



Mailing Address:
139 East Fourth Street
1303 Main
Cincinnati, Ohio 45202
o: 513-287-4320
f: 513-287-4385

VIA 2ND DAY DELIVERY

March 14, 2017

Ms. Talina Rose Mathews
Public Service Commission
Commonwealth of Kentucky
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

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 January 2017, 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

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**PUBLIC SERVICE
COMMISSION**

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 1
As of January 31, 2017
(Unaudited)

	<u>Total Company</u>
<u>Assets</u>	
Utility Plant in Service	2,055,819,513
Construction Work in Progress	63,482,291
Less: Accumulated Depreciation	<u>(1,004,572,845)</u>
Net Utility Plant	<u>1,114,728,959</u>
Nonutility Property	9,224
Other Investments	1,500
Other Special Funds	1,610,095
Long Term Portion of Derivative Instrument Assets	954,187
Total Other Property & Investments	<u>2,575,006</u>
Cash	8,899,259
Working Funds	-
Temporary Cash Investments	-
Customer Accounts Receivable	1,627,918
Other Accounts Receivable	1,196,354
Less: Provision for Uncollectibles	(163,319)
Notes Receivable from Assoc. Co.	21,602,182
Accounts Receivable from Assoc. Co.	1,081,585
Fuel Stock	22,369,201
Gas Stored Underground Inventory	1,840,728
Plant Materials & Operating Supplies	20,699,262
Other Materials & Supplies	-
Stores Expense Undistributed	375,228
Prepayments	1,566,011
Emission Allowances	48,283
Derivative Instrument Assets	3,962,367
Interest & Dividends Receivable	-
Misc Current and Accrued Assets	14,017,712
Rents Receivable	2,500
Total Current & Accrued Assets	<u>99,125,271</u>
Unamortized Debt Expense	1,721,835
Other Regulatory Assets	71,778,682
Preliminary Survey & Investigation	160,912
Clearing Accounts	2,112
Temporary Facilities	7,114
Miscellaneous Deferred Debits	29,977,044
Unamortized Loss on Reacquired Debt	1,432,700
Accumulated Deferred Income Taxes	32,002,628
Unrecovered Purchased Gas Costs	829,855
Total Deferred Debits	<u>137,912,882</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>1,354,342,118</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of January 31, 2017
(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	270,164,989
Accumulated Other Comprehensive Income	-
Total Proprietary Capital	<u>446,439,119</u>
<u>Liabilities</u>	
Bonds	336,720,000
Advances from Associated Companies	25,000,000
Less: Unamortized Discount on Long-Term Debt	(333,817)
Total Long-Term Debt	<u>361,386,183</u>
Obligations Under Capital Leases - Noncurrent	1,439,595
Asset Retirement Obligation	52,610,347
Long-Term Portion of Derivative Instrument Liabilities	5,110,664
Accum. Misc. Operating Provisions	14,988,443
Total Other Noncurrent Liabilities	<u>74,149,049</u>
Accounts Payable	28,567,793
Notes Payable to Assoc. Co.	20,398,000
Accounts Payable to Assoc. Co.	7,672,251
Customer Deposits	10,216,953
Taxes Accrued	10,350,520
Interest Accrued	3,392,387
Tax Collections Payable	2,057,143
Misc. Current & Accrued Liabilities	16,564,676
Obligations Under Capital Leases - Current	656,561
Derivative Instrument Liabilities	5,943,438
Less: Long-Term Portion of Derivative Instrument Liabilities	(5,110,664)
Total Current & Accrued Liabilities	<u>100,709,058</u>
Customer Advances for Construction	1,463,490
Accum. Deferred Investment Tax Credits	685,347
Other Deferred Credits	19,875,753
Other Regulatory Liabilities	5,986,077
Accumulated Deferred Income Taxes	343,648,042
Total Deferred Credits	<u>371,658,709</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u><u>1,354,342,118</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Income Statement
For the 12 Months Ended January 31, 2017
(Unaudited)

