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VIA OVERNIGHT DELIVERY

October 8, 2014

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

RECEIVED

OCT 09 2014

PUBLIC SERVICE
COMMISSION

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 August 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: Danielle Weatherston
Charmain Barnes

Duke Energy Kentucky, Inc.

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

	<u>Total Company</u>
<u>Assets</u>	
Utility Plant in Service	1,744,691,228
Construction Work in Progress	18,608,904
Less: Accumulated Depreciation	(808,444,031)
Net Utility Plant	<u>954,856,101</u>
Nonutility Property	2,206
Other Investments	1,500
Other Special Funds	1,234,032
Total Other Property & Investments	<u>1,237,738</u>
Cash	11,077,242
Working Funds	-
Temporary Cash Investments	-
Customer Accounts Receivable	12,253,548
Other Accounts Receivable	16,277,091
Less: Provision for Uncollectibles	(205,024)
Notes Receivable from Assoc. Co.	16,550,201
Accounts Receivable from Assoc. Co.	(1,608,749)
Fuel Stock	26,817,310
Gas Stored Underground Inventory	8,160,320
Plant Materials & Operating Supplies	17,976,284
Other Materials & Supplies	-
Stores Expense Undistributed	1,331,323
Prepayments	2,324,413
Emission Allowances	41,811
Derivative Instrument Assets	2,590,824
Interest & Dividends Receivable	-
Misc Current and Accrued Assets	14,119,141
Rents Receivable	-
Total Current & Accrued Assets	<u>127,705,735</u>
Unamortized Debt Expense	2,017,289
Other Regulatory Assets	26,300,675
Preliminary Survey & Investigation	2,123,120
Clearing Accounts	69,979
Temporary Facilities	(4,585)
Miscellaneous Deferred Debits	23,225,630
Unamortized Loss on Reacquired Debt	2,076,679
Accumulated Deferred Income Taxes	(3,138,354)
Unrecovered Purchased Gas Costs	2,090,282
Total Deferred Debits	<u>54,760,715</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>1,138,560,289</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of August 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	223,182,732
Accumulated Other Comprehensive Income	-
Total Proprietary Capital	<u>399,456,862</u>
<u>Liabilities</u>	
Bonds	332,571,494
Less: Unamortized Discount on Long-Term Debt	(469,123)
Total Long-Term Debt	<u>332,102,371</u>
Obligations Under Capital Leases - Noncurrent	4,492,014
Asset Retirement Obligation	6,435,345
Long-Term Portion of Derivative Instrument Liabilities	4,831,400
Accum. Misc. Operating Provisions	7,362,066
Total Other Noncurrent Liabilities	<u>23,120,825</u>
Accounts Payable	19,046,542
Notes Payable to Assoc. Co.	19,131,000
Accounts Payable to Assoc. Co.	9,306,611
Customer Deposits	9,565,666
Taxes Accrued	13,314,574
Interest Accrued	5,820,829
Tax Collections Payable	2,267,169
Misc. Current & Accrued Liabilities	16,778,122
Obligations Under Capital Leases - Current	1,611,998
Derivative Instrument Liabilities	5,830,085
Less: Long-Term Portion of Derivative Instrument Liabilities	(4,831,400)
Total Current & Accrued Liabilities	<u>97,841,196</u>
Customer Advances for Construction	755,935
Accum. Deferred Investment Tax Credits	1,164,657
Other Deferred Credits	25,338,959
Other Regulatory Liabilities	578,475
Accumulated Deferred Income Taxes	258,201,009
Total Deferred Credits	<u>286,039,035</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u><u>1,138,560,289</u></u>

Duke Energy Kentucky, Inc.

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

	Electric	Gas	Total Company
<u>Revenues</u>			
Residential Sales	132,761,711	77,084,107	209,845,818
Commercial Sales	118,548,722	29,027,169	147,575,891
Industrial Sales	58,431,115	2,302,239	60,733,354
Sales to Public Authorities	23,228,447	3,229,350	26,457,797
Public Street & Highway Lighting	1,740,682	1,020	1,741,702
Inter-Departmental Sales	73,437	32,599	106,036
Misc. Service Revenues	402,137	556,543	958,680
Revenues from Transportation	-	6,156,658	6,156,658
Sales for Resale	20,601,866	-	20,601,866
Rents from Property	765,654	56	765,710
Other Revenues	4,886,519	2,379	4,888,898
Total Revenues	<u>361,440,290</u>	<u>118,392,120</u>	<u>479,832,410</u>
<u>Operating Expenses</u>			
Operation Expense	245,799,727	78,844,565	324,644,292
Maintenance Expense	34,177,768	2,018,170	36,195,938
Depreciation Expense	27,582,629	6,703,761	34,286,390
Amortization and Depletion	2,142,456	1,020,978	3,163,434
Taxes Other than Income Taxes	8,288,582	3,923,042	12,211,624
Income Taxes - Federal & Other	2,454,469	2,233,629	4,688,098
Provision for Deferred Income Taxes - Net	9,257,465	6,133,023	15,390,488
Investment Tax Credit Adjustment	-	-	-
Total Operating Expenses	<u>329,703,096</u>	<u>100,877,168</u>	<u>430,580,264</u>
NET OPERATING INCOME	<u>31,737,194</u>	<u>17,514,952</u>	<u>49,252,146</u>
<u>Other Income & Deductions</u>			
Revenues from Merchandising, Jobbing and Contract Work	299,022	-	299,022
Less: Expense of Merchandising, Jobbing and Contract Work	(126,488)	2,149	(124,339)
Revenues from Nonutility Operations	184,914	(1,725)	183,189
Interest & Dividend Income	996,582	214,958	1,211,540
AFUDC	621,467	14,899	636,366
Gain on Disposition of Property	218,875	-	218,875
Loss on Disposition of Property	-	-	-
Misc. Income Deductions	(706,436)	(325,268)	(1,031,704)
Taxes Other than Income Taxes	(102,852)	(33,386)	(136,238)
Income Taxes - Federal & Other	(697,552)	(123,252)	(820,804)
Provision for Deferred Income Taxes - Net	702,518	244,328	946,846
Total Other Income & Deductions	<u>1,390,050</u>	<u>(7,297)</u>	<u>1,382,753</u>
<u>Interest Charges</u>			
Interest on Long Term Debt	(10,183,966)	(3,968,251)	(14,152,217)
Amortization of Debt Disc. And Expense	(348,172)	(106,679)	(454,851)
Amortization of Loss on Reacquired Debt	(203,954)	(62,509)	(266,463)
Interest on Debt to Assoc. Co.	(4,870)	(1,908)	(6,778)
Other Interest Expense	(2,618,951)	(121,616)	(2,740,567)
Less: Allowance for Borrowed Fund Used During Construction - Credit	296,698	6,081	302,779
Net interest Charges	<u>(13,063,215)</u>	<u>(4,254,882)</u>	<u>(17,318,097)</u>
Extraordinary Items after Taxes	-	-	-
NET INCOME	<u>20,064,029</u>	<u>13,252,773</u>	<u>33,316,802</u>

Duke Energy Kentucky, Inc.

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

	Actual July 2014	Activity	Actual August 2014
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
Long-term debt	292,108,927	4,381	292,113,308
Obligations under Capital Lease-Noncurrent	4,592,944	(100,930)	4,492,014
Total Long-term debt	296,701,871	(96,549)	296,605,322
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	20,903,645	599,102	21,502,747
Total Common Stock Equity	398,857,760	599,102	399,456,862
TOTAL CAPITALIZATION	695,559,631	502,553	696,062,184