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MAY 15 2014

PUBLIC SERVICE
COMMISSION

Amy B. Spiller
Deputy General Counsel

VIA OVERNIGHT DELIVERY

May 14, 2014

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

Re: 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. *Case No. 2011-124*

Dear Mr. Cline:

In the Stipulation in the above-referenced case, Duke Energy Kentucky, Inc. (Duke Energy Kentucky) 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 Kentucky Response:

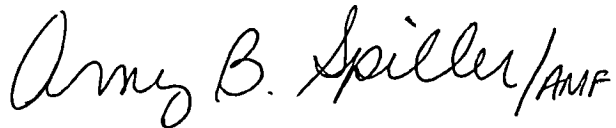
Duke Energy Kentucky, Inc.'s monthly financial statement for March 2014 is enclosed.

Mr. Jeff Cline
May 14, 2014
Page 2 of 2

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 to me in the envelope provided for that purpose.

Very truly yours,



Amy B. Spiller

cc: Charmain Barnes (via email w/o enclosures)

Duke Energy Kentucky, Inc.

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

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
Assets				
Utility Plant in Service	1,277,948,404	428,590,285	12,859,230	1,719,397,919
Construction Work In Progress	31,881,439	1,516,071	-	33,397,510
Less: Accumulated Depreciation	<u>(662,262,152)</u>	<u>(137,077,596)</u>	<u>(7,953,170)</u>	<u>(807,292,918)</u>
Net Utility Plant	<u>647,567,691</u>	<u>293,028,760</u>	<u>4,906,060</u>	<u>945,502,511</u>
Nonutility Property	-	-	2,206	2,206
Other Investments	-	-	1,500	1,500
Other Special Funds	-	-	1,138,162	1,138,162
Total Other Property & Investments	<u>-</u>	<u>-</u>	<u>1,141,868</u>	<u>1,141,868</u>
Cash	13,381,516	5,493,950	(1,001,987)	17,873,479
Working Funds	-	-	-	-
Temporary Cash Investments	-	-	-	-
Customer Accounts Receivable	7,673,755	2,492,822	-	10,166,577
Other Accounts Receivable	7,764,048	3,187,628	(581,360)	10,370,316
Less: Provision for Uncollectibles	<u>(139,766)</u>	<u>(45,403)</u>	<u>-</u>	<u>(185,169)</u>
Notes Receivable from Assoc. Co.	20,937,425	8,596,124	(1,567,762)	27,965,787
Accounts Receivable from Assoc. Co.	661,197	271,463	(49,509)	883,151
Fuel Stock	13,764,359	203,316	377,586	14,345,261
Gas Stored Underground Inventory	-	820,181	-	820,181
Plant Materials & Operating Supplies	18,043,222	208,296	-	18,251,518
Other Materials & Supplies	-	-	-	-
Stores Expense Undistributed	1,026,488	11,850	-	1,038,338
Prepayments	5,683,217	2,690,464	-	8,373,681
Emission Allowances	58,257	-	-	58,257
Derivative Instrument Assets	101,484	-	-	101,484
Interest & Dividends Receivable	-	-	-	-
Misc Current and Accrued Assets	3,497,496	-	-	3,497,496
Rents Receivable	0	-	-	-
Total Current & Accrued Assets	<u>92,452,698</u>	<u>23,930,691</u>	<u>(2,823,032)</u>	<u>113,560,357</u>
Unamortized Debt Expense	1,600,851	657,249	(119,869)	2,138,231
Other Regulatory Assets	19,779,897	3,147,551	-	22,927,448
Preliminary Survey & Investigation	1,590,025	652,804	(119,059)	2,123,770
Clearing Accounts	40,410	20,361	-	60,771
Temporary Facilities	(1,835)	-	-	(1,835)
Miscellaneous Deferred Debits	18,095,398	7,429,294	(1,354,955)	24,169,737
Unamortized Loss on Reacquired Debt	1,637,894	672,458	(122,643)	2,187,709
Accumulated Deferred Income Taxes	(5,953,446)	2,146,347	-	(3,807,099)
Unrecovered Purchased Gas Costs	-	1,313,341	-	1,313,341
Total Deferred Debits	<u>36,789,194</u>	<u>16,039,405</u>	<u>(1,716,526)</u>	<u>51,112,073</u>
TOTAL ASSETS AND OTHER DEBITS	<u>776,809,583</u>	<u>332,998,856</u>	<u>1,508,370</u>	<u>1,111,316,809</u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of March 31, 2014
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
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	188,661,515	57,960,427	(30,598,933)	216,023,009
Accumulated Other Comprehensive Income	-	-	-	-
Total Proprietary Capital	320,634,431	112,143,569	(40,480,861)	392,297,139
Liabilities				
Bonds	248,989,626	102,225,826	(18,643,958)	332,571,494
Less: Unamortized Discount on Long-Term Debt	(379,432)	(155,780)	28,411	(506,801)
Total Long-Term Debt	248,610,194	102,070,046	(18,615,547)	332,064,693
Obligations Under Capital Leases - Noncurrent	3,539,190	1,453,038	-	4,992,228
Asset Retirement Obligation	1,986,278	4,334,149	-	6,320,427
Long-Term Portion of Derivative Instrument Liabilities	2,713,272	1,367,082	-	4,080,354
Accum. Misc. Operating Provisions	4,946,510	2,492,298	-	7,438,808
Total Other Noncurrent Liabilities	13,185,250	9,646,567	-	22,831,817
Accounts Payable	21,019,447	8,629,798	(1,573,904)	28,075,341
Notes Payable to Assoc. Co.	432,737	177,666	(32,403)	578,000
Accounts Payable to Assoc. Co.	9,212,613	3,782,355	(689,826)	12,305,142
Customer Deposits	5,626,513	3,783,945	-	9,410,458
Taxes Accrued	5,446,001	4,044,240	13,080	9,503,321
Interest Accrued	2,613,409	1,072,968	(195,688)	3,490,689
Tax Collections Payable	2,015,779	927,349	14,052	2,957,180
Misc. Current & Accrued Liabilities	6,357,401	3,203,176	-	9,560,577
Obligations Under Capital Leases - Current	1,192,758	489,694	-	1,682,452
Derivative Instrument Liabilities	3,372,297	1,699,132	-	5,071,429
Less: Long-Term Portion of Derivative Instrument Liabilities	(2,713,272)	(1,367,082)	-	(4,080,354)
Total Current & Accrued Liabilities	54,575,683	26,443,241	(2,464,689)	78,554,235
Customer Advances for Construction	-	737,794	-	737,794
Accum. Deferred Investment Tax Credits	(2,416,222)	828,709	2,839,403	1,251,890
Other Deferred Credits	19,473,155	6,196,704	-	25,669,859
Other Regulatory Liabilities	58,892	545,190	-	604,082
Accumulated Deferred Income Taxes	122,688,200	74,387,036	60,230,064	257,305,300
Total Deferred Credits	139,804,025	82,695,433	63,069,467	285,568,925
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	776,809,583	332,998,856	1,508,370	1,111,316,809