	Electric	Gas	Total Company
<u>Revenues</u>			
Residential Sales	129,372,913	61,649,942	191,022,855
Commercial Sales	115,655,909	20,525,193	136,181,102
Industrial Sales	53,729,682	1,445,101	55,174,783
Sales to Public Authorities	21,956,693	2,178,533	24,135,226
Public Street & Highway Lighting	1,636,229	941	1,637,170
Inter-Departmental Sales	51,225	10,685	61,910
Misc. Service Revenues	(1,217,243)	549,907	(667,336)
Revenues from Transportation	-	6,298,040	6,298,040
Sales for Resale	19,686,902	-	19,686,902
Rents from Property	999,917	225	1,000,142
Other Revenues	4,416,714	1,271	4,417,985
Total Revenues	346,288,941	92,659,838	438,948,779
<u>Operating Expenses</u>			
Operation Expense	216,370,060	55,287,408	271,657,468
Maintenance Expense	32,052,183	1,808,544	33,860,727
Depreciation Expense	30,886,594	13,539,280	44,425,874
Amortization and Depletion	1,814,651	859,608	2,674,259
Taxes Other than Income Taxes	9,790,525	4,794,950	14,585,475
Income Taxes - Federal & Other	(12,618,779)	8,013,759	(4,605,020)
Provision for Deferred Income Taxes - Net	25,196,537	(3,659,098)	21,537,439
Investment Tax Credit Adjustment	-	-	-
Total Operating Expenses	303,491,771	80,644,451	384,136,222
NET OPERATING INCOME	42,797,170	12,015,387	54,812,557
<u>Other Income & Deductions</u>			
Revenues from Merchandising, Jobbing and Contract Work	635,262	32,467	667,729
Less: Expense of Merchandising, Jobbing and Contract Work	(270,826)	963	(269,863)
Revenues from Nonutility Operations	(72,459)	45,484	(26,975)
Interest & Dividend Income	751,936	248,583	1,000,519
AFUDC	1,124,259	330,966	1,455,225
Gain on Disposition of Property	38,553	4,828	43,381
Loss on Disposition of Property	(6,021)	(9,664)	(15,685)
Misc. Income Deductions	(1,662,675)	(553,801)	(2,216,476)
Taxes Other than Income Taxes	(79,234)	(26,697)	(105,931)
Income Taxes - Federal & Other	(3,637,035)	15,106	(3,621,929)
Provision for Deferred Income Taxes - Net	3,551,860	(44,673)	3,507,187
Total Other Income & Deductions	373,620	43,562	417,182
<u>Interest Charges</u>			
Interest on Long Term Debt	(9,645,087)	(3,935,411)	(13,580,498)
Amortization of Debt Disc. And Expense	(379,793)	(279,519)	(659,312)
Amortization of Loss on Reacquired Debt	(186,616)	(79,858)	(266,474)
Interest on Debt to Assoc. Co.	(164,842)	(70,507)	(235,349)
Other Interest Expense	(1,457,641)	(58,825)	(1,516,466)
Less: Allowance for Borrowed Fund Used During Construction - Credit	467,795	110,236	578,031
Net Interest Charges	(11,366,184)	(4,313,884)	(15,680,068)
Extraordinary Items after Taxes	-	-	-
NET INCOME	31,804,606	7,745,065	39,549,671

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Capital Structure
January 31, 2017
(Unaudited)

	Actual December 2016	Activity	Actual January 2017
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	334,894,395	12,168	334,906,563
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	1,465,571	(25,976)	1,439,595
Total Long-term debt	<u>361,359,966</u>	<u>(13,808)</u>	<u>361,346,158</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	218,157,431	42,583,938	260,741,369
Unappropriated Retained Earnings - Current Year Net Income	<u>42,583,938</u>	<u>(33,160,318)</u>	<u>9,423,620</u>
Total Common Stock Equity	<u>437,015,499</u>	<u>9,423,620</u>	<u>446,439,119</u>
TOTAL CAPITALIZATION	798,375,465	9,409,812	807,785,277

NOTE:

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