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AUG 14 2014

PUBLIC SERVICE
COMMISSION

VIA OVERNIGHT DELIVERY

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

Sincerely,

Dianne Kuhnell
Senior Paralegal
dianne.kuhnell@duke-energy.com

Enclosures

cc: Jay Baucom
Charmain Barnes

Duke Energy Kentucky, Inc.

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

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
Assets				
Utility Plant In Service	1,295,146,921	430,773,413	12,659,230	1,738,779,564
Construction Work In Progress	21,000,519	1,392,427	-	22,392,946
Less: Accumulated Depreciation	(858,964,074)	(139,497,992)	(8,093,192)	(806,555,258)
Net Utility Plant	857,183,368	292,667,848	4,766,038	954,617,252
Nonutility Property	-	-	2,206	2,206
Other Investments	-	-	1,500	1,500
Other Special Funds	-	-	1,195,884	1,195,884
Total Other Property & Investments	-	-	1,199,390	1,199,390
Cash	9,092,780	3,733,155	(680,853)	12,145,062
Working Funds	-	-	-	-
Temporary Cash Investments	-	-	-	-
Customer Accounts Receivable	10,224,265	3,375,749	-	13,600,014
Other Accounts Receivable	11,324,219	4,649,301	(847,940)	15,125,580
Less: Provision for Uncollectibles	(182,357)	(53,605)	-	(215,962)
Notes Receivable from Assoc. Co.	12,424,298	5,100,952	(930,312)	16,594,938
Accounts Receivable from Assoc. Co.	706,067	289,885	(52,870)	943,082
Fuel Stock	22,557,641	1,266,018	2,351,177	26,174,838
Gas Stored Underground Inventory	-	5,279,751	-	5,279,751
Plant Materials & Operating Supplies	18,067,714	207,873	-	18,275,587
Other Materials & Supplies	-	-	-	-
Stores Expense Undistributed	1,185,618	13,641	-	1,199,259
Prepayments	1,130,812	535,332	-	1,666,144
Emission Allowances	50,059	-	-	50,059
Derivative Instrument Assets	2,590,824	-	-	2,590,824
Interest & Dividends Receivable	-	-	-	-
Misc Current and Accrued Assets	7,695,560	-	-	7,695,560
Rents Receivable	-	-	-	-
Total Current & Accrued Assets	98,887,500	24,398,052	(160,798)	121,124,754
Unamortized Debt Expense	1,547,648	635,405	(115,685)	2,067,168
Other Regulatory Assets	18,042,594	9,040,168	-	25,082,762
Preliminary Survey & Investigation	1,589,537	652,605	(119,022)	2,123,120
Clearing Accounts	44,887	25,418	-	70,305
Temporary Facilities	-	-	-	0
Miscellaneous Deferred Debits	17,703,265	7,268,299	(1,325,593)	23,645,971
Unamortized Loss on Reacquired Debt	1,588,018	651,981	(118,908)	2,121,091
Accumulated Deferred Income Taxes	(4,553,102)	192,109	-	(4,360,993)
Unrecovered Purchased Gas Costs	-	1,274,589	-	1,274,589
Total Deferred Debits	33,962,845	19,740,574	(1,679,408)	52,024,011
TOTAL ASSETS AND OTHER DEBITS	788,033,711	336,806,474	4,125,222	1,126,965,407

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of June 30, 2014
(Unaudited)

	<u>Electric Jurisdictional</u>	<u>Gas Jurisdictional</u>	<u>Non- Jurisdictional</u>	<u>Total Company</u>
Proprietary Capital				
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	188,314,174	57,498,036	(26,623,630)	219,188,580
Accumulated Other Comprehensive Income	-	-	-	-
Total Proprietary Capital	320,287,090	111,681,178	(36,505,558)	395,462,710
Liabilities				
Bonds	248,989,626	102,225,826	(18,643,958)	332,571,494
Less: Unamortized Discount on Long-Term Debt	(362,506)	(148,832)	27,144	(484,194)
Total Long-Term Debt	248,627,120	102,076,994	(18,616,814)	332,087,300
Obligations Under Capital Leases - Noncurrent	3,327,359	1,366,069	-	4,693,428
Asset Retirement Obligation	1,992,499	4,396,563	-	6,389,062
Long-Term Portion of Derivative Instrument Liabilities	3,084,656	1,746,744	-	4,831,400
Accum. Misc. Operating Provisions	4,692,793	2,657,383	-	7,350,176
Total Other Noncurrent Liabilities	13,097,307	10,166,759	-	23,264,066
Accounts Payable	12,121,533	4,976,648	(907,642)	16,190,539
Notes Payable to Assoc. Co.	22,523,289	9,247,220	(1,686,509)	30,084,000
Accounts Payable to Assoc. Co.	4,837,266	1,986,000	(362,207)	6,461,059
Customer Deposits	5,625,679	3,783,384	-	9,409,063
Taxes Accrued	4,957,277	3,408,129	15,646	8,381,052
Interest Accrued	2,665,662	1,094,421	(199,601)	3,560,482
Tax Collections Payable	1,514,463	701,785	10,824	2,227,072
Misc. Current & Accrued Liabilities	6,867,869	3,889,060	-	10,756,929
Obligations Under Capital Leases - Current	1,162,904	477,438	-	1,640,342
Derivative Instrument Liabilities	3,722,276	2,107,809	-	5,830,085
Less: Long-Term Portion of Derivative Instrument Liabilities	(3,084,656)	(1,746,744)	-	(4,831,400)
Total Current & Accrued Liabilities	62,913,562	29,925,150	(3,129,489)	89,709,223
Customer Advances for Construction	-	734,065	-	734,065
Accum. Deferred Investment Tax Credits	(2,451,007)	811,154	2,839,403	1,199,550
Other Deferred Credits	19,420,323	6,179,892	-	25,600,215
Other Regulatory Liabilities	54,505	534,212	-	588,717
Accumulated Deferred Income Taxes	126,084,811	74,697,070	59,537,680	260,319,561
Total Deferred Credits	143,108,632	82,956,393	62,377,083	288,442,108
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	788,033,711	336,806,474	4,125,222	1,128,965,407

