



Mailing Address
139 East Fourth Street
1303 Main / P O Box 960
Cincinnati, Ohio 45202

513-287-4320
513-287-4385

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PUBLIC SERVICE
COMMISSION

VIA OVERNIGHT DELIVERY

September 16, 2014

Mr. Jeff Cline
Public Service Commission
Commonwealth of Kentucky
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. Cline:

Enclosed please find Duke Energy Kentucky's financial statements for the end of July 2014 per order by the Commission in the above-referenced case.

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 me at 513-287-4320.

Sincerely,

Rocco D'Ascenzo
Associate General Counsel

Enclosures

cc: Jay Baucom
Charmain Barnes

Duke Energy Kentucky, Inc.

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

	<u>Total Company</u>
<u>Assets</u>	
Utility Plant in Service	1,741,175,286
Construction Work in Progress	20,591,282
Less: Accumulated Depreciation	<u>(806,445,092)</u>
Net Utility Plant	<u>955,321,476</u>
Nonutility Property	2,206
Other Investments	1,500
Other Special Funds	1,214,858
Total Other Property & Investments	<u>1,218,564</u>
Cash	12,784,561
Working Funds	-
Temporary Cash Investments	-
Customer Accounts Receivable	12,377,201
Other Accounts Receivable	16,314,686
Less: Provision for Uncollectibles	(204,021)
Notes Receivable from Assoc. Co.	16,445,630
Accounts Receivable from Assoc. Co.	1,000,767
Fuel Stock	27,314,003
Gas Stored Underground Inventory	6,654,435
Plant Materials & Operating Supplies	18,074,049
Other Materials & Supplies	-
Stores Expense Undistributed	1,202,615
Prepayments	2,374,827
Emission Allowances	46,224
Derivative Instrument Assets	2,590,824
Interest & Dividends Receivable	-
Misc Current and Accrued Assets	14,122,555
Rents Receivable	-
Total Current & Accrued Assets	<u>131,098,356</u>
Unamortized Debt Expense	2,042,227
Other Regulatory Assets	25,860,066
Preliminary Survey & Investigation	2,123,120
Clearing Accounts	59,108
Temporary Facilities	(1,625)
Miscellaneous Deferred Debits	23,434,732
Unamortized Loss on Reacquired Debt	2,098,885
Accumulated Deferred Income Taxes	(3,000,904)
Unrecovered Purchased Gas Costs	1,746,396
Total Deferred Debits	<u>54,362,005</u>
TOTAL ASSETS AND OTHER DEBITS	1,142,000,401

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of July 31, 2014
(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	222,583,630
Accumulated Other Comprehensive Income	-
Total Proprietary Capital	<u>398,857,760</u>
<u>Liabilities</u>	
Bonds	332,571,494
Less: Unamortized Discount on Long-Term Debt	(476,659)
Total Long-Term Debt	<u>332,094,835</u>
Obligations Under Capital Leases - Noncurrent	4,592,944
Asset Retirement Obligation	6,412,151
Long-Term Portion of Derivative Instrument Liabilities	4,831,400
Accum. Misc. Operating Provisions	7,347,769
Total Other Noncurrent Liabilities	<u>23,184,264</u>
Accounts Payable	19,356,946
Notes Payable to Assoc. Co.	27,842,000
Accounts Payable to Assoc. Co.	7,851,861
Customer Deposits	9,566,960
Taxes Accrued	13,290,724
Interest Accrued	4,690,615
Tax Collections Payable	2,412,573
Misc. Current & Accrued Liabilities	13,202,994
Obligations Under Capital Leases - Current	1,626,197
Derivative Instrument Liabilities	5,830,085
Less: Long-Term Portion of Derivative Instrument Liabilities	(4,831,400)
Total Current & Accrued Liabilities	<u>100,839,555</u>
Customer Advances for Construction	755,935
Accum. Deferred Investment Tax Credits	1,182,102
Other Deferred Credits	25,452,669
Other Regulatory Liabilities	583,596
Accumulated Deferred Income Taxes	259,049,685
Total Deferred Credits	<u>287,023,987</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	1,142,000,401

Duke Energy Kentucky, Inc.

