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**VIA 2ND DAY DELIVERY**

**RECEIVED**

April 11, 2017

APR 12 2017

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

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 Dr. Mathews:

Enclosed please find Duke Energy Kentucky's financial statements for the end of February 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

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Balance Sheet - Page 1  
As of February 28, 2017  
(Unaudited)

	<u>Total Company</u>
<u>Assets</u>	
Utility Plant in Service	2,058,358,022
Construction Work in Progress	66,947,836
Less: Accumulated Depreciation	(1,007,956,890)
Net Utility Plant	<u>1,117,348,968</u>
Nonutility Property	16,058
Other Investments	1,500
Other Special Funds	1,774,097
Long Term Portion of Derivative Instrument Assets	954,187
Total Other Property & Investments	<u>2,745,842</u>
Cash	9,606,120
Working Funds	-
Temporary Cash Investments	-
Customer Accounts Receivable	1,706,571
Other Accounts Receivable	1,299,014
Less: Provision for Uncollectibles	(149,323)
Notes Receivable from Assoc. Co.	18,005,157
Accounts Receivable from Assoc. Co.	(1,404,917)
Fuel Stock	22,831,268
Gas Stored Underground Inventory	1,120,511
Plant Materials & Operating Supplies	20,858,306
Other Materials & Supplies	-
Stores Expense Undistributed	481,763
Prepayments	1,142,546
Emission Allowances	47,217
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>93,526,812</u>
Unamortized Debt Expense	1,702,543
Other Regulatory Assets	73,142,036
Preliminary Survey & Investigation	174,873
Clearing Accounts	3,888
Temporary Facilities	9,244
Miscellaneous Deferred Debits	29,868,067
Unamortized Loss on Reacquired Debt	1,410,493
Accumulated Deferred Income Taxes	33,933,257
Unrecovered Purchased Gas Costs	(726,832)
Total Deferred Debits	<u>139,517,569</u>
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<u><u>1,353,139,191</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Balance Sheet - Page 2  
As of February 28, 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	270,845,935
Accumulated Other Comprehensive Income	-
Total Proprietary Capital	<u>447,120,065</u>
<u>Liabilities</u>	
Bonds	336,720,000
Advances from Associated Companies	25,000,000
Less: Unamortized Discount on Long-Term Debt	(329,687)
Total Long-Term Debt	<u>361,390,313</u>
Obligations Under Capital Leases - Noncurrent	1,413,596
Asset Retirement Obligation	52,351,588
Long-Term Portion of Derivative Instrument Liabilities	5,110,664
Accum. Misc. Operating Provisions	14,985,485
Total Other Noncurrent Liabilities	<u>73,861,333</u>
Accounts Payable	20,996,051
Notes Payable to Assoc. Co.	23,981,000
Accounts Payable to Assoc. Co.	8,879,039
Customer Deposits	10,234,797
Taxes Accrued	3,095,438
Interest Accrued	4,433,520
Tax Collections Payable	1,625,589
Misc. Current & Accrued Liabilities	16,107,701
Obligations Under Capital Leases - Current	626,574
Derivative Instrument Liabilities	5,943,438
Less: Long-Term Portion of Derivative Instrument Liabilities	(5,110,664)
Total Current & Accrued Liabilities	<u>90,812,483</u>
Customer Advances for Construction	1,463,490
Accum. Deferred Investment Tax Credits	653,761
Other Deferred Credits	19,637,351
Other Regulatory Liabilities	5,876,464
Accumulated Deferred Income Taxes	352,323,931
Total Deferred Credits	<u>379,954,997</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u>1,353,139,191</u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Income Statement  
For the 12 Months Ended February 28, 2017  
(Unaudited)

