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VIA OVERNIGHT DELIVERY

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December 14, 2017

DEC 15 2017

Ms. Gwen R. Pinson
Executive Director
Kentucky Public Service Commission
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 Ms. Pinson:

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

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PUBLIC SERVICE
COMMISSION

Duke Energy Kentucky, Inc.

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

	<u>Total Company</u>
<u>Assets</u>	
Utility Plant in Service	2,120,783,131
Construction Work in Progress	123,131,455
Less: Accumulated Depreciation	<u>(1,028,255,084)</u>
Net Utility Plant	<u>1,215,659,502</u>
Nonutility Property	260,734
Other Investments	1,500
Other Special Funds	2,007,905
Long Term Portion of Derivative Instrument Assets	<u>318,343</u>
Total Other Property & Investments	<u>2,588,482</u>
Cash	7,304,428
Working Funds	-
Temporary Cash Investments	-
Customer Accounts Receivable	3,979,654
Other Accounts Receivable	993,807
Less: Provision for Uncollectibles	<u>(222,927)</u>
Notes Receivable from Assoc. Co.	35,118,131
Accounts Receivable from Assoc. Co.	138,795
Fuel Stock	22,715,816
Gas Stored Underground Inventory	3,718,063
Plant Materials & Operating Supplies	19,350,651
Other Materials & Supplies	-
Stores Expense Undistributed	569,082
Prepayments	869,232
Emission Allowances	32,663
Derivative Instrument Assets	1,559,879
Interest & Dividends Receivable	-
Misc Current and Accrued Assets	3,110,482
Rents Receivable	-
Total Current & Accrued Assets	<u>99,237,736</u>
Unamortized Debt Expense	2,062,363
Other Regulatory Assets	121,105,680
Preliminary Survey & Investigation	262,023
Clearing Accounts	26,119
Temporary Facilities	<u>(6,204)</u>
Miscellaneous Deferred Debits	1,024,555
Unamortized Loss on Reacquired Debt	1,232,844
Accumulated Deferred Income Taxes	31,420,669
Unrecovered Purchased Gas Costs	<u>(839,428)</u>
Total Deferred Debits	<u>156,288,621</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>1,473,774,341</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of October 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	289,632,016
Accumulated Other Comprehensive Income	-
Total Proprietary Capital	<u>465,906,146</u>
<u>Liabilities</u>	
Bonds	426,720,000
Advances from Associated Companies	25,000,000
Less: Unamortized Discount on Long-Term Debt	(296,640)
Total Long-Term Debt	<u>451,423,360</u>
Obligations Under Capital Leases - Noncurrent	1,204,736
Asset Retirement Obligation	56,086,928
Long-Term Portion of Derivative Instrument Liabilities	4,679,173
Accum. Misc. Operating Provisions	13,839,823
Total Other Noncurrent Liabilities	<u>75,810,660</u>
Accounts Payable	39,198,895
Notes Payable to Assoc. Co.	-
Accounts Payable to Assoc. Co.	10,890,315
Customer Deposits	10,013,549
Taxes Accrued	8,361,290
Interest Accrued	2,702,262
Tax Collections Payable	1,098,526
Misc. Current & Accrued Liabilities	7,856,879
Obligations Under Capital Leases - Current	377,933
Derivative Instrument Liabilities	5,458,294
Less: Long-Term Portion of Derivative Instrument Liabilities	(4,679,173)
Total Current & Accrued Liabilities	<u>81,278,770</u>
Customer Advances for Construction	1,635,070
Accum. Deferred Investment Tax Credits	600,367
Other Deferred Credits	18,515,119
Other Regulatory Liabilities	5,438,011
Accumulated Deferred Income Taxes	373,166,838
Total Deferred Credits	<u>399,355,405</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u><u>1,473,774,341</u></u>

Duke Energy Kentucky, Inc.

