COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE ADJUSTMENT
OF THE ELECTRIC RATES OF DUKE ENERGY KENTUCKY, INC.

CASE NO. 2019-00271

FILING REQUIREMENTS

VOLUME 1

Duke Energy Kentucky, Inc.
Case No. 2019-00271
Forecasted Test Period Filing Requirements
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1	6	807 KAR 5:001 Section 14(3)	If a limited liability company, the applicant shall identify in the application the state in which it is organized and the date on which it was organized, attest that it is in good standing in the state in which it is organized, and, if it is not a Kentucky limited liability company, state if it is authorized to transact business in Kentucky.	Amy B. Spiller
1	7	807 KAR 5:001 Section 14(4)	If the applicant is a limited partnership, a certified copy of its limited partnership agreement and all amendments, if any, shall be annexed to the application, or a written statement attesting that its partnership agreement and all amendments have been filed with the commission in a prior proceeding and referencing the case number of the prior proceeding.	Amy B. Spiller
1	8	807 KAR 5:001 Section 16 (1)(b)(1)	Reason adjustment is required.	Amy B. Spiller William Don Wathen, Jr.
1	9	807 KAR 5:001 Section 16 (1)(b)(2)	Certified copy of certificate of assumed name required by KRS 365.015 or statement that certificate not necessary.	Amy B. Spiller
1	10	807 KAR 5:001 Section 16 (1)(b)(3)	New or revised tariff sheets, if applicable in a format that complies with 807 KAR 5:011 with an effective date not less than thirty (30) days from the date the application is filed	Jeff L. Kern
1	11	807 KAR 5:001 Section 16 (1)(b)(4)	Proposed tariff changes shown by present and proposed tariffs in comparative form or by indicating additions in italics or by underscoring and striking over deletions in current tariff.	Jeff L. Kern
1	12	807 KAR 5:001 Section 16 (1)(b)(5)	A statement that notice has been given in compliance with Section 17 of this administrative regulation with a copy of the notice.	Amy B. Spiller
1	13	807 KAR 5:001 Section 16(2)	If gross annual revenues exceed $5,000,000, written notice of intent filed at least 30 days, but not more than 60 days prior to application. Notice shall state whether application will be supported by historical or fully forecasted test period.	Amy B. Spiller
1	14	807 KAR 5:001 Section 16(3)	Notice given pursuant to Section 17 of this administrative regulation shall satisfy the requirements of 807 KAR 5:051, Section 2.	Amy B. Spiller
1	15	807 KAR 5:001 Section 16(6)(a)	The financial data for the forecasted period shall be presented in the form of pro forma adjustments to the base period.	Christopher M. Jacobi
1	16	807 KAR 5:001 Section 16(6)(b)	Forecasted adjustments shall be limited to the twelve (12) months immediately following the suspension period.	Sarah E. Lawler Melissa B. Abernathy Christopher M. Jacobi
1	17	807 KAR 5:001 Section 16(6)(c)	Capitalization and net investment rate base shall be based on a thirteen (13) month average for the forecasted period.	Sarah E. Lawler
1	18	807 KAR 5:001 Section 16(6)(d)	After an application based on a forecasted test period is filed, there shall be no revisions to the forecast, except for the correction of mathematical errors, unless the revisions reflect statutory or regulatory enactments that could not, with reasonable diligence, have been included in the forecast on the date it was filed. There shall be no revisions filed within thirty (30) days of a scheduled hearing on the rate application.	Christopher M. Jacobi

1	19	807 KAR 5:001 Section 16(6)(e)	The commission may require the utility to prepare an alternative forecast based on a reasonable number of changes in the variables, assumptions, and other factors used as the basis for the utility's forecast.	Christopher M. Jacobi
1	20	807 KAR 5:001 Section 16(6)(f)	The utility shall provide a reconciliation of the rate base and capital used to determine its revenue requirements.	Sarah E. Lawler
1	21	807 KAR 5:001 Section 16(7)(a)	Prepared testimony of each witness supporting its application including testimony from chief officer in charge of Kentucky operations on the existing programs to achieve improvements in efficiency and productivity, including an explanation of the purpose of the program.	All Witnesses
1	22	807 KAR 5:001 Section 16(7)(b)	Most recent capital construction budget containing at minimum 3 year forecast of construction expenditures.	Christopher M. Jacobi James Michael Mosley Ash M. Norton
1	23	807 KAR 5:001 Section 16(7)(c)	Complete description, which may be in prefiled testimony form, of all factors used to prepare forecast period. All econometric models, variables, assumptions, escalation factors, contingency provisions, and changes in activity levels shall be quantified, explained, and properly supported.	Christopher M. Jacobi
1	24	807 KAR 5:001 Section 16(7)(d)	Annual and monthly budget for the 12 months preceding filing date, base period and forecasted period.	Christopher M. Jacobi
1	25	807 KAR 5:001 Section 16(7)(e)	Attestation signed by utility's chief officer in charge of Kentucky operations providing: 1. That forecast is reasonable, reliable, made in good faith and that all basic assumptions used have been identified and justified; and 2. That forecast contains same assumptions and methodologies used in forecast prepared for use by management, or an identification and explanation for any differences; and 3. That productivity and efficiency gains are included in the forecast.	Amy B. Spiller
1	26	807 KAR 5:001 Section 16(7)(f)	For each major construction project constituting 5% or more of annual construction budget within 3 year forecast, following information shall be filed: 1. Date project began or estimated starting date; 2. Estimated completion date; 3. Total estimated cost of construction by year exclusive and inclusive of Allowance for Funds Used During construction ("AFUDC") or Interest During construction Credit; and 4. Most recent available total costs incurred exclusive and inclusive of AFUDC or Interest During Construction Credit.	Christopher M. Jacobi James Michael Mosley Ash M. Norton
1	27	807 KAR 5:001 Section 16(7)(g)	For all construction projects constituting less than 5% of annual construction budget within 3 year forecast, file aggregate of information requested in paragraph (f) 3 and 4 of this subsection.	Christopher M. Jacobi James Michael Mosley Ash M. Norton

1	28	807 KAR 5:001 Section 16(7)(h)	Financial forecast for each of 3 forecasted years included in capital construction budget supported by underlying assumptions made in projecting results of operations and including the following information: 1. Operating income statement (exclusive of dividends per share or earnings per share); 2. Balance sheet; 3. Statement of cash flows; 4. Revenue requirements necessary to support the forecasted rate of return; 5. Load forecast including energy and demand (electric); 6. Access line forecast (telephone); 7. Mix of generation (electric); 8. Mix of gas supply (gas); 9. Employee level; 10.Labor cost changes; 11.Capital structure requirements; 12.Rate base; 13.Gallons of water projected to be sold (water); 14.Customer forecast (gas, water); 15.MCF sales forecasts (gas); 16.Toll and access forecast of number of calls and number of minutes (telephone); and 17.A detailed explanation of any other information provided.	Christopher M. Jacobi John A. Verderame Benjamin W. B. Passty
1	29	807 KAR 5:001 Section 16(7)(i)	Most recent FERC or FCC audit reports.	Danielle L. Weatherston
1	30	807 KAR 5:001 Section 16(7)(j)	Prospectuses of most recent stock or bond offerings.	Christopher M. Jacobi
1	31	807 KAR 5:001 Section 16(7)(k)	Most recent FERC Form 1 (electric), FERC Form 2 (gas), or PSC Form T (telephone).	Danielle L. Weatherston
2	32	807 KAR 5:001 Section 16(7)(l)	Annual report to shareholders or members and statistical supplements for the most recent 2 years prior to application filing date.	Christopher M. Jacobi
3	33	807 KAR 5:001 Section 16(7)(m)	Current chart of accounts if more detailed than Uniform System of Accounts charts.	Danielle L. Weatherston
3	34	807 KAR 5:001 Section 16(7)(n)	Latest 12 months of the monthly managerial reports providing financial results of operations in comparison to forecast.	Danielle L. Weatherston
3	35	807 KAR 5:001 Section 16(7)(o)	Complete monthly budget variance reports, with narrative explanations, for the 12 months prior to base period, each month of base period, and subsequent months, as available.	Danielle L. Weatherston Christopher M. Jacobi
3-9	36	807 KAR 5:001 Section 16(7)(p)	SEC's annual report for most recent 2 years, Form 10-Ks and any Form 8-Ks issued during prior 2 years and any Form 10-Qs issued during past 6 quarters.	Danielle L. Weatherston
9	37	807 KAR 5:001 Section 16(7)(q)	Independent auditor's annual opinion report, with any written communication which indicates the existence of a material weakness in internal controls.	Danielle L. Weatherston
9	38	807 KAR 5:001 Section 16(7)(r)	Quarterly reports to the stockholders for the most recent 5 quarters.	Christopher M. Jacobi

10	39	807 KAR 5:001 Section 16(7)(s)	Summary of latest depreciation study with schedules itemized by major plant accounts, except that telecommunications utilities adopting PSC's average depreciation rates shall identify current and base period depreciation rates used by major plant accounts. If information has been filed in another PSC case, refer to that case's number and style.	John J. Spanos
10	40	807 KAR 5:001 Section 16(7)(t)	List all commercial or in-house computer software, programs, and models used to develop schedules and work papers associated with application. Include each software, program, or model; its use; identify the supplier of each; briefly describe software, program, or model; specifications for computer hardware and operating system required to run program	Sarah E. Lawler
10	41	807 KAR 5:001 Section 16(7)(u)	If utility had any amounts charged or allocated to it by affiliate or general or home office or paid any monies to affiliate or general or home office during the base period or during previous 3 calendar years, file: 1. Detailed description of method of calculation and amounts allocated or charged to utility by affiliate or general or home office for each allocation or payment; 2. method and amounts allocated during base period and method and estimated amounts to be allocated during forecasted test period; 3. Explain how allocator for both base and forecasted test period was determined; and 4. All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during base period is reasonable.	Jeffrey R. Setser
10	42	807 KAR 5:001 Section 16(7)(v)	If gas, electric or water utility with annual gross revenues greater than $5,000,000, cost of service study based on methodology generally accepted in industry and based on current and reliable data from single time period.	James E. Ziolkowski
10	43	807 KAR 5:001 Section 16(7)(w)	Local exchange carriers with fewer than 50,000 access lines need not file cost of service studies, except as specifically directed by PSC. Local exchange carriers with more than 50,000 access lines shall file: 1. Jurisdictional separations study consistent with Part 36 of the FCC's rules and regulations; and 2. Service specific cost studies supporting pricing of services generating annual revenue greater than $1,000,000 except local exchange access: a. Based on current and reliable data from single time period; and b. Using generally recognized fully allocated, embedded, or incremental cost principles.	N/A
10	44	807 KAR 5:001 Section 16(8)(a)	Jurisdictional financial summary for both base and forecasted periods detailing how utility derived amount of requested revenue increase.	Sarah E. Lawler

10	45	807 KAR 5:001 Section 16(8)(b)	Jurisdictional rate base summary for both base and forecasted periods with supporting schedules which include detailed analyses of each component of the rate base.	Sarah E. Lawler Melissa B. Abernathy Christopher M. Jacobi John R. Panizza James E. Ziolkowski Danielle L. Weatherston
10	46	807 KAR 5:001 Section 16(8)(c)	Jurisdictional operating income summary for both base and forecasted periods with supporting schedules which provide breakdowns by major account group and by individual account.	Sarah E. Lawler
10	47	807 KAR 5:001 Section 16(8)(d)	Summary of jurisdictional adjustments to operating income by major account with supporting schedules for individual adjustments and jurisdictional factors.	Sarah E. Lawler Melissa B. Abernathy Christopher M. Jacobi James E. Ziolkowski
10	48	807 KAR 5:001 Section 16(8)(e)	Jurisdictional federal and state income tax summary for both base and forecasted periods with all supporting schedules of the various components of jurisdictional income taxes.	John R. Panizza
10	49	807 KAR 5:001 Section 16(8)(f)	Summary schedules for both base and forecasted periods (utility may also provide summary segregating items it proposes to recover in rates) of organization membership dues; initiation fees; expenditures for country club; charitable contributions; marketing, sales, and advertising; professional services; civic and political activities; employee parties and outings; employee gifts; and rate cases.	Sarah E. Lawler
10	50	807 KAR 5:001 Section 16(8)(g)	Analyses of payroll costs including schedules for wages and salaries, employee benefits, payroll taxes, straight time and overtime hours, and executive compensation by title.	Sarah E. Lawler Renee H. Metzler
10	51	807 KAR 5:001 Section 16(8)(h)	Computation of gross revenue conversion factor for forecasted period.	Sarah E. Lawler
10	52	807 KAR 5:001 Section 16(8)(i)	Comparative income statements (exclusive of dividends per share or earnings per share), revenue statistics and sales statistics for 5 calendar years prior to application filing date, base period, forecasted period, and 2 calendar years beyond forecast period.	Danielle L. Weatherston Christopher M. Jacobi
10	53	807 KAR 5:001 Section 16(8)(j)	Cost of capital summary for both base and forecasted periods with supporting schedules providing details on each component of the capital structure.	Christopher M. Jacobi
10	54	807 KAR 5:001 Section 16(8)(k)	Comparative financial data and earnings measures for the 10 most recent calendar years, base period, and forecast period.	Melissa B. Abernathy Christopher M. Jacobi Danielle L. Weatherston
10	55	807 KAR 5:001 Section 16(8)(l)	Narrative description and explanation of all proposed tariff changes.	Jeff L. Kern
10	56	807 KAR 5:001 Section 16(8)(m)	Revenue summary for both base and forecasted periods with supporting schedules which provide detailed billing analyses for all customer classes.	Jeff L. Kern
10	57	807 KAR 5:001 Section 16(8)(n)	Typical bill comparison under present and proposed rates for all customer classes.	Jeff L. Kern
10	58	807 KAR 5:001 Section 16(9)	The commission shall notify the applicant of any deficiencies in the application within thirty (30) days of the application's submission. An application shall not be accepted for filing until the utility has cured all noted deficiencies.	William Don Wathen, Jr.

10	59	807 KAR 5:001 Section 16(10)	Request for waivers from the requirements of this section shall include the specific reasons for the request. The commission shall grant the request upon good cause shown by the utility.	Legal
10	60	807 KAR 5:001 Section (17)(1)	(1) Public postings. (a) A utility shall post at its place of business a copy of the notice no later than the date the application is submitted to the commission. (b) A utility that maintains a Web site shall, within five (5) business days of the date the application is submitted to the commission, post on its Web sites: 1. A copy of the public notice; and 2. A hyperlink to the location on the commission's Web site where the case documents are available. (c) The information required in paragraphs (a) and (b) of this subsection shall not be removed until the commission issues a final decision on the application.	Amy B. Spiller
10	61	807 KAR 5:001 Section 17(2)	(2) Customer Notice. (a) If a utility has twenty (20) or fewer customers, the utility shall mail a written notice to each customer no later than the date on which the application is submitted to the commission. (b) If a utility has more than twenty (20) customers, it shall provide notice by: 1. Including notice with customer bills mailed no later than the date the application is submitted to the commission; 2. Mailing a written notice to each customer no later than the date the application is submitted to the commission; 3. Publishing notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in the utility's service area, the first publication to be made no later than the date the application is submitted to the commission; or 4. Publishing notice in a trade publication or newsletter delivered to all customers no later than the date the application is submitted to the commission. (c) A utility that provides service in more than one (1) county may use a combination of the notice methods listed in paragraph (b) of this subsection.	Amy B. Spiller

10	62	807 KAR 5:001 Section 17(3)	(3) Proof of Notice. A utility shall file with the commission no later than forty-five (45) days from the date the application was initially submitted to the commission: (a) If notice is mailed to its customers, an affidavit from an authorized representative of the utility verifying the contents of the notice, that notice was mailed to all customers, and the date of the mailing; (b) If notice is published in a newspaper of general circulation in the utility's service area, an affidavit from the publisher verifying the contents of the notice, that the notice was published, and the dates of the notice's publication; or (c) If notice is published in a trade publication or newsletter delivered to all customers, an affidavit from an authorized representative of the utility verifying the contents of the notice, the mailing of the trade publication or newsletter, that notice was included in the publication or newsletter, and the date of mailing.	Amy B. Spiller

10	63	807 KAR 5:001 Section 17(4)	(4) Notice Content. Each notice issued in accordance with this section shall contain: (a) The proposed effective date and the date the proposed rates are expected to be filed with the commission; (b) The present rates and proposed rates for each customer classification to which the proposed rates will apply; (c) The amount of the change requested in both dollar amounts and percentage change for each customer classification to which the proposed rates will apply; (d) The amount of the average usage and the effect upon the average bill for each customer classification to which the proposed rates will apply, except for local exchange companies, which shall include the effect upon the average bill for each customer classification for the proposed rate change in basic local service; (e) A statement that a person may examine this application at the offices of (utility name) located at (utility address); (f) A statement that a person may examine this application at the commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the commission's Web site at http://psc.ky.gov; (g) A statement that comments regarding the application may be submitted to the Public Service Commission through its Web site or by mail to Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602; (h) A statement that the rates contained in this notice are the rates proposed by (utility name) but that the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice; (i) A statement that a person may submit a timely written request for intervention to the Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request including the status and interest of the party; and (j) A statement that if the commission does not receive a written request for intervention within thirty (30) days of initial publication or mailing of the notice, the commission may take final action on the application.	Jeff L. Kern
10	64	807 KAR 5:001 Section 17(5)	(5) Abbreviated form of notice. Upon written request, the commission may grant a utility permission to use an abbreviated form of published notice of the proposed rates, provided the notice includes a coupon that may be used to obtain all the required information.	N/A

11	-	807 KAR 5:001 Section 16(8)(a) through (k)	Schedule Book (Schedules A-K)	Various
12	-	807 KAR 5:001 Section 16(8)(l) through (n)	Schedule Book (Schedules L-N)	Jeff L. Kern
13	-	-	Work Papers	Various
14	-	807 KAR 5:001 Section 16(7)(a)	Testimony (Volume 1 of 4)	Various
15	-	807 KAR 5:001 Section 16(7)(a)	Testimony (Volume 2 of 4)	Various
16	-	807 KAR 5:001 Section 16(7)(a)	Testimony (Volume 3 of 4)	Various
17	-	807 KAR 5:001 Section 16(7)(a)	Testimony (Volume 4 of 4)	Various
18-19	-	KRS 278.2205(6)	Cost Allocation Manual	Legal

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR KRS 278.180

KRS 278.180

Description of Filing Requirement:

Provide thirty (30) days' notice of rate change to Kentucky Public Service Commission.

Response:

See attached.

Sponsoring Witness: Amy B. Spiller

Case No. 2019-00271

DUKE ENERGY.

Amy B. Spiller
President
Duke Energy Kentucky
139 E. Fourth Street – 1409M
Cincinnati, Ohio 45202
513.287.4359
amy.spiller@duke-energy.com

VIA OVERNIGHT MAIL

July 31, 2019

RECEIVED

AUG 01 2019

PUBLIC SERVICE COMMISSION

Ms. Gwen Pinson
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

Re: The Electronic Application of Duke Energy Kentucky, Inc., for: 1) An Adjustment of the Electric Rates; 2) Approval of New Tariffs; 3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 4) All Other Required Approvals and Relief.

Dear Ms. Pinson:

Duke Energy Kentucky, Inc. ("Duke Energy Kentucky" or the "Company") hereby gives notice to the Public Service Commission that it will file a general electric rate case in thirty (30) days or reasonably soon thereafter.[1] Duke Energy Kentucky will use a forward-looking test period for this case.

Duke Energy Kentucky has contemporaneously filed a Notice of Election of use of Electronic Filing Procedures for this proceeding. Please assign this matter a case number and style and advise us of same so that they can be incorporated in the application and supporting testimony before filing with the Commission.

Duke Energy Kentucky is providing a copy of this notice to the Attorney General's Utility Intervention and Rate Division. We will work diligently with the Commission and our other stakeholders to seek a constructive resolution. Thank you for your consideration.

Sincerely,

Amy B. Spiller

Amy B. Spiller

ABS/ROD

cc: Chairman Michael Schmitt (via overnight mail)
Vice Chairman Robert Cicero (via overnight mail)
Commissioner Dr. Talina Mathews (via overnight mail)
Hon. Andrew Beshear (via overnight mail)
Hon. Rebecca Goodman (via overnight mail)

[1] Duke Energy Kentucky provides this notice pursuant to Commission regulation 807 KAR 5:001 Section 16(2).

Case No. 2019-00271

DUKE ENERGY.

Mailing Address
139 East Fourth Street
1303-Main
Cincinnati, Ohio 45202

o: 513-287-4320
f: 513-287-4385

Rocco.D'Ascenzo@duke-energy.com
Rocco O. D'Ascenzo
Deputy General Counsel

VIA OVERNIGHT MAIL

RECEIVED

AUG 01 2019

PUBLIC SERVICE
COMMISSION

July 31, 2019

Ms. Gwen Pinson
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

Re: The Electronic Application of Duke Energy Kentucky, Inc., for: 1) An Adjustment of the Electric Rates; 2) Approval of New Tariffs; 3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 4) All Other Required Approvals and Relief.

Dear Ms. Pinson:

Enclosed please find and accept a notice of election of use of electronic filing procedures in accordance with 807 KAR 5:001, Section 8. Duke Energy Kentucky intends to file on or after August 31, 2019, an application for: 1) An Adjustment of the Electric Rates; 2) Approval of New Tariffs; 3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 4) All Other Required Approvals and Relief.

Should you have any questions regarding the enclosed, please do not hesitate to contact me.

Sincerely,

Rocco O. D'Ascenzo, Esq.
Deputy General Counsel

NOTICE OF ELECTION OF USE OF ELECTRONIC FILING PROCEDURES

(Complete All Shaded Areas and Check Applicable Boxes)

In accordance with 807 KAR 5:001, Section 8, Duke Energy Kentucky, Inc. gives notice of its intent to file an application for an adjustment of the Electric Rates, etc..... with the Public Service Commission no later than September 3, 2018 and to use the electronic filing procedures set forth in that regulation.

Duke Energy Kentucky, Inc. further states that:

		Yes	No
1.	It requests that the Public Service Commission assign a case number to the intended application and advise it of that number as soon as possible;	[X]	[ ]
2.	It or its authorized representatives have registered with the Public Service Commission and are authorized to make electronic filings with the Public Service Commission;	[X]	[ ]
3.	Neither it nor its authorized representatives have registered with the Public Service Commission for authorization to make electronic filings but will do so no later than seven days before the date of its filing of its application for rate adjustment;	[ ]	[X]
4.	It or its authorized agents possess the facilities to receive electronic transmissions;	[X]	[ ]

5. The following persons are authorized to make filings on its behalf and to receive electronic service of Public Service Commission orders and any pleadings filed by any party or the Public Service Commission Staff:

Name	Electronic Mail Address
Rocco D'Ascenzo	rocco.d'ascenzo@duke-energy.com
Minna Sunderman	minna.sunderman@duke-energy.com
Debbie Gates	debbie.gates@duke-energy.com

		Yes	No
6.	It and its authorized representatives listed above have read and understand the procedures for electronic filing set forth in 807 KAR 5:001 and will fully comply with those procedures unless the Public Service Commission directs otherwise.	[X]	[ ]

Signed [signature]

Name: Rocco D'Ascenzo

Title: Deputy General Counsel

Address: 139 East Fourth Street, 1303-Main

Cincinnati, Ohio 45202

Telephone Number: 513-287-4320

RECEIVED

AUG 01 2019

PUBLIC SERVICE COMMISSION

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 7(1)

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807 KAR 5:001, SECTION 7(1)

Description of Filing Requirement:

Unless the Commission orders otherwise or the electronic filing procedures established in Section 8 of this administrative regulation are used, if a paper is filed with the commission, an original unbound and ten (10) additional copies in paper medium shall be filed.

Response:

Duke Energy Kentucky elected, and was approved for, the use of electronic filing procedures in this matter. As such, in accordance with 807 KAR 5:001, Section 8(3), the Company will file one (1) copy of the paper Application no later than the second business day following the successful electronic submission.

Witness Responsible: Amy B. Spiller

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 12(2)(a) through (i)

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807 KAR 5:001, SECTIONS 12(2)(a) through 12(2)(i)

Description of Filing Requirements:

Section 12(2)(a)

- Amount and kinds of stock authorized.

Section 12(2)(b)

- Amount and kinds of stock issued and outstanding.

Section 12(2)(c)

- Terms of preference of preferred stock, cumulative or participating, or on dividends or assets or otherwise.

Section 12(2)(d)

- A brief description of each mortgage on property of applicant, giving date of execution, name of mortgagor, name of mortgagee or trustee, amount of indebtedness authorized to be secured, and the amount of indebtedness actually secured, together with sinking fund provisions, if applicable.

Section 12(2)(e)

- The amount of bonds authorized and amount issued, giving the name of the public utility that issued the same, describing each class separately and giving the date of issue, face value, rate of interest, date of maturity, and how secured, together with amount of interest paid during the last fiscal year.

Section 12(2)(f)

- Each note outstanding, giving date of issue, amount, date of maturity, rate of interest, in whose favor, together with amount of interest paid during the last fiscal year.

Section 12(2)(g)

- Other indebtedness, giving same by classes and describing security, if any, with a brief statement of the devolution or assumption of a portion of the indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid during the last fiscal year.

Section 12(2)(h)

- The rate and amount of dividends paid during the five (5) previous fiscal years, and the amount of capital stock on which dividends were paid each year.

Section 12(2)(i)

- A detailed Income Statement and Balance Sheet

Response:

See attached.

Sponsoring Witness:

Christopher M. Jacobi – Sections 12(2)(a)-(h)
Danielle L. Weatherston – Section 12(2)(i)

FINANCIAL EXHIBIT

(1) Section 12(2)(a) Amount and kinds of stock authorized.

1,000,000 shares of Capital Stock $15 par value amounting to $15,000,000 par value.

(2) Section 12(2)(b) Amount and kinds of stock issued and outstanding.

585,333 shares of Capital Stock $15 par value amounting to $8,779,995 total par value. Total Capital Stock and Additional Paid-in Capital as of June 30, 2019:

Capital Stock and Additional Paid-in Capital
As of June 30, 2019
($ per 1,000)

Capital Stock	$8,780
Premiums thereon	18,839
Total Capital Contributions from Parent (since 2006)	58,594
Contribution from Parent Company for Purchase of Generation Assets	140,061
Total Capital Stock and Additional Paid-in-Capital	$226,274

(3) Section 12(2)(c) Terms of preference or preferred stock, cumulative or participating, or on dividends or assets or otherwise.

There is no preferred stock authorized, issued or outstanding.

(4) Section 12(2)(d) Brief description of each mortgage on property of applicant, giving date of execution, name of mortgagor, name or mortgagee, or trustee, amount of indebtedness authorized to be secured, and the amount of indebtedness actually secured, together with any sinking fund provision.

Duke Energy Kentucky does not have any liabilities secured by a mortgage.

(5) Section 12(2)(e) Amount of bonds authorized, and amount issued, giving the name of the public utility which issued the same, describing each class separately, and giving the date of issue, face value, rate of interest, date of maturity and how secured, together with the amount of interest paid thereon during the last fiscal year.

The Company has ten outstanding issues of unsecured senior debentures issued under an Indenture dated December 1, 2004, between itself and Deutsche Bank Trust Company Americas, as Trustee, as supplemented by four Supplemental Indentures. The Indenture allows the Company to issue debt securities in an unlimited amount from time to time. The Debentures issued and outstanding under the Indenture are the following:

Supplemental Indenture	Date of Issue	Principal Amount Authorized and Issued	Principal Amount Outstanding	Rate of Interest	Date of Maturity	Interest Paid Year 2018
1st Supplemental	3/7/2006	65,000,000	65,000,000	6.200%	3/10/2036	4,030,000
2nd Supplemental	9/22/2009	100,000,000	100,000,000	4.650%	10/1/2019	4,650,000
3rd Supplemental	1/5/2016	45,000,000	45,000,000	3.420%	1/15/2026	1,539,000
3rd Supplemental	1/5/2016	50,000,000	50,000,000	4.450%	1/15/2046	2,225,000
4th Supplemental	9/7/2017	30,000,000	30,000,000	3.350%	9/15/2029	1,027,333
4th Supplemental	9/7/2017	30,000,000	30,000,000	4.110%	9/15/2047	1,260,400
4th Supplemental	9/7/2017	30,000,000	30,000,000	4.260%	9/15/2057	1,306,400
5th Supplemental	10/3/2018	25,000,000	25,000,000	4.010%	10/15/2023	0
5th Supplemental	10/3/2018	40,000,000	40,000,000	4.180%	10/15/2028	0
5th Supplemental	12/12/2018	35,000,000	35,000,000	4.620%	12/15/2048	0
			450,000,000			16,038,133

(6) Section 12(2)(f) Each note outstanding, giving date of issue, amount, date of maturity, rate of interest, in whose favor, together with amount of interest paid thereon during the last fiscal year.

Not applicable.

(7) Section 12(2)(g) Other indebtedness, giving same by classes and describing security, if any, with a brief statement of the devolution or assumption of any portion of such indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid thereon during the last fiscal year.

The Company has two series of Pollution Control Revenue Refunding Bonds issued under a Trust Indenture dated as of August 1, 2006 and a Trust Indenture dated as of December 1, 2008, between the County of Boone, Kentucky and Deutsche Bank National Trust Company as Trustee. The Company's obligation to make payments equal to debt service on the Bonds is evidenced by a Loan Agreement dated as of August 1, 2006 and December 1, 2008 between the County of Boone, Kentucky and Duke Energy Kentucky. The Bonds issued under the Indentures are as follows:

Indenture	Date of Issue	Principal Amount Authorized and Issued	Principal Amount Outstanding	Rate of Interest	Date of Maturity	Interest Paid Year 2018
Series 2010	11/24/2010	26,720,000	26,720,000	3.86%[1]	8/1/2027	1,031,392
Series 2008A	12/01/2011	50,000,000	50,000,000	2.54%[2]	8/1/2027	1,270,337
			76,720,000			2,301,729

[1] The bonds were issued at a variable-rate and were swapped to a fixed rate of 3.86% for the life of the debt. The average floating-rate of interest on the bonds for 2018 was 1.41%.
[2] The interest rate represents the average floating-rate of interest on the bonds for 2018 The interest rate on the bonds resets on the first day of every month based on 70% of the sum of one-month LIBOR and a credit spread of 1.125%.

The Company had no outstanding financing leases as of June 30, 2019.

The Company had $112,909,000 of money pool borrowings outstanding as of June 30, 2019, $25,000,000 of which is classified as Long-Term Debt payable to affiliated companies. This obligation, which is short-term by nature, is classified as long-term due to Duke Energy Kentucky's intent and ability to utilize such borrowings as long-term financing.

(8) Section 12(2)(h) Rate and amount of dividends paid during the last five (5) previous fiscal years, and the amount of capital stock on which dividends were paid each year.

DIVIDENDS PER SHARE

Year Ending	Per Share	Total	No. of Shares	Par Value of Stock
December 31, 2014	0.00	0	585,333	8,779,995
December 31, 2015	93.96	55,000,000	585,333	8,779,995
December 31, 2016	17.08	10,000,000	585,333	8,779,995
December 31, 2017	0.00	0	585,333	8,779,995
December 31, 2018	0.00	0	585,333	8,779,995

(9) Section 12(2)(i) A detailed Income Statement and Balance Sheet

DUKE ENERGY KENTUCKY, INC.
Condensed Statements of Operations
(Unaudited)

(in thousands)		12 Months Ended June 30, 2019
Operating Revenues		
Electric	$	382,003
Natural gas		107,968
Total operating revenues		489,971
Operating Expenses		
Fuel used in electric generation and purchased power		128,665
Cost of natural gas		45,505
Operation, maintenance and other		144,868
Depreciation and amortization		73,653
Property and other taxes		15,395
Total operating expenses		408,086
Gain on Sales of Assets, net		85
Operating Income		81,970
Other Income and Expenses, net		6,114
Interest Expense		21,282
Income Before Income Taxes		66,802
Income Tax Expense (Benefit)		(13,512)
Net Income	$	53,290

DUKE ENERGY KENTUCKY, INC.
Condensed Balance Sheets
(Unaudited)

(in thousands, except share amounts)		June 30, 2019		December 31, 2018
ASSETS				
Current Assets				
Cash and cash equivalents	$	1,464	$	7,773
Receivables (net of allowance for doubtful accounts of $325 at June 30, 2019 and $221 at December 31, 2018)		6,622		9,450
Receivables from affiliated companies		11,524		29,195
Notes receivable from affiliated companies		—		—
Inventory		47,210		40,596
Regulatory assets		12,664		10,562
Collateral assets		5,072		4,481
Other		12,587		7,479
Total current assets		97,143		109,536
Property, Plant and Equipment				
Cost		2,597,611		2,517,897
Accumulated depreciation and amortization		(963,989)		(965,124)
Net property, plant and equipment		1,633,622		1,552,773
Operating Lease Right-of-Use Assets, net		9,345		—
Other Noncurrent Assets				
Regulatory Assets		114,005		113,652
Other		9,581		9,922
Total other noncurrent assets		123,586		123,574
Total Assets	$	1,863,696	$	1,785,883
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable	$	31,263	$	45,759
Accounts payable to affiliated companies		22,391		17,503
Notes payable to affiliated companies		85,688		38,875
Taxes accrued		9,192		18,143
Interest accrued		6,194		6,115
Current maturities of long-term debt		100,000		100,396
Asset retirement obligations		6,296		6,448
Regulatory liabilities		18,294		14,294
Other		23,943		19,291
Total current liabilities		303,261		266,824
Long-Term Debt		424,606		424,714
Long-Term Debt Payable to Affiliated Companies		25,000		25,000
Operating Lease Liabilities		9,128		—
Other Noncurrent Liabilities				
Deferred income taxes		227,922		214,718
Asset retirement obligations		51,563		56,378
Regulatory liabilities		146,564		156,115
Accrued pension and other post-retirement benefit costs		26,599		21,734
Other		25,356		24,177
Total other noncurrent liabilities		478,004		473,122
Commitments and Contingencies				
Equity				
Common Stock, $15.00 par value, 1,000,000 shares authorized and 585,333 shares outstanding		8,780		8,780
Additional paid-in-capital		217,494		217,494
Retained earnings		397,423		369,949
Total equity		623,697		596,223
Total Liabilities and Equity	$	1,863,696	$	1,785,883

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 14(1)

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807 KAR 5:001, SECTION 14(1)

Description of Filing Requirement:

Each application shall state the full name, mailing address, and electronic mail address of the applicant, and shall contain fully the facts on which the application is based, with a request for the order, authorization, permission, or certificate desired and a reference to the particular law requiring or providing for the information.

Response:

See application submitted in this proceeding.

Sponsoring Witness: Amy B. Spiller

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 14(2)

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807 KAR 5:001, SECTION 14(2)

Description of Filing Requirement:

If a corporation, the applicant shall identify in the application the state in which it is incorporated and the date of its incorporation, attest that it is currently in good standing in the state in which it is incorporated, and, if it is not a Kentucky corporation, state if it is authorized to transact business in Kentucky.

Response:

See attached.

Sponsoring Witness: Amy B. Spiller

Commonwealth of Kentucky
Alison Lundergan Grimes, Secretary of State

Alison Lundergan Grimes
Secretary of State
P. O. Box 718
Frankfort, KY 40602-0718
(502) 564-3490
http://www.sos.ky.gov

Certificate of Existence

Authentication number: 218809
Visit https://app.sos.ky.gov/ftshow/certvalidate.aspx to authenticate this certificate.

I, Alison Lundergan Grimes, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

DUKE ENERGY KENTUCKY, INC.

is a corporation duly incorporated and existing under KRS Chapter 14A and KRS Chapter 271B, whose date of incorporation is March 20, 1901 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that Articles of Dissolution have not been filed; and that the most recent annual report required by KRS 14A.6-010 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 6th day of August, 2019, in the 228th year of the Commonwealth.

Alison Lundergan Grimes
Secretary of State
Commonwealth of Kentucky
218809/0052929

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 14(3)

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807 KAR 5:001, SECTION 14(3)

Description of Filing Requirement:

If a limited liability company, the applicant shall identify in the application the state in which it is organized and the date on which it was organized, attest that it is in good standing in the state in which it is organized, and, if it is not a Kentucky limited liability company, state if it is authorized to transact business in Kentucky.

Response:

Duke Energy Kentucky is a corporation; therefore, this requirement does not apply.

Sponsoring Witness: Amy B. Spiller

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 14(4)

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807 KAR 5:001, SECTION 14(4)

Description of Filing Requirement:

If the applicant is a limited partnership, a certified copy of its limited partnership agreement and all amendments, if any, shall be annexed to the application, or a written statement attesting that its partnership agreement and all amendments have been filed with the commission in a prior proceeding and referencing the case number of the prior proceeding.

Response:

Duke Energy Kentucky is a corporation; therefore, this requirement does not apply.

Sponsoring Witness: Amy B. Spiller

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 16(1)(b)(1)

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807 KAR 5:001, SECTION 16(1)(b)(1)

Description of Filing Requirement:

Statement of the reason the adjustment is required.

Response:

1) Duke Energy Kentucky's current base rates reflect its cost of service as prepared in 2017. At current rates, the Company's calculated rate of return on rate base for the test period is 3.098% which is not sufficient to enable the Company to furnish safe, efficient and reliable service and to have the opportunity to earn a fair rate of return on its investments.
2) Duke Energy Kentucky needs to adjust its current costs of service to reflect its capital investments and operations and maintenance of its electric operations that have changed since its 2017 case.
   a. The thirteen-month average of gross plant in this forecasted test period for this case is $1.949 billion, as compared to approximately $1.730 billion included in the 2017 rate case. The depreciation, property taxes, and return on this increased investment are the primary drivers of the need for new rates.
3) Other drivers include:
   a. Near stagnant load growth;
   b. Need to commence recovery of authorized deferrals (*e.g.*, 2018 Storm Deferral);

Please refer to the direct testimony of Duke Energy Kentucky witnesses Amy B. Spiller and William Don Wathen, Jr.

Sponsoring Witness:

Amy B. Spiller
William Don Wathen, Jr.

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 16(1)(b)(2)

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807 KAR 5:001, SECTION 16(1)(b)(2)

Description of Filing Requirement:

A certified copy of a certificate of assumed name as required by KRS 365.015 or a statement that a certificate is not necessary.

Response:

Duke Energy Kentucky transacts business using the following assumed name: Duke Energy.

A certified copy of the Company's certificate of assumed name is attached.

Sponsoring Witness: Amy B. Spiller

COMMONWEALTH OF KENTUCKY

Alison Lundergan Grimes
Secretary of State

Certificate

I, Alison Lundergan Grimes, Secretary of State for the Commonwealth of Kentucky, do hereby certify that the foregoing writing has been carefully compared by me with the original thereof, now in my official custody as Secretary of State and remaining on file in my office, and found to be a true and correct copy of

RENEWAL CERTIFICATE OF ASSUMED NAME OF

DUKE ENERGY RENEWED BY DUKE ENERGY KENTUCKY, INC. FILED FEBRUARY 24, 2016.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 19th day of August, 2019.

COMMONWEALTH OF KENTUCKY
OFFICE OF SECRETARY OF STATE

Alison Lundergan Grimes

Alison Lundergan Grimes
Secretary of State
Commonwealth of Kentucky
dwilliams/0052929 - Certificate ID: 219337

C227

0052929.04
Alison Lundergan Grimes
KY Secretary of State
Received and Filed
2/24/2016 11:47:22 AM
Fee receipt: $20.00

Commonwealth of Kentucky
Alison Lundergan Grimes, Secretary o

Alison Lundergan Grimes
Secretary of State
P. O. Box 718
Frankfort, KY 40602-0718
(502) 564-3490
http://www.sos.ky.gov

Renewal Certificate of Assumed Name

REN

This certifies that the assumed name of

DUKE ENERGY

is hereby renewed by

DUKE ENERGY KENTUCKY, INC.

a business entity organized and existing in the state of Kentucky.

Signatures

Signature	Nancy M. Wright
Title	Assistant Corporate Secretary
Date	2/24/2016 11:47:22 AM

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 16(1)(b)(3)

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807 KAR 5:001, SECTION 16(1)(b)(3)

Description of Filing Requirement:

New or revised tariff sheets, if applicable in a format that complies with 807 KAR 5:011 with an effective date not less than thirty (30) days from the date the application is filed.

Response:

The proposed tariffs are at Schedule L-1.

Sponsoring Witness: Jeff L. Kern

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 16(1)(b)(4)

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807 KAR 5:001, SECTION 16(1)(b)(4)

Description of Filing Requirement:

New or revised tariff sheets, if applicable, identified in compliance with 807 KAR 5:011, shown either by providing:

a. The present and proposed tariffs in comparative form on the same sheet side by side or on facing sheets side by side; or

b. A copy of the present tariff indicating proposed additions by italicized inserts or underscoring and striking over proposed deletions.

Response:

See Schedules L-2.1 and L-2.2.

Sponsoring Witness: Jeff L. Kern

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 16(1)(b)(5)

<u>807 KAR 5:001, SECTION 16(1)(b)(5)</u>

<u>Description of Filing Requirement:</u>

A statement that notice has been given in compliance with Section 17 of this administrative regulation with a copy of the notice.

<u>Response:</u>

See attached.

<u>Sponsoring Witness</u>: Amy B. Spiller

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

The Electronic Application of Duke Energy Kentucky, Inc., for: 1) An Adjustment of the Electric Rates; 2) Approval of New Tariffs; 3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 4) All Other Required Approvals and Relief.	)	Case No. 2019-000271

CERTIFICATE OF NOTICE

Pursuant to the Kentucky Public Service Commission's Regulation 807 KAR 5:001, Section 16(1)(b)(5), I hereby certify that I am Amy B. Spiller, President of Duke Energy Kentucky, Inc. (Duke Energy Kentucky or Company), a utility furnishing retail electric and gas service within the Commonwealth of Kentucky, which, on the 3rd day of September 2019, filed an application with the Kentucky Public Service Commission for the approval of an adjustment of the electric rates, terms, conditions, and tariffs of Duke Energy Kentucky and that notice to the public of the issuing of the same is being given in all respects as required by 807 KAR 5:001, Section 17 and 807 KAR 5:001, Sections 8(2)(c) and 9(2), as follows:

On the 3rd day of September 2019, the notice to the public was delivered for exhibition and public inspection at 1262 Cox Road, Erlanger, Kentucky 41018 and the same will be kept open to public inspection at said office in conformity with the requirements of 807 KAR 5:001, Section 17(1)(a) and 807 KAR 5:011, Section 8(1)(a).

I further certify that more than twenty (20) customers will be affected by said change by way of an increase in their rates or charges and that on the 19th day of August 2019, there was delivered to the Kentucky Press Association, an agency that acts on behalf of newspapers of general circulation throughout the Commonwealth of Kentucky in which customers affected reside, for publication therein once a week for three consecutive weeks beginning on August 26, 2019, a notice of the filing of Duke Energy Kentucky's application, including its proposed rates, a copy of said notice being attached hereto as Exhibit A, and a list of newspapers of general circulation throughout the Commonwealth of Kentucky in which customers affected reside, a copy of said list being attached hereto as Exhibit B. A certificate of publication of said notice will be furnished to the Kentucky Public Service Commission upon completion of same pursuant to 807 KAR 5:001, Section 17(3)(b).

Also beginning on September 3, 2019, Duke Energy Kentucky posted on its website a complete copy of the Company's notice and a hyperlink to the location on the Kentucky Public Service Commission's website where the case documents and tariff filings are available.

Given under my hand this 3rd day of September 2019.

Amy B. Spiller
Amy B. Spiller
President, Duke Energy Kentucky, Inc.
139 E. 4th Street
Cincinnati, Ohio 45202

Subscribed and sworn to before me, a Notary Public, in and before said County and State, this 3rd day of September 2019.

E Minna Rolfes
Notary Public

My Commission expires: July 8, 2022

NOTARY PUBLIC STATE OF OHIO

E. MINNA ROLFES-ADKINS
Notary Public, State of Ohio
My Commission Expires
July 8, 2022

NOTICE

Duke Energy Kentucky, Inc. ("Duke Energy Kentucky" or "Company") hereby gives notice that, in an application to be filed no sooner than September 3, 2019, Duke Energy Kentucky will be seeking approval by the Public Service Commission, Frankfort, Kentucky, of an adjustment of electric rates and charges proposed to become effective on and after October 3, 2019. The Commission has docketed this proceeding as Case No. 2019-00271.

The proposed electric rates are applicable to the following communities:

Alexandria	Elsmere	Ludlow
Bellevue	Erlanger	Melbourne
Boone County	Fairview	Newport
Bromley	Florence	Park Hills
Campbell County	Fort Mitchell	Pendleton County
Cold Spring	Fort Thomas	Ryland Heights
Covington	Fort Wright	Silver Grove
Crescent Park	Grant County	Southgate
Crescent Springs	Highland Heights	Taylor Mill
Crestview	Independence	Union
Crestview Hills	Kenton County	Villa Hills
Crittenden	Kenton Vale	Walton
Dayton	Lakeside Park	Wilder
Dry Ridge	Latonia Lakes	Woodlawn
Edgewood		

DUKE ENERGY KENTUCKY CURRENT AND PROPOSED ELECTRIC RATES

Residential Service-Rate RS
(Electric Tariff Sheet No. 30)

	Current Rate	Proposed Rate
Customer Charge per month	$11.00	$14.00
Energy Charge per kWh		
All kWh	7.1650¢	8.4272¢

Service at Secondary Distribution Voltage-Rate DS
(Electric Tariff Sheet No. 40)

	Current Rate	Proposed Rate
Customer Charge per month		
Single Phase Service	$17.14	$15.00
Three Phase Service	$34.28	$30.00
Demand Charge per kW		
First 15 kW	$0.00	$0.00
Additional kilowatts	$8.25	$9.38
Energy Charge per kWh		
First 6,000 kWh	8.0200¢	9.1238¢
Next 300 kWh/kW	4.9232¢	5.6008¢
Additional kWh	4.0317¢	4.5866¢
Non-Church Cap Rate per kWh	23.6915¢	26.9521¢
Church Cap Rate per kWh	14.5445¢	16.5461¢

Time-of-Day Rate for Service at Distribution Voltage-Rate DT
(Electric Tariff Sheet No. 41)

	Current Rate	Proposed Rate
Customer Charge per month		
Single Phase Service	$63.50	$65.00
Three Phase Service	$127.00	$130.00
Primary Voltage Service	$138.00	$138.00
Demand Charge per kW		
Summer On Peak kW	$13.78	$15.45
Summer Off Peak kW	$1.24	$1.39
Winter On Peak kW	$13.04	$14.62
Winter Off Peak kW	$1.24	$1.39
Energy Charge per kWh		
Summer On Peak kWh	4.3450¢	4.8712¢
Summer Off Peak kWh	3.5582¢	3.9890¢
Winter On Peak kWh	4.1479¢	4.6499¢
Winter Off Peak kWh	3.5582¢	3.9890¢
Metering per kW		
First 1,000 kW On Peak	($0.70)	($0.78)
Additional kW On Peak	($0.54)	($0.61)

Optional Rate for Electric Space Heating-Rate EH
(Electric Tariff Sheet No. 42)

	Current Rate	Proposed Rate
Winter Period		
Customer Charge per month		
Single Phase Service	$17.14	$15.00
Three Phase Service	$34.28	$30.00
Primary Voltage Service	$117.00	$117.00
Energy Charge per kWh		
All kWh	6.2202¢	7.0482¢

Seasonal Sports Service-Rate SP
(Electric Tariff Sheet No. 43)

	Current Rate	Proposed Rate
Customer Charge per month	$17.14	$15.00
Energy Charge per kWh	9.6130¢	11.1052¢

Optional Unmetered General Service Rate For Small Fixed Loads-Rate GS-FL
(Electric Tariff Sheet No. 44)

	Current Rate	Proposed Rate
For loads based on a range of 540 to 720 hours use per month of the rated capacity of the connected equipment (per kWh)	8.2708¢	9.3089¢
For loads of less than 540 hours use per month of the rated capacity of the connected equipment (per kWh)	9.5240¢	10.7269¢
Minimum per month	$2.98	$3.36

Service at Primary Distribution Voltage Applicability-Rate DP
(Electric Tariff Sheet No. 45)

	Current Rate	Proposed Rate
Customer Charge per month		
Primary Voltage Service	$117.00	$117.00
Demand Charge per kW		
All kW	$7.92	$9.02
Energy Charge per kWh		
First 300 kWh/kW	5.1092¢	5.8203¢
Additional kWh	4.3219¢	4.9217¢
Maximum monthly rate per kWh	24.1312¢	27.4836¢
	(excluding the customer charge, electric fuel component charges and DSM charge)	(excluding the customer charge and all applicable riders)

Time-of-Day Rate for Service at Transmission Voltage-Rate TT
(Electric Tariff Sheet No. 51)

	Current Rate	Proposed Rate
Customer Charge per month	$500.00	$500.00
Demand Charge per kW		
Summer On Peak kW	$8.07	$8.75
Summer Off Peak kW	$1.22	$1.32
Winter On Peak kW	$6.62	$7.18
Winter Off Peak kW	$1.22	$1.32
Energy Charge per kWh		
Summer On Peak kWh	4.9051¢	5.3207¢
Summer Off Peak kWh	4.0168¢	4.3571¢
Winter On Peak kWh	4.6826¢	5.0794¢
Winter Off Peak kWh	4.0168¢	4.3571¢

Rider GSS – Generation Support Service
(Electric Tariff Sheet No. 58)

	Current Rate	Proposed Rate
Administrative Charge per month (plus the appropriate Customer Charge)	$50.00	$50.00
Monthly Transmission and Distribution Reservation Charge (per kW)		
Rate DS Secondary Distribution	$4.7126	$5.6950
Rate DT Distribution Service	$5.8517	$7.2281
Rate DP Primary Distribution	$5.9794	$7.7448
Rate TT Transmission Service	$2.6391	$3.1192

Street Lighting Service-Rate SL
(Electric Tariff Sheet No. 60)

OVERHEAD DISTRIBUTION AREA	Lamp Watts	kW/Unit	Annual kWh	Current Rate/Unit	Proposed Rate/Unit
Standard Fixture (Cobra Head)					
Mercury Vapor					
7,000 lumen	175	0.193	803	$7.27	$8.16
7,000 lumen (Open Refractor)	175	0.205	853	$6.07	$6.81
10,000 lumen	250	0.275	1,144	$8.39	$9.42
21,000 lumen	400	0.430	1,789	$11.23	$12.61
Metal Halide					
14,000 lumen	175	0.193	803	$7.27	$8.16
20,500 lumen	250	0.275	1,144	$8.39	$9.42
36,000 lumen	400	0.430	1,789	$11.23	$12.61
Sodium Vapor					
9,500 lumen	100	0.117	487	$8.04	$9.03
9,500 lumen (Open Refractor)	100	0.117	487	$6.04	$6.78
16,000 lumen	150	0.171	711	$8.77	$9.85
22,000 lumen	200	0.228	948	$11.37	$12.76
27,500 lumen	250	0.275	948	$11.37	$12.76
50,000 lumen	400	0.471	1,959	$15.28	$17.15
Decorative Fixtures					
Sodium Vapor					
9,500 lumen (Rectilinear)	100	0.117	487	$10.00	$11.23
22,000 lumen (Rectilinear)	200	0.246	1,023	$12.36	$13.88
50,000 lumen (Rectilinear)	400	0.471	1,959	$16.35	$18.36
50,000 lumen (Setback)	400	0.471	1,959	$24.31	$27.29
Spans of Secondary Wiring (per month for each increment of 50 feet of secondary wiring beyond the first 150 feet from the pole)				$0.53	$0.60

UNDERGROUND DISTRIBUTION AREA	Lamp Watts	kW/Unit	Annual kWh	Current Rate/Unit	Proposed Rate/Unit
Standard Fixture (Cobra Head)					
Mercury Vapor					
7,000 lumen	175	0.210	874	$7.40	$8.31
7,000 lumen (Open Refractor)	175	0.205	853	$6.07	$6.81
10,000 lumen	250	0.292	1,215	$8.54	$9.59
21,000 lumen	400	0.460	1,914	$11.50	$12.91
Metal Halide					
14,000 lumen	175	0.210	874	$7.40	$8.31
20,500 lumen	250	0.292	1,215	$8.54	$9.59
36,000 lumen	400	0.460	1,914	$11.50	$12.91
Sodium Vapor					
9,500 lumen	100	0.117	487	$8.04	$9.03
9,500 lumen (Open Refractor)	100	0.117	487	$6.12	$6.87
16,000 lumen	150	0.171	711	$8.74	$9.81
22,000 lumen	200	0.228	948	$11.37	$12.76
50,000 lumen	400	0.471	1,959	$15.28	$17.15
Decorative Fixtures					
Mercury Vapor					
7,000 lumen (Town & Country)	175	0.205	853	$7.65	$8.59
7,000 lumen (Holphane)	175	0.210	874	$9.61	$10.79
7,000 lumen (Gas Replica)	175	0.210	874	$21.96	$24.65
7,000 lumen (Granville)	175	0.205	853	$7.73	$8.68
7,000 lumen (Aspen)	175	0.210	874	$13.91	$15.62
Metal Halide					
14,000 lumen (Traditionaire)	175	0.205	853	$7.64	$8.58
14,000 lumen (Granville Acorn)	175	0.210	874	$13.91	$15.62
14,000 lumen (Gas Replica)	175	0.210	874	$22.04	$24.74
Sodium Vapor					
9,500 lumen (Town & Country)	100	0.117	487	$11.17	$12.54
9,500 lumen (Holophane)	100	0.128	532	$12.10	$13.58
9,500 lumen (Rectilinear)	100	0.117	487	$9.02	$10.13
9,500 lumen (Gas Replica)	100	0.128	532	$22.75	$25.54
9,500 lumen (Aspen)	100	0.128	532	$14.09	$15.82
9,500 lumen (Traditionaire)	100	0.117	487	$11.17	$12.54
9,500 lumen (Granville Acorn)	100	0.128	532	$14.09	$15.82
22,000 lumen (Rectilinear)	200	0.246	1,023	$12.42	$13.94
50,000 lumen (Rectilinear)	400	0.471	1,959	$16.41	$18.42
50,000 lumen (Setback)	400	0.471	1,959	$24.31	$27.29

POLE CHARGES Pole Description	Pole Type	Current Rate/Pole	Proposed Rate/Pole
Wood			
17 foot (wood laminated)	W17	$4.50	$5.05
30 foot	W30	$4.44	$4.98
35 foot	W35	$4.50	$5.05
40 foot	W40	$5.39	$6.05
Aluminum			
12 foot (decorative)	A12	$12.23	$13.73
28 foot	A28	$7.09	$7.96
28 foot (heavy duty)	A28H	$7.16	$8.04
30 foot (anchor base)	A30	$14.16	$15.90
Fiberglass			
17 foot	F17	$4.50	$5.05
12 foot (decorative)	F12	$13.15	$14.76
30 foot (bronze)	F30	$8.56	$9.61
35 foot (bronze)	F35	$8.79	$9.87
Steel			
27 foot (11 gauge)	S27	$11.56	$12.98
27 foot (3 gauge)	S27H	$17.43	$19.57
Spans of Secondary Wiring (per month for each increment of 25 feet of secondary wiring beyond the first 25 feet from the pole)		$0.77	$0.86

