction Work in Progress	8,220,758	2,106,542		10,327,300
Less Accum. Depreciation	(588,528,220)	(107,291,989)	(7,858,181)	(703,678,390)
Net Utility Plant	<u>603,754,420</u>	<u>284,987,127</u>	<u>4,555,642</u>	<u>893,297,189</u>
Nonutility Property	-	-	8,073,663	8,073,663
Other Investments	-	-	1,500	1,500
Total Other Property & Investments	<u>-</u>	<u>-</u>	<u>8,075,163</u>	<u>8,075,163</u>
Cash	6,775,025	2,781,572	(507,303)	9,049,294
Working Funds	1,872	768	(140)	2,500
Temporary Cash Investments	35,592,247	14,612,845	(2,665,092)	47,540,000
Customer Accounts Receivable	(124,234)	(45,675)	-	(169,909)
Other Accounts Receivable	4,032,185	1,655,464	(301,924)	5,385,725
Less Provision for Uncollectibles	(256,500)	(94,304)	-	(350,804)
Notes Receivable from Assoc. Co.	49,027,183	20,128,727	(3,671,080)	65,484,830
Accounts Receivable from Assoc. Co	3,565,169	1,463,725	(266,954)	4,761,940
Fuel Stock	20,070,627	536,553	996,455	21,603,635
Gas Stored Underground Inventory	-	7,877,749	-	7,877,749
Plant Materials & Operating Supplies	16,693,629	88,144	-	16,781,773
Other Materials & Supplies	-	-	-	-
Stores Expense Undistributed	1,151,127	6,078	-	1,157,205
Prepayments	1,564,706	740,739	-	2,305,445
Emission Allowances	1,831,769	-	-	1,831,769
Derivative Instrument Assets	-	-	-	-
Interest & Dividends Receivable	38,835	15,944	(2,908)	51,871
Misc Current and Accrued Assets	809,455	-	-	809,455
Total Current & Accrued Assets	<u>140,773,095</u>	<u>49,768,329</u>	<u>(6,418,946)</u>	<u>184,122,478</u>
Unamortized Debt Expense	1,773,830	728,268	(132,822)	2,369,276
Other Regulatory Assets	13,025,856	3,526,842	-	16,552,698
Preliminary Survey & Investigation	1,124,158	461,537	(84,175)	1,501,520
Clearing Accounts	13,672	5,056	-	18,728
Temporary Facilities	(47,450)	-	-	(47,450)
Miscellaneous Deferred Debits	25,868,606	10,620,682	(1,937,001)	34,552,287
Unamortized Loss on Reacquired Debt	2,371,508	973,652	(177,575)	3,167,585
Accumulated Deferred Income Taxes	(13,492,729)	9,663,025	-	(3,829,704)
Unrecovered Purchased Gas Costs	-	(1,535,907)	-	(1,535,907)
Total Deferred Debits	<u>30,637,451</u>	<u>24,443,155</u>	<u>(2,331,573)</u>	<u>52,749,033</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>775,164,966</u></u>	<u><u>359,198,611</u></u>	<u><u>3,880,286</u></u>	<u><u>1,138,243,863</u></u>

Duke Energy Kentucky, Inc.

Quarterly Supplemental Financial Statements
Balance Sheet - Page 2
As of September 30, 2010
(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	212,117,985	105,401,862	(39,111,793)	278,408,054
Accumulated Other Comprehensive Income	-	-	-	-
Total Proprietary Capital	<u>344,090,901</u>	<u>159,585,004</u>	<u>(48,993,721)</u>	<u>454,682,184</u>
<u>Liabilities</u>				
Bonds	248,989,626	102,225,826	(18,643,958)	332,571,494
Less Unamortized Discount on Long-Term Debt	(616,385)	(253,065)	46,154	(823,296)
Total Long-Term Debt	<u>248,373,241</u>	<u>101,972,761</u>	<u>(18,597,804)</u>	<u>331,748,198</u>
Obligations Under Capital Leases - Noncurrent	8,026,088	3,295,163	-	11,321,251
Asset Retirement Obligation	1,767,754	3,945,875	-	5,713,629
Long-Term Portion of Derivative Instrument Liabilities	4,845,134	1,791,854	-	6,636,988
Accum. Misc. Operating Provisions	14,895,216	14,017,837	-	28,913,053
Total Other Noncurrent Liabilities	<u>29,534,192</u>	<u>23,050,729</u>	<u>-</u>	<u>52,584,921</u>
Accounts Payable	11,821,141	4,853,318	(885,149)	15,789,310
Notes Payable to Assoc. Co.	-	-	-	-
Accounts Payable to Assoc. Co.	13,307,956	5,463,749	(996,479)	17,775,226
Customer Deposits	4,744,683	3,190,896	-	7,935,579
Taxes Accrued	4,085,198	5,448,971	452,657	9,986,826
Interest Accrued	4,209,315	1,728,187	(315,187)	5,622,315
Tax Collections Payable	1,002,753	456,270	41,326	1,500,349
Misc. Current & Accrued Liabilities	10,129,587	3,746,179	-	13,875,766
Obligations Under Capital Leases - Current	1,355,497	556,508	-	1,912,005
Total Current & Accrued Liabilities	<u>50,656,130</u>	<u>25,444,078</u>	<u>(1,702,832)</u>	<u>74,397,376</u>
Customer Advances for Construction	-	1,333,096	-	1,333,096
Accum. Deferred Investment Tax Credits	(1,539,403)	1,079,202	3,254,823	2,794,622
Other Deferred Credits	5,486,684	1,826,944	-	7,313,628
Other Regulatory Liabilities	803,470	344,246	-	1,147,716
Accumulated Deferred Income Taxes	97,759,751	44,562,551	69,919,820	212,242,122
Total Deferred Credits	<u>102,510,502</u>	<u>49,146,039</u>	<u>73,174,643</u>	<u>224,831,184</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u><u>775,164,966</u></u>	<u><u>359,198,611</u></u>	<u><u>3,880,286</u></u>	<u><u>1,138,243,863</u></u>

Duke Energy Kentucky, Inc.

