

FAX

Rocco O. D'Ascenzo
Associate General Counsel
Duke Energy Business Services
139 E. Fourth St
Cincinnati, Ohio 45202

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PUBLIC SERVICE
COMMISSION

DATE: November 14, 2012

TO: Docketing

COMPANY: Kentucky Public Service Commission

FAX: 502-564-3460

PHONE:

FROM: Rocco D'Ascenzo

FAX: 513-287-4385

PHONE: 513-287-4320

NO. OF PAGES: 15

COMMENTS: Case No. 2011-124
**In the Matter of the Joint Application of Duke Energy Corporation,
Cinergy Corp., Duke Energy Ohio, Inc., Duke Energy Kentucky, Inc.,
Diamond Acquisition Corporation, and Progress Energy, Inc. for
Approval of the Indirect Transfer of Control of Duke Energy
Kentucky, Inc.**

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www.duke-energy.com



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Rocco O. D'Ascenzo
Associate General Counsel

VIA FACSIMILE (502-564-3460) AND OVERNIGHT DELIVERY

November 14, 2012

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

Re: Case No. 2011-124
In the Matter of the Joint Application of Duke Energy Corporation, Cinergy Corp., Duke Energy Ohio, Inc., Duke Energy Kentucky, Inc., Diamond Acquisition Corporation, and Progress Energy, Inc. for Approval of the Indirect Transfer of Control of Duke Energy Kentucky, Inc.

Dear Mr. Derouen:

In the Stipulation in the above-referenced case, Duke Energy Kentucky, Inc. made several merger commitments. Duke Energy Kentucky regularly monitors these commitments to ensure compliance and hereby reports the following information regarding these commitments.

Commitment # 23

Joint Applicants commit that when Duke Energy Kentucky files its monthly reports with the Commission, it shall include with that filing a schedule of the current capital structure and a schedule of any capital contributions made to Duke Energy Kentucky in the applicable month. The monthly reports shall also include separate gas and electric income statements and a combined gas and electric balance sheet for each of the eight months in which it does not make quarterly filings.

Duke Energy Response:

Duke Energy Kentucky, Inc.'s monthly financial statements for July, August and September are enclosed.



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Rocco O. D'Ascenzo
Associate General Counsel

Duke Energy Kentucky will continue to provide ongoing reporting as required under the merger commitments. Please file stamp the two copies of this letter enclosed herein and return in the enclosed return-addressed envelope.

Very truly yours,

A handwritten signature in black ink, appearing to be 'R. Ascenzo', written over a horizontal line.

Rocco D'Ascenzo
Associate General Counsel
Amy B. Spiller
State Regulatory General Counsel

cc: Dennis G. Howard, II
Mr. Jay Baucom
Mr. Matthew Schroeder

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
 Balance Sheet - Page 1
 As of July 31, 2012

	<u>Total Company</u>
Assets	
Utility Plant in Service	1,659,448,347
Construction Work in Progress	19,441,610
Less Accum. Depreciation	(748,936,119)
Net Utility Plant	<u>929,953,838</u>
Nonutility Property	5,846,022
Other Investments	1,500
Total Other Property & Investments	<u>5,847,522</u>
Cash	10,570,809
Working Funds	-
Temporary Cash Investments	-
Customer Accounts Receivable	1,361,399
Other Accounts Receivable	4,216,201
Less Provision for Uncollectibles	(158,127)
Notes Receivable from Assoc. Co.	25,982,569
Accounts Receivable from Assoc. Co.	1,288,174
Fuel Stock	23,235,037
Gas Stored Underground Inventory	-
Plant Materials & Operating Supplies	18,803,680
Other Materials & Supplies	-
Stores Expense Undistributed	1,098,200
Prepayments	1,757,944
Emission Allowances	328,904
Derivative Instrument Assets	521,145
Interest & Dividends Receivable	-
Misc Current and Accrued Assets	12,046,632
Rents Receivable	17,765
Total Current & Accrued Assets	<u>101,070,332</u>
Unamortized Debt Expense	2,610,199
Other Regulatory Assets	17,762,947
Preliminary Survey & Investigation	2,574,856
Clearing Accounts	41,826
Temporary Facilities	(3,975)
Miscellaneous Deferred Debits	35,912,786
Unamortized Loss on Reacquired Debt	2,648,489
Accumulated Deferred Income Taxes	4,421,711
Unrecovered Purchased Gas Costs	(3,148,476)
Total Deferred Debits	<u>62,820,363</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>1,099,692,055</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements

Balance Sheet - Page 2

As of July 31, 2012

(Unaudited)

	<u>Total Company</u>
<u>Proprietary Capital</u>	
Common Stock Issued	8,779,995
Premium on Capital Stock	18,838,946
Other Paid-in Capital Stock	148,655,189
Retained Earnings	200,148,559
Accumulated Other Comprehensive Income	-
Total Proprietary Capital	<u>376,422,689</u>
<u>Liabilities</u>	
Bonds	332,571,494
Less Unamortized Discount on Long-Term Debt	(657,513)
Total Long-Term Debt	<u>331,913,981</u>
Obligations Under Capital Leases - Noncurrent	7,996,171
Asset Retirement Obligation	6,056,858
Long-Term Portion of Derivative Instrument Liabilities	8,465,018
Accum. Misc. Operating Provisions	13,343,081
Total Other Noncurrent Liabilities	<u>35,861,128</u>
Accounts Payable	23,980,489
Notes Payable to Assoc. Co.	5,931,000
Accounts Payable to Assoc. Co.	9,305,111
Customer Deposits	8,867,056
Taxes Accrued	13,136,948
Interest Accrued	5,654,865
Tax Collections Payable	1,621,880
Misc. Current & Accrued Liabilities	8,024,536
Obligations Under Capital Leases - Current	1,959,539
Derivative Instrument Liabilities	9,456,000
Less: Long-Term Portion of Derivative Instrument Liabilities	(8,465,018)
Total Current & Accrued Liabilities	<u>79,472,406</u>
Customer Advances for Construction	713,822
Accum. Deferred Investment Tax Credits	1,328,498
Other Deferred Credits	22,388,813
Other Regulatory Liabilities	7,042,473
Accumulated Deferred Income Taxes	244,548,245
Total Deferred Credits	<u>276,021,851</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u><u>1,099,692,055</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Income Statement
For the 12 Months Ended July 31, 2012
(Unaudited)

	Electric	Gas	Total Company
<u>Revenues</u>			
Residential Sales	125,298,845	61,445,699	186,744,544
Commercial Sales	114,978,474	21,362,142	136,340,616
Industrial Sales	54,401,910	1,710,259	56,112,169
Sales to Public Authorities	23,226,026	2,530,847	25,756,873
Public Street & Highway Lighting	1,497,002	993	1,497,995
Inter-Departmental Sales	60,028	19,348	79,376
Misc. Service Revenues	874,056	561,977	1,436,033
Revenues from Transportation	-	5,473,855	5,473,855
Sales for Resale	11,939,784	-	11,939,784
Rents from Property	1,768,472	-	1,768,472
Other Revenues	4,028,035	(1,432)	4,026,603
Total Revenues	338,072,632	93,103,688	431,176,320
<u>Operating Expenses</u>			
Operation Expense	222,126,338	60,339,279	282,465,617
Maintenance Expense	32,889,399	1,853,616	34,743,015
Depreciation Expense	31,326,047	10,587,703	41,913,750
Amortization and Depletion	2,746,233	1,408,518	4,154,751
Taxes Other than Income Taxes	8,020,477	3,919,887	11,940,364
Income Taxes - Federal & Other	8,979,939	(1,119,102)	7,860,837
Provision of Deferred Income Taxes - Net	292,874	14,136,425	14,429,299
Investment Tax Credit Adjustment	-	-	-
Total Operating Expenses	306,381,307	91,126,326	397,507,633
NET OPERATING INCOME	31,691,325	1,977,362	33,668,687
<u>Other Income & Deductions</u>			
Revenues from Merchandising, Jobbing and Contract Work	199,517	200	199,717
Less Expense of Merchandising, Jobbing and Contract Work	(77,531)	10,309	(67,222)
Revenues from Nonutility Operations	190,679	623	191,302
Interest & Dividend Income	1,750,681	53,515	1,804,196
AFUDC	397,824	(90,320)	307,504
Loss on Disposition of Property	463,085	5,065	468,150
Gain from Disposition of Allowances	109,702	37,747	147,449
Misc. Income Deductions	(1,721,323)	(934,837)	(2,656,160)
Taxes Other than Income Taxes	(121,288)	(43,192)	(164,480)
Income Taxes - Federal & Other	(2,508,703)	276,380	(2,232,323)
Provision for Deferred Income Taxes - Net	5,523,998	137,580	5,661,578
Total Other Income & Deductions	4,206,641	(546,930)	3,659,711
<u>Interest Charges</u>			
Interest on Long Term Debt	(10,025,458)	(4,031,676)	(14,057,134)
Amortization of Debt Disc. And Expense	(337,671)	(117,953)	(455,624)
Amortization of Loss on Reacquired Debt	(201,388)	(81,755)	(283,143)
Interest on Debt to Assoc Co	(705)	(288)	(993)
Other Interest Expense	(2,842,435)	(233,360)	(3,075,795)
Less Allowance for Borrowed Fund Used During Construction - Credit	218,373	(37,000)	181,373
Net Interest Charges	(13,189,284)	(4,502,032)	(17,691,316)
Extraordinary Items after Taxes	-	-	-
NET INCOME	22,708,682	(3,071,600)	19,637,082