Traffic Lighting Service-Rate TL
(Electric Tariff Sheet No. 61)

	Current Rate	Proposed Rate
Where the Company supplies energy only (per kWh)	3.8903¢	4.3675¢
Where the Company supplies energy from a separately metered source and the Company has agreed to provide limited maintenance for traffic signal equipment (per kWh)	2.1543¢	2.4185¢
Where the Company supplies energy and has agreed to provide limited maintenance for traffic signal equipment (per kWh)	6.0446¢	6.7860¢

Unmetered Outdoor Lighting Electric Service-Rate UOLS
(Electric Tariff Sheet No. 62)

	Current Rate	Proposed Rate
Energy Charge per kWh		
All kWh	3.8305¢	4.3003¢

LED Outdoor Lighting Electric Service-Rate LED
(Electric Tariff Sheet No. 64)

	Current Rate	Proposed Rate
Energy Charge per kWh		
All kWh	3.8305¢	4.3003¢

Current Rates (Per Unit Per Month)

FIXTURES Description	Initial Lumens	Lamp Wattage	Monthly kWh	Current Charge Fixture	Current Charge Maint.	Proposed Charge Fixture	Proposed Charge Maint.
50W Standard LED-BLACK	4,521	50	17	$4.93	$4.24	$5.53	$4.76
70W Standard LED-BLACK	6,261	70	24	$4.92	$4.24	$5.52	$4.76
110W Standard LED-BLACK	9,336	110	38	$5.58	$4.24	$6.26	$4.76
150W Standard LED-BLACK	12,642	150	52	$7.39	$4.24	$8.30	$4.76
220W Standard LED-BLACK	18,641	220	76	$8.38	$5.17	$9.41	$5.80
280W Standard LED-BLACK	24,191	280	97	$10.31	$5.17	$11.57	$5.80
50W Deluxe Acorn LED-BLACK	5,147	50	17	$14.38	$4.24	$16.14	$4.76
50W Acorn LED-BLACK	5,147	50	17	$12.96	$4.24	$14.55	$4.76
50W Mini Bell LED-BLACK	4,500	50	17	$12.22	$4.24	$13.72	$4.76
70W Bell LED-BLACK	5,508	70	24	$15.56	$4.24	$17.47	$4.76
50W Traditional LED-BLACK	3,230	50	17	$9.39	$4.24	$10.54	$4.76
50W Open Traditional LED-BLACK	3,230	50	17	$9.39	$4.24	$10.54	$4.76
50W Enterprise LED-BLACK	3,880	50	17	$12.62	$4.24	$14.17	$4.76
70W LED Open Deluxe Acorn	6,500	70	24	$14.02	$4.24	$15.74	$4.76
150W LED Teardrop	12,500	150	52	$18.83	$4.24	$21.14	$4.76
50W LED Teardrop Pedestrian	4,500	50	17	$15.28	$4.24	$17.15	$4.76
220W LED Shoebox	18,500	220	76	$13.04	$5.17	$14.64	$5.80
LED 50W 4521 LUMENS STANDARD LED BLACK TYPE III 4000K	4,521	50	17	$4.93	$4.24	Discontinued	
LED 70W 6261 LUMENS STANDARD LED BLACK TYPE III 4000K	6,261	70	24	$4.92	$4.24	Discontinued	
LED 110W 9336 LUMENS STNDRD LED BLACK TYPE III 4000K	9,336	110	38	$5.58	$4.24	Discontinued	
LED 150W 12642 LUMENS STNDRD LED BLACK TYPE III 4000K	12,642	150	52	$7.39	$4.24	Discontinued	
LED 150W 13156 LUMENS STNDRD LED TYPE IV BLACK 4000K	13,156	150	52	$7.39	$4.24	Discontinued	
LED 220W 18642 LUMENS STNDRD LED BLACK TYPE III 4000K	18,642	220	76	$8.38	$5.17	Discontinued	
LED 280W 24191 LUMENS STNDRD LED BLACK TYPE III 4000K	24,191	280	97	$10.31	$5.17	Discontinued	
LED 50W DELUXE ACORN BLACK TYPE III 4000K	5,147	50	17	$14.38	$4.24	Discontinued	
LED 70W OPEN DELUXE ACORN BLACK TYPE III 4000K	6,500	70	24	$14.02	$4.24	Discontinued	
LED 50W ACORN BLACK TYPE III 4000K	5,147	50	17	$12.96	$4.24	Discontinued	
LED 50W MINI BELL LED BLACK TYPE III 4000K MIDWEST	4,500	50	17	$12.22	$4.24	Discontinued	
LED 70W 5508 LUMENS SANIBELL BLACK TYPE III 4000K	5,508	70	24	$15.56	$4.24	Discontinued	
LED 50W TRADITIONAL BLACK TYPE III 4000K	3,303	50	17	$9.39	$4.24	Discontinued	
LED 50W OPEN TRADITIONAL BLACK TYPE III 4000K	3,230	50	17	$9.39	$4.24	Discontinued	
LED 50W ENTERPRISE BLACK TYPE III 4000K	3,880	50	17	$12.62	$4.24	Discontinued	
LED 150W LARGE TEARDROP BLACK TYPE III 4000K	12,500	150	52	$18.83	$4.24	Discontinued	
LED 50W TEARDROP PEDESTRIAN BLACK TYPE III 4000K	4,500	50	17	$15.28	$4.24	Discontinued	
LED 220W SHOEBOX BLACK TYPE IV 4000K	18,500	220	76	$13.04	$5.17	Discontinued	
150W Sanibel	39,000	150	52	$15.56	$4.24	$17.47	$4.76
420W LED Shoebox	39,078	420	146	$19.46	$5.17	$21.85	$5.80
50W Neighborhood	5,000	50	17	$4.01	$4.24	$4.50	$4.76
50W Neighborhood with Lens	5,000	50	17	$4.18	$4.24	$4.69	$4.76
530W LED Shoebox	57,000	530	184	N/A	N/A	$26.55	$5.80
150W Clermont LED	12,500	150	52	N/A	N/A	$25.19	$4.76
130W Flood LED	14,715	130	45	N/A	N/A	$8.65	$4.76
260W Flood LED	32,779	260	90	N/A	N/A	$13.61	$4.76
50W Monticello LED	4,157	50	17	N/A	N/A	$16.82	$4.76
50W Mitchell Finial	5,678	50	17	N/A	N/A	$15.95	$4.76
50W Mitchell Ribs, Bands and Medallions LED	5,678	50	17	N/A	N/A	$17.57	$4.76
50W Mitchell Top Hat LED	5,678	50	17	N/A	N/A	$15.95	$4.76
50W Mitchell Top Hat with Ribs, Bands and Medallions LED	5,678	50	17	N/A	N/A	$17.57	$5.80
50W Open Monticello LED	4,157	50	17	N/A	N/A	$16.75	$5.80

POLES Description	Current Charge	Proposed Charge
12' C-Post Top-Anchor Base-Black	$9.30	$10.44
25' C-Davit Bracket-Anchor Base-Black	$24.46	$27.46
25' C-Boston Harbor Bracket-Anchor Base-Black	$24.73	$27.76
12' E-AL-Anchor Base-Black	$9.30	$10.44
35' AL-Side Mounted-Direct Buried Pole	$15.74	$17.67
30' AL-Side Mounted-Anchor Base	$12.13	$13.62
35' AL-Side Mounted-Anchor Base	$11.80	$13.25
40' AL-Side Mounted-Anchor Base	$14.59	$16.38
30' Class 7 Wood Pole	$5.77	$6.48
35' Class 5 Wood Pole	$6.27	$7.04
40' Class 4 Wood Pole	$9.44	$10.60
45' Class 4 Wood Pole	$9.79	$10.99
20' Galleria Anchor Based Pole	$8.32	Discontinued
30' Galleria Anchor Based Pole	$9.84	Discontinued
35' Galleria Anchor Based Pole	$28.29	Discontinued
MW-Light Pole-12' MH- Style A-Aluminum-Anchor Base-Top Tenon-Black	$5.64	$6.33
MW-Light Pole-Post Top-12' MH-Style A-Alum-Direct Buried-Top Tenon-Black	$4.83	$5.42
Light Pole-15' MH-Style A-Aluminum-Anchor Base-Top Tenon-Black	$5.80	$6.51
Light Pole-15' MH-Style A-Aluminum-Direct Buried-Top Tenon-Black	$5.02	$5.64
Light Pole-20' MH-Style A-Aluminum-Anchor ase-Top Tenon-Black	$6.08	$6.83
Light Pole-20' MH-Style A-Aluminum-Direct Buried-Top Tenon-Black	$9.32	$10.46
Light Pole-25' MH-Style A-Aluminum-Anchor Base-Top Tenon-Black	$7.21	$8.09
Light Pole-25' MH-Style A-Aluminum-Direct Buried-Top Tenon-Black	$10.39	$11.66
Light Pole-30' MH-Style A-Aluminum-Anchor Base-Top Tenon-Black	$8.52	$9.56
Light Pole-30' MH-Style A-Aluminum-Direct Buried-Top Tenon-Black	$11.56	$12.98
Light Pole-35' MH-Style A-Aluminum-Anchor Base-Top Tenon-Black	$9.84	$11.05
Light Pole-35' MH-Style A-Aluminum-Direct Buried-Top Tenon-Black	$12.49	$14.02
MW-Light Pole-12' MH- Style B Aluminum Anchor Base-Top Tenon Black Pri	$6.87	$7.71
MW-Light Pole-12' MH-Style C-Post Top-Alum-Anchor Base-TT-Black Pri	$9.30	$10.44
MW-LT Pole-16' MH-Style C-Davit Bracket-Alum-Anchor Base-TT-Black	$12.45	Discontinued
MW-Light Pole-25' MH-Style C-Davit Bracket-Alum-Anchor Base-TT-Black Pri	$24.46	Discontinued
MW-LT Pole-16' MH-Style C-Boston Harbor Bracket-AL-AB-TT-Black Pri	$9.97	$11.19
MW-LT Pole-25' MH-Style C-Boston Harbor Bracket-AL-AB-TT-Black Pri	$24.73	Discontinued
MW-LT Pole 12 Ft MH Style D Alum Breakaway Anchor Base TT Black Pri	$9.21	$10.34
MW-Light Pole-12' MH-Style E-Alum-Anchor Base-Top Tenon-Black	$9.30	Discontinued
MW-Light Pole-12' MH-Style F-Alum-Anchor Base-Top Tenon-Black Pri	$9.96	$11.18
MW-15210-Galleria Anchor Base-20FT Bronze Steel-OLE	$8.32	Discontinued
MW-15210-Galleria Anchor Base-30FT Bronze Steel-OLE	$9.84	Discontinued

NOTICE

MW-15210-Galleria Anchor Base-35FT Bronze Steel-OLE	$28.29	Discontinued
MW-15310-35FT MH Aluminum Direct Embedded Pole-OLE	$15.74	Discontinued
MW-15320-30FT Mounting Height Aluminum Anchor Base Pole-OLE	$12.13	Discontinued
MW-15320-35FT Mounting Height Aluminum Anchor Base Pole-OLE	$11.80	Discontinued
MW-15320-40FT Mounting Height Aluminum Anchor Base Pole-OLE	$14.59	Discontinued
MW-POLE-30-7	$5.77	Discontinued
MW-POLE-35-5	$6.27	Discontinued
MW-POLE-40-4	$9.44	Discontinued
MW-POLE-45-4	$9.79	Discontinued
15' Style A - Fluted - for Shroud - Aluminum Direct Buried Pole	N/A	$5.08
20' Style A - Fluted - for Shroud - Aluminum Direct Buried Pole	N/A	$5.66
15' Style A - Smooth - for Shroud - Aluminum Direct Buried Pole	N/A	$3.35
20' Style A - Smooth - for Shroud - Aluminum Direct Buried Pole	N/A	$5.22
Shroud - Standard Style for anchor base poles	N/A	$2.45
Shroud - Style B Pole for smooth and fluted poles	N/A	$2.30
Shroud - Style C Pole for smooth and fluted poles	N/A	$2.21
Shroud - Style D Pole for smooth and fluted poles	N/A	$2.38

POLE FOUNDATION

Description	Current Charge	Proposed Charge
Flush - Pre-fabricated - Style A Pole	N/A	$10.33
Flush - Pre-fabricated - Style B Pole	N/A	$9.31
Flush - Pre-fabricated - Style C Pole	N/A	$10.94
Flush - Pre-fabricated - Style E Pole	N/A	$10.33
Flush - Pre-fabricated - Style F Pole	N/A	$9.31
Flush - Pre-fabricated - Style D Pole	N/A	$9.07
Reveal - Pre-fabricated - Style A Pole	N/A	$10.97
Reveal - Pre-fabricated - Style B Pole	N/A	$11.73
Reveal - Pre-fabricated - Style C Pole	N/A	$11.72
Reveal - Pre-fabricated - Style D Pole	N/A	$11.72
Reveal - Pre-fabricated - Style E Pole	N/A	$11.72
Reveal - Pre-fabricated - Style F Pole	N/A	$10.25
Screw-in Foundation	N/A	$5.75

BRACKETS

Description	Current Charge	Proposed Charge
14 inch bracket - wood pole - side mount	N/A	$1.37
4 foot bracket - wood pole - side mount	N/A	$1.48
6 foot bracket - wood pole - side mount	N/A	$1.36
8 foot bracket - wood pole - side mount	N/A	$2.19
10 foot bracket - wood pole - side mount	N/A	$4.53
12 foot bracket - wood pole - side mount	N/A	$3.59
15 foot bracket - wood pole - side mount	N/A	$4.37
4 foot bracket - metal pole - side mount	N/A	$5.28
6 foot bracket - metal pole - side mount	N/A	$5.64
8 foot bracket - metal pole - side mount	N/A	$5.67
10 foot bracket - metal pole - side mount	N/A	$5.98
12 foot bracket - metal pole - side mount	N/A	$6.80
15 foot bracket - metal pole - side mount	N/A	$6.95
18 inch bracket - metal pole - double flood mount - top mount	N/A	$2.26
14 inch bracket - metal pole - single mount - top tenon	N/A	$1.62
14 inch bracket - metal pole - double mount - top tenon	N/A	$2.01
14 inch bracket - metal pole - triple mount - top tenon	N/A	$2.48
14 inch bracket - metal pole - quad mount - top tenon	N/A	$2.32
6 foot - metal pole - single - top tenon	N/A	$2.44
6 foot - metal pole - double - top tenon	N/A	$3.90
4 foot - Boston Harbor - top tenon	N/A	$7.94
6 foot - Boston Harbor - top tenon	N/A	$8.69
12 foot - Boston Harbor Style C pole double mount - top tenon	N/A	$15.66
4 foot - Davit arm - top tenon	N/A	$8.44
18 inch - Cobra head fixture for wood pole	N/A	$1.20
18 inch - Flood light for wood pole	N/A	$1.35

WIRING EQUIPMENT

Description	Current Charge	Proposed Charge
Secondary Pedestal (cost per unit)	N/A	$2.07
Handhole (cost per unit)	N/A	$1.72
6AL DUPLEX and Trench (cost per foot)	N/A	$0.92
6AL DUPLEX and Trench with conduit (cost per foot)	N/A	$0.96
6AL DUPLEX with existing conduit (cost per foot)	N/A	$0.89
6AL DUPLEX and Bore with conduit (cost per foot)	N/A	$1.10
6AL DUPLEX OH wire (cost per foot)	N/A	$0.88

Street Lighting Service for Non-Standard Units – Rate NSU
(Electric Tariff Sheet No. 66)

Company Owned	Lamp Watts	kW/ Unit	Annual kW/Unit	Current Rate/Unit	Proposed Rate/Unit
Boulevard units served underground					
a. 2,500 lumen Incandescent – Series	148	0.148	616	$9.42	$10.58
b. 2,500 lumen Incandescent – Multiple	189	0.189	786	$7.32	$8.22
Holophane Decorative Fixture on 17 foot fiberglass pole served underground with direct buried cable					
a. 10,000 lumen Mercury Vapor	250	0.292	1,215	$17.16	$19.26
Each increment of 25 feet of secondary wiring beyond the first 25 feet from the pole base (added to Rate/unit charge)				$0.77	$0.86
Street light units served overhead distribution					
a. 2,500 lumen Incandescent	189	0.189	786	$7.26	$8.15
b. 2,500 lumen Mercury Vapor	100	0.109	453	$6.87	$7.71
c. 21,000 lumen Mercury Vapor	400	0.460	1,914	$10.89	$12.23
Customer Owned					
Steel boulevard units served underground with limited maintenance by Company					
a. 2,500 lumen Incandescent – Series	148	0.148	616	$5.56	$6.24
b. 2,500 lumen Incandescent – Multiple	189	0.189	786	$7.07	$7.94

Street Lighting Service-Customer Owned - Rate SC
(Electric Tariff Sheet No. 68)

Base Rate

Fixture Description	Lamp Watts	kW/ Unit	Annual kW/Unit	Current Rate/Unit	Proposed Rate/Unit
Standard Fixture (Cobra Head)					
Mercury Vapor					
7,000 lumen	175	0.193	803	$4.28	$4.80
10,000 lumen	250	0.275	1,144	$5.45	$6.12
21,000 lumen	400	0.430	1,789	$7.56	$8.49
Metal Halide					
14,000 lumen	175	0.193	803	$4.28	$4.80
20,500 lumen	250	0.275	1,144	$5.45	$6.12
36,000 lumen	400	0.430	1,789	$7.56	$8.49
Sodium Vapor					
9,500 lumen	100	0.117	487	$5.15	$5.78
16,000 lumen	150	0.171	711	$5.74	$6.44
22,000 lumen	200	0.228	948	$6.31	$7.08
27,500 lumen	250	0.228	948	$6.31	$7.08
50,000 lumen	400	0.471	1,959	$8.54	$9.59
Decorative Fixture					
Mercury Vapor					
7,000 lumen (Holophane)	175	0.210	874	$5.44	$6.11
7,000 lumen (Town & Country)	175	0.205	853	$5.39	$6.05
7,000 lumen (Gas Replica)	175	0.210	874	$5.44	$6.11
7,000 lumen (Aspen)	175	0.210	874	$5.44	$6.11
Metal Halide					
14,000 lumen (Traditionaire)	175	0.205	853	$5.39	$6.05
14,000 lumen (Granville Acorn)	175	0.210	874	$5.44	$6.11
14,000 lumen (Gas Replica)	175	0.210	874	$5.44	$6.11
Sodium Vapor					
9,500 lumen (Town & Country)	100	0.117	487	$5.07	$5.69
9,500 lumen (Traditionaire)	100	0.117	487	$5.07	$5.69
9,500 lumen (Granville Acorn)	100	0.128	532	$5.29	$5.94
9,500 lumen (Rectilinear)	100	0.117	487	$5.07	$5.69
9,500 lumen (Aspen)	100	0.128	532	$5.29	$5.94
9,500 lumen (Holophane)	100	0.128	532	$5.29	$5.94
9,500 lumen (Gas Replica)	100	0.128	532	$5.29	$5.94
22,000 lumen (Rectilinear)	200	0.246	1,023	$6.68	$7.50
50,000 lumen (Rectilinear)	400	0.471	1,959	$8.84	$9.92

Pole Description	Pole Type	Current Rate/Pole	Proposed Rate/Pole
Wood			
30 foot	W30	$ 4.44	$4.98
35 foot	W35	$ 4.50	$5.05
40 foot	W40	$ 5.39	$6.05

Customer Owned and Maintained Units

The monthly kilowatt-hour usage will be mutually agreed upon between the Company and the customer. Where the average monthly usage is less than 150 kWh per point of delivery, the customer shall pay the Company, in addition to the monthly charge, the cost of providing electric service on the basis of time and material plus overhead charges. An estimate of the cost will be submitted for approval before work is carried out.

Current per kWh	Proposed per kWh
3.8305¢	4.3003¢

Street Lighting Service-Overhead Equivalent-Rate SE
(Electric Tariff Sheet No. 69)

Fixture Description	Lamp Watt	kW/Unit	Annual kWh	Current Rate/Unit	Proposed Rate/Unit
Decorative Fixtures					
Mercury Vapor					
7,000 lumen (Town & Country)	175	0.205	853	$ 7.45	$8.36
7,000 lumen (Holophane)	175	0.210	874	$ 7.48	$8.40
7,000 lumen (Gas Replica)	175	0.210	874	$ 7.48	$8.40
7,000 lumen (Aspen)	175	0.210	874	$ 7.48	$8.40
Metal Halide					
14,000 lumen (Traditionaire)	175	0.205	853	$ 7.45	$8.36
14,000 lumen (Granville Acorn)	175	0.210	874	$ 7.48	$8.40
14,000 lumen (Gas Replica)	175	0.210	874	$ 7.48	$8.40
Sodium Vapor					
9,500 lumen (Town & Country)	100	0.117	487	$ 8.12	$9.12
9,500 lumen (Holophane)	100	0.128	532	$ 8.23	$9.24
9,500 lumen (Rectilinear)	100	0.117	487	$ 8.12	$9.12
9,500 lumen (Gas Replica)	100	0.128	532	$ 8.22	$9.23
9,500 lumen (Aspen)	100	0.128	532	$ 8.22	$9.23
9,500 lumen (Traditionaire)	100	0.117	487	$ 8.12	$9.12
9,500 lumen (Granville Acorn)	100	0.128	532	$ 8.22	$9.23
22,000 lumen (Rectilinear)	200	0.246	1,023	$11.67	$13.10
50,000 lumen (Rectilinear)	400	0.471	1,959	$15.44	$17.33
50,000 lumen (Setback)	400	0.471	1,959	$15.44	$17.33

Rider PPS – Premier Power Service Rider
(Electric Tariff Sheet No. 70)

Monthly Service Payment

Current Rate
Estimated Levelized Capacity Cost + Estimated Expenses

Proposed Rate
No Proposed Rate Changes to this Rider

Rider TS – Temporary Service Rider
(Electric Tariff Sheet No. 71)

Current Rate
In addition to charges for service furnished under the applicable standard rate: Estimated unit cost of each service with supporting data to be filed with the Commission and updated annually by the utility

Proposed Rate
No Proposed Rate Changes to this Rider

Rider X – Line Extension Policy Rider
(Electric Tariff Sheet No. 72)

Current Rate:
When the estimated cost of extending the distribution lines to reach the customer's premise equals or is less than three (3) times the estimated gross annual revenue, the Company will make the extension without additional guarantee by the customer over that applicable in the rate, provided the customer establishes credit in a manner satisfactory to the Company.

When the estimated cost of extending the distribution lines to reach the customer's premise exceeds three (3) times the estimated gross annual revenue, the customer may be required to guarantee, for a period of five (5) years, a monthly bill of one (1) percent of the line extension cost for residential service and two (2) percent for non-residential service.

When the term of service or credit has not been established in a manner satisfactory to the Company, the customer may be required to advance the estimated cost of the line extension in either of the above situations. When such advance is made, the Company will refund, at the end of each year, for four (4) years, twenty-five (25) percent of the revenues received in any one year up to twenty-five (25) percent of the advance.

Proposed Rate:
There are no proposed rate changes to this rider.

Rider LM – Load Management Rider
(Electric Tariff Sheet No. 73)

Additional customer charge per installed time-of-use or interval data recorder meter

Current Rate	Proposed Rate
$5.00	No Proposed Rate Changes to this Rider

Rider AMO – Advanced Meter Opt-Out (AMO) – Residential
(Electric Tariff Sheet No. 74)

	Current Rate	Proposed Rate
One-time fee	$100.00	No Proposed Rate Changes to this Rider
Ongoing fee per month	$25.00	

Rider ESM – Environmental Surcharge Mechanism Rider
(Electric Tariff Sheet No. 76)

Environmental Surcharge Billing Factor (percent applied to total bill)

Current Rate
Adjusted jurisdictional environmental compliance plan revenue requirement/average total monthly revenue

Proposed Rate
No Proposed Rate Changes to this Rider

Rider DSMR – Demand Side Management Rate
(Electric Tariff Sheet No. 78)

	Current Rate	Proposed Rate
Home Energy Assistance Program (Residential) per month	$0.10	No Proposed Rate Changes to this Rider
Residential DSMR per kWh	0.7967¢	
Non-Residential distribution service DSMR per kWh	0.2576¢	
Non-Residential transmission service DSMR per kWh	0.0183¢	

Rider BDP – Backup Delivery Point Capacity Rider
(Electric Tariff Sheet No. 79)

Current Rate:

1. Connection Fee
   The Connection Fee applies only if an additional metering point is required and will be based on customer's most applicable rate schedule.
2. Monthly charges will be based on the unbundled distribution and/or transmission rates of the customer's most applicable rate schedule and the contracted amount of backup delivery point capacity.
3. The Customer shall also be responsible for the acceleration of costs, if any, that would not have otherwise been incurred by Company absent such request for additional delivery points. The terms of payment may be made initially or over a pre-determined term mutually agreeable to Company and Customers that shall not exceed the minimum term. In each request for service under this Rider, Company engineers will conduct a thorough review of the customer's request and the circuits affected by the request. The customer's capacity needs will be weighed against the capacity available on the circuit, anticipated load growth on the circuit, and any future construction plans that may be advanced by the request.

Proposed Rate:
There are no proposed rate changes to this rider.

Fuel Adjustment Clause – Rider FAC
(Electric Tariff Sheet No. 80)

Fuel Adjustment Clause per kWh

Current Rate
Expense of fuel in second preceding month/sales in the second preceding month - $0.023837

Proposed Rate
No Proposed Rate Changes to this Rider

Rider PSM – Off-System Power Sales and Emission Allowance Sales Profit Sharing Mechanism
(Electric Tariff Sheet No. 82)

Current Rate:

Rate Group	Current Rate ($/ kWh)	Proposed Rate ($/kWh)
Rate RS, Residential Service	0.000163	
Rate DS, Service at Secondary Distribution Voltage	0.000163	No Proposed
Rate DP, Service at Primary Distribution Voltage	0.000163	Rate Changes
Rate DT, Time-of-Day Rate for Service at Distribution Voltage	0.000163	to this Rider
Rate EH, Optional Rate for Electric Space Heating	0.000163	
Rate GS-FL, General Service Rate for Small Fixed Loads	0.000163	
Rate SP, Seasonal Sports Service	0.000163	
Rate SL, Street Lighting Service	0.000163	
Rate TL, Traffic Lighting Service	0.000163	
Rate UOLS, Unmetered Outdoor Lighting	0.000163	
Rate NSU, Street Lighting Service for Non-Standard Units	0.000163	
Rate SC, Street Lighting Service – Customer Owned	0.000163	
Rate SE, Street Lighting Service – Overhead Equivalent	0.000163	
Rate LED, LED Street Lighting Service	0.000163	
Rate TT, Time-of-Day Rate for Service at Transmission Voltage	0.000163	
Other	0.000163	

Rider BR – Brown Field Development Rider
(Electric Tariff Sheet No. 85)

	Current Discount	Proposed Discount
Discount to Demand Charge		
First 12-month period	50%	No Proposed Rate
Second 12-month period	40%	Changes to this Rider
Third 12-month period	30%	
Fourth 12-month period	20%	
Fifth 12-month period	10%	

Rider DIR – Development Incentive Rider
(Electric Tariff Sheet No. 86)

	Current Discount	Proposed Discount
Discount to Total Bill excluding riders	Up to 50% for 1 year	No Proposed Rate Changes to this Rider

Rider GP – Duke Energy's GoGREEN Kentucky Green Power / Carbon Offset Rider
(Electric Tariff Sheet No. 88)

	Current Rate	Proposed Rate
Green Power rate per 100-kWh block	$1.00	No Proposed Rate Changes to this Rider

Rider NM – Net Metering
(Electric Tariff Sheet No. 89)

Current Rate:
AVAILABILITY
Net Metering is available to eligible customer-generators in the Company's service territory, upon request, and on a first-come, first-served basis up to a cumulative capacity of 1% of the Company's single hour peak load in Kentucky during the previous year.

Proposed Rate:
There are no proposed rate changes to this rider.

Bad Check Charge
(Electric Tariff Sheet No. 90)

	Current Rate	Proposed Rate
Bad Check Fee	$11.00	No Proposed Rate Changes to this Rider

Charge for Reconnection of Service
(Electric Tariff Sheet No. 91)

	Current Rate	Proposed Rate
Reconnections that can be accomplished remotely	$3.45	$5.88
Reconnections that cannot be accomplished remotely	$75	$60
Equipment tampering penalty (Residential)	Estimated Energy Used	$200 + Estimated Energy Used
Equipment tampering penalty (Non-Residential)	Estimated Energy Used	$1,000 + Estimated Energy Used
Reconnect Gas & Electric at same time	$88	Discontinued
Reconnection at the pole	$125	$125
Reconnection at the pole at same time as Gas Service	$150	Discontinued
After-hours charge	$25	$40
Field visit collection charge	$50	$60

Charge for Reconnection of Service
(Gas Tariff Sheet No. 81)

	Current Rate	Proposed Rate
Equipment tampering penalty (Residential)	Estimated Gas Used	$200 + Estimated Gas Used
Equipment tampering penalty (Non-Residential)	Estimated Gas Used	$1,000 + Estimated Gas Used
Reconnect Gas & Electric at same time	$88	Discontinued
Reconnection at the pole at same time as Gas Service	$150	Discontinued

NOTICE

Distribution Pole Attachments – Rate DPA
(Electric Tariff Sheet No. 92)

	Current Rate	Proposed Rate
Two-user pole annual rental per foot	$5.92	$8.76
Three-user pole annual rental per foot	$4.95	$7.40

Cogeneration and Small Power Production Sale and Purchase – 100 kW or less (Electric Tariff Sheet No. 93)

	Current Rate	Proposed Rate
Energy Purchase Rate per kWh	2.7645¢	3.2038¢
Capacity Purchase Rate per kW per month	$3.47	$4.00

Cogeneration and Small Power Production Sale and Purchase – Greater than 100 kW (Electric Tariff Sheet No. 94)

	Current Rate	Proposed Rate
Energy Purchase Rate per kWh	PJM Real-Time Locational Marginal Price	PJM Real-Time Locational Marginal Price
Capacity Purchase Rate per kW per month	$3.47	$4.00

Real Time Pricing Program – Rate RTP
(Electric Tariff Sheet No. 99)

	Current Rate	Proposed Rate
Energy Delivery Charge (Credit) per kWh from Customer Base Load		
Secondary Service	0.9104¢	1.8391¢
Primary Service	0.7850¢	1.5184¢
Transmission Service	0.3576¢	0.6602¢
Program Charge per billing period	$183.00	$183.00

Duke Energy Kentucky proposes the following new rate schedule, Rate GSA, Green Source Advantage.

Rider GSA – Green Source Advantage
(Electric Tariff Sheet No. 87)

Proposed Rate:

An amount computed under the GSA Customer's(s') primary rate schedule including applicable riders plus the sum of (1) the GSA Product Charge, (2) the GSA Bill Credit, and (3) the GSA Administrative Charge.

1. GSA Product Charge – The GSA Product Charge shall be equal to the negotiated price ($/kWh). The monthly GSA Product Charge shall be determined by multiplying the Negotiated Price times the energy produced by the GSA Facility during the billing period. These funds will be collected by Company and distributed to the renewable energy facility owner.

2. GSA Bill Credit – The GSA Bill Credit is the sum of all PJM credits and charges received by the GSA Facility owner.

3. GSA Monthly Administrative Charge – will be $375 per bill.

The foregoing rates reflect a proposed increase in electric revenues of approximately $45,634,448 or 12.54% over current total electric revenues to Duke Energy Kentucky. The estimated amount of increase per customer class is as follows:

	Total Increase ($)	Total Increase (%)
Rate RS – Residential Service:	$23,311,832	16.3%
Rate DS – Service at Distribution Voltage	$11,262,263	10.5%
Rate DT-Time-of-Day Rate for Service at Distribution Voltage	$9,171,824	10.1%
Rate EH – Optional Rate for Electric Space Heating	$75,363	10.6%
Rate SP – Seasonal Sports Service	$3,757	10.6%
Rate GS-FL – General Service Rate for Small Fixed Loads	$72,368	10.6%
Rate DP – Service at Primary Distribution Voltage	$185,391	11.5%
Rate TT, Time-of-Day Rate for Service at Transmission Voltage	$1,126,489	7.5%
Rate SL – Street Lighting Service	$164,202	10.7%
Rate TL – Traffic Lighting Service	$8,903	11.1%
Rate UOLS – Unmetered Outdoor Lighting Electric Service	$22,269	11.3%
Rate NSU – Street Lighting Service for Non-Standard Units	$8,450	10.6%
Rate SC – Street Lighting Service – Customer Owned	$459	11.3%
Rate SE – Street Lighting Service – Overhead Equivalent	$24,124	10.6%
Rate RTP – Experimental Real Time Pricing Program	$66,330	10.2%
Interdepartmental	$7,377	12.5%
Special Contracts	$2,113	12.5%
Reconnection Charges	$16,138	35.4%
Rate DPA – Pole and Line Attachments	$104,796	48.7%

The average monthly bill for each customer class to which the proposed rates will apply will increase approximately as follows:

	Average kWh/Bill	Monthly Increase ($)	Percent Increase (%)
Rate RS – Residential Service:	941	$14.88	16.3%
Rate DS – Service at Distribution Voltage	6,963	$85.43	10.3%
Rate DT-Time-of-Day Rate for Service at Distribution Voltage	502,259	$3,511.02	9.9%
Rate EH – Optional Rate for Electric Space Heating	19,383	$156.21	10.4%
Rate SP – Seasonal Sports Service	1,542	$20.87	10.1%
Rate GS-FL – General Service Rate for Small Fixed Loads	544	$6.54	10.1%
Rate DP – Service at Primary Distribution Voltage	164,677	$2,051.02	11.4%
Rate TT, Time-of-Day Rate for Service at Transmission Voltage	1,478,731	$8,006.64	7.5%
Rate SL – Street Lighting Service *	78	$1.21	10.6%
Rate TL – Traffic Lighting Service *	15	$0.09	10.7%
Rate UOLS – Unmetered Outdoor Lighting Electric Service *	53	$0.25	11.4%
Rate NSU – Street Lighting Service for Non-Standard Units*	49	$0.92	10.6%
Rate SC – Street Lighting Service – Customer Owned *	47	$0.23	11.7%
Rate SE – Street Lighting Service – Overhead Equivalent *	60	$0.97	10.7%
Rate RTP – Experimental Real Time Pricing Program	201,362	$1,658.65	8.4%
Interdepartmental	N/A	$614.75	12.5%
Special Contracts	2,667	$16.01	12.5%
Reconnection Charges	N/A	$0.00	0.0%
Rate DPA – Pole and Line Attachments (per attachment)	N/A	$0.22	48.7%

*For lighting schedules, values represent average monthly kWh usage per fixture.

The rates contained in this notice are the rates proposed by Duke Energy Kentucky; however, the Kentucky Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice. Such action may result in rates for consumers other than the rates in this notice.

Any corporation, association, body politic or person with a substantial interest in the matter may, by written request within thirty (30) days after publication of this notice of the proposed rate changes, request leave to intervene; intervention may be granted beyond the thirty (30) day period for good cause shown. Such motion shall be submitted to the Kentucky Public Service Commission, P. O. Box 615, 211 Sower Boulevard, Frankfort, Kentucky 40602-0615, and shall set forth the grounds for the request including the status and interest of the party. If the Commission does not receive a written request for intervention within thirty (30) days of the initial publication, the Commission may take final action on the application.

Intervenors may obtain copies of the application and other filings made by the Company by requesting same through email at DEKInquiries@duke-energy.com or by telephone at (513) 287-4366. A copy of the application and other filings made by the Company is available for public inspection through the Commission's website at http://psc.ky.gov, at the Commission's office at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. To 4:30 p.m., and at the following Company offices: 1262 Cox Road, Erlanger, Kentucky 41018. Comments regarding the application may be submitted to the Public Service Commission through its website or by mail at the following Commission address.

For further information contact:

PUBLIC SERVICE COMMISSION
COMMONWEALTH OF KENTUCKY
P. O. BOX 615
211 SOWER BOULEVARD
FRANKFORT, KENTUCKY 40602-0615
(502) 564-3940

DUKE ENERGY KENTUCKY
1262 COX ROAD
ERLANGER, KENTUCKY 41018
(513) 287-4366

List of Newspapers in Duke Energy Kentucky Territory

Campbell County Recorder
Covington Kentucky Enquirer
Falmouth Outlook
Kenton County Recorder
Warsaw Gallatin County News
Williamstown Grant County News

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807 KAR 5:001, SECTION 16(2)

Description of Filing Requirement:

Notice of intent. A utility with gross annual revenues greater than $5,000,000 shall notify the commission in writing of its intent to file a rate application at least thirty (30) days, but not more than sixty (60) days, prior to filing its application.

(a) The notice of intent shall state if the rate application will be supported by a historical test period or a fully forecasted test period.

(b) Upon filing the notice of intent, an application may be made to the commission for permission to use an abbreviated form of newspaper notice of proposed rate increases provided the notice includes a coupon that may be used to obtain a copy from the applicant of the full schedule of increases or rate changes.

(c) Upon filing the notice of intent with the commission, the applicant shall mail to the Attorney General's Office of Rate Intervention a copy of the notice of intent or send by electronic mail in a portable document format, to rateintervention@ag.ky.gov.

Response:

See Duke Energy Kentucky's response to Filing Requirement KRS 278.180 [Tab 1].

Sponsoring Witness: Amy B. Spiller

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 16(3)

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807 KAR 5:001, SECTION 16(3)

Description of Filing Requirement:

Notice given pursuant to Section 17 of this administrative regulation shall satisfy the requirements of 807 KAR 5:051, Section 2.

Response:

Notice given pursuant to 807 KAR 5:001, Section 17 satisfies the requirements of 807 KAR 5:051, Section 2. A copy of the customer notice is attached in response to Filing Requirement, 807 KAR 5:001, Section 16(1)(b)(5) [Tab 12].

Sponsoring Witness: Amy B. Spiller

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 16(6)(a)

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807 KAR 5:001, SECTION 16(6)(a)

Description of Filing Requirement:

The financial data for the forecasted period shall be presented in the form of pro forma adjustments to the base period.

Response:

See Schedules D-2.1 through D-2.15 located in Schedule Book.

Witness Responsible: Christopher M. Jacobi

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 16(6)(b)

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807 KAR 5:001, SECTION 16(6)(b)

Description of Filing Requirement:

Forecasted adjustments shall be limited to the twelve (12) months immediately following the suspension period.

Response:

See Schedules D-2.16 through D-2.31 for adjustments to the forecasted period located in Schedule Book. These adjustments are limited to the twelve (12) months immediately following the suspension period.

Witness Responsible:

Christopher M. Jacobi – Schedule D-2.16
Sarah E. Lawler – Schedules D-2.17 thru D-2.23, D-2.25 thru D-2.31
Melissa B. Abernathy – Schedule D-2.24

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 16(6)(c)

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807 KAR 5:001, SECTION 16(6)(c)

Description of Filing Requirement:

Capitalization and net investment rate base shall be based on a thirteen (13) month average for the forecasted period.

Response:

Capitalization and Net Investment Rate Base for the Forecasted Period are based on a thirteen-month average.

Witness Responsible: Sarah E. Lawler

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 16(6)(d)

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807 KAR 5:001, SECTION 16(6)(d)

Description of Filing Requirement:

After an application based on a forecasted test period is filed, there shall be no revisions to the forecast, except for the correction of mathematical errors, unless the revisions reflect statutory or regulatory enactments that could not, with reasonable diligence, have been included in the forecast on the date it was filed. There shall be no revisions filed within thirty (30) days of a scheduled hearing on the rate application.

Response:

The Company will comply with this requirement.

Witness Responsible: Christopher M. Jacobi

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 16(6)(e)

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807 KAR 5:001, SECTION 16(6)(e)

Description of Filing Requirement:

The commission may require the utility to prepare an alternative forecast based on a reasonable number of changes in the variables, assumptions, and other factors used as the basis for the utility's forecast.

Response:

The Company will prepare an alternative forecast if requested by the Commission.

Witness Responsible: Christopher M. Jacobi

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 16(6)(f)

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807 KAR 5:001, SECTION 16(6)(f)

Description of Filing Requirement:

The utility shall provide a reconciliation of the rate base and capital use to determine its revenue requirements.

Response:

See attached.

Witness Responsible: Sarah E. Lawler

DUKE ENERGY KENTUCKY, INC.
CASE NO. 2019-00271
RECONCILIATION OF CAPITALIZATION AND RATE BASE
THIRTEEN MONTH AVERAGE BALANCE ENDING MARCH 31, 2021

FR 16(6)(f) Forecast Period
PAGE 1 OF 5
WITNESS RESPONSIBLE:
S. E. LAWLER

Line No.	Description	Source	Amount
1	Capitalization Allocated to Electric Operations	Page 2 of 5	1,048,999,655
2	Adjustments to Plant in Service	Sch. B-2.2 & B-3.1	(99,181,994)
3	Assets per Books not included in Rate Base:		
4	Other Property and Investments	Schedule B-8	(5,960,925)
5	CWIP	Sch. B-4	(60,274,377)
6	Cash	Schedule B-8	(3,527,306)
7	Other Current Assets	Schedule B-8	(25,997,905)
8	Other Regulatory Assets	Schedule B-8	(102,820,241)
9	Other Deferred Debits	Schedule B-8	(7,700,553)
10	Subtotal		(206,281,307)
11	Liabilities per Books not included in Rate Base:		
12	Other Current liabilities	Schedule B-8	45,724,508
13	Other Non-current liabilities	Schedule B-8	24,349,413
14	Deferred Credits	Schedule B-8	118,186,370
15	Subtotal		188,260,291
16	Items included in Rate Base:		
17	Cash Working Capital Formula	Sch.B-5	14,965,227
18	Depreciation adjustment not included in capitalization	Sch. D-2.24	2,294,047
19	Capitalization / Rate Base Differences		(2,628,099)
20	Subtotal		14,631,175
21	Total Variance		(102,571,835)
22	Electric Rate Base	Schedule B-1	946,427,820

DUKE ENERGY KENTUCKY, INC.
CASE NO. 2019-00271
RECONCILIATION OF CAPITALIZATION AND RATE BASE
THIRTEEN MONTH AVERAGE BALANCE ENDING MARCH 31, 2021

FR 16(6)(f) Forecast Period
PAGE 2 OF 5
WITNESS RESPONSIBLE:
S. E. LAWLER

Line No.	Description		Capitalization Total	Electric
1	Total Forecasted Period Capitalization	(1)	1,449,897,246	
2				
3	Less: Gas Non-jurisdictional Rate Base	(2)	5,796,825	
4	Electric Non-jurisdictional Rate Base	(2)	(2,047,050)	
5	Non-jurisdictional Rate Base	(2)	(24,043,249)	
6				
7	Jurisdictional Capitalization		1,470,190,720	
8				
9	Electric Jurisdictional Rate Base Allocation %	(2)	71.146%	1,045,981,890
10				
11	Plus: Jurisdictional Electric ITC	(3)		3,017,765
12				
13	Total Allocated Capitalization			1,048,999,655

Notes:
(1) Schedule J-1, page 1.
(2) Page 3 of 5.
(3) Schedule B-6, page 1.

DUKE ENERGY KENTUCKY, INC.
CASE NO. 2019-00271
RECONCILIATION OF CAPITALIZATION AND RATE BASE
THIRTEEN MONTH AVERAGE BALANCE ENDING MARCH 31, 2021

FR 16(6)(f) Forecast Period
PAGE 3 OF 5
WITNESS RESPONSIBLE:
S. E. LAWLER

Line No.	Description	Schedule Reference	Total Company	Gas Excl. of Facilities Devoted to Other Than DE-Kentucky Custs.	Gas Non-Juris.	Electric Jurisdictional	Electric Non-Juris.	Non-Jurisdictional
1	Total Utility Plant in Service (Accts 101 & 106) (B)	Sch B-2, (D)	2,619,964,546	658,273,526	12,331,190	1,949,359,830	0	0
2								
3	Additions:							
4	Construction Work in Progress (Account 107)	Sch B-4, (D)	86,786,984	26,512,607		60,274,377	0	0
5								
6	Fuel Inventory	Sch B-5	19,518,014	0	0	19,518,014	0	0
7								
8	Materials & Supplies -							
9	Propane Inventory (Account 151) (B)	WPB-5.1b	3,659,201	1,309,994	2,349,207	0	0	0
10	Other Material and Supplies (Accts. 154 & 163) (B)	WPB-5.1c	19,464,929	705,680	0	18,759,249	0	0
11	Total Materials & Supplies		23,124,130	2,015,674	2,349,207	18,759,249	0	0
12								
13	Gas Stored Underground (Account 164) (B)	WPB-5.1f	2,239,894	2,239,894	0	0	0	0
14								
15	Prepayments (Account 165) (B)	WPB-5.1e	1,398,146	57,291	134,102	236,038	970,715	0
16								
17	Emission Allowances (Account 158)	WPB-5.1i	0	0	0	0	0	0
18								
19	Cash Working Capital Allowance	WPB-5.1a	17,511,805	2,546,578	0	14,965,227	0	0
20								
21	Other Rate Base Items	WPF-6a	1,128,554	179,866	0	948,688	0	0
22	Total Additions		151,707,527	33,551,910	2,483,309	114,701,593	970,715	0
23								
24	Deductions:							
25	Reserve for Accumulated Depreciation (Acct 108) (B)	Sch B-3.2, (D)	984,715,341	183,825,230	7,747,274	793,142,837 (A)	0	0
26								
27	Accum. Deferred Income Taxes (Accts 190, 282, & 283) (B)	Sch B-6, WPB-6a	289,556,862	65,428,387	574,746 (C)	199,510,480	0	24,043,249
28								
29	Customer Advances for Construction (Account 252)	WPB-6a	1,593,310	1,593,310	0	0	0	0
30								
31	Total Regulatory Liability - Excess Deferred Taxes	Sch B-6	96,106,293	32,238,133	312,710 (C)	63,555,450	0	0
32								
33	Investment Tax Credits	Sch B-6	3,400,709	0	382,944	0	3,017,765	0
34	Total Deductions		1,375,372,515	283,085,060	9,017,674	1,056,208,767	3,017,765	24,043,249
35								
36	Net Original Cost Rate Base		1,396,299,558	408,740,376	5,796,825	1,007,852,656	(2,047,050)	(24,043,249)
37								
38	Jurisdictional Rate Base Ratio		100.000%	29.273%	0.415%	72.180%	-0.147%	-1.722%
39								
40	Jurisdictional Rate Base Ratio - Excluding Non-Jurisdictional		100.000%	28.854%		71.146%		

Notes:
(A) Does not include depreciation annualization adjustment per Commission precedent.
(B) Adjusted for non-jurisdictional gas plant.
(C) FR 16(6)(f), page 4.
(D) Company records.

DUKE ENERGY KENTUCKY, INC.
CASE NO. 2019-00271
RECONCILIATION OF CAPITALIZATION AND RATE BASE
THIRTEEN MONTH AVERAGE BALANCE ENDING MARCH 31, 2021

FR 16(6)(f) Forecast Period
PAGE 4 OF 5
WITNESS RESPONSIBLE:
S. E. LAWLER

LINE NO.	Description	WPB-6b	Allocation % (A)	To Be Eliminated (Col. 1 * Col. 2)
		(1)	(2)	(3)
1	Investment Tax Credit - 3%	0	0.97%	0
2	Liberalized Depreciation	(59,252,186)	0.97%	(574,746)
3	Excess Deferred Taxes	(32,238,133)	0.97%	(312,710)

(A) Ratio of Gas Plant Devoted to Other Than Duke Energy Kentucky Customers to Total Plant.

DUKE ENERGY KENTUCKY, INC.
ELECTRIC DEPARTMENT
CASE NO. 2019-00271
COMPUTATION OF RATIO OF PLANT DEVOTED TO OTHER THAN
DE-KENTUCKY CUSTOMERS TO TOTAL PLANT FOR ELIMINATION PURPOSES
AS OF MARCH 31, 2021

FR 16(6)(f) Forecast Period
PAGE 5 OF 5
WITNESS RESPONSIBLE:
S. E. LAWLER

LINE NO.	Description			Amount (1)
1	Total Net Gas Plant before Adjustment			
2	of Facilities Devoted to Other	Original Cost	$	658,273,526
3	Than DE-Kentucky Customers	Accum Depr.		183,825,230
4		Net Plant	$	474,448,296
5				
6	Total Net Gas Plant Devoted to	Original Cost	$	12,331,190
7	Other Than DE-Kentucky Customers	Accum Depr.		7,747,274
8		Net Plant	$	4,583,916
9				
10				
11	Ratio of Plant Devoted to Other Than			
12	DE-Kentucky Customers to Total Plant (Line 8 / Line 4)			0.97%

(1) Company Records.

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 16(7)(a)

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807 KAR 5:001, SECTION 16(7)(a)

Description of Filing Requirement:

The written testimony of each witness the utility proposes to use to support its application, which shall include testimony from the utility's chief officer in charge of Kentucky operations on the existing programs to achieve improvements in efficiency and productivity, including an explanation of the purpose of the program.

Response:

All testimony is provided under separate cover. Also, please see the Direct Testimony of Amy B. Spiller, Duke Energy Kentucky's chief officer in charge of operations, for an overview discussion of efficiency and productivity improvements.

Sponsoring Witness: All Witnesses

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 16(7)(b)

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807 KAR 5:001, SECTION 16(7)(b)

Description of Filing Requirement:

The utility's most recent capital construction budget containing at minimum a three (3) year forecast of construction expenditures.

Response:

See attached.

Sponsoring Witnesses:

Christopher M. Jacobi
Ash M. Norton
James Michael Mosley

Duke Energy Kentucky, Inc.
Case No. 2019-00271
Capital Expenditure Budget
Years 2019 - 2021

Line No.	Project ID/Description	CWIP Balance @ 12/31/18	includes AFUDC Projected Expenditures 2019	2020	2021
1	NORMAL RECURRING CONSTRUCTION	37,148,137	108,677,974	90,231,281	74,339,071
2	EB021409 - U2 Lime Injection System	0	10,267,446	0	0
3	Woodsdale - New Generation	0	0	17,225,732	59,782,306
4	WDC00004 - Install Fuel Oil System (Woodsdale)	39,176,273	16,173,676	0	0
5	Battery Storage Facility	0	0	8,154,157	0
6	Solar Generation Facility	0	0	0	30,589,723
7	M180077 - Aero Transmission Supply	24,345	7,521,371	18,274,172	0
8	DKY2016 - Donaldson Substation	0	8,937,501	0	0
9	TOTAL	76,348,755	151,577,968	133,885,341	164,711,100

Note: Excludes projects being recovered in the Company's Rider ESM filings

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 16(7)(c)

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807 KAR 5:001, SECTION 16(7)(c)

Description of Filing Requirement:

A complete description, which may be filed in written testimony form, of all factors used in preparing the utility's forecast period. All econometric models, variables, assumptions, escalation factors, contingency provisions, and changes in activity levels shall be quantified, explained, and properly supported.

Response:

Attached are a copy of the Budget Guidelines for 2019 and a summary of the assumptions that were used in developing the projected data in the base and forecasted test periods. Descriptions of the factors used in preparing the forecasted test period are also incorporated in each witness' pre-filed testimony.

Sponsoring Witness: Christopher M. Jacobi

DUKE ENERGY®

2019-2020

BUDGET GUIDELINES AND ASSUMPTIONS

Duke Energy - Corporate Version No: 1.2 - Last Update: 07/02/2018

Business Confidential & Proprietary

Table of Contents

1.0 GENERAL GUIDELINES FOR THE 2019-2020 BUDGET

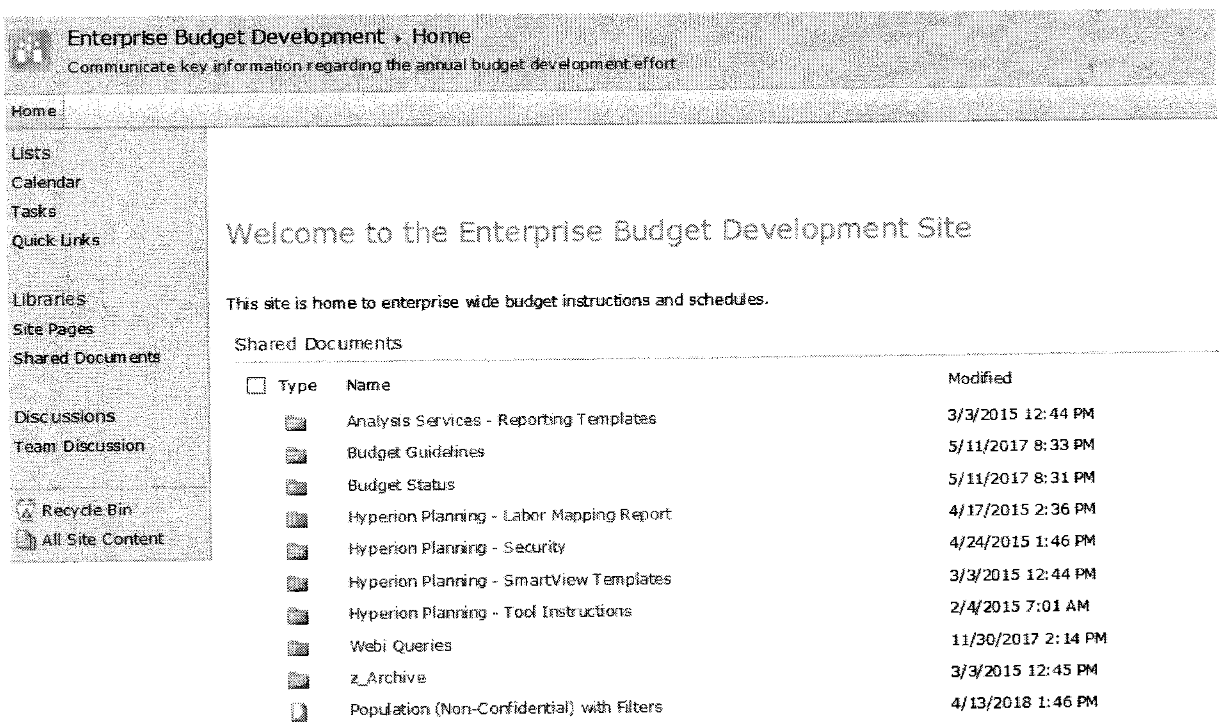
All guidance contained in this document is based on the best available information as of the published date. The contents and guidance are subject to change as business circumstances require.

1.1 Key Changes for 2019-2020 Budgeting

- Use of the worker cost cube is required for headcount. Note, headcount should include interns, temps, and workers on short-term disability, but not workers on long-term disability.
- The budget calendar has been updated - see section **2.0 Budget Timeline**
- Inflation and Loading rates have been updated
  - Section 3.2 Labor Inflation Rates and Labor Loading Rates
  - Section 4.3 Non-Labor Loading Rates (Stores/Freight/Handling)

1.2 Reference Material

A Budget link is available on the Finance Portal for various reference materials.
From the Portal, navigate to ***Work Related Sites → Finance.***
Locate the ***Share Point Sites*** section, then select the ***Enterprise Budget Development***
Link: Work Related Sites > Finance > SharePoint Sites > Enterprise Budget Development



1.3 Budget Requirements- Year One and Year Two

- O&M and Capital budgets for two years, will be completed during the budget cycle (2019 and 2020).
- Targets have been issued for each year
- Year two budget details should be at the same level of detail as year one to support multi-year business/financial plans and certain regulatory filings.
- There are two ways to enter Year 2 data:

- Directly in the Budgets Cube
- Ad hoc SmartView
- Feed from Copperleaf Horizons or PowerPlan LRP

- There is a separate Send to Validation form for year two
- Budget allocations steps/stats for year one will be applied to year two. Results of allocations will be available in the HUB on a one day lag.

