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**VIA 2ND DAY DELIVERY**

September 7, 2016

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

RECEIVED

SEP 8 2016

PUBLIC SERVICE  
COMMISSION

Re: Case No. 2011-00124  
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 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 July 31, 2016  
(Unaudited)

	<u>Total Company</u>
<b><u>Assets</u></b>	
Utility Plant in Service	2,074,749,373
Construction Work in Progress	40,931,460
Less: Accumulated Depreciation	(991,370,331)
Net Utility Plant	<u>1,124,310,502</u>
Nonutility Property	2,206
Other Investments	1,500
Other Special Funds	1,285,725
Long Term Portion of Derivative Instrument Assets	440,056
Total Other Property & Investments	<u>1,729,487</u>
Cash	4,959,951
Working Funds	-
Temporary Cash Investments	-
Customer Accounts Receivable	1,805,753
Other Accounts Receivable	1,184,787
Less: Provision for Uncollectibles	(135,234)
Notes Receivable from Assoc. Co.	14,859,736
Accounts Receivable from Assoc. Co.	3,523,038
Fuel Stock	19,002,570
Gas Stored Underground Inventory	-
Plant Materials & Operating Supplies	20,427,389
Other Materials & Supplies	-
Stores Expense Undistributed	1,175,416
Prepayments	1,929,135
Emission Allowances	87,907
Derivative Instrument Assets	4,346,506
Interest & Dividends Receivable	-
Misc Current and Accrued Assets	16,946,842
Rents Receivable	2,500
Total Current & Accrued Assets	<u>90,116,296</u>
Unamortized Debt Expense	1,741,099
Other Regulatory Assets	60,462,197
Preliminary Survey & Investigation	384,636
Clearing Accounts	7,251
Temporary Facilities	(1,950)
Miscellaneous Deferred Debits	28,455,403
Unamortized Loss on Reacquired Debt	1,565,937
Accumulated Deferred Income Taxes	42,154,640
Unrecovered Purchased Gas Costs	1,903,983
Total Deferred Debits	<u>136,673,196</u>
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<u><u>1,352,829,481</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Balance Sheet - Page 2  
As of July 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	255,486,254
Accumulated Other Comprehensive Income	-
Total Proprietary Capital	<u>431,760,384</u>
<u>Liabilities</u>	
Bonds	336,720,000
Advances from Associated Companies	25,000,000
Less: Unamortized Discount on Long-Term Debt	(358,602)
Total Long-Term Debt	<u>361,361,398</u>
Obligations Under Capital Leases - Noncurrent	1,754,246
Asset Retirement Obligation	102,627,194
Long-Term Portion of Derivative Instrument Liabilities	7,101,328
Accum. Misc. Operating Provisions	11,581,864
Total Other Noncurrent Liabilities	<u>123,064,632</u>
Accounts Payable	16,263,016
Notes Payable to Assoc. Co.	-
Accounts Payable to Assoc. Co.	8,685,386
Customer Deposits	10,382,364
Taxes Accrued	7,612,613
Interest Accrued	3,381,966
Tax Collections Payable	1,536,597
Misc. Current & Accrued Liabilities	12,473,180
Obligations Under Capital Leases - Current	1,345,437
Derivative Instrument Liabilities	8,047,117
Less: Long-Term Portion of Derivative Instrument Liabilities	(7,101,328)
Total Current & Accrued Liabilities	<u>62,626,348</u>
Customer Advances for Construction	1,261,820
Accum. Deferred Investment Tax Credits	769,190
Other Deferred Credits	23,678,126
Other Regulatory Liabilities	464,312
Accumulated Deferred Income Taxes	347,843,271
Total Deferred Credits	<u>374,016,719</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u><u>1,352,829,481</u></u>

Duke Energy Kentucky, Inc.

