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**VIA 2ND DAY DELIVERY**

October 11, 2016

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

RECEIVED  
OCT 12 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 August 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  
 Capital Structure  
 August 31, 2016  
 (Unaudited)

	Actual July 2016	Activity	Actual August 2016
<b>Liabilities and Shareholders' Equity</b>			
<b>Non-Current Liabilities</b>			
* Long-term debt	285,080,843	(2,050)	285,078,793
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	1,754,246	(57,422)	1,696,824
Total Long-term debt	<u>311,835,089</u>	<u>(59,472)</u>	<u>311,775,617</u>
<b>Common Stock Equity</b>			
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	27,328,823	3,848,940	31,177,763
Total Common Stock Equity	<u>431,760,384</u>	<u>3,848,940</u>	<u>435,609,324</u>
<b>TOTAL CAPITALIZATION</b>	<b>743,595,473</b>	<b>3,789,468</b>	<b>747,384,941</b>

**NOTE:**

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

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Balance Sheet - Page 2  
As of August 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	259,335,194
Accumulated Other Comprehensive Income	-
Total Proprietary Capital	<u>435,609,324</u>
<u>Liabilities</u>	
Bonds	336,720,000
Advances from Associated Companies	25,000,000
Less: Unamortized Discount on Long-Term Debt	(354,472)
Total Long-Term Debt	<u>361,365,528</u>
Obligations Under Capital Leases - Noncurrent	1,696,824
Asset Retirement Obligation	103,224,178
Long-Term Portion of Derivative Instrument Liabilities	7,101,328
Accum. Misc. Operating Provisions	11,563,912
Total Other Noncurrent Liabilities	<u>123,586,242</u>
Accounts Payable	21,800,264
Notes Payable to Assoc. Co.	-
Accounts Payable to Assoc. Co.	13,367,981
Customer Deposits	10,324,315
Taxes Accrued	4,854,654
Interest Accrued	4,424,239
Tax Collections Payable	1,611,953
Misc. Current & Accrued Liabilities	12,158,398
Obligations Under Capital Leases - Current	1,319,661
Derivative Instrument Liabilities	8,047,117
Less: Long-Term Portion of Derivative Instrument Liabilities	(7,101,328)
Total Current & Accrued Liabilities	<u>70,807,254</u>
Customer Advances for Construction	1,425,096
Accum. Deferred Investment Tax Credits	752,423
Other Deferred Credits	23,509,278
Other Regulatory Liabilities	459,615
Accumulated Deferred Income Taxes	353,762,080
Total Deferred Credits	<u>379,908,492</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u>1,371,276,840</u>

Duke Energy Kentucky, Inc.