The table below shows which scenarios are open for editing in each budget year:

Scenario	Year 1	Year 2
User Input	Open	Open
Labor Input**	Closed	Open
LRP Input*	Closed	Closed
Horizons Input*	Closed	Closed
Service Provider Input	Open	Open
Unit Cost Input**	Closed	Open
Unit Qty Input**	Closed	Open

** Year 1 and Year 2 are from external feeders (e.g., Copperleaf)*
*** Year 1 is developed in separate Hyperion Planning Cubes (e.g., Worker Cost / Labor)*

1.4 Budget Development

Budgets should be prepared on an accrual basis. This should include a focus on accurate monthly timing of budgeted costs. The goal is to reduce actual versus budget timing variances for 2019 reporting by placing budget dollars in the months the costs are expected to be spent, assuming accruals recorded based on completed work.

Costs should be directly charged to the legal entity (Duke Energy Carolinas, Duke Energy Progress, Duke Energy Ohio, etc.) benefiting from the services to the extent it is feasible.

Care should be taken to identify where affiliate transactions are occurring to ensure that Service Agreements are put in place.

1.5 Budget Systems

All 2019 and 2020 budgets (excluding PeopleSoft allocations) make their way to the Hyperion Planning Budget Tool, by direct entry or by an interface from Fossil Hydro, Gas, and Nuclear long range planning tools to Hyperion Planning (i.e., PowerPlan LRP and Copperleaf Horizons, respectively).

- Fossil Hydro will plan all capital projects and outage projects using PowerPlan LRP; users cannot modify these budgets in Hyperion Planning.
- Nuclear will plan all capital projects and non-routine O&M projects using Copperleaf Horizons; users cannot modify these budgets in Hyperion Planning.
- Gas Operations will plan all Capex in PowerPlan LRP; users cannot modify these budgets in Hyperion Planning.
- All other budgets will be entered (directly or via spreadsheet upload) to Hyperion Planning.

Monday-Sunday nights, Hyperion Planning budget data is sent to PeopleSoft for allocations / loadings, then sent to the FIHUB for reporting of "fully-loaded" budgets.

The Hyperion Planning user guide can be accessed via link or navigate to Our Company > Finance > Training & Resources > Systems & Processes > Budget & Projections > 3-User Guide > FIN2631 Budgeting and Projections Using Hyperion Planning

1.6 Other Resources

The Hyperion planning budget processing schedule can be accessed via link or navigating to: Our Company > Finance > Training & Resources > Systems & Processes > Budget & Projections > 4-Overviews.

The Hyperion planning reports DnV tools can be accessed via link or navigating to: Our Company>Finance>Finance Reports>Specific Use Reports>Hyperion Planning>DnV Errors

2.0 BUDGET TIMELINE

Below is a summary of the key dates for the 2019 and 2020 budgeting process. *Please note that the deadlines indicated are for final signoffs. All internal department reviews must be completed prior to these final signoff dates*.

These dates reflect the calendar as planned, dates and events are subject to change as business circumstances may require.

Dates	Activity
April 13	Refresh Worker Cost Data
April 16	Hyperion Planning Budget Tool opens
End of April	Financial Guidance issued
August 1	Worker Cost Data pulled for HR to develop employee benefit budget
August 10	Corporate and Shared Services @ Target and locked
August 16	Capital Budgets complete
August 22	O&M Budgets @ Target and locked
August 22	Capital templates for 2019 - 2023 due
August 27	Forecasting loads O&M into UI for 8x4v1
August 28	O&M special items templates for 2021 - 2023 due
September 19 - 21	Employee Benefits loaded
September 24 - 28	Fringe Benefit Loading Rates updated
October 2	2018 8x4v1 complete
October 5	Forecasting loads O&M into UI for 8x4v2
October 11	Budget reopens for Cash Flow changes
November 1	2018 8x4v2 complete
November 13	Corporate, Shared Services & Capital @ Target and locked
November 16	O&M Budget @ Target and locked
November 28 - December 7	Update Service Company, Commercial, and OH/KY allocations
December 12 - 13	Board Meeting
December 13 - 16	Run monthly allocations
December 17	Forecasting loads O&M/Capital into UI for 12x0
December 21	Capital templates for 2019/2020 (tied to mothly budget) due
January 24	2018 12x0 complete
January 28 - Feb 15	Forecasting loads rest of Income Statement to budget tools (HP complete Feb 7, HFM complete Feb 15)
February 8 - 9	Budget scenario marked 'Final' for AvB reporting

Notes:

Budget entry and deadlines includes 2019 and 2020 inputs

3.0 Workforce Budgeting

3.1 Labor Inflation Rates

The table below contains the preliminary wage increases that will be used to begin the 2018 budgeting process. Labor increases will be automatically applied to Worker Cost in Hyperion Planning after HR employee data is loaded. If labor budgets are loaded using the Labor Mapping cube, labor will feed in with increases layered in to the appropriate months. If labor is loaded using the Budgets Cube, be sure to budget the effects of labor increases in the appropriate months. TBD – "To Be Determined" guidance will be provided as information becomes available.

Category	Union	Date of Increase	2018 Wage Increase Est.[1]	2019 Wage Increase Est.[1]	2020 Wage Increase Est.[1]
Non-Union	n/a	March 1	3.5% *(Total compensation including merit, promotion, etc.)*	3.5% *(Total compensation including merit, promotion, etc.)*	3.5% *(Total compensation including merit, promotion, etc.)*
Non-Union	Non-represented Craft	October 1	3.0% est. TBD – Early Summer 2018	3.0% est. TBD – Early Summer 2019	3.0% est. TBD – Early Summer 2020
Union	UWUA, IUU Local 600 (Technical)[2]	April 1	2.0%	2.0%	2.0%
Union	UWUA, IUU Local 600 (Clerical/Manual)[2]	April 1	2.0%	2.0%	2.0%
Union	IBEW 1347	April 1	2.5%	2.5%	2.5%
Union	IBEW 1347-Matl Spec C, Meter Repair, Manual Techs	April 1	2.5%	2.5%	2.5%
Union	IBEW 1393[2]	May 1	3.0%	3.0%	3.0%
Union	USW 12049[2]	May 15	2.25%	2.5%	2.5%
Union	USW 5541-06[2]	May 15	2.25%	2.25%	2.25%
Union	USW 7202	October 1	3.0% est. TBD – Fall 2018	3.0% est. TBD – Fall 2019	3.0% est. TBD – Fall 2020
Union	IBEW 962	October 1	3.0% est. TBD – Fall 2018	3.0% est. TBD – Fall 2019	3.0% est. TBD – Fall 2020
Union	IBEW 962T	December 1	3.0% est. TBD – Fall 2018	3.0% est. TBD – Fall 2019	3.0% est. TBD – Fall 2020
Union	IBEW 1902 (NC/SC)	June 1	2.25%	2.25% est. TBD – Spring 2019	2.25% est. TBD – Spring 2020
Union	PPF 702 (TN)	April 1	2.5%	3.0%	3.0% est.
Union	IBEW SCU-8 Florida (Main IBEW Florida)	December	3.0% – Fall 2017 (12/5/16 – 12/3/17)	3.0% – Fall 2018 (12/4/17 – 12/2/18)	3.0% – Fall 2019
Union	IBEW SCU-8 Florida (Citrus Contract)	April	3.0% – March 2017 (3/27/18 – 3/25/19)	3.0% est – TBD March 2018	3.0% est – TBD March 2019
Union	IBEW SCU-8 Florida (Hines Energy Complex)	March	3.0% – March 2017 (3/27/18 – 3/25/19)	3.0% – March 2019 (3/26/19 – 3/24/20)	3.0% est. TBD – March 2020

Notes:
[1]*Estimates have been included where negotiations are pending. Estimates used are for budget purposes only and may not be representative of management's offer during future negotiations.*
[2]*Employees in the IBEW 1393, UWUA, and USW 12049 and 5541-06 unions receive one week of prepaid sick time in the month of January. This week of prepaid sick time is calculated by the Worker Cost Cube process in Hyperion Planning.*

3.2 Labor Loading Rates

The table below contains the preliminary labor loading rates used to begin the 2019 and 2020 budgeting process. These rates will be applied using PeopleSoft allocation processing and will be held static throughout the budgeting process. At the end of the budget cycle the rates will be updated to reflect the anticipated impact as determined by the actuarial analysis.

Labor inflation rates will be calculated using an effective escalation rate.

Category	2019 & 2020 Rate	Comments
Fringe Benefits		
DE Carolinas	24.11%	
DE Progress	23.89%	*The fringe benefits rate includes health and insurance (medical, dental, life, disability), retirement (pension, 401k), service awards, EAP costs, tuition reimbursement, and the administrative fees that go. along with those costs*
DE Florida	28.05%	
DE Indiana	30.40%	
DE Kentucky	19.38%	
DE Ohio	21.96%	
Piedmont	35.91%	
DE Commercial Power	20.36%	
DE Business Services	24.33%	
Payroll Tax	7.65%	*Only applicable to Capital*
Incentive		
DEBS	11.5%	
Other Non-Union	10.5%	
Union	3.0%	

3.3 Incentives

STPP and discretionary pool plans will be budgeted through incentive loading rates calculated at target performance. Executive stock based incentives will be budgeted in a Human Resources responsibility center (RC 8937) and allocated to operating units as appropriate. Any incentives outside the aforementioned plans should be budgeted at the responsibility center level.

3.4 Workforce Planning

Usage of the Worker Cost Cube is required for headcount. Headcount should include interns, temporary employees, and individuals on short-term disability. It should not include employees on long-term disability. HR will be provided headcount data on August 1st for their workforce planning activities, including calculation of the employee benefit budget.

When inputting vacancies and/or new positions into the worker cost cube, the job segment code should be included in the job description field. These codes can be found here: Budget Status Sharepoint>Budget Guidelines>Hyperion Guide_Job Segments.xlsx.

If you have questions regarding which Workforce Planning Segment to use, please contact your HR contact for Workforce Planning (see excel file linked above). If your HR contact is unavailable, please contact Leslie Stroupe, Workforce Planning, Leslie.stroupe@duke-energy.com.

3.5 Payroll Cycle for Exempt and Non-Exempt Employees

All exempt employees should be budgeted assuming a semi-monthly pay cycle (two payrolls per month). Non-exempt employees will continue on a bi-weekly payroll cycle.

In 2019, there will be two payrolls for all months except **March** and **August**, which will have **three pay periods**.

In 2020, there will be two payrolls for all months except **January**, **July** and **December**, which will have **three pay periods**.

Accounting will budget payroll accruals quarterly to ensure the financial statements reflect the appropriate amounts of payroll in each quarter. Below are the number of days to be accrued each quarter.

Month	2019	2020
March	7	9
June	14	16
September	8	10
December	16	4

3.6 Recruiting & Relocation Expenses

Items budgeted by HR:

Recruiting
Job Postings
Testing Fees
Service and Retirement Awards

Items budgeted by hiring organization:

Candidate Travel Expenses
Agency Fees
Staff Augmentation
Relocation Expenses
Military Leave Pay
Dependent Care and Short Term Disability Accruals*

*Accruals are established at the enterprise level as appropriate and provided to the business units to the extent they are required, per Accounting Research Group guidance.

If you have questions on Relocation & Recruiting Fees, please contact Lynsey Durham at 980-373-1655.

3.7 Education Reimbursement (Tuition Refund) Expenses

All education reimbursement will be budgeted within the employee benefit rates. No tuition refund expenses should be budgeted within the business unit budgets unless the business unit plans to exceed established limits on graduate education reimbursement.

4.0 NON-LABOR BUDGETING

4.1 Inter-company Transactions

In certain instances (e.g., sale of Accounts Receivables and Bison Insurance), O&M budget lines must identify the inter-company account such that eliminations can be determined. To specify the offsetting business unit, the Supporting Detail feature within the Budgets application in Hyperion Planning can be used in conjunction with intercompany accounts.

4.2 Rate Case and Other Regulatory Filings

Duke Energy uses the budget for rate cases or other regulatory filings in Ohio, Kentucky, Indiana, and Florida. To help provide details needed to support rate requests, please consider the following:
Budget to Accounts where actual charges will occur.
Budget to the appropriate Gas vs. Electric business units where actual charges will occur.

4.3 Non-Labor Loading Rates

The table below contains the non-labor loading rates that will be used to begin the 2019/2020 budgeting process.

Stores, Freight & Handling	Carolinas	Indiana	Ohio	Kentucky	Progress	Florida	Piedmont
Fossil Hydro Operations	17.58%	6.84%		9.80%	18.99%	9.77%	
Transmission & Distribution	11.5%	11.5%	11.0%	11.0%	10.0%	10.0%	
Gas			6%	5%			9%
Nuclear – Catawba	16.0%						
Nuclear – McGuire	16.0%						
Nuclear – Oconee	16.0%						
Nuclear - Brunswick					16.0%		
Nuclear – Harris					16.0%		
Nuclear - Robinson					16.0%		
Nuclear - Crystal River						16.0%	

4.4 Managed Print Services

In 2019 & 2020, Managed Print Services will charge business units (i.e. General Counsel, Commercial Business, etc.) based on actual or allocated usage for copier use based on negotiated price per impression. The budgeted charges include impressions only. Supplies and maintenance are included in the price per impression. Administrative Services Finance will budget on behalf of the business – using the business' responsibility centers.

Departments should continue to budget for paper in 2019 & 2020.

Print Centers (prints, binding, collateral, etc.):
Any copy/print job created at an on-site Print Center should be budgeted by the respective Business Unit. All accounting should be provided at time of order within the myChoice Print Request tool.

Wide Format Fleet Devices –(non-Imaging Center)
Based on actual usage for wide format use based on negotiated cost per square foot of paper used. The budgeted charges include impressions only. Equipment, supplies, paper, and maintenance are included in the cost per square foot.

Administrative Services Finance will budget on behalf of the business – using the business' responsibility centers. Business units no longer needs to budget for the capital cost of the equipment.

Imaging Center devices and services (prints, scans, etc.)
Any large format prints and scans created at Imaging Production Centers should be budgeted by the respective Business Unit.
If you have questions about the 2019 & 2020 Print Services budget contact Ricky Bollinger (704-382-5885)

4.5 Facility Costs

Corporate Offices
Budgeting responsibility for renovations to corporate office space in 2019 & 2020 will be handled by Real Estate, including office consolidations in 526 S Church St, the Duke Energy Center, 400 South Tryon, any regional headquarter locations in Cincinnati, Plainfield, Raleigh, St. Petersburg and North Point.

Facility Maintenance / Additions / Changes
Real Estate will budget all building maintenance costs (i.e., janitorial services, cleaning supplies, lease payments, parking, utilities, grounds maintenance) for the corporate offices and electric/gas distribution facilities (excludes operational costs such as tools, equipment used by customer, etc.). Real Estate will budget for facility infrastructure replacements (i.e. roof, air conditioning, paving, carpet). For Real Estate questions contact:

- Chris Gilb – Midwest (513) 287-1485
- Keith Stenzler – Carolinas West (336) 917-2719
- Kim Bunnell – Carolinas East (919) 546-5723
- Sam Johnson – Charlotte (704) 382-4687
- Eric Rathburn – Florida (727)-820-5094
- Kim Belk – Charlotte Piedmont (704) 382-8580

Additions or changes to facilities and grounds will be budgeted by Real Estate. A multi-year capital planning effort will address the needs from the Business Units as well as those of the Corporate areas. So that these needs are addressed during the budget process, they should be discussed with the BPRM contacts noted below. They are also available for additional pricing estimates and budget additions.

- Gary Hutcheson – Midwest
- Martha B Brown/ Cathy Smedelay-Martin – Carolinas West
- Joe Rycroft – Carolinas East
- Misty Lanham/Cathy Smedelay-Martin– Charlotte Metro
- April Harley – Florida
- Kim Belk – Charlotte Piedmont

Personnel Moves
Personnel moves that involve the movement of boxes and computers will be budgeted by the business unit unless associated with a Real Estate project. Typical rates for moves range from $75-150 for moves that occur within the same buildings, $100-175 for moves from bldg. to bldg. less than 25 miles, and $150-250 for moves greater than 25 miles. Customers requesting moves that involve reconfiguration of furniture, cubicles, keyboard trays, etc. should be budgeted within the department's budget. Note: this is a change from 2016 as these costs were budgeted by the Real Estate Group.

Substation control house and Telecommunication building facility maintenance (i.e. plumbing, roof, air conditioning) will be budgeted by Real Estate for all locations except substations locations in Ohio/Kentucky.

Lease Administration

Real Estate is responsible for the budgeting and administration of all facility and land leases. This includes both Payable and Receivable leases. Leases are budgeted and paid internally by Real Estate using Real Estates' Responsibility Center and charged to the Operating Unit and other accounting provided by the Business Unit where the facility resides.
Contact Eric Rouse (980) 373-2436 for Lease or lease administration questions.

4.6 Transportation – (Fleet Services) Costs

A direct charging process is used for costs associated with all assigned vehicles and mobile (off-road) equipment. This enables Fleet Services' customers to (1) see actual costs associated with owning their vehicle and to more appropriately show the costs associated with how a particular vehicle or piece of equipment is used in their daily work, (2) create awareness of the total costs to the company for owning and operating vehicles and equipment, and (3) provide an effective management tool to use in the decision making process regarding vehicle and equipment purchases.

The direct charging process breaks down costs by ownership, repair labor, parts, fuel, commercial repair, and other miscellaneous costs. Customers can view these breakdowns by accessing the Fleet Services' Maximo customer report "Vehicle Chargeback by Level 4." You will need to get the proper security clearance to access Fleet Services customer reports in Maximo prior to viewing this report. Contact the Help Desk and press the button for Maximo Support. Ask them to open a ticket to the Fleet Services Maximo Support Team requesting access to the Fleet Services Customer Reports. If you need further assistance in getting this access or if you have questions regarding the report, please contact Samantha Wilson (980-373-2309).

All vehicle and mobile (off-road) equipment purchases are to be coordinated through Fleet Services. Certain mobile equipment purchases may be eligible to be funded using the customer's departmental capital accounting. Please contact Mike Allison (704-382-4750) for details and how this may affect Fleet Services chargebacks to the customer.

For 2018 budgeting purposes, all assigned vehicles and mobile equipment should be budgeted to Resource Type 50000 in the appropriate business unit budgets. This can be at a departmental level or as low as each individual responsibility center. The following guidelines may be used in determining what to budget for in the upcoming year:

(1) Take the current YTD costs in RT 50000 (and RT 50002 for Distribution) on your financial reports and annualize them. Then go to #3 below. OR
(2) Run the Fleet Services' Maximo customer report " Vehicle Chargeback by Level 4" for the last 12 months. Take into consideration if units were added or reduced from the group or department and compare the result with (1) above. Then go to #3 below.
(3) If units are anticipated to be added in 2018 & 2019, plan on adding monies for those units. Contact the Fleet Services Customer Representative for your region to assist with determining how much to budget for these additional units (see names and contact information below).
(4) If we are in a year where fuel costs are rising significantly each month, plan on adding a slight inflation factor to your costs in order to account for this increase in fuel costs. If unsure, please contact Fleet Services for guidance on this issue.

It is essential that adequate dollars are budgeted for the vehicles and equipment assigned to your group/department as Fleet Services does not budget these dollars for you. If you need assistance with how to calculate the Fleet Services' costs for your group/department, please contact any of the following Fleet Services representatives:

Region	Contact	Phone	Email
Carolinas	Greg Sites	704-382-2320	Gregory.Sites@duke-energy.com
Florida	Jerry Shelley	407-942-9470	Jerry.Shelley@duke-energy.com
Midwest	Cory Zimmerman	317-838-2226	Cory.Zimmerman@duke-energy.com

If you need further assistance in getting this access or if you have questions regarding the reports, please contact Samantha Wilson (980-373-2309).

4.7 Parking Costs for Company Owned Vehicles

Each Business Unit is responsible for budgeting monthly parking costs for their company owned vehicles. The accounting below should be used to process parking costs for company owned vehicles that are parked at company owned parking facilities (Mint Street, Ohio Regional Headquarters, Florida Regional Headquarters, etc:)

Code block Element	What to charge
Responsibility Center	Business Unit Responsibility Center
Operating Unit	Business Unit Operating Unit
Process	PARK
Resource Type	69500
Account	0417007

Please contact your financial support contact for the appropriate parking accounting for non-company owned parking facilities.

4.8 Postage, Courier Services and Freight Logistics

The Administrative Services - Distribution Services group budgets for postage for routine mailings from the Corporate Mail Centers. Please use the following guidelines for specific situations:

Type of Mailing Expense	Budgeted by
Customer billing and customer bill-related mailings	User organization
Marketing related mailings	User organization
Bulk or large mailings	User organization
Employee paychecks, pension checks, incentive checks	Administrative Services - Distribution Services
Daily routing business mailings processed by Distribution Services	Administrative Services - Distribution Services
All other postage, courier, and freight-related costs – Florida	User organization
All other postage, courier, and freight-related costs – other jurisdictions	Administrative Services - Distribution Services

4.9 Research Sources, Subscriptions and Book

Records Management:

- Business Units should budget for the purchase of bankers boxes that are intended for corporate records storage. These boxes can be purchased through Faison/Staples via the Portal.
- Business Units should budget for records storage deliveries if they anticipate expedited box requests such as deliveries via UPS 2nd Day Air. The Enterprise Record Center does not bill for routine, day-to-day operational costs associated with deliveries.

Corporate Library and Corporate Archives:

- Budgeted by Administrative Services – Corporate Library and Archives, contact Chris Hamrick (704-382-6413)
- For Specialized Subscriptions/Memberships which are unique to a specific organization, the Business Unit will budget for this. Chris Hamrick (704-382-6413) can be contacted for information or a cost estimate.

4.10 Information Technology Budget Guidelines

The Personal Mobile Device (PMD) program is managed out of IT Customer Services. The AirWatch Technology licenses are purchased by IT. The monthly reimbursement for approved PMD program participants is provided via the expense system, meaning these costs come out of individual manager's expense budgets.

5.0 CAPITAL BUDGETING

5.1 Capitalization Guidelines

If you have questions regarding the capitalization policies, please contact the following:

- Linda Miller for Land, Software, General Inquiries - (704) 373-2407
- Mike Mc Gee for Power Production, Renewables, Non-utility - (704) 382-8625
- Karen Brown for Power Delivery (T/D/Gas/Grid) and General Plant (704) 382-5817

To access the current Duke Energy capitalization guidelines or the Unit of Property Catalogues navigate to the following site on the Portal or click the link: Portal Home > Our Company > Policies > Finance Policies > Property, Plant & Equipment > Duke Energy Capitalization Guidelines - Consolidated

5.2 Capital Class Types / Classifications & Definitions

Capital Class Type/ Classifications' Definitions:

Capital Class Type / Classification:	Capital Class Type/ Classifications' Definitions:
Recoverable	Defined as items that are recovered outside of normal base rates that: (1) have a specific clause/rider/tracker/special tariff with immediate recovery or (2) are deemed probable for future regulatory treatment that would result in a clause/rider/tracker. Examples: DCI-DEO Rider ECRC & ECCR Clause Recovery in Florida Indiana Environmental Trackers Edwardsport Tracker
Expansion	**New Generation:** Expenditures on projects for assets expanding generation capabilities. **New Connects:** Capital expenditures to provide lighting and metered services to new customers including dollars to achieve connection and long-term capacity increases (includes new lighting installations). **Transmission Line Expansion/major modification**: to accommodate new generating facilities. **Renewables**: Would include projects adding MW, revenue producing projects, and acquisitions.
Major Projects	Includes large projects greater than $25M that are garnering AFUDC that are not in 'Recoverable' or 'Expansion', also includes strategic projects. Examples: Wholesale large replacement or retrofitting a plant. Strategic Projects (Grid)
Maintenance	Defined as capital expenditures not included in the above capital class types (Non-Recoverable, Non-Expansion, Non-Major Projects/Investments) Maintenance would generally include minimal to no AFUDC and carries regulatory lag implications.

For 2019, **For Corporate Reporting**, Corporate will continue to report on the following capital class types :

Recoverable
Expansion
Major Projects
Maintenance

If you have questions regarding the Capital Class definitions, please contact Kathy Dimoff at (704) 382-4795.

5.3 Capital Contingency

Project Management Center of Excellence standards require project teams to evaluate risks and establish, monitor, and report project contingency.

In order to increase the transparency around budgeted contingency across the Company, all business units and corporate areas are requested to separately identify contingency by budgeting those amounts using Resource Type 94008 – Contingency.

Ideally, contingency should be cash-flowed based on the timing of the identified risks and estimates with which it is associated. If the Project is early in the development stages, and the risks have not yet been defined, it is recommended that contingency be budgeted in December or in the final month of the Project if closing prior to year end. This also applies to large O&M projects subject to PMCoE standards.

6.0 Service Company Guidelines

6.1 Charging Guidance

Costs should be directly charged to the legal entity (Duke Energy Carolinas, Duke Energy Progress, Duke Energy Ohio, etc.) benefiting from the services to the extent it is feasible. Otherwise, the service company allocations should be utilized.

There are three types of service company allocation pools:

Governance – Corporate departments with accountability for the management of the overall function and respective issues within Duke Energy; responsible for the governance, compliance, oversight, control, audit, and strategic program design of corporate-wide activities. These costs are charged to a governance identified business unit.

Enterprise – Support departments providing day-to-day services to all lines of business (e.g., IT, Corporate Facilities, Accounts Payable, HR Services); the execution of the governance process which benefits all business units. These costs are driven by and support the business, but for simplification, are allocated by the service company. These costs are charged to segment business units.

Utility – Support departments providing day-to-day services to regulated utilities only. The execution of the governance process which only benefits the regulated utilities. These costs are driven by and support the utility businesses, but for simplification, are allocated by the service company. These costs are charged to regulated utility business units.

7.0 BUDGET FINANCE SUPPORT BUSINESS CONTACTS

For detailed listings of the Finance Support of Business Unit Contacts, please reference:
Our Company>Finance>Reference Materials>Contacts>Finance Business Support Representatives

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 16(7)(d)

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807 KAR 5:001, SECTION 16(7)(d)

Description of Filing Requirement:

The utility's annual and monthly budget for the twelve (12) months preceding the Filing Date, the Base Period, and Forecasted Period.

Response:

See the attached for the Company's official 2018 and 2019 operating budgets which include the 12 months preceding the Filing Date (September 2018 - August 2019) and the Base Period (December 2018 - November 2019). The requested annual budget for the 12 months of the Forecasted Test Period is provided in Schedule C-1. The monthly revenue and monthly O&M amounts are shown in Work Papers WPC-2d and WPC-2.1a, respectively. This data is comprised of Duke Energy Kentucky's 2020 annual budget and extended through March 2021 as described in the testimony of Mr. Jacobi.

Sponsoring Witness: Christopher M. Jacobi

Duke Energy Segment Reporting

DE Kentucky Electric
Dynamic Income Statement for Budget
Periodic

	Jan 2018 Budget Periodic	Feb 2018 Budget Periodic	Mar 2018 Budget Periodic	Apr 2018 Budget Periodic	May 2018 Budget Periodic	Jun 2018 Budget Periodic	Jul 2018 Budget Periodic	Aug 2018 Budget Periodic	Sep 2018 Budget Periodic	Oct 2018 Budget Periodic	Nov 2018 Budget Periodic	Dec 2018 Budget Periodic	Dec 2018 Budget YTD
Operating Revenue													
Regulated Electric	27,467,333	26,627,784	24,777,750	22,127,292	28,259,562	35,139,281	38,246,511	33,114,600	30,628,182	28,010,904	29,531,710	35,858,764	359,789,673
Non-Regulated Electric, Natural Gas and Other	36,850	36,850	36,850	36,850	36,850	36,850	36,850	36,850	36,850	36,850	36,850	36,850	442,201
Total Operating Revenues	**27,504,184**	**26,664,634**	**24,814,600**	**22,164,142**	**28,296,412**	**35,176,131**	**38,283,361**	**33,151,450**	**30,665,032**	**28,047,754**	**29,568,560**	**35,895,614**	**360,231,874**
Operating Expenses													
Fuel used in Electric Generation and Purchased Power	10,025,161	9,567,916	8,868,329	7,497,147	12,674,360	11,519,568	12,146,361	8,719,734	9,631,133	8,593,655	8,211,520	8,524,909	115,979,795
Operations, Maintenance and Other	9,740,015	9,675,321	12,250,062	12,588,033	12,544,515	10,289,459	9,947,015	10,396,379	8,864,648	9,276,303	9,794,373	11,013,991	126,380,115
Depreciation and Amortization	3,435,451	3,472,502	3,497,920	3,540,224	3,574,977	5,070,701	5,111,107	5,164,492	5,178,044	5,201,821	5,210,162	5,213,954	53,671,357
Property and Other Taxes	964,960	954,023	986,872	964,269	962,431	960,433	957,196	984,047	955,128	955,799	954,791	956,374	11,556,323
Total Operating Expenses	**24,165,588**	**23,669,763**	**25,603,184**	**24,589,673**	**29,756,283**	**27,840,161**	**28,161,679**	**25,264,653**	**24,628,953**	**24,027,578**	**24,170,846**	**25,709,228**	**307,587,590**
Operating Income	**3,338,595**	**2,994,871**	**(788,584)**	**(2,425,531)**	**(1,459,871)**	**7,335,970**	**10,121,682**	**7,886,798**	**6,036,078**	**4,020,176**	**5,397,715**	**10,186,386**	**52,644,284**
Other Income and Expenses													
71XX_OTHER_INCOME - Other Income	13,830	13,830	13,830	13,830	13,830	13,830	13,830	13,830	13,830	13,830	13,830	13,830	165,956
7311_AFUDC_OTH_DF_RT - AFUDC and Other Deferred	216,081	253,923	288,640	304,933	239,021	203,775	179,711	154,193	164,445	177,764	198,966	145,726	2,527,178
7310_INT_DIV - Interest and Dividends	1,317	1,167	1,167	1,167	1,167	1,167	1,417	1,417	1,417	1,417	1,417	1,417	15,650
7330_INTERCO_INT - Intercompany Interest Income	130,401	140,185	132,516	105,661	87,982	90,163	101,605	107,339	101,816	88,719	92,240	112,547	1,291,176
Other Income and Expenses	**361,628**	**409,105**	**436,152**	**425,591**	**341,999**	**308,935**	**296,563**	**276,779**	**281,507**	**281,729**	**306,453**	**273,521**	**3,999,961**
Earnings Before Interest Expense and Taxes	3,700,223	3,403,975	(352,432)	(1,999,940)	(1,117,872)	7,644,904	10,418,245	8,163,576	6,317,585	4,301,905	5,704,168	10,459,907	56,644,245
Interest Expense	932,280	910,154	935,291	1,123,835	1,154,620	1,235,609	1,303,512	1,285,036	1,428,640	1,385,766	1,349,994	1,425,226	14,469,964
Earnings From Continuing Operations Before Income Taxes	2,767,943	2,493,821	(1,287,723)	(3,123,775)	(2,272,492)	6,409,295	9,114,733	6,878,541	4,888,946	2,916,139	4,354,173	9,034,681	42,174,281
Income Tax Expense (Benefit) From Continuing Operations	653,626	574,267	(1,004,452)	(867,734)	(634,414)	1,936,370	1,979,500	1,417,140	980,675	403,174	763,593	1,852,232	8,053,976
Income From Continuing Operations Attributable to Duke E	**2,114,317**	**1,919,554**	**(283,271)**	**(2,256,041)**	**(1,638,078)**	**4,472,925**	**7,135,233**	**5,461,400**	**3,908,271**	**2,512,965**	**3,590,581**	**7,182,450**	**34,120,305**
Income (Loss) From Continuing Operations	**2,114,317**	**1,919,554**	**(283,271)**	**(2,256,041)**	**(1,638,078)**	**4,472,925**	**7,135,233**	**5,461,400**	**3,908,271**	**2,512,965**	**3,590,581**	**7,182,450**	**34,120,305**
Net Inc Bfr Ext and Chg in Acct. Prin.	**2,114,317**	**1,919,554**	**(283,271)**	**(2,256,041)**	**(1,638,078)**	**4,472,925**	**7,135,233**	**5,461,400**	**3,908,271**	**2,512,965**	**3,590,581**	**7,182,450**	**34,120,305**

Duke Energy Segment Reporting

DE Kentucky Electric
Dynamic Income Statement for Budget
Periodic

	Jan 2018 Budget Periodic	Feb 2018 Budget Periodic	Mar 2018 Budget Periodic	Apr 2018 Budget Periodic	May 2018 Budget Periodic	Jun 2018 Budget Periodic	Jul 2018 Budget Periodic	Aug 2018 Budget Periodic	Sep 2018 Budget Periodic	Oct 2018 Budget Periodic	Nov 2018 Budget Periodic	Dec 2018 Budget Periodic	Dec 2018 Budget YTD
Consolidated Net Income	2,114,317	1,919,554	(283,271)	(2,256,041)	(1,638,078)	4,472,925	7,135,233	5,461,400	3,908,271	2,512,965	3,590,581	7,182,450	34,120,305
Less: Net (Loss) Income Attributable to Noncontrolling Intere	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Preferred Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income Attributable to Controlling Interest	2,114,317	1,919,554	(283,271)	(2,256,041)	(1,638,078)	4,472,925	7,135,233	5,461,400	3,908,271	2,512,965	3,590,581	7,182,450	34,120,305

Duke Energy Segment Reporting

DE Kentucky Electric
Dynamic Income Statement for Budget
Periodic

KyPSC Case No. 2019-00271
FR 16(7)(d) Attachment - 2019 Budget

	Jan 2019 Budget Periodic	Feb 2019 Budget Periodic	Mar 2019 Budget Periodic	Apr 2019 Budget Periodic	May 2019 Budget Periodic	Jun 2019 Budget Periodic	Jul 2019 Budget Periodic	Aug 2019 Budget Periodic	Sep 2019 Budget Periodic	Oct 2019 Budget Periodic	Nov 2019 Budget Periodic	Dec 2019 Budget Periodic	Dec 2019 Budget YTD
Operating Revenue													
Regulated Electric	28,026,475	28,072,767	28,744,374	26,117,240	26,330,509	30,829,544	34,063,405	32,214,833	29,286,920	26,123,127	27,411,825	29,278,637	346,499,655
Non-Regulated Electric, Natural Gas and Other	5,333	5,333	5,333	5,333	5,333	5,333	5,333	5,333	5,333	5,333	5,333	5,333	64,000
Total Operating Revenues	**28,031,808**	**28,078,100**	**28,749,708**	**26,122,573**	**26,335,843**	**30,834,877**	**34,068,739**	**32,220,166**	**29,292,253**	**26,128,461**	**27,417,158**	**29,283,970**	**346,563,655**
Operating Expenses													
Fuel used in Electric Generation and Purchased Power	8,366,032	7,430,771	10,023,533	7,602,282	6,911,671	8,739,732	10,721,710	9,086,165	8,915,503	7,423,022	7,697,701	8,071,399	100,989,521
Operations, Maintenance and Other	9,864,497	9,427,444	10,272,843	10,141,678	10,985,554	10,481,132	9,805,978	10,229,307	9,893,104	10,497,926	9,457,037	13,904,494	124,960,995
Depreciation and Amortization	4,526,637	4,594,332	4,789,054	4,806,444	4,809,647	4,948,659	5,000,165	5,003,760	5,005,131	5,178,535	5,183,830	5,186,908	59,033,101
Property and Other Taxes	1,063,793	1,060,929	1,097,587	1,072,370	1,066,070	1,069,474	1,065,211	1,096,492	1,065,091	1,062,465	1,062,423	1,064,128	12,846,034
Total Operating Expenses	**23,820,960**	**22,513,475**	**26,183,018**	**23,622,774**	**23,772,941**	**25,238,997**	**26,593,064**	**25,415,725**	**24,878,829**	**24,161,948**	**23,400,991**	**28,226,929**	**297,829,651**
Operating Income	**4,210,848**	**5,564,625**	**2,566,689**	**2,499,799**	**2,562,901**	**5,595,880**	**7,475,675**	**6,804,441**	**4,413,425**	**1,966,513**	**4,016,167**	**1,057,041**	**48,734,004**
Other Income and Expenses													
71XX_OTHER_INCOME - Other Income	82,199	82,199	82,199	82,199	82,199	82,199	82,199	82,199	82,199	82,199	82,199	82,191	986,376
7311_AFUDC_OTH_DF_RT - AFUDC and Other Deferred	208,729	220,464	217,275	218,696	158,163	88,268	87,963	100,291	84,022	71,768	86,534	77,979	1,620,152
7312_DEF_RETURN -Deferred Returns	80,611	80,128	79,641	79,151	78,659	78,162	77,663	77,160	76,653	76,143	75,630	75,113	934,713
7310_INT_DIV - Interest and Dividends	7,779	1,917	1,917	1,917	1,917	1,917	2,083	2,083	2,083	2,083	2,083	2,083	29,863
7330_INTERCO_INT - Intercompany Interest Income	145,656	154,256	141,883	113,724	88,017	86,916	107,903	130,798	247,793	222,515	99,785	121,861	1,661,110
Other Income and Expenses	**524,974**	**538,963**	**522,914**	**495,687**	**408,954**	**337,461**	**357,811**	**392,532**	**492,750**	**454,708**	**346,231**	**359,228**	**5,232,214**
Earnings Before Interest Expense and Taxes	4,735,822	6,103,588	3,089,604	2,995,486	2,971,855	5,933,341	7,833,486	7,196,973	4,906,175	2,421,220	4,362,398	1,416,269	53,966,218
Interest Expense	1,366,034	1,367,836	1,401,177	1,426,072	1,448,596	1,547,976	1,574,018	1,552,659	1,943,006	1,718,786	1,642,311	1,700,979	18,689,448
Earnings From Continuing Operations Before Income Taxes	3,369,788	4,735,752	1,688,427	1,569,414	1,523,260	4,385,365	6,259,468	5,644,315	2,963,169	702,435	2,720,088	(284,710)	35,276,769
Income Tax Expense (Benefit) From Continuing Operations	401,974	750,809	(807,343)	(37,964)	(34,381)	1,387,470	1,163,626	1,007,226	338,885	(217,434)	281,788	(352,557)	3,882,097
Income From Continuing Operations Attributable to Duke E	**2,967,814**	**3,984,943**	**2,495,770**	**1,607,379**	**1,557,640**	**2,997,895**	**5,095,842**	**4,637,089**	**2,624,284**	**919,869**	**2,438,300**	**67,848**	**31,394,672**
Income (Loss) From Continuing Operations	**2,967,814**	**3,984,943**	**2,495,770**	**1,607,379**	**1,557,640**	**2,997,895**	**5,095,842**	**4,637,089**	**2,624,284**	**919,869**	**2,438,300**	**67,848**	**31,394,672**
Net Inc Bfr Ext and Chg in Acct. Prin.	**2,967,814**	**3,984,943**	**2,495,770**	**1,607,379**	**1,557,640**	**2,997,895**	**5,095,842**	**4,637,089**	**2,624,284**	**919,869**	**2,438,300**	**67,848**	**31,394,672**

Duke Energy Segment Reporting

DE Kentucky Electric
Dynamic Income Statement for Budget
Periodic

	Jan 2019 Budget Periodic	Feb 2019 Budget Periodic	Mar 2019 Budget Periodic	Apr 2019 Budget Periodic	May 2019 Budget Periodic	Jun 2019 Budget Periodic	Jul 2019 Budget Periodic	Aug 2019 Budget Periodic	Sep 2019 Budget Periodic	Oct 2019 Budget Periodic	Nov 2019 Budget Periodic	Dec 2019 Budget Periodic	Dec 2019 Budget YTD
Consolidated Net Income	2,967,814	3,984,943	2,495,770	1,607,379	1,557,640	2,997,895	5,095,842	4,637,089	2,624,284	919,869	2,438,300	67,848	31,394,672
Less: Net (Loss) Income Attributable to Noncontrolling Intere	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Preferred Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income Attributable to Controlling Interest	2,967,814	3,984,943	2,495,770	1,607,379	1,557,640	2,997,895	5,095,842	4,637,089	2,624,284	919,869	2,438,300	67,848	31,394,672

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 16(7)(e)

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807 KAR 5:001, SECTION 16(7)(e)

Description of Filing Requirement:

A statement of attestation signed by the utility's chief officer in charge of Kentucky operations which shall provide:

(1) that the forecast is reasonable, reliable, made in good faith and that all basic assumptions used in the forecast have been identified and justified;

(2) that the forecast contains the same assumptions and methodologies as used in the forecast prepared for use by management, or an identification and explanation for any differences that exist; and

(3) that productivity and efficiency gains are included in the forecast.

Response:

See attached.

Sponsoring Witness: Amy B. Spiller

AFFIDAVIT OF AMY B. SPILLER

STATE OF OHIO)
)
COUNTY OF HAMILTON)

Now comes Amy B. Spiller, President of Duke Energy Kentucky, Inc., and as required by 807 KAR 5:001, Section 16(7)(e), hereby attests as follows:

1. The forecast used in this rate application is reasonable, reliable, made in good faith, and that all basic assumptions used in the forecast have been identified and justified;
2. The forecast contains the same assumptions and methodologies as used in the forecast prepared for use by management, or an identification and explanation for any differences that exist; and
3. Productivity and efficiency gains are included in the forecast.

Further affiant sayeth naught.

Amy B. Spiller, Affiant

Sworn and subscribed before me by Amy B. Spiller on this 3rd day of September 2019.

Notary Public

My Commission Expires: July 8, 2022

NOTARY PUBLIC STATE OF OHIO

E. MINNA ROLFES-ADKINS
Notary Public, State of Ohio
My Commission Expires
July 8, 2022

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 16(7)(f)(1) through (4)

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807 KAR 5:001, SECTION 16(7)(f)(1) through (4)

Description of Filing Requirement:

For each major construction project which constitutes five (5) percent or more of the annual construction budget within the three (3) year forecast the following information shall be filed:

(1) The date the project was started or estimated starting date;

(2) The estimated completion date;

(3) The total estimated cost of construction by year exclusive and inclusive of allowance for funds used during construction ("AFUDC") or interest during construction credit; and,

(4) The most recent available total costs incurred exclusive and inclusive of AFUDC or interest during construction credit.

Response:

See attached.

Sponsoring Witness:

Christopher M. Jacobi
Ash M. Norton
James Michael Mosley

Duke Energy Kentucky, Inc.
Case No. 2019-00271
Major Construction Projects
Constituting 5% or More of Annual Budget

Line No.	Project ID/Description	Actual or Projected Start Date	Projected Completion Date	Estimated Costs Including AFUDC 2019	Estimated Costs Including AFUDC 2020	Estimated Costs Including AFUDC 2021	Estimated Costs Excluding AFUDC 2019	Estimated Costs Excluding AFUDC 2020	Estimated Costs Excluding AFUDC 2021	Actual Costs To Date incl AFUDC	Actual Costs To Date excl AFUDC
1	EB021409 - U2 Lime Injection System	1/1/2019	9/30/2019	10,267,446	0	0	9,928,948	0	0	0	0
2	Woodsdale - New Generation	1/1/2020	6/30/2022	0	17,225,732	59,782,306	0	16,750,000	56,980,000	0	0
3	WDC00004 - Install Fuel Oil System (Woodsdale)	8/1/2016	5/31/2019	16,173,676	0	0	15,296,776	0	0	39,176,273	38,694,596
4	Battery Storage Facility	1/1/2020	12/31/2020	0	8,154,157	0	0	8,017,714	0	0	0
5	Solar Generation Facility	1/1/2021	12/31/2021	0	0	30,589,723	0	0	30,077,249	0	0
6	M180077 - Aero Transmission Supply	1/1/2019	12/31/2020	7,521,371	18,274,172	0	7,389,000	17,422,000	0	24,345	24,245
7	DKY2016 - Donaldson Substation	1/1/2019	12/31/2019	8,937,501	0	0	8,691,531	0	0	0	0

Note: Excludes projects being recovered in the Company's Rider ESM filings

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 16(7)(g)

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807 KAR 5:001, SECTION 16(7)(g)

Description of Filing Requirement:

For all construction projects which constitute less than five (5) percent of the annual construction budget within the three (3) year forecast, the utility shall file an aggregate of the information requested in paragraph (f) 3 and 4 of this subsection.

Response:

See attached.

Sponsoring Witness:

Christopher M. Jacobi
Ash M. Norton
James Michael Mosley

Duke Energy Kentucky, Inc.
Case No. 2019-00271
Major Construction Projects
Constituting Less than 5% of Annual Budget

Line No.	Project ID/Description	Actual or Projected Start Date	Projected Completion Date	Estimated Costs Including AFUDC 2019	Estimated Costs Including AFUDC 2020	Estimated Costs Including AFUDC 2021	Estimated Costs Excluding AFUDC 2019	Estimated Costs Excluding AFUDC 2020	Estimated Costs Excluding AFUDC 2021	Actual Costs To Date incl AFUDC	Actual Costs To Date excl AFUDC
1	Sum of all projects not included on FR(16)(7)(f)	Various	Various	108,677,974	90,231,281	74,339,071	107,120,222	88,838,291	72,559,104	37,148,137	36,026,962

Note: Excludes projects being recovered in the Company's Rider ESM filings

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 16(7)(h)

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807 KAR 5:001, SECTION 16(7)(h)

Description of Filing Requirement:

A financial forecast corresponding to each of the three (3) forecasted years included in the capital construction budget. The financial forecast shall be supported by the underlying assumptions made in projecting the results of operations and shall include the following information:

(1) Operating income statement (exclusive of dividends per share or earnings per share);

(2) Balance sheet;

(3) Statement of cash flows;

(4) Revenue requirements necessary to support the forecasted rate of return;

(5) Load forecast including energy and demand (electric);

(6) Access line forecast (telephone);

(7) Mix of generation (electric);

(8) Mix of gas supply (gas);

(9) Employee level;

(10) Labor cost changes;

(11) Capital structure requirements;

(12) Rate base;

(13) Gallons of water projected to be sold (water);

(14) Customer forecast (gas, water);

(15) MCF sales forecasts (gas);

(16) Toll and access forecast of number of calls and number of minutes (telephone); and

(17) A detailed explanation of any other information provided, if applicable.

Response:

Items 6, 13, 16, and 17 are not applicable. For all other items, see attached.

Sponsoring Witnesses:

Christopher M. Jacobi – Items 1, 2, 3, 4, 8, 9, 10, 11, 12
Benjamin W. B. Passty – Item 5, 14, 15
John Verderame – Item 7

FR 16(7)(h)(1)

Duke Energy Kentucky, Inc.
Case No. 2019-00271
Projected Income Statement 2019-2021

Line No.	Description	2019	2020	2021
1	Operating Revenue			
2	Electric Revenue	$ 346,343,655	$ 355,939,344	$ 365,512,577
3	Gas Revenue	102,457,713	105,400,296	114,998,016
4	Other Revenue	220,000	220,000	220,000
5	Total Operating Revenue	$ 449,021,368	$ 461,559,640	$ 480,730,593
6	Operating Expenses			
7	Fuel & Purchased Power	100,989,521	105,038,204	104,907,137
8	Gas Purchased	37,989,297	36,563,101	36,210,568
9	Operation & Maintenance	143,880,699	148,222,934	152,418,780
10	Depreciation & Amortization	77,957,647	84,350,988	94,402,093
11	Taxes Other Than Income	16,373,490	18,952,252	20,793,932
12	Operating Expenses before Income Tax	$ 377,190,654	$ 393,127,479	$ 408,732,510
13	Pre-Tax Operating Income	$ 71,830,714	$ 68,432,161	$ 71,998,083
14	Other Income	6,606,762	6,764,455	7,982,690
15	Interest Expense	25,234,930	27,787,238	29,036,957
16	State Income Taxes	2,561,078	2,258,311	2,370,449
17	Federal Income Taxes	4,921,392	3,693,023	4,175,578
18	Total Income Taxes	$ 7,482,470	$ 5,951,334	$ 6,546,027
19	Income Available for Common Dividends	$ 45,720,076	$ 41,458,044	$ 44,397,789
20	Average Common Equity	$ 618,170,035	$ 686,759,091	$ 754,687,008
21	Earned Return	7.40%	6.04%	5.88%

FR 16(7)(h)(2)

Duke Energy Kentucky, Inc.
Case No. 2019-00271
Projected Balance Sheet 2019-2021

Line No.	Description	2019	2020	2021
1	**Assets**			
2	Utility plant in service	$ 2,648,073,028	$ 2,833,009,537	$ 2,934,337,154
3	Construction work in progress	72,511,860	57,197,239	121,482,486
4	Total Utility Plant	$ 2,720,584,888	$ 2,890,206,776	$ 3,055,819,640
5	Non-regulated property, plant, and equipment	2,206	2,206	2,206
6	Accumulated depreciation	998,039,952	1,035,822,676	1,076,742,701
7	Net Property, Plant, and Equipment	$ 1,722,547,142	$ 1,854,386,306	$ 1,979,079,145
8	Current Assets	96,299,374	110,354,833	102,340,064
9	Other Assets	111,899,246	104,694,630	96,027,959
10	Total Assets	$ 1,930,745,762	$ 2,069,435,769	$ 2,177,447,168
	Liabilities			
11	Total Current Liabilities	144,556,535	126,203,105	126,620,826
12	Long-term debt	634,742,876	684,923,997	735,105,117
13	Accumulated deferred income taxes	239,515,914	255,638,623	271,425,643
14	Excess deferred income taxes	123,623,361	118,543,361	113,463,361
15	Unamortized investment tax credits	3,522,114	13,092,114	17,142,114
16	Other	143,754,892	138,546,456	136,804,204
17	Total Non-Current Liabilities	$ 1,145,159,157	$ 1,210,744,551	$ 1,273,940,439
18	Total Common Stock Equity	641,030,070	732,488,113	776,885,903
19	Total Liabilities	$ 1,930,745,762	$ 2,069,435,769	$ 2,177,447,168

FR 16(7)(h)(3)

Duke Energy Kentucky, Inc.
Case No. 2019-00271
Projected Cash Flow Statement 2019-2021

Line No.	Description	2019	2020	2021
1	Net Income	$ 45,720,076	$ 41,458,044	$ 44,397,789
2	Other Operating Activities	81,712,988	90,187,736	85,319,772
3	Cash from Operating Activities	$ 127,433,064	$ 131,645,780	$ 129,717,561
4	Financing Activities			
5	Change in contributed capital	$ -	$ 50,000,000	$ -
6	Change in short-term debt	(16,040,064)	(24,115,451)	(956,259)
7	Issuance of long-term debt	210,000,000	50,000,000	50,000,000
8	Change in non-current capital leases	-	-	-
9	Redemption of long-term debt	(100,396,223)	(184,010)	-
10	Dividends on common stock	-	-	-
11	Cash from Financing Actitivies	$ 93,563,713	$ 75,700,539	$ 49,043,741
12	Investing Activities			
13	Construction Expenditures (net of AFUDC)	$ (225,713,386)	$ (192,978,712)	$ (187,634,238)
14	Acquisitions and other investments	(2,115,739)	(1,695,765)	(2,768,763)
15	Cash from Investing Actitivies	$ (227,829,125)	$ (194,674,477)	$ (190,403,001)
16	Net Increase/(Decrease) in Cash	$ (6,832,348)	$ 12,671,842	$ (11,641,699)

FR 16(7)(h)(4)

Duke Energy Kentucky, Inc.
Case No. 2019-00271
Revenue Requirements 2019-2021

Line No.	Description	2019	2020	2021
1	Rate Base	$ 973,821,457	$ 1,054,471,138	$ 1,091,074,097
2	Operating Income	$ 43,154,446	$ 40,198,187	$ 37,033,378
3	Earned Rate of Return (Line 2 / Line 1)	4.400%	3.800%	3.400%
4	Rate of Return	6.680%	6.711%	6.711%
5	Required Operating Income (Line 1 x Line 4)	$ 65,051,273	$ 70,765,558	$ 73,221,983
6	Operating Income Deficiency (Line 5 - Line 2)	$ 21,896,827	$ 30,567,371	$ 36,188,605
7	Gross Revenue Conversion Factor	1.3346139	1.3346139	1.3346139
8	Revenue Deficiency (Line 6 x Line 7)	$ 29,223,810	$ 40,795,638	$ 48,297,815

FR 16(7)(h)(5)

Duke Energy Kentucky, Inc.
Case No. 2019-00271
Load Forecast 2019-2021

Line No.	Description	2019	2020	2021
1	KW Demand - Coincident Peak			
2				
3	January	713,591	726,636	743,633
4	February	699,854	708,598	723,538
5	March	639,279	647,357	662,294
6	April	565,515	561,358	574,440
7	May	713,021	716,050	723,732
8	June	823,098	826,497	834,336
9	July	846,110	849,459	857,756
10	August	831,896	834,781	842,738
11	September	809,865	812,683	820,862
12	October	626,558	637,435	645,097
13	November	610,942	614,531	630,238
14	December	709,459	712,793	728,573
15				
16	KWH Sales			
17				
18	January	354,919,752	354,782,267	375,064,854
19	February	335,518,484	333,463,400	325,292,847
20	March	299,614,778	314,114,043	318,809,004
21	April	289,912,944	281,507,587	285,726,147
22	May	301,972,155	306,256,183	318,431,858
23	June	362,248,764	367,118,148	379,041,707
24	July	387,094,433	404,777,068	411,855,106
25	August	381,629,602	381,086,642	385,094,479
26	September	329,985,992	338,320,284	348,407,734
27	October	300,469,267	286,804,755	294,027,044
28	November	307,371,552	309,988,598	318,557,361
29	December	350,261,416	346,851,941	355,083,823

FR 16(7)(h)(7)

Duke Energy Kentucky, Inc.
Case No. 2019-00271
Mix of Generation 2019-2021

Line No.	Description	2019	2020	2021
1	Coal	3,645,519	3,181,876	3,456,881
2	Natural Gas	13,479	11,475	13,301
3	Oil	-	-	-
4	Total Generation (MWH)	3,658,998	3,193,351	3,470,182

16(7)(h)(8)

Duke Energy Kentucky, Inc.
Case No. 2019-00271
Mix of Gas Supply 2019-2021

Line No.	Description	2019	2020	2021
1	Columbia Gas Trans - No Notice	951,510	951,510	951,510
2	Undetermined	8,545,023	8,507,856	8,525,154
3	Propane - Air	68,000	68,000	68,000
4	Total Supply - MCF	9,564,533	9,527,366	9,544,664
5	Columbia Gas Trans - No Notice	$ 2,953,759	$ 2,792,003	$ 2,648,397
6	Undetermined	27,275,539	25,690,274	24,970,792
7	Propane - Air	808,119	808,119	808,119
8	Demand Costs	5,940,208	6,869,733	6,995,826
9	Total Cost	$ 36,977,625	$ 36,160,129	$ 35,423,134

FR 16(7)(h)(9)

Duke Energy Kentucky, Inc.
Case No. 2019-00271
Number of Employees 2019-2021

Line No.	Description	2019	2020	2021
1	Number of employees	176	176	176

This count includes only direct employees of Duke Energy Kentucky, Inc.