	Electric	Gas	Total Company
<b>Revenues</b>			
Residential Sales	127,105,819	59,750,186	186,856,005
Commercial Sales	114,678,919	20,127,663	134,806,582
Industrial Sales	53,291,949	1,402,709	54,694,658
Sales to Public Authorities	21,698,410	2,150,156	23,848,566
Public Street & Highway Lighting	1,665,005	945	1,665,950
Inter-Departmental Sales	54,127	19,956	74,083
Misc. Service Revenues	(1,029,551)	547,482	(482,069)
Revenues from Transportation	-	6,196,715	6,196,715
Sales for Resale	20,445,967	-	20,445,967
Rents from Property	1,020,773	233	1,021,006
Other Revenues	4,107,028	1,099	4,108,127
<b>Total Revenues</b>	<b>343,038,446</b>	<b>90,197,144</b>	<b>433,235,590</b>
<b>Operating Expenses</b>			
Operation Expense	214,818,625	54,714,559	269,533,184
Maintenance Expense	31,842,640	1,859,056	33,701,696
Depreciation Expense	30,359,688	13,426,106	43,785,794
Amortization and Depletion	1,830,999	886,601	2,717,600
Taxes Other than Income Taxes	9,890,594	4,711,116	14,601,710
Income Taxes - Federal & Other	(18,382,920)	8,885,685	(9,497,235)
Provision for Deferred Income Taxes - Net	29,611,891	(5,715,141)	23,896,750
Investment Tax Credit Adjustment	-	-	-
<b>Total Operating Expenses</b>	<b>299,971,517</b>	<b>78,767,982</b>	<b>378,739,499</b>
<b>NET OPERATING INCOME</b>	<b>43,066,929</b>	<b>11,429,162</b>	<b>54,496,091</b>
<b>Other Income &amp; Deductions</b>			
Revenues from Merchandising, Jobbing and Contract Work	670,413	43,241	713,654
Less: Expense of Merchandising, Jobbing and Contract Work	(285,278)	541	(284,737)
Revenues from Nonutility Operations	(67,272)	51,831	(15,441)
Interest & Dividend Income	733,449	246,127	979,576
AFUDC	1,165,845	351,664	1,517,509
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	(1,739,529)	(578,346)	(2,317,875)
Taxes Other than Income Taxes	(78,191)	(26,521)	(104,712)
Income Taxes - Federal & Other	(4,121,862)	13,533	(4,108,329)
Provision for Deferred Income Taxes - Net	3,700,308	(50,552)	3,649,756
<b>Total Other Income &amp; Deductions</b>	<b>10,415</b>	<b>46,682</b>	<b>57,097</b>
<b>Interest Charges</b>			
Interest on Long Term Debt	(9,512,219)	(3,845,091)	(13,357,310)
Amortization of Debt Disc. And Expense	(320,655)	(254,600)	(575,255)
Amortization of Loss on Reacquired Debt	(186,674)	(79,800)	(266,474)
Interest on Debt to Assoc. Co.	(169,200)	(72,282)	(241,482)
Other Interest Expense	(1,422,613)	(53,708)	(1,476,321)
Less: Allowance for Borrowed Fund Used During Construction - Credit	487,304	115,703	603,007
<b>Net interest Charges</b>	<b>(11,124,057)</b>	<b>(4,189,778)</b>	<b>(15,313,835)</b>
Extraordinary Items after Taxes	-	-	-
<b>NET INCOME</b>	<b>31,953,287</b>	<b>7,286,066</b>	<b>39,239,353</b>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Capital Structure  
February 28, 2017  
(Unaudited)

	Actual January 2017	Activity	Actual February 2017
<b>Liabilities and Shareholders' Equity</b>			
<b>Non-Current Liabilities</b>			
* Long-term debt	334,906,563	16,668	334,923,231
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	1,439,595	(25,999)	1,413,596
<b>Total Long-term debt</b>	<b>361,346,158</b>	<b>(9,331)</b>	<b>361,336,827</b>
<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	260,741,369	-	260,741,369
Unappropriated Retained Earnings - Current Year Net Income	9,423,620	680,946	10,104,566
<b>Total Common Stock Equity</b>	<b>446,439,119</b>	<b>680,946</b>	<b>447,120,065</b>
<b>TOTAL CAPITALIZATION</b>	<b>807,785,277</b>	<b>671,615</b>	<b>808,456,892</b>

**NOTE:**

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