



Mailing Address:  
139 East Fourth Street  
1303 Main / P.O. Box 960  
Cincinnati, Ohio 45202  
o: 513-287-4320  
f: 513-287-4385

**VIA OVERNIGHT DELIVERY**

February 16, 2016

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

**RECEIVED**

**FEB 17 2016**

**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 December 2015, 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 Mai Xuan Zinchenko at 980-373-2167.

Sincerely,

Rocco D'Ascenzo  
Associate General Counsel

Enclosures

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Balance Sheet - Page 1  
As of December 31, 2015  
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<b>Assets</b>				
Utility Plant in Service	1,580,943,708	444,068,566	11,385,491	2,036,397,765
Construction Work in Progress	38,022,469	5,338,816	-	43,361,285
Less: Accumulated Depreciation	(817,917,389)	(153,136,567)	(7,139,782)	(978,193,738)
Net Utility Plant	<u>801,048,788</u>	<u>296,270,815</u>	<u>4,245,709</u>	<u>1,101,565,312</u>
Nonutility Property	-	-	2,206	2,206
Other Investments	-	-	1,500	1,500
Other Special Funds	-	-	1,121,197	1,121,197
Total Other Property & Investments	<u>-</u>	<u>-</u>	<u>1,124,903</u>	<u>1,124,903</u>
Cash	6,843,542	2,809,702	(512,434)	9,140,810
Working Funds	-	-	-	-
Temporary Cash Investments	-	-	-	-
Customer Accounts Receivable	3,882,725	1,130,375	-	5,013,100
Other Accounts Receivable	3,523,860	1,446,765	(263,861)	4,706,764
Less: Provision for Uncollectibles	(151,070)	(43,981)	-	(195,051)
Notes Receivable from Assoc. Co.	7,589,434	3,115,938	(568,285)	10,137,087
Accounts Receivable from Assoc. Co.	1,019,870	418,720	(76,366)	1,362,224
Fuel Stock	17,839,955	1,659,480	3,081,891	22,581,326
Gas Stored Underground Inventory	-	-	-	-
Plant Materials & Operating Supplies	19,981,851	468,863	-	20,450,714
Other Materials & Supplies	-	-	-	-
Stores Expense Undistributed	1,083,604	25,426	-	1,109,030
Prepayments	581,628	275,345	-	856,973
Emission Allowances	73,231	-	-	73,231
Derivative Instrument Assets	2,912,924	-	-	2,912,924
Interest & Dividends Receivable	-	-	-	-
Misc Current and Accrued Assets	14,573,186	5,712,158	-	20,285,344
Rents Receivable	2,500	-	-	2,500
Total Current & Accrued Assets	<u>79,757,240</u>	<u>17,018,791</u>	<u>1,660,945</u>	<u>98,436,976</u>
Unamortized Debt Expense	977,848	401,468	(73,220)	1,306,096
Other Regulatory Assets	40,169,721	7,989,480	-	48,159,201
Preliminary Survey & Investigation	1,015,125	416,772	(76,011)	1,355,886
Clearing Accounts	18	6	-	24
Temporary Facilities	-	-	-	-
Miscellaneous Deferred Debits	22,114,534	9,079,401	(1,655,902)	29,538,033
Unamortized Loss on Reacquired Debt	1,288,763	529,118	(96,501)	1,721,380
Accumulated Deferred Income Taxes	38,629,696	1,667,870	-	40,297,566
Unrecovered Purchased Gas Costs	-	578,873	-	578,873
Total Deferred Debits	<u>104,195,705</u>	<u>20,662,988</u>	<u>(1,901,634)</u>	<u>122,957,059</u>
