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**VIA OVERNIGHT DELIVERY**

RECEIVED

December 17, 2018

DEC 18 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 October, 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

Duke Energy Kentucky, Inc.

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

	<u>Total Company</u>
<u>Assets</u>	
Utility Plant in Service	2,357,988,177
Construction Work in Progress	116,293,276
Less: Accumulated Depreciation	<u>(991,807,262)</u>
Net Utility Plant	<u>1,482,474,191</u>
Nonutility Property	876,458
Other Investments	1,500
Other Special Funds	8,220,748
Long Term Portion of Derivative Instrument Assets	<u>368,524</u>
Total Other Property & Investments	<u>9,467,230</u>
Cash	7,338,834
Working Funds	-
Temporary Cash Investments	-
Customer Accounts Receivable	3,551,071
Other Accounts Receivable	6,793,317
Less: Provision for Uncollectibles	(223,752)
Notes Receivable from Assoc. Co.	10,285,719
Accounts Receivable from Assoc. Co.	338,571
Fuel Stock	18,600,314
Gas Stored Underground Inventory	3,156,706
Plant Materials & Operating Supplies	17,415,039
Other Materials & Supplies	-
Stores Expense Undistributed	1,499,025
Prepayments	649,778
Emission Allowances	24,445
Derivative Instrument Assets	8,083,175
Interest & Dividends Receivable	-
Misc Current and Accrued Assets	4,898,458
Accrued Utility Revenue	-
Rents Receivable	-
Total Current & Accrued Assets	<u>82,410,700</u>
Unamortized Debt Expense	2,002,274
Other Regulatory Assets	132,095,969
Preliminary Survey & Investigation	100,925
Clearing Accounts	35,882
Temporary Facilities	1,656
Miscellaneous Deferred Debits	3,113,986
Unamortized Loss on Reacquired Debt	966,371
Accumulated Deferred Income Taxes	65,641,591
Unrecovered Purchased Gas Costs	<u>1,169,485</u>
Total Deferred Debits	<u>205,128,139</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>1,779,480,260</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements

Balance Sheet - Page 2

As of October 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	198,655,189
Retained Earnings	364,367,683
Accumulated Other Comprehensive Income	-
Total Proprietary Capital	<u>590,641,813</u>
<u>Liabilities</u>	
Bonds	491,720,000
Advances from Associated Companies	25,000,000
Less: Unamortized Discount on Long-Term Debt	(247,070)
Total Long-Term Debt	<u>516,472,930</u>
Obligations Under Capital Leases - Noncurrent	223,789
Asset Retirement Obligation	68,705,201
Long-Term Portion of Derivative Instrument Liabilities	3,151,469
Accum. Misc. Operating Provisions	27,129,277
Total Other Noncurrent Liabilities	<u>99,209,736</u>
Accounts Payable	40,330,729
Notes Payable to Assoc. Co.	52,957,000
Accounts Payable to Assoc. Co.	16,049,896
Customer Deposits	9,860,149
Taxes Accrued	(5,871,408)
Interest Accrued	2,895,240
Tax Collections Payable	1,569,068
Misc. Current & Accrued Liabilities	12,840,646
Obligations Under Capital Leases - Current	410,287
Derivative Instrument Liabilities	3,686,235
Less: Long-Term Portion of Derivative Instrument Liabilities	(3,151,469)
Total Current & Accrued Liabilities	<u>131,576,373</u>
Customer Advances for Construction	1,574,916
Accum. Deferred Investment Tax Credits	3,535,208
Other Deferred Credits	16,221,151
Other Regulatory Liabilities	144,182,414
Accumulated Deferred Income Taxes	276,065,719
Total Deferred Credits	<u>441,579,408</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	 <u><u>1,779,480,260</u></u>

Duke Energy Kentucky, Inc.

