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PUBLIC SERVICE
COMMISSION

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July 11, 2016

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 May 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 May 31, 2016
(Unaudited)

	<u>Total Company</u>
<u>Assets</u>	
Utility Plant in Service	2,065,139,767
Construction Work in Progress	41,862,518
Less: Accumulated Depreciation	(988,513,267)
Net Utility Plant	<u>1,118,489,018</u>
Nonutility Property	2,206
Other Investments	1,500
Other Special Funds	1,238,717
Total Other Property & Investments	<u>1,242,423</u>
Cash	4,807,507
Working Funds	-
Temporary Cash Investments	-
Customer Accounts Receivable	1,128,086
Other Accounts Receivable	4,703,296
Less: Provision for Uncollectibles	(130,853)
Notes Receivable from Assoc. Co.	10,794,342
Accounts Receivable from Assoc. Co.	2,673,209
Fuel Stock	22,203,491
Gas Stored Underground Inventory	-
Plant Materials & Operating Supplies	20,671,622
Other Materials & Supplies	-
Stores Expense Undistributed	1,004,720
Prepayments	809,434
Emission Allowances	103,480
Derivative Instrument Assets	4,730,505
Interest & Dividends Receivable	-
Misc Current and Accrued Assets	16,104,702
Rents Receivable	2,500
Total Current & Accrued Assets	<u>89,606,041</u>
Unamortized Debt Expense	1,863,987
Other Regulatory Assets	56,998,225
Preliminary Survey & Investigation	312,693
Clearing Accounts	5,471
Temporary Facilities	(5,310)
Miscellaneous Deferred Debits	28,808,127
Unamortized Loss on Reacquired Debt	1,610,349
Accumulated Deferred Income Taxes	40,632,850
Unrecovered Purchased Gas Costs	1,663,231
Total Deferred Debits	<u>131,889,623</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>1,341,227,105</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of May 31, 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	247,874,572
Accumulated Other Comprehensive Income	-
Total Proprietary Capital	<u>424,148,702</u>
<u>Liabilities</u>	
Bonds	336,720,000
Advances from Associated Companies	25,000,000
Less: Unamortized Discount on Long-Term Debt	(366,864)
Total Long-Term Debt	<u>361,353,136</u>
Obligations Under Capital Leases - Noncurrent	1,868,624
Asset Retirement Obligation	102,908,625
Long-Term Portion of Derivative Instrument Liabilities	6,417,538
Accum. Misc. Operating Provisions	11,566,653
Total Other Noncurrent Liabilities	<u>122,761,440</u>
Accounts Payable	24,981,081
Notes Payable to Assoc. Co.	-
Accounts Payable to Assoc. Co.	5,789,775
Customer Deposits	10,381,907
Taxes Accrued	3,607,080
Interest Accrued	3,287,094
Tax Collections Payable	1,204,517
Misc. Current & Accrued Liabilities	10,895,379
Obligations Under Capital Leases - Current	1,396,328
Derivative Instrument Liabilities	7,739,372
Less: Long-Term Portion of Derivative Instrument Liabilities	(6,417,538)
Total Current & Accrued Liabilities	<u>62,864,995</u>
Customer Advances for Construction	1,073,087
Accum. Deferred Investment Tax Credits	802,730
Other Deferred Credits	23,247,712
Other Regulatory Liabilities	473,678
Accumulated Deferred Income Taxes	344,501,625
Total Deferred Credits	<u>370,098,832</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u><u>1,341,227,105</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Income Statement
For the 12 Months Ended May 31, 2016
(Unaudited)

	Electric	Gas	Total Company
<u>Revenues</u>			
Residential Sales	119,902,999	57,983,070	177,886,069
Commercial Sales	110,471,001	18,765,496	129,236,497
Industrial Sales	52,522,423	1,303,922	53,826,345
Sales to Public Authorities	21,349,584	1,965,880	23,315,464
Public Street & Highway Lighting	1,639,442	923	1,640,365
Inter-Departmental Sales	51,999	14,948	66,947
Misc. Service Revenues	4,054,888	679,146	4,734,034
Revenues from Transportation	-	6,080,766	6,080,766
Sales for Resale	24,479,717	-	24,479,717
Rents from Property	697,032	213	697,245
Other Revenues	5,667,922	1,081	5,669,003
Total Revenues	340,837,007	86,795,445	427,632,452
<u>Operating Expenses</u>			
Operation Expense	203,204,931	49,656,523	252,861,454
Maintenance Expense	34,899,064	1,974,395	36,873,459
Depreciation Expense	28,926,040	13,378,664	42,304,704
Amortization and Depletion	2,005,097	797,875	2,802,972
Taxes Other than Income Taxes	9,028,434	4,149,130	13,177,564
Income Taxes - Federal & Other	(15,440,094)	2,135,813	(13,304,281)
Provision for Deferred Income Taxes - Net	33,113,192	2,487,628	35,600,820
Investment Tax Credit Adjustment	-	-	-
Total Operating Expenses	295,736,664	74,580,028	370,316,692
NET OPERATING INCOME	45,100,343	12,215,417	57,315,760
<u>Other Income & Deductions</u>			
Revenues from Merchandising, Jobbing and Contract Work	580,157	-	580,157
Less: Expense of Merchandising, Jobbing and Contract Work	(160,698)	3,955	(156,743)
Revenues from Nonutility Operations	(72,573)	(572)	(73,145)
Interest & Dividend Income	721,157	229,503	950,660
AFUDC	643,037	130,156	773,193
Gain on Disposition of Property	4,289	6,376	10,665
Loss on Disposition of Property	(6,021)	-	(6,021)
Misc. Income Deductions	(1,469,480)	(430,918)	(1,900,398)
Taxes Other than Income Taxes	(89,303)	(31,240)	(120,543)
Income Taxes - Federal & Other	(2,700,747)	9,339	(2,691,408)
Provision for Deferred Income Taxes - Net	3,509,263	(265,734)	3,243,529
Total Other Income & Deductions	959,081	(349,135)	609,946
<u>Interest Charges</u>			
Interest on Long Term Debt	(9,349,821)	(3,768,613)	(13,118,434)
Amortization of Debt Disc. And Expense	(469,685)	(158,699)	(628,384)
Amortization of Loss on Reacquired Debt	(189,683)	(76,791)	(266,474)
Interest on Debt to Assoc. Co.	(157,819)	(57,781)	(215,600)
Other Interest Expense	(1,599,458)	(80,421)	(1,679,879)
Less: Allowance for Borrowed Fund Used During Construction - Credit	279,957	50,224	330,181
Net Interest Charges	(11,486,509)	(4,092,081)	(15,578,590)
Extraordinary Items after Taxes	-	-	-
NET INCOME	34,572,915	7,774,201	42,347,116

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Capital Structure
May 31, 2016
(Unaudited)

	Actual April 2016	Activity	Actual May 2016
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	285,038,102	14,747	285,052,849
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	1,925,581	(56,957)	1,868,624
Total Long-term debt	311,963,683	(42,210)	311,921,473
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	17,991,650	1,725,491	19,717,141
Total Common Stock Equity	422,423,211	1,725,491	424,148,702
TOTAL CAPITALIZATION	734,386,894	1,683,281	736,070,175

NOTE:

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