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**VIA OVERNIGHT DELIVERY**

**RECEIVED**

January 10, 2018

**JAN 11 2018**

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 November 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 November 30, 2017  
(Unaudited)

	<u>Total Company</u>
<u>Assets</u>	
Utility Plant in Service	2,130,376,662
Construction Work in Progress	134,963,380
Less: Accumulated Depreciation	<u>(1,028,779,423)</u>
Net Utility Plant	<u>1,236,560,619</u>
Nonutility Property	260,879
Other Investments	1,500
Other Special Funds	2,037,131
Long Term Portion of Derivative Instrument Assets	318,343
Total Other Property & Investments	<u>2,617,853</u>
Cash	4,533,830
Working Funds	-
Temporary Cash Investments	-
Customer Accounts Receivable	3,645,729
Other Accounts Receivable	830,259
Less: Provision for Uncollectibles	(249,213)
Notes Receivable from Assoc. Co.	41,010,151
Accounts Receivable from Assoc. Co.	7,092,778
Fuel Stock	22,059,372
Gas Stored Underground Inventory	3,826,953
Plant Materials & Operating Supplies	18,036,843
Other Materials & Supplies	-
Stores Expense Undistributed	552,187
Prepayments	639,278
Emission Allowances	31,912
Derivative Instrument Assets	1,559,879
Interest & Dividends Receivable	-
Misc Current and Accrued Assets	3,110,483
Rents Receivable	17,450
Total Current & Accrued Assets	<u>106,697,891</u>
Unamortized Debt Expense	2,080,591
Other Regulatory Assets	123,806,920
Preliminary Survey & Investigation	283,597
Clearing Accounts	28,645
Temporary Facilities	(10,749)
Miscellaneous Deferred Debits	849,062
Unamortized Loss on Reacquired Debt	1,210,638
Accumulated Deferred Income Taxes	31,260,288
Unrecovered Purchased Gas Costs	(647,975)
Total Deferred Debits	<u>158,861,017</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>1,504,737,380</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Balance Sheet - Page 2  
As of November 30, 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	163,655,189
Retained Earnings	294,883,690
Accumulated Other Comprehensive Income	-
Total Proprietary Capital	<u>486,157,820</u>
<u>Liabilities</u>	
Bonds	426,720,000
Advances from Associated Companies	25,000,000
Less: Unamortized Discount on Long-Term Debt	(292,509)
Total Long-Term Debt	<u>451,427,491</u>
Obligations Under Capital Leases - Noncurrent	1,178,520
Asset Retirement Obligation	55,696,527
Long-Term Portion of Derivative Instrument Liabilities	4,679,173
Accum. Misc. Operating Provisions	13,814,064
Total Other Noncurrent Liabilities	<u>75,368,284</u>
Accounts Payable	36,923,793
Notes Payable to Assoc. Co.	-
Accounts Payable to Assoc. Co.	16,808,241
Customer Deposits	9,955,876
Taxes Accrued	11,606,890
Interest Accrued	4,038,233
Tax Collections Payable	1,295,944
Misc. Current & Accrued Liabilities	7,876,887
Obligations Under Capital Leases - Current	345,739
Derivative Instrument Liabilities	5,458,294
Less: Long-Term Portion of Derivative Instrument Liabilities	(4,679,173)
Total Current & Accrued Liabilities	<u>89,630,724</u>
Customer Advances for Construction	1,635,070
Accum. Deferred Investment Tax Credits	591,870
Other Deferred Credits	18,549,119
Other Regulatory Liabilities	4,773,098
Accumulated Deferred Income Taxes	376,603,904
Total Deferred Credits	<u>402,153,061</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u><u>1,504,737,380</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Income Statement  
For the 12 Months Ended November 30, 2017  
(Unaudited)