FR 16(7)(h)(10)

Duke Energy Kentucky, Inc.
Case No. 2019-00271
Labor Cost Changes 2019-2021

Line No.	Description	2019	2020	2021
1	Total Labor Costs:			
2				
3	Gas O&M Expense	$ 9,642,077	$ 9,512,480	$ 9,607,605
4	Electric O&M Expense	37,071,355	36,940,800	37,310,208
5	Total O&M	$ 46,713,432	$ 46,453,280	$ 46,917,813
6				
7	Gas Capital	$ 9,678,607	$ 10,642,246	$ 10,748,668
8	Electric Capital	18,667,332	22,583,989	22,809,829
9	Non-jurisdictional Capital	-	-	-
10	Total Capital	$ 28,345,939	$ 33,226,235	$ 33,558,497
11				
12	Total	$ 75,059,371	$ 79,679,515	$ 80,476,310

Includes benefits & incentives (direct & allocated).

FR 16(7)(h)(11)

Duke Energy Kentucky, Inc.
Case No. 2019-00271
Capital Structure Requirements 2019-2021

Line No.	Description	2019		2020		2021	
1	Common Equity	$ 641,030,070	48.034%	$ 732,488,113	48.768%	$ 776,885,903	48.659%
2	Long-term Debt	634,742,876	47.563%	684,923,997	45.600%	735,105,117	46.042%
3	Short-term Debt	58,755,530	4.403%	84,600,060	5.632%	84,600,060	5.299%
4	Total Capital	$ 1,334,528,476	100.00%	$ 1,502,012,170	100.00%	$ 1,596,591,080	100.00%

Duke Energy Kentucky, Inc.
Case No. 2019-00271
Rate Base 2019-2021

Line No.	Description	2019	2020	2021
1	Adjusted Jurisdictional Plant in Service	$ 2,006,672,847	$ 2,132,324,699	$ 2,210,290,824
2	Accumulated Depreciation and Amortization	(815,807,929)	(841,313,036)	(868,866,229)
3	Net Plant in Service (Line 1 + Line 2)	$ 1,190,864,918	$ 1,291,011,663	$ 1,341,424,595
4	Construction Work in Progress	0	0	0
5	Cash Working Capital Allowance	15,620,124	15,926,637	16,414,922
6	Other Working Capital Allowances	38,513,301	38,513,301	38,513,301
7	Other Items:			
8	Customers' Advances for Construction	0	0	0
9	Investment Tax Credits	(3,018,514)	(12,588,514)	(16,638,514)
10	Deferred Income Taxes	(187,145,088)	(201,878,666)	(216,626,923)
11	Excess Deferred Income Taxes	(81,013,284)	(76,513,284)	(72,013,284)
12	Other Rate Base Adjustments	0	0	0
13	Jurisdictional Rate Base (Line 3 through Line 11)	$ 973,821,457	$ 1,054,471,138	$ 1,091,074,097

FR 16(7)(h)(14)

Duke Energy Kentucky, Inc.
Case No. 2019-00271
Customer Forecast 2019-2021

Line No.	Description	2019	2020	2021
1	Residential	128,229	128,888	129,694
2	Commercial	13,754	13,778	13,815
3	Industrial	357	355	352
4	Other	1,432	1,443	1,459
5	Total Electric Retail	143,772	144,464	145,320
6	Residential	91,824	92,372	92,923
7	Commercial	7,020	7,061	7,104
8	Industrial	204	204	205
9	Other	365	367	369
10	Total Full Requirements	99,413	100,004	100,601
11				
12	Transportation			
13	Commercial	71	71	72
14	Industrial	37	39	39
15	Other	33	33	33
16	Total Transportation	141	143	144
17				
18	Total Gas Retail (Line 10 + Line 16)	99,554	100,147	100,745

16(7)(h)(15)

Duke Energy Kentucky, Inc.
Case No. 2019-00271
MCF Sales Forecast 2019-2021

Line No.	Description	2019	2020	2021
1	Residential	5,893,206	5,805,628	5,882,107
2	Commercial	2,886,197	2,794,582	2,753,044
3	Industrial	202,138	184,980	164,599
4	Other	332,168	326,802	319,750
5	Interdepartmental	4,317	4,313	4,317
6	Total Retail	9,318,026	9,116,305	9,123,817
7	Transportation			
8	Commercial	581,311	618,130	641,646
9	Industrial	1,644,653	1,675,124	1,679,990
10	Other	1,775,008	1,787,896	1,805,002
11	Total Transportation	4,000,972	4,081,150	4,126,638
12	Total MCF Sales	13,318,998	13,197,455	13,250,455

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 16(7)(i)

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807 KAR 5:001, SECTION 16(7)(i)

Description of Filing Requirement:

The most recent Federal Energy Regulatory Commission or Federal Communication Commission audit reports.

Response:

See attached.

Witness Responsible: Danielle L. Weatherston

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

In Reply Refer To:
Office of Enforcement
Docket No. PA14-2-000
April 1, 2016

Duke Energy Corporation
Attention: Mr. Brian D. Savoy
Senior Vice President, Chief Accounting
Officer and Controller
550 South Tryon St.
Charlotte, NC 28202

Dear Mr. Savoy:

1. The Division of Audits and Accounting (DAA) within the Office of Enforcement (OE) of the Federal Energy Regulatory Commission (Commission) has completed an audit of Duke Energy Corporation (Duke Energy) and its public utility subsidiaries. The audit covered the period from January 1, 2011 through January 31, 2016.

2. The audit evaluated Duke Energy's compliance with conditions and requirements established in Commission orders authorizing the merger of Duke Energy and Progress Energy, Inc. The audit also evaluated each Duke Energy public utility subsidiary's compliance with: (1) tariff requirements governing its transmission formula rate; (2) accounting regulations in 18 C.F.R. Part 101, Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act; and (3) financial reporting regulations in 18 C.F.R. Part 141, Statements and Reports. The enclosed audit report contains eight findings and 37 recommendations that require Duke Energy to take corrective action.

3. On March 30, 2016, you notified DAA that Duke Energy does not contest the audit report or any of its recommendations. A copy of your verbatim response is included as an appendix to this report. I hereby approve the audit report.

4. Duke Energy should submit its implementation plan to comply with the recommendations within 30 days of this letter order. Duke Energy should make quarterly submissions to DAA describing the progress made to comply with the recommendations, including the completion date for each corrective action. As directed by the audit report, these submissions should be made no later than 30 days after the end of each calendar quarter, beginning with the first quarter after this audit report is issued, and continuing until all the corrective actions are completed.

5. The Commission delegated authority to act on this matter to the Director of OE under 18 C.F.R. § 375.311 (2015). This letter order constitutes final agency action. Duke Energy may file a request for rehearing with the Commission within 30 days of the date of this order under 18 C.F.R. § 385.713 (2015).

6. This letter order is without prejudice to the Commission's right to require hereafter any adjustments it may consider proper from additional information that may come to its attention. In addition, any instance of noncompliance not addressed herein or that may occur in the future may also be subject to investigation and appropriate remedies.

7. I appreciate the courtesies extended to the auditors. If you have any questions, please contact Mr. Bryan K. Craig, Director and Chief Accountant, Division of Audits and Accounting at (202) 502-8741.

Sincerely,

Larry R. Parkinson
Director
Office of Enforcement

Enclosure

Federal Energy Regulatory Commission
Office of Enforcement
Division of Audits and Accounting

AUDIT REPORT

Audit of Duke Energy Corporation and its Public Utility Subsidiaries' Compliance with:

- Conditions in Commission Merger Authorization Orders;
- Transmission Formula Rate Tariff Requirements; and
- Accounting and Financial Reporting Regulations.

Docket No. PA14-2-000
March 29, 2016

Table of Contents

I. Executive Summary

A. Overview

The Division of Audits and Accounting (DAA) in the Office of Enforcement has completed an audit of Duke Energy Corporation (Duke Energy) and its public utility subsidiaries'[1] (collectively, Duke Companies) compliance with conditions and requirements established in Commission orders authorizing the merger of Duke Energy and Progress Energy, Inc. (Progress Energy).[2] The audit also evaluated each Duke Energy public utility subsidiary's compliance with: (1) tariff requirements governing its transmission formula rate; (2) accounting regulations in 18 C.F.R. Part 101, Uniform System of Accounts (USofA) Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act; and (3) financial reporting regulations in 18 C.F.R. Part 141, Statements and Reports. The audit covered the period January 1, 2011 through January 31, 2016.

B. Duke Energy Corporation

Duke Energy is a public utility holding company headquartered in Charlotte, NC. It is engaged in energy production, trade, transmission, and distribution through its six public utility subsidiaries that operate in the Southeast and Midwest regions of the United States. In 2014, Duke Energy was the largest electric utility in the nation. The company had 7.3 million retail electric and 500,000 natural gas customers, 32,400 miles of transmission lines, 57,500 MW of generating capacity, and total operating revenue of $23.9 billion. Its service area covered about 95,000 square miles and had an estimated population of 23 million. Regulated operations accounted for over 90 percent of the company's total revenue, and commercial power generation and international operations provided most of the remainder.

[1] The Duke Energy public utility subsidiaries are: Duke Energy Carolinas, LLC (DEC), Duke Energy Progress, LLC (DEP), Duke Energy Florida, LLC (DEF), Duke Energy Indiana, LLC (DEI), Duke Energy Ohio, Inc. (DEO), and Duke Energy Kentucky, Inc. (DEK).

[2] *Duke Energy Corp. and Progress Energy, Inc.*, 136 FERC ¶ 61,245 (2011) (Merger Order), *order on compliance*, 137 FERC ¶ 61,210 (2011), *order on compliance*, 139 FERC ¶ 61,194 (2012) (June 8 Compliance Order), *order on compliance*, 149 FERC ¶ 61,078 (2014) (October 29 Compliance Order).

C. Summary of Compliance Findings

Audit staff identified eight findings of noncompliance. Below is a summary of audit staff's compliance findings. Details are in section IV of this report.

- *Accounting for Merger Transaction Costs* – Duke Companies did not file merger transaction accounting entries with the Commission as required by the Merger Order, and the companies recorded merger transaction costs in operating accounts, contrary to the Commission's long-standing policy that such costs be recorded in nonoperating accounts. By not filing the accounting entries, Duke Companies prevented Commission review of the merger accounting and correction of any entries that were not in accordance with Commission accounting requirements.

- *Merger Transaction Internal Labor Costs* – Duke Companies improperly included approximately $31.4 million of merger transaction internal labor costs in wholesale power and transmission formula rate service cost determinations without first submitting a section 205 filing demonstrating that the costs were offset by quantified savings produced by the merger. As a result, the wholesale power and transmission customers' revenue requirements were inappropriately overstated by an estimated $17.5 million.

- *Merger Transaction Outside Services and Related Costs* – Duke Companies incorrectly included $1.5 million of merger transaction outside services and related costs in wholesale power and transmission formula rate service cost determinations without first submitting a section 205 filing demonstrating the costs were offset by quantified savings produced by the merger. In addition, the companies recorded the merger transaction costs in operating accounts, contrary to the Commission's long-standing policy that such costs be recorded in nonoperating accounts. As a result, the wholesale power and transmission customers' revenue requirements were inappropriately overstated by an estimated $745,000.

- *Use of the Consolidation Method of Accounting* – DEC and DEP accounted for investments in subsidiaries on a consolidated basis in their FERC Form No. 1, Annual Reports (Form No. 1), contrary to the Commission's long-standing accounting policy.

- *Accounting for Sales of Accounts Receivable* – DEC, DEP, and DEF misclassified an estimated $94.7 million of nonoperating expenses and receivables arising from transactions with their subsidiaries during the audit period. As a result, the wholesale power and transmission customers' revenue requirements were inappropriately overstated by an estimated $61 million.

- *Accounting for Lobbying Expenses:* Duke Companies recorded approximately $2.4 million of lobbying expenses in above-the-line operating accounts from 2011 through 2013. As a consequence, Duke Companies improperly included these costs in wholesale power and transmission formula rate service cost determinations.

- *Allocation of Lobbyist Labor Costs:* Duke Companies accounted for the labor costs of internal lobbyists and their support staff in operating accounts that lacked support for inclusion in the accounts. Improper accounting for the costs can lead to inappropriate recovery of the costs through rates charged and billed to customers.

- *Nonutility Expenses in Operating Accounts:* Duke Companies recorded approximately $490,000 of nonutility expenses in operating accounts in 2014. As a result, inappropriate costs were included in wholesale power and transmission formula rate service cost determinations and charged to customers.

D. Summary of Recommendations

Audit staff's recommendations to remedy the findings are summarized below with details in section IV of this report. Audit staff recommends that Duke Companies:

Accounting for Merger Transaction Costs

1. Revise accounting policies and procedures to appropriately account for merger transactions consistent with Commission accounting requirements.

2. Develop written policies and procedures to timely identify proposed accounting transactions that would trigger a notification to the Commission.

3. Develop written policies and procedures to submit accounting questions of doubtful interpretation to the Commission.

4. Provide training to employees on compliance with the merger cost accounting conditions and the revised policies, procedures, and controls for complying with the conditions. Also, develop a training program that supports the provision of periodic training in this area.

Merger Transaction Internal Labor Costs

5. Revise all policies and procedures for tracking, accounting, and excluding merger transaction costs from wholesale power and transmission formula rates, including amounts previously charged to utility plant, accumulated deferred income taxes, construction work in progress with the associated capitalized cost of funds used during construction (AFUDC), and maintenance and operating expense accounts, and future charges to such accounts for any transaction to which a FERC hold harmless obligation applies. The revised procedures should hold customers harmless from all merger transaction costs consistent with requirements of the Merger Order. Among other things, the revised policies and procedures should include an annual review of each subsidiary's merger transaction cost adjustments as well as periodic evaluations within the year, as needed and appropriate.

6. Submit a refund analysis, within 60 days of receiving the final audit report, to DAA for review that explains and details the following: (1) calculation of refunds that include the amount of inappropriate recoveries that resulted from the inclusion of merger transaction internal labor and related costs in wholesale power and transmission formula rates during the audit period, plus interest on the costs; (2) determinative components of the refund; (3) refund method; and (4) period(s) refunds will be made.

7. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

8. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

Merger Transaction Outside Services and Related Costs

9. Revise accounting policies and procedures to appropriately account for merger transaction costs consistent with Commission accounting requirements.

10. Submit a refund analysis, within 60 days of receiving the final audit report, to DAA for review that explains and details the following: (1) calculation of refunds that include the amount of inappropriate recoveries that resulted from the inclusion of merger transaction outside services and related costs in wholesale power and transmission formula rate charges during the audit period, plus interest on the costs; (2) determinative components of the refund; (3) refund method; and (4) period(s) refunds will be made.

11. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

12. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

Use of the Consolidation Method of Accounting

13. Review and, as needed, revise accounting policies, practices, and procedures to ensure that investments in subsidiaries are accounted for consistent with the Commission's equity method accounting requirements.

14. Evaluate the accounting applied to Duke Companies' existing subsidiaries and notify DAA of any areas of noncompliance with Commission accounting requirements.

15. Revise documented policies, procedures and processes to ensure timely notice is provided to relevant regulators regarding instances of noncompliance with regulations, rules, and orders.

16. Provide training to staff on procedures, practices, and available tools to transparently or anonymously report instances of noncompliance to senior management, the Board of Directors, and relevant regulators.

Accounting for Sales of Accounts Receivable

17. Revise procedures to ensure that all costs and account balances associated with the sale of accounts receivable are accounted for in accordance with Commission accounting regulations. Among other things, the corrected accounting should ensure that all losses associated with receivable sales are recorded in Account 426.5.

18. Provide the revised procedures to DAA for review within 60 days of receiving the final audit report.

19. Recalculate charges to wholesale power and transmission customers of DEC, DEP, and DEF and submit the recalculations in a refund analysis to DAA for review within 60 days of receiving the final audit report. The refund analysis should explain and detail the: (1) return of collection service billings charged in 2014; (2) return of losses on the sales included in rates; (3) determinative components of the refund; (4) refund method; (5) period(s) refunds will be

made; and (6) interest calculated in accordance with section 35.19 of Commission regulations.

20. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

21. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

Accounting for Lobbying Expenses

22. Establish and implement written procedures governing the methods used to account for, track, report, and review lobbying costs incurred.

23. Provide training on Commission accounting requirements and the impact of accounting on cost-of-service rate determinations to employees involved in lobbying and lobbying-related work, and those with oversight responsibility for lobbying cost allocations. Also, develop a training program that supports the provision of periodic training in this area.

24. Submit a refund analysis, within 60 days of receiving the final audit report, to DAA for review that explains and details the following: (1) calculation of refunds that include the amount of inappropriate recoveries that resulted from the improper inclusion of lobbying cost in operating accounts during the audit period, plus interest on the costs; (2) determinative components of the refund; (3) refund method; and (4) period(s) refunds will be made.

25. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

26. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

Allocation of Lobbyist Labor Costs

27. Revise written policies and procedures to create a process to document and verify appropriate allocation of lobbying and lobbying-related costs, and maintain auditable support for the cost included in rate determinations.

28. Retain an independent third-party entity to conduct a representative labor time study to determine an appropriate allocation of internal lobbyist labor, support

staff, and associated costs that should be accounted for in operating and nonoperating accounts based on time spent by employees engaged in the activities. Provide the study results to audit staff within 180 days of the date of the final audit report.

29. Include the results of the labor time study in the determination of lobbying-related labor cost allocations as of January 1, 2016.

30. Implement policies and procedures to perform a labor time study biennially using an independent third-party or internal company resources that are able to attest to the results of the study. Revise the lobbying-related labor cost allocations based on the results of the study.

Nonutility Expenses in Operating Accounts

31. Develop and implement written policies, procedures, and controls to ensure proper accounting and reporting of nonutility expenses.

32. Provide training for employees involved in the invoicing process on Commission accounting requirements and the impact of the accounting on cost-of-service rate determinations.

33. Within 60 days of receiving the final audit report, provide documentation supporting the analysis performed of invoiced expenses recorded to administrative and general (A&G) accounts in 2014 that identified misclassified nonutility expenses included in A&G accounts. Develop an estimate of misclassified nonutility expenses accounted for in operating accounts in 2011 through 2013 and 2015.

34. Implement policies and procedures to provide periodic audits or reviews of A&G transactions by external or internal auditors.

35. Submit a refund analysis, within 60 days of receiving the final audit report, to DAA for review that explains and details the following: (1) calculation of refunds that include the amount of inappropriate recoveries that resulted from the improper inclusion of identified and estimated nonutility expenses in charges to wholesale power and transmission customers during the audit period, plus interest on the costs; (2) determinative components of the refund; (3) refund method; and (4) period(s) refunds will be made. Include the results of the invoice analysis in the refund analysis.

36. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

37. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

E. Implementation of Recommendations

Audit staff further recommends that Duke Companies submit the following for audit staff's review:

- A plan for implementing the audit recommendations within 30 days after the final audit report is issued;

- Quarterly reports describing progress in completing each corrective action recommended in the final audit report. Quarterly nonpublic submissions should be made no later than 30 days after the end of each calendar quarter, beginning with the first quarter after the final audit report is issued, and continuing until all recommended corrective actions are completed; and

- Copies of any written policies and procedures developed in response to recommendations in the audit report. These documents should be submitted in the first quarterly filing after Duke Companies complete such policies and procedures.

II. Background

A. Merger of Duke Energy and Progress Energy

On January 10, 2011, Duke Energy and Progress Energy announced their intention to merge in a stock-for-stock transaction under which Progress Energy would become a wholly owned subsidiary of Duke Energy, and the shareholders of Progress Energy would become shareholders of Duke Energy. At the time, the transaction was valued at over $31 billion. The merger was poised to create the largest U.S. electric utility in history with over seven million electric customers and operations in six states.

Following the announcement, on April 4, 2011, Duke Energy, Progress Energy, and their public utility subsidiaries (collectively, Duke Companies) filed an application with the Commission seeking authorization for the merger transaction under section 203 of the Federal Power Act (FPA)[3] and Part 33 of Commission regulations.[4] To receive authorization for the transaction, the companies committed to hold transmission and wholesale requirements customers harmless from the costs of the transaction for five years. The companies also contended that the transaction would not adversely affect competition, and thus there were no market power concerns associated with the transaction.

On September 30, 2011, the Commission found that the transaction, as proposed in the application, would result in significant screen failures in the horizontal market power analysis and have an adverse effect on competition.[5] As such, the Commission authorized the transaction subject to conditions. Among other things, the transaction was conditioned on Duke Companies holding transmission and wholesale requirements customers harmless from the costs of the transaction, and submitting proposed market power mitigation measures that the Commission approves. The Commission advised Duke Companies that sufficient mitigation measures could include membership in a regional transmission organization, implementing an independent coordinator of transmission arrangement, actual or virtual divestiture of generation, and/or transmission upgrades to provide greater market access to third-party energy suppliers.

Further, the Commission stated that the hold harmless commitment included all merger transaction costs, not only costs related to consummating the transaction.[6] To recover merger transaction costs through wholesale requirement or transmission rates, the

[3] 16 U.S.C. § 824b (2012).

[4] 18 C.F.R. Part 33.

[5] Merger Order, 136 FERC ¶ 61,245 at PP 145-146.

[6] *Id.* P 169.

companies were required to submit a filing to the Commission that identified merger costs to be recovered and demonstrated that the costs were exceeded by savings produced by the transaction.[7] Duke Companies did not submit a filing to recover merger transaction costs during the audit period. However, as discussed in detail below, the companies recovered merger transaction costs through rates charged.

Consistent with the Commission's merger authorization condition that required Duke Companies to submit proposed market power mitigation measures for approval, the companies submitted an initial compliance filing on October 17, 2011, which proposed to mitigate market power through virtual divestiture of generation. The filing proposed a must-offer obligation under which Duke Companies would sell specified quantities of energy at cost-based rates to entities directly or indirectly serving load in the DEC and DEP Balancing Authority Areas (BAAs). The Commission rejected the filing on the grounds that the market power mitigation proposals did not remedy the market power concerns identified in the Merger Order.[8]

A revised compliance filing was submitted by Duke Companies on March 26, 2012 that proposed permanent and interim market power mitigation measures. To permanently mitigate market power, Duke Companies proposed to build seven transmission expansion projects (TEPs), expedite completion of an eighth project that was already planned, and set aside 25 MW of transfer capacity on their transmission systems for use by third parties (Stub Mitigation). During construction of the TEPs, as an interim measure to protect against potential market power concerns, Duke Companies proposed to enter into power sale agreements with three unaffiliated firms – Cargill Power Marketing, EDF Trading, and Morgan Stanley Capital Markets – to which the companies would sell power during all periods requiring mitigation. The companies also proposed to hire an independent monitor, Potomac Economics Ltd. (Potomac Economics), to verify compliance with the provisions of the power sale agreements.

The Commission accepted the revised compliance filing on June 8, 2012, subject to certain revisions and conditions, which included, among other things, requirements to hold customers harmless from the cost of the mitigation actions and to expand Potomac Economics' duties to verify that the TEPs were completed within the prescribed scope and timeline.[9] The merger was consummated on July 2, 2012.

On December 6, 2013, after the merger was consummated, Duke Companies submitted a motion to supplement its March 26, 2012 compliance filing, due to newly identified information that affected calculation of the impact of the market power

[7] *Id.* P 170.

[8] *Duke Energy Corp.*, 137 FERC ¶ 61,210 (2011).

[9] *See* June 8 Compliance Order, 139 FERC ¶ 61,194 at P 113.

mitigation measures. In the filing, Duke Companies offered to increase the Stub Mitigation by 104 MW (thereby raising the total amount of the transmission set-aside to 129 MW), repair out of service phase-shifting transformers at DEC's Rockingham substation and return them to service, and operate the transformers so as to create additional import capability on the transmission system. The Commission granted the motion and accepted the supplementary compliance filing subject to conditions on October 29, 2014.[10] Moreover, the Commission reiterated its requirement that transmission and wholesale requirements customers be held harmless from costs associated with repairing the transformers and returning them to service.

B. Duke Energy's Public Utility Subsidiaries

During the audit period, the Duke Companies provided electricity service in portions of North Carolina, South Carolina, Florida, Indiana, Ohio, and Kentucky. DEO and DEK also provided natural gas service in portions of Ohio and Kentucky. The following describes the services provided by each company, its open access transmission tariff (OATT), membership in an independent system operator (ISO) or regional transmission organization (RTO), transmission formula rate, and market-based rate authority.

Duke Energy Carolinas, LLC

DEC is a vertically integrated public utility that generates, transmits, distributes, and sells electricity to 2.5 million customers in a 24,000 square mile service area in North and South Carolina. DEC owns 8,302 miles of transmission lines and 19,600 MW of generating capacity.

DEC provided open access transmission service under a Commission-approved OATT at cost-based stated rates from 1995 through 2011.[11] In 2011, DEC began recovery of its transmission service cost pursuant to a formula rate that became effective June 1, 2011.[12] However, on March 26, 2012, in connection with the merger transaction, DEC, DEP, and DEF filed for approval of a Joint OATT under section 205 of the FPA and Part 35 of the Commission's regulations. The filing was conditionally accepted by the Commission on June 8, 2012.[13]

[10] October 29 Compliance Order, 149 FERC ¶ 61,078 (2014).

[11] *Duke Power Co.,* 73 FERC ¶ 61,309 (1995) (Duke Power Order).

[12] *Duke Energy Carolinas, LLC*, 137 FERC ¶ 61,058 (2011).

[13] *Duke Energy Corp.,* 139 FERC ¶ 61,193 (2012).

The Joint OATT provided for transmission service at non pancaked rates for transactions involving the combined transmission systems of the companies. DEC's transmission formula rate is incorporated as Schedule 10-B of the Joint OATT. DEC's formula rate implementation protocols are incorporated as Exhibit A of the Joint OATT, and the formula rate template and formula rate principles are contained in Exhibit B. DEC does not belong to an ISO or RTO.

DEC has wholesale power sale agreements with cost-based rates determined under a formula, and it has Commission authorization to make wholesale sales at market-based rates outside its and DEP's BAAs and Peninsular Florida.

Duke Energy Progress, LLC

DEP is a vertically integrated public utility that generates, transmits, distributes, and sells electricity to 1.5 million customers in a 32,000 square mile service area in North and South Carolina. DEP owns 6,981 miles of transmission lines and 12,200 MW of generating capacity.

DEP provided open access transmission service under a Commission-approved OATT at cost-based stated rates from 1996 through 2008. In 2008, DEP began recovery of its transmission service cost pursuant to a formula rate that became effective July 1, 2008.[14] Since the merger, DEP has provided transmission service under the Joint OATT with DEC and DEF. DEP's transmission formula rate is incorporated in Attachment H of the Joint OATT. The formula rate template is incorporated as Attachment H-1 of the Joint OATT, and the implementation protocols as Attachment H-2. DEP does not belong to an ISO or RTO.

DEP has wholesale power sale agreements with cost-based rates determined under a formula, and it has Commission authorization to sell energy and capacity at market-based rates outside its and DEC's BAAs and Peninsular Florida.

Duke Energy Florida, LLC

DEF is a vertically integrated public utility that generates, transmits, and delivers electricity to 1.7 million customers in a 13,000 square mile area in central and southern Florida. DEF owns 4,424 miles of transmission lines and 1,200 MW of generating capacity.

[14] *Carolina Power and Light Co.*, Docket No. ER08-889-000 (June 27, 2008) (delegated letter order).

DEF provided open access transmission service under a Commission-approved OATT at cost-based stated rates from 1996 through 2008. In 2008, DEF began recovery of its transmission service cost pursuant to a formula rate that became effective January 1, 2008.[15] Since the merger, DEF has provided transmission service under the Joint OATT with DEC and DEP. DEF's transmission formula rate is incorporated as Schedule 10-A of the Joint OATT. The implementation protocols are designated as Schedule 10-A.1 of the Joint OATT, and the formula rate template as Schedule 10-A.2. DEF does not belong to an ISO or RTO. Additionally, DEF has Commission authorization to sell energy and capacity outside the DEC and DEP BAAs and Peninsular Florida.

Duke Energy Indiana, LLC

DEI is a vertically integrated utility that generates, transmits, distributes, and sells electricity to 810,000 customers within a 23,000 square mile service territory in central, north central, and southern Indiana. DEI owns 7,500 MW of generating capacity and 4,815 miles of transmission lines.

DEI became a member of the Midcontinent Independent System Operator, Inc., (MISO) in 1997 and recovered its cost of transmission service pursuant to cost-based stated rates. In 1998, DEI began to recover its transmission service cost pursuant to a transmission formula rate. DEI's transmission formula rate template is included at Attachment O of the MISO Open Access Transmission, Energy, and Operating Reserve Markets Tariff. Additionally, DEI has Commission authorization to sell power at market-based rates outside the DEC and DEP BAAs and Peninsular Florida.

Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc.

DEO is the direct parent of DEK. The companies are combination electric and gas utilities that transmit, distribute, and sell electricity at retail and wholesale, and distribute and sell natural gas at retail in southwestern Ohio and northern Kentucky, respectively. DEO owns 1,879 miles of transmission lines. The company divested its generating assets pursuant to Ohio's electric restructuring program and received Commission authorization for the divestiture.[16] DEK owns 102 miles of transmission lines and about 1,200 MW of generating capacity.

[15] *Florida Power Corp.,* Docket No. ER08-105-000 (Dec. 17, 2007) (delegated letter order).

[16] *See Dynegy Resource I, LLC,* 150 FERC ¶ 61,232 (2015).

DEO and DEK were members of MISO until January 1, 2012, when they withdrew their membership and joined PJM Interconnection, L.L.C. (PJM).[17] The companies recover transmission service costs pursuant to a transmission formula rate under the PJM OATT. DEO and DEK's transmission formula rate is incorporated as Attachment H-22 of the PJM OATT. The formula rate template is incorporated as Attachment H-22A of the OATT, and the implementation protocols as Attachment H-22B. Additionally, DEO and DEK have Commission authorization to sell power at market-based rates outside the DEC and DEP BAAs and Peninsular Florida.

[17] The Commission conditionally authorized the move in an order issued October 21, 2010. *See Duke Energy Ohio, Inc.*, 133 FERC ¶ 61,058 (2010).

III. Introduction

A. Objectives

The audit evaluated Duke Companies' compliance with conditions established in the Merger Order and associated orders on compliance, requirements of each company's transmission formula rate tariff, and accounting and financial reporting regulations. The audit covered the period January 1, 2011 through January 31, 2016.

B. Scope and Methodology

Audit staff performed specific actions to facilitate the audit and evaluate compliance with the audit objectives. Audit staff also reviewed the effectiveness of Duke Companies' compliance program in relation to the audit objectives and other key factors. To address overall audit objectives, audit staff:

- Conducted an extensive review of publicly available materials to understand the companies' corporate structure and organization, operations, financial accounting and reporting activities, and other key regulatory and business activities, both before and after the merger. Examples of materials and documentation reviewed include Commission rules, regulations, and orders, Form No. 1 reports, FERC Form No. 65, Notification of Holding Company Status, formula rate filings, the Commission's enforcement hotline calls and company self-reports, company-related web sites, and relevant media sources. This also included a review of filings with other government agencies, such as the Securities and Exchange Commission Forms 10-K and 10-Q, Annual and Quarterly Reports;

- Evaluated the companies' internal policies and procedures relevant to the audit objectives;

- Conferred with other Commission staff on various compliance issues to ensure audit findings were consistent with Commission precedent and policy. For example, audit staff communicated with staff from other divisions within the Office of Enforcement and staff from the Office of Energy Market Regulation and Office of General Counsel;

- Conducted two site visits to Duke Energy's headquarters in Charlotte, NC. The visits enabled audit staff to further understand the company's corporate structure, functions, operations, accounting systems and practices, transmission planning and cost-estimating procedures, formula rate, internal audit function, and regulatory and corporate compliance programs. While on site, audit staff interviewed employees and managers responsible for performing tasks within the audit scope, sampled and tested documents to verify compliance with Commission orders related to merger conditions, accounting regulations, financial reporting, transmission formula rates, and related matters. Additionally, audit staff also interviewed compliance program staff, senior officials, internal auditors, and employees who fulfill day-to-day compliance activities for the purposes of carrying out regulatory oversight responsibilities;

- Conducted teleconferences to discuss audit objectives and scope, data requests and responses, technical and administrative matters, compliance concerns, and held a closing conference to discuss the completion of audit fieldwork and results; and

- Issued data requests to gather information not available through public means. This information related to internal policies and procedures, business practices, reporting activities, corporate compliance, internal and external audit reports, merger order conditions and compliance, transaction and operational data, and other pertinent information. Audit staff used this information as underlying support for testing and evaluating compliance with Commission requirements relevant to the audit scope and objectives.

Further, audit staff performed these specific actions to facilitate the testing and evaluation of compliance with relevant requirements for the audit scope areas. A summary of these actions follows.

Compliance with Merger Conditions

To evaluate compliance with the hold harmless and market power mitigation conditions established in the Merger Order and associated compliance orders, audit staff performed audit fieldwork applicable to the merger. Audit staff performed the following steps:

- Reviewed the merger application, supporting testimony and exhibits to understand the context, terms, and conditions of the merger proposal and commitment to hold transmission and wholesale requirements customers harmless from costs of the transaction. Reviewed intervenor comments and protests, and responses to the comments and protests, and also reviewed Duke Companies' compliance filings, intervenor responses, and answers to the responses;

- Evaluated Duke Companies' responses to Commission staff's delegated data requests that sought information regarding the merger application and compliance filings;

- Examined the companies' policies and procedures associated with tracking and accounting for merger transaction costs incurred prior to and following consummation of the merger;

- Performed a comparative analysis of Duke Energy and Progress Energy's accounting for costs of the merger prior to and after its consummation and the companies' policies associated with the accounting;

- Reviewed actions taken by the companies to maintain compliance with merger conditions;

- Analyzed the companies' procedures to ensure compliance with hold harmless conditions and to account for merger transaction costs;

- Conducted sample-based tests of internal costs and external contracted costs incurred by the companies to assess the accounting for the costs and the impact on wholesale rate determinations;

- Obtained information on staff involved in merger activities, including employee names, positions, salaries, work performed on merger activities, and time spent on merger-related activities;

- Reviewed documentation and supporting evidence of merger transaction costs and performed substantive tests of sample data;

- Inspected reports submitted by Potomac Economics regarding the Rockingham phase shifters and other relevant Commission filings;

- Evaluated expenses incurred to repair the Rockingham phase shifters to assess the accounting for the costs and impacts on wholesale rate determinations; and

- Examined costs incurred to operate the TEPs – including the Rockingham phase shifters – from 2012 through Q1 2015 to evaluate the accounting used to record cost of activity and the resulting impact on wholesale rate determinations.

Furthermore, audit staff conducted the following additional steps to evaluate Duke Companies' compliance with the market power mitigation conditions:

- Reviewed the companies' contract with Potomac Economics to ascertain whether the independent monitor had sufficient oversight authority and timely access to data needed to monitor compliance with interim and permanent market power mitigation measures;

- Examined the quarterly independent monitoring reports prepared by Potomac Economics detailing Duke Companies' compliance with interim and permanent market power mitigation conditions;

- Interviewed personnel responsible for reporting the status of TEP construction to Potomac Economics, and reviewed a sample of email communications between the parties;

- Interviewed personnel involved with TEP planning, engineering and design, purchasing and contracting, construction, and project management to verify that the projects were completed as required and to ascertain the amount of labor time employees spent on the projects;

- Identified scope changes made to the TEP plans and assessed the impact of changes on project cost and expected performance of the transmission system;

- Examined a sample of information that Potomac Economics relied on to conclude that the TEPs were placed into service. This information included data from the supervisory control and data acquisition (SCADA) system on the operation of the constructed projects and associated work orders;

- Analyzed photographs of TEP equipment nameplates for asset identification and facility ratings for a sample of major equipment installed, and compared nameplate information to construction work orders and internal company correspondence related to the TEPs;

- Reviewed Duke Companies' written procedures that governed implementation of the power sales agreements required by the Commission's interim market power mitigation measures. Also, interviewed personnel responsible for developing and implementing the agreements, and reviewed Potomac Economics' seasonal and event-based reports to the Commission on the company's performance under the agreements;

- Analyzed a sample of transaction data on power sales DEC and DEP made under the power sale agreements and reviewed transmission schedules on the Open Access Same-time Information System (OASIS) to verify the energy was scheduled and delivered;

- Interviewed power marketing personnel to gain information on operating procedures and processes used to comply with the requirement to set aside firm transmission capacity on the DEC-DEP interface (i.e., Stub Mitigation requirement);

- Reviewed Potomac Economics' reports on the Stub Mitigation requirement and analyzed a sample of data from OASIS regarding transmission offerings and requests for firm transmission service on the DEC-DEP interface;

- Evaluated the DEC-DEP Joint Dispatch Agreement (JDA) and associated operating procedures to understand the methods used to forecast load and determine the mix of generating resources needed to meet load demand on daily and weekly bases;

- Interviewed power marketing employees responsible for scheduling power between the DEC and DEP BAAs, and examined a sample of transactions that involved dispatch of generating resources, reserving and scheduling transmission service consistent with the JDA, and operating the respective BAAs separately. Also, tested a sample of OASIS transmission reservations and schedules to evaluate DEC and DEP's reservations of point-to-point and network transmission service to transmit energy and capacity between the two BAAs; and

- Identified instances in which DEC and DEP used network transmission to deliver power to their respective BAAs, and evaluated these transactions to assess compliance with conditions that restricted certain transactions in the BAAs.

Transmission Formula Rates

To evaluate compliance with the requirements of each company's transmission formula rate tariff, audit staff:

- Reviewed the initial applications filed seeking approval of each company's transmission formula rate tariff, intervenor responses to the filings, any associated settlement agreements with wholesale customers and interested parties, and the Commission orders that approved the transmission formula rate tariffs;

- Examined the transmission formula rate templates and all appendices and attachments used to compute key inputs to the annual transmission revenue requirement and associated formula rate protocols;

- Interviewed employees responsible for populating each public utility's transmission formula rate template, verifying data and calculations, and reviewing and obtaining management approval of the calculated transmission service rates;

- Assessed the adequacy of management oversight and verification controls that support performance of key activities;

- Evaluated data responses and conducted conference calls to understand the accounting for major items affecting the formula rate, including miscellaneous deferred debits, income taxes, and others. Also, reviewed these items to determine compliance with relevant accounting regulations, instructions, and definitions;

- Reviewed annual informational and true-up filings submitted after the initial rate years and during the audit period. Reconciled the Form No. 1 data with formula rate calculations and evaluated discrepancies. Conducted a detailed analysis of supporting worksheets and attachments to evaluate the calculation of transmission formula rate inputs;

- Analyzed footnotes included in each company's Form No. 1 to determine whether information disclosed provided for a reconciliation of publicly available data to balances used to calculate the transmission service rates;

- Performed procedures to verify that transmission formula rate inputs were supported by data reported in each company's Form No. 1;

- Evaluated the companies' accounting for merger transaction costs by assessing documented policies, operating processes, and procedures, and tested a sample of invoices and work orders that included merger activities and associated costs. Analyzed the accounting for the costs and the impact on transmission rate determinations;

- Checked plant balances used to calculate transmission revenue requirements, sampled work order charges included in construction work in progress and plant balances, and performed tests on amortized pre-commercial costs;

- Tested a sample of depreciation accruals on utility plant to assess the depreciation rates applied to the plant; and

- Performed substantive tests on a sample of invoices and work orders that included nonutility expenses, and evaluated the impact of identified misclassified items on transmission rate determinations.

Accounting and Reporting

To evaluate compliance with the Commission's accounting and reporting regulations in the USofA under 18 C.F.R. Parts 101 and 141, audit staff performed the following with respect to the merger:

- Conducted interviews and teleconferences and met with company staff to discuss accounting policies, procedures, and practices. These interviews included discussions with employees involved in the operation of each public utility subsidiary's financial accounting systems to assess the adequacy of accounting and reporting oversight controls related to the merger, and employees in leadership positions responsible for day-to-day oversight of merger activities to understand how merger-related labor was reported on timesheets;

- Examined procedures for preparing, reviewing, and obtaining management approval of the Form No. 1 reports. Reviewed disclosures in the reports to understand major accounting policies;

- Reviewed and evaluated the processes, procedures, and controls the companies used before and after merger consummation to track and account for merger transaction costs;

- Evaluated the Form No. 1 and Securities and Exchange Commission 10-K notes and disclosures related to tracking, accounting, and reporting merger transaction costs;

- Analyzed the companies' accounting entries that recorded merger-related labor, goodwill, TEP project costs and impairments, and the income tax effects of the transaction;

- Reviewed third-party lobbying expenditure disclosures, press articles, meeting schedules, and agendas of internal lobbyists. Interviewed internal lobbyists and support staff to understand the nature and extent of the companies' lobbying activities;

- Tested a sample of work orders, invoices, and associated accounting detail records that support internal lobbyists' labor costs incurred;

- Assessed the impact on wholesale rates of merger and other costs incurred by the companies that were reported in the Form No. 1;

- Tested a sample of FERC accounts for compliance with the Merger Order as well as the companies' internal policies and procedures; and

- Evaluated certain income statement and balance sheet accounts and balances reported in the companies' Form No. 1 reports for 2012 through 2014.

IV. Findings and Recommendations

1. Accounting for Merger Transaction Costs

Duke Companies did not file merger transaction accounting entries with the Commission as required by the Merger Order, and the companies recorded merger transaction costs in operating accounts, contrary to the Commission's long-standing policy that such costs be recorded in nonoperating accounts. By not filing the accounting entries, Duke Companies prevented Commission review of the merger accounting and correction of any entries that were not in accordance with Commission accounting requirements.

Pertinent Guidance

The Commission's September 30, 2011 order conditionally authorizing the Proposed Transaction established the following requirement concerning the submission of accounting entries related to the merger:

> To the extent any applicant that is subject to the Commission's Uniform System of Accounts records any aspect of the Proposed Transaction in its accounts, it is directed to file its accounting entries with the Commission within six months of the consummation of the Proposed Transaction. Further, if the accounting entities are recorded six months after the consummation of the Proposed Transaction, the applicant must file those accounting entries with the Commission within 60 days from the date they were recorded. The accounting submission must provide all accounting entries related to the Proposed Transaction, including narrative explanations describing the basis, and the rate impact, of such entries.[18]

The Commission's long-standing precedent stipulates that transaction costs incurred by public utilities associated with a merger are nonoperating in nature and should be charged to Account 426.5, Other Deductions, to the extent the costs are not retained by the parent holding company. For example, in *Allegheny Energy, Inc.,* the Commission stated in part:

> The Commission has previously determined that merger transaction costs are considered non-operating in nature and should be recorded in

[18] Merger Order, 136 FERC ¶ 61,245 at P 190.

Account 426.5, Other Deductions.[19]

18 C.F.R. Part 101, Account 426.5, Other Deductions, states:

> This account shall include other miscellaneous expenses which are nonoperating in nature, but which are properly deductible before determining total income before interest charges.

18 C.F.R. Part 101, General Instruction No. 5, Submittal of Questions, states:

> To maintain uniformity of accounting, utilities shall submit questions of doubtful interpretation to the Commission for consideration and decision.

Background

In the Merger Order, the Commission authorized Duke Companies to merge, subject to conditions. With respect to accounting, the Merger Order stated that if any Duke Energy subsidiary subject to the USofA recorded any aspect of the merger on its books, the subsidiary must file the accounting entries with the Commission within 60 days of consummation of the transaction. The Commission noted that such accounting entries include entries related to transaction costs, merger premiums, acquisition adjustments, goodwill, or any cost related to the merger.[20]

Moreover, pursuant to long-standing Commission precedent, merger transaction costs are considered nonoperating in nature and are required to be recorded to Account 426.5, Other Deductions. The text of Account 426.5 states that the account shall include expenses that are nonoperating in nature. Audit staff evaluated Duke Companies' accounting for the merger and found that the companies recorded merger transaction costs on their books. Further, contrary to the requirements of the Merger Order and Commission accounting rules, Duke Companies neither filed accounting entries with the Commission that reflected the recording of the transaction costs on the companies' books nor accounted for nonoperating merger transaction costs in Account 426.5.

[19] *See Allegheny Energy, Inc.*, 133 FERC ¶ 61,222, at P 73 (2010). *See also Midwest Power Systems, Inc. and Iowa-Illinois Gas and Elec. Co.*, 71 FERC ¶ 61,386, at 62,509 (1995); *MidAmerican Energy Co. and MidAmerican Energy Holdings Co.*, 85 FERC ¶ 61,354, at 62,370 (1998); and *Wis. Elec. Power Co.,* 74 FERC ¶ 61,069, at 61,192 (1996).

[20] Merger Order, 136 FERC ¶ 61,245 at n. 414.

Duke Companies collectively incurred over $1 billion in merger costs and recorded the costs on their Form No. 1 reports from 2011 through October 30, 2015. The costs were accounted for in numerous operating plant and expense accounts, including: A&G expense; payroll tax; customer account expense; transmission, distribution, and production operating and maintenance expense; and other accounts.

Duke Energy explained that it interpreted the Merger Order to require submittal of accounting entries only if a subsidiary used the purchase method of accounting and increased the book value of assets for goodwill acquired in the transaction. However, the Merger Order did not require the companies to file accounting entries only if they used the purchase method of accounting or increased the book value of assets for goodwill. To the contrary, the Merger Order stated that if *any entity* subject to the USofA recorded *any aspect* of the merger on its books, it must file its accounting entries with the Commission. The Merger Order further clarified that such accounting entries included entries related to transaction costs, merger premiums, acquisition adjustments, goodwill, or any cost related to the merger.

All of Duke Energy's public utility subsidiaries were subject to the Commission's USofA, therefore the companies should have filed accounting entries. By not filing the accounting entries, Duke Companies prevented Commission review of the merger accounting and correction of any entries not in accordance with Commission accounting requirements.

Furthermore, Duke Companies should have recorded merger transaction costs incurred to effectuate the merger in Account 426.5 rather than in operating accounts consistent with the text of Account 426.5 and Commission precedent.[21] Audit staff found that prior to March 2012, both Duke Energy and Progress Energy recorded merger transaction costs in operating accounts. However, in March 2012, Progress Energy transferred its merger transaction costs to Account 426.5, due to its interpretation of a Commission merger order that required such accounting. Duke Energy did not implement a similar reclassification of its merger transaction costs. Duke Energy explained that it believed costs associated with the merger were appropriately recorded in operating accounts.

[21] Post-merger integration cost (i.e., cost incurred following consummation of a merger, in which the assets, personnel, and business activities of the entities participating in the merger are combined) are recordable to operating accounts; however, the cost would be subject to the Commission's hold harmless commitments and prohibited from recovery in jurisdictional rates.

In April 2012, Duke Energy's external auditors questioned its accounting of the merger transaction costs. The external auditors informed Duke Energy of the Commission's merger accounting policy, which the auditors interpreted as requiring merger transaction costs to be recorded below-the-line in Account 426.5. Duke Energy disagreed with the auditors' interpretation. Rather than adjusting its accounting, Duke Energy and its external auditors agreed that Duke Energy's management representation letter would be revised. The letter is a signed attestation by Duke Energy management of the accuracy of its financial statements. The letter was revised to include a statement that Duke Energy was aware of Commission orders that indicated merger transaction costs should be recorded in Account 426.5, but Duke Energy nonetheless believed that its classification of merger transaction costs in operating accounts was appropriate.

The Duke Companies were required to file the accounting entries with the Commission as directed in the Merger Order. The companies' improper accounting for merger transaction costs contributed to the inappropriate recovery of merger-related internal labor and outside service costs through charges to Commission-jurisdictional customers. To the extent Duke Companies was uncertain about the appropriate accounting for the transaction, the companies should have submitted accounting questions of doubtful interpretation to the Commission for consideration and decision. The Commission expects Duke Companies, and all entities that have a reporting requirement for transactions under FPA section 203, to fully comply with the orders approving such transactions. Duke Companies' lack of compliance with the Merger Order reporting requirement is a very serious matter.

Recommendations

We recommend Duke Companies:

1. Revise accounting policies and procedures to appropriately account for merger transactions consistent with Commission accounting requirements.

2. Develop written policies and procedures to timely identify proposed accounting transactions that would trigger a notification to the Commission.

3. Develop written policies and procedures to submit accounting questions of doubtful interpretation to the Commission.

4. Provide training to employees on compliance with the merger cost accounting conditions and the revised policies, procedures, and controls for complying with the conditions. Also, develop a training program that supports the provision of periodic training in this area.

2. Merger Transaction Internal Labor Costs

Duke Companies improperly included approximately $31.4 million of merger transaction internal labor costs in wholesale power and transmission formula rate service cost determinations without first submitting a section 205 filing demonstrating that the costs were offset by quantified savings produced by the merger. As a result, the wholesale power and transmission customers' revenue requirements were inappropriately overstated by an estimated $17.5 million.

Pertinent Guidance

The Commission's Merger Order states in part:

> We accept Applicants' commitment to hold transmission and wholesale requirements customers harmless for five years from costs related to the Proposed Transaction. We interpret Applicants' hold harmless commitment to include all transaction-related costs, not only costs related to consummating the transaction.
>
> If Applicants seek to recover transaction-related costs through their wholesale power or transmission rates within the next five years, they must submit a compliance filing that details how they are satisfying the hold harmless requirement. If Applicants seek to recover transaction-related costs in an existing formula rate that allows for such recovery within the next five years, then that compliance filing must be filed in the section 205 docket in which the formula rate was approved by the Commission, as well as in the instant section 203 docket. In such filings, Applicants must: (1) specifically identify the transaction-related costs they are seeking to recover; and (2) demonstrate that those costs are exceeded by quantified savings resulting from the transaction, in addition to any requirements associated with filings made under section 205.[22]

The Commission's June 8, 2012 order accepting Duke Companies' revised compliance filing states in part:

> [T]he Commission will require Applicants to hold transmission and wholesale requirements customers harmless from the costs of the Transmission Expansion Projects in accordance with the hold harmless commitment, as set forth in the Merger Order.[23]

[22] Merger Order, 136 FERC ¶ 61,245 at PP 169-170.

[23] June 8 Compliance Order, 139 FERC ¶ 61,194 at P 91.

The Commission's October 29, 2014 order denying rehearing and granting a motion to supplement compliance filing states in part:

> [T]he Commission requires Applicants to hold transmission and wholesale requirements customers harmless for five years from costs related to the Phase Shifters.[24]

Background

On April 4, 2011, Duke Energy, Progress Energy, and their public utility subsidiaries (collectively, Duke Companies) filed an application seeking Commission authorization of a proposal to merge under section 203 of the FPA and Part 33 of Commission regulations. In the application, Duke Companies committed to exclude costs related to the merger from transmission and wholesale requirements customers' rates, except to the extent the companies demonstrated in a section 205 rate filing that merger-related savings were equal to or in excess of merger costs included in the rate filing. On September 30, 2011, the Commission issued an order authorizing Duke Companies to merge subject to conditions. Among other things, the Commission conditioned authorization on Duke Companies maintaining its commitment to hold transmission and wholesale requirements customers harmless from costs related to the merger. Pursuant to this condition, "[a]ll transaction related costs, not only costs related to consummating the transaction," were required to be excluded from rates charged.[25] To determine if Duke Companies complied with the hold harmless requirement, audit staff examined the companies' procedures for tracking and accounting for merger costs, and excluding the costs from rates.

To track costs incurred due to the merger, the companies established special accounting processes and procedures. Audit staff found that Duke Energy and Progress Energy did not account for merger costs using the same accounting treatment prior to consummation of the merger. Prior to consummation of the merger, Duke Energy accounted for merger transaction costs in above-the-line operating accounts, whereas Progress Energy accounted for the costs below-the-line in Account 426.5, Other Deductions.[26] However, after consummation of the merger, Progress Energy adopted Duke Energy's internal accounting policy for merger transaction costs and thereafter began accounting for incurred merger transaction costs in operating accounts.

[24] October 29 Compliance Order, 149 FERC ¶ 61,078 at P 81.

[25] Merger Order, 136 FERC ¶ 61,245 at P 169.

[26] Account 426.5, Other Deductions, 18 C.F.R. Part 101 (2015), provides for the recording of expenses that are nonoperating in nature, but which are properly deductible before determining total income before interest charges.

Duke Energy devised and distributed instructions to its public utility subsidiaries regarding accounting for merger costs, which it characterized as Costs to Achieve (CTA) the merger. Duke Energy defined CTA as "costs that are incremental and nonrecurring that would otherwise not have been incurred but for the merger or integration planning efforts."[27] The CTA instructions identified the accounting codes to be used to account for and track merger costs. The codes included the business and operating unit that incurred the cost, process, task, project ID, and other details associated with activities that involved the incurrence of merger costs. The CTA instructions were communicated to managers and staff assigned to work on the merger, and employees were trained on use of the accounting codes. Duke Energy's shared services accounting group retrieved merger cost data from the general ledgers of the public utility subsidiaries, reviewed charges for reasonableness, and compared actual and budgeted costs as part of its monthly reporting process.

Duke Energy's shared services accounting group developed additional procedures to exclude certain merger costs from wholesale power and transmission formula rate determinations of the public utility subsidiaries. The procedures included preparation of monthly spreadsheets identifying merger costs included in each subsidiary's operating accounts as reported in the Form No. 1. The rate staff of each public utility subsidiary was instructed to subtract the merger costs from operating accounts in the Form No. 1 that were used to compute the company's transmission formula rate. The procedures were designed to prevent merger costs reported in operating accounts from being incorporated in wholesale power and transmission formula rate determinations.

As a result of these procedures under which merger-related internal labor costs were not treated as CTA, audit staff found that Duke Companies' wholesale power and transmission customers' revenue requirements were inappropriately overstated by an estimated $17.5 million due to the inclusion of merger transaction internal labor costs in wholesale power and transmission rate determinations without first making a section 205 filing with the Commission as the Merger Order required. The improper charges included an estimated $17.2 million through inclusion of internal labor costs incurred in merger transaction and integration activities, and over $300,000 through inclusion of

[27] This included costs incurred in developing, executing, and obtaining approvals for the merger as well as incremental integration costs, but did not include merger-related internal labor costs Duke Companies considered non-incremental. For example, the costs included severance payments, employee relocation and retention costs, bonuses paid to employees for their work on the merger, investment banking and advisory fees, state and Federal regulatory expenses, costs for integrating accounting and information technology systems, transmission systems, fuel and dispatch systems, as well as transition costs, mitigation/concession costs, depreciation expenses for merger projects, and fees paid to providers of transmission service between the regulated utilities.

internal labor costs incurred to construct and operate the transmission expansion projects (TEPs), and repair and operate the Rockingham phase shifters.

Merger Transaction Internal Labor

During fieldwork, audit staff determined that Duke Energy excluded merger transaction internal labor from its definition of CTA and its CTA coding procedures. Duke Energy acknowledged that employees spent substantial time on merger activities. However, the company contended that employees performed merger activities in addition to their regular responsibilities and, therefore, no incremental internal labor costs were incurred due to the merger. Based on a belief that the hold harmless obligation applied only to incremental merger costs, Duke Energy instructed employees not to use the special CTA codes to report time devoted to merger activities on their timesheets. Consequently, public utility subsidiaries did not track all merger transaction internal labor costs or exclude all such costs from wholesale power and transmission formula rate cost computations. As a result, the subsidiaries improperly included some merger transaction internal labor costs in wholesale power and transmission formula rate determinations and inappropriately charged the costs to customers.