Duke Energy Kentucky, Inc.
Capital Structure
July 31, 2012

	Actual June 2012	Activity	Actual July 2012
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
Long-term debt	\$ 331,996,872	\$ 7,536	\$ 332,004,408
Obligations under Capital Lease-Noncurr	\$ 8,123,789	\$ (127,618)	\$ 7,996,171
Total Long-term debt	\$ 340,120,661	\$ (120,082)	\$ 340,000,579
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	\$ 178,389,554	\$ -	\$ 178,389,554
Unapp Ret Erngs-Curr Yr Net In	\$ 19,564,186	\$ 2,194,819	\$ 21,759,005
Total Common Stock Equity	\$ 374,227,870	\$ 2,194,819	\$ 376,422,689
TOTAL CAPITALIZATION	\$ 714,348,531	\$ 2,074,737	\$ 716,423,268

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
 Balance Sheet - Page 1
 As of August 31, 2012

	<u>Total Company</u>
<u>Assets</u>	
Utility Plant in Service	1,661,672,080
Construction Work in Progress	21,665,390
Less Accum. Depreciation	<u>(752,203,041)</u>
Net Utility Plant	<u>931,134,429</u>
Nonutility Property	5,771,876
Other Investments	1,500
Total Other Property & Investments	<u>5,773,376</u>
Cash	11,864,862
Working Funds	-
Temporary Cash Investments	-
Customer Accounts Receivable	2,538,260
Other Accounts Receivable	2,559,130
Less Provision for Uncollectibles	(165,745)
Notes Receivable from Assoc. Co.	25,189,163
Accounts Receivable from Assoc. Co.	723,192
Fuel Stock	22,778,584
Gas Stored Underground Inventory	-
Plant Materials & Operating Supplies	19,043,030
Other Materials & Supplies	-
Stores Expense Undistributed	1,020,902
Prepayments	1,643,857
Emission Allowances	282,516
Derivative Instrument Assets	521,145
Interest & Dividends Receivable	-
Misc Current and Accrued Assets	14,508,919
Rents Receivable	17,765
Total Current & Accrued Assets	<u>102,525,580</u>
Unamortized Debt Expense	2,575,020
Other Regulatory Assets	17,071,750
Preliminary Survey & Investigation	2,600,851
Clearing Accounts	39,634
Temporary Facilities	(5,550)
Miscellaneous Deferred Debits	35,683,949
Unamortized Loss on Reacquired Debt	2,624,894
Accumulated Deferred Income Taxes	4,100,571
Unrecovered Purchased Gas Costs	<u>(2,655,760)</u>
Total Deferred Debits	<u>62,035,359</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>1,101,468,744</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
 Balance Sheet - Page 2
 As of August 31, 2012
 (Unaudited)

