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VIA OVERNIGHT DELIVERY

November 20, 2018

Ms. Gwen R. Pinson
Executive Director
Kentucky Public Service Commission
211 Sower Blvd
Frankfort, KY 40601

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NOV 21 2018

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 September 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 Tiffany Etheredge at 980-373-2369.

Very truly yours,

Rocco O. D'Ascenzo

Enclosures

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Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
 Balance Sheet - Page 1
 As of September 30, 2018
 (Unaudited)

PUBLIC SERVICE
COMMISSION

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
Assets				
Utility Plant in Service	1,779,962,797	555,438,467	13,259,875	2,348,661,139
Construction Work in Progress	88,033,025	15,933,004	-	103,966,029
Less: Accumulated Depreciation	(812,733,591)	(172,671,982)	(7,742,432)	(993,148,005)
Net Utility Plant	1,055,262,231	398,699,489	5,517,443	1,459,479,163
Nonutility Property	-	-	847,161	847,161
Other Investments	-	-	1,500	1,500
Other Special Funds	-	-	9,115,105	9,115,105
Long Term Portion of Derivative Instrument Assets	-	-	368,524	368,524
Total Other Property & Investments	-	-	10,332,290	10,332,290
Cash	2,293,940	941,806	(171,767)	3,063,979
Working Funds	-	-	-	-
Temporary Cash Investments	-	-	-	-
Customer Accounts Receivable	4,972,511	1,313,281	-	6,285,792
Other Accounts Receivable	5,190,028	2,130,831	(388,621)	6,932,238
Less: Provision for Uncollectibles	(172,984)	(45,686)	-	(218,670)
Notes Receivable from Assoc. Co.	10,767,659	4,420,797	(806,266)	14,382,190
Accounts Receivable from Assoc. Co.	186,620	76,619	(13,974)	249,265
Fuel Stock	15,313,510	955,591	1,774,670	18,043,771
Gas Stored Underground Inventory	-	3,499,203	-	3,499,203
Plant Materials & Operating Supplies	17,483,129	284,997	-	17,768,126
Other Materials & Supplies	-	-	-	-
Stores Expense Undistributed	1,389,768	22,655	-	1,412,423
Prepayments	521,364	246,817	-	768,181
Emission Allowances	25,596	-	-	25,596
Derivative Instrument Assets	8,083,175	-	-	8,083,175
Interest & Dividends Receivable	-	-	-	-
Misc Current and Accrued Assets	6,943,761	-	-	6,943,761
Rents Receivable	-	-	-	-
Total Current & Accrued Assets	72,998,077	13,846,911	394,042	87,239,030
Unamortized Debt Expense	1,513,618	621,435	(113,338)	2,021,715
Other Regulatory Assets	117,440,937	15,266,169	-	132,707,106
Preliminary Survey & Investigation	78,751	32,332	(5,897)	105,186
Clearing Accounts	24,281	6,560	-	30,841
Temporary Facilities	-	-	-	-
Miscellaneous Deferred Debits	2,630,462	1,079,969	(196,965)	3,513,466
Unamortized Loss on Reacquired Debt	740,127	303,869	(55,420)	988,576
Accumulated Deferred Income Taxes	49,831,263	15,968,480	-	65,799,743
Unrecovered Purchased Gas Costs	-	465,060	-	465,060
Total Deferred Debits	172,259,439	33,743,874	(371,620)	205,631,693
TOTAL ASSETS AND OTHER DEBITS	1,300,519,747	446,290,274	15,872,155	1,762,682,176