Contrary to Duke Energy's interpretation, the Merger Order required Duke Companies to hold customers harmless from "*all* merger transaction costs," and did not limit this requirement only to costs Duke Energy considered incremental. Duke Energy's assertion that its hold harmless obligation extended only to incremental costs must be made within a section 205 proceeding where it and other interested parties will have an opportunity to assess all evidence that supports or contradicts such a position. By excluding internal labor from its CTA tracking and reporting procedures, Duke Energy did not have the ability to determine the proportion of employee labor costs devoted to merger-related tasks, as opposed to utility-related tasks, the cost of which are appropriately recovered in rates. Moreover, even in the absence of detailed time reporting and accounting data, the companies were nonetheless prohibited from including these merger transaction costs in rate determinations without first receiving Commission authorization to do so in a section 205 proceeding in accordance with Merger Order requirements.

Since Duke Companies did not track all merger transaction internal labor costs, audit staff issued data requests and interviewed company employees during site visits and conference calls to develop its own estimate of the amount of merger transaction internal labor costs Duke Companies incurred and included in transmission formula rate charges. The information audit staff obtained confirmed that company employees spent substantial amounts of time working on the merger, as Duke Energy acknowledged. For example, Duke Energy reported in data responses that over 2,400 employees were engaged in merger activities from mid-2010 through present. The total included more than 2,300 employees who participated in over 300 merger integration projects performed to upgrade and integrate the companies' information technology, human resources, finance, and accounting systems and functions. About 140 employees were engaged in merger planning and evaluation, preparing and supporting merger applications and post-merger litigation, and developing and implementing measures to mitigate market power due to the merger. Audit staff found through assessment of data response information and interviews of company staff, that certain of these employees worked full time on the merger for the duration of their projects, while others devoted 50 percent or more of their time to assigned merger activities. Moreover, detailed analysis of integration projects with the largest budgets indicated that the assigned employees were heavily engaged in the projects for prolonged periods of time.

Audit staff used this information, interviews with employees engaged in merger activities, employees' salary information procured from data responses, and salary estimates found on publicly available sources to approximate the amount of internal labor costs incurred due to the merger. Audit staff estimated that the Duke Companies incurred between $55 million and $75 million of internal labor costs related to the merger, including salaries and benefits.

Audit staff then asked Duke Energy to provide its own estimate of the internal labor costs associated with each merger activity and a breakdown by FERC account. As the table below shows, Duke Energy estimated that $78.8 million in merger transaction internal labor costs were incurred to perform four primary merger tasks. Duke Energy's estimate exceeded audit staff's high-range estimate of internal labor costs.

		A	B
Row	**Merger Tasks**	**Duke Companies' Estimated Internal Labor Cost (Million $)**	**Estimated Internal Labor Included in the Revenue Requirements of Wholesale Power and Transmission Rates (Million $)**
1	Merger Planning, Evaluation, Due Diligence	2.3	0.1
2	Preparation and Support for Regulatory Applications and Post-Merger Litigation	3.9	0.2
3	Development and Implementation of Measures to Mitigate Market Power	0.6	0.03
4	Planning, Management, and Execution of Merger Integration Projects	72.0	16.9
	Total	**78.8**	**17.2**

Of the $78.8 million in merger transaction internal labor costs estimated by Duke Energy, about $1.6 million of the costs were recorded in distribution operating and maintenance expense accounts that were not included in Commission-jurisdictional rate determinations, and $31.4 million was recorded in production and transmission operating and maintenance expense accounts incorporated in wholesale power and transmission formula rates. Duke Energy estimated that wholesale power and transmission customers' revenue requirements were inappropriately overstated by an estimated $17.2 million.[28] The remaining $45.8 million in merger transaction internal labor costs were charged to capital work orders for integration projects that are under construction and not yet completed. Duke Energy represented that these costs have been classified as CTA, and will be excluded from wholesale power and transmission formula rates when the projects are completed.

By including these merger-related tasks in its definition of CTA, Duke Energy acknowledged that the merger activities employees performed would not have been required in the absence of the merger. Since the work was not related to utility service, employee time engaged on the merger should have been excluded from transmission formula rate determinations. In accordance with the hold harmless commitment, to recover merger costs in their wholesale power or transmission rates, the companies were required to submit a section 205 filing with the Commission detailing costs to be recovered and demonstrating that the costs were offset by quantified savings produced by the merger. Duke Companies did not submit a section 205 filing; therefore, the companies should not have recovered the costs in rates charged.

TEP Operating Expenses

Duke Energy's public utility subsidiaries included an estimated $300,000 of merger transaction internal labor costs in the transmission customers' formula rate revenue requirement for costs related to the TEP projects from 2012 through 2015. This amount was incurred to repair and operate the Rockingham phase shifters. The $300,000 was recorded as transmission maintenance expenses in Account 570, Maintenance of Station Equipment. In accordance with Duke Companies' internal accounting policy, the companies neither characterize the costs as merger-related CTA nor exclude the costs from transmission formula rate determinations. As a result, the $300,000 was included in transmission formula rates, and thus a portion of these costs was inappropriately charged to transmission customers.

In its June 8 and October 29 Compliance Orders, the Commission explicitly directed Duke Companies to hold customers harmless from all costs related to the TEPs

[28] During the audit, DEC and DEP had about 20 wholesale power customers under service contracts with cost-based rates determined under a formula to which merger transaction internal labor costs were incorporated. As a result, a portion of the merger transaction labor costs included in the formula was charged to wholesale power customers.

and the Rockingham phase shifters, consistent with the hold harmless commitment established in the Merger Order. Duke Companies should not have included these internal labor charges in transmission formula rate determinations without first submitting a section 205 filing to the Commission that demonstrated that the costs were offset by quantified savings produced by the merger.

Recommendations

We recommend Duke Companies:

5. Revise all policies and procedures for tracking, accounting, and excluding merger transaction costs from wholesale power and transmission formula rates, including amounts previously charged to utility plant, accumulated deferred income taxes, construction work in progress with the associated capitalized cost of funds used during construction (AFUDC), and maintenance and operating expense accounts, and future charges to such accounts for any transaction to which a FERC hold harmless obligation applies. The revised procedures should hold customers harmless from all merger transaction costs consistent with requirements of the Merger Order. Among other things, the revised policies and procedures should include an annual review of each subsidiary's merger transaction cost adjustments as well as periodic evaluations within the year, as needed and appropriate.

6. Submit a refund analysis, within 60 days of receiving the final audit report, to DAA for review that explains and details the following: (1) calculation of refunds that include the amount of inappropriate recoveries that resulted from the inclusion of merger transaction internal labor and related costs in wholesale power and transmission formula rates during the audit period, plus interest on the costs; (2) determinative components of the refund; (3) refund method; and (4) period(s) refunds will be made.

7. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

8. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

3. Merger Transaction Outside Services and Related Costs

Duke Companies incorrectly included $1.5 million of merger transaction outside services and related costs in wholesale power and transmission formula rate service cost determinations without first submitting a section 205 application demonstrating the costs were offset by quantified savings produced by the merger. In addition, the companies recorded the merger transaction costs in operating accounts, contrary to the Commission's long-standing policy that such costs be recorded in nonoperating accounts. As a result, the wholesale power and transmission customers' revenue requirements were inappropriately overstated by an estimated $745,000.

Pertinent Guidance

The Commission's Merger Order states in part:

> We accept Applicants' commitment to hold transmission and wholesale requirements customers harmless for five years from costs related to the Proposed Transaction. We interpret Applicants' hold harmless commitment to include all transaction-related costs, not only costs related to consummating the transaction.
>
> If Applicants seek to recover transaction-related costs through their wholesale power or transmission rates within the next five years, they must submit a compliance filing that details how they are satisfying the hold harmless requirement. If Applicants seek to recover transaction-related costs in an existing formula rate that allows for such recovery within the next five years, then that compliance filing must be filed in the section 205 docket in which the formula rate was approved by the Commission, as well as in the instant section 203 docket. In such filings, Applicants must: (1) specifically identify the transaction-related costs they are seeking to recover; and (2) demonstrate that those costs are exceeded by quantified savings resulting from the transaction, in addition to any requirements associated with filings made under section 205.[29]

The Commission's long-standing precedent stipulates that transaction costs incurred by public utilities associated with a merger are nonoperating in nature and should be charged to Account 426.5, Other Deductions, to the extent the costs are not passed on to the parent holding company. For example, in *Allegheny Energy, Inc.,* the Commission stated in part:

[29] Merger Order, 136 FERC ¶ 61,245 at PP 169-170.

The Commission has previously determined that merger transaction costs are considered non-operating in nature and should be recorded in Account 426.5, Other Deductions.[30]

18 C.F.R. Part 101, Account 426.5, Other Deductions, states:

This account shall include other miscellaneous expenses which are nonoperating in nature, but which are properly deductible before determining total income before interest charges.

Background

In the process of evaluating Duke Companies' compliance with the hold harmless commitment, audit staff issued data requests and interviewed company employees regarding the accounting and formula rate impact of activities engaged prior to and after public announcement of the merger, such as outside service costs incurred to facilitate the merger and associated internal corporate costs. In reviewing materials received, audit staff found that Duke Energy's corporate development group incurred over $1.5 million in merger transaction costs in the second half of 2010 (i.e., prior to the merger announcement in January 2011) and allocated those costs to its then public utility subsidiaries – DEC, DEI, DEO, and DEK – prior to consummation of the merger.

The costs included $1.35 million paid to outside consultants, lawyers, and accountants for financial forecasting, analysis of market power issues and related services, and $150,000 of internal labor and other costs related to this work. The subsidiary companies improperly recorded the merger transaction outside service costs in Account 923, Outside Services Employed, and most of the associated internal labor and other costs in Account 920, Administrative and General Salaries. Account balances reported in each company's Form No. 1 were included in the determination of the company's wholesale power and transmission formula rate service charges.

DEC, DEI, DEO, and DEK reported these costs in their respective 2010 Form No. 1 reports. The companies neither characterized the costs as merger-related CTA following the merger announcement and issuance of the Merger Order, nor excluded the costs from wholesale power and transmission formula rate determinations in 2011 or subsequent years.

[30] *See Allegheny Energy, Inc.*, 133 FERC ¶ 61,222 at P 73 (2010). See also *Midwest Power Systems, Inc. and Iowa-Illinois Gas and Elec. Co.*, 71 FERC ¶ 61,386, at 62,509 (1995); *MidAmerican Energy Co. and MidAmerican Energy Holdings Co.*, 85 FERC ¶ 61,354, at 62,370 (1998); and *Wis. Elec. Power Co.,* 74 FERC ¶ 61,069, at 61,192 (1996).

Pursuant to the hold harmless commitment, the companies should not have included the $1.5 million in merger transaction costs in wholesale rate determinations without first submitting a section 205 filing to the Commission that demonstrated the costs were offset by quantified savings produced by the merger. Moreover, pursuant to long-standing Commission precedent, the merger transaction costs the companies recorded in Accounts 920 and 923 are considered nonoperating in nature and, as such, were required to be recorded to Account 426.5. The text of Account 426.5 states that the account shall include expenses that are nonoperating in nature. Duke Energy estimated that wholesale power and transmission customers' revenue requirements were inappropriately overstated $745,000.

Recommendations

We recommend Duke Companies:

9. Revise accounting policies and procedures to appropriately account for merger transaction costs consistent with Commission accounting requirements.

10. Submit a refund analysis, within 60 days of receiving the final audit report, to DAA for review that explains and details the following: (1) calculation of refunds that include the amount of inappropriate recoveries that resulted from the inclusion of merger transaction outside services and related costs in wholesale power and transmission formula rate charges during the audit period, plus interest on the costs; (2) determinative components of the refund; (3) refund method; and (4) period(s) refunds will be made.

11. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

12. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

4. Use of the Consolidated Method of Accounting

DEC and DEP accounted for investments in subsidiaries on a consolidated basis in their Form No. 1 reports, contrary to the Commission's long-standing accounting policy.

Pertinent Guidance

Order No. 469 revised and amended sections of 18 C.F.R. Parts 101 and 201 to adopt the equity method of accounting for long-term investments in subsidiaries and add new balance sheet and income statement accounts, and definitions. Order No. 469 states in part:

> Under the equity method of accounting, the utility's investment account is increased or decreased to reflect the utility's proportionate share of a subsidiary's current earnings applicable to common stock regardless of whether the earnings are actually paid out as dividends to the utility. When dividends are received, the investment account is reduced by an equivalent amount.[31]

18 C.F.R. Part 101, Account No. 123.1, Investment in Subsidiary Companies, states:

> A. This account shall include the cost of investments in securities issued or assumed by subsidiary companies and investment advances to such companies, including interest accrued thereon when such interest is not subject to current settlement plus the equity in undistributed earnings or losses of such subsidiary companies since acquisition. This account shall be credited with any dividends declared by such subsidiaries.
>
> B. This account shall be maintained in such a manner as to show separately for each subsidiary: the cost of such investments in the securities of the subsidiary at the time of acquisition; the amount of equity in the subsidiary's undistributed net earnings or net losses since acquisition; advances or loans to such subsidiary; and full particulars regarding any such investments that are pledged.

[31] *Revisions in the Uniform System of Accounts, and Annual Report Forms No.1 and No. 2 to Adopt the Equity Method of Accounting for Long-Term Investments in Subsidiaries*, Order No. 469, 49 FPC 326, *reh'g denied*, 49 FPC 1028 (1973).

18 C.F.R. Part 101, Account 216.1, Unappropriated Undistributed Subsidiary Earnings, states:

> This account shall include the balances, either debit or credit, of undistributed retained earnings of subsidiary companies since their acquisition. When dividends are received from subsidiary companies relating to amounts included in this account, this account shall be debited and account 216, Unappropriated Retained Earnings, credited.

18 C.F.R. Part 101, Account No. 418.1, Equity in Earnings of Subsidiary Companies, states:

> This account shall include the utility's equity in the earnings or losses of subsidiary companies for the year.

Background

DEC and DEP formed wholly owned special purpose subsidiaries, Duke Energy Receivables Finance Company, LLC (DERF) and Duke Energy Progress Receivables, LLC (DEPR), respectively, in 2003 and 2013. The companies accounted for their investments in the subsidiaries using the consolidated method of accounting. Specifically, DEC consolidated DERF in its Form No. 1 reports from 2003 through 2013; and DEP consolidated DEPR in its Form No. 1 in 2013. The accounting resulted in the recognition of property, expenses, revenue, debt, and equity of the subsidiaries in DEC and DEP's respective Form No. 1 reports. During the course of the audit, in 2014, the companies ceased accounting for their investments in the subsidiaries using the consolidation method of accounting and began using the equity method of accounting.

Prior to 2014, DEC and DEP's accounting for their investments in the subsidiaries was not consistent with the Commission's accounting requirements, which required the companies to account for the investments using the equity method of accounting. In accordance with the provisions of Order No. 469, the companies were required to account for the subsidiaries as investments in Account 123.1, Investments in Associated Companies, and record equity in earnings of the subsidiaries in Account 418.1, Equity in Earnings of Subsidiary Companies, and undistributed retained earnings of the subsidiaries in Account 216.1, Unappropriated Undistributed Subsidiary Earnings.[32]

[32] *Id.*

On August 19, 2015, during the course of the audit, Duke Energy submitted a request to the Commission on behalf of the companies for retroactive and prospective waivers of the equity method accounting requirement.[33] In the filing, among other things, DEC and DEP acknowledged that they had inappropriately accounted for investments in their subsidiaries using the consolidation method of accounting, and improperly included the results of the subsidiaries' operations in cost of service formula rate determinations. On December 18, 2015, the companies submitted a filing to the Commission under section 205 of the FPA seeking approval of proposed amendments to the formula rates in their Joint OATT and wholesale power agreements to provide for consolidation of the subsidiaries for cost of service rate determination purposes.[34]

Duke Energy did not notify audit staff of the inappropriate consolidation accounting, or of its request for waiver of the equity accounting requirements. The company should have disclosed the erroneous accounting to audit staff when it discovered the matter, which according to its representation occurred in late 2014. However, neither audit staff nor the Commission was notified of the improper accounting and the associated rate impacts until August 2015. Duke Energy's lack of timely disclosure of DEC and DEP's noncompliance with Commission regulations is problematic. The company should take necessary steps to ensure that its corporate compliance culture and program are strengthened to prevent situations like this on a going forward basis.

[33] Duke Energy Carolinas, LLC, et al., Request for Waiver, Docket No. AC15-174-000, (filed Aug. 19, 2015). The filing requested waivers of the equity accounting requirement on behalf of DEC, DEP, and DEF, which formed a wholly owned subsidiary Duke Energy Florida Receivables, LLC (DEFR) in 2014. The Chief Accountant issued a delegated letter order on February 12, 2016 that granted the requested waivers to the companies and directed specific accounting regarding sales of accounts receivable. Duke Companies filed a request for rehearing of the letter order on March 14, 2016.

[34] *Duke Energy Carolinas, LLC, et al.*, Docket Nos. ER16-577-000, ER16-578-000, and ER16-579-000. The Commission issued delegated letter orders on February 11, 2016, accepting for filing the amendments to the Joint OATT and rate schedules to provide for DEC, DEP, and DEF's use of the consolidated method of accounting for ratemaking purposes.

Recommendations

We recommend Duke Companies:

13. Review and, as needed, revise accounting policies, practices, and procedures to ensure that investments in subsidiaries are accounted for consistent with the Commission's equity method accounting requirements.

14. Evaluate the accounting applied to Duke Companies' existing subsidiaries and notify DAA of any areas of noncompliance with Commission accounting requirements.

15. Revise documented policies, procedures and processes to ensure timely notice is provided to relevant regulators regarding instances of noncompliance with regulations, rules, and orders.

16. Provide training to staff on procedures, practices, and available tools to transparently or anonymously report instances of noncompliance to senior management, the Board of Directors, and relevant regulators.

5. Accounting for Sales of Accounts Receivable

DEC, DEP, and DEF misclassified an estimated $94.7 million of nonoperating expenses and receivables arising from transactions with their subsidiaries during the audit period. As a result, the wholesale power and transmission customers' revenue requirements were inappropriately overstated by an estimated $61 million.

Pertinent Guidance

18 C.F.R. Part 101, Account 930.2, Miscellaneous General Expenses, states in part:

> This account shall include the cost of labor and expenses incurred in connection with the general management of the utility not provided for elsewhere.

18 C.F.R. Part 101, Account 426.5, Other Deductions, states in part:

> This account shall include other miscellaneous expenses which are nonoperating in nature, but which are properly deductible before determining total income before interest charges.

The Commission addressed the appropriate accounting for the sale of accounts receivable in Opinion No. 375, which stated in part:

> From an accounting standpoint, we find that the record supports the staff and intervenors' position – which the initial decision adopted – that the loss on the sale of accounts receivable was erroneously recorded by SERI [System Energy Resources, Inc.] in Account 930.2. . ..[35]

Background

During audit fieldwork, audit staff analyzed data regarding transactions between DEC, DEP, and DEF and the companies' respective nonutility subsidiaries, DERF, DEPR, and DEFR, and interviewed employees responsible for accounting for the transactions. The transactions involved the companies' sales of accounts receivable to their subsidiaries. The receivables arose from billings on sales of electricity and related services by the companies. The companies sold the receivables to their subsidiaries at a loss (or discount), and accounted for the loss as an expense by debiting Account 930.2, Miscellaneous General Expenses, an account included in wholesale power and transmission service cost formula rate determinations, for the amount of the loss. DEC,

[35] *System Energy Resources, Inc.*, 60 FERC ¶ 61,131 (1992).

DEP, and DEF recognized total losses of $149.6 million, $35.1 million, and $23.5 million, respectively, from 2011 through 2014.

Audit staff also discovered that there were similar transactions involving sales of accounts receivable by DEI, DEO, and DEK to Cinergy Receivables, a Duke Energy subsidiary. However, through discussions with audit staff, Duke Energy represented that instead of recording losses on sold receivables in Account 930.2, DEI, DEO, and DEK accounted for the losses in Account 904, Uncollectible Accounts, an account not included in wholesale power or transmission service cost formula rate determinations.

DEC, DEP, and DEF performed collection services on behalf of their subsidiaries associated with the sold receivables whereby the companies collected bill payments from customers and remitted funds received to the subsidiaries. The companies charged the subsidiaries a fee for performing the collection service, which effectively resulted in a reimbursement of the collection service cost incurred by the companies. Expenses incurred by the companies associated with performing the collection service were accounted for by debiting the costs to Account 903, Customer Records and Collection Expenses. These expenses were also accounted for as a debit in Account 930.2 that Duke Energy represented was the fee billed to the subsidiaries for performing the collection service. As a result of this accounting, DEC, DEP, and DEF double-counted expenses in their respective Form No. 1 reports associated with collection services performed. Furthermore, the companies accounted for the reimbursements of their incurred collection service expenses that resulted from their billed subsidiaries by crediting Account 421, Miscellaneous Non-Operating Income.

Duke Companies' accounting for the loss on the sale of the receivables was not consistent with the Commission's accounting requirements and precedent. Under the Uniform System of Accounts (USofA), sales of accounts receivable constitute the disposition of utility assets. The USofA contemplates that in transactions of this nature, a company should recognize a gain or loss, measured by the difference between the net book value of the asset at the date of the sale and the proceeds from the sale, less related fees and expenses of the sale. Further, the USofA requires a company to record any gains or losses from the disposition of assets in nonoperating expense accounts, except with respect to the sale of future use property.[36] The instructions to Account 426.5, Other Deductions, provide for the recording of nonoperating expenses of this nature. Additionally, the Commission has previously addressed the matter of the appropriate

[36] With respect to future use property recorded in Account 105, Electric Plant Held for Future Use, the USofA requires a company to include a gain on a sale in Account 411.6, Gains from Disposition of Utility Plant, and a loss in Account 411.7, Losses from Disposition of Utility Plant.

accounting for sales of receivables in its Opinion No. 375, wherein it was determined that the loss on the sale of receivables should be accounted for in Account 426.5.[37]

In addition, DEC, DEP, and DEF's accounting for reimbursements of incurred collection service expenses was not consistent with the Commission's accounting requirements. The USofA contemplates that such reimbursements of collection service expenses incurred by DEC, DEP, and DEF on behalf of their respective subsidiaries be recorded as a reduction of the expenses. Accordingly, the companies should have accounted for the reimbursements through a credit entry to the collection service expenses recorded in Account 903.

Duke Energy represented that prior to 2014, DEC and DEP's accounting for the losses on the sales of receivables and collection service fees billed to the subsidiaries that were recorded in Account 930.2 had no impact on service rates charged to wholesale power and transmission formula rate customers due to accounting entries the companies made associated with consolidation method accounting that offset the items and neutralized the rate impact. Duke Energy indicated that the companies made the offsetting entries from the respective dates their subsidiaries were established and transactions initiated through 2013.[38] However, in 2014, DEC and DEP ceased their practice of using the consolidation method of accounting.[39] Cessation of consolidation method accounting led the companies to end their practice of recording the offsetting entries. Moreover, DEF established its subsidiary, DEFR, in 2014, and did not record any accounting entries to offset its losses on the sales and collection service fees billed to its subsidiary. As a result, rates charged by DEC, DEP, and DEF based on amounts reported in the companies' respective 2014 Form No.1 reports included the nonoperating losses and collection service fees that were misclassified in Account 930.2 and not offset by other entries. This led to DEC, DEP, and DEF inappropriately including the losses and fees of $38.1 million, $33.1 million, and $23.5 million, respectively, in rate determinations.

The companies' accounting mistakes led to an estimated $94.7 million of costs being inappropriately included in wholesale power and transmission formula rate service cost determinations during the audit period. Duke Energy estimated that this resulted in wholesale power and transmission customers' revenue requirements being inappropriately overstated by an estimated $61 million.

[37] *System Energy Resources, Inc.*, 60 FERC ¶ 61,131 (1992).

[38] DEC's subsidiary, DERF, was established in 2003, and DEP's subsidiary, DEPR, was established in 2013.

[39] *See* Finding No. 4, Consolidation Method of Accounting.

On March 14, 2016, Duke Companies filed a request for rehearing of the Chief Accountant letter order in Docket No. AC15-174-000 challenging the order's decision regarding the appropriate accounting for losses on the sale of receivables, which is also addressed by this Audit Finding. In light of the current challenge to the Chief Accountant's order and uncertain outcome, as well as, the potential of a contested audit over the identical issue, in this instance the portions of this Audit Finding that relate to the losses issues, including Recommendations 17 and 18, shall be held in abeyance and shall be subject to the outcome of the rehearing request and any subsequent petitions for court review. Although the recommendations regarding the portion of this Audit Finding relating to the losses issues are held in abeyance and subject to the outcome of the rehearing request and any subsequent petitions for court review, the requirement to make refunds in accordance with Recommendation 21 below is not impacted by the rehearing request.

Recommendations

We recommend Duke Companies:

17. Revise procedures to ensure that all costs and account balances associated with the sale of accounts receivable are accounted for in accordance with Commission accounting regulations. Among other things, the corrected accounting should ensure that all losses associated with receivable sales are recorded in Account 426.5.

18. Provide the revised procedures to DAA for review within 60 days of receiving the final audit report.

19. Recalculate charges to wholesale power and transmission customers of DEC, DEP, and DEF and submit the recalculations in a refund analysis to DAA for review within 60 days of receiving the final audit report. The refund analysis should explain and detail the: (1) return of collection service billings charged in 2014; (2) return of losses on the sales included in rates; (3) determinative components of the refund; (4) refund method; (5) period(s) refunds will be made; and (6) interest calculated in accordance with section 35.19 of Commission regulations.

20. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

21. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

6. Accounting for Lobbying Expenses

Duke Companies recorded approximately $2.4 million of lobbying expenses in above-the-line operating accounts from 2011 to 2013. As a consequence, Duke Companies improperly included these costs in wholesale power and transmission formula rate service cost determinations.

Pertinent Guidance

18 C.F.R. Part 101, Account 426.4, Expenditures for Certain Civic, Political, and Related Activities, states in part:

> This account shall include expenditures for the purpose of influencing public opinion with respect to the election or appointment of public officials, referenda, legislation, or ordinances . . . or approval, modification, or revocation of franchises; or for the purpose of influencing the decisions of public officials. . . .

Background

Audit staff evaluated costs incurred by Duke Companies associated with civic, political, and related activities during the audit period. Audit staff reviewed third-party lobbying expenditure disclosures, press articles, internal lobbyist meeting schedules and agendas, and interviewed internal lobbyists and support staff to understand the nature and extent of the companies' lobbying activities. In addition, audit staff tested a sample of work orders, invoices, and associated accounting detail records that support internal lobbyists' labor costs incurred. Audit staff discovered that Duke Companies improperly recorded nearly $2.4 million in lobbying costs to above-the-line operating accounts rather than to Account 426.4, Expenditures for Certain Civic, Political, and Related Activities, as required.

Account 426.4 provides for reporting expenditures for the purpose of influencing public opinion, such as lobbying expenses. Audit staff found that Duke Companies recorded a portion of these costs associated with wages and salaries of internal lobbyist and support staff in Account 426.4 as required, but failed to properly charge other related costs to the account associated with the labor, such as payroll taxes, retirement, health, and other benefits. Audit staff also found that the companies incorrectly accounted for amounts paid to outside firms that lobby on behalf of the companies. Duke Companies improperly included these expenses in wholesale power and transmission formula rate determinations and recovered a portion of the costs through charges to customers.

Further, audit staff found that Duke Companies lacked formal procedures and oversight controls to help ensure that lobbying costs were accounted for appropriately.

The companies should implement procedures to reduce the risk that lobbying costs are inappropriately accounted for and included in jurisdictional rate determinations.

Recommendations

We recommend Duke Companies:

22. Establish and implement written procedures governing the methods used to account for, track, report, and review lobbying costs incurred.

23. Provide training on Commission accounting requirements and the impact of accounting on cost-of-service rate determinations to employees involved in lobbying and lobbying-related work, and those with oversight responsibility for lobbying cost allocations. Also, develop a training program that supports the provision of periodic training in this area.

24. Submit a refund analysis, within 60 days of receiving the final audit report, to DAA for review that explains and details the following: (1) calculation of refunds that include the amount of inappropriate recoveries that resulted from the improper inclusion of lobbying costs in operating accounts during the audit period, plus interest on the costs; (2) determinative components of the refund; (3) refund method; and (4) period(s) refunds will be made.

25. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

26. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

7. Allocation of Lobbyist Labor Costs

Duke Companies accounted for the labor costs of internal lobbyists and their support staff in operating accounts that lacked support for inclusion in the accounts. Improper accounting for the costs can lead to inappropriate recovery of the costs through rates charged and billed to customers.

Pertinent Guidance

18 C.F.R. Part 101, General Instruction No. 9, Distribution of Pay and Expenses of Employees, states:

> The charges to electric plant, operating expense and other accounts for services and expenses of employees engaged in activities chargeable to various accounts, such as construction, maintenance, and operations, shall be based upon the actual time engaged in the respective classes of work, or in case that method is impracticable, upon the basis of a study of the time actually engaged during a representative period.

18 C.F.R. Part 101, General Instruction No. 10, Payroll Distribution, states:

> Underlying accounting data shall be maintained so that the distribution of the cost of labor charged direct to the various accounts will be readily available. Such underlying data shall permit a reasonably accurate distribution to be made of the cost of labor charged initially to clearing accounts so that the total labor cost may be classified among construction, cost of removal, electric operating functions (steam generation, nuclear generation, hydraulic generation, transmission, distribution, etc.) and nonutility operations.

18 C.F.R. Part 101, Account 426.4, Expenditures for Certain Civic, Political, and Related Activities, states in part:

> This account shall include expenditures for the purpose of influencing public opinion with respect to the election or appointment of public officials, referenda, legislation, or ordinances . . . or approval, modification, or revocation of franchises; or for the purpose of influencing the decisions of public officials . . . .

Background

In connection with the evaluation of Duke Companies' expenditures for lobbying activities, audit staff discovered that the companies' allocation of the labor costs of internal lobbyists and their support staff was based in part on the amount of time that state legislatures and Congress were in session. Duke Energy explained that these entities were in session on average 180 days a year, and that lobbying activities of its staff to influence legislation would typically be performed while the legislatures and Congress were in session. This resulted in the companies using a default allocator that charged 50 percent of lobbying costs above-the-line to operating accounts and 50 percent below-the-line to Account 426.4, Expenditures for Certain Civic, Political, and Related Activities.

Audit staff interviewed internal lobbyists and their support staff to understand their roles and job assignments, and reviewed lobbyists' schedules as documented in email, itineraries from industry conferences, and other materials. Duke Energy represented that the companies' internal lobbyist performed internal corporate functions such as (1) budgeting, (2) performance appraisals, (3) training, and (4) other activities. However, audit staff could not determine based on documentation provided, that the 50/50 labor allocation split between above- and below-the-line accounting for lobbying and related costs was accurate or reasonable. Moreover, audit staff discovered that the companies neither had a formal oversight review process to assess the accuracy of the labor allocations nor maintained documentation to support the allocations.

General Instructions No. 9, Distribution of Pay and Expenses of Employees, and No. 10, Payroll Distribution, require public utilities to charge lobbying-related labor to operations based on actual time engaged in utility operations or on a representative time study, and to maintain data supporting distribution of the labor to operating costs. Audit staff found that Duke Companies' charges of lobbying and support staff labor to operations were neither based on actual time engaged in utility operations nor derived from representative time studies, as required. The companies also did not maintain data supporting distribution of the costs to utility operations. Duke Companies' accounting for lobbying labor time charges was not consistent with Commission accounting requirements and could have resulted in the inclusion of inappropriate costs in operating accounts, and consequently, in charges to transmission service formula rate and wholesale requirements customers. This could have led to the overcharging of wholesale ratepayers.

Recommendations

We recommend Duke Companies:

27. Revise written policies and procedures to create a process to document and verify appropriate allocation of lobbying and lobbying-related costs, and maintain auditable support for the cost included in rate determinations.

28. Retain an independent third-party entity to conduct a representative labor time study to determine an appropriate allocation of internal lobbyist labor, support

staff, and associated costs that should be accounted for in operating and nonoperating accounts based on time spent by employees engaged in the activities. Provide the study results to audit staff within 180 days of receiving the final audit report.

29. Include the results of the labor time study in the determination of lobbying-related labor cost allocations as of January 1, 2016.

30. Implement policies and procedures to perform a labor time study at least biennially using an independent third-party or internal company resources that are able to attest to the results of the study. Revise the lobbying-related labor cost allocations based on the results of the study.

8. Nonutility Expenses in Operating Accounts

Duke Companies recorded approximately $490,000 of nonutility expenses in operating accounts in 2014. As a result, inappropriate costs were included in wholesale power and transmission formula rate service cost determinations and charged to customers.

Pertinent Guidance

Accounting Release 12, Discriminatory Employment Practices, states in part:

> Expenditures resulting from employment practices found to be discriminatory by a judicial or administrative decree or that were the result of a compromise settlement or consent decree are not just and reasonable cost of utility operations and as such must be charged to nonoperating expense accounts.

18 C.F.R Part 101, Account 426.1, Donations, states:

> This account shall include payments or donations for charitable, social, or community welfare purposes.

18 C.F.R. Part 101, Account 426.5, Other Deductions, states:

> This account shall include other miscellaneous expenses for which are non-operating in nature, but which are properly deductible before determining total income before interest charges.

Background

Audit staff reviewed a sample of expenses charged to administrative and general (A&G) accounts to determine whether the charges were accounted for in accordance with Commission accounting requirements. The sample included charges to Accounts 920, Administrative and General Salaries, 923, Outside Services Employed, and 926, Employee Pensions and Benefits, in 2012. Audit staff reviewed accounting records and documentation supporting amounts reported in the accounts, such as invoices, work orders, and billings. Audit staff also interviewed Duke Companies' employees with responsibility for documenting and accounting for costs reported in the accounts.

Audit staff's review found that Duke Companies accounted for $100,000 of expenditures resulting from employment practices found to be discriminatory as operating expenses. However, in accordance with the requirements of Accounting Release 12, Discriminatory Employment Practices, expenses of this nature should be accounted for as nonoperating expenses. Of the $100,000, audit staff found that $40,000 was improperly recorded to Account 923 and inappropriately included in transmission formula rate determinations. The remaining $60,000 was incorrectly accounted for in production and distribution operating accounts, including Accounts 519, Coolants and Water, 524, Miscellaneous Nuclear Power Expenses, and 583, Overhead Line Expenses. The costs should have been charged to Account 426.5, Other Deductions, consistent with the instructions of the account. Account 426.5 provides for recording expenses that are nonoperating in nature, and are properly deductible before determining total income before interest charges.

Further, audit staff also found that Duke Companies improperly charged about $39,000 in costs related to donations and charitable contributions to above-the-line operating accounts rather than Account 426.1, Donations, as required. Account 426.1 provides for reporting payments or donations for charitable, social, or community welfare purposes. The sampled invoices that audit staff reviewed included expenditures for charity-related activities that were improperly charged to operating accounts.

Because audit staff's review involved a select, small sample of transactions out of a larger population of transactions that involved expenses charged to Accounts 920, 923, and 926, audit staff believes that review of a larger number of transactions charged to these accounts may have revealed additional accounting errors that could have resulted in inappropriate charges to wholesale power and transmission formula rate customers. Duke Companies represented that they performed an analysis of all charges to the 900 series expense accounts for April 2014 through December 2014, and estimated that they incorrectly accounted for approximately $490,000 of costs in the accounts in 2014. These errors are the result of Duke Companies' lack of documented policies and insufficient training of employees on Commission requirements pertaining to accounting for nonoperating expenses. Employees with responsibility for recording expenses of this nature should have knowledge of the importance of appropriate accounting and the impact of improper accounting on rates charged through transmission formula rates.

Recommendations

We recommend Duke Companies:

31. Develop and implement written policies, procedures, and controls to ensure proper accounting and reporting of nonutility expenses.

32. Provide training for employees involved in the invoicing process on Commission accounting requirements and the impact of the accounting on cost-of-service rate determinations.

33. Within 60 days of receiving the final audit report, provide documentation supporting the analysis performed of invoiced expenses recorded to A&G accounts in 2014 that identified misclassified nonutility expenses included in A&G accounts. Develop an estimate of misclassified nonutility expenses accounted for in operating accounts in 2011 through 2013 and 2015.

34. Implement policies and procedures to provide periodic audits or reviews of A&G transactions by external or internal auditors.

35. Submit a refund analysis, within 60 days of receiving the final audit report, for review to DAA that explains and details the following: (1) calculation of refunds that include the amount of inappropriate recoveries that resulted from the improper inclusion of identified and estimated nonutility expenses in charges to wholesale power and transmission customers during the audit period, plus interest on the costs; (2) determinative components of the refund; (3) refund method; and (4) period(s) refunds will be made. Include the results of the invoice analysis in the refund analysis.

36. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

37. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

Appendix: Duke Energy's Comments on Audit Report

DUKE ENERGY.

Brian D. Savoy
Senior Vice President, Chief Accounting Officer and Controller

Duke Energy Corporation
550 South Tryon Street / DEC44A
Charlotte, NC 28202

704 382 6242

brian.savoy2@duke-energy.com

March 30, 2016

Mr. Bryan K. Craig
Director and Chief Accountant
Division of Audits and Accounting
Office of Enforcement
Federal Energy Regulatory Commission
888 First Street NE, Room 5K-13
Washington, DC 20426

RE: Office of Enforcement
Docket No. PA14-2-000
Duke Energy Corporation

Dear Mr. Craig:

On February 19, 2016, the Division of Audits and Accounting ("DAA") within the Office of Enforcement of the Federal Energy Regulatory Commission (the "Commission") issued a draft audit report setting forth the DAA's findings and recommendations resulting from the audit of Duke Energy Corporation ("Duke Energy") and its public utility subsidiaries' compliance with (1) conditions in Commission merger authorization orders, (2) transmission formula rate tariff requirements, and (3) accounting and financial reporting regulations. After several constructive discussions between DAA staff and Duke Energy, the draft audit report was revised several times. DAA staff sent the latest revision to Duke Energy dated March 29, 2016. Duke Energy is responding to the March 29 revision.

SUMMARY

In the draft audit report as revised, the DAA made eight findings and 37 associated recommendations. In sum, Duke Energy accepts five of the eight findings and all associated recommendations. Duke Energy respectfully disagrees with, but will not contest, two of the eight findings (findings 2 and 3) and agrees to comply with all associated recommendations. Duke Energy disagrees with a portion of, but will not contest under 18 CFR Part 41, one of the eight findings (finding 5) and all recommendations as they apply to the portion with which it disagrees, and accepts in part finding 5 and all recommendations as they apply to the accepted portion.

RESPONSE TO FINDINGS

In accordance with the procedures set forth in 18 C.F.R. 41.1, Duke Energy responds to each of the findings as follows:

- **Finding 1.** *Accounting for Merger Transaction Costs* – Duke Companies did not file merger transaction accounting entries with the Commission as required by the Merger Order, and the companies recorded merger transaction costs in operating accounts, contrary to the Commission's long-standing policy that such costs be recorded in nonoperating accounts. By not filing the accounting entries, Duke Companies prevented Commission review of the merger accounting and correction of any entries that were not in accordance with Commission accounting requirements.

Response: Duke Energy accepts this finding.

- **Finding 2.** *Merger Transaction Internal Labor Costs* – Duke Companies improperly included approximately $31.4 million of merger transaction internal labor costs in wholesale power and transmission formula rate service cost determinations without first submitting a section 205 filing demonstrating that the costs were offset by quantified savings produced by the merger. As a result, the wholesale power and transmission customers' revenue requirements were inappropriately overstated an estimated $17.5 million.

Response: Duke Energy respectfully disagrees with this finding, but will not contest it. For the purpose of establishing a complete record, Duke Energy explains its position as follows.

Duke Energy acknowledges its obligation to hold transmission and wholesale power customers harmless for five years from costs related to the merger of Duke Energy and Progress Energy, Inc. (the "Merger").

Between the time of the Commission's Merger Order issued on September 30, 2011 and the closing of the Merger on July 2, 2012, Duke Energy determined that its hold harmless commitment is intended to apply to costs caused by the Merger ("Incremental Costs") and not to costs that would have been incurred even in the absence of the Merger ("Non-Incremental Costs"). No Commission orders squarely addressed this issue, and it seemed to be inherent in the nature of a *hold harmless* commitment that it would protect customers only from costs that they would not have incurred otherwise.

On the basis of this logic, Duke Energy did not treat as transaction-related costs any portion of the regular compensation that employees would have received in the absence of the Merger even if the employees spent some of their time working on transaction-related activities. The company would have paid those same salaries to the employees with or without the Merger. Thus the regular compensation of employees was viewed as Non-Incremental Costs. On the other hand, Duke Energy did treat as transaction-related costs any compensation paid to employees that would *not* have been incurred but for the Merger. For example, this included any bonuses paid to employees in recognition of the extended hours many employees worked to fulfill their regular duties and to work on merger activities. It also included temporary employees and contractors hired to backfill for work that could not be absorbed in this manner. These costs were viewed as Incremental Costs and accordingly were excluded from FERC-jurisdictional rates.

Treatment of internal labor costs in the context of a hold harmless obligation was certainly not a settled issue in early 2012 or even today. This uncertainty was reflected in the Commission's notice of proposed *Policy Statement on Hold Harmless Commitments* issued January 22, 2015 in Docket No. PL15-3. In this notice of proposed policy statement issued two and a half years after the closing of the Merger, the Commission states as follows:

> "…we propose to clarify those costs to which hold harmless commitments will apply. Although the Commission has provided broad guidance regarding the costs that should be covered under hold harmless commitments, it has never defined those costs with much specificity, leading to inconsistency with respect to this issue."[1]

The Commission proposed to clarify that internal labor costs should be treated as transaction-related costs and stated as follows:

> "If the duties of employees are not solely dedicated to activities related to a transaction, internal labor costs deemed merger-related should be determined in a manner that is proportionally equal to the amount of time spent on the merger compared to other activities of the utility and tracked accordingly."[2]

While this *proposal* is clear on this issue, it is worth repeating that it was issued two and a half years after the Merger closed. It is also important to note that it is just a proposal at this time because the final policy statement has not been issued. In addition, some commenters specifically disagreed with this point.[3] Finally, the Commission stated in the notice of proposed policy statement that it would have prospective effect only.[4]

Notwithstanding Duke Energy's belief that its failure to exclude from rates Non-Incremental internal labor costs was not a violation of any settled policy and in fact was based on the most reasonable interpretation of its hold harmless commitment, Duke Energy will not expend the resources necessary to contest this issue and will comply with all associated recommendations in the audit report. Duke Energy reserves all rights in the event that the Commission issues an order

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[1] Paragraph 16 of the notice of proposed policy statement.
[2] Footnote 41 of the notice of proposed policy statement.
[3] See the comments of Edison Electric Institute filed on March 30, 2015 at p. 15-16.
[4] Paragraph 20 of the notice of proposed policy statement.

in the proposed policy statement proceeding or any other proceeding that is not consistent with Finding 2.
Duke Energy estimates that the total refunds that will be due to transmission and wholesale power customers arising from this finding will be approximately $1.2 million plus interest.

- **Finding 3.** *Merger Transaction Outside Services and Related Costs* – Duke Companies incorrectly included $1.5 million of merger transaction outside services and related costs in wholesale power and transmission formula rate service cost determinations without first submitting a section 205 filing demonstrating the costs were offset by quantified savings produced by the merger. In addition, the companies recorded the merger transaction costs in operating accounts, contrary to the Commission's long-standing policy that such costs be recorded in nonoperating accounts. As a result, the wholesale power and transmission customers' revenue requirements were inappropriately overstated an estimated $745,000.

Response: Duke Energy respectfully disagrees with this finding, but will not contest it. For the purpose of establishing a complete record, Duke Energy explains its position as follows.

The costs which are the subject of this finding are costs incurred in 2010 to investigate, agree to, and perform preliminary due diligence regarding, the Merger prior to the announcement of the Merger. Duke Energy made the determination that its hold harmless commitment was not intended to include such costs incurred during the formative stage of a potential transaction before it was clear that the company would even pursue the transaction. Like most utility holding companies, Duke Energy has a corporate development group that regularly investigates and reviews potential transactions as part of its routine operations. Only a very small percentage of potential transactions reviewed are ever consummated. In order to comply with a hold harmless commitment as interpreted in this Finding 3 for a transaction that is eventually consummated, the company would have to track all its costs for each and every potential transaction it reviews even though the vast majority will never be consummated. This would be unwieldy and wasteful. Because these potential transactions often will benefit customers, discouraging investigation of them is not in the best interests of customers.

Treatment of such investigation costs incurred prior to the announcement of a transaction in the context of a hold harmless obligation was certainly not a settled issue in early 2012 or even today. This uncertainty was reflected in the Commission's notice of proposed *Policy Statement on Hold Harmless Commitments* discussed in Duke Energy's response to Finding 2 above.

In the notice of proposed policy statement, the Commission proposed to clarify that such investigation costs would be subject to the hold harmless commitment.[5]

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[5] Paragraph 22 of the notice of proposed policy statement.

As in Duke Energy's response to Finding 2 above, we will point out again that the notice of proposed policy statement was issued two and a half years after the Merger closed, and is just a proposal at this time because the final policy statement has not been issued. In addition, some commenters specifically disagreed with this point.[6]

Notwithstanding Duke Energy's belief that its failure to exclude pre-announcement costs that are the subject of Finding 3 was not a violation of any settled policy, Duke Energy will not expend the resources necessary to contest this issue and will comply with all associated recommendations in the audit report.

Duke Energy estimates that the total refunds that will be due to transmission and wholesale power customers arising from this finding will be approximately $60,000 plus interest.

- **Finding 4.** *Use of the Consolidation Method of Accounting* – DEC and DEP accounted for investments in subsidiaries on a consolidated basis in their FERC Form No. 1, Annual Reports (Form No. 1), contrary to the Commission's long-standing accounting policy.

Response: Duke Energy accepts this finding.

- **Finding 5.** *Accounting for Sales of Accounts Receivable* – DEC, DEP, and DEF misclassified an estimated $94.7 million of nonoperating expenses and receivables arising from transactions with their subsidiaries during the audit period. As a result, the wholesale power and transmission customers' revenue requirements were inappropriately overstated by an estimated $61 million.

Response: Duke Energy disagrees with the portion of this finding that concerns accounting for losses on the sale of receivables. However, Duke Energy will not contest this finding under 18 CFR Part 41 because the portion of this finding that relates to accounting for losses on the sale of receivables, including recommendations 17 and 18, will be held in abeyance and will be subject to the outcome of Duke Energy's request for rehearing in Docket No. AC15-174-001 pursuant to the draft audit report.

- **Finding 6.** *Accounting for Lobbying Expenses:* Duke Companies recorded approximately $2.4 million of lobbying expenses in above-the-line operating accounts from 2011 through 2013. As a consequence, Duke Companies improperly included these costs in wholesale power and transmission formula rate service cost determinations.

Response: Duke Energy accepts this finding.

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[6] See the comments of Edison Electric Institute filed March 30, 2015 at p. 14-15.

- **Finding 7.** *Allocation of Lobbyist Labor Costs:* Duke Companies accounted for the labor costs of internal lobbyists and their support staff in operating accounts that lacked support for inclusion in the accounts. Improper accounting for the costs can lead to inappropriate recovery of the costs through rates charged and billed to customers.

Response: Duke Energy accepts this finding.

- **Finding 8.** *Nonutility Expenses in Operating Accounts:* Duke Companies recorded approximately $490,000 of nonutility expenses in operating accounts in 2014. As a result, inappropriate costs were included in wholesale power and transmission formula rate service cost determinations and charged to customers.

Response: Duke Energy accepts this finding.

RESPONSE TO RECOMMENDATIONS

Duke Energy will comply with all recommendations except as otherwise stated below. As requested, Duke Energy proposes target completion dates below for each recommendation wherever the recommendation does not specify the completion date.

Accounting for Merger Transaction Costs

1. Revise accounting policies and procedures to appropriately account for merger transactions consistent with Commission accounting requirements.

Target Completion Date: September 30, 2016

2. Develop written policies and procedures to timely identify proposed accounting transactions that would trigger a notification to the Commission.

Target Completion Date: September 30, 2016

3. Develop written policies and procedures to submit accounting questions of doubtful interpretation to the Commission.

Target Completion Date: September 30, 2016

4. Provide training to employees on compliance with the merger cost accounting conditions and the revised policies, procedures, and controls for complying with the conditions. Also, develop a training program that supports the provision of periodic training in this area.

Target Completion Date: December 31, 2016

Merger Transaction Internal Labor Costs

If the Commission issues a policy statement on hold harmless commitments and such policy statement is inconsistent with Finding 2 or Finding 3, then Duke Energy reserves the right to seek relief from compliance with any of recommendations 5 – 12 as appropriate.

5. Revise all policies and procedures for tracking, accounting, and excluding merger transaction costs from wholesale power and transmission formula rates, including amounts previously charged to utility plant, accumulated deferred income taxes, construction work in progress with the associated capitalized cost of funds used during construction (AFUDC), and maintenance and operating expense accounts, and future charges to such accounts for any transaction to which a FERC hold harmless obligation applies. The revised procedures should hold customers harmless from all merger transaction costs consistent with requirements of the Merger Order. Among other things, the revised policies and procedures should include an annual review of each subsidiary's merger transaction cost adjustments as well as periodic evaluations within the year, as needed and appropriate.

Target Completion Date: September 30, 2016

6. Submit a refund analysis, within 60 days of receiving the final audit report, to DAA for review that explains and details the following: (1) calculation of refunds that include the amount of inappropriate recoveries that resulted from the inclusion of merger transaction internal labor and related costs in wholesale power and transmission formula rates during the audit period, plus interest on the costs; (2) determinative components of the refund; (3) refund method; and (4) period(s) refunds will be made.

7. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

Target Completion Date: 45 days after receiving DAA's assessment of the refund analysis

8. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

Target Completion Date: 45 days after receiving DAA's assessment of the refund analysis

Merger Transaction Outside Services and Related Costs

9. Revise accounting policies and procedures to appropriately account for merger transaction costs consistent with Commission accounting requirements.

Target Completion Date: September 30, 2016

10. Submit a refund analysis, within 60 days of receiving the final audit report, to DAA for review that explains and details the following: (1) calculation of refunds that include the amount of inappropriate recoveries that resulted from the inclusion of merger transaction outside services and related costs in wholesale power and transmission formula rate charges during the audit period, plus interest on the costs; (2) determinative components of the refund; (3) refund method; and (4) period(s) refunds will be made.

11. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

Target Completion Date: 45 days after receiving DAA's assessment of the refund analysis

12. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

Target Completion Date: 45 days after receiving DAA's assessment of the refund analysis

Use of the Consolidation Method of Accounting

13. Review and, as needed, revise accounting policies, practices, and procedures to ensure that investments in subsidiaries are accounted for consistent with the Commission's equity method accounting requirements.

Response and Target Completion Date: Duke Energy will comply with this recommendation, but notes that the Commission has granted to DEC, DEP, and DEF a waiver from the requirement to use the equity method as discussed above. Target Completion date is 60 days after receiving the final audit report.

14. Evaluate the accounting applied to Duke Companies' existing subsidiaries and notify DAA of any areas of noncompliance with Commission accounting requirements.

Target Completion Date: 60 days after receiving the final audit report.

15. Revise documented policies, procedures and processes to ensure timely notice is provided to relevant regulators regarding instances of noncompliance with regulations, rules, and orders.

Target Completion Date: September 30, 2016

16. Provide training to staff on procedures, practices, and available tools to transparently or anonymously report instances of noncompliance to senior management, the Board of Directors, and relevant regulators.

Target Completion Date: December 31, 2016

Accounting for Sales of Accounts Receivable

17. Revise procedures to ensure that all costs, revenues, and account balances associated with the sale of accounts receivable are accounted for in accordance with Commission accounting regulations. Among other things, the corrected accounting should ensure that all discounts, fees, and revenues associated with receivable sales are recorded in Account 426.5, and that the cost of performing collection services on behalf of the subsidiaries, including employee labor, expenses, and an appropriate allocation of overhead and utility plant, are recorded in Account 426.5.

Response and Target Completion Date: In accordance with the draft audit report, the portions of this recommendation that relate to accounting for losses on the sale of receivables are held in abeyance and subject to the outcome of the rehearing request and any subsequent petitions for review proceedings. The target completion date for portions that do *not* relate to accounting for losses on the sale of receivables is 60 days after receiving the final audit report.

18. Provide the revised procedures to DAA for review within 60 days of receiving the final audit report.

Response and Target Completion Date: In accordance with the audit report, the portions of this recommendation that relate to accounting for losses on the sale of receivables are held in abeyance and subject to the outcome of the rehearing request and any subsequent petitions for review proceedings.

19. Recalculate charges to wholesale power and transmission customers of DEC, DEP, and DEF and submit the recalculations in a refund analysis to DAA for review within 60 days of receiving the final audit report. The refund analysis should explain and detail the: (1) return of collection service billings charged in 2014; (2) return of losses on the sales included in rates; (3) determinative components of the refund; (4) refund method; (5) period(s) refunds will be made; and (6) interest calculated in accordance with section 35.19 of Commission regulations.

20. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

Target Completion Date: 45 days after receiving DAA's assessment of the refund analysis

21. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

Target Completion Date: 45 days after receiving DAA's assessment of the refund analysis

Accounting for Lobbying Expenses

22. Establish and implement written procedures governing the methods used to account for, track, report, and review lobbying costs incurred.

Response: Duke Energy has completed this action. Duke Energy will update its procedures upon completion of the labor time study referenced in recommendation 28.

23. Provide training on Commission accounting requirements and the impact of accounting on cost-of-service rate determinations to employees involved in lobbying and lobbying-related work, and those with oversight responsibility for lobbying cost allocations. Also, develop a training program that supports the provision of periodic training in this area.

Response: Duke Energy has completed this action. Duke Energy will update its procedures upon completion of the labor time study referenced in recommendation 28.

24. Submit a refund analysis, within 60 days of receiving the final audit report, to DAA for review that explains and details the following: (1) calculation of refunds that include the amount of inappropriate recoveries that resulted from the improper inclusion of lobbying cost in operating accounts during the audit period, plus interest on the costs; (2) determinative components of the refund; (3) refund method; and (4) period(s) refunds will be made.

25. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

Target Completion Date: 45 days after receiving DAA's assessment of the refund analysis

26. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

Target Completion Date: 45 days after receiving DAA's assessment of the refund analysis

Allocation of Lobbyist Labor Costs

27. Revise written policies and procedures to create a process to document and verify appropriate allocation of lobbying and lobbying-related costs, and maintain auditable support for the cost included in rate determinations.

Response: Duke Energy has completed this action. Duke Energy will update its procedures upon completion of the labor time study referenced in recommendation 28.

28. Retain an independent third-party entity to conduct a representative labor time study to determine an appropriate allocation of internal lobbyist labor, support staff, and associated costs that should be accounted for in operating and nonoperating accounts based on time spent by employees engaged in the activities. Provide the study results to audit staff within 180 days of the date of the final audit report.

29. Include the results of the labor time study in the determination of lobbying-related labor cost allocations as of January 1, 2016.