	<u>Total Company</u>
<u>Proprietary Capital</u>	
Common Stock Issued	8,779,995
Premium on Capital Stock	18,838,946
Other Paid-in Capital Stock	148,655,189
Retained Earnings	204,126,273
Accumulated Other Comprehensive Income	-
Total Proprietary Capital	<u>380,400,403</u>
<u>Liabilities</u>	
Bonds	332,571,494
Less Unamortized Discount on Long-Term Debt	(649,977)
Total Long-Term Debt	<u>331,921,517</u>
Obligations Under Capital Leases - Noncurrent	7,868,001
Asset Retirement Obligation	6,085,665
Long-Term Portion of Derivative Instrument Liabilities	7,768,355
Accum. Misc. Operating Provisions	13,288,857
Total Other Noncurrent Liabilities	<u>35,010,878</u>
Accounts Payable	23,158,148
Notes Payable to Assoc. Co.	-
Accounts Payable to Assoc. Co.	12,419,611
Customer Deposits	8,868,966
Taxes Accrued	14,170,429
Interest Accrued	6,772,036
Tax Collections Payable	1,461,246
Misc. Current & Accrued Liabilities	6,653,069
Obligations Under Capital Leases - Current	1,946,961
Derivative Instrument Liabilities	8,761,829
Less: Long-Term Portion of Derivative Instrument Liabilities	(7,768,355)
Total Current & Accrued Liabilities	<u>76,443,940</u>
Customer Advances for Construction	712,549
Accum. Deferred Investment Tax Credits	1,264,505
Other Deferred Credits	22,361,169
Other Regulatory Liabilities	6,850,914
Accumulated Deferred Income Taxes	246,502,869
Total Deferred Credits	<u>277,692,006</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u><u>1,101,468,744</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Income Statement
For the 12 Months Ended August 31, 2012
(Unaudited)

	Electric	Gas	Total Company
<u>Revenues</u>			
Residential Sales	126,076,794	61,087,365	187,164,159
Commercial Sales	115,492,861	21,258,293	136,751,154
Industrial Sales	54,614,701	1,665,167	56,279,868
Sales to Public Authorities	23,328,763	2,507,190	25,835,953
Public Street & Highway Lighting	1,492,342	986	1,493,328
Inter-Departmental Sales	62,759	19,332	82,091
Misc. Service Revenues	483,631	561,216	1,044,847
Revenues from Transportation	-	5,498,278	5,498,278
Sales for Resale	11,911,613	-	11,911,613
Rents from Property	1,768,646	-	1,768,646
Other Revenues	3,126,623	(1,391)	3,125,232
Total Revenues	338,358,733	92,596,436	430,955,169
<u>Operating Expenses</u>			
Operation Expense	222,674,700	60,342,867	283,017,567
Maintenance Expense	32,430,914	1,869,980	34,300,894
Depreciation Expense	30,944,719	10,467,144	41,411,863
Amortization and Depletion	2,742,985	1,406,225	4,149,210
Taxes Other than Income Taxes	8,120,538	3,946,218	12,066,756
Income Taxes - Federal & Other	6,003,482	(1,395,250)	4,608,232
Provision of Deferred Income Taxes - Net	2,419,068	14,184,888	16,603,956
Investment Tax Credit Adjustment	-	-	-
Total Operating Expenses	305,336,406	90,822,072	396,158,478
NET OPERATING INCOME	33,022,327	1,774,364	34,796,691
<u>Other Income & Deductions</u>			
Revenues from Merchandising, Jobbing and Contract Work	185,364	250	185,614
Less Expense of Merchandising, Jobbing and Contract Work	(82,558)	7,769	(74,789)
Revenues from Nonutility Operations	194,975	1,059	196,034
Interest & Dividend Income	1,643,488	47,741	1,691,229
AFUDC	391,651	(100,603)	291,048
Loss on Disposition of Property	463,085	5,065	468,150
Gain from Disposition of Allowances	-	-	-
Misc. Income Deductions	(1,656,956)	(927,819)	(2,584,775)
Taxes Other than Income Taxes	(124,641)	(44,542)	(169,183)
Income Taxes - Federal & Other	(3,341,049)	127,341	(3,213,708)
Provision for Deferred Income Taxes - Net	6,368,360	318,581	6,686,941
Total Other Income & Deductions	4,041,719	(565,158)	3,476,561
<u>Interest Charges</u>			
Interest on Long Term Debt	(10,050,695)	(4,045,661)	(14,096,356)
Amortization of Debt Disc. And Expense	(349,228)	(119,925)	(469,153)
Amortization of Loss on Reacquired Debt	(201,333)	(81,810)	(283,143)
Interest on Debt to Assoc Co	(994)	(406)	(1,400)
Other Interest Expense	(2,833,979)	(230,675)	(3,064,654)
Less Allowance for Borrowed Fund Used During Construction - Credit	220,942	(38,659)	182,283
Net interest Charges	(13,215,287)	(4,517,136)	(17,732,423)
Extraordinary Items after Taxes	-	-	-
NET INCOME	23,848,759	(3,307,930)	20,540,829

