



Mailing Address:  
139 East Fourth Street  
1212 Main / P.O. Box 960  
Cincinnati, Ohio 45202  
o: 513-287-4315  
f: 513-287-4386

**VIA OVERNIGHT DELIVERY**

February 11, 2015

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

RECEIVED

FEB 12 2015

PUBLIC SERVICE  
COMMISSION

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 Fourth 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 Mai Xuan Zionchen, Accounting Analyst at (980) 373-2167.

Sincerely,

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

Enclosures

cc: Mai Xuan Zionchen

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
 Balance Sheet - Page 1  
 As of December 31, 2014  
 (Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<b>Assets</b>				
Utility Plant in Service	1,329,034,847	433,619,832	13,035,701	1,775,690,380
Construction Work in Progress	13,069,021	1,828,634	-	14,897,655
Less: Accumulated Depreciation	(663,982,897)	(143,285,768)	(8,151,816)	(815,420,481)
Net Utility Plant	678,120,971	292,162,698	4,883,885	975,167,554
Nonutility Property	-	-	2,206	2,206
Other Investments	-	-	1,500	1,500
Other Special Funds	-	-	477,394	477,394
Total Other Property & Investments	-	-	481,100	481,100
Cash	8,465,256	3,475,517	(633,865)	11,306,908
Working Funds	-	-	-	-
Temporary Cash Investments	-	-	-	-
Customer Accounts Receivable	1,299,515	435,742	-	1,735,257
Other Accounts Receivable	4,365,254	1,792,210	(326,863)	5,830,601
Less: Provision for Uncollectibles	(139,715)	(46,848)	-	(186,563)
Notes Receivable from Assoc. Co.	16,141,712	6,627,183	(1,208,666)	21,560,229
Accounts Receivable from Assoc. Co.	3,006,865	1,234,507	(225,149)	4,016,223
Fuel Stock	25,026,945	1,955,452	3,631,554	30,613,951
Gas Stored Underground Inventory	-	-	-	-
Plant Materials & Operating Supplies	20,431,691	206,123	-	20,637,814
Other Materials & Supplies	-	-	-	-
Stores Expense Undistributed	1,631,721	16,461	-	1,648,182
Prepayments	1,101,924	521,657	-	1,623,581
Emission Allowances	24,063	-	-	24,063
Derivative Instrument Assets	1,033,047	-	-	1,033,047
Interest & Dividends Receivable	-	-	-	-
Misc Current and Accrued Assets	12,247,503	7,822,078	-	20,069,581
Rents Receivable	-	-	-	-
Total Current & Accrued Assets	94,635,781	24,040,082	1,237,011	119,912,874
Unamortized Debt Expense	1,443,481	592,639	(108,086)	1,928,034
Other Regulatory Assets	18,269,251	9,041,425	-	27,310,676
Preliminary Survey & Investigation	1,594,234	654,533	(119,374)	2,129,393
Clearing Accounts	3,570	1,794	-	5,364
Temporary Facilities	-	-	-	0
Miscellaneous Deferred Debits	19,167,184	7,869,329	(1,435,209)	25,601,304
Unamortized Loss on Reacquired Debt	1,488,266	611,027	(111,439)	1,987,854
Accumulated Deferred Income Taxes	(5,206,711)	35,725	-	(5,170,986)
Unrecovered Purchased Gas Costs	-	1,921,396	-	1,921,396