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

	Electric	Gas	Total Company
<u>Revenues</u>			
Residential Sales	119,369,950	61,484,872	180,854,822
Commercial Sales	107,602,369	21,113,224	128,715,593
Industrial Sales	50,296,720	1,516,524	51,813,244
Sales to Public Authorities	20,135,558	2,269,970	22,405,528
Public Street & Highway Lighting	1,579,859	973	1,580,832
Inter-Departmental Sales	50,409	24,144	74,553
Misc. Service Revenues	700,723	527,853	1,228,576
Revenues from Transportation	-	6,285,907	6,285,907
Sales for Resale	26,221,029	-	26,221,029
Rents from Property	1,066,755	60	1,066,815
Other Revenues	6,246,610	662	6,247,272
Total Revenues	<u>333,269,982</u>	<u>93,224,189</u>	<u>426,494,171</u>
<u>Operating Expenses</u>			
Operation Expense	212,669,263	59,243,197	271,912,460
Maintenance Expense	30,767,570	2,216,769	32,984,339
Depreciation Expense	28,609,015	12,212,345	40,821,360
Amortization and Depletion	1,982,031	1,321,663	3,303,694
Taxes Other than Income Taxes	10,544,120	3,921,346	14,465,466
Income Taxes - Federal & Other	(5,001,731)	(11,561,472)	(16,563,203)
Provision for Deferred Income Taxes - Net	16,310,370	15,239,870	31,550,240
Investment Tax Credit Adjustment	-	-	-
Total Operating Expenses	<u>295,880,638</u>	<u>82,593,718</u>	<u>378,474,356</u>
NET OPERATING INCOME	<u>37,389,344</u>	<u>10,630,471</u>	<u>48,019,815</u>
<u>Other Income & Deductions</u>			
Revenues from Merchandising, Jobbing and Contract Work	1,133,360	22,049	1,155,409
Less: Expense of Merchandising, Jobbing and Contract Work	(534,062)	(285)	(534,347)
Revenues from Nonutility Operations	(116,528)	76,031	(40,497)
Interest & Dividend Income	784,451	284,747	1,069,198
AFUDC	2,368,681	478,556	2,847,237
Gain on Disposition of Property	17,044	-	17,044
Loss on Disposition of Property	(15,675)	-	(15,675)
Misc. Income Deductions	(2,409,287)	(351,182)	(2,760,469)
Taxes Other than Income Taxes	(77,867)	(25,115)	(102,982)
Income Taxes - Federal & Other	(3,038,517)	(70,360)	(3,108,877)
Provision for Deferred Income Taxes - Net	2,959,514	(60,557)	2,898,957
Total Other Income & Deductions	<u>1,071,114</u>	<u>353,884</u>	<u>1,424,998</u>
<u>Interest Charges</u>			
Interest on Long Term Debt	(10,104,349)	(3,861,790)	(13,966,139)
Amortization of Debt Disc. And Expense	(108,036)	(189,241)	(297,277)
Amortization of Loss on Reacquired Debt	(187,136)	(79,338)	(266,474)
Interest on Debt to Assoc. Co.	(303,626)	(128,617)	(432,243)
Other Interest Expense	(1,336,900)	(50,561)	(1,387,461)
Less: Allowance for Borrowed Fund Used During Construction - Credit	908,555	157,024	1,065,579
Net interest Charges	<u>(11,131,492)</u>	<u>(4,152,523)</u>	<u>(15,284,015)</u>
Extraordinary Items after Taxes	-	-	-
NET INCOME	<u>27,328,966</u>	<u>6,831,832</u>	<u>34,160,798</u>

Duke Energy Kentucky, Inc.

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

	Actual September 2017	Activity	Actual October 2017
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	424,719,265	18,135	424,737,400
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	1,230,928	(26,192)	1,204,736
Total Long-term debt	450,950,193	(8,057)	450,942,136
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	27,096,051	1,794,596	28,890,647
Total Common Stock Equity	464,111,550	1,794,596	465,906,146
TOTAL CAPITALIZATION	915,061,743	1,786,539	916,848,282

NOTE:

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