Duke Energy Kentucky, Inc.
Capital Structure
August 31, 2012

	Actual July 2012	Activity	Actual August 2012
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
Long-term debt	\$ 332,004,408	\$ 7,536	\$ 332,011,944
Obligations under Capital Lease-Noncurr	\$ 7,996,171	\$ (128,170)	\$ 7,868,001
Total Long-term debt	\$ 340,000,579	\$ (120,634)	\$ 339,879,945
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	\$ 178,389,554	\$ -	\$ 178,389,554
Unapp Ret Erngs-Curr Yr Net In	\$ 21,759,005	\$ 3,977,714	\$ 25,736,719
Total Common Stock Equity	\$ 376,422,689	\$ 3,977,714	\$ 380,400,403
TOTAL CAPITALIZATION	\$ 716,423,268	\$ 3,857,080	\$ 720,280,348

Duke Energy Kentucky, Inc.

Quarterly Supplemental Financial Statements

Balance Sheet - Page 1

As of September 30, 2012

(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
Assets				
Utility Plant in Service	1,246,225,958	408,326,850	12,381,510	1,666,934,318
Construction Work in Progress	18,171,678	4,761,462	-	22,933,140
Less Accum. Depreciation	(624,172,858)	(121,976,973)	(7,777,426)	(753,927,257)
Net Utility Plant	640,224,778	291,111,339	4,604,084	935,940,201
Nonutility Property	-	-	5,697,730	5,697,730
Other Investments	-	-	1,500	1,500
Total Other Property & Investments	-	-	5,699,230	5,699,230
Cash	5,726,400	2,351,046	(428,784)	7,648,662
Working Funds	-	-	-	-
Temporary Cash Investments	-	-	-	-
Customer Accounts Receivable	1,823,007	500,396	-	2,323,403
Other Accounts Receivable	1,509,183	619,614	(113,005)	2,015,792
Less Provision for Uncollectibles	(132,311)	(36,318)	-	(168,629)
Notes Receivable from Assoc. Co.	14,169,364	5,817,411	(1,060,980)	18,925,795
Accounts Receivable from Assoc. Co.	(13,639)	(5,600)	1,021	(18,218)
Fuel Stock	22,406,333	428,436	795,668	23,630,437
Gas Stored Underground Inventory	-	-	-	-
Plant Materials & Operating Supplies	17,106,964	71,290	-	17,178,254
Other Materials & Supplies	-	-	-	-
Stores Expense Undistributed	642,631	2,678	-	645,309
Prepayments	1,003,417	475,023	-	1,478,440
Emission Allowances	237,682	-	-	237,682
Derivative Instrument Assets	282,613	-	-	282,613
Interest & Dividends Receivable	-	-	-	-
Misc Current and Accrued Assets	8,032,383	5,690,037	-	13,722,420
Rents Receivable	17,765	-	-	17,765
Total Current & Accrued Assets	72,811,792	15,914,013	(806,080)	87,919,725
Unamortized Debt Expense	1,901,959	780,873	(142,416)	2,540,416
Other Regulatory Assets	14,489,902	2,447,617	-	16,937,519
Preliminary Survey & Investigation	2,001,008	821,539	(149,832)	2,672,715
Clearing Accounts	38,289	2,279	-	40,568
Temporary Facilities	-	-	-	0
Miscellaneous Deferred Debits	26,601,018	10,921,383	(1,991,843)	35,530,558
Unamortized Loss on Reacquired Debt	1,947,541	799,587	(145,829)	2,601,299
Accumulated Deferred Income Taxes	(758,199)	4,286,902	-	3,528,703
Unrecovered Purchased Gas Costs	-	(2,466,694)	-	(2,466,694)
Total Deferred Debits	46,221,518	17,593,486	(2,429,920)	61,385,084
TOTAL ASSETS AND OTHER DEBITS	759,258,088	324,618,838	7,067,314	1,090,944,240

