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**VIA OVERNIGHT DELIVERY**

March 16, 2018

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

Enclosed please find Duke Energy Kentucky's financial statements for the end of January, 2018, 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.

Very Truly Yours,



Rocco O. D'Ascenzo

Enclosures

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**PUBLIC SERVICE  
COMMISSION**

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Balance Sheet - Page 1  
As of January 31, 2018  
(Unaudited)

	<u>Total Company</u>
<b><u>Assets</u></b>	
Utility Plant in Service	2,201,565,256
Construction Work in Progress	114,442,459
Less: Accumulated Depreciation	<u>(1,034,493,639)</u>
Net Utility Plant	<u>1,281,514,076</u>
Nonutility Property	279,168
Other Investments	1,500
Other Special Funds	1,256,346
Long Term Portion of Derivative Instrument Assets	<u>318,333</u>
Total Other Property & Investments	<u>1,855,347</u>
Cash	8,266,823
Working Funds	-
Temporary Cash Investments	-
Customer Accounts Receivable	5,364,086
Other Accounts Receivable	1,265,227
Less: Provision for Uncollectibles	(237,727)
Notes Receivable from Assoc. Co.	24,006,705
Accounts Receivable from Assoc. Co.	5,093,421
Fuel Stock	18,681,568
Gas Stored Underground Inventory	2,046,089
Plant Materials & Operating Supplies	17,808,141
Other Materials & Supplies	-
Stores Expense Undistributed	810,354
Prepayments	1,097,845
Emission Allowances	30,407
Derivative Instrument Assets	1,125,387
Interest & Dividends Receivable	-
Misc Current and Accrued Assets	2,507,390
Rents Receivable	-
Total Current & Accrued Assets	<u>87,865,716</u>
Unamortized Debt Expense	2,057,169
Other Regulatory Assets	128,534,937
Preliminary Survey & Investigation	292,703
Clearing Accounts	2,305
Temporary Facilities	(8,311)
Miscellaneous Deferred Debits	2,419,986
Unamortized Loss on Reacquired Debt	1,166,226
Accumulated Deferred Income Taxes	58,361,447
Unrecovered Purchased Gas Costs	<u>1,372,582</u>
Total Deferred Debits	<u>194,199,044</u>
TOTAL ASSETS AND OTHER DEBITS	<u>1,565,434,183</u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements

Balance Sheet - Page 2

As of January 31, 2018

(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	327,355,616
Accumulated Other Comprehensive Income	-
Total Proprietary Capital	<u>518,629,746</u>
<u>Liabilities</u>	
Bonds	426,720,000
Advances from Associated Companies	25,000,000
Less: Unamortized Discount on Long-Term Debt	(284,247)
Total Long-Term Debt	<u>451,435,753</u>
Obligations Under Capital Leases - Noncurrent	552,401
Asset Retirement Obligation	54,214,671
Long-Term Portion of Derivative Instrument Liabilities	4,647,739
Accum. Misc. Operating Provisions	18,704,326
Total Other Noncurrent Liabilities	<u>78,119,137</u>
Accounts Payable	47,494,925
Notes Payable to Assoc. Co.	9,367,000
Accounts Payable to Assoc. Co.	11,626,712
Customer Deposits	9,918,934
Taxes Accrued	16,740,279
Interest Accrued	4,867,382
Tax Collections Payable	2,170,830
Misc. Current & Accrued Liabilities	7,750,909
Obligations Under Capital Leases - Current	854,207
Derivative Instrument Liabilities	5,367,483
Less: Long-Term Portion of Derivative Instrument Liabilities	(4,647,739)
Total Current & Accrued Liabilities	<u>111,510,922</u>
Customer Advances for Construction	1,583,742
Accum. Deferred Investment Tax Credits	3,836,961
Other Deferred Credits	16,121,477
Other Regulatory Liabilities	139,387,950
Accumulated Deferred Income Taxes	244,808,495
Total Deferred Credits	<u>405,738,625</u>
 TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	 <u><u>1,565,434,183</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Income Statement  
For the 12 Months Ended January 31, 2018  
(Unaudited)