Target Completion Date: 180 days after the date of the final audit report

30. Implement policies and procedures to perform a labor time study biennially using an independent third-party or internal company resources that are able to attest to the results of the study. Revise the lobbying-related labor cost allocations based on the results of the study.

Target Completion Date: 180 days after the date of the final audit report

Nonutility Expenses in Operating Accounts

31. Develop and implement written policies, procedures, and controls to ensure proper accounting and reporting of nonutility expenses.

Response: Duke Energy has completed this action.

32. Provide training for employees involved in the invoicing process on Commission accounting requirements and the impact of the accounting on cost-of-service rate determinations.

Response: Duke Energy has completed this action.

33. Within 60 days of receiving the final audit report, provide documentation supporting the analysis performed of invoiced expenses recorded to administrative and general (A&G) accounts in 2014 that identified misclassified nonutility expenses included in A&G accounts. Develop an estimate of misclassified nonutility expenses accounted for in operating accounts in 2011 through 2013 and 2015.

34. Implement policies and procedures to provide periodic audits or reviews of A&G transactions by external or internal auditors.

Target Completion Date: 60 days after the date of the final audit report

35. Submit a refund analysis, within 60 days of receiving the final audit report, to DAA for review that explains and details the following: (1) calculation of refunds that include the amount of inappropriate recoveries that resulted from the improper inclusion of identified and estimated nonutility expenses in charges to wholesale power and transmission customers during the audit period, plus interest on the costs; (2) determinative components of the refund; (3) refund method; and (4) period(s) refunds will be made. Include the results of the invoice analysis in the refund analysis.

36. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

Target Completion Date: 45 days after receiving DAA's assessment of the refund analysis

37. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

Target Completion Date: 45 days after receiving DAA's assessment of the refund analysis

Duke Energy acknowledges and appreciates the professionalism and the courtesy with which DAA staff conducted this audit.

Sincerely,

Brian D Savoy by Paul Kinny

Brian D. Savoy
Senior Vice President, Chief Accounting Officer and Controller

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 16(7)(j)

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807 KAR 5:001, SECTION 16(7)(j)

Description of Filing Requirement:

Prospectuses of the most recent stock or bond offerings.

Response:

See attached. The most recent Duke Energy Kentucky bond offering was a private placement and as a result did not have a prospectus. Private placements use a document similar to prospectus, called an executive summary.

Witness Responsible: Christopher M. Jacobi

This Confidential Executive Summary (the "Executive Summary") must not be given to any person other than the offeree to whom it has been distributed and must not be reproduced in any manner whatsoever. No offeree is authorized to make any further distribution or reproduction of this Executive Summary or to disclose its contents. Any unauthorized distribution or reproduction of any part of this Executive Summary may result in a violation of the Securities Act of 1933, as amended (the "Securities Act").

$150,000,000
SENIOR UNSECURED DEBENTURES

DUKE ENERGY®

DUKE ENERGY KENTUCKY, INC.

JUNE 2019

CONFIDENTIAL EXECUTIVE SUMMARY

JOINT LEAD PLACEMENT AGENTS

KeyBanc Capital Markets

Santander

The Securities described in this Executive Summary have not been registered under the Securities Act, or the securities laws of any jurisdiction. Duke Energy Kentucky, Inc. is offering the Securities in reliance on exemptions from the registration requirements of the Securities Act and other applicable laws. These exemptions apply to offers and sales of securities that do not involve a public offering. The Securities have not been approved or recommended by any federal, state or foreign securities authorities, nor have any of these authorities passed upon the merits of this offering or determined that this Executive Summary is accurate or complete. Any representation to the contrary is a criminal offense.

DISCLAIMER

NOTICE TO PROSPECTIVE PURCHASERS:

Duke Energy Kentucky, Inc. ("Duke Energy Kentucky" or the "Company") has requested that KeyBanc Capital Markets Inc. ("KeyBanc") and Santander Investment Securities Inc. ("Santander") which are acting as lead placement agents (the "Placement Agents") on behalf of the Company, distribute this Executive Summary to prospective purchasers of the Company's Senior Unsecured Debentures (the "Securities").

This Executive Summary has been prepared solely for the benefit of a limited number of sophisticated institutions that are accredited investors within the meaning of Rule 501(a) under the Securities Act interested in the purchase of the Securities described herein to be issued by the Company. The information contained in this Executive Summary has been supplied by the Company, which is solely responsible for its contents. NONE OF THE PLACEMENT AGENTS' EMPLOYEES OR AGENTS HAS VERIFIED SUCH INFORMATION AND THE PLACEMENT AGENTS DO NOT MAKE ANY REPRESENTATION OR WARRANTY AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

Your acceptance of this Executive Summary shall constitute an agreement by you and your representatives that to the extent that the Company discloses material, nonpublic information to you or your representatives, such disclosure is made with the understanding that you and your representatives agree to maintain such material, nonpublic information in confidence and that the Company does not, at this time, intend to disclose any such material nonpublic information publicly.

This Executive Summary is a confidential document. Prospective purchasers should read this Executive Summary before making a decision whether to purchase any Securities. Prospective purchasers must not (i) use this Executive Summary or any other information furnished by the Company for any other purpose; (ii) make copies of any part of this Executive Summary or give a copy of this Executive Summary or any other information furnished by the Company to any other person; (iii) disclose any information furnished by the Company, including the information in this Executive Summary, to any other person without the prior written approval of the Company; or (iv) trade in any securities of the Company (other than the Securities) while in possession of this Executive Summary or any information furnished by the Company in connection with the transaction contemplated hereby.

Notwithstanding anything in this Executive Summary to the contrary, the Company, the Placement Agents and each prospective purchaser of the Securities (and any employee, representative or other agent of them) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Executive Summary and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such tax treatment or tax structure. However, any such information relating to the tax treatment or tax structure is required to be kept confidential to the extent necessary to comply with any applicable federal or state securities laws.

A prospective purchaser must promptly return all copies of this Executive Summary to the Placement Agents, if the offering is terminated or withdrawn, if a prospective purchaser decides not to purchase the Securities or if requested by the Company. Each prospective purchaser is responsible for making its own examination of the Company and its own assessment of the merits and risks of investing in the Securities. This Executive Summary does not purport to contain all of the information that a prospective purchaser may require in making an investment decision. This Executive Summary may also contain summaries of certain documents. These summaries are not necessarily complete and prospective purchasers should refer to the documents that have been summarized.

The Company will offer prospective purchasers the opportunity to ask questions of and receive answers from the Company about the Company, the terms and conditions of the Securities or any other relevant information. Prospective purchasers may contact the persons listed below, if they need any additional information, including copies of any documents summarized in this Executive Summary.

By purchasing any Securities, a prospective purchaser will be deemed to have acknowledged that (i) it is aware of the need to conduct its own thorough investigation of the Company and the Securities before making an investment in the Securities; (ii) it is an institutional accredited investor that is willing and able to conduct an independent investigation of the risks of ownership of the Securities; (iii) it has had an opportunity to request any additional information that it needs from the Company; and (iv) the Placement Agents are not responsible for, and are not making any representation concerning, the Company's future performance, the adequacy, accuracy or completeness of this Executive Summary, the advisability of purchasing the Securities, the execution, validity or enforceability of the Securities or any documents delivered in connection with the Securities.

In making their investment decision, prospective purchasers should rely only on the information contained in this Executive Summary and on any other information furnished by the Company, whether directly or through the Placement Agents. The Company and the Placement Agents have not authorized anyone to provide prospective purchasers with any other information. If any other information is received, a prospective purchaser should not rely on it.

Prospective purchasers should not assume that the information contained in this Executive Summary is accurate as of any date other than the date on the front cover of this Executive Summary or that there has been no change in the affairs of the Company since that date.

The Company and the Placement Agents are not providing prospective purchasers with any legal, business, tax or other advice in this Executive Summary. Prospective purchasers should consult with their own advisors as needed to assist them in making their investment decision and to advise them whether they are legally permitted to purchase the Securities.

Each prospective purchaser must comply with all laws that apply to it in any place in which it buys, offers or sells any Securities or possesses this Executive Summary. Each prospective purchaser must also obtain any consents or approvals that it needs in order to purchase any Securities. The Company and the Placement Agents are not responsible for a prospective purchaser's compliance with these legal requirements. The Company and the Placement Agents are offering to sell the Securities only in places where, and to persons to whom, offers and sales are permitted.

The Company has not taken any action that would permit a public offer or sale of the Securities. Accordingly, the Securities will be subject to restrictions on resale and transfer as provided in the debenture purchase agreement and the supplemental indenture relating to the Securities. The Securities will bear a legend referring to these restrictions. Because of these restrictions, no secondary trading market for the Securities is expected to develop and purchasers may be required to bear the financial risks of investing in the Securities for an indefinite period of time.

The Company and the Placement Agents reserve the right to reject any commitment to purchase Securities in whole or in part and to allot to any prospective purchaser less than the full amount of Securities sought by it.

This Executive Summary contains certain "forward-looking statements" with respect to the financial condition, results of operations and business and business strategy of the Company. All of these forward-looking statements are based on estimates, projections and assumptions made by the Company about circumstances and events that have not yet taken place which, although the Company believes them to be reasonable, are inherently uncertain. Therefore, undue reliance should not be placed upon these estimates and statements. No assurance can be given that any of these estimates or statements will be realized. It is likely that actual results will vary from those contemplated by these forward-looking statements and such variations may be material. Prospective purchasers should carefully review the Risk Factors beginning on page 16 of this Executive Summary for a discussion of certain factors that could cause the Company's results to vary from those contemplated by these forward-looking statements.

By accepting this Executive Summary, the recipient will be deemed to have acknowledged and agreed to all of the foregoing.

KeyBanc Capital Markets is the trade name for the capital markets and investment banking services of KeyCorp and its subsidiaries, including KeyBank National Association and KeyBanc Capital Markets Inc. (a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission and a member of FINRA and SIPC).

For further information, please contact one of the following KeyBanc or Santander professionals:

KEYBANC CAPITAL MARKETS

127 PUBLIC SQUARE, 4TH FLOOR
CLEVELAND, OH 44114

225 FRANKLIN ST, 18TH FLOOR
BOSTON, MA 02110

227 W. MONROE ST, SUITE 1700
CHICAGO, IL 60606

Name	Title	E-Mail	Office	Mobile
Fixed Income Syndicate				
Stephanie Acheson	*Managing Director*	stephanie.acheson@key.com	(312) 730-2711	(312) 972-0698
Debt Capital Markets				
Eamon McDermott	*Managing Director*	emcdermott@key.com	(617) 385-6277	(440) 567-9794
Erica Elsasser	*Vice President*	erica.elsasser@key.com	(216) 689-4496	(614) 257-9275
Katrina Supeck	*Associate*	katrina.supeck@key.com	(216) 689-7722	(330) 591-5956

SANTANDER INVESTMENT SECURITIES INC.

45 EAST 53RD STREET
NEW YORK, NY 10022

Name	Title	E-Mail	Office	Mobile
Debt Capital Markets – Americas				
Thomas Connor	*Managing Director*	thomas.connor@santander.us	(212) 583-4659	(201) 253-9340
Daniel Penaloza	*Vice President*	daniel.penaloza@santander.us	(212) 407-7815	(718) 909-7453
Andres I. Garcia	*Vice President*	andres.garcia@santander.us	(212) 940-1434	(646) 715-2915

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I. DUKE ENERGY KENTUCKY, INC.

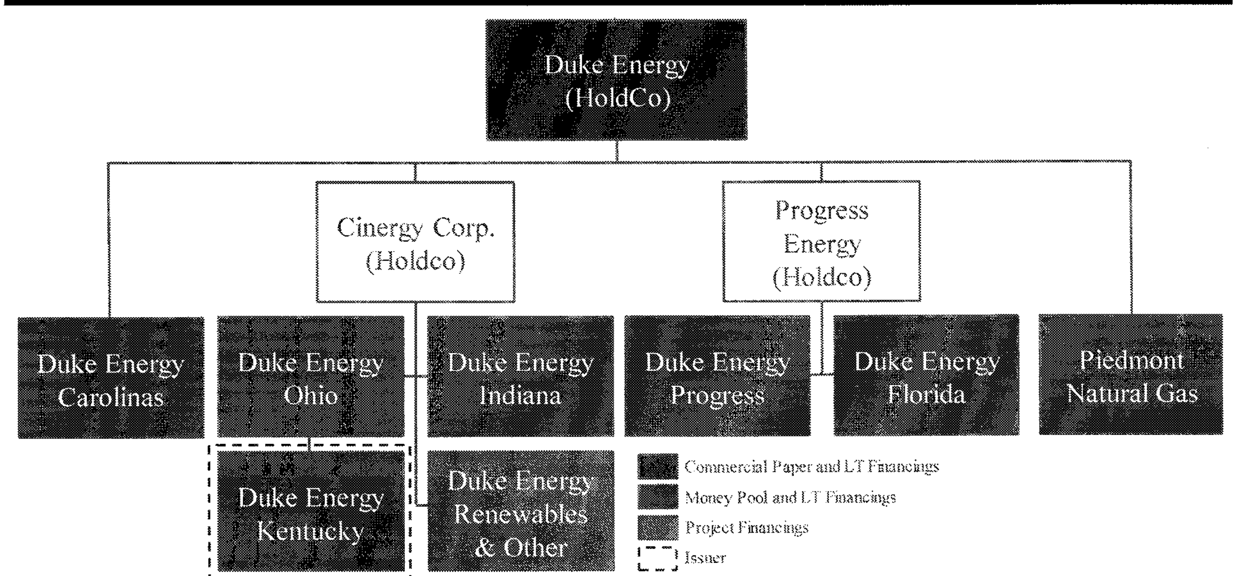
The Company's future performance is subject to a variety of risks and uncertainties, many of which are described in the section entitled Risk Factors. If any of the risks or uncertainties materialize, the Company's business, financial condition and results of operations could be materially and adversely affected. Additional risks not presently known to the Company, or that the Company currently deems immaterial, may also impair the business, financial condition or results of operations.

Prospective purchasers should read the information provided in the Executive Summary with respect to Duke Energy Kentucky, Inc. in conjunction with the more detailed information about Duke Energy Kentucky, Inc. in Duke Energy Corporation's SEC filings and Duke Energy Kentucky, Inc.'s quarterly and annual financial statements. In considering whether to purchase the Securities, investors should carefully consider the risks and uncertainties described above and in such filings and financial statements.

1. *COMPANY OVERVIEW*

Duke Energy Kentucky, Inc. ("Duke Energy Kentucky" or the "Company") is a combination electric and gas public utility company that provides service in northern Kentucky. The Company's principal lines of business include generation, transmission and distribution of electricity as well as the sale of and/or transportation of natural gas. Duke Energy Kentucky's common stock is wholly owned by Duke Energy Ohio, Inc. (''Duke Energy Ohio''), an indirect wholly owned subsidiary of Duke Energy Corporation (collectively with its subsidiaries, "Duke Energy"), an energy company headquartered in Charlotte, North Carolina. Duke Energy operates primarily through its direct and indirect subsidiaries. Duke Energy's subsidiaries include Duke Energy Carolinas, LLC; Duke Energy Progress, LLC; Duke Energy Florida, LLC; Duke Energy Ohio, Inc.; Duke Energy Indiana, LLC; and Piedmont Natural Gas Company, Inc. Duke Energy Kentucky is the sole obligor on the Securities, and neither Duke Energy nor any of its affiliates are guaranteeing Duke Energy Kentucky's obligation on the Securities. The table below displays the simplified financing structure of Duke Energy:

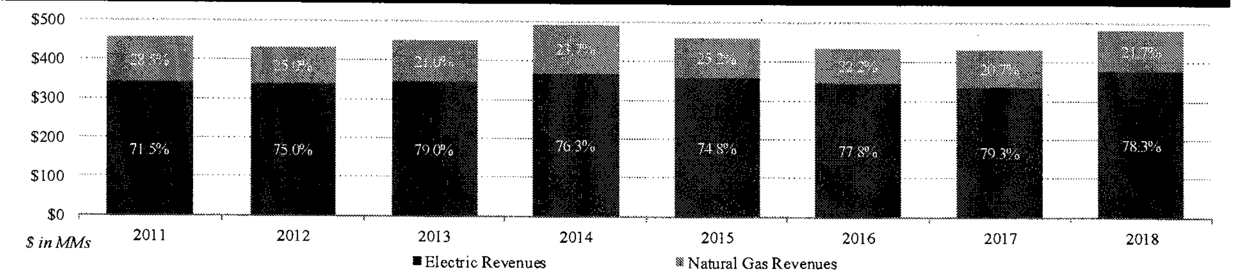
DUKE ENERGY SIMPLIFIED FINANCING STRUCTURE



Source: Company

Below is the Company's yearly historical revenue breakdown since 2011:

DUKE ENERGY KENTUCKY HISTORICAL REVENUE BREAKDOWN



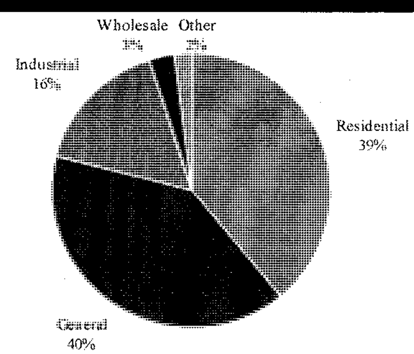
Source: Company

2. *CUSTOMERS & SERVICE TERRITORY*

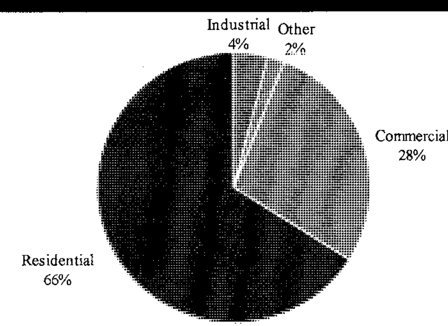
Duke Energy Kentucky provides electric and gas service in the northern Kentucky area. The approximately 700 square mile service territory includes the cities of Covington and Florence, Kentucky. The Company owns an electric transmission and distribution system in Kenton, Campbell, Boone, Grant, and Pendleton counties of northern Kentucky. The Company also owns a gas distribution system, which serves either all or parts of Kenton, Campbell, Boone, Grant, Gallatin, Bracken, and Pendleton counties of northern Kentucky.

At December 31, 2018, Duke Energy Kentucky had approximately 142,000 electric customers and 100,000 gas customers. For the year ended December 31, 2018, the Company sold 4,133,607 MWh of electricity to retail electric customers and 507,428 MWh to wholesale customers and 14,427,688 Mcf of gas to retail customers. Electric sales to residential customers account for approximately 39% of electric revenue, with general customers at 40%, industrial at 16%, wholesale at 3% and other at 2%. Gas sales to residential and commercial customers account for approximately 66% and 28% of gas revenue, respectively, with industrial at 4% and other at 2%.

2018 ELECTRICITY SALES BY CUSTOMER



2018 NATURAL GAS SALES BY CUSTOMER



Source: Company
Note: 'General' includes Commercial and Other Public Authorities

3. *ASSETS & GENERATION OVERVIEW*

At December 31, 2018, Duke Energy Kentucky owned approximately 107 conductor miles of 69 kilovolt electric transmission lines. The Company also owns approximately 4,600 conductor miles of electric transmission lines and approximately 1,500 miles of gas transmission and distribution mains. The electric transmission and distribution systems have approximately 46 substations.

Duke Energy Kentucky owns and operates the East Bend Generating Station ("East Bend"), a coal-fired station located in Rabbit Hash, Kentucky, with a net capacity of 600 megawatts ("MW") and one natural gas combustion turbine peaking station, Woodsdale, with a net winter capacity rating of 564 MW. Duke Energy Kentucky previously owned 69% of the East Bend Generating Station. It acquired the additional 31% stake in the facility in December 2014 for $12.4 million. The acquisition replaces generation lost as a result of the retirement of the 163 MW, 55 year-old Miami Fort 6 plant. East Bend, in operation since 1981, ran at a 53.13% capacity factor in calendar year 2018, and 81.23% in 2017. East Bend is a fully scrubbed power plant and is equipped to reduce sulfur dioxide emissions by 97% and NO_x emissions by 85%. It has an air permit that limits SO_2 emissions to 1.2 lbs/MMBTU. Following the retirement of the Miami Fort 6 plant in June 2015, 100% of the 600 MW of coal-fired capacity is equipped with scrubbers and Selective Catalytic Reduction equipment.

Additional information on Duke Energy Kentucky's assets is provided below:

DUKE ENERGY KENTUCKY POWER PLANTS

Plant	Year	State	Owner	Operator	Status	Prime Mover	Fuel Type	Capacity (MW)	Ownership
Crittenden Solar Facility	2017	KY	Duke Kentucky	Duke Kentucky	Operating	Photovoltaic	Solar	2.8	100.00%
East Bend	1981	KY	Duke Kentucky	Duke Kentucky	Operating	Steam Turbine	Bituminous Coal	600.0	100.00%
Walton 1 Solar Facility	2017	KY	Duke Kentucky	Duke Kentucky	Operating	Photovoltaic	Solar	2.0	100.00%
Walton 2 Solar Facility	2017	KY	Duke Kentucky	Duke Kentucky	Operating	Photovoltaic	Solar	2.0	100.00%
Woodsdale	1992	OH	Duke Kentucky	Duke Kentucky	Operating	Gas Turbine	Natural Gas	564.0	100.00%

Source: S&P Global Market Intelligence

DUKE ENERGY KENTUCKY CURRENT PLANT CAPACITY & OPERATIONS SUMMARY *(AS OF YEAR END 2018)*

		Owned Operating Capacity (MW)						
	Avg. Age of Fleet (Yrs)	Operating Nameplate	Operating Summer	Operating Winter	Total	MWh Net Generation	Capacity Factor	Average Heat Rate (Btu/kWh)
Total Coal (Steam Turbine)	38	772.0	600.0	600.0	772.0	2,792,745	53.13%	10,892
Total Natural Gas (Gas Turbine)	27	571.8	476.0	564.0	571.8	116,441	2.36%	17,764
Total Renewable (Solar)	2	6.7	6.7	6.7	6.7	N/A	N/A	N/A
Total	33	1,350.6	1,082.7	1,170.7	1,350.5	N/A	28.37%	11,168

Source: S&P Global Market Intelligence

4. *RATES & REGULATION*

The Company is regulated primarily by the Kentucky Public Service Commission ("KPSC"). Fuel costs are adjusted monthly. Kentucky law permits Duke Energy Kentucky to recover its environmental compliance costs through a Cost Recovery Mechanism for recovery of certain environmental costs related to coal combustion and a cash return on associated construction work in progress ("CWIP") outside base rate filings. Adjustment mechanisms also permit cost recovery, including an incentive, for energy efficiency programs. The effective dates of the Company's most recent base rate increases are May 2018 for electric and April 2019 for gas.

The majority of Duke Energy Kentucky's operations are subject to price regulation for the sale of electricity and natural gas by the KPSC or Federal Energy Regulatory Commission ("FERC"). When prices are set on the basis of specific costs of the regulated operations and an effective franchise is in place such that sufficient natural gas or electric services can be sold to recover those costs, Duke Energy Kentucky applies regulatory accounting. Regulatory accounting changes the timing of the recognition of costs or revenues relative to a company that does not apply regulatory accounting. As a result, regulatory assets and regulatory liabilities are recognized on the Balance Sheets. Regulatory assets and liabilities are amortized consistent with the treatment of the related cost in the ratemaking process.

Duke Energy Kentucky utilizes a cost-tracking mechanism, commonly referred to as a fuel adjustment clause. This clause allows for the recovery of fuel and fuel-related costs and portions of purchased power costs through surcharges on customer rates. The difference between the costs incurred and the surcharge revenues is recorded as an adjustment to Operating Expenses - Fuel used in electric generation and purchased power or Operating Expenses - Cost of natural gas on the Statements of Operations with an off-setting impact on regulatory assets or liabilities.

For 12 months ending December 31, 2018, the Company's retail electric rate of 8.42 ¢/kWh was below the state average of 8.73 ¢/kWh and below the national average of 10.83 ¢/kWh.[1]

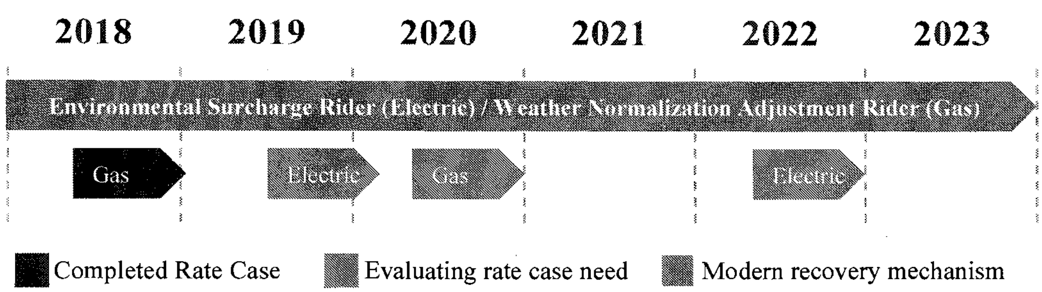
Summaries of the most recent electric and natural gas rate cases are shown in the table below:

		Increase Requested					Increase Authorized			
Service	Date	Rate Increase	Return on Rate Base	ROE	Equity to Cap	Rate Base	Date	Rate Increase	ROE	Equity to Cap
Natural Gas	8/31/18	$10.5M	7.18%	9.90%	50.76%	$313.7M	3/27/19	$7.4M	9.70%	50.76%
Electric	9/1/17	$48.6M	7.08%	10.30%	48.89%	$700.2M	4/13/18	$8.4M	9.73%	49.30%

Source: S&P Global Market Intelligence

Duke Energy Kentucky is a member of PJM Interconnection, LLC ("PJM"), a regional transmission organization that coordinates the movement of wholesale electricity in all or parts of 13 states and the District of Columbia and operates an energy market and a capacity market. Duke Energy Kentucky participates in the PJM capacity market as a Fixed Resource Requirement ("FRR") entity. As an FRR entity, Duke Energy Kentucky is required to submit an FRR capacity plan that identifies specific generating resources that provide Duke Energy Kentucky with capacity to meet its reliability obligations and to satisfy its load and generation needs. The FRR plan is submitted annually for a period of three delivery years into the future. Duke Energy Kentucky currently uses primarily its owned generating resources to satisfy its FRR plan.

Regulatory Calendar



Electric Base Rate Case

On September 1, 2017, Duke Energy Kentucky filed a rate case with the KPSC requesting an increase in electric base rates of approximately $49 million, which represents an approximate 15 percent increase on the average customer bill. Subsequent to the filing, Duke Energy Kentucky adjusted the requested amount to $30.1 million, in part to reflect the benefits of the Tax Cuts and Jobs Act ("Tax Act"), representing an approximate 9 percent increase on the average customer bill. The rate increase was driven by increased investment in utility plant, increased operation and maintenance expenses and recovery of regulatory assets. The application also included requests to implement an Environmental Surcharge Mechanism to recover environmental costs not recovered in base rates, to establish a Distribution Capital Investment Rider to recover incremental costs of specific programs, to establish a Federal Energy Regulatory Commission ("FERC") Transmission Cost Reconciliation Rider to recover escalating transmission costs and to modify existing Profit Sharing Mechanism to increase customers' share of proceeds from the benefits of owning generation and to mitigate shareholder risks associated with that generation. An evidentiary hearing concluded on March 8, 2018, and the KPSC issued an order on April 13, 2018. Major components of the order include approval of an $8.4 million increase in base rates with a return on equity at 9.725 percent based upon a capital structure of 49 percent equity on a total allocable capitalization of approximately $650 million. The order approved the Environmental Surcharge Mechanism

[1] *EEI Typical Bills and Average Rates report*

Rider and in June 2018 recovery began of capital-related environmental costs, including costs related to ash and ash disposal, and environmental operation and maintenance expenses formerly recovered in base rates, including expenses for environmental reagents and emission allowances. The incremental revenue from this rider will be approximately $13 million on an annualized basis. The order settles all issues associated with the Tax Act as it relates to the electric business by lowering the income tax component of the revenue requirement and refunding protected excess deferred income taxes ("EDIT") under allowable normalization rules and unprotected EDIT over 10 years. The order denied requests to implement riders for certain transmission costs and distribution capital investments. Duke Energy Kentucky implemented new base rates on May 1, 2018. On May 3, 2018, Duke Energy Kentucky filed an application for rehearing on certain aspects of the order; on May 23, 2018, the KPSC granted a rehearing. On October 2, 2018, the KPSC issued its rehearing order correcting certain findings in its initial order and making additional changes that are immaterial to the company's earnings.

Natural Gas Base Rate Case

On August 31, 2018, Duke Energy Kentucky filed an application with the KPSC requesting an increase in natural gas base rates of approximately $11 million, an approximate 11.1 percent average increase across all customer classes. The increase was net of approximately $5 million in annual savings as a result of the Tax Cuts and Job Act (Tax Act). The drivers for this case are capital invested since Duke Energy Kentucky's last gas rate case in 2009. Duke Energy Kentucky also sought implementation of a Weather Normalization Adjustment Mechanism, amortization of regulatory assets and to implement the impacts of the Tax Act, prospectively. On January 30, 2019, Duke Energy Kentucky entered into a settlement agreement with the Attorney General of Kentucky, the only intervenor in the case. The settlement provided for an approximate $7 million increase in natural gas base revenue and approval of the proposed Weather Normalization Adjustment Mechanism. A hearing was held on February 5, 2019. The commission issued its Order approving the settlement without material modification on March 27, 2019. The order includes a return on equity of 9.7% based upon a capital structure of 50.8% equity.

Regional Transmission Organization ("RTO") Realignment

Duke Energy Kentucky transferred control of its transmission assets from Midcontinent Independent System Operator, Inc. ("MISO") to PJM, effective December 31, 2011. On December 22, 2010, the KPSC approved Duke Energy Kentucky's request to effect the RTO realignment, subject to a commitment not to seek double-recovery in a future rate case of the transmission expansion fees that may be charged by MISO and PJM in the same period or overlapping periods. Pursuant to the KPSC's April 13, 2018 order approving Duke Energy Kentucky's electric base rates, the Company is currently recovering PJM transmission expansion planning fees through its current base rates. In compliance with the prior KPSC order, the Company did not seek recovery of MISO transmission expansion planning costs.

FERC 494 Refund of Regional Transmission Enhancement Projects

FERC Order No. 494 Settlement Agreement (FERC 494 Settlement Agreement) was entered into by most of the PJM transmission owners, including Duke Energy Kentucky, and the PJM state regulatory commissions approximately two years ago and was planned to be effective on January 1, 2016; however, it was not approved by the FERC until May 31, 2018. The FERC 494 Settlement Agreement was due to the Seventh Circuit Court of Appeals finding that the FERC had failed to adequately justify the costs that the customers in the western part of PJM were being charged for high voltage transmission projects, or Regional Transmission Expansion Plan (RTEP) projects (500 kV and above) built in the east. These costs were being allocated to all PJM customers on a load-ratio share basis but the court determined that these costs were not justifiable to customers in the west, including Duke Energy Kentucky, that did not benefit from the RTEP projects. Costs for the periods 2012 through 2015 are expected to be refunded to Duke Energy Kentucky on a monthly basis through December 2025. The refund amount for similar costs incurred beginning in 2016 through June 30, 2018, prior to the change in cost allocation by PJM was determined in the third quarter of 2018 and these amounts will be refunded over a 12-month period beginning in July 2018. These refunds, totaling approximately $8 million for Duke Energy Kentucky have been recorded to Operation, maintenance and other on the Statements of Operations for the year ended December 31, 2018.

5. *SELECTED HISTORICAL FINANCIALS*

SUMMARY HISTORICAL FINANCIALS

($ in Thousands)	Fiscal Year End December 31, 2014	2015	2016	2017	2018	LTM 3/31/2019
Income Statement						
Operating Revenues						
Electric	$ 368,894	$ 359,196	$ 346,124	$ 337,118	$ 378,507	$ 384,916
Natural Gas	124,403	102,354	90,216	93,620	104,548	108,954
Total operating revenues	493,297	461,550	436,340	430,738	483,055	493,870
Operating Income	70,869	87,334	72,198	67,717	75,003	86,487
EBITDA	117,061	132,222	118,187	119,983	146,523	162,235
Interest expense and other financing costs	16,345	14,172	14,888	14,078	18,347	19,751
Net Income	35,302	46,176	42,584	59,399	49,809	59,446
Balance Sheet						
Cash and cash equivalents	$ 11,307	$ 9,141	$ 6,534	$ 1,687	$ 7,773	$ 7,450
Total asset value	1,214,158	1,340,478	1,370,148	1,530,972	1,785,883	1,806,938
Total debt	360,026	374,770	381,702	451,180	588,985	602,429
Total net debt	348,719	365,629	375,168	449,493	581,212	594,979
Total shareholders' equity	413,256	404,432	437,015	511,414	596,223	618,523
Total capitalization	773,282	779,202	818,717	962,594	1,185,208	1,220,952
Cash Flow Statement						
Cash flow from operations	$ 42,811	$ 109,932	$ 108,596	$ 111,886	$ 124,371	$ 144,813
Capital expenditures	56,001	69,234	100,899	180,271	276,990	272,833
Depreciation and amortization	44,904	44,497	44,683	48,235	65,489	69,487
Ratios						
Total debt / EBITDA	3.1x	2.8x	3.2x	3.8x	4.0x	3.7x
Total net debt / EBITDA	3.0x	2.8x	3.2x	3.7x	4.0x	3.7x
EBITDA / Interest expense	7.2x	9.3x	7.9x	8.5x	8.0x	8.2x
Total debt / Total capitalization	46.6%	48.1%	46.6%	46.9%	49.7%	49.3%

Source: Company

6. *OTHER*

Environmental

Duke Energy Kentucky is subject to federal, state, and local regulations regarding air and water quality, hazardous and solid waste disposal, and other environmental matters. These regulations can be changed from time to time, imposing new obligations on Duke Energy Kentucky.

On November 16, 2016, the state of Maryland filed a petition with EPA under Section 126 of the Clean Air Act alleging that 19 power plants, including one unit owned and operated by Duke Energy Kentucky, contribute to violations of EPA's NAAQS for ozone in the state of Maryland. On March 12, 2018, the state of New York filed a petition with EPA, also under Section 126 of the Clean Air Act alleging that over 60 power plants, including one unit owned and operated by Duke Energy Kentucky, contribute to violations of EPA's ozone NAAQS in the state of New York. Both Maryland and New York see EPA orders requiring the states in which the named power plants operate impose more stringent NO_x emission limitations on the plants. On October 5, 2018, EPA published a final rule denying the Maryland petition. That same day, Maryland appealed EPA's denial of their Section 126 petition to the D.C. Circuit Court. The impact of these petitions could be more stringent requirements for the operation of NO_x emission controls at these plants. Duke Energy Kentucky cannot predict the outcome of these matters.

Remediation Activities

In addition to asset retirement obligations ("AROs") recorded as a result of various environmental regulations, Duke Energy Kentucky is responsible for environmental remediation at various sites. These include certain properties that are part of ongoing operations and sites formerly owned or used by Duke Energy Kentucky. These sites are in various stages of investigation, remediation and monitoring. Managed in conjunction with relevant federal, state and local agencies, remediation activities vary based upon site condition and location, remediation requirements, complexity and sharing of responsibility. If remediation activities involve joint and several liability provisions, strict liability or cost recovery or contribution actions, Duke Energy Kentucky could potentially be held responsible for environmental impacts caused by other potentially responsible parties, and may also benefit from insurance policies or contractual indemnities that cover some or all cleanup costs. Liabilities are recorded when losses become probable and are reasonably estimable. The total costs that may be incurred cannot be estimated because the extent of environmental impact, allocation among potentially responsible parties, remediation alternatives and/or regulatory decisions have not yet been determined. Additional costs associated with remediation activities are likely to be incurred in the future and could be significant. Costs are typically expensed as Operation, maintenance and other in the Condensed Statements of Operations unless regulatory recovery of the costs is deemed probable.

Duke Energy Kentucky has recorded approximately $670,000 of probable and estimable costs related to its various environmental sites in Other within Deferred Credits and Other Liabilities on the Condensed Balance Sheets as of March 31, 2019 and December 31, 2018. Additional losses in excess of recorded reserves are expected to be immaterial for the stages of investigation, remediation and monitoring for the environmental sites that have been evaluated. The maximum amount of the range for all stages of Duke Energy Kentucky's environmental sites cannot be determined at this time.

Litigation

Duke Energy Kentucky is involved in other legal, tax and regulatory proceedings arising in the ordinary course of business, some of which involve significant amounts. Duke Energy Kentucky believes the final disposition of these proceedings will not have a material effect on its results of operations, cash flows or financial position. Duke Energy Kentucky expenses legal costs related to the defense of loss contingencies as incurred.

II. PROPOSED OFFERING

1. SUMMARY OF PROPOSED OFFERING

Duke Energy Kentucky proposes to issue $150 million of Senior Unsecured Debentures (the "Securities"). The Company reserves the right to increase or decrease the size of the issue. The Securities contemplated will be issued with final maturities between 5 and 40 years. The Company reserves the right to consider additional maturities and structures. Interest on the Securities will be payable semi-annually in arrears.

The Company will use the proceeds from the sale of the Securities to repay in full its outstanding $100 million Senior Unsecured Debentures due October 1, 2019, to pay down a portion of outstanding commercial paper and for general corporate purposes.

The Securities have not been pre-rated by the Securities Valuation Office ("SVO") of the NAIC and will not be rated prior to closing. Duke Energy Kentucky's existing Senior Unsecured Debentures are currently rated NAIC-2 (+) by the SVO.

The Company proposes to issue the Securities pursuant to the terms and conditions outlined in the Summary Term Sheet included in Section V. The Summary Term Sheet provides an outline of relevant terms and conditions contained in a debenture purchase agreement to be entered into between the Company and the purchasers therein (the "Debenture Purchase Agreement"). To the extent a difference exists between the Summary Term Sheet and the Debenture Purchase Agreement, the Debenture Purchase Agreement will govern. Prospective debenture holders' counsel will be Ed Pelican at Chapman & Cutler LLP (epelican@chapman.com; 312-845-3861).

The Placement Agents and their affiliates provide various investment banking, commercial banking and financial advisory services to the Company and its affiliates. An affiliate of each respective Placement Agent is a lender under the Duke Energy Master Credit Facility (as defined herein).

2. *PRO FORMA CAPITALIZATION*

Below is the Company's pro forma capitalization as of March 31, 2019:

PRO FORMA CAPITALIZATION

($ in Millions)	As of March 31, 2019	Senior Debenture Adjustments	Pro Forma March 31, 2019
Cash and Cash Equivalents	$ 7.5	$ -	7.5
Unsecured Debt			
4.010% Debentures due 2023	25.0	-	25.0
3.420% Debentures due 2026	45.0	-	45.0
4.180% Debentures due 2028	40.0	-	40.0
3.350% Debentures due 2029	30.0	-	30.0
6.200% Debentures due 2036	65.0	-	65.0
4.450% Debentures due 2046	50.0	-	50.0
4.110% Debentures due 2047	30.0	-	30.0
4.620% Debentures due 2048	35.0	-	35.0
4.260% Debentures due 2057	30.0	-	30.0
Capital leases due 2019	0.1	-	0.1
Tax-exempt bonds due 2027	76.7	-	76.7
Commercial Paper	25.0	-	25.0
Unamortized debt discount and premium, net	(0.2)	-	(0.2)
Unamortized debt issuance costs	(2.0)	-	(2.0)
New Private Placement Debentures	-	150.0	150.0
Total Long-Term Debt	*449.6*	*150.0*	*599.6*
Notes payable to affiliated companies	52.7	(49.9)	2.8
Current maturities of LTD (4.650% Notes due 2019)	100.1	(100.1)	-
Total Debt	*602.4*	-	*602.4*
Total Common Stock Equity	618.5	-	618.5
Total Book Capitalization	*1,220.9*	-	*1,220.9*
Credit Statistics			
Total Debt / Total Book Capitalization	49.3%		49.3%

Source: Company

3. *LIQUIDITY*

In March 2019, Duke Energy amended its existing $8 billion Master Credit Facility to extend the termination date to March 2024. Duke Energy Kentucky has borrowing capacity under the Master Credit Facility up to a specified sublimit. Duke Energy has the unilateral ability at any time to increase or decrease Duke Energy Kentucky's borrowing sublimit, subject to a maximum sublimit. The amount available to Duke Energy Kentucky under the Master Credit Facility may be reduced to backstop issuances of commercial paper, certain letters of credit and variable rate demand tax-exempt bonds that may be put to Duke Energy Kentucky at the option of the holder. At March 31, 2019, Duke Energy Kentucky had a borrowing sublimit of $150 million and available capacity of $88 million under Duke Energy's Master Credit Facility.

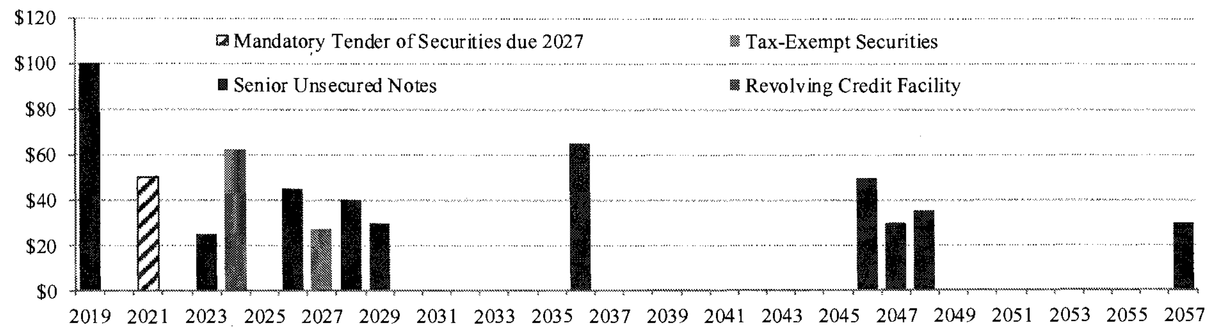
In September 2018, Duke Energy Kentucky issued $100 million of unsecured debentures, of which $25 million carry a fixed rate of 4.01% and mature October 2023, $40 million carry a fixed interest rate of 4.18% and mature October 2028, and $35 million carry a fixed interest rate of 4.62% and mature December 2048. The debt was issued for general corporate purposes, including funding capital expenditures and short-term debt repayment.

Duke Energy Kentucky also has a regulatory restriction requiring it to maintain an equity-to-total capitalization ratio of at least 35%, and limiting any dividend payments to the amount of Duke Energy Kentucky's retained earnings.

4. *LONG-TERM DEBT MATURITY SCHEDULE*

Below is the Company's long-term debt maturity schedule as of March 31, 2019:

DUKE ENERGY KENTUCKY LONG-TERM DEBT MATURITY SCHEDULE



Source: Company
Note: $ in millions; table excludes capital leases; $50 million of tax-exempt securities due 2027 are subject to mandatory tender in November 2021

Duke Energy Kentucky has the ability under the terms of certain debt obligations to call and repay the obligation prior to its scheduled maturity; therefore, the actual timing of future cash prepayments could be materially different than as presented above.

Additionally, $50 million of the pollution control bonds maturing in 2027 are subject to mandatory tender for purchase on November 1, 2021, at which time it is anticipated such bonds will be remarketed to subsequent purchasers pursuant to their terms.

III. INVESTMENT CONSIDERATIONS

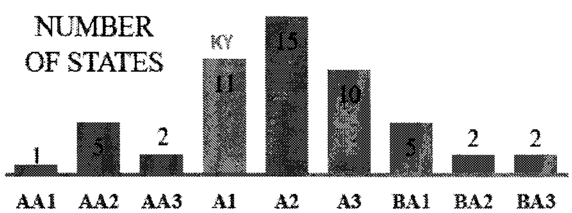
1. *LOW BUSINESS RISK*

Duke Energy Kentucky operates a relatively low-risk electric and natural gas business within a constructive regulatory environment in Kentucky. Regulatory policies allow for monthly fuel adjustments and permit recovery of certain environmental costs and a cash return on associated CWIP. Duke Energy Kentucky is also permitted to recover the costs of energy-efficiency programs.

2. *SUPPORTIVE REGULATORY ENVIRONMENT*

Kentucky regulation is relatively constructive from an investor perspective according to the Regulatory Research Associates ("RRA"), which rates Kentucky as "Average 1". Rate cases have historically been resolved via settlements, and authorized equity returns tend to approximate prevailing nationwide industry averages at the time established. KPSC has approved the use of incentive mechanisms for several utilities that provide the companies an opportunity to retain a portion of commodity cost savings versus a benchmark and/or a portion of the margins associated with off-system sales and capacity release activities.

RRA STATE REGULATORY RANKINGS (AS OF MAY 2019)



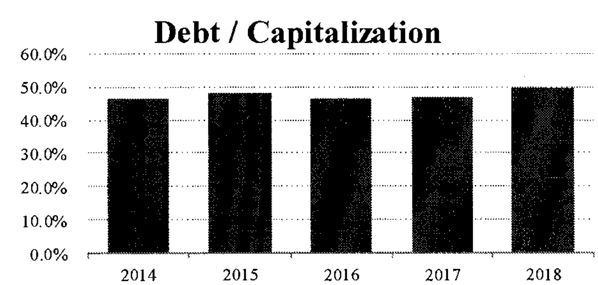
RRA Categories	Category	Definition
	AA	Above Average
	A	Average
	BA	Below Average

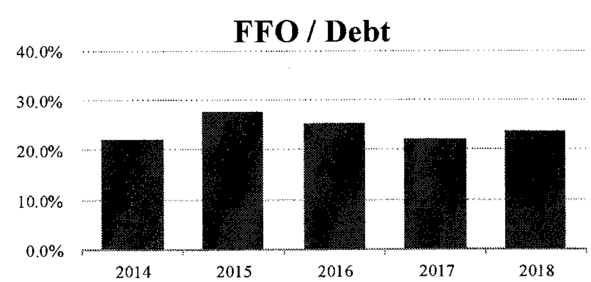
Source: S&P Global Market Intelligence; RRA rankings evaluate regulatory climates of the 50 states, including multiple regulatory bodies in Texas and Louisiana, and the District of Columbia (a total of 53 jurisdictions). The numbers 1, 2, and 3 indicate relative position. 1 indicates a stronger (more constructive) rating; 2, a mid-range rating; and, 3, a weaker (less constructive) rating.

3. *STRONG FINANCIAL METRICS*

The following charts illustrate Duke Energy Kentucky's Debt / Capitalization and FFO / Debt over the past five years.

DUKE ENERGY KENTUCKY CREDIT METRICS





Source: Company

Note: Debt/Capitalization calculated as total debt / total capitalization and FFO / Debt calculated as cash from operations, less changes in working capital, less asset retirement obligation costs / total debt.

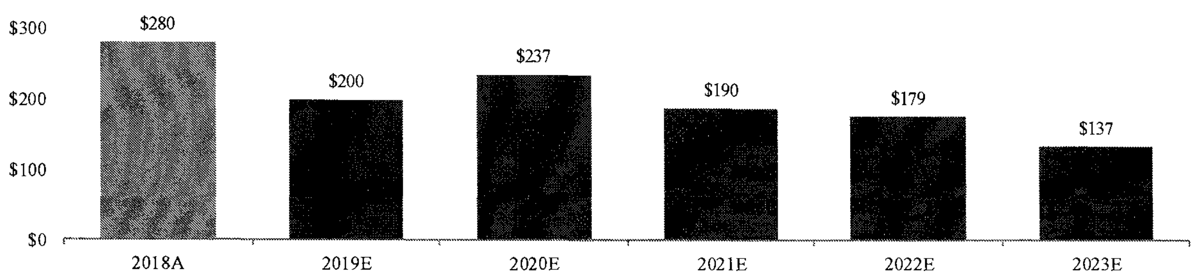
4. *EXPERIENCED UTILITY MANAGEMENT AND KEY MEMBER OF VERTICALLY INTEGRATED UTILITY SYSTEM*

Duke Energy, the ultimate parent of Duke Energy Kentucky, is one of the largest utility holding companies in the United States. The Duke Energy system operates as an integrated utility system whereby member companies have contractual, financial and other business relationships with other member companies, subject to regulatory oversight. As a subsidiary, Duke Energy Kentucky can leverage Duke Energy's utility management team. The Company is led by a solid group of senior executives with an average of 22 years of experience at Duke Energy.

5. *MODERATE CAPITAL EXPENDITURES*

Projected capital requirements average approximately $189 million over the next five years and are expected to be funded largely with internally generated cash.

DUKE ENERGY KENTUCKY HISTORICAL AND PROJECTED CAPITAL EXPENDITURES



Source: Company
Note: $ in Millions

Shown below is a breakdown of Duke Energy Kentucky's electric and natural gas capital expenditures by category:

HISTORICAL AND PROJECTED CAPITAL EXPENDITURE BREAKDOWN

		Projected CapEx					
	2018A	2019E	2020E	2021E	2022E	2023E	2019-2023 Cumulative
Duke Energy Kentucky Electric							
Electric Generation	37	16	55	77	49	19	216
Electric Transmission & Distribution	31	43	60	40	41	44	228
Environmental & Other	45	33	10	13	3	2	61
Maintenance	97	58	52	32	46	45	233
Total Electric Capital Expenditures	**$211**	**$150**	**$177**	**$161**	**$139**	**$110**	**$739**
Duke Energy Kentucky Gas							
LDC - Non-Rider	14	19	5	4	4	3	35
Maintenance	44	31	55	24	36	24	169
Total Natural Gas Capital Expenditures	**$69**	**$50**	**$60**	**$28**	**$40**	**$26**	**$204**
Total Duke Energy Kentucky Capital Expenditures	**$280**	**$200**	**$237**	**$190**	**$179**	**$137**	**$943**

Source: Company
Note: $ in Millions

IV. RISK FACTORS

You should carefully consider the risks described below, as well as other information contained in this Executive Summary, before buying any Securities. The risks described in this section are those that we consider to be the most significant to your decision whether to invest in the Securities. If any of the events described below occurs, our business, financial condition or results of operations could be materially harmed. In addition, we may not be able to make payments on the Securities, and this could result in your losing all or part of your investment. Furthermore, additional risks that we do not know about or that we currently view as immaterial may also impact our business or adversely affect our ability to make payments on the Securities.

Regulatory, Legislative and Legal Risks

Our regulated electric and gas revenues, earnings and results are dependent on state legislation and regulation that affect electric generation, transmission, distribution and related activities and gas sales and transportation, which may limit our ability to recover costs.

Our regulated utility businesses are regulated on a cost-of-service/rate-of-return basis subject to the statutes of Kentucky and the rules and procedures of the Kentucky Public Service Commission ("KPSC"). If our regulated utility earnings exceed the returns established by the KPSC, our retail rates may be subject to review and possible reduction by the KPSC, which may decrease our future earnings. Additionally, if regulatory bodies do not allow recovery of costs incurred in providing service on a timely basis, our future earnings could be negatively impacted.

If legislative and regulatory structures were to evolve in such a way that our exclusive rights to serve our regulated customers were eroded, our future earnings could be negatively impacted.

Deregulation or restructuring in the electric industry may result in increased competition and unrecovered costs that could adversely affect our financial position, results of operations or cash flows and our utility businesses.

Increased competition resulting from deregulation or restructuring legislation could have a significant adverse impact on our results of operations, financial position, or cash flows. Retail competition and the unbundling of regulated electric service could have a significant adverse financial impact on us due to an impairment of assets, a loss of retail customers, lower profit margins or increased costs of capital. We cannot predict the extent and timing of entry by additional competitors into the electric markets. We cannot predict if or when we will be subject to changes in legislation or regulation, nor can we predict the impact of these changes on our financial position, results of operations or cash flows.

Our businesses are subject to extensive federal regulation that will affect our operations and costs.

We are subject to regulation by the Federal Energy Regulatory Commission ("FERC"), the U.S. Environmental Protection Agency ("EPA") and various other federal agencies as well as the North American Electric Reliability Corporation. Regulation affects almost every aspect of our businesses, including, among other things, our ability to: take fundamental business management actions; determine the terms and rates of transmission and distribution services; make acquisitions; issue equity or debt securities; engage in transactions with other subsidiaries and affiliates; and pay dividends upstream to our ultimate parent, Duke Energy. Changes to federal regulations are continuous and ongoing. We cannot predict the future course of regulatory changes or the ultimate effect those changes will have on our businesses. However, changes in regulation can cause delays in or affect business planning and transactions and can substantially increase our costs.

We are subject to numerous environmental laws and regulations requiring significant capital expenditures that can increase the cost of operations, and which may impact or limit business plans, or cause exposure to environmental liabilities.

We are subject to numerous environmental laws and regulations affecting many aspects of our present and future operations, including coal combustion residuals ("CCRs"), air emissions, water quality, wastewater discharges, solid waste and hazardous waste. These laws and regulations can result in increased capital, operating and other costs. These laws and regulations generally require us to obtain and comply with a wide variety of environmental licenses, permits, inspections and other approvals. Compliance with environmental laws and regulations can require significant expenditures, including expenditures for cleanup costs and damages arising from contaminated properties. Failure to comply with environmental regulations may result in the imposition of fines, penalties and injunctive measures affecting operating assets. The steps we could be required to take to ensure our facilities are in compliance could be prohibitively expensive. As a result, we may be required to shut down or alter the operation of our facilities, which may cause us to incur losses. Further, we may not be successful in recovering capital and operating costs incurred to comply with new environmental regulations through existing regulatory rate structures and our contracts with customers. Also, we may not be able to obtain or maintain from time to time all required environmental regulatory approvals for our operating assets or development projects. Delays in obtaining any required environmental regulatory approvals, failure to obtain and comply with them or changes in environmental laws or regulations to more stringent compliance levels could result in additional costs of operation for existing facilities or development of new facilities being prevented, delayed or subject to additional costs. Although it is not expected that the costs to comply with current environmental regulations will have a material adverse effect on our financial position, results of operations or cash flows due to regulatory cost recovery, we are at risk that the costs of complying with environmental regulations in the future will have such an effect.

The EPA has recently enacted or proposed new federal regulations governing the management of cooling water intake structures, wastewater and carbon dioxide (CO_2) emissions. These regulations may require us to make additional capital expenditures and increase operating and maintenance costs.

Operational Risks

Our results of operations may be negatively affected by overall market, economic and other conditions that are beyond our control.

Sustained downturns or sluggishness in the economy generally affect the markets in which we operate and negatively influence our operations. Declines in demand for electricity and gas as a result of economic downturns in our regulated service territories will reduce overall sales and lessen cash flows, especially as industrial customers reduce production and, therefore, consumption of electricity and gas. Although our regulated electric and gas businesses are subject to regulated allowable rates of return and recovery of certain costs, such as fuel and gas, under periodic adjustment clauses, overall declines in electricity and gas sold as a result of economic downturn or recession could reduce revenues and cash flows, thereby diminishing results of operations. Additionally, prolonged economic downturns that negatively impact our results of operations and cash flows could result in future material impairment charges to write-down the carrying value of certain assets to their respective fair values.