Duke Energy Kentucky, Inc.

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

	<u>Electric</u>	<u>Gas</u>	<u>Non- Jurisdictional</u>	<u>Total Company</u>
Revenues				
Residential Sales	132,473,528	76,856,602	-	209,330,128
Commercial Sales	117,495,492	29,119,210	-	146,614,702
Industrial Sales	57,475,965	2,270,686	-	59,746,651
Sales to Public Authorities	22,896,079	3,254,293	-	26,150,372
Public Street & Highway Lighting	1,723,366	1,010	-	1,724,376
Inter-Departmental Sales	78,247	32,478	-	110,725
Misc. Service Revenues	(901,244)	40,903	514,092	(346,249)
Revenues from Transportation	-	5,601,007	-	5,601,007
Sales for Resale	19,805,939	-	-	19,805,939
Rents from Property	821,567	59	92,039	913,665
Other Revenues	4,498,705	2,090	-	4,500,795
Total Revenues	356,367,642	117,178,338	606,131	474,152,111
Operating Expenses				
Operation Expense	236,323,908	77,762,663	180,723	314,267,294
Maintenance Expense	33,143,220	1,940,052	163,065	35,246,337
Depreciation Expense	29,903,892	4,676,472	-	34,580,364
Amortization and Depletion	2,026,152	1,091,904	-	3,118,056
Taxes Other than Income Taxes	8,458,201	3,919,432	60,450	12,438,083
Income Taxes - Federal & Other	4,579,056	5,043,685	(19,303)	9,603,438
Provision for Deferred Income Taxes - Net	8,702,616	4,050,405	56,002	12,809,023
Investment Tax Credit Adjustment	-	468	(468)	-
Total Operating Expenses	323,137,045	98,485,081	440,469	422,062,595
NET OPERATING INCOME	33,230,597	18,693,257	165,662	52,089,516
Other Income & Deductions				
Revenues from Merchandising, Jobbing and Contract Work	-	-	306,484	306,484
Less: Expense of Merchandising, Jobbing and Contract Work	-	-	(104,051)	(104,051)
Revenues from Nonutility Operations	-	-	206,000	206,000
Interest & Dividend Income	-	-	1,233,090	1,233,090
AFUDC	698,196	25,236	-	723,432
Gain on Disposition of Property	-	-	-	-
Loss on Disposition of Property	-	-	(1,374,200)	(1,374,200)
Misc. Income Deductions	-	-	(982,694)	(982,694)
Taxes Other than Income Taxes	-	-	(138,611)	(138,611)
Income Taxes - Federal & Other	-	-	3,745,876	3,745,876
Provision for Deferred Income Taxes - Net	-	-	(3,078,124)	(3,078,124)
Total Other Income & Deductions	698,196	25,236	(186,230)	537,202
Interest Charges				
Interest on Long Term Debt	(10,597,505)	(4,350,939)	793,525	(14,154,919)
Amortization of Debt Disc. And Expense	(348,527)	(143,092)	26,097	(465,522)
Amortization of Loss on Reacquired Debt	(200,534)	(82,332)	15,016	(267,850)
Interest on Debt to Assoc. Co.	(1,429)	(587)	107	(1,909)
Other Interest Expense	(885,003)	(363,349)	66,268	(1,182,084)
Less: Allowance for Borrowed Fund Used During Construction - Credit	330,115	9,848	-	339,963
Net Interest Charges	(11,702,883)	(4,930,451)	901,013	(15,732,321)
Extraordinary Items after Taxes	-	-	-	-
NET INCOME	22,225,910	13,788,042	880,445	36,894,397

Duke Energy Kentucky, Inc.

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

	<u>Actual</u> <u>May 2014</u>	<u>Activity</u>	<u>Actual</u> <u>June 2014</u>
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
Long-term debt	292,100,165	4,381	292,104,546
Obligations under Capital Lease-Noncurrent	4,793,469	(100,041)	4,693,428
Total Long-term debt	<u>296,893,634</u>	<u>(95,660)</u>	<u>296,797,974</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	13,259,681	4,248,914	17,508,595
Total Common Stock Equity	<u>391,213,796</u>	<u>4,248,914</u>	<u>395,462,710</u>
TOTAL CAPITALIZATION	688,107,430	4,153,254	692,260,684