Duke Energy Kentucky, Inc.

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

	Electric	Gas	Non- Jurisdictional	Total Company
Revenues				
Residential Sales	132,100,275	75,507,965	-	207,608,240
Commercial Sales	117,236,628	28,623,090	-	145,859,718
Industrial Sales	57,099,624	2,211,670	-	59,311,294
Sales to Public Authorities	22,913,327	3,173,067	-	26,086,394
Public Street & Highway Lighting	1,713,580	998	-	1,714,578
Inter-Departmental Sales	81,518	32,602	-	114,120
Misc. Service Revenues	(1,497,130)	36,820	514,092	(946,218)
Revenues from Transportation	-	5,807,300	-	5,807,300
Sales for Resale	21,067,203	-	-	21,067,203
Rents from Property	808,326	53	174,201	982,580
Other Revenues	5,110,335	1,531	-	5,111,866
Total Revenues	356,633,686	115,395,096	688,293	472,717,075
Operating Expenses				
Operation Expense	237,513,115	76,967,352	182,990	314,663,457
Maintenance Expense	29,766,321	1,840,887	159,506	31,766,714
Depreciation Expense	29,320,659	4,578,045	148,292	34,046,996
Amortization and Depletion	1,978,569	1,201,062	-	3,179,631
Taxes Other than Income Taxes	8,682,848	3,994,502	60,530	12,737,880
Income Taxes - Federal & Other	4,476,492	5,777,720	(28,925)	10,225,287
Provision for Deferred Income Taxes - Net	8,451,679	2,746,227	118,655	11,316,561
Investment Tax Credit Adjustment	-	419	(419)	-
Total Operating Expenses	320,189,683	97,106,214	640,629	417,936,526
NET OPERATING INCOME	36,444,003	18,288,882	47,664	54,780,549
Other Income & Deductions				
Revenues from Merchandising, Jobbing and Contract Work	-	-	237,015	237,015
Less: Expense of Merchandising, Jobbing and Contract Work	-	-	(80,684)	(80,684)
Revenues from Nonutility Operations	-	-	221,892	221,892
Interest & Dividend Income	-	-	1,157,707	1,157,707
AFUDC	553,417	23,354	-	576,771
Gain on Disposition of Property	-	-	3,439,636	3,439,636
Loss on Disposition of Property	-	-	-	-
Misc. Income Deductions	-	-	(1,005,063)	(1,005,063)
Taxes Other than Income Taxes	-	-	(142,149)	(142,149)
Income Taxes - Federal & Other	-	-	(635,316)	(635,316)
Provision for Deferred Income Taxes - Net	-	-	(2,022,383)	(2,022,383)
Total Other Income & Deductions	553,417	23,354	1,170,655	1,747,426
Interest Charges				
Interest on Long Term Debt	(10,618,064)	(4,359,380)	795,064	(14,182,380)
Amortization of Debt Disc. And Expense	(360,512)	(148,013)	26,995	(481,530)
Amortization of Loss on Recquired Debt	(203,654)	(83,613)	15,249	(272,018)
Interest on Debt to Assoc. Co.	(426)	(175)	32	(569)
Other Interest Expense	(926,555)	(380,409)	69,379	(1,237,585)
Less: Allowance for Borrowed Fund Used During Construction - Credit	251,700	9,017	-	260,717
Net Interest Charges	(11,857,510)	(4,962,574)	906,719	(15,913,365)
Extraordinary Items after Taxes	-	-	-	-
NET INCOME	25,139,910	13,349,662	2,125,038	40,614,610

Duke Energy Kentucky, Inc.

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

	Actual February 2014	Activity	Actual March 2014
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
Long-term debt	292,087,022	4,381	292,091,403
Obligations under Capital Lease-Noncurrent	5,090,951	(98,723)	4,992,228
Total Long-term debt	297,177,973	(94,342)	297,083,631
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	13,185,359	1,157,665	14,343,024
Total Common Stock Equity	391,139,474	1,157,665	392,297,139
TOTAL CAPITALIZATION	688,317,447	1,063,323	689,380,770