Quarterly Supplemental Financial Statements
Income Statement
For the 12 Months Ended September 30, 2010
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<u>Revenues</u>				
Residential Sales	128,049,622	85,172,966	-	213,222,588
Commercial Sales	109,641,967	31,179,395	-	140,821,362
Industrial Sales	51,556,520	2,933,452	-	54,489,972
Sales to Public Authorities	22,681,863	3,777,546	-	26,459,409
Public Street & Highway Lighting	1,679,188	1,022	-	1,680,210
Inter-Departmental Sales	54,336	32,140	-	86,476
Misc. Service Revenues	182,271	58,246	514,092	754,609
Revenues from Transportation	-	5,234,699	-	5,234,699
Sales for Resale	21,620,785	-	-	21,620,785
Rents from Property	638,552	34,188	1,820,338	2,493,078
Other Revenues	12,814,344	13,489	-	12,827,833
Total Revenues	<u>348,919,448</u>	<u>128,437,143</u>	<u>2,334,430</u>	<u>479,691,021</u>
<u>Operating Expenses</u>				
Operation Expense	229,889,929	88,869,557	91,605	318,851,091
Maintenance Expense	22,024,377	1,603,906	73,843	23,702,126
Depreciation Expense	29,863,667	11,350,448	1,684,994	42,899,109
Amortization and Depletion	3,827,375	1,935,202	-	5,762,577
Taxes Other than Income Taxes	7,085,399	3,223,983	292,009	10,601,391
Income Taxes - Federal & Other	(659,411)	5,347,212	420,018	5,107,819
Provision of Deferred Income Taxes - Net	15,939,625	2,707,805	374,462	19,021,892
Investment Tax Credit Adjustment	-	277	(277)	-
Total Operating Expenses	<u>307,970,961</u>	<u>115,038,390</u>	<u>2,936,654</u>	<u>425,946,005</u>
NET OPERATING INCOME	<u>40,948,487</u>	<u>13,398,753</u>	<u>(602,224)</u>	<u>53,745,016</u>
<u>Other Income & Deductions</u>				
Revenues from Merchandising, Jobbing and Contract Work	-	-	364,991	364,991
Less Expense of Merchandising, Jobbing and Contract Work	-	-	(176,437)	(176,437)
Revenues from Nonutility Operations	-	-	(723,636)	(723,636)
Interest & Dividend Income	-	-	2,847,272	2,847,272
AFUDC	246,025	12,945	-	258,970
Loss on Disposition of Property	-	-	(24)	(24)
Gain from Disposition of Allowances	-	-	-	-
Misc. Income Deductions	-	-	(876,693)	(876,693)
Taxes Other than Income Taxes	-	-	(77,620)	(77,620)
Income Taxes - Federal & Other	-	-	(973,591)	(973,591)
Provision for Deferred Income Taxes - Net	-	-	2,977,642	2,977,642
Total Other Income & Deductions	<u>246,025</u>	<u>12,945</u>	<u>3,361,904</u>	<u>3,620,874</u>
<u>Interest Charges</u>				
Interest on Long Term Debt	(10,407,234)	(4,272,821)	779,278	(13,900,778)
Amortization of Debt Disc And Expense	(302,296)	(124,111)	22,635	(403,772)
Amortization of Loss on Reacquired Debt	(211,984)	(87,032)	15,873	(283,143)
Interest on Debt to Assoc Co	-	-	-	-
Other Interest Expense	(2,433,775)	(999,217)	182,237	(3,250,754)
Less Allowance for Borrowed Fund Used During Construction - Credit	147,430	8,019	-	155,449
Net interest Charges	<u>(13,207,859)</u>	<u>(5,475,162)</u>	<u>1,000,023</u>	<u>(17,682,998)</u>
Extraordinary Items after Taxes	-	-	-	-
NET INCOME	<u>27,986,653</u>	<u>7,936,536</u>	<u>3,759,703</u>	<u>39,682,892</u>

Duke Energy Kentucky, Inc.
Capital Structure
September 30, 2010

	Actual June 2010	Activity	Actual September 2010
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
Long-term debt	\$ 331,816,007	\$ 22,607	\$ 331,838,614
Obligations under Capital Lease-Noncurr	\$ 12,037,930	\$ (716,679)	\$ 11,321,251
Total Long-term debt	\$ 343,853,937	\$ (694,072)	\$ 343,159,865
Common Stock Equity			
Common Stock	\$ 8,779,995	\$ -	\$ 8,779,995
Premium On Capital Stock Common	\$ 18,838,946	\$ -	\$ 18,838,946
Donat Recvd From Stkhld	\$ 143,211,362	\$ -	\$ 143,211,362
Donat Recvd From Stkhld Tax	\$ 5,600,021	\$ -	\$ 5,600,021
Other Misc PIC	\$ (156,194)	\$ -	\$ (156,194)
Unappropriated RE Bal	\$ 245,818,648	\$ -	\$ 245,818,648
Unapp Ret Ernrgs-Curr Yr Net In	\$ 20,520,274	\$ 12,069,134	\$ 32,589,408
Total Common Stock Equity	\$ 442,613,052	\$ 12,069,134	\$ 454,682,186
TOTAL CAPITALIZATION	\$ 786,466,989	\$ 11,375,062	\$ 797,842,051