	Electric	Gas	Total Company
<u>Revenues</u>			
Residential Sales	120,595,406	62,209,199	182,804,605
Commercial Sales	107,496,918	21,543,238	129,040,156
Industrial Sales	50,393,577	1,564,497	51,958,074
Sales to Public Authorities	20,079,442	2,283,589	22,363,031
Public Street & Highway Lighting	1,564,086	971	1,565,057
Inter-Departmental Sales	49,086	24,115	73,201
Misc. Service Revenues	(100,304)	523,454	423,150
Revenues from Transportation	-	6,300,954	6,300,954
Sales for Resale	26,573,769	-	26,573,769
Rents from Property	1,054,810	65	1,054,875
Other Revenues	6,327,879	1,219	6,329,098
Total Revenues	<u>334,034,669</u>	<u>94,451,301</u>	<u>428,485,970</u>
<u>Operating Expenses</u>			
Operation Expense	207,083,571	59,600,980	266,684,551
Maintenance Expense	31,495,051	2,164,689	33,659,740
Depreciation Expense	29,417,746	11,972,223	41,389,969
Amortization and Depletion	2,045,990	1,392,401	3,438,391
Taxes Other than Income Taxes	10,734,437	3,433,210	14,167,647
Income Taxes - Federal & Other	(4,187,324)	(12,150,859)	(16,338,183)
Provision for Deferred Income Taxes - Net	19,949,226	14,426,196	34,375,422
Investment Tax Credit Adjustment	-	-	-
Total Operating Expenses	<u>296,538,697</u>	<u>80,838,840</u>	<u>377,377,537</u>
NET OPERATING INCOME	<u>37,495,972</u>	<u>13,612,461</u>	<u>51,108,433</u>
<u>Other Income &amp; Deductions</u>			
Revenues from Merchandising, Jobbing and Contract Work	1,070,183	11,237	1,081,420
Less: Expense of Merchandising, Jobbing and Contract Work	(513,735)	900	(512,835)
Revenues from Nonutility Operations	(109,424)	75,966	(33,458)
Interest & Dividend Income	858,557	302,042	1,160,599
AFUDC	2,590,450	566,618	3,157,068
Gain on Disposition of Property	17,044	-	17,044
Loss on Disposition of Property	(115,629)	-	(115,629)
Misc. Income Deductions	(2,658,378)	(501,678)	(3,160,056)
Taxes Other than Income Taxes	(78,294)	(24,939)	(103,233)
Income Taxes - Federal & Other	(2,952,491)	(15,271)	(2,967,762)
Provision for Deferred Income Taxes - Net	2,231,361	(73,860)	2,157,501
Total Other Income & Deductions	<u>339,644</u>	<u>341,015</u>	<u>680,659</u>
<u>Interest Charges</u>			
Interest on Long Term Debt	(10,331,665)	(3,946,202)	(14,277,867)
Amortization of Debt Disc. And Expense	(183,410)	(123,594)	(307,004)
Amortization of Loss on Reacquired Debt	(187,194)	(79,280)	(266,474)
Interest on Debt to Assoc. Co.	(312,099)	(132,134)	(444,233)
Other Interest Expense	(1,331,275)	(50,747)	(1,382,022)
Less: Allowance for Borrowed Fund Used During Construction - Credit	1,015,414	191,602	1,207,016
Net Interest Charges	<u>(11,330,229)</u>	<u>(4,140,355)</u>	<u>(15,470,584)</u>
Extraordinary Items after Taxes	-	-	-
NET INCOME	<u>26,505,387</u>	<u>9,813,121</u>	<u>36,318,508</u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Capital Structure  
November 30, 2017  
(Unaudited)

	Actual October 2017	Activity	Actual November 2017
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	424,737,400	(21,286)	424,716,114
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	1,204,736	(26,216)	1,178,520
Total Long-term debt	450,942,136	(47,502)	450,894,634
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	-	15,000,000	15,000,000
Unappropriated Retained Earnings Balance	260,741,369	-	260,741,369
Unappropriated Retained Earnings - Current Year Net Income	28,890,647	5,251,674	34,142,321
Total Common Stock Equity	465,906,146	20,251,674	486,157,820
TOTAL CAPITALIZATION	916,848,282	20,204,172	937,052,454

**NOTE:**

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