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

	Electric	Gas	Total Company
<u>Revenues</u>			
Residential Sales	140,676,042	67,067,824	207,743,866
Commercial Sales	120,891,255	24,051,789	144,943,044
Industrial Sales	56,927,869	1,594,621	58,522,490
Sales to Public Authorities	22,327,611	2,376,309	24,703,920
Public Street & Highway Lighting	1,558,640	960	1,559,600
Inter-Departmental Sales	81,320	33,965	115,285
Misc. Service Revenues	99,385	517,203	616,588
Revenues from Transportation	-	6,632,746	6,632,746
Sales for Resale	10,490,225	-	10,490,225
Rents from Property	1,054,574	4	1,054,578
Other Revenues	24,120,067	(2,623,555)	21,496,512
Total Revenues	<u>378,226,988</u>	<u>99,651,866</u>	<u>477,878,854</u>
<u>Operating Expenses</u>			
Operation Expense	206,704,276	61,209,566	267,913,842
Maintenance Expense	44,298,345	2,741,452	47,039,797
Depreciation Expense	46,400,750	10,959,434	57,360,184
Amortization and Depletion	4,637,155	2,136,443	6,773,598
Taxes Other than Income Taxes	11,223,179	3,530,116	14,753,295
Income Taxes - Federal & Other	(20,471,663)	2,911,489	(17,560,174)
Provision for Deferred Income Taxes - Net	31,186,473	975,986	32,162,459
Investment Tax Credit Adjustment	-	-	-
Total Operating Expenses	<u>323,978,515</u>	<u>84,464,486</u>	<u>408,443,001</u>
NET OPERATING INCOME	<u>54,248,473</u>	<u>15,187,380</u>	<u>69,435,853</u>
<u>Other Income &amp; Deductions</u>			
Revenues from Merchandising, Jobbing and Contract Work	944,796	500	945,296
Less: Expense of Merchandising, Jobbing and Contract Work	(127,362)	(1,600)	(128,962)
Revenues from Nonutility Operations	498,798	70,408	569,206
Interest & Dividend Income	1,182,200	405,005	1,587,205
AFUDC	2,885,967	606,242	3,492,209
Gain on Disposition of Property	-	-	-
Loss on Disposition of Property	(178,635)	(1,187)	(179,822)
Misc. Income Deductions	(2,282,837)	(771,279)	(3,054,116)
Taxes Other than Income Taxes	(82,728)	(29,165)	(111,893)
Income Taxes - Federal & Other	(1,123,073)	73,204	(1,049,869)
Provision for Deferred Income Taxes - Net	22,396,011	(81,239)	22,314,772
Total Other Income & Deductions	<u>24,113,137</u>	<u>270,889</u>	<u>24,384,026</u>
<u>Interest Charges</u>			
Interest on Long Term Debt	(12,818,980)	(4,860,784)	(17,679,764)
Amortization of Debt Disc. And Expense	(265,547)	(57,076)	(322,623)
Amortization of Loss on Reacquired Debt	(186,363)	(80,111)	(266,474)
Interest on Debt to Assoc. Co.	(1,006,982)	(433,872)	(1,440,854)
Other Interest Expense	(1,320,366)	(63,898)	(1,384,264)
Less: Allowance for Borrowed Fund Used During Construction - Credit	1,711,726	298,042	2,009,768
Net interest Charges	<u>(13,886,512)</u>	<u>(5,197,699)</u>	<u>(19,084,211)</u>
Extraordinary Items after Taxes	-	-	-
NET INCOME	<u>64,475,098</u>	<u>10,260,570</u>	<u>74,735,668</u>

Duke Energy Kentucky, Inc.

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

	Actual September 2018	Activity	Actual October 2018
<b>Liabilities and Shareholders' Equity</b>			
<b>Non-Current Liabilities</b>			
* Long-term debt	424,833,362	65,016,334	489,849,696
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	242,755	(18,966)	223,789
Total Long-term debt	<u>450,076,117</u>	<u>64,997,368</u>	<u>515,073,485</u>
	-		0
<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	50,000,000	-	50,000,000
Unappropriated Retained Earnings Balance	320,140,299	-	320,140,299
Unappropriated Retained Earnings - Current Year Net Income	41,881,615	2,345,769	44,227,384
Total Common Stock Equity	<u>588,296,044</u>	<u>2,345,769</u>	<u>590,641,813</u>
<b>TOTAL CAPITALIZATION</b>	<b>1,038,372,161</b>	<b>67,343,137</b>	<b>1,105,715,298</b>

**NOTE:**

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