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

	<u>Electric</u>	<u>Gas</u>	<u>Total Company</u>
<b>Revenues</b>			
Residential Sales	122,684,301	57,758,288	180,442,589
Commercial Sales	111,954,577	18,697,575	130,652,152
Industrial Sales	52,966,947	1,290,237	54,257,184
Sales to Public Authorities	21,387,518	1,958,222	23,345,740
Public Street & Highway Lighting	1,655,041	921	1,655,962
Inter-Departmental Sales	55,088	13,192	68,280
Misc. Service Revenues	2,787,529	694,231	3,481,760
Revenues from Transportation	-	6,131,702	6,131,702
Sales for Resale	22,997,459	-	22,997,459
Rents from Property	781,905	214	782,120
Other Revenues	4,623,636	1,073	4,624,709
<b>Total Revenues</b>	<b>341,894,002</b>	<b>86,545,655</b>	<b>428,439,657</b>
<b>Operating Expenses</b>			
Operation Expense	201,857,101	49,034,056	250,891,157
Maintenance Expense	34,463,933	1,905,519	36,369,452
Depreciation Expense	28,276,562	13,312,380	41,588,942
Amortization and Depletion	2,015,964	786,036	2,802,000
Taxes Other than Income Taxes	9,531,899	4,304,611	13,836,510
Income Taxes - Federal & Other	(21,171,580)	4,517,114	(16,654,466)
Provision for Deferred Income Taxes - Net	40,034,511	223,500	40,258,011
Investment Tax Credit Adjustment	-	-	-
<b>Total Operating Expenses</b>	<b>295,008,390</b>	<b>74,083,216</b>	<b>369,091,606</b>
<b>NET OPERATING INCOME</b>	<b>46,885,612</b>	<b>12,462,439</b>	<b>59,348,051</b>
<b>Other Income &amp; Deductions</b>			
Revenues from Merchandising, Jobbing and Contract Work	519,135	-	519,135
Less: Expense of Merchandising, Jobbing and Contract Work	(155,241)	2,211	(153,030)
Revenues from Nonutility Operations	(54,029)	6,339	(47,690)
Interest & Dividend Income	726,531	228,215	954,746
AFUDC	688,464	193,849	882,313
Gain on Disposition of Property	-	4,832	4,832
Loss on Disposition of Property	(6,021)	-	(6,021)
Misc. Income Deductions	(874,870)	(401,852)	(1,276,722)
Taxes Other than Income Taxes	(89,264)	(30,850)	(120,114)
Income Taxes - Federal & Other	(908,801)	64,085	(844,716)
Provision for Deferred Income Taxes - Net	1,587,523	(280,145)	1,307,378
<b>Total Other Income &amp; Deductions</b>	<b>1,433,427</b>	<b>(213,316)</b>	<b>1,220,111</b>
<b>Interest Charges</b>			
Interest on Long Term Debt	(9,403,242)	(3,863,506)	(13,266,748)
Amortization of Debt Disc. And Expense	(519,860)	(181,517)	(701,377)
Amortization of Loss on Reacquired Debt	(188,790)	(77,684)	(266,474)
Interest on Debt to Assoc. Co.	(165,245)	(61,618)	(226,863)
Other Interest Expense	(1,581,981)	(75,826)	(1,657,807)
Less: Allowance for Borrowed Fund Used During Construction - Credit	298,716	72,567	371,283
<b>Net Interest Charges</b>	<b>(11,560,402)</b>	<b>(4,187,584)</b>	<b>(15,747,986)</b>
Extraordinary Items after Taxes	-	-	-
<b>NET INCOME</b>	<b>36,758,637</b>	<b>8,061,539</b>	<b>44,820,176</b>

Duke Energy Kentucky, Inc.

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

	<u>Actual</u> <u>June 2016</u>	<u>Activity</u>	<u>Actual</u> <u>July 2016</u>
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	285,067,596	13,247	285,080,843
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	1,811,512	(57,266)	1,754,246
Total Long-term debt	<u>311,879,108</u>	<u>(44,019)</u>	<u>311,835,089</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	22,175,340	5,153,483	27,328,823
Total Common Stock Equity	<u>426,606,901</u>	<u>5,153,483</u>	<u>431,760,384</u>
TOTAL CAPITALIZATION	738,486,009	5,109,464	743,595,473

NOTE:

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