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

	Electric	Gas	Total Company
<u>Revenues</u>			
Residential Sales	133,004,895	76,992,917	209,997,812
Commercial Sales	118,524,749	28,829,055	147,353,804
Industrial Sales	58,463,838	2,304,721	60,768,559
Sales to Public Authorities	23,252,855	3,248,680	26,501,535
Public Street & Highway Lighting	1,749,555	1,014	1,750,569
Inter-Departmental Sales	77,526	32,591	110,117
Misc. Service Revenues	(447,705)	556,392	108,687
Revenues from Transportation	-	6,165,198	6,165,198
Sales for Resale	20,669,394	-	20,669,394
Rents from Property	769,323	58	769,381
Other Revenues	4,447,687	2,120	4,449,807
Total Revenues	<u>360,512,117</u>	<u>118,132,746</u>	<u>478,644,863</u>
<u>Operating Expenses</u>			
Operation Expense	240,900,448	78,105,769	319,006,217
Maintenance Expense	33,225,105	2,090,473	35,315,578
Depreciation Expense	29,682,071	4,536,015	34,218,086
Amortization and Depletion	2,029,367	1,040,507	3,069,874
Taxes Other than Income Taxes	8,385,692	3,955,758	12,341,450
Income Taxes - Federal & Other	2,521,956	3,312,704	5,834,660
Provision for Deferred Income Taxes - Net	10,660,612	5,967,276	16,627,888
Investment Tax Credit Adjustment	-	-	-
Total Operating Expenses	<u>327,405,251</u>	<u>99,008,502</u>	<u>426,413,753</u>
NET OPERATING INCOME	<u>33,106,866</u>	<u>19,124,244</u>	<u>52,231,110</u>
<u>Other Income & Deductions</u>			
Revenues from Merchandising, Jobbing and Contract Work	326,520	50	326,570
Less: Expense of Merchandising, Jobbing and Contract Work	(121,920)	2,818	(119,102)
Revenues from Nonutility Operations	197,388	(1,545)	195,843
Interest & Dividend Income	1,021,625	197,167	1,218,792
AFUDC	680,771	23,787	704,558
Gain on Disposition of Property	218,875	-	218,875
Loss on Disposition of Property	-	-	-
Misc. Income Deductions	(667,140)	(304,870)	(972,010)
Taxes Other than Income Taxes	(243,110)	(33,582)	(276,692)
Income Taxes - Federal & Other	(768,652)	(125,133)	(893,785)
Provision for Deferred Income Taxes - Net	678,403	244,328	922,731
Total Other Income & Deductions	<u>1,322,760</u>	<u>3,020</u>	<u>1,325,780</u>
<u>Interest Charges</u>			
Interest on Long Term Debt	(10,185,517)	(3,968,041)	(14,153,558)
Amortization of Debt Disc. And Expense	(352,098)	(108,088)	(460,186)
Amortization of Loss on Reacquired Debt	(203,964)	(62,497)	(266,461)
Interest on Debt to Assoc. Co.	(3,591)	(1,408)	(4,999)
Other Interest Expense	(955,490)	(124,732)	(1,080,222)
Less: Allowance for Borrowed Fund Used During Construction - Credit	322,403	9,330	331,733
Net interest Charges	<u>(11,378,257)</u>	<u>(4,255,436)</u>	<u>(15,633,693)</u>
Extraordinary Items after Taxes	-	-	-
NET INCOME	<u>23,051,369</u>	<u>14,871,828</u>	<u>37,923,197</u>

Duke Energy Kentucky, Inc.

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

	Actual June 2014	Activity	Actual July 2014
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
Long-term debt	292,104,546	4,381	292,108,927
Obligations under Capital Lease-Noncurrent	4,693,428	(100,484)	4,592,944
Total Long-term debt	296,797,974	(96,103)	296,701,871
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	17,508,595	3,395,050	20,903,645
Total Common Stock Equity	395,462,710	3,395,050	398,857,760
TOTAL CAPITALIZATION	692,260,684	3,298,947	695,559,631