	<u>Electric</u>	<u>Gas</u>	<u>Total Company</u>
<u>Revenues</u>			
Residential Sales	123,941,287	63,066,054	187,007,341
Commercial Sales	107,540,450	22,099,931	129,640,381
Industrial Sales	50,426,071	1,607,209	52,033,280
Sales to Public Authorities	19,868,419	2,250,739	22,119,158
Public Street & Highway Lighting	1,559,386	967	1,560,353
Inter-Departmental Sales	76,008	27,812	103,820
Misc. Service Revenues	(771,303)	591,709	(179,594)
Revenues from Transportation	(5)	6,390,251	6,390,246
Sales for Resale	27,340,577	-	27,340,577
Rents from Property	1,178,031	(6)	1,178,025
Other Revenues	15,803,150	(587,374)	15,215,776
Total Revenues	<u>346,962,071</u>	<u>95,447,292</u>	<u>442,409,363</u>
<u>Operating Expenses</u>			
Operation Expense	216,202,326	59,832,404	276,034,730
Maintenance Expense	33,286,093	2,145,726	35,431,819
Depreciation Expense	30,458,096	11,516,641	41,974,737
Amortization and Depletion	2,451,644	1,479,727	3,931,371
Taxes Other than Income Taxes	10,879,261	3,365,801	14,245,062
Income Taxes - Federal & Other	(7,113,413)	(8,552,948)	(15,666,361)
Provision for Deferred Income Taxes - Net	23,261,562	12,649,862	35,911,424
Investment Tax Credit Adjustment	-	-	-
Total Operating Expenses	<u>309,425,569</u>	<u>82,437,213</u>	<u>391,862,782</u>
NET OPERATING INCOME	<u>37,536,502</u>	<u>13,010,079</u>	<u>50,546,581</u>
<u>Other Income &amp; Deductions</u>			
Revenues from Merchandising, Jobbing and Contract Work	1,165,636	808	1,166,444
Less: Expense of Merchandising, Jobbing and Contract Work	(423,038)	(1,418)	(424,456)
Revenues from Nonutility Operations	(120,865)	75,368	(45,497)
Interest & Dividend Income	957,280	333,453	1,290,733
AFUDC	2,889,376	653,508	3,542,884
Gain on Disposition of Property	17,045	-	17,045
Loss on Disposition of Property	(115,629)	-	(115,629)
Misc. Income Deductions	(3,287,240)	(770,981)	(4,058,221)
Taxes Other than Income Taxes	(88,748)	(28,551)	(117,299)
Income Taxes - Federal & Other	(2,215,665)	86,691	(2,128,974)
Provision for Deferred Income Taxes - Net	23,614,397	(79,251)	23,535,146
Total Other Income & Deductions	<u>22,392,549</u>	<u>269,627</u>	<u>22,662,176</u>
<u>Interest Charges</u>			
Interest on Long Term Debt	(10,842,801)	(4,123,044)	(14,965,845)
Amortization of Debt Disc. And Expense	(251,590)	(52,239)	(303,829)
Amortization of Loss on Reacquired Debt	(187,162)	(79,312)	(266,474)
Interest on Debt to Assoc. Co.	(327,361)	(138,734)	(466,095)
Other Interest Expense	(1,336,885)	(52,875)	(1,389,760)
Less: Allowance for Borrowed Fund Used During Construction - Credit	1,148,926	224,947	1,373,873
Net interest Charges	<u>(11,796,873)</u>	<u>(4,221,257)</u>	<u>(16,018,130)</u>
Extraordinary Items after Taxes	-	-	-
NET INCOME	<u>48,132,178</u>	<u>9,058,449</u>	<u>57,190,627</u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Capital Structure  
January 31, 2018  
(Unaudited)

	Actual December 2017	Activity	Actual January 2018
<b>Liabilities and Shareholders' Equity</b>			
<b>Non-Current Liabilities</b>			
* Long-term debt	424,715,099	18,322	424,733,421
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	580,230	(27,829)	552,401
Total Long-term debt	<u>450,295,329</u>	<u>(9,507)</u>	<u>450,285,822</u>
<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	15,000,000	-	15,000,000
Unappropriated Retained Earnings Balance	260,741,369	59,398,930	320,140,299
Unappropriated Retained Earnings - Current Year Net Income	59,398,930	(52,183,613)	7,215,317
Total Common Stock Equity	<u>511,414,429</u>	<u>7,215,317</u>	<u>518,629,746</u>
<b>TOTAL CAPITALIZATION</b>	<b>961,709,758</b>	<b>7,205,810</b>	<b>968,915,568</b>

**NOTE:**

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