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of September 30, 2018
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<u>Proprietary Capital</u>				
Common Stock Issued	6,573,407	2,698,795	(492,207)	8,779,995
Premium on Capital Stock	14,104,342	5,790,715	(1,056,111)	18,838,946
Other Paid-in Capital Stock	148,729,167	61,062,632	(11,136,610)	198,655,189
Retained Earnings	283,091,059	48,738,624	30,192,229	362,021,912
Accumulated Other Comprehensive Income	-	-	-	-
Total Proprietary Capital	<u>452,497,975</u>	<u>118,290,766</u>	<u>17,507,301</u>	<u>588,296,042</u>
<u>Liabilities</u>				
Bonds	319,476,729	131,165,194	(23,921,923)	426,720,000
Advances from Associated Companies	18,717,000	7,684,500	(1,401,500)	25,000,000
Less: Unamortized Discount on Long-Term Debt	(188,069)	(77,214)	14,082	(251,201)
Total Long-Term Debt	<u>338,005,660</u>	<u>138,772,480</u>	<u>(25,309,341)</u>	<u>451,468,799</u>
Obligations Under Capital Leases - Noncurrent	172,099	70,656	-	242,755
Asset Retirement Obligation	60,887,465	7,673,229	-	68,560,694
Long-Term Portion of Derivative Instrument Liabilities	2,481,089	670,380	-	3,151,469
Accum. Misc. Operating Provisions	23,571,281	6,368,869	-	29,940,150
Total Other Noncurrent Liabilities	<u>87,111,934</u>	<u>14,783,134</u>	<u>-</u>	<u>101,895,068</u>
Accounts Payable	31,462,785	12,917,443	(2,355,884)	42,024,344
Notes Payable to Assoc. Co.	76,632,638	31,462,495	(5,738,132)	102,357,001
Accounts Payable to Assoc. Co.	9,891,085	4,060,909	(740,629)	13,211,365
Customer Deposits	5,922,527	3,983,021	-	9,905,548
Taxes Accrued	625,028	147,947	627,173	1,400,148
Interest Accrued	2,826,618	1,160,504	(211,653)	3,775,469
Tax Collections Payable	1,255,972	388,782	6,029	1,650,783
Misc. Current & Accrued Liabilities	10,361,994	2,799,770	-	13,161,764
Obligations Under Capital Leases - Current	296,211	121,612	-	417,823
Derivative Instrument Liabilities	2,902,099	784,136	-	3,686,235
Less: Long-Term Portion of Derivative Instrument Liabilities	(2,481,089)	(670,380)	-	(3,151,469)
Total Current & Accrued Liabilities	<u>139,695,868</u>	<u>57,156,239</u>	<u>(8,413,096)</u>	<u>188,439,011</u>
Customer Advances for Construction	-	1,579,329	-	1,579,329
Accum. Deferred Investment Tax Credits	181,945	520,408	2,839,402	3,541,755
Other Deferred Credits	12,370,198	3,936,417	-	16,306,615
Other Regulatory Liabilities	98,107,892	45,926,274	-	144,034,166
Accumulated Deferred Income Taxes	172,548,275	65,325,227	29,247,889	267,121,391
Total Deferred Credits	<u>283,208,310</u>	<u>117,287,655</u>	<u>32,087,291</u>	<u>432,583,256</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u><u>1,300,519,747</u></u>	<u><u>446,290,274</u></u>	<u><u>15,872,155</u></u>	<u><u>1,762,682,176</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Income Statement
For the 12 Months Ended September 30, 2018
(Unaudited)

