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Rocco O. D'Ascenzo
Associate General Counsel

VIA OVERNIGHT DELIVERY

October 13, 2017

Ms. Gwen R. Pinson
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

RECEIVED

OCT 16 2017

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 Ms. Pinson:

Enclosed please find Duke Energy Kentucky's financial statements for the end of August 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 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 August 31, 2017
(Unaudited)

	<u>Total Company</u>
<u>Assets</u>	
Utility Plant in Service	2,079,727,360
Construction Work in Progress	99,780,082
Less: Accumulated Depreciation	(1,018,310,187)
Net Utility Plant	<u>1,161,197,255</u>
Nonutility Property	252,099
Other Investments	1,500
Other Special Funds	1,949,453
Long Term Portion of Derivative Instrument Assets	333,597
Total Other Property & Investments	<u>2,536,649</u>
Cash	8,385,229
Working Funds	-
Temporary Cash Investments	-
Customer Accounts Receivable	1,064,183
Other Accounts Receivable	915,371
Less: Provision for Uncollectibles	(227,520)
Notes Receivable from Assoc. Co.	11,069,846
Accounts Receivable from Assoc. Co.	9,991,477
Fuel Stock	21,523,736
Gas Stored Underground Inventory	3,608,801
Plant Materials & Operating Supplies	19,116,908
Other Materials & Supplies	-
Stores Expense Undistributed	454,178
Prepayments	1,200,721
Emission Allowances	37,332
Derivative Instrument Assets	2,237,779
Interest & Dividends Receivable	-
Misc Current and Accrued Assets	2,942,449
Rents Receivable	-
Total Current & Accrued Assets	<u>82,320,490</u>
Unamortized Debt Expense	1,808,963
Other Regulatory Assets	112,913,409
Preliminary Survey & Investigation	675,249
Clearing Accounts	17,015
Temporary Facilities	(2,286)
Miscellaneous Deferred Debits	684,204
Unamortized Loss on Reacquired Debt	1,277,256
Accumulated Deferred Income Taxes	22,019,409
Unrecovered Purchased Gas Costs	(1,363,783)
Total Deferred Debits	<u>138,029,436</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>1,384,083,830</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of August 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	287,298,977
Accumulated Other Comprehensive Income	-
Total Proprietary Capital	<u>463,573,107</u>
<u>Liabilities</u>	
Bonds	336,720,000
Advances from Associated Companies	25,000,000
Less: Unamortized Discount on Long-Term Debt	(304,902)
Total Long-Term Debt	<u>361,415,098</u>
Obligations Under Capital Leases - Noncurrent	1,257,096
Asset Retirement Obligation	32,447,896
Long-Term Portion of Derivative Instrument Liabilities	5,020,179
Accum. Misc. Operating Provisions	15,146,310
Total Other Noncurrent Liabilities	<u>53,871,481</u>
Accounts Payable	29,119,768
Notes Payable to Assoc. Co.	42,229,000
Accounts Payable to Assoc. Co.	12,638,562
Customer Deposits	10,081,631
Taxes Accrued	5,205,269
Interest Accrued	4,480,753
Tax Collections Payable	1,287,066
Misc. Current & Accrued Liabilities	6,732,757
Obligations Under Capital Leases - Current	441,569
Derivative Instrument Liabilities	5,789,480
Less: Long-Term Portion of Derivative Instrument Liabilities	(5,020,179)
Total Current & Accrued Liabilities	<u>112,985,676</u>
Customer Advances for Construction	1,635,070
Accum. Deferred Investment Tax Credits	617,364
Other Deferred Credits	18,488,411
Other Regulatory Liabilities	5,547,625
Accumulated Deferred Income Taxes	365,949,998
Total Deferred Credits	<u>392,238,468</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u><u>1,384,083,830</u></u>

Duke Energy Kentucky, Inc.