Total Deferred Debits	36,759,275	20,727,868	(1,774,108)	55,713,035
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>809,516,027</b>	<b>336,930,648</b>	<b>4,827,888</b>	<b>1,151,274,563</b>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Balance Sheet - Page 2  
As of December 31, 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	206,841,331	54,337,081	(24,196,613)	236,981,799
Accumulated Other Comprehensive Income	-	-	-	-
Total Proprietary Capital	<u>338,814,247</u>	<u>108,520,223</u>	<u>(34,078,541)</u>	<u>413,255,929</u>
<u>Liabilities</u>				
Bonds	219,042,426	89,930,626	(16,401,558)	292,571,494
Advances from Associated Companies	18,717,000	7,684,500	(1,401,500)	25,000,000
Less: Unamortized Discount on Long-Term Debt	(329,916)	(135,451)	24,704	(440,663)
Total Long-Term Debt	<u>237,429,510</u>	<u>97,479,675</u>	<u>(17,778,354)</u>	<u>317,130,831</u>
Obligations Under Capital Leases - Noncurrent	2,602,966	1,068,665	-	3,671,631
Asset Retirement Obligation	3,722,511	4,399,774	-	8,122,285
Long-Term Portion of Derivative Instrument Liabilities	3,787,414	1,902,811	-	5,690,225
Accum. Misc. Operating Provisions	6,418,009	3,224,432	-	9,642,441
Total Other Noncurrent Liabilities	<u>16,530,900</u>	<u>10,595,682</u>	<u>-</u>	<u>27,126,582</u>
Accounts Payable	16,946,706	6,957,684	(1,268,943)	22,635,447
Notes Payable to Assoc. Co.	28,157,105	11,560,258	(2,108,361)	37,609,002
Accounts Payable to Assoc. Co.	9,929,651	4,076,743	(743,517)	13,262,877
Customer Deposits	5,908,534	3,973,610	-	9,882,144
Taxes Accrued	3,427,877	2,051,242	(13,872)	5,465,247
Interest Accrued	2,505,244	1,028,560	(187,589)	3,346,215
Tax Collections Payable	1,875,475	897,445	14,749	2,787,669
Misc. Current & Accrued Liabilities	4,977,978	2,500,956	-	7,478,934
Obligations Under Capital Leases - Current	1,145,266	470,197	-	1,615,463
Derivative Instrument Liabilities	4,444,549	2,232,958	-	6,677,507
Less: Long-Term Portion of Derivative Instrument Liabilities	(3,787,414)	(1,902,811)	-	(5,690,225)
Total Current & Accrued Liabilities	<u>75,530,971</u>	<u>33,846,842</u>	<u>(4,307,533)</u>	<u>105,070,280</u>
Customer Advances for Construction	-	754,559	-	754,559
Accum. Deferred Investment Tax Credits	(2,520,578)	776,044	2,839,403	1,094,869
Other Deferred Credits	17,405,138	5,538,624	-	22,943,762
Other Regulatory Liabilities	45,731	512,257	-	557,988
Accumulated Deferred Income Taxes	126,280,108	78,906,742	58,152,913	263,339,763
Total Deferred Credits	<u>141,210,399</u>	<u>86,488,226</u>	<u>60,992,316</u>	<u>288,690,941</u>
<b>TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS</b>	<u><b>809,516,027</b></u>	<u><b>336,930,648</b></u>	<u><b>4,827,888</b></u>	<u><b>1,151,274,563</b></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Income Statement  
For the 12 Months Ended December 31, 2014  
(Unaudited)