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<u><u>985,001,733</u></u>	<u><u>333,952,594</u></u>	<u><u>5,129,923</u></u>	<u><u>1,324,084,250</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Balance Sheet - Page 2  
As of December 31, 2015  
(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	197,672,535	50,369,454	(19,884,560)	228,157,429
Accumulated Other Comprehensive Income	-	-	-	-
Total Proprietary Capital	<u>329,645,451</u>	<u>104,552,596</u>	<u>(29,766,488)</u>	<u>404,431,559</u>
<u>Liabilities</u>				
Bonds	218,404,930	89,668,894	(16,353,824)	291,720,000
Advances from Associated Companies	18,717,000	7,684,500	(1,401,500)	25,000,000
Less: Unamortized Discount on Long-Term Debt	(290,557)	(119,292)	21,756	(388,093)
Total Long-Term Debt	<u>236,831,373</u>	<u>97,234,102</u>	<u>(17,733,568)</u>	<u>316,331,907</u>
Obligations Under Capital Leases - Noncurrent	1,525,554	626,326	-	2,151,880
Asset Retirement Obligation	98,282,819	5,217,310	-	103,500,129
Long-Term Portion of Derivative Instrument Liabilities	4,369,006	1,366,781	-	5,735,787
Accum. Misc. Operating Provisions	8,842,020	2,766,098	-	11,608,118
Total Other Noncurrent Liabilities	<u>113,019,399</u>	<u>9,976,515</u>	<u>-</u>	<u>122,995,914</u>
Accounts Payable	19,227,876	7,894,247	(1,439,754)	25,682,369
Notes Payable to Assoc. Co.	41,733,669	17,134,283	(3,124,952)	55,743,000
Accounts Payable to Assoc. Co.	10,794,532	4,431,831	(808,278)	14,418,085
Customer Deposits	6,057,198	4,073,589	-	10,130,787
Taxes Accrued	(229,973)	(3,856,062)	(13,422)	(4,099,457)
Interest Accrued	2,501,287	1,026,936	(187,293)	3,340,930
Tax Collections Payable	1,087,615	490,203	8,923	1,586,741
Misc. Current & Accrued Liabilities	7,910,473	2,474,677	-	10,385,150
Obligations Under Capital Leases - Current	1,077,414	442,339	-	1,519,753
Derivative Instrument Liabilities	5,065,899	1,584,794	-	6,650,693
Less: Long-Term Portion of Derivative Instrument Liabilities	(4,369,006)	(1,366,781)	-	(5,735,787)
Total Current & Accrued Liabilities	<u>90,856,984</u>	<u>34,330,056</u>	<u>(5,564,776)</u>	<u>119,622,264</u>
Customer Advances for Construction	-	981,414	-	981,414
Accum. Deferred Investment Tax Credits	(2,659,719)	706,889	2,839,403	886,573
Other Deferred Credits	19,036,031	6,057,603	-	25,093,634
Other Regulatory Liabilities	2,561,713	1,229,968	-	3,791,681
Accumulated Deferred Income Taxes	195,710,501	78,883,451	55,355,352	329,949,304
Total Deferred Credits	<u>214,648,526</u>	<u>87,859,325</u>	<u>58,194,755</u>	<u>360,702,606</u>
<b>TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS</b>	<u><b>985,001,733</b></u>	<u><b>333,952,594</b></u>	<u><b>5,129,923</b></u>	<u><b>1,324,084,250</b></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Income Statement  
For the 12 Months Ended December 31, 2015  
(Unaudited)