Duke Energy Kentucky, Inc.

Quarterly Supplemental Financial Statements
 Balance Sheet - Page 2
 As of September 30, 2012
 (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	151,083,723	71,214,456	(26,837,598)	195,460,581
Accumulated Other Comprehensive Income	-	-	-	-
Total Proprietary Capital	<u>283,056,639</u>	<u>125,397,598</u>	<u>(36,719,526)</u>	<u>371,734,711</u>
<u>Liabilities</u>				
Bonds	248,989,626	102,225,826	(18,643,958)	332,571,494
Less Unamortized Discount on Long-Term Debt	(480,983)	(197,474)	36,015	(642,442)
Total Long-Term Debt	<u>248,508,643</u>	<u>102,028,352</u>	<u>(18,607,943)</u>	<u>331,929,052</u>
Obligations Under Capital Leases - Noncurrent	5,197,968	2,134,060	-	7,332,028
Asset Retirement Obligation	2,051,588	4,063,022	-	6,114,610
Long-Term Portion of Derivative Instrument Liabilities	7,152,835	425,686	-	7,578,521
Accum. Misc. Operating Provisions	12,502,976	744,088	-	13,247,064
Total Other Noncurrent Liabilities	<u>26,905,367</u>	<u>7,366,856</u>	<u>-</u>	<u>34,272,223</u>
Accounts Payable	12,198,733	5,008,343	(913,422)	16,293,654
Notes Payable to Assoc. Co.	1,695,012	695,908	(126,920)	2,264,000
Accounts Payable to Assoc. Co.	13,267,332	5,447,070	(993,437)	17,720,965
Customer Deposits	5,281,221	3,551,729	-	8,832,950
Taxes Accrued	11,586,445	2,324,971	162,962	14,074,378
Interest Accrued	3,117,735	1,280,025	(233,451)	4,164,309
Tax Collections Payable	958,212	466,555	3,652	1,428,419
Misc. Current & Accrued Liabilities	6,378,344	379,593	-	6,757,937
Obligations Under Capital Leases - Current	1,365,591	560,652	-	1,926,243
Derivative Instrument Liabilities	8,089,624	481,436	-	8,571,060
Less: Long-Term Portion of Derivative Instrument Liabilities	(7,152,835)	(425,686)	-	(7,578,521)
Total Current & Accrued Liabilities	<u>56,785,414</u>	<u>19,770,596</u>	<u>(2,100,616)</u>	<u>74,455,394</u>
Customer Advances for Construction	-	712,549	-	712,549
Accum. Deferred Investment Tax Credits	153,048	935,514	111,948	1,200,510
Other Deferred Credits	16,586,821	5,839,925	-	22,426,746
Other Regulatory Liabilities	6,067,514	528,490	-	6,596,004
Accumulated Deferred Income Taxes	121,194,642	62,038,958	64,383,451	247,617,051
Total Deferred Credits	<u>144,002,025</u>	<u>70,055,436</u>	<u>64,495,399</u>	<u>278,552,860</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u>759,258,088</u>	<u>324,618,838</u>	<u>7,067,314</u>	<u>1,090,944,240</u>

Duke Energy Kentucky, Inc.