Factors that could impact sales volumes, generation of electricity and market prices at which we are able to sell electricity are as follows:

- weather conditions, including abnormally mild winter or summer weather that cause lower energy usage for heating or cooling purposes, respectively, and periods of low rainfall that decrease the ability to operate facilities in an economical manner;
- supply of and demand for energy commodities;
- availability of competitively priced alternative energy sources, which are preferred by some customers over electricity produced from coal, nuclear or gas plants, and customer usage of energy efficient equipment that reduces energy demand;
- natural gas prices;
- ability to procure satisfactory levels of inventory, such as coal and gas; and
- capacity and transmission service into, or out of, our markets.

Natural disasters or operational accidents may adversely affect our operating results.

Natural disasters or other operational accidents within the company or industry (such as forest fires, earthquakes, hurricanes, or natural gas transmission pipeline explosions) could have direct significant impacts on us as well as on key contractors and suppliers. Further, the generation of electricity and the transportation and storage of natural gas involve inherent operating risks that may result in accidents involving serious injury or loss of life, environmental damage, or property damage. Such events could impact us through changes to policies, laws and regulations whose compliance costs have a significant impact on our financial position, results of operations and cash flows. In addition, if a serious operational accident were to occur, it could have a material adverse effect on our results of operations, financial position, cash flows and reputation or operations.

Coal ash storage and management strategies to comply with CCR regulations could impact our reputation and financial condition.

As a result of electricity produced at our coal-fired power plant, we manage large amounts of CCRs, typically combined with water in ash basins. The potential exists for a coal ash pond failure or coal ash related incident that could impact the environment or raise general public health concerns. Such an incident could have a material adverse impact to our reputation and financial condition.

Recent regulations for the disposal of CCRs from power plants by the EPA became effective in 2015. These regulations classify CCR as nonhazardous waste under the RCRA and apply to all new and existing landfills, new and existing surface impoundments, structural fills and CCR piles and establish requirements regarding landfill design, structural integrity and assessment criteria for surface impoundments, groundwater monitoring and protection procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. Duke Energy Kentucky recorded an asset retirement obligation in the second quarter of 2015 as a result of such CCR regulations. In addition to federal CCR regulations, CCR landfills and surface impoundments will continue to be independently regulated by most states and additional regulations by states may be imposed in the future. These regulations may require additional capital expenditures, increased operating and maintenance costs, or closure of certain facilities which could affect our financial position, results of operations and cash flows. Although we intend to seek cost recovery for future expenditures through the existing environmental cost recovery rider, which permits recovery of necessary and prudently incurred CCR costs, there is no guarantee that recovery of such costs will be granted.

Our financial position, results of operations and cash flows may be negatively affected by a lack of growth or slower growth in the number of customers, or decline in customer demand or number of customers.

Growth in customer accounts and growth of customer usage each directly influence demand for electricity and the need for additional power generation and delivery facilities. Customer growth and customer usage are affected by a number of factors outside our control, such as mandated energy efficiency measures, demand-side management goals, distributed generation resources and economic and demographic conditions, such as population changes, job and income growth, housing starts, new business formation and the overall level of economic activity.

Certain regulatory and legislative bodies have introduced or are considering requirements and/or incentives to reduce energy consumption by certain dates. Additionally, technological advances driven by federal laws mandating new levels of energy efficiency in end-use electric devices or other improvements in or applications of technology could lead to declines in per capita energy consumption.

Advances in distributed generation technologies that produce power, including fuel cells, micro-turbines, wind turbines and solar cells, may reduce the cost of alternative methods of producing power to a level competitive with central power station electric production utilized by us.

Some or all of these factors, could result in a lack of growth or decline in customer demand for electricity or number of customers, and may cause the failure of us to fully realize anticipated benefits from significant capital investments and expenditures which could have a material adverse effect on our financial position, results of operations and cash flows.

Furthermore, we currently have energy efficiency riders in place to recover the cost of energy efficiency programs in Kentucky. Should we be required to invest in conservation measures that result in reduced sales from effective conservation, regulatory lag in adjusting rates for the impact of these measures could have a negative financial impact.

Our operating results may fluctuate on a seasonal and quarterly basis and can be negatively affected by changes in weather conditions and severe weather.

Electric power generation and the sale and transportation of natural gas are generally seasonal businesses. In most parts of the U.S. and in markets in which we operate, demand for power peaks during the warmer summer months and demand for natural gas peaks during the cold winter months, with market prices typically peaking during the warmer summer months for electricity and during the cold winter months for natural gas. Further, extreme weather conditions such as hurricanes, droughts, heat waves or, winter storms and severe weather associated with climate change could cause these seasonal fluctuations to be more pronounced. As a result, in the future, the overall operating results of our businesses may fluctuate substantially on a seasonal and quarterly basis and thus make period-to-period comparison less relevant.

Sustained severe drought conditions could impact generation by our fossil fuel plants, as these facilities use water for cooling purposes and for the operation of environmental compliance equipment. Furthermore, destruction caused by severe weather events, such as hurricanes, tornadoes, severe thunderstorms, snow and ice storms, can result in lost operating revenues due to outages; property damage, including downed transmission and distribution lines; and additional and unexpected expenses to mitigate storm damage. The cost of storm restoration efforts may not be fully recoverable through the regulatory process.

Our sales may decrease if we are unable to gain adequate, reliable and affordable access to transmission assets.

We depend on transmission and distribution facilities owned and operated by utilities and other energy companies to deliver electricity sold to the wholesale market. FERC's power transmission regulations require wholesale electric transmission services to be offered on an open-access, non-discriminatory basis. If transmission is disrupted, or if transmission capacity is inadequate, our ability to sell and deliver products may be hindered.

The different regional power markets have changing regulatory structures, which could affect growth and performance in these regions. In addition, the independent system operators who oversee the transmission systems in regional power markets have imposed in the past, and may impose in the future, price limitations and other mechanisms to address volatility in the power markets. These types of price limitations and other mechanisms may adversely impact the profitability of our wholesale power marketing business.

Fluctuations in commodity prices or availability may adversely affect various aspects of our operations as well as our financial condition, results of operations and cash flows.

We are exposed to the effects of market fluctuations in the price of natural gas, coal, electricity and other energy-related commodities as a result of our ownership of energy-related assets. Fuel and gas costs are recovered primarily through cost-recovery clauses, subject to the approval of the KPSC. In the event of a forced outage, recovery of replacement power costs in Kentucky is limited to the cost of the unit for which a forced outage occurred. Therefore, Duke Energy Kentucky could have unrecoverable replacement power costs in the event of a forced outage.

Additionally, we are exposed to risk that counterparties will not be able to fulfill our obligations. Disruption in the delivery of fuel, including disruptions as a result of, among other things, transportation delays, weather, labor relations, force majeure events, or environmental regulations affecting any of these fuel suppliers, could limit the operation of our facilities. Should counterparties fail to perform, we might be forced to replace the underlying commitment at prevailing market prices possibly resulting in unrecoverable losses in addition to the amounts, if any, already paid to the counterparties.

Certain of our hedge agreements may result in the receipt of, or posting of, derivative collateral with counterparties, depending on the daily derivative position. Fluctuations in commodity prices that lead to the return of collateral received and/or the posting of collateral with counterparties negatively impact liquidity. Downgrades in our credit ratings could lead to additional collateral posting requirements. We continually monitor derivative positions in relation to market price activity.

Potential terrorist activities or military or other actions could adversely affect our businesses.

The continued threat of terrorism and the impact of retaliatory military and other action by the U.S. and its allies may lead to increased political, economic and financial market instability and volatility in prices for natural gas and oil, which may have material adverse effects in ways we cannot predict at this time. In addition, future acts of terrorism and possible reprisals as a consequence of action by the U.S. and its allies could be directed against companies operating in the U.S. Information technology systems, transmission and distribution and generation facilities could be potential targets of terrorist activities or harmful activities by individuals or groups. The potential for terrorism has subjected our operations to increased risks and could have a material adverse effect on our businesses. In particular, we may experience increased capital and operating costs to implement increased security for our information technology systems, transmission and distribution and generation facilities. These increased costs could include additional physical plant security and security personnel or additional capability following a terrorist incident.

The failure of our technology systems, or the failure to enhance existing information technology systems and implement new technology, could adversely affect the Duke Energy Kentucky.

Our operations are dependent upon the proper functioning of our internal systems, including the information technology systems that support our underlying business processes. Any significant failure or malfunction of such information technology systems may result in disruptions of our operations. In the ordinary course of business, we rely on information technology systems, including the internet and third-party hosted services, to support a variety of business processes and activities and to store sensitive data, including (i) intellectual property, (ii) proprietary business information, (iii) personally identifiable information of our customers and employees, and (iv) data with respect to invoicing and the collection of payments, accounting, procurement, and supply chain activities. Our information technology systems are dependent upon global communications and cloud service providers, as well as their respective vendors, many of whom have at some point experienced significant system failures and outages in the past and may experience such failures and outages in the future. These providers' systems are susceptible to cybersecurity and data breaches, outages from fire, floods, power loss, telecommunications failures, break-ins and similar events. Failure to prevent or mitigate data loss from system failures or outages could materially affect our results of operations, financial position and cash flows.

In addition to maintaining our current information technology systems, we believe the digital transformation of our business is key to driving internal efficiencies as well as providing additional capabilities to customers. Our information technology systems are critical to cost-effective, reliable daily operations and our ability to effectively serve our customers. We expect our customers to continue to demand more sophisticated technology-driven solutions and we must enhance or replace our information technology systems in response. This involves significant development and implementation costs to keep pace with changing technologies and customer demand. If we fail to successfully implement critical technology, or if it does not provide the anticipated benefits or meet customer demands, such failure could materially adversely affect our business strategy as well as impact our results of operations, financial position and cash flows.

Cyberattacks and data security breaches could adversely affect our businesses.

Cybersecurity risks have generally increased in recent years as a result of the proliferation of new technologies and the increased sophistication, magnitude and frequency of cyberattacks and data security breaches. We rely on the continued operation of sophisticated digital information technology systems and network infrastructure, which are part of an interconnected regional grid. Additionally, connectivity to the Internet continues to increase through grid modernization and other operational excellence initiatives. Because of the critical nature of the infrastructure, increased connectivity to the Internet and technology systems' inherent vulnerability to disability or failures due to hacking, viruses, acts of war or terrorism or other types of data security breaches, we face a heightened risk of cyberattack from foreign or domestic sources and have been subject, and will likely continue to be subject, to attempts to gain unauthorized access to information and/or information systems or to disrupt utility operations through computer viruses and phishing attempts either directly or indirectly through its material vendors or related third parties. In the event of a significant cybersecurity breach on either us or with one of our material vendors or related third parties, we could (i) have business operations disrupted, including the disruption of the operation of our assets and the power grid, theft of confidential company, employee, vendor or customer information, and general business systems and process interruption or compromise, including preventing us from servicing customers, collecting revenues or the recording, processing and/or reporting financial information correctly, (ii) experience substantial loss of revenues, repair and restoration costs, penalties and costs for lack of compliance with relevant regulations, implementation costs for additional security measures to avert future cyberattacks and other financial loss and (iii) be subject to increased regulation, litigation and reputational damage. While Duke Energy maintains insurance relating to cybersecurity events, such insurance is subject to a number of exclusions and may be insufficient to offset any losses, costs or damage experienced. Also, the market for cybersecurity insurance is relatively new and coverage available for cybersecurity events may evolve as the industry matures.

We are subject to standards enacted by the North American Electric Reliability Corporation and enforced by FERC regarding protection of the physical and cyber security of critical infrastructure assets required for operating North America's bulk electric system. While we believe we are in compliance with such standards and regulations, we may in the future be, found to be in violation of such standards and regulations. In addition, compliance with or changes in the applicable standards and regulations may subject us to higher operating costs and/or increased capital expenditures as well as substantial fines for non-compliance.

Failure to attract and retain an appropriately qualified workforce could unfavorably impact our results of operations.

Certain events, such as an aging workforce, mismatch of skill set or complement to future needs, or unavailability of contract resources may lead to operating challenges and increased costs. The challenges include lack of resources, loss of knowledge base and the lengthy time required for skill development. In this case, costs, including costs for contractors to replace employees, productivity costs and safety costs, may rise. Failure to hire and adequately train replacement employees, including the transfer of significant internal historical knowledge and expertise to new employees, or future availability and cost of contract labor may adversely affect the ability to manage and operate the business. If we are unable to successfully attract and retain an appropriately qualified workforce, our financial position or results of operations could be negatively affected.

Our membership in a Regional Transmission Organization (an "RTO") presents risks that could have a material adverse effect on our results of operations, financial condition and cash flows.

The rules governing the various regional power markets may change, which could affect our costs and/or revenues. To the degree we incur significant additional fees and increased costs to participate in an RTO, our results of operations may be impacted. We may be allocated a portion of the cost of transmission facilities built by others due to changes in RTO transmission rate design. We may be required to expand our transmission system according to decisions made by an RTO rather than our own internal planning process. In addition, RTOs have been developing rules associated with the allocation and methodology of assigning costs associated with improved transmission reliability, reduced transmission congestion and firm transmission rights that may have a financial impact on us.

As a member of an RTO, we are subject to certain additional risks, including those associated with the allocation among RTO members, of losses caused by unreimbursed defaults of other participants in the RTO markets and those associated with complaint cases filed against an RTO that may seek refunds of revenues previously earned by RTO members.

Capital expenditure costs could materially differ from those projected

Construction risks associated with the completion of the Company's capital investment projects, including risks related to obtaining and complying with terms of permits, meeting construction budgets and schedules, and satisfying operating and environmental performance standards could cause costs to differ materially from those projected.

Liquidity and Capital Requirements Risks

We rely on access to short-term borrowings and longer-term capital markets to finance our capital requirements and support our liquidity needs. Access to those markets can be adversely affected by a number of conditions, many of which are beyond our control.

Our businesses are financed to a large degree through debt. The maturity and repayment profile of debt used to finance investments often does not correlate to cash flows from our assets. Accordingly, as a source of liquidity for capital requirements not satisfied by the cash flow from our operations and to fund investments originally financed through debt instruments with disparate maturities, we rely on access to short-term money markets as well as longer-term capital markets. We also rely on access to short-term intercompany borrowings. If we are not able to access capital at competitive rates or at all, the ability to finance our operations and implement our strategy and business plan as scheduled could be adversely affected. An inability to access capital may limit our ability to pursue improvements or acquisitions that we may otherwise rely on for future growth.

Market disruptions may increase the cost of borrowing or adversely affect the ability to access one or more financial markets. Such disruptions could include: economic downturns, the bankruptcy of an unrelated energy company, capital market conditions generally, market prices for electricity and gas, actual or threatened terrorist attacks, or the overall health of the energy industry. The availability of credit under Duke Energy's Master Credit Facility depends upon the ability of the banks providing commitments under the facility to provide funds when our obligations to do so arise. Systematic risk of the banking system and the financial markets could prevent a bank from meeting its obligations under the facility agreement.

Duke Energy maintains a revolving credit facility to provide backup for its commercial paper program and letters of credit to support variable rate demand tax-exempt bonds that may be put to its affiliate issuers (including Duke Energy Kentucky) at the option of the holder. The facility includes a borrowing sublimit for Duke Energy Kentucky, and financial covenants that limit the amount of debt that can be outstanding as a percentage of the total capital for the specific entity. Failure to maintain these covenants could preclude us from having letters of credit issued on our behalf or from making borrowings under the Master Credit Facility.

We must meet credit quality standards and there is no assurance we will maintain investment grade credit ratings.

Our senior long-term debt is currently rated investment grade by various rating agencies. We cannot ensure our senior long-term debt will be rated investment grade in the future.

If the rating agencies were to rate us below investment grade, borrowing costs would increase, perhaps significantly. In addition, the potential pool of investors and funding sources would likely decrease. Further, if short-term debt ratings were to fall, access to the commercial paper market could by significantly limited. Any downgrade or other event negatively affecting our credit ratings could also increase Duke Energy's need to provide liquidity in the form of capital contributions or loans, thus reducing the liquidity and borrowing availability of the Duke Energy consolidated group. A downgrade below investment grade could also require the posting of additional collateral in the form of letters of credit or cash under various credit, commodity, and capacity agreements and trigger termination clauses in some interest rate derivative agreements, which could require cash payments. These events would likely reduce our liquidity and profitability and could have a material effect on our financial position, results of operations or cash flows.

Non-compliance with debt covenants or conditions could adversely affect our ability to execute future borrowings.

Our debt and credit agreements contain various financial and other covenants. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements.

Poor investment performance of the Duke Energy pension plan holdings and other factors impacting pension plan costs could unfavorably impact our liquidity and results of operations.

The costs of providing non-contributory defined benefit pension plans are dependent upon a number of factors, such as the rates of return on plan assets, discount rates, the level of interest rates used to measure the required minimum funding levels of the plans, future government regulation and required or voluntary contributions made to the plans. Duke Energy Kentucky is allocated a proportionate share of the cost and obligations related to these plans. Without sustained growth in the pension investments over time to increase the value of plan assets and, depending upon the other factors impacting costs as listed above, Duke Energy could be required to fund its plans with significant amounts of cash. Such cash funding obligations, and our proportionate share of such cash funding obligations, could have a material impact on our financial position, results of operations or cash flows.

Risk Factors Relating to the Securities

Our ability to satisfy our obligations with respect to the Securities will depend or our future operating performance, results of operations, cash flows and financial position.

Our future operating performance, results of operations, cash flows and financial position are subject, in part, to factors beyond our control, including interest rates, commodity prices, general economic conditions and financial and business conditions. If we are unable to generate sufficient operating cash flows to service our debt, including the Securities, we may be required to obtain additional financing or take other actions to generate sufficient funds, which could have a material adverse effect on our financial position, results of operations or cash flows.

The Securities could be impacted by various transactions.

The indenture under which the Securities will be issued does not prohibit us from entering into various transactions, including acquisitions, change of control transactions, refinancings, recapitalizations or other highly leveraged transactions that could increase the amount of our outstanding indebtedness, or adversely affect our capital structure or credit ratings, or otherwise adversely affect holders of the Securities. As a result, we may enter into a transaction even though the transaction could increase the total amount of outstanding indebtedness, adversely affect our capital structure or credit ratings or otherwise adversely affect the holders of the Securities.

Sales or other transfers of the Securities are regulated by federal securities law.

The Securities are being offered and sold pursuant to an exemption from registration under federal and applicable state securities laws. Therefore, you may transfer or resell the Securities in the United States only in a transaction registered under, or exempt from the registration requirements of, federal and applicable state securities laws.

V. SUMMARY OF PROPOSED TERMS & CONDITIONS

Duke Energy Kentucky, Inc. will issue Senior Unsecured Debentures (the "Securities"). The Securities will be issued under a supplemental indenture to The Union Light, Heat and Power Company (now known as Duke Energy Kentucky, Inc.) Indenture dated as of December 1, 2004 (as amended and supplemented, the "Indenture").

The forms of the Debenture Purchase Agreement and Supplemental Indenture and a copy of the Indenture will be included with the Executive Summary. In the event of any inconsistency between the Summary of Proposed Terms and the aforementioned Debenture Purchase Agreement, Supplemental Indenture or Indenture, such Debenture Purchase Agreement, Supplemental Indenture or Indenture will govern, as the case may be. Investors submitting "circles" for the transaction contemplated hereby will be deemed to have reviewed and accepted such Debenture Purchase Agreement, Supplemental Indenture and Indenture (including in-house counsel review). Capitalized terms not defined herein shall bear the meaning set forth in the aforementioned Debenture Purchase Agreement, Supplemental Indenture or Indenture, as the case may be. Questions in respect of such documents should be referred to Ed Pelican (312) 845-3861, epelican@chapman.com, at Chapman and Cutler LLP who is requested to serve as special investor's counsel for the debenture issuance.

Issuer:	Duke Energy Kentucky, Inc. (the *"Company"*).
Issue:	Senior Unsecured Debentures (the *"Securities"*)
Amount:	$150,000,000
Final Maturity:	Maturities from 5 to 40 years.
Ranking/Priority:	The Securities will be senior unsecured debt and will rank *pari passu* with all other senior unsecured debt of the Company.
Investor:	One or more institutional investors (the "Investors").
Plan of Distribution:	The Securities will be offered as a private placement to Investors and will not be registered under the Securities Act of 1933.
Use of Proceeds:	The Company will use the proceeds from the sale of the Securities to repay in full its outstanding $100 million Senior Unsecured Debentures due October 1, 2019, to pay down a portion of outstanding commercial paper and for general corporate purposes.
Coupon:	The Securities will bear interest at a fixed rate per annum equal to the yield on the applicable UST or the interpolated UST rate plus a number of basis points to be determined on the pricing date.
Interest Payments:	Interest will be payable semi-annually in arrears and calculated on the basis of a 360-day year of twelve 30-day months.
Optional Redemption	The Securities are redeemable at the prices below in whole or in part at any time until [ ] months prior to the maturity date. In the event of redemption,

the Company will pay accrued interest to the date set for redemption plus the greater of:

i) par, or
ii) the present value of all remaining interest and principal payments due on the Securities being redeemed, discounted at the then current yield on the U.S. Treasury Security of a comparable maturity to the remaining weighted average life of the Securities plus fifty (50) basis points.

The Company may elect to redeem the Securities [ ] months prior to the maturity date, and will do so at a redemption price equal to one hundred percent of the principal amount of the series being redeemed, plus accrued and unpaid interest without make whole.

Representations and Warranties: Standard for this market as set forth in the Debenture Purchase Agreement but to include and not be limited to: Organization, Power and Authority; Authorization; Disclosure; Organization; Financial Statements; Compliance with Law; Governmental Authorizations; Litigation; Taxes; Title to Property; Licenses; Compliance with ERISA; Private Offering; Use of Proceeds; Existing Indebtedness; Foreign Assets; Status under certain Statutes; and Pari Passu status.

Information as to Company As set forth in the Supplemental Indenture, the Company will provide unaudited quarterly consolidated financial statements and annual audited consolidated financial statements. Each financial statement will be accompanied by a certificate from a senior financial officer.

Affirmative Covenants As set forth in the Indenture to include but not limited to: Payment of Principal; Maintenance of Office; Maintenance of Properties; Payment of Taxes.

Standard for this market as set forth in the Supplemental Indenture but to include and not be limited to: Compliance with Laws; Insurance; Existence; Books and Records; Subsidiary Guarantors.

Negative Covenants: As set forth in the Supplemental Indenture and the Indenture: Line of Business; Terrorism Sanctions Regulations and Negative Pledge.

Negative Pledge: The Company will not incur or permit to exist any mortgage, lien, pledge, security interest or other encumbrance not otherwise excepted under the Indenture without equally and ratably securing the Securities, if immediately after that creation or assumption, the principal amount of the Indebtedness for borrowed money of the Company that all such other mortgages, liens, pledges, security interests and other encumbrances secure does not exceed an amount equal to 10% of the Company's total assets as shown on its balance sheet for the accounting period occurring immediately before the creation or

	assumption of that mortgage, lien, pledge, security interest or other encumbrance.
Events of Default / Remedies:	As set forth in the Indenture including, without limitation: the Company fails to pay interest when due, subject to a 30 day grace period; failure to pay any principal or premium, when due; defaults in the performance or compliance with the covenants as outlined in the Indenture subject to a 90 day grace period after notice; bankruptcy
	As well as set forth in the Supplemental Indenture including, without limitation
	(a) the Company defaults in the performance or compliance with the negative covenants as outlined in the Supplemental Indenture;
	(b) the Company makes any written representation or warranty in connection with the issuance of any series of Securities that proves to have been false or incorrect in any material respect on the date as of which made;
	(c) (i) the Company or any Subsidiary is in default in the payment of any principal, premium, or interest of any Indebtedness in the aggregate amount of at least $50,000,000 as and when due and payable and the continuation of such default beyond the period of grace, if any, allowed with respect thereto, or (ii) the Company or any Subsidiary is in default in the performance or compliance with any Indebtedness exceeding the principal amount, in aggregate, equal to at least $50,000,000 and as a consequence of such default or condition such Indebtedness has become, or has been declared, due and payable before its stated maturity;
	(d) the Company or any Subsidiary has rendered against it final judgments or orders for payment of money in aggregate exceeding $50,000,000, including without limitation, any such final order enforcing a binding arbitration decision and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay;
	(e) if any retirement plan shall fail to satisfy minimum funding requirements of ERISA, a notice of intent to terminate a retirement plan shall have been received by the Company, or the aggregate "amount of unfunded benefit liabilities" shall exceed an amount that could reasonably be expected to have a Material Adverse Effect;
	(f) any Subsidiary Guaranty ceases to be in full force and effect.
Placement Agents:	KeyBanc Capital Markets Inc. and Santander Investment Securities Inc.
Governing Law	New York

Expenses: The Issuer will pay reasonable legal fees of investors' counsel, whether or not the transaction closes.

VI. HISTORICAL FINANCIAL STATEMENTS

1. HISTORICAL INCOME STATEMENTS

($ in Thousands)	Fiscal Year Ended December 31, 2014	2015	2016	2017	2018	LTM 3/31/2019
Operating Revenues						
Electric	$ 368,894	$ 359,196	$ 346,124	$ 337,118	$ 378,507	$ 384,916
Natural gas	124,403	102,354	90,216	93,620	104,548	108,954
Total operating revenues	493,297	461,550	436,340	430,738	483,055	493,870
Operating Expenses						
Fuel used in electric generation and purchased power	171,705	142,546	132,681	119,156	140,465	135,347
Cost of natural gas	59,826	41,610	32,611	37,249	43,006	47,006
Operation, maintenance and other	133,085	133,403	140,573	143,321	144,520	141,000
Depreciation and amortization	44,296	43,813	43,668	47,667	64,893	68,882
Property and other taxes	13,516	13,089	14,637	14,339	15,094	15,075
Impairment charges	-	-	-	1,190	-	-
Total operating expenses	422,428	374,461	364,170	362,922	407,978	407,310
Gains on Sales of Other Assets and Other, net	-	245	28	(99)	(74)	(73)
Operating Income	70,869	87,334	72,198	67,717	75,003	86,487
Other Income and Expenses, net	1,896	1,075	2,321	4,599	6,627	6,866
Interest Expense	16,345	14,172	14,888	14,078	18,347	19,751
Income Before Income Taxes	56,420	74,237	59,631	58,238	63,283	73,602
Income Tax Expense	21,118	28,061	17,047	(1,161)	13,474	14,156
Net Income	$ 35,302	$ 46,176	$ 42,584	$ 59,399	$ 49,809	$ 59,446
Key Metrics:						
Operating Margin	7.2%	10.0%	9.8%	13.8%	10.3%	12.0%
EBITDA	$ 117,061	$ 132,222	$ 118,187	$ 119,983	$ 146,523	$ 162,235
EBITDA Margin	23.7%	28.6%	27.1%	27.9%	30.3%	32.8%

2. *HISTORICAL BALANCE SHEETS*

($ in Thousands, except share amounts)	As of December 31,					As of
	2014	2015	2016	2017	2018	3/31/2019
ASSETS						
Current Assets						
Cash and cash equivalents	$ 11,307	$ 9,141	$ 6,534	$ 1,687	$ 7,773	$ 7,450
Receivables (net of allowance for doubtful accounts)	27,815	16,987	24,425	40,494	38,645	24,482
Inventory	52,900	44,141	49,037	43,793	40,596	40,608
Other	37,542	45,835	26,895	9,244	22,522	18,238
Totel current assets	129,564	116,104	106,891	95,218	109,536	90,778
Total investments and other assets	5,902	6,448	2,470	-	-	-
Property, Plant and Equipment						
Cost	1,711,836	2,079,761	2,116,219	2,292,085	2,517,897	2,555,467
Accumulated depreciation and amortization	(691,367)	(923,578)	(948,144)	(977,244)	(965,124)	(971,046)
Generation facilities to be retired, net	8,601	-	-	-	-	-
Net property, plant and equipment	1,029,070	1,156,183	1,168,075	1,314,841	1,552,773	1,584,421
Operating Lease Right-of-Use Assets, net	-	-	-	-	-	9,456
Regulatory Assets and Deferred Debits						
Regulatory assets	47,694	61,411	92,462	118,738	113,652	112,148
Other	1,928	332	250	2,175	9,922	10,135
Total regulatory assets and deferred debits	49,622	61,743	92,712	120,913	123,574	122,283
Total Assets	$ 1,214,158	$ 1,340,478	$ 1,370,148	$ 1,530,972	$ 1,785,883	$ 1,806,938
LIABILITIES AND COMMON STOCKHOLDER'S EQUITY						
Current Liabilities						
Accounts payable	$ 35,841	$ 40,080	$ 44,209	$ 64,571	$ 63,262	$ 41,642
Notes payable to affiliated companies	37,609	55,743	19,656	-	38,875	52,745
Taxes accrued	14,483	10,550	14,082	17,602	18,143	15,572
Interest accrued	3,346	3,343	4,230	5,387	6,115	5,637
Current maturities of long-term debt	1,615	101,519	686	885	100,396	100,142
Other	18,350	21,928	30,734	27,605	40,033	35,983
Total current liabilities	111,244	233,163	113,597	116,050	266,824	251,721
Long-Term Debt	295,802	192,508	336,360	425,295	424,714	424,542
Long-Term Debt Payable to Affiliated Companies	25,000	25,000	25,000	25,000	25,000	25,000
Operating Lease Liabilities	-	-	-	-	-	9,194
Deferred Credits and Other Liabilities						
Deferred income taxes	271,308	289,642	311,636	186,437	214,718	222,075
Investment tax credits	1,095	-	-	-	-	-
Accrued pension and other post-retirement benefit costs	9,469	11,649	14,975	17,418	21,734	22,015
Asset retirement obligations	8,122	103,500	52,822	51,204	56,378	56,174
Regulatory liabilities	52,730	52,986	51,878	171,617	156,115	153,374
Other	26,132	27,598	26,865	26,537	24,177	24,320
Total deferred credits and other liabilities	368,856	485,375	458,176	453,213	473,122	477,958
Commitments and Contingencies						
Common Stockholder's Equity						
Common Stockholder's Equity	8,780	8,780	8,780	8,780	8,780	8,780
Additional paid-in-capital	167,494	167,494	167,494	182,494	217,494	217,494
Retained earnings	236,982	228,158	260,741	320,140	369,949	392,249
Total common stockholder's equity	413,256	404,432	437,015	511,414	596,223	618,523
Total Liabilities and Common Stockholder's Equity	$ 1,214,158	$ 1,340,478	$ 1,370,148	$ 1,530,972	$ 1,785,883	$ 1,806,938

3. *HISTORICAL STATEMENTS OF CASH FLOWS*

($ in Thousands)	Fiscal Year Ended December 31,					LTM
	2014	2015	2016	2017	2018	3/31/19
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income	$ 35,302	$ 46,176	$ 42,584	$ 59,399	$ 49,809	$ 59,446
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization	44,904	44,497	44,683	48,235	65,489	69,487
Community support and charitable contributions expense	-	-	-	-	-	-
Gains on sales of other assets and other, net	-	(245)	(28)	99	74	73
Impairment charges	-	-	-	1,190	-	-
Deferred income taxes	14,128	23,462	17,988	12,367	30,812	31,403
Accrued pension and other post-retirement benefit costs	2,122	2,152	1,527	578	1,408	1,099
Contributions to qualified pension plans	-	(2,203)	(1,443)	(1,324)	(72)	-
Payments for asset retirement obligations	-	(3,858)	(4,757)	(7,132)	(3,233)	(2,940)
(Increase) decrease in						-
Net realized and unrealized mark-to-market and hedging transactions	-	-	-	-	-	160
Receivables	(8,504)	6,997	(7,464)	(1,187)	(13,033)	(6,587)
Inventory	(14,180)	9,017	(4,896)	6,521	3,197	(4,581)
Other current assets	(10,055)	(10,443)	15,180	14,694	(3,759)	7,767
Increase (decrease) in						-
Accounts payable	(6,261)	(328)	(1,193)	964	(3,208)	(11,133)
Taxes accrued	3,496	2,645	7,028	3,520	541	2,180
Other current liabilities	(1,181)	1,743	8,235	(7,791)	2,771	3,785
Other assets	(9,661)	(10,207)	(8,862)	(16,251)	(9,016)	(4,315)
Other liabilities	(7,299)	527	14	(1,996)	2,591	(1,031)
Net cash provided by operating activities	42,811	109,932	108,596	111,886	124,371	144,813
CASH FLOWS FROM INVESTING ACTIVITIES						
Capital expenditures	(56,001)	(69,234)	(100,899)	(180,271)	(276,990)	(272,833)
Acquisitions	(10,596)	-	-	-	-	-
Net proceeds from the sales of other assets	-	-	-	-	-	-
Notes receivable from affiliated companies	1,267	-	-	(14,671)	14,671	-
Change in restricted cash	-	-	-	-	-	-
Other	(5)	(4,173)	(7,081)	(5,866)	(28,451)	(27,229)
Net cash used in investing activities	(65,335)	(73,407)	(107,980)	(200,808)	(290,770)	(300,062)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from the issuance of long-term debt	-	-	94,385	89,615	99,584	99,584
Payments for the redemption of long-term debt	(41,724)	(1,615)	(51,520)	(686)	(885)	(734)
Notes payable to affiliated companies	62,609	18,134	(36,087)	(19,656)	38,875	20,738
Dividends to parent	-	(55,000)	(10,001)	-	-	-
Other	(92)	(210)	-	14,802	34,911	34,902
Net cash provided by (used in) financing activities	20,793	(38,691)	(3,223)	84,075	172,485	154,490
Net (decrease) increase in cash and cash equivalents	(1,731)	(2,166)	(2,607)	(4,847)	6,086	(759)
Cash and cash equivalents at beginning of period	13,038	11,307	11,307	6,534	1,687	8,209
Cash and cash equivalents at end of period	$ 11,307	$ 9,141	$ 8,700	$ 1,687	$ 7,773	$ 7,450

DUKE ENERGY KENTUCKY
CASE NO. 2019-00271
FORECASTED TEST PERIOD FILING REQUIREMENTS
FR 16(7)(k)

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807 KAR 5:001, SECTION 16(7)(k)

Description of Filing Requirement:

The most recent FERC Financial Report FERC Form No.1, FERC Financial Report FERC Form No. 2, or Public Service Commission Form T (telephone).

Response:

See attached.

Witness Responsible: Danielle L. Weatherston

THIS FILING IS		
Item 1: ☐ An Initial (Original) Submission	OR ☒ Resubmission No. ____	

Form 1 Approved
OMB No.1902-0021
(Expires 12/31/2019)
Form 1-F Approved
OMB No.1902-0029
(Expires 12/31/2019)
Form 3-Q Approved
OMB No.1902-0205
(Expires 12/31/2019)

FERC FINANCIAL REPORT
FERC FORM No. 1: Annual Report of Major Electric Utilities, Licensees and Others and Supplemental Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Federal Power Act, Sections 3, 4(a), 304 and 309, and 18 CFR 141.1 and 141.400. Failure to report may result in criminal fines, civil penalties and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of confidential nature

Exact Legal Name of Respondent (Company)	**Year/Period of Report**
Duke Energy Kentucky, Inc.	**End of** 2018/Q4

Deloitte.

Deloitte & Touche LLP
550 South Tryon Street
Suite 2500
Charlotte, NC 28202
USA

Tel: +1 704 887 1500
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Duke Energy Kentucky, Inc.
Charlotte, North Carolina

We have audited the accompanying financial statements of Duke Energy Kentucky, Inc. (the "Company"), which comprise the balance sheet — regulatory basis as of December 31, 2018, and the related statements of income — regulatory basis, retained earnings — regulatory basis, and cash flows — regulatory basis for the year then ended, included on pages 110 through 123 of the accompanying Federal Energy Regulatory Commission Form 1, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the regulatory-basis financial statements referred to above present fairly, in all material respects, the assets, liabilities, and proprietary capital of Duke Energy Kentucky, Inc. as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases.

Basis of Accounting

As discussed in the opening paragraph in the notes to the financial statements, these financial statements were prepared in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restricted Use

This report is intended solely for the information and use of the board of directors and management of the Company and for filing with the Federal Energy Regulatory Commission and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP

April 12, 2019

INSTRUCTIONS FOR FILING FERC FORM NOS. 1 and 3-Q

GENERAL INFORMATION

I. Purpose

FERC Form No. 1 (FERC Form 1) is an annual regulatory requirement for Major electric utilities, licensees and others (18 C.F.R. § 141.1). FERC Form No. 3-Q (FERC Form 3-Q)is a quarterly regulatory requirement which supplements the annual financial reporting requirement (18 C.F.R. § 141.400). These reports are designed to collect financial and operational information from electric utilities, licensees and others subject to the jurisdiction of the Federal Energy Regulatory Commission. These reports are also considered to be non-confidential public use forms.

II. Who Must Submit

Each Major electric utility, licensee, or other, as classified in the Commission's Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject To the Provisions of The Federal Power Act (18 C.F.R. Part 101), must submit FERC Form 1 (18 C.F.R. § 141.1), and FERC Form 3-Q (18 C.F.R. § 141.400).

Note: Major means having, in each of the three previous calendar years, sales or transmission service that exceeds one of the following:

(1) one million megawatt hours of total annual sales,
(2) 100 megawatt hours of annual sales for resale,
(3) 500 megawatt hours of annual power exchanges delivered, or
(4) 500 megawatt hours of annual wheeling for others (deliveries plus losses).

III. What and Where to Submit

(a) Submit FERC Forms 1 and 3-Q electronically through the forms submission software. Retain one copy of each report for your files. Any electronic submission must be created by using the forms submission software provided free by the Commission at its web site: http://www.ferc.gov/docs-filing/forms/form-1/elec-subm-soft.asp. The software is used to submit the electronic filing to the Commission via the Internet.

(b) The Corporate Officer Certification must be submitted electronically as part of the FERC Forms 1 and 3-Q filings.

(c) Submit immediately upon publication, by either eFiling or mail, two (2) copies to the Secretary of the Commission, the latest Annual Report to Stockholders. Unless eFiling the Annual Report to Stockholders, mail the stockholders report to the Secretary of the Commission at:

Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

(d) For the CPA Certification Statement, submit within 30 days after filing the FERC Form 1, a letter or report (not applicable to filers classified as Class C or Class D prior to January 1, 1984). The CPA Certification Statement can be either eFiled or mailed to the Secretary of the Commission at the address above.

The CPA Certification Statement should:

a) Attest to the conformity, in all material aspects, of the below listed (schedules and pages) with the Commission's applicable Uniform System of Accounts (including applicable notes relating thereto and the Chief Accountant's published accounting releases), and

b) Be signed by independent certified public accountants or an independent licensed public accountant certified or licensed by a regulatory authority of a State or other political subdivision of the U. S. (See 18 C.F.R. §§ 41.10-41.12 for specific qualifications.)

Reference Schedules	Pages
Comparative Balance Sheet	110-113
Statement of Income	114-117
Statement of Retained Earnings	118-119
Statement of Cash Flows	120-121
Notes to Financial Statements	122-123

e) The following format must be used for the CPA Certification Statement unless unusual circumstances or conditions, explained in the letter or report, demand that it be varied. Insert parenthetical phrases only when exceptions are reported.

"In connection with our regular examination of the financial statements of _____ for the year ended on which we have reported separately under date of ___________ , we have also reviewed schedules ____________________ of FERC Form No. 1 for the year filed with the Federal Energy Regulatory Commission, for conformity in all material respects with the requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases. Our review for this purpose included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Based on our review, in our opinion the accompanying schedules identified in the preceding paragraph (except as noted below) conform in all material respects with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases."

The letter or report must state which, if any, of the pages above do not conform to the Commission's requirements. Describe the discrepancies that exist.

(f) Filers are encouraged to file their Annual Report to Stockholders, and the CPA Certification Statement using eFiling. To further that effort, new selections, "Annual Report to Stockholders," and "CPA Certification Statement" have been added to the dropdown "pick list" from which companies must choose when eFiling. Further instructions are found on the Commission's website at http://www.ferc.gov/help/how-to.asp.

(g) Federal, State and Local Governments and other authorized users may obtain additional blank copies of FERC Form 1 and 3-Q free of charge from http://www.ferc.gov/docs-filing/forms/form-1/form-1.pdf and http://www.ferc.gov/docs-filing/forms.asp#3Q-gas .

IV. When to Submit:

FERC Forms 1 and 3-Q must be filed by the following schedule:

a) FERC Form 1 for each year ending December 31 must be filed by April 18th of the following year (18 CFR § 141.1), and

b) FERC Form 3-Q for each calendar quarter must be filed within 60 days after the reporting quarter (18 C.F.R. § 141.400).

V. Where to Send Comments on Public Reporting Burden.

The public reporting burden for the FERC Form 1 collection of information is estimated to average 1,168 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data-needed, and completing and reviewing the collection of information. The public reporting burden for the FERC Form 3-Q collection of information is estimated to average 168 hours per response.

Send comments regarding these burden estimates or any aspect of these collections of information, including suggestions for reducing burden, to the Federal Energy Regulatory Commission, 888 First Street NE, Washington, DC 20426 (Attention: Information Clearance Officer); and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC 20503 (Attention: Desk Officer for the Federal Energy Regulatory Commission). No person shall be subject to any penalty if any collection of information does not display a valid control number (44 U.S.C. § 3512 (a)).

GENERAL INSTRUCTIONS

I. Prepare this report in conformity with the Uniform System of Accounts (18 CFR Part 101) (USofA). Interpret all accounting words and phrases in accordance with the USofA.

II. Enter in whole numbers (dollars or MWH) only, except where otherwise noted. (Enter cents for averages and figures per unit where cents are important. The truncating of cents is allowed except on the four basic financial statements where rounding is required.) The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting period, and use for statement of income accounts the current year's year to date amounts.

III Complete each question fully and accurately, even if it has been answered in a previous report. Enter the word "None" where it truly and completely states the fact.

IV. For any page(s) that is not applicable to the respondent, omit the page(s) and enter "NA," "NONE," or "Not Applicable" in column (d) on the List of Schedules, pages 2 and 3.

V. Enter the month, day, and year for all dates. Use customary abbreviations. **The "Date of Report" included in the header of each page is to be completed only for resubmissions** (see VII. below).

VI. Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive. Numbers having a sign that is different from the expected sign must be reported by enclosing the numbers in parentheses.

VII For any resubmissions, submit the electronic filing using the form submission software only. Please explain the reason for the resubmission in a footnote to the data field.

VIII. Do not make references to reports of previous periods/years or to other reports in lieu of required entries, except as specifically authorized.

IX. Wherever (schedule) pages refer to figures from a previous period/year, the figures reported must be based upon those shown by the report of the previous period/year, or an appropriate explanation given as to why the different figures were used.

Definitions for statistical classifications used for completing schedules for transmission system reporting are as follows:

FNS - Firm Network Transmission Service for Self. "Firm" means service that can not be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Network Service" is Network Transmission Service as described in Order No. 888 and the Open Access Transmission Tariff. "Self" means the respondent.

FNO - Firm Network Service for Others. "Firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Network Service" is Network Transmission Service as described in Order No. 888 and the Open Access Transmission Tariff.

LFP - for Long-Term Firm Point-to-Point Transmission Reservations. "Long-Term" means one year or longer and" firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. "Point-to-Point Transmission Reservations" are described in Order No. 888 and the Open Access Transmission Tariff. For all transactions identified as LFP, provide in a footnote the termination date of the contract defined as the earliest date either buyer or seller can unilaterally cancel the contract.

OLF - Other Long-Term Firm Transmission Service. Report service provided under contracts which do not conform to the terms of the Open Access Transmission Tariff. "Long-Term" means one year or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions. For all transactions identified as OLF, provide in a footnote the termination date of the contract defined as the earliest date either buyer or seller can unilaterally get out of the contract.

SFP - Short-Term Firm Point-to-Point Transmission Reservations. Use this classification for all firm point-to-point transmission reservations, where the duration of each period of reservation is less than one-year.

NF - Non-Firm Transmission Service, where firm means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions.

OS - Other Transmission Service. Use this classification only for those services which can not be placed in the above-mentioned classifications, such as all other service regardless of the length of the contract and service FERC Form. Describe the type of service in a footnote for each entry.

AD - Out-of-Period Adjustments. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting periods. Provide an explanation in a footnote for each adjustment.

DEFINITIONS

I. Commission Authorization (Comm. Auth.) -- The authorization of the Federal Energy Regulatory Commission, or any other Commission. Name the commission whose authorization was obtained and give date of the authorization.

II. Respondent -- The person, corporation, licensee, agency, authority, or other Legal entity or instrumentality in whose behalf the report is made.

EXCERPTS FROM THE LAW

Federal Power Act, 16 U.S.C. § 791a-825r

Sec. 3. The words defined in this section shall have the following meanings for purposes of this Act, to with:

(3) 'Corporation' means any corporation, joint-stock company, partnership, association, business trust, organized group of persons, whether incorporated or not, or a receiver or receivers, trustee or trustees of any of the foregoing. It shall not include 'municipalities, as hereinafter defined;

(4) 'Person' means an individual or a corporation;

(5) 'Licensee, means any person, State, or municipality Licensed under the provisions of section 4 of this Act, and any assignee or successor in interest thereof;

(7) 'municipality means a city, county, irrigation district, drainage district, or other political subdivision or agency of a State competent under the Laws thereof to carry and the business of developing, transmitting, unitizing, or distributing power; ......

(11) "project' means. a complete unit of improvement or development, consisting of a power house, all water conduits, all dams and appurtenant works and structures (including navigation structures) which are a part of said unit, and all storage, diverting, or fore bay reservoirs directly connected therewith, the primary line or lines transmitting power there from to the point of junction with the distribution system or with the interconnected primary transmission system, all miscellaneous structures used and useful in connection with said unit or any part thereof, and all water rights, rights-of-way, ditches, dams, reservoirs, Lands, or interest in Lands the use and occupancy of which are necessary or appropriate in the maintenance and operation of such unit;

"Sec. 4. The Commission is hereby authorized and empowered

(a) To make investigations and to collect and record data concerning the utilization of the water 'resources of any region to be developed, the water-power industry and its relation to other industries and to interstate or foreign commerce, and concerning the location, capacity, development -costs, and relation to markets of power sites; ... to the extent the Commission may deem necessary or useful for the purposes of this Act."

"Sec. 304. (a) Every Licensee and every public utility shall file with the Commission such annual and other periodic or special* reports as the Commission may be rules and regulations or other prescribe as necessary or appropriate to assist the Commission in the -proper administration of this Act. The Commission may prescribe the manner and FERC Form in which such reports salt be made, and require from such persons specific answers to all questions upon which the Commission may need information. The Commission may require that such reports shall include, among other things, full information as to assets and Liabilities, capitalization, net investment, and reduction thereof, gross receipts, interest due and paid, depreciation, and other reserves, cost of project and other facilities, cost of maintenance and operation of the project and other facilities, cost of renewals and replacement of the project works and other facilities, depreciation, generation, transmission, distribution, delivery, use, and sale of electric energy. The Commission may require any such person to make adequate provision for currently determining such costs and other facts. Such reports shall be made under oath unless the Commission otherwise specifies*.10

"Sec. 309. The Commission shall have power to perform any and all acts, and to prescribe, issue, make, and rescind such orders, rules and regulations as it may find necessary or appropriate to carry out the provisions of this Act. Among other things, such rules and regulations may define accounting, technical, and trade terms used in this Act; and may prescribe the FERC Form or FERC Forms of all statements, declarations, applications, and reports to be filed with the Commission, the information which they shall contain, and the time within which they shall be field..."

General Penalties

The Commission may assess up to $1 million per day per violation of its rules and regulations. *See* FPA § 316(a) (2005), 16 U.S.C. § 825o(a).

FERC FORM NO. 1/3-Q:
REPORT OF MAJOR ELECTRIC UTILITIES, LICENSEES AND OTHER

IDENTIFICATION

01 Exact Legal Name of Respondent Duke Energy Kentucky, Inc.	02 Year/Period of Report End of 2018/Q4
03 Previous Name and Date of Change *(if name changed during year)* / /	
04 Address of Principal Office at End of Period *(Street, City, State, Zip Code)* 4580 Olympic Boulevard, Erlanger, KY 41018	
05 Name of Contact Person Anna Anderson	06 Title of Contact Person Accounting Analyst II
07 Address of Contact Person *(Street, City, State, Zip Code)* 550 South Tryon Street, Charlotte, NC 28202	

08 Telephone of Contact Person, *Including Area Code*	09 This Report Is	10 Date of Report *(Mo, Da, Yr)*
(980) 373-2179	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019

ANNUAL CORPORATE OFFICER CERTIFICATION

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

01 Name	03 Signature	04 Date Signed *(Mo, Da, Yr)*
Dwight L. Jacobs	DJacobs	
02 Title SVP, CAO, Tax and Controller	Dwight L. Jacobs	04/26/2019

Title 18, U.S.C. 1001 makes it a crime for any person to knowingly and willingly to make to any Agency or Department of the United States any false, fictitious or fraudulent statements as to any matter within its jurisdiction.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

LIST OF SCHEDULES (Electric Utility)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

LIST OF SCHEDULES (Electric Utility) (continued)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".

Line No.	Title of Schedule (a)	Reference Page No. (b)	Remarks (c)
37	Other Deferred Credits	269	
38	Accumulated Deferred Income Taxes-Accelerated Amortization Property	272-273	
39	Accumulated Deferred Income Taxes-Other Property	274-275	
40	Accumulated Deferred Income Taxes-Other	276-277	
41	Other Regulatory Liabilities	278	
42	Electric Operating Revenues	300-301	
43	Regional Transmission Service Revenues (Account 457.1)	302	
44	Sales of Electricity by Rate Schedules	304	
45	Sales for Resale	310-311	
46	Electric Operation and Maintenance Expenses	320-323	
47	Purchased Power	326-327	
48	Transmission of Electricity for Others	328-330	
49	Transmission of Electricity by ISO/RTOs	331	N/A
50	Transmission of Electricity by Others	332	
51	Miscellaneous General Expenses-Electric	335	
52	Depreciation and Amortization of Electric Plant	336-337	
53	Regulatory Commission Expenses	350-351	
54	Research, Development and Demonstration Activities	352-353	
55	Distribution of Salaries and Wages	354-355	
56	Common Utility Plant and Expenses	356	
57	Amounts included in ISO/RTO Settlement Statements	397	
58	Purchase and Sale of Ancillary Services	398	
59	Monthly Transmission System Peak Load	400	N/A
60	Monthly ISO/RTO Transmission System Peak Load	400a	N/A
61	Electric Energy Account	401	
62	Monthly Peaks and Output	401	
63	Steam Electric Generating Plant Statistics	402-403	
64	Hydroelectric Generating Plant Statistics	406-407	N/A
65	Pumped Storage Generating Plant Statistics	408-409	N/A
66	Generating Plant Statistics Pages	410-411	N/A

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

LIST OF SCHEDULES (Electric Utility) (continued)

Enter in column (c) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the respondents are "none," "not applicable," or "NA".

Line No.	Title of Schedule (a)	Reference Page No. (b)	Remarks (c)
67	Transmission Line Statistics Pages	422-423	
68	Transmission Lines Added During the Year	424-425	N/A
69	Substations	426-427	
70	Transactions with Associated (Affiliated) Companies	429	
71	Footnote Data	450	
	Stockholders' Reports Check appropriate box: [ ] Two copies will be submitted [ ] No annual report to stockholders is prepared		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

GENERAL INFORMATION

1. Provide name and title of officer having custody of the general corporate books of account and address of office where the general corporate books are kept, and address of office where any other corporate books of account are kept, if different from that where the general corporate books are kept.

Dwight L. Jacobs
SVP,CAO,Tax and Controller
550 South Tryon Street
Charlotte, NC 28202

2. Provide the name of the State under the laws of which respondent is incorporated, and date of incorporation. If incorporated under a special law, give reference to such law. If not incorporated, state that fact and give the type of organization and the date organized.

Commonwealth of Kentucky
Date of Incorporation: March 20, 1901

3. If at any time during the year the property of respondent was held by a receiver or trustee, give (a) name of receiver or trustee, (b) date such receiver or trustee took possession, (c) the authority by which the receivership or trusteeship was created, and (d) date when possession by receiver or trustee ceased.

Not applicable

4. State the classes or utility and other services furnished by respondent during the year in each State in which the respondent operated.

Kentucky - Gas and Electric

5. Have you engaged as the principal accountant to audit your financial statements an accountant who is not the principal accountant for your previous year's certified financial statements?

(1) ☐ Yes...Enter the date when such independent accountant was initially engaged:
(2) ☒ No

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

CONTROL OVER RESPONDENT

1. If any corporation, business trust, or similar organization or a combination of such organizations jointly held control over the repondent at the end of the year, state name of controlling corporation or organization, manner in which control was held, and extent of control. If control was in a holding company organization, show the chain of ownership or control to the main parent company or organization. If control was held by a trustee(s), state name of trustee(s), name of beneficiary or beneficiearies for whom trust was maintained, and purpose of the trust.

Duke Energy Kentucky, Inc. is a wholly-owned subsidiary of Duke Energy Ohio, Inc. Duke Energy Ohio, Inc. is a wholly-owned subsidiary of Cinergy Corp., which is a wholly-owned subsidiary of Duke Energy Corporation.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

CORPORATIONS CONTROLLED BY RESPONDENT

1. Report below the names of all corporations, business trusts, and similar organizations, controlled directly or indirectly by respondent at any time during the year. If control ceased prior to end of year, give particulars (details) in a footnote.
2. If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediaries involved.
3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.

Definitions
1. See the Uniform System of Accounts for a definition of control.
2. Direct control is that which is exercised without interposition of an intermediary.
3. Indirect control is that which is exercised by the interposition of an intermediary which exercises direct control.
4. Joint control is that in which neither interest can effectively control or direct action without the consent of the other, as where the voting control is equally divided between two holders, or each party holds a veto power over the other. Joint control may exist by mutual agreement or understanding between two or more parties who together have control within the meaning of the definition of control in the Uniform System of Accounts, regardless of the relative voting rights of each party.

Line No.	Name of Company Controlled (a)	Kind of Business (b)	Percent Voting Stock Owned (c)	Footnote Ref. (d)
1	N/A			
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

OFFICERS

1. Report below the name, title and salary for each executive officer whose salary is $50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policy making functions.
2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and the date the change in incumbency was made.

Line No.	Title (a)	Name of Officer (b)	Salary for Year (c)
1	Executive Vice President, Administration and	Melissa H. Anderson	
2	Chief Human Resources Officer		
3			
4	Senior Vice President, Chief Accounting Officer	William E. Currens, Jr.	
5	and Controller through 05/31/2018		
6			
7	Senior Vice President, Tax and Treasurer	Stephen Gerard De May	
8	through 10/31/18		
9			
10	Executive Vice President, Energy Solutions and	Douglas F. Esamann	
11	President, Midwest and Florida Regions		
12			
13	Senior Vice President, Legal, Chief Ethics and	David B. Fountain	
14	Compliance Officer and Corporate Secretary		
15	effective 11/01/2018		
16			
17	Chief Executive Officer	Lynn J. Good	
18			
19	President through 5/31/2018	James P. Henning	
20			
21	SVP, CAO and Controller effective 06/01/2018	Dwight L. Jacobs	
22			
23	Executive Vice President and Chief Operating Officer	Dhiaa M. Jamil	
24			
25	Executive Vice President, External Affairs and Chief	Julia S. Janson	
26	Legal Officer and Secretary through 10/31/18;		
27	Executive Vice President, External Affairs and Chief		
28	Legal Officer, effective 11/01/2018		
29			
30	Senior Vice President, Corporate Development	Karl W. Newlin	
31	and Treasurer, effective 11/01/2018		
32			
33	President, effective 06/01/2018	Amy B. Spiller	
34			
35	Executive Vice President, Customer and Delivery	Lloyd M. Yates	
36	Operations and President, Carolinas Region		
37			
38	Executive Vice President and President,	Franklin H. Yoho	
39	Natural Gas Business		
40			
41	Executive Vice President and Chief Financial Officer	Steven Keith Young	
42			
43			
44			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

DIRECTORS

1. Report below the information called for concerning each director of the respondent who held office at any time during the year. Include in column (a), abbreviated titles of the directors who are officers of the respondent.
2. Designate members of the Executive Committee by a triple asterisk and the Chairman of the Executive Committee by a double asterisk.