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

	Electric	Gas	Total Company
<u>Revenues</u>			
Residential Sales	124,690,514	57,677,552	182,368,066
Commercial Sales	112,826,851	18,509,218	131,336,069
Industrial Sales	53,142,051	1,287,221	54,429,272
Sales to Public Authorities	21,519,225	1,953,021	23,472,246
Public Street & Highway Lighting	1,653,854	922	1,654,776
Inter-Departmental Sales	55,789	13,047	68,836
Misc. Service Revenues	1,936,222	701,524	2,637,746
Revenues from Transportation	-	6,132,247	6,132,247
Sales for Resale	22,280,204	-	22,280,204
Rents from Property	807,975	215	808,190
Other Revenues	4,849,944	1,141	4,851,085
Total Revenues	<u>343,762,629</u>	<u>86,276,108</u>	<u>430,038,737</u>
<u>Operating Expenses</u>			
Operation Expense	202,774,507	49,152,496	251,927,003
Maintenance Expense	34,382,179	1,839,482	36,221,661
Depreciation Expense	30,733,660	13,384,951	44,118,611
Amortization and Depletion	2,020,050	778,486	2,798,536
Taxes Other than Income Taxes	9,556,035	4,332,262	13,888,297
Income Taxes - Federal & Other	(16,578,846)	(2,878,527)	(19,457,373)
Provision for Deferred Income Taxes - Net	34,928,942	7,643,879	42,572,821
Investment Tax Credit Adjustment	-	-	-
Total Operating Expenses	<u>297,816,527</u>	<u>74,253,029</u>	<u>372,069,556</u>
NET OPERATING INCOME	<u>45,946,102</u>	<u>12,023,079</u>	<u>57,969,181</u>
<u>Other Income &amp; Deductions</u>			
Revenues from Merchandising, Jobbing and Contract Work	525,167	-	525,167
Less: Expense of Merchandising, Jobbing and Contract Work	(131,287)	2,727	(128,560)
Revenues from Nonutility Operations	(50,932)	13,163	(37,769)
Interest & Dividend Income	738,756	232,366	971,122
AFUDC	742,492	229,619	972,111
Gain on Disposition of Property	38,553	4,828	43,381
Loss on Disposition of Property	(6,021)	(4,832)	(10,853)
Misc. Income Deductions	(869,932)	(395,023)	(1,264,955)
Taxes Other than Income Taxes	(89,037)	(30,655)	(119,692)
Income Taxes - Federal & Other	(2,304,706)	50,878	(2,253,828)
Provision for Deferred Income Taxes - Net	2,890,609	(38,561)	2,852,048
Total Other Income & Deductions	<u>1,483,662</u>	<u>64,510</u>	<u>1,548,172</u>
<u>Interest Charges</u>			
Interest on Long Term Debt	(9,462,504)	(3,917,841)	(13,380,345)
Amortization of Debt Disc. And Expense	(544,949)	(192,928)	(737,877)
Amortization of Loss on Reacquired Debt	(188,344)	(78,130)	(266,474)
Interest on Debt to Assoc. Co.	(167,570)	(63,023)	(230,593)
Other Interest Expense	(1,595,529)	(73,424)	(1,668,953)
Less: Allowance for Borrowed Fund Used During Construction - Credit	327,019	84,537	411,556
Net interest Charges	<u>(11,631,877)</u>	<u>(4,240,809)</u>	<u>(15,872,686)</u>
Extraordinary Items after Taxes	-	-	-
NET INCOME	<u>35,797,887</u>	<u>7,846,780</u>	<u>43,644,667</u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Balance Sheet - Page 1  
As of August 31, 2016  
(Unaudited)

	<u>Total Company</u>
<u>Assets</u>	
Utility Plant in Service	2,078,195,098
Construction Work in Progress	49,174,229
Less: Accumulated Depreciation	<u>(995,394,805)</u>
Net Utility Plant	<u>1,131,974,522</u>
Nonutility Property	2,206
Other Investments	1,500
Other Special Funds	1,309,229
Long Term Portion of Derivative Instrument Assets	<u>440,056</u>
Total Other Property & Investments	<u>1,752,991</u>
Cash	9,774,753
Working Funds	-
Temporary Cash Investments	1,000,000
Customer Accounts Receivable	1,275,553
Other Accounts Receivable	1,128,430
Less: Provision for Uncollectibles	(137,480)
Notes Receivable from Assoc. Co.	16,653,554
Accounts Receivable from Assoc. Co.	525,367
Fuel Stock	20,638,836
Gas Stored Underground Inventory	-
Plant Materials & Operating Supplies	20,378,466
Other Materials & Supplies	-
Stores Expense Undistributed	1,273,527
Prepayments	1,401,928
Emission Allowances	77,369
Derivative Instrument Assets	4,346,506
Interest & Dividends Receivable	265
Misc Current and Accrued Assets	17,706,710
Rents Receivable	<u>2,500</u>
Total Current & Accrued Assets	<u>96,046,284</u>
Unamortized Debt Expense	1,695,702
Other Regulatory Assets	62,054,022
Preliminary Survey & Investigation	406,741
Clearing Accounts	9,782
Temporary Facilities	(6,250)
Miscellaneous Deferred Debits	28,451,142
Unamortized Loss on Reacquired Debt	1,543,730
Accumulated Deferred Income Taxes	45,309,626
Unrecovered Purchased Gas Costs	<u>2,038,548</u>
Total Deferred Debits	<u>141,503,043</u>
TOTAL ASSETS AND OTHER DEBITS	<u>1,371,276,840</u>