	Electric	Gas	Non- Jurisdictional	Total Company
<u>Revenues</u>				
Residential Sales	134,130,428	79,784,994	-	213,915,422
Commercial Sales	120,164,610	30,142,293	-	150,306,903
Industrial Sales	59,382,606	2,317,118	-	61,699,724
Sales to Public Authorities	23,456,996	3,315,231	-	26,772,227
Public Street & Highway Lighting	1,775,475	1,030	-	1,776,505
Inter-Departmental Sales	70,944	32,418	-	103,362
Misc. Service Revenues	1,757,152	39,806	514,092	2,311,050
Revenues from Transportation	-	6,251,235	-	6,251,235
Sales for Resale	18,596,017	-	-	18,596,017
Rents from Property	755,773	49	-	755,822
Other Revenues	4,945,728	2,442	-	4,948,170
<b>Total Revenues</b>	<b>365,035,729</b>	<b>121,886,616</b>	<b>514,092</b>	<b>487,436,437</b>
<u>Operating Expenses</u>				
Operation Expense	243,961,036	81,079,666	206,418	325,247,120
Maintenance Expense	35,878,159	1,899,989	199,230	37,977,378
Depreciation Expense	26,905,223	8,568,108	-	35,473,331
Amortization and Depletion	2,251,166	1,004,742	-	3,255,908
Taxes Other than Income Taxes	9,010,562	4,311,701	70,861	13,393,124
Income Taxes - Federal & Other	212,642	1,207,466	(108,186)	1,311,922
Provision for Deferred Income Taxes - Net	12,940,951	6,992,093	(51,003)	19,882,041
Investment Tax Credit Adjustment	-	151	(151)	-
<b>Total Operating Expenses</b>	<b>331,159,739</b>	<b>105,063,916</b>	<b>317,169</b>	<b>436,540,824</b>
<b>NET OPERATING INCOME</b>	<b>33,875,990</b>	<b>16,822,700</b>	<b>196,923</b>	<b>50,895,613</b>
<u>Other Income &amp; Deductions</u>				
Revenues from Merchandising, Jobbing and Contract Work	-	-	293,557	293,557
Less: Expense of Merchandising, Jobbing and Contract Work	-	-	(227,630)	(227,630)
Revenues from Nonutility Operations	-	-	114,499	114,499
Interest & Dividend Income	-	-	1,167,836	1,167,836
AFUDC	461,444	36,176	-	497,620
Gain on Disposition of Property	-	-	-	-
Loss on Disposition of Property	-	-	-	-
Misc. Income Deductions	-	-	(1,047,066)	(1,047,066)
Taxes Other than Income Taxes	-	-	(123,213)	(123,213)
Income Taxes - Federal & Other	-	-	(5,602,526)	(5,602,526)
Provision for Deferred Income Taxes - Net	-	-	5,678,408	5,678,408
<b>Total Other Income &amp; Deductions</b>	<b>461,444</b>	<b>36,176</b>	<b>253,865</b>	<b>751,485</b>
<u>Interest Charges</u>				
Interest on Long Term Debt	(10,535,954)	(4,325,668)	788,916	(14,072,706)
Amortization of Debt Disc. And Expense	(322,138)	(132,258)	24,122	(430,274)
Amortization of Loss on Reacquired Debt	(199,504)	(81,909)	14,939	(266,474)
Interest on Debt to Assoc. Co.	(12,182)	(5,001)	912	(16,271)
Other Interest Expense	(1,341,885)	(550,928)	100,478	(1,792,335)
Less: Allowance for Borrowed Fund Used During Construction - Credit	218,794	13,983	-	232,777
<b>Net interest Charges</b>	<b>(12,192,869)</b>	<b>(5,081,781)</b>	<b>929,367</b>	<b>(16,345,283)</b>
Extraordinary Items after Taxes	-	-	-	-
<b>NET INCOME</b>	<b>22,144,565</b>	<b>11,777,095</b>	<b>1,380,155</b>	<b>35,301,815</b>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Capital Structure  
December 31, 2014  
(Unaudited)

	Actual Nov 2014	Activity	Actual Dec 2014
<b>Liabilities and Shareholders' Equity</b>			
<b>Non-Current Liabilities</b>			
Long-term debt	292,126,450	4,381	292,130,831
Advances from Associated Companies	-	25,000,000	25,000,000
Obligations under Capital Lease-Noncurrent	4,185,757	(514,126)	3,671,631
<b>Total Long-term debt</b>	<b>296,312,207</b>	<b>24,490,255</b>	<b>320,802,462</b>
<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	201,679,985	-	201,679,985
Unappropriated Retained Earnings - Current Year Net Income	31,486,175	3,815,639	35,301,814
<b>Total Common Stock Equity</b>	<b>409,440,290</b>	<b>3,815,639</b>	<b>413,255,929</b>
<b>TOTAL CAPITALIZATION</b>	<b>705,752,497</b>	<b>28,305,894</b>	<b>734,058,391</b>