Quarterly Supplemental Financial Statements
Income Statement
For the 12 Months Ended September 30, 2012
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<u>Revenues</u>				
Residential Sales	125,841,896	60,735,552	-	186,577,448
Commercial Sales	114,846,046	21,087,239	-	135,933,285
Industrial Sales	54,208,261	1,601,185	-	55,809,446
Sales to Public Authorities	23,211,618	2,495,254	-	25,706,872
Public Street & Highway Lighting	1,520,516	979	-	1,521,495
Inter-Departmental Sales	64,976	19,298	-	84,274
Misc. Service Revenues	(77,290)	46,321	514,092	483,123
Revenues from Transportation	-	5,478,221	-	5,478,221
Sales for Resale	10,093,446	-	-	10,093,446
Rents from Property	722,019	-	1,046,802	1,768,821
Other Revenues	3,615,962	1,582	-	3,617,544
Total Revenues	334,047,450	91,465,631	1,560,894	427,073,975
<u>Operating Expenses</u>				
Operation Expense	221,724,886	60,151,654	18,272	281,894,812
Maintenance Expense	31,520,902	1,663,809	184,513	33,369,224
Depreciation Expense	29,955,345	10,125,776	889,750	40,970,871
Amortization and Depletion	2,701,674	1,380,621	-	4,082,295
Taxes Other than Income Taxes	8,105,365	3,946,520	30,888	12,082,773
Income Taxes - Federal & Other	4,009,278	(1,515,559)	139,503	2,633,222
Provision of Deferred Income Taxes - Net	3,727,988	14,268,236	(57,471)	17,938,753
Investment Tax Credit Adjustment	-	190	(190)	-
Total Operating Expenses	301,745,438	90,021,247	1,205,265	392,971,950
NET OPERATING INCOME	32,302,012	1,444,384	355,629	34,102,025
<u>Other Income & Deductions</u>				
Revenues from Merchandising, Jobbing and Contract Work	-	-	184,692	184,692
Less Expense of Merchandising, Jobbing and Contract Work	-	-	(75,601)	(75,601)
Revenues from Nonutility Operations	-	-	196,183	196,183
Interest & Dividend Income	-	-	1,575,460	1,575,460
AFUDC	419,177	(99,389)	-	319,788
Loss on Disposition of Property	-	-	468,150	468,150
Gain from Disposition of Allowances	-	-	(20,688)	(20,688)
Misc. Income Deductions	-	-	(2,638,286)	(2,638,286)
Taxes Other than Income Taxes	-	-	(174,190)	(174,190)
Income Taxes - Federal & Other	-	-	(2,929,529)	(2,929,529)
Provision for Deferred Income Taxes - Net	-	-	6,871,751	6,871,751
Total Other Income & Deductions	419,177	(99,389)	3,457,942	3,777,730
<u>Interest Charges</u>				
Interest on Long Term Debt	(10,584,076)	(4,345,426)	792,519	(14,136,983)
Amortization of Debt Disc. And Expense	(359,145)	(147,451)	26,892	(479,704)
Amortization of Loss on Reacquired Debt	(211,984)	(87,032)	15,873	(283,143)
Interest on Debt to Assoc Co	(1,087)	(447)	81	(1,453)
Other Interest Expense	(2,047,715)	(840,715)	153,330	(2,735,100)
Less Allowance for Borrowed Fund Used During Construction - Credit	240,583	(36,506)	-	204,077
Net interest Charges	(12,963,424)	(5,457,577)	988,695	(17,432,306)
Extraordinary Items after Taxes	-	-	-	-
NET INCOME	19,757,765	(4,112,582)	4,802,266	20,447,449

Duke Energy Kentucky, Inc.
Capital Structure
September 30, 2012

	Actual June 2012	Activity	Actual September 2012
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
Long-term debt	\$ 331,996,872	\$ 22,607	\$ 332,019,479
Obligations under Capital Lease-Noncurr	\$ 8,123,789	\$ (791,761)	\$ 7,332,028
Total Long-term debt	\$ 340,120,661	\$ (769,154)	\$ 339,351,507
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	\$ 178,389,554	\$ (10,000,000)	\$ 168,389,554
Unapp Ret Erngs-Curr Yr Net In	\$ 19,564,186	\$ 7,506,841	\$ 27,071,027
Total Common Stock Equity	\$ 374,227,870	\$ (2,493,159)	\$ 371,734,711
TOTAL CAPITALIZATION	\$ 714,348,531	\$ (3,262,313)	\$ 711,086,218