Line No.	Name (and Title) of Director (a)	Principal Business Address (b)
1	Douglas F. Esamann***	550 South Tryon Street, Charlotte, NC 28202
2	(EVP, Energy Solutions and President, Midwest and	
3	Florida Regions)	
4		
5	Lynn J. Good (Chief Executive Officer)**	550 South Tryon Street, Charlotte, NC 28202
6		
7	Dhiaa M. Jamil***	550 South Tryon Street, Charlotte, NC 28202
8	(EVP and Chief Operating Officer)	
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

INFORMATION ON FORMULA RATES

FERC Rate Schedule/Tariff Number FERC Proceeding

Does the respondent have formula rates? [X] Yes [ ] No

1. Please list the Commission accepted formula rates including FERC Rate Schedule or Tariff Number and FERC proceeding (i.e. Docket No) accepting the rate(s) or changes in the accepted rate.

Line No.	FERC Rate Schedule or Tariff Number	FERC Proceeding
1	PJM Interconnection, L.L.C.	Docket No. ER12-91-000
2	Open Access Transmission Tariff	
3	Attachment H-22	
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

INFORMATION ON FORMULA RATES
FERC Rate Schedule/Tariff Number FERC Proceeding

Does the respondent file with the Commission annual (or more frequent) filings containing the inputs to the formula rate(s)?

[X] Yes
[ ] No

2. If yes, provide a listing of such filings as contained on the Commission's eLibrary website

Line No.	Accession No.	Document Date \ Filed Date	Docket No.	Description	Formula Rate FERC Rate Schedule Number or Tariff Number
1	20120515-5244	05/15/2012	ER12-91-000	Formula Rate Annual Update	PJM OATT, Attachment H-22A
2	20130129-5070	01/29/2013	ER12-91-000	Formula Rate Annual Update	PJM OATT, Attachment H-22A
3				Corrected	
4	20130515-5122	05/15/2013	ER12-91-000	Formula Rate Annual Update	PJM OATT, Attachment H-22A
5	20140515-5149	05/15/2014	ER12-91-000	Formula Rate Annual Update	PJM OATT, Attachment H-22A
6	20150515-5244	05/15/2015	ER12-91-000	Formula Rate Annual Update	PJM OATT, Attachment H-22A
7	20160513-5092	05/13/2016	ER12-91-000	Formula Rate Annual Update	PJM OATT, Attachment H-22A
8	20161130-5416	11/30/2016	ER12-91-000	Formula Rate Annual Update	PJM OATT, Attachment H-22A
9				Corrected	
10	20170509-5150	05/09/2017	ER12-91-000	Formula Rate Annual Update	PJM OATT, Attachment H-22A
11	20180129-5213	01/29/2018	ER12-91-000	Formula Rate Annual Update	PJM OATT, Attachment H-22A
12				Corrected	
13	20180515-5331	05/15/2018	ER12-91-000	Formula Rate Annual Update	PJM OATT, Attachment H-22A
14	20180402-5140	04/02/2018	ER18-1274-000	Section 205	PJM OATT, Attachment H-22A & H-22B
15	20181214-5040	12/14/2018	ER19-555-000	Section 205	PJM OATT, Attachment H-22A
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

INFORMATION ON FORMULA RATES
Formula Rate Variances

1. If a respondent does not submit such filings then indicate in a footnote to the applicable Form 1 schedule where formula rate inputs differ from amounts reported in the Form 1.
2. The footnote should provide a narrative description explaining how the "rate" (or billing) was derived if different from the reported amount in the Form 1.
3. The footnote should explain amounts excluded from the ratebase or where labor or other allocation factors, operating expenses, or other items impacting formula rate inputs differ from amounts reported in Form 1 schedule amounts.
4. Where the Commission has provided guidance on formula rate inputs, the specific proceeding should be noted in the footnote.

Line No.	Page No(s).	Schedule	Column	Line No
1		Not Applicable		
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Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

IMPORTANT CHANGES DURING THE QUARTER/YEAR

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none," "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration given therefore and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact.
2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.
3. Purchase or sale of an operating unit or system: Give a brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission.
4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents, and other condition. State name of Commission authorizing lease and give reference to such authorization.
5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements, etc.
6. Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees including issuance of short-term debt and commercial paper having a maturity of one year or less. Give reference to FERC or State Commission authorization, as appropriate, and the amount of obligation or guarantee.
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.
8. State the estimated annual effect and nature of any important wage scale changes during the year.
9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
10. Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on Page 104 or 105 of the Annual Report Form No. 1, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.
11. (Reserved.)
12. If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by Instructions 1 to 11 above, such notes may be included on this page.
13. Describe fully any changes in officers, directors, major security holders and voting powers of the respondent that may have occurred during the reporting period.
14. In the event that the respondent participates in a cash management program(s) and its proprietary capital ratio is less than 30 percent please describe the significant events or transactions causing the proprietary capital ratio to be less than 30 percent, and the extent to which the respondent has amounts loaned or money advanced to its parent, subsidiary, or affiliated companies through a cash management program(s). Additionally, please describe plans, if any to regain at least a 30 percent proprietary ratio.

PAGE 108 INTENTIONALLY LEFT BLANK
SEE PAGE 109 FOR REQUIRED INFORMATION.

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) _ An Original (2) X A Resubmission	Date of Report (Mo, Da, Yr) 04/26/2019	Year/Period of Report 2018/Q4

IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)

1. None

2. None

3. See Notes to Financial Statements, Note 2, "Regulatory Matters"

4. During the fourth quarter 2018, the Erlanger Building was surrendered (10/19/2018) due to purchase of building. Initial value was $2.1M (depreciated since 10/2005).

5. None

6. See Notes to Financial Statements, Note 4, "Debt and Credit Facilities"

7. None

8. During the fourth quarter 2018, there are no large wage scale changes to report.

   During the third quarter 2018, there are no large wage scale changes to report.

   During the second quarter 2018, employees bargained for by IBEW Local 1347, UWUA, IUU Local 600 and USW Local 12049 received pay changes (pay rate change/merit) that totaled $334,305 in annualized costs.

   During the first quarter 2018, employees bargained for by IBEW Local 1347, USW Local 12049, and UWUA/IUU Local 600 received pay changes (promotion, demotion, pay rate change/merit, job reclassification and adjustments) that totaled 40,289.60 in annualized costs or a monthly amount of approximately $3,357.47.

   During the first quarter 2018, non-union employees received pay changes (promotion, demotion, pay rate change/merit, job reclassification and adjustments) that totaled $50,563.78 in annualized costs or a monthly amount of approximately $4,213.65.

9. See Notes to Financial Statements, Note 2, "Regulatory Matters" and Note 3, "Commitments and Contingencies"

10. None

11. (Reserved)

12. None

13. There are no changes in major security holders and voting powers of Duke Energy Kentucky, Inc. that occurred during the fourth quarter of 2018.

    The changes in officers and directors for Duke Energy Kentucky, Inc. that occurred during the fourth quarter of 2018 are as follows:

    Appointments effective 11/16/18
    Melody Birmingham-Byrd Senior Vice President and Chief Procurement Officer

    Appointments effective 11/01/18

Donald E. Broadhurst	Vice President Operations-Customer Delivery
Swati V. Daji	Senior Vice President, Customer Solutions
Joni Y. Davis	Vice President, Chief Diversity and Inclusion Officer
David B. Fountain	Senior Vice President, Legal, Chief Ethics and Compliance Officer and Corporate Secretary
Emily G. Henson	Vice President Operations-Customer Delivery
Rufus S. Jackson	Vice President Operations-Customer Delivery

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) _ An Original (2) X A Resubmission	Date of Report (Mo, Da, Yr) 04/26/2019	Year/Period of Report 2018/Q4

IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)

Julia S. Janson	Executive Vice President, External Affairs and Chief Legal Officer
Jackie Joyner	Vice President Operations-Customer Delivery
Karl W. Newlin	Senior Vice President, Corporate Development and Treasurer
L. Stanford Sherrill, Jr.	Vice President, Talent Acquisition and Workforce Development
Alexander J. Weintraub	Senior Vice President and Chief Commercial Officer, Natural Gas Business
Sandra S. Wyckoff	Vice President, Ethics and Compliance

<u>Appointments effective 10/16/18</u>

Mia S. Haynes	Vice President, Customer Care

<u>Appointments effective 10/01/18</u>

William H. Fowler	Regional Senior Vice President, Customer Delivery Midwest
Larry E. Hatcher	Senior Vice President, Customer Delivery Governance, Programs and Support

<u>Resignations effective 12/31/18</u>

Caren B. Anders	Vice President, Operations Support
Christopher B. Heck	Vice President
Christopher B. Heck	Chief Information Officer
John F. Smith, III	Senior Vice President, Distribution Grid Performance and Contractor Operations

<u>Resignations effective 11/01/18</u>

Swati V. Daji	Senior Vice President, Chief Procurement Officer
Joni Y. Davis	Vice President, Marketing and Customer Engagement
Stephen G. De May	Senior Vice President Tax
Stephen G. De May	Treasurer
Julia S. Janson	Executive Vice President, External Affairs, Chief Legal Officer and Corporate Secretary
Karl W. Newlin	Senior Vice President, Corporate Development
L. Stanford Sherrill, Jr.	Vice President, Workforce Development, Diversity & Inclusion
Alexander J. Weintraub	Senior Vice President, Customer Solutions
Sandra S. Wyckoff	Vice President and Chief Ethics and Compliance Officer

<u>Resignations effective 10/03/18</u>

James R. Sochacki	Vice President, Distribution Construction and Maintenance-Midwest

<u>Resignations effective 10/01/18</u>

William H. Fowler	Vice President, Design Engineering & Consolidated Planning Midwest

There are no changes in major security holders and voting powers of Duke Energy Kentucky, Inc. that occurred during the third quarter of 2018.

The changes in officers and directors for Duke Energy Kentucky, Inc. that occurred during the third quarter of 2018 are as follows:

<u>Appointments effective 09/03/18</u>

Dennis P. Gilbert, Jr.	Vice President and Chief Information Security Officer

<u>Appointments effective 08/01/18</u>

Rodney E. Gaddy	Senior Vice President, Administrative Services

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) _ An Original (2) X A Resubmission	Date of Report (Mo, Da, Yr) 04/26/2019	Year/Period of Report 2018/Q4

IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)

Appointments effective 07/16/18

Clark S. Gillespy	Senior Vice President, Economic Development
Brian R. Weisker	Vice President, Natural Gas Operational Excellence

Resignations effective 09/14/18

Lisa M. Marcuz	Vice President, Talent Management

Resignations effective 08/31/18

David J. Maxon	Senior Vice President, Distribution Construction and Maintenance

Resignations effective 08/01/18

Rodney E. Gaddy	Vice President, Administrative Services

Resignations effective 07/16/18

Larry E. Hatcher	Vice President, Natural Gas Operational Excellence
Brian R. Weisker	Vice President, Coal Combustion Products Operations and Maintenance

There are no changes in major security holders and voting powers of Duke Energy Kentucky, Inc. that occurred during the second quarter of 2018.

The changes in officers and directors for Duke Energy Kentucky, Inc. that occurred during the second quarter of 2018 are as follows:

Appointments effective 06/01/18

Donna T. Council	Vice President, HR Strategic Business Solutions
William E. Currens, Jr.	Senior Vice President, Financial Planning and Analysis
Dwight L. Jacobs	Senior Vice President, Chief Accounting Officer and Controller
James M. Mosley	Vice President, Midwest Generation
Karl W. Newlin	Senior Vice President, Corporate Development
Deborah T. Patton	HR Director, Employee Relations
L. Stanford Sherrill, Jr.	Vice President, Workforce Development, Diversity and Inclusion
Harry K. Sideris	Senior Vice President, and Chief Distribution Officer
Amy Spiller	President

Resignations effective 06/30/18

Jeffrey A. Corbett	Senior Vice President, Distribution Engineering and Technical Customer Relations
Charles R. Whitlock	Senior Vice President, Strategic Growth Initiatives

Resignations effective 06/01/18

Donna T. Council	Vice President, Human Resources Business Partners
William E. Currens, Jr.	Senior Vice President, Chief Accounting Officer and Controller
John B. Hayes	Vice President, Midwest Generation
James P. Henning	President
Michael A. Lewis	Senior Vice President and Chief Distribution Officer
Karl W. Newlin	Senior Vice President and Chief Commercial Officer, Natural Gas Business
L. Stanford Sherrill, Jr.	Vice President, Workforce Development, Employee and Labor Relations
Catherine S. Stempien	Senior Vice President, Corporate Development

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) _ An Original (2) X A Resubmission	Date of Report (Mo, Da, Yr) 04/26/2019	Year/Period of Report 2018/Q4

IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)

Resignations effective 05/04/18
Michael R. Delowery Vice President, Project Management and Construction

Resignations effective 04/30/18
Gayle S. Lanier Senior Vice President, Customer Services

There are no changes in major security holders and voting powers of Duke Energy Kentucky, Inc. that occurred during the first quarter of 2018.

The changes in officers and directors for Duke Energy Kentucky, Inc. that occurred during the first quarter of 2018 are as follows:

Appointments effective 03/15/18
Larry E. Hatcher Vice President, Natural Gas Operational Excellence

Appointments effective 03/01/18
Janice L. Walker Assistant Secretary
Michael S. Hendershott Assistant Treasurer

Resignations effective 03/15/18
Larry E. Hatcher Vice President, Environmental

Resignations effective 03/01/18
Kris C. Duffy Assistant Treasurer

14. N/A

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	**UTILITY PLANT**			
2	Utility Plant (101-106, 114)	200-201	2,399,457,684	2,190,743,460
3	Construction Work in Progress (107)	200-201	118,766,446	109,390,337
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		2,518,224,130	2,300,133,797
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	200-201	992,560,885	1,032,028,167
6	Net Utility Plant (Enter Total of line 4 less 5)		1,525,663,245	1,268,105,630
7	Nuclear Fuel in Process of Ref., Conv.,Enrich., and Fab. (120.1)	202-203	0	0
8	Nuclear Fuel Materials and Assemblies-Stock Account (120.2)		0	0
9	Nuclear Fuel Assemblies in Reactor (120.3)		0	0
10	Spent Nuclear Fuel (120.4)		0	0
11	Nuclear Fuel Under Capital Leases (120.6)		0	0
12	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203	0	0
13	Net Nuclear Fuel (Enter Total of lines 7-11 less 12)		0	0
14	Net Utility Plant (Enter Total of lines 6 and 13)		1,525,663,245	1,268,105,630
15	Utility Plant Adjustments (116)		0	0
16	Gas Stored Underground - Noncurrent (117)		0	0
17	**OTHER PROPERTY AND INVESTMENTS**			
18	Nonutility Property (121)		985,844	264,016
19	(Less) Accum. Prov. for Depr. and Amort. (122)		0	0
20	Investments in Associated Companies (123)		0	0
21	Investment in Subsidiary Companies (123.1)	224-225	0	0
22	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
23	Noncurrent Portion of Allowances	228-229	0	0
24	Other Investments (124)		1,500	1,500
25	Sinking Funds (125)		0	0
26	Depreciation Fund (126)		0	0
27	Amortization Fund - Federal (127)		0	0
28	Other Special Funds (128)		7,330,598	1,184,266
29	Special Funds (Non Major Only) (129)		0	0
30	Long-Term Portion of Derivative Assets (175)		371,272	318,333
31	Long-Term Portion of Derivative Assets – Hedges (176)		0	0
32	TOTAL Other Property and Investments (Lines 18-21 and 23-31)		8,689,214	1,768,115
33	**CURRENT AND ACCRUED ASSETS**			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		7,772,710	1,687,146
36	Special Deposits (132-134)		0	0
37	Working Fund (135)		0	0
38	Temporary Cash Investments (136)		0	0
39	Notes Receivable (141)		0	0
40	Customer Accounts Receivable (142)		4,925,759	2,918,345
41	Other Accounts Receivable (143)		6,089,935	820,344
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		220,841	233,542
43	Notes Receivable from Associated Companies (145)		23,069,663	34,407,460
44	Accounts Receivable from Assoc. Companies (146)		4,842,266	3,811,739
45	Fuel Stock (151)	227	18,769,826	22,251,525
46	Fuel Stock Expenses Undistributed (152)	227	0	0
47	Residuals (Elec) and Extracted Products (153)	227	0	0
48	Plant Materials and Operating Supplies (154)	227	17,496,817	17,614,789
49	Merchandise (155)	227	0	0
50	Other Materials and Supplies (156)	227	0	0
51	Nuclear Materials Held for Sale (157)	202-203/227	0	0
52	Allowances (158.1 and 158.2)	228-229	24,008	31,208

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)(Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
53	(Less) Noncurrent Portion of Allowances		0	0
54	Stores Expense Undistributed (163)	227	2,088,977	967,360
55	Gas Stored Underground - Current (164.1)		2,239,894	2,958,880
56	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		0	0
57	Prepayments (165)		634,866	491,801
58	Advances for Gas (166-167)		0	0
59	Interest and Dividends Receivable (171)		0	0
60	Rents Receivable (172)		2,500	2,500
61	Accrued Utility Revenues (173)		0	0
62	Miscellaneous Current and Accrued Assets (174)		4,705,042	2,507,391
63	Derivative Instrument Assets (175)		6,056,231	1,443,720
64	(Less) Long-Term Portion of Derivative Instrument Assets (175)		371,272	318,333
65	Derivative Instrument Assets - Hedges (176)		0	0
66	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176		0	0
67	Total Current and Accrued Assets (Lines 34 through 66)		98,126,381	91,362,333
68	**DEFERRED DEBITS**			
69	Unamortized Debt Expenses (181)		2,315,607	2,078,548
70	Extraordinary Property Losses (182.1)	230a	0	0
71	Unrecovered Plant and Regulatory Study Costs (182.2)	230b	0	0
72	Other Regulatory Assets (182.3)	232	132,158,744	127,608,194
73	Prelim. Survey and Investigation Charges (Electric) (183)		95,916	290,107
74	Preliminary Natural Gas Survey and Investigation Charges 183.1)		0	0
75	Other Preliminary Survey and Investigation Charges (183.2)		0	0
76	Clearing Accounts (184)		14	-86
77	Temporary Facilities (185)		0	0
78	Miscellaneous Deferred Debits (186)	233	3,703,575	2,400,973
79	Def. Losses from Disposition of Utility Plt. (187)		0	0
80	Research, Devel. and Demonstration Expend. (188)	352-353	0	0
81	Unamortized Loss on Reaquired Debt (189)		921,958	1,188,432
82	Accumulated Deferred Income Taxes (190)	234	71,989,018	58,361,447
83	Unrecovered Purchased Gas Costs (191)		170,883	-219,763
84	Total Deferred Debits (lines 69 through 83)		211,355,715	191,707,852
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		1,843,834,555	1,552,943,930

Name of Respondent	This Report is:	Date of Report (mo, da, yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	end of 2018/Q4

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	8,779,995	8,779,995
3	Preferred Stock Issued (204)	250-251	0	0
4	Capital Stock Subscribed (202, 205)		0	0
5	Stock Liability for Conversion (203, 206)		0	0
6	Premium on Capital Stock (207)		18,838,946	18,838,946
7	Other Paid-In Capital (208-211)	253	198,655,189	163,655,189
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254b	0	0
11	Retained Earnings (215, 215.1, 216)	118-119	369,949,518	320,140,297
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	0	0
13	(Less) Reaquired Capital Stock (217)	250-251	0	0
14	Noncorporate Proprietorship (Non-major only) (218)		0	0
15	Accumulated Other Comprehensive Income (219)	122(a)(b)	0	0
16	Total Proprietary Capital (lines 2 through 15)		596,223,648	511,414,427
17	LONG-TERM DEBT			
18	Bonds (221)	256-257	0	0
19	(Less) Reaquired Bonds (222)	256-257	0	0
20	Advances from Associated Companies (223)	256-257	25,000,000	25,000,000
21	Other Long-Term Debt (224)	256-257	526,720,000	426,720,000
22	Unamortized Premium on Long-Term Debt (225)		0	0
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		238,808	288,378
24	Total Long-Term Debt (lines 18 through 23)		551,481,192	451,431,622
25	OTHER NONCURRENT LIABILITIES			
26	Obligations Under Capital Leases - Noncurrent (227)		184,010	580,230
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		-41,175	-68,721
29	Accumulated Provision for Pensions and Benefits (228.3)		21,734,353	17,417,765
30	Accumulated Miscellaneous Operating Provisions (228.4)		-555	0
31	Accumulated Provision for Rate Refunds (229)		250,709	0
32	Long-Term Portion of Derivative Instrument Liabilities		3,902,779	4,647,739
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
34	Asset Retirement Obligations (230)		62,826,300	54,581,508
35	Total Other Noncurrent Liabilities (lines 26 through 34)		88,856,421	77,158,521
36	CURRENT AND ACCRUED LIABILITIES			
37	Notes Payable (231)		0	0
38	Accounts Payable (232)		45,799,387	48,645,825
39	Notes Payable to Associated Companies (233)		38,875,002	0
40	Accounts Payable to Associated Companies (234)		17,532,978	15,768,299
41	Customer Deposits (235)		9,927,601	9,859,968
42	Taxes Accrued (236)	262-263	13,796,235	16,053,519
43	Interest Accrued (237)		6,111,877	5,383,681
44	Dividends Declared (238)		0	0
45	Matured Long-Term Debt (239)		0	0

Name of Respondent	This Report is:	Date of Report (mo, da, yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	end of 2018/Q4

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)(continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
46	Matured Interest (240)		0	0
47	Tax Collections Payable (241)		2,106,943	1,691,919
48	Miscellaneous Current and Accrued Liabilities (242)		14,419,733	8,344,201
49	Obligations Under Capital Leases-Current (243)		396,478	885,342
50	Derivative Instrument Liabilities (244)		4,487,277	5,367,483
51	(Less) Long-Term Portion of Derivative Instrument Liabilities		3,902,779	4,647,739
52	Derivative Instrument Liabilities - Hedges (245)		0	0
53	(Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges		0	0
54	Total Current and Accrued Liabilities (lines 37 through 53)		149,550,732	107,352,498
55	DEFERRED CREDITS			
56	Customer Advances for Construction (252)		1,574,916	1,562,943
57	Accumulated Deferred Investment Tax Credits (255)	266-267	3,522,114	3,836,961
58	Deferred Gains from Disposition of Utility Plant (256)		0	0
59	Other Deferred Credits (253)	269	14,880,299	15,990,512
60	Other Regulatory Liabilities (254)	278	151,028,233	139,387,951
61	Unamortized Gain on Reaquired Debt (257)		0	0
62	Accum. Deferred Income Taxes-Accel. Amort.(281)	272-277	0	499,676
63	Accum. Deferred Income Taxes-Other Property (282)		258,586,657	218,658,876
64	Accum. Deferred Income Taxes-Other (283)		28,130,343	25,649,943
65	Total Deferred Credits (lines 56 through 64)		457,722,562	405,586,862
66	TOTAL LIABILITIES AND STOCKHOLDER EQUITY (lines 16, 24, 35, 54 and 65)		1,843,834,555	1,552,943,930

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

STATEMENT OF INCOME

Quarterly
1. Report in column (c) the current year to date balance. Column (c) equals the total of adding the data in column (g) plus the data in column (i) plus the data in column (k). Report in column (d) similar data for the previous year. This information is reported in the annual filing only.
2. Enter in column (e) the balance for the reporting quarter and in column (f) the balance for the same three month period for the prior year.
3. Report in column (g) the quarter to date amounts for electric utility function; in column (i) the quarter to date amounts for gas utility, and in column (k) the quarter to date amounts for other utility function for the current year quarter.
4. Report in column (h) the quarter to date amounts for electric utility function; in column (j) the quarter to date amounts for gas utility, and in column (l) the quarter to date amounts for other utility function for the prior year quarter.
5. If additional columns are needed, place them in a footnote.

Annual or Quarterly if applicable
5. Do not report fourth quarter data in columns (e) and (f)
6. Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others, in another utility columnin a similar manner to a utility department. Spread the amount(s) over lines 2 thru 26 as appropriate. Include these amounts in columns (c) and (d) totals.
7. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.

Line No.	Title of Account (a)	(Ref.) Page No. (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
1	UTILITY OPERATING INCOME					
2	Operating Revenues (400)	300-301	488,020,879	429,072,243		
3	Operating Expenses					
4	Operation Expenses (401)	320-323	276,886,906	261,647,225		
5	Maintenance Expenses (402)	320-323	47,041,717	34,864,014		
6	Depreciation Expense (403)	336-337	53,029,478	43,842,295		
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-337				
8	Amort. & Depl. of Utility Plant (404-405)	336-337	5,030,236	3,824,519		
9	Amort. of Utility Plant Acq. Adj. (406)	336-337				
10	Amort. Property Losses, Unrecov Plant and Regulatory Study Costs (407)					
11	Amort. of Conversion Expenses (407)					
12	Regulatory Debits (407.3)		14,739,407	544,974		
13	(Less) Regulatory Credits (407.4)		4,229,062	2,772,810		
14	Taxes Other Than Income Taxes (408.1)	262-263	14,991,588	14,222,244		
15	Income Taxes - Federal (409.1)	262-263	-16,807,453	-15,290,192		
16	- Other (409.1)	262-263	-2,119,436	-376,169		
17	Provision for Deferred Income Taxes (410.1)	234, 272-277	72,123,832	92,675,520		
18	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277	42,043,865	56,685,655		
19	Investment Tax Credit Adj. - Net (411.4)	266	-78,565	-78,441		
20	(Less) Gains from Disp. of Utility Plant (411.6)					
21	Losses from Disp. of Utility Plant (411.7)					
22	(Less) Gains from Disposition of Allowances (411.8)		6,192	23		
23	Losses from Disposition of Allowances (411.9)					
24	Accretion Expense (411.10)					
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		418,558,591	376,417,501		
26	Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117,line 27		69,462,288	52,654,742		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

STATEMENT OF INCOME FOR THE YEAR (Continued)

9. Use page 122 for important notes regarding the statement of income for any account thereof.
10. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in material refund to the utility with respect to power or gas purchases. State for each year effected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power or gas purchases.
11 Give concise explanations concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purches, and a summary of the adjustments made to balance sheet, income, and expense accounts.
12. If any notes appearing in the report to stokholders are applicable to the Statement of Income, such notes may be included at page 122.
13. Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also, give the appropriate dollar effect of such changes.
14. Explain in a footnote if the previous year's/quarter's figures are different from that reported in prior reports.
15. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles report the information in a footnote to this schedule.

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY		
Current Year to Date (in dollars) (g)	Previous Year to Date (in dollars) (h)	Current Year to Date (in dollars) (i)	Previous Year to Date (in dollars) (j)	Current Year to Date (in dollars) (k)	Previous Year to Date (in dollars) (l)	Line No.
						1
386,024,436	334,908,029	101,996,443	94,164,214			2
						3
211,056,935	202,614,152	65,829,971	59,033,073			4
44,246,007	32,788,535	2,795,710	2,075,479			5
40,601,640	32,250,753	12,427,838	11,591,542			6
						7
2,664,258	2,401,945	2,365,978	1,422,574			8
						9
						10
						11
14,739,407			544,974			12
1,678,102	2,772,810	2,550,960				13
11,432,511	10,857,356	3,559,077	3,364,888			14
-14,264,509	-7,634,080	-2,542,944	-7,656,112			15
-2,541,597	520,667	422,161	-896,836			16
60,637,987	67,639,786	11,485,845	25,035,734			17
35,143,993	44,367,134	6,899,872	12,318,521			18
-11,335	-11,090	-67,230	-67,351			19
						20
						21
6,192	23					22
						23
						24
331,733,017	294,288,057	86,825,574	82,129,444			25
54,291,419	40,619,972	15,170,869	12,034,770			26

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

STATEMENT OF INCOME FOR THE YEAR (continued)

Line No.	Title of Account (a)	(Ref.) Page No. (b)	TOTAL Current Year (c)	TOTAL Previous Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
27	Net Utility Operating Income (Carried forward from page 114)		69,462,288	52,654,742		
28	Other Income and Deductions					
29	Other Income					
30	Nonutilty Operating Income					
31	Revenues From Merchandising, Jobbing and Contract Work (415)		807,078	1,180,457		
32	(Less) Costs and Exp. of Merchandising, Job. & Contract Work (416)		125,612	429,647		
33	Revenues From Nonutility Operations (417)		3,395	2,441		
34	(Less) Expenses of Nonutility Operations (417.1)		70,019	48,782		
35	Nonoperating Rental Income (418)					
36	Equity in Earnings of Subsidiary Companies (418.1)	119				
37	Interest and Dividend Income (419)		1,623,783	1,235,748		
38	Allowance for Other Funds Used During Construction (419.1)		3,143,817	3,358,208		
39	Miscellaneous Nonoperating Income (421)		725,689	4,136		
40	Gain on Disposition of Property (421.1)			17,045		
41	TOTAL Other Income (Enter Total of lines 31 thru 40)		6,108,131	5,319,606		
42	Other Income Deductions					
43	Loss on Disposition of Property (421.2)		79,868	115,629		
44	Miscellaneous Amortization (425)					
45	Donations (426.1)		345,454	450,291		
46	Life Insurance (426.2)		-2,327			
47	Penalties (426.3)		12	25,003		
48	Exp. for Certain Civic, Political & Related Activities (426.4)		573,720	642,878		
49	Other Deductions (426.5)		2,237,275	2,905,838		
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)		3,234,002	4,139,639		
51	Taxes Applic. to Other Income and Deductions					
52	Taxes Other Than Income Taxes (408.2)	262-263	102,905	117,175		
53	Income Taxes-Federal (409.2)	262-263	1,262,675	1,848,320		
54	Income Taxes-Other (409.2)	262-263	325,373	289,565		
55	Provision for Deferred Inc. Taxes (410.2)	234, 272-277	1,013,143	1,456,786		
56	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234, 272-277	202,151	24,991,931		
57	Investment Tax Credit Adj.-Net (411.5)			-8,911		
58	(Less) Investment Tax Credits (420)					
59	TOTAL Taxes on Other Income and Deductions (Total of lines 52-58)		2,501,945	-21,288,996		
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		372,184	22,468,963		
61	Interest Charges					
62	Interest on Long-Term Debt (427)		18,328,365	14,618,543		
63	Amort. of Debt Disc. and Expense (428)		329,160	301,742		
64	Amortization of Loss on Reaquired Debt (428.1)		266,474	266,474		
65	(Less) Amort. of Premium on Debt-Credit (429)					
66	(Less) Amortization of Gain on Reaquired Debt-Credit (429.1)					
67	Interest on Debt to Assoc. Companies (430)		1,688,923	453,674		
68	Other Interest Expense (431)		1,401,444	1,384,300		
69	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)		1,989,115	1,299,958		
70	Net Interest Charges (Total of lines 62 thru 69)		20,025,251	15,724,775		
71	Income Before Extraordinary Items (Total of lines 27, 60 and 70)		49,809,221	59,398,930		
72	Extraordinary Items					
73	Extraordinary Income (434)					
74	(Less) Extraordinary Deductions (435)					
75	Net Extraordinary Items (Total of line 73 less line 74)					
76	Income Taxes-Federal and Other (409.3)	262-263				
77	Extraordinary Items After Taxes (line 75 less line 76)					
78	Net Income (Total of line 71 and 77)		49,809,221	59,398,930		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216)			
1	Balance-Beginning of Period		320,140,297	260,741,367
2	Changes			
3	Adjustments to Retained Earnings (Account 439)			
4				
5				
6				
7				
8				
9	TOTAL Credits to Retained Earnings (Acct. 439)			
10				
11				
12				
13				
14				
15	TOTAL Debits to Retained Earnings (Acct. 439)			
16	Balance Transferred from Income (Account 433 less Account 418.1)		49,809,221	59,398,930
17	Appropriations of Retained Earnings (Acct. 436)			
18				
19				
20				
21				
22	TOTAL Appropriations of Retained Earnings (Acct. 436)			
23	Dividends Declared-Preferred Stock (Account 437)			
24				
25				
26				
27				
28				
29	TOTAL Dividends Declared-Preferred Stock (Acct. 437)			
30	Dividends Declared-Common Stock (Account 438)			
31				
32				
33				
34				
35				
36	TOTAL Dividends Declared-Common Stock (Acct. 438)			
37	Transfers from Acct 216.1, Unapprop. Undistrib. Subsidiary Earnings			
38	Balance - End of Period (Total 1,9,15,16,22,29,36,37)		369,949,518	320,140,297
	APPROPRIATED RETAINED EARNINGS (Account 215)			
39				
40				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
41				
42				
43				
44				
45	TOTAL Appropriated Retained Earnings (Account 215)			
	APPROP. RETAINED EARNINGS - AMORT. Reserve, Federal (Account 215.1)			
46	TOTAL Approp. Retained Earnings-Amort. Reserve, Federal (Acct. 215.1)			
47	TOTAL Approp. Retained Earnings (Acct. 215, 215.1) (Total 45,46)			
48	TOTAL Retained Earnings (Acct. 215, 215.1, 216) (Total 38, 47) (216.1)		369,949,518	320,140,297
	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account			
	Report only on an Annual Basis, no Quarterly			
49	Balance-Beginning of Year (Debit or Credit)			
50	Equity in Earnings for Year (Credit) (Account 418.1)			
51	(Less) Dividends Received (Debit)			
52				
53	Balance-End of Year (Total lines 49 thru 52)			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

STATEMENT OF CASH FLOWS

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.
(4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
1	Net Cash Flow from Operating Activities:		
2	Net Income (Line 78(c) on page 117)	49,809,221	59,398,930
3	Noncash Charges (Credits) to Income:		
4	Depreciation and Depletion	53,029,478	43,842,295
5	Amortization of		
6	Plant Items	5,030,236	3,824,519
7	Debt Discount, Premium Expense and Loss on Reacquired Debt	595,634	568,216
8	Deferred Income Taxes (Net)	30,890,959	12,454,720
9	Investment Tax Credit Adjustment (Net)	-78,565	-87,352
10	Net (Increase) Decrease in Receivables	-11,466,705	-3,150,383
11	Net (Increase) Decrease in Inventory	3,197,040	5,244,159
12	Net (Increase) Decrease in Allowances Inventory	7,200	19,444
13	Net Increase (Decrease) in Payables and Accrued Expenses	2,610,270	2,557,700
14	Net (Increase) Decrease in Other Regulatory Assets	-9,427,271	-17,777,573
15	Net Increase (Decrease) in Other Regulatory Liabilities	11,640,282	-96,367
16	(Less) Allowance for Other Funds Used During Construction	3,143,817	3,358,208
17	(Less) Undistributed Earnings from Subsidiary Companies		
18	Other (provide details in footnote):	-9,297,037	7,562,304
19			
20			
21			
22	Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21)	123,396,925	111,002,404
23			
24	Cash Flows from Investment Activities:		
25	Construction and Acquisition of Plant (including land):		
26	Gross Additions to Utility Plant (less nuclear fuel)	-303,320,055	-185,906,815
27	Gross Additions to Nuclear Fuel		
28	Gross Additions to Common Utility Plant	-5,264,828	-3,588,413
29	Gross Additions to Nonutility Plant		
30	(Less) Allowance for Other Funds Used During Construction	-3,143,817	-3,358,208
31	Other (provide details in footnote):		
32			
33			
34	Cash Outflows for Plant (Total of lines 26 thru 33)	-305,441,066	-186,137,020
35			
36	Acquisition of Other Noncurrent Assets (d)		
37	Proceeds from Disposal of Noncurrent Assets (d)		
38			
39	Investments in and Advances to Assoc. and Subsidiary Companies	14,671,000	-14,671,000
40	Contributions and Advances from Assoc. and Subsidiary Companies		
41	Disposition of Investments in (and Advances to)		
42	Associated and Subsidiary Companies		
43			
44	Purchase of Investment Securities (a)		
45	Proceeds from Sales of Investment Securities (a)		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

STATEMENT OF CASH FLOWS

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.
(4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
46	Loans Made or Purchased		
47	Collections on Loans		
48			
49	Net (Increase) Decrease in Receivables		
50	Net (Increase) Decrease in Inventory		
51	Net (Increase) Decrease in Allowances Held for Speculation		
52	Net Increase (Decrease) in Payables and Accrued Expenses		
53	Other (provide details in footnote):		
54			
55			
56	Net Cash Provided by (Used in) Investing Activities		
57	Total of lines 34 thru 55)	-290,770,066	-200,808,020
58			
59	Cash Flows from Financing Activities:		
60	Proceeds from Issuance of:		
61	Long-Term Debt (b)	100,000,000	90,000,000
62	Preferred Stock		
63	Common Stock		
64	Other (provide details in footnote):		
65	Capital Investment Infusion	35,000,000	15,000,000
66	Net Increase in Short-Term Debt (c)		
67	Other (provide details in footnote):		
68			
69			
70	Cash Provided by Outside Sources (Total 61 thru 69)	135,000,000	105,000,000
71			
72	Payments for Retirement of:		
73	Long-term Debt (b)		
74	Preferred Stock		
75	Common Stock		
76	Other (provide details in footnote):	38,875,000	-19,656,000
77	Premium Payments and Fees on Deferred Debt	-416,295	-385,074
78	Net Decrease in Short-Term Debt (c)		
79			
80	Dividends on Preferred Stock		
81	Dividends on Common Stock		
82	Net Cash Provided by (Used in) Financing Activities		
83	(Total of lines 70 thru 81)	173,458,705	84,958,926
84			
85	Net Increase (Decrease) in Cash and Cash Equivalents		
86	(Total of lines 22,57 and 83)	6,085,564	-4,846,690
87			
88	Cash and Cash Equivalents at Beginning of Period	1,687,146	6,533,836
89			
90	Cash and Cash Equivalents at End of period	7,772,710	1,687,146

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) _ An Original (2) X A Resubmission	Date of Report (Mo, Da, Yr) 04/26/2019	Year/Period of Report 2018/Q4

FOOTNOTE DATA

Schedule Page: 120 Line No.: 18 Column: b

Unrecovered Purchased Gas Costs	$ (390,646)
Prepayments	(5,145,973)
Clearing Accounts	(100)
Miscellaneous Current and Accrued Assets	(908,526)
Derivative Instrument Assets	(52,938)
Miscellaneous Deferred Debits	(2,025,203)
Obligations under Capital Leases - Non current	(396,220)
Accumulated Provisions	(3,222,287)
Accumulated Provisions For Rate Refunds	250,709
Customer Advances for Construction	11,973
Other Deferred Credits Excl. Contrib. to Company Sponsored Pension Plan	(1,110,213)
Contribution to Company Sponsored Pension Plan	(72,080)
Net Utility Plant and Nonutility Property	5,160,568
Deferred Income Taxes	(2,846,307)
Derivative Instrument Liabilities	(135,246)
Preliminary Survey and Investigation Charges	194,191
Debt Expenses	(100,353)
Other Investments	1,491,614
Total	$(9,297,037)

Schedule Page: 120 Line No.: 18 Column: c

Unrecovered Purchased Gas Costs	$ 1,011,058
Prepayments	8,579,740
Clearing Accounts	70
Miscellaneous Current and Accrued Assets	3,498,226
Miscellaneous Deferred Debits	(2,162,806)
Obligations under Capital Leases - Non current	(885,341)
Accumulated Provisions	155,165
Customer Advances for Construction	128,564
Other Deferred Credits	(3,119,637)
Contribution to Company Sponsored Pension Plan	(1,323,820)
Net Utility Plant and Nonutility Property	3,337,676
Deferred Income Taxes	(1,136,317)
Derivative Instrument Liabilities	(113,030)
Preliminary Survey and Investigation Charges	152,487
Debt Expenses	(209,019)
Other Investments	(350,712)
Total	$ 7,562,304

Schedule Page: 120 Line No.: 76 Column: b

Intercompany Moneypool Receivable	$38,875,000

Schedule Page: 120 Line No.: 76 Column: c

Intercompany Moneypool Payable	$(19,656,000)

Schedule Page: 120 Line No.: 90 Column: b

Supplemental Disclosures (in thousands)	**YTD December 2018**	**YTD December 2017**
Cash paid for interest, net of amount capitalized	$17,024	$12,352
Cash paid / (refunded) for income taxes	($16,784)	($15,767)

Significant non-cash transactions (in -thousands)	**YTD December 2018**	**YTD December 2017**
AFUDC - equity component	$ 3,144	$ 3,358
Accrued capital expenditures	$32,142	$32,369

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) _ An Original (2) X A Resubmission	04/26/2019	2018/Q4

FOOTNOTE DATA

Cash and Cash Equivalent at End of period:

Cash (131)	$7,772,710	$1,687,146
Working Funds (135)	0	0
Temporary Cash Investments (136)	0	0
	$7,772,710	$1,687,146

Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Cormmission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.
7. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
8. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
9. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

PAGE 122 INTENTIONALLY LEFT BLANK
SEE PAGE 123 FOR REQUIRED INFORMATION.

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) _ An Original (2) X A Resubmission	04/26/2019	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

This Federal Energy Regulatory Commission (FERC) Form 1 has been prepared in conformity with the requirements of the FERC as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than Generally Accepted Accounting Principles in the United States of America (GAAP). The following areas represent the significant differences between the Uniform System of Accounts and GAAP:

- GAAP requires that public business enterprises report certain information about operating segments in complete sets of financial statements of the enterprise and certain information about their products and services, which are not required for FERC reporting purposes.
- GAAP requires that majority-owned subsidiaries be consolidated for financial reporting purposes. FERC requires that majority-owned subsidiaries be separately reported as Investment in Subsidiary Companies, unless an appropriate waiver has been granted by the FERC.
- FERC requires that income or losses of an unusual nature and infrequent occurrence, which would significantly distort the current year's income, be recorded as extraordinary income or deductions, respectively.
- GAAP requires that removal and nuclear decommissioning costs for property that does not have an associated legal retirement obligation be presented as a regulatory liability on the Balance Sheet. These costs are presented as accumulated depreciation on the Balance Sheet for FERC reporting purposes.
- GAAP requires the regulatory assets and liabilities resulting from the implementation of ASC 740-10 (formerly SFAS No. 109) be presented as a net amount on the balance sheet. For FERC reporting purposes, these assets and liabilities are presented separately and are included in the Other Regulatory Asset and Other Regulatory Liability line items.
- GAAP requires that the current portion of regulatory assets and regulatory liabilities be reported as current assets and current liabilities, respectively, on the Balance Sheet. FERC requires that the current portion of regulatory assets and liabilities be reported as Regulatory Assets within Deferred Debits and Regulatory Liabilities within Deferred Credits, respectively.
- GAAP requires that the current portion of long-term debt and preferred stock be reported as a current liability on the Balance Sheet. FERC requires that the current portion of long-term debt and preferred stock be reported as Long-term Debt and Proprietary Capital.
- GAAP requires that any deferred costs associated with a specific debt issuance be presented as a reduction to debt on the Balance Sheet. FERC requires any Unamortized Debt Expense to be separately stated as a Deferred Debit on the Balance Sheet.
- GAAP requires that certain account balances within financial statement line items which are not in the natural position for that line item (e.g. an account within Accounts Receivable with a credit balance) be reclassed to the appropriate side of the Balance Sheet. FERC does not require certain accounts which are not in a natural position for their respective line item to be reclassed, as long as the line item in total is in its natural position.
- GAAP requires that regulated assets that are abandoned or retired early, including the cost of the asset and its associated depreciation, be reclassified to a separate regulatory asset on the Balance Sheet. For FERC reporting purposes, those assets which have been abandoned but are still operating are maintained in their original balance sheet accounts.

- GAAP requires that the current portion of Asset Retirement Obligations be reported as current liabilities on the Balance Sheet. For FERC reporting purposes, these liabilities are not reported separately and are reflected as Asset Retirement Obligations within the Other Noncurrent Liabilities section of the Balance Sheet.

- With the adoption of Accounting Standards Update (ASU) No. 2017-17, Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, on January 1, 2018, GAAP requires that the service cost related to pensions and post-retirement benefits other than pensions (PBOP) be reported with other compensation costs arising from services rendered by employees during the period be included in a subtotal of income from operations on the income statement, while non-service cost components are to be presented in the income statement separately outside a subtotal of income from operations. Only the service cost component may be eligible for capitalization if all other capitalization criteria are met. For FERC reporting purposes, costs related to pensions and PBOP will be included in the Net Utility Operating Income of the income statement. Duke has made a non-revocable election to capitalize only the service cost component of pension and PBOP costs, upon implementing ASU No. 2017-07. This change is not expected to have a material impact on the financial statements.

Duke Energy Kentucky's notes to the financial statements have been prepared in conformity with GAAP. Accordingly, certain footnotes are not reflective of Duke Energy Kentucky's financial statements contained herein. Management has evaluated the impact of events occurring after December 31, 2018 up to March 20, 2019, the date that Duke Energy Kentucky's U.S. GAAP financial statements were issued and has updated such evaluation for disclosure purposes through April 12, 2019. These financial statements include all necessary adjustments and disclosures resulting from these evaluations.

DEK Electric FERC Federal Tax Reform Disclosure

In December 2017, Duke Energy Kentucky re-measured its deferred tax assets and liabilities to the new federal corporate income tax rate of 21%. The result of this re-measurement was a reduction in the net deferred tax liability of approximately $91 million. Based on our estimate of the amount of excess deferred income taxes (EDIT) that would be used to reduce future customer rates, we recorded an increase in regulatory liabilities of approximately $91 million. The additional $23 million in regulatory liabilities was required to reflect the future revenue reduction required to return $68 million of previously collected income taxes to customers. We also recorded a $23 million deferred tax asset related to the $68 million regulatory liability. The accounts that were debited and (credited) in the 2017 re-measurement of deferred income taxes are reflected below (in millions):

	254	**190**	**282**	**283**	**411.2**	**182.3/254**
EDIT	$ (68)	$ (8)	$ 88	$ 11	$ (21)	$ (2)
Gross ups	$ (23)	$ 23				
Total	$ (91)	$ 15	$ 88	$ 11	$ (21)	$ (2)

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) _ An Original (2) X A Resubmission	Date of Report (Mo, Da, Yr) 04/26/2019	Year/Period of Report 2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

In December 2018, Duke Energy Kentucky recorded adjustments to accumulated deferred income taxes (ADIT) and excess deferred taxes after filing the 2017 tax return. As of December 2018, the cumulative re-measurement, prior to amortization, is shown below (in millions):

	254	**190**	**282**	**283**	**411.2**	**182.3/254**
EDIT	$ (73)	$ (8)	$ 91	$ 11	$ (19)	$ (2)
Gross ups	$ (24)	$ 24				
Total	$ (97)	$ 16	$ 91	$ 11	$ (19)	$ (2)

The amount of excess deferred income taxes that is considered protected and unprotected as of December 31, 2018 and 2017 is reflected below (in millions)

EDIT Category	12/31/18	12/31/17
Protected	$ (47)	$ (35)
Unprotected	$ (23)	$ (33)
Total	$ (70)	$ (68)

In accordance with a regulatory order from the Kentucky Public Service Commission the regulatory liability related to excess deferred income taxes was amortized by $2.5 million. The reduction in the excess deferred income tax regulatory liability was offset against account 411.1, the account to which the original re-measurement of deferred income taxes was recorded in December 2017. The estimated amortization period based on regulatory orders, and the account that the amortization will be reported in, is reflected below (in millions):

EDIT Category	Amortization Period	2018 Amortization Amounts
411.1		
Protected	In accordance with ARAM, which is generally between 25 and 50 years	$ 2.2
Unprotected	10 years straight line	$ 0.3

In the table above, ARAM refers to the average rate assumption method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Duke Energy Kentucky is a combination electric and natural gas regulated public utility company that provides service in northern Kentucky. Duke Energy Kentucky's principal lines of business include generation, transmission, distribution and sale of electricity, as well as the transportation and sale of natural gas. Duke Energy Kentucky is subject to the regulatory provisions of the KPSC and the FERC. Duke Energy Kentucky's common stock is wholly owned by Duke Energy Ohio, an indirect wholly owned subsidiary of Duke Energy.

Certain prior year amounts have been reclassified to conform to the current year presentation.

Other Current Assets and Liabilities

The following table provides a description of amounts included in Other within Current Assets or Current Liabilities that exceed 5 percent of total Current Assets or Current Liabilities on the Duke Energy Kentucky Balance Sheets at either December 31, 2018, or 2017.

		December 31,	
(in thousands)	**Location**	**2018**	**2017**
Duke Energy Kentucky			
Unrealized gains on mark-to-market and hedging transactions	Current Assets	**$ 5,685**	$ 1,125
Customer Deposits	Current Liabilities	**9,928**	9,860

SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

In preparing financial statements that conform to GAAP, Duke Energy Kentucky must make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Regulatory Accounting

The majority of Duke Energy Kentucky's operations are subject to price regulation for the sale of electricity and natural gas by the KPSC or FERC. When prices are set on the basis of specific costs of the regulated operations and an effective franchise is in place such that sufficient natural gas or electric services can be sold to recover those costs, Duke Energy Kentucky applies regulatory accounting. Regulatory accounting changes the timing of the recognition of costs or revenues relative to a company that does not apply regulatory accounting. As a result, regulatory assets and regulatory liabilities are recognized on the Balance Sheets and are amortized consistent with the treatment of the related cost in the ratemaking process. See Note 2 for further information.

Duke Energy Kentucky utilizes cost-tracking mechanisms, commonly referred to as fuel adjustment clauses or PGA clauses. These clauses allow for the recovery of fuel and fuel-related costs, portions of purchased power, natural gas costs and hedging costs through surcharges on customer rates. The difference between the costs incurred and the surcharge revenues is recorded either as an adjustment to Operating Revenues, Operating Expenses - Fuel used in electric generation and purchased power or Operating Expenses - Cost of natural gas on the Statements of Operations with an off-setting impact on regulatory assets or regulatory liabilities.

Cash and Cash Equivalents

All highly liquid investments with maturities of three months or less at the date of acquisition are considered cash equivalents.

Inventory

Inventory is used for operations and is recorded primarily using the average cost method. Inventory related to regulated operations is valued at historical cost. Materials and supplies are recorded as inventory when purchased and subsequently charged to expense or capitalized to property, plant and equipment when installed. Inventory, including excess or obsolete inventory, is written-down to the lower of cost or market value. Once inventory has been written-down, it creates a new cost basis for the inventory that is not subsequently written-up. Provisions for inventory write-offs were not material at December 31, 2018, and 2017. The components of inventory are presented in the table below.

	December 31,	
(in thousands)	**2018**	**2017**
Materials and supplies	**$ 19,608**	$ 19,300
Coal	**14,356**	17,354
Natural gas, oil and other	**6,632**	7,139
Total inventory	**$ 40,596**	$ 43,793

Long-Lived Asset Impairments

Duke Energy Kentucky evaluates long-lived assets for impairment when circumstances indicate the carrying value of those assets may not be recoverable. An impairment exists when a long-lived asset's carrying value exceeds the estimated undiscounted cash flows expected to result from the use and eventual disposition of the asset. The estimated cash flows may be based on alternative expected outcomes that are probability weighted. If the carrying value of the long-lived asset is not recoverable based on these estimated future undiscounted cash flows, the carrying value of the asset is written-down to its then-current estimated fair value and an impairment charge is recognized.

Duke Energy Kentucky assesses the fair value of long-lived assets using various methods, including recent comparable third-party sales, internally developed discounted cash flow analysis and analysis from outside advisors. Triggering events to reassess cash flows may include, but are not limited to, significant changes in commodity prices, the condition of an asset or management's interest in selling the asset.

Property, Plant and Equipment

Property, plant and equipment are stated at the lower of depreciated historical cost net of any disallowances or fair value, if impaired. Duke Energy Kentucky capitalizes all construction-related direct labor and material costs, as well as indirect construction costs such as general engineering, taxes and financing costs. See "Allowance for Funds Used During Construction" and "Asset Retirement Obligations " below for further information on capitalized financing costs and legal obligations associated with the retirement of property, plant and equipment. Costs of renewals and betterments that extend the useful life of property, plant and equipment are also capitalized. The cost of repairs, replacements and major maintenance projects, which do not extend the useful life or increase the expected output of the asset, are expensed as incurred. Depreciation is generally computed over the estimated useful life of the asset using the composite straight-line method. Depreciation studies are conducted periodically to update composite rates and are approved by the KPSC and/or the FERC when required. The composite weighted average depreciation rate was 2.5 percent and 2.2 percent for the years ended December 31, 2018 and 2017, respectively.

In general, when Duke Energy Kentucky retires its regulated property, plant and equipment, the original cost plus the cost of retirement, less salvage value and any depreciation already recognized, is charged to accumulated depreciation. However, when it becomes probable a regulated asset will be retired substantially in advance of its original expected useful life or will be abandoned, the cost of the asset and the corresponding accumulated depreciation is recognized as a separate asset. If the asset is still in operation, the net amount is classified as Generation facilities to be retired, net on the Balance Sheets. If the asset is no longer operating, the net amount is classified in Regulatory assets on the Balance Sheets if deemed recoverable (see discussion of long-lived asset impairments above). When it becomes probable that regulated mass utility assets, such as meters, will be abandoned, the cost of the assets and accumulated depreciation is reclassified to Regulatory assets on the Balance Sheets for amounts recoverable in rates. The carrying value of the asset is based on historical cost if Duke Energy Kentucky is allowed to recover the remaining net book value and a return equal to at least the incremental borrowing rate. If not, an impairment is recognized to the extent the net book value of the asset exceeds the present value of future revenues discounted at the incremental borrowing rate.

When Duke Energy Kentucky sells entire regulated operating units, the original cost and accumulated depreciation and amortization balances are removed from Property, Plant and Equipment on the Balance Sheets. Any gain or loss is recorded in earnings, unless otherwise required by the KPSC and/or the FERC.

See Note 6 for further information.

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) _ An Original (2) X A Resubmission	04/26/2019	2018/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

Allowance for Funds Used During Construction

For regulated operations, the debt and equity costs of financing the construction of property, plant and equipment are reflected as AFUDC and capitalized as a component of the cost of property, plant and equipment. AFUDC equity is reported on the Statements of Operations as non-cash income in Other Income and Expenses, net. AFUDC debt is reported as a non-cash offset to Interest Expense on the Statements of Operations. After construction is completed, Duke Energy Kentucky is permitted to recover these costs through their inclusion in rate base and the corresponding subsequent depreciation or amortization of those regulated assets.

AFUDC equity, a permanent difference for income taxes, reduces the effective tax rate when capitalized and increases the effective tax rate when depreciated or amortized.

See Note 14 for additional information.

Asset Retirement Obligations

AROs are recognized for legal obligations associated with the retirement of property, plant and equipment. Substantially all AROs are related to regulated operations. When recording an ARO, the present value of the projected liability is recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made. The liability is accreted over time