	Electric	Gas	Non- Jurisdictional	Total Company
<u>Revenues</u>				
Residential Sales	123,812,030	69,532,324	-	193,344,354
Commercial Sales	111,993,434	23,562,493	-	135,555,927
Industrial Sales	53,099,910	1,943,337	-	55,043,247
Sales to Public Authorities	21,523,626	2,531,987	-	24,055,613
Public Street & Highway Lighting	1,660,036	956	-	1,660,992
Inter-Departmental Sales	59,017	31,128	-	90,145
Misc. Service Revenues	(497,782)	38,554	605,924	146,696
Revenues from Transportation	-	6,205,050	-	6,205,050
Sales for Resale	37,210,813	-	-	37,210,813
Rents from Property	652,098	207	-	652,305
Other Revenues	9,272,050	969	-	9,273,019
Total Revenues	<u>358,785,232</u>	<u>103,847,005</u>	<u>605,924</u>	<u>463,238,161</u>
<u>Operating Expenses</u>				
Operation Expense	221,023,272	62,459,209	315,773	283,798,254
Maintenance Expense	30,238,515	1,835,825	62,914	32,137,254
Depreciation Expense	30,106,719	12,800,008	-	42,906,727
Amortization and Depletion	2,002,497	814,067	-	2,816,564
Taxes Other than Income Taxes	8,885,417	4,004,777	72,899	12,963,093
Income Taxes - Federal & Other	(8,115,507)	8,908,212	(31,506)	761,199
Provision for Deferred Income Taxes - Net	28,297,809	(284,707)	(1,003,640)	27,009,462
Investment Tax Credit Adjustment	-	16	(16)	-
Total Operating Expenses	<u>312,438,722</u>	<u>90,537,407</u>	<u>(583,576)</u>	<u>402,392,553</u>
<b>NET OPERATING INCOME</b>	<u>46,346,510</u>	<u>13,309,598</u>	<u>1,189,500</u>	<u>60,845,608</u>
<u>Other Income &amp; Deductions</u>				
Revenues from Merchandising, Jobbing and Contract Work	-	-	581,953	581,953
Less: Expense of Merchandising, Jobbing and Contract Work	-	-	(183,752)	(183,752)
Revenues from Nonutility Operations	-	-	(71,795)	(71,795)
Interest & Dividend Income	-	-	1,019,460	1,019,460
AFUDC	566,998	52,466	-	619,464
Gain on Disposition of Property	-	-	245,310	245,310
Loss on Disposition of Property	-	-	-	-
Misc. Income Deductions	-	-	(1,891,569)	(1,891,569)
Taxes Other than Income Taxes	-	-	(126,257)	(126,257)
Income Taxes - Federal & Other	-	-	(3,762,675)	(3,762,675)
Provision for Deferred Income Taxes - Net	-	-	3,472,451	3,472,451
Total Other Income & Deductions	<u>566,998</u>	<u>52,466</u>	<u>(716,874)</u>	<u>(97,410)</u>
<u>Interest Charges</u>				
Interest on Long Term Debt	(9,110,361)	(3,740,374)	682,170	(12,168,565)
Amortization of Debt Disc. And Expense	(312,733)	(128,397)	23,417	(417,713)
Amortization of Loss on Reacquired Debt	(199,504)	(81,909)	14,939	(266,474)
Interest on Debt to Assoc. Co.	(141,751)	(58,197)	10,614	(189,334)
Other Interest Expense	(1,313,971)	(539,468)	98,388	(1,755,051)
Less: Allowance for Borrowed Fund Used During Construction - Credit	204,528	20,041	-	224,569
Net interest Charges	<u>(10,873,792)</u>	<u>(4,528,304)</u>	<u>829,528</u>	<u>(14,572,568)</u>
Extraordinary Items after Taxes	-	-	-	-
<b>NET INCOME</b>	<u>36,039,716</u>	<u>8,833,760</u>	<u>1,302,154</u>	<u>46,175,630</u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Capital Structure  
December 31, 2015  
(Unaudited)

	Actual Nov-15	Activity	Actual Dec-15
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	239,905,814	(49,549,384)	190,356,430
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	2,764,615	(612,735)	2,151,880
Total Long-term debt	<u>267,670,429</u>	<u>(50,162,119)</u>	<u>217,508,310</u>
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)
Miscellaneous PIC	-	-	-
Unappropriated Retained Earnings Balance	181,981,800	(1)	181,981,799
Unappropriated Retained Earnings - Current Year Net Income	39,855,730	6,319,900	46,175,630
Total Common Stock Equity	<u>398,111,660</u>	<u>6,319,899</u>	<u>404,431,559</u>
 TOTAL CAPITALIZATION	 665,782,089	 (43,842,220)	 621,939,869

**NOTE:**

\* "Long-Term Debt" under Non-Current Liabilities does not include current portion of Long-Term Debt, Unamortized Discount, nor Unamortized Debt Expense.