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VIA OVERNIGHT DELIVERY

April 14, 2016

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

RECEIVED

APR 15 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 February 2016, 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 February 29, 2016
(Unaudited)

	<u>Total Company</u>
<u>Assets</u>	
Utility Plant in Service	2,041,775,661
Construction Work in Progress	46,125,496
Less: Accumulated Depreciation	(983,955,871)
Net Utility Plant	<u>1,103,945,286</u>
Nonutility Property	2,206
Other Investments	1,500
Other Special Funds	1,168,205
Total Other Property & Investments	<u>1,171,911</u>
Cash	10,507,491
Working Funds	-
Temporary Cash Investments	-
Customer Accounts Receivable	2,067,055
Other Accounts Receivable	4,713,119
Less: Provision for Uncollectibles	(190,314)
Notes Receivable from Assoc. Co.	61,052,689
Accounts Receivable from Assoc. Co.	16,267,547
Fuel Stock	23,150,790
Gas Stored Underground Inventory	-
Plant Materials & Operating Supplies	20,541,402
Other Materials & Supplies	-
Stores Expense Undistributed	1,256,866
Prepayments	2,069,354
Emission Allowances	98,772
Derivative Instrument Assets	2,912,924
Interest & Dividends Receivable	-
Misc Current and Accrued Assets	16,412,001
Rents Receivable	2,500
Total Current & Accrued Assets	<u>160,862,196</u>
Unamortized Debt Expense	1,666,918
Other Regulatory Assets	49,702,720
Preliminary Survey & Investigation	1,146,651
Clearing Accounts	2,282
Temporary Facilities	(3,975)
Miscellaneous Deferred Debits	29,418,587
Unamortized Loss on Reacquired Debt	1,676,967
Accumulated Deferred Income Taxes	42,146,334
Unrecovered Purchased Gas Costs	599,447
Total Deferred Debits	<u>126,355,931</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>1,392,335,324</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of February 29, 2016
(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	241,606,581
Accumulated Other Comprehensive Income	-
Total Proprietary Capital	<u>417,880,711</u>
<u>Liabilities</u>	
Bonds	386,720,000
Advances from Associated Companies	25,000,000
Less: Unamortized Discount on Long-Term Debt	(379,332)
Total Long-Term Debt	<u>411,340,668</u>
Obligations Under Capital Leases - Noncurrent	2,039,035
Asset Retirement Obligation	103,383,652
Long-Term Portion of Derivative Instrument Liabilities	5,735,787
Accum. Misc. Operating Provisions	11,611,195
Total Other Noncurrent Liabilities	<u>122,769,669</u>
Accounts Payable	22,189,256
Notes Payable to Assoc. Co.	-
Accounts Payable to Assoc. Co.	9,390,293
Customer Deposits	10,224,192
Taxes Accrued	11,509,804
Interest Accrued	5,863,976
Tax Collections Payable	1,952,534
Misc. Current & Accrued Liabilities	10,400,335
Obligations Under Capital Leases - Current	1,471,028
Derivative Instrument Liabilities	6,677,553
Less: Long-Term Portion of Derivative Instrument Liabilities	(5,735,787)
Total Current & Accrued Liabilities	<u>73,943,184</u>
Customer Advances for Construction	978,709
Accum. Deferred Investment Tax Credits	853,017
Other Deferred Credits	24,427,070
Other Regulatory Liabilities	3,782,274
Accumulated Deferred Income Taxes	336,360,022
Total Deferred Credits	<u>366,401,092</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u><u>1,392,335,324</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Income Statement
For the 12 Months Ended February 29, 2016
(Unaudited)

	Electric	Gas	Total Company
Revenues			
Residential Sales	121,915,494	62,338,358	184,253,852
Commercial Sales	111,239,757	19,989,518	131,229,275
Industrial Sales	52,769,999	1,624,705	54,394,704
Sales to Public Authorities	21,489,512	2,099,369	23,588,881
Public Street & Highway Lighting	1,622,321	941	1,623,262
Inter-Departmental Sales	66,132	19,070	85,202
Misc. Service Revenues	2,794,994	665,563	3,460,557
Revenues from Transportation	-	6,030,482	6,030,482
Sales for Resale	30,488,108	-	30,488,108
Rents from Property	659,301	216	659,517
Other Revenues	7,201,869	701	7,202,570
Total Revenues	350,247,487	92,768,923	443,016,410
Operating Expenses			
Operation Expense	210,478,363	54,215,014	264,693,377
Maintenance Expense	28,793,257	1,935,907	30,729,164
Depreciation Expense	30,446,021	12,577,193	43,023,214
Amortization and Depletion	1,975,437	794,221	2,769,658
Taxes Other than Income Taxes	8,946,757	4,112,127	13,058,884
Income Taxes - Federal & Other	(9,568,596)	5,311,264	(4,257,332)
Provision for Deferred Income Taxes - Net	30,912,713	802,566	31,715,279
Investment Tax Credit Adjustment	-	-	-
Total Operating Expenses	301,983,952	79,748,292	381,732,244
NET OPERATING INCOME	48,263,535	13,020,631	61,284,166
Other Income & Deductions			
Revenues from Merchandising, Jobbing and Contract Work	620,330	-	620,330
Less: Expense of Merchandising, Jobbing and Contract Work	(179,377)	5,608	(173,769)
Revenues from Nonutility Operations	(96,623)	(452)	(97,075)
Interest & Dividend Income	770,738	239,490	1,010,228
AFUDC	728,561	65,082	793,643
Gain on Disposition of Property	4,289	241,021	245,310
Loss on Disposition of Property	-	-	-
Misc. Income Deductions	(1,431,460)	(436,027)	(1,867,487)
Taxes Other than Income Taxes	(88,149)	(31,760)	(119,909)
Income Taxes - Federal & Other	(3,985,779)	(338,589)	(4,324,368)
Provision for Deferred Income Taxes - Net	3,584,228	(255,619)	3,328,609
Total Other Income & Deductions	(73,242)	(511,246)	(584,488)
Interest Charges			
Interest on Long Term Debt	(9,162,392)	(3,607,211)	(12,769,603)
Amortization of Debt Disc. And Expense	(438,922)	(139,546)	(578,468)
Amortization of Loss on Reacquired Debt	(191,022)	(75,452)	(266,474)
Interest on Debt to Assoc. Co.	(147,604)	(52,215)	(199,819)
Other Interest Expense	(1,674,157)	(83,934)	(1,758,091)
Less: Allowance for Borrowed Fund Used During Construction - Credit	264,480	28,027	292,507
Net interest Charges	(11,349,617)	(3,930,331)	(15,279,948)
Extraordinary Items after Taxes	-	-	-
NET INCOME	36,840,676	8,579,054	45,419,730

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Capital Structure
February 29, 2016
(Unaudited)

	Actual January 2016	Activity	Actual February 2016
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	284,987,874	2,482	284,990,356
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	2,095,534	(56,498)	2,039,036
Total Long-term debt	<u>312,083,408</u>	<u>(54,016)</u>	<u>312,029,392</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	228,157,431	-	228,157,431
Unappropriated Retained Earnings - Current Year Net Income	12,457,886	991,264	13,449,150
Total Common Stock Equity	<u>416,889,447</u>	<u>991,264</u>	<u>417,880,711</u>
TOTAL CAPITALIZATION	728,972,855	937,248	729,910,103

NOTE:

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