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

	Electric	Gas	Total Company
<u>Revenues</u>			
Residential Sales	122,256,120	60,997,918	183,254,038
Commercial Sales	110,032,188	21,017,115	131,049,303
Industrial Sales	51,089,097	1,504,098	52,593,195
Sales to Public Authorities	20,734,311	2,225,161	22,959,472
Public Street & Highway Lighting	1,585,168	978	1,586,146
Inter-Departmental Sales	51,320	24,111	75,431
Misc. Service Revenues	1,559,741	531,333	2,091,074
Revenues from Transportation	-	6,238,169	6,238,169
Sales for Resale	25,749,297	-	25,749,297
Rents from Property	1,107,923	257	1,108,180
Other Revenues	5,489,937	683	5,490,620
Total Revenues	<u>339,655,102</u>	<u>92,539,823</u>	<u>432,194,925</u>
<u>Operating Expenses</u>			
Operation Expense	212,663,161	58,884,507	271,547,668
Maintenance Expense	29,308,638	2,104,121	31,412,759
Depreciation Expense	27,941,848	12,279,613	40,221,461
Amortization and Depletion	1,895,693	1,140,978	3,036,671
Taxes Other than Income Taxes	10,322,578	4,076,964	14,399,542
Income Taxes - Federal & Other	(14,826,587)	(4,102,460)	(18,929,047)
Provision for Deferred Income Taxes - Net	30,540,698	7,877,381	38,418,079
Investment Tax Credit Adjustment	-	-	-
Total Operating Expenses	<u>297,846,029</u>	<u>82,261,104</u>	<u>380,107,133</u>
NET OPERATING INCOME	<u>41,809,073</u>	<u>10,278,719</u>	<u>52,087,792</u>
<u>Other Income & Deductions</u>			
Revenues from Merchandising, Jobbing and Contract Work	1,011,753	32,874	1,044,627
Less: Expense of Merchandising, Jobbing and Contract Work	(435,101)	(108)	(435,209)
Revenues from Nonutility Operations	(110,856)	76,383	(34,473)
Interest & Dividend Income	770,001	257,889	1,027,890
AFUDC	2,158,973	468,631	2,627,604
Gain on Disposition of Property	2,365	-	2,365
Loss on Disposition of Property	(15,675)	-	(15,675)
Misc. Income Deductions	(3,503,627)	(764,365)	(4,267,992)
Taxes Other than Income Taxes	(74,016)	(25,467)	(99,483)
Income Taxes - Federal & Other	(2,832,035)	62,123	(2,769,912)
Provision for Deferred Income Taxes - Net	3,208,592	(57,257)	3,151,335
Total Other Income & Deductions	<u>180,374</u>	<u>50,703</u>	<u>231,077</u>
<u>Interest Charges</u>			
Interest on Long Term Debt	(9,714,959)	(3,690,776)	(13,405,735)
Amortization of Debt Disc. And Expense	(193,744)	(185,836)	(379,580)
Amortization of Loss on Reacquired Debt	(187,020)	(79,454)	(266,474)
Interest on Debt to Assoc. Co.	(279,564)	(118,570)	(398,134)
Other Interest Expense	(800,325)	(50,269)	(850,594)
Less: Allowance for Borrowed Fund Used During Construction - Credit	796,984	148,447	945,431
Net interest Charges	<u>(10,378,628)</u>	<u>(3,976,458)</u>	<u>(14,355,086)</u>
Extraordinary Items after Taxes	-	-	-
NET INCOME	<u>31,610,819</u>	<u>6,352,964</u>	<u>37,963,783</u>

Duke Energy Kentucky, Inc.

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

	Actual July 2017	Activity	Actual August 2017
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	334,980,248	16,668	334,996,916
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	1,283,240	(26,144)	1,257,096
Total Long-term debt	361,263,488	(9,476)	361,254,012
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	260,741,369	-	260,741,369
Unappropriated Retained Earnings - Current Year Net Income	21,459,127	5,098,481	26,557,608
Total Common Stock Equity	458,474,626	5,098,481	463,573,107
TOTAL CAPITALIZATION	819,738,114	5,089,005	824,827,119

NOTE:

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