	Electric	Gas	Non- Jurisdictional	Total Company
<u>Revenues</u>				
Residential Sales	138,743,501	66,689,091		205,432,592
Commercial Sales	118,513,975	23,868,165		142,382,140
Industrial Sales	55,647,508	1,383,748		57,031,256
Sales to Public Authorities	21,807,559	2,378,186		24,185,745
Public Street & Highway Lighting	1,580,166	959		1,581,125
Inter-Departmental Sales	80,950	34,025		114,975
Misc. Service Revenues	597,554	36,023	488,192	1,121,769
Revenues from Transportation	-	6,480,741		6,480,741
Sales for Resale	12,410,096	-		12,410,096
Rents from Property	1,084,914	-		1,084,914
Other Revenues	22,044,210	(2,976,068)		19,068,142
Total Revenues	<u>372,510,433</u>	<u>97,894,870</u>	<u>488,192</u>	<u>470,893,495</u>
<u>Operating Expenses</u>				
Operation Expense	204,326,082	60,256,938	700,590	265,283,610
Maintenance Expense	43,037,561	2,702,894	27,430	45,767,885
Depreciation Expense	45,787,232	10,924,873	-	56,712,105
Amortization and Depletion	2,668,003	2,022,770	-	4,690,773
Taxes Other than Income Taxes	11,198,704	3,466,518	53,762	14,718,984
Income Taxes - Federal & Other	(13,702,033)	2,220,210	82,239	(11,399,584)
Provision for Deferred Income Taxes - Net	25,387,885	(269,868)	1,656,325	26,774,342
Investment Tax Credit Adjustment	-	46,510	(46,510)	-
Total Operating Expenses	<u>318,703,434</u>	<u>81,370,845</u>	<u>2,473,836</u>	<u>402,548,115</u>
NET OPERATING INCOME	<u>53,806,999</u>	<u>16,524,025</u>	<u>(1,985,644)</u>	<u>68,345,380</u>
<u>Other Income & Deductions</u>				
Revenues from Merchandising, Jobbing and Contract Work	-	-	993,472	993,472
Less: Expense of Merchandising, Jobbing and Contract Work	-	-	(143,308)	(143,308)
Revenues from Nonutility Operations	-	-	480,170	480,170
Interest & Dividend Income	-	-	1,582,725	1,582,725
AFUDC	3,154,297	622,148		3,776,445
Gain on Disposition of Property	-	-		-
Loss on Disposition of Property	-	-	(179,822)	(179,822)
Misc. Income Deductions	-	-	(3,130,596)	(3,130,596)
Taxes Other than Income Taxes	-	-	(116,082)	(116,082)
Income Taxes - Federal & Other	-	-	(1,151,728)	(1,151,728)
Provision for Deferred Income Taxes - Net	-	-	22,438,563	22,438,563
Total Other Income & Deductions	<u>3,154,297</u>	<u>622,148</u>	<u>20,773,394</u>	<u>24,549,839</u>
<u>Interest Charges</u>				
Interest on Long Term Debt	(13,058,672)	(5,361,402)	977,814	(17,442,260)
Amortization of Debt Disc. And Expense	(239,276)	(98,237)	17,917	(319,596)
Amortization of Loss on Reacquired Debt	(199,504)	(81,909)	14,939	(266,474)
Interest on Debt to Assoc. Co.	(992,037)	(407,294)	74,282	(1,325,049)
Other Interest Expense	(1,020,664)	(419,046)	76,426	(1,363,284)
Less: Allowance for Borrowed Fund Used During Construction - Credit	1,719,707	286,232	-	2,005,939
Net interest Charges	<u>(13,790,446)</u>	<u>(6,081,656)</u>	<u>1,161,378</u>	<u>(18,710,724)</u>
Extraordinary Items after Taxes	-	-	-	-
NET INCOME	<u>43,170,850</u>	<u>11,064,517</u>	<u>19,949,128</u>	<u>74,184,495</u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Capital Structure
September 30, 2018
(Unaudited)

	Actual Aug-18	Activity	Actual Sep-18
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	\$ 424,815,187	18,176	424,833,363
Advances from Associated Companies	\$ 25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	\$ 262,319	(19,564)	242,755
Total Long-term debt	\$ 450,077,506	(1,388)	450,076,118
	-		
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	\$ 50,000,000	-	50,000,000
Unappropriated Retained Earnings Balance	\$ 320,140,299	-	320,140,299
Unappropriated Retained Earnings - Current Year Net Income	\$ 35,613,786	6,267,827	41,881,613
Total Common Stock Equity	\$ 582,028,215	6,267,827	588,296,042
	-		
TOTAL CAPITALIZATION	1,032,105,721	6,266,441	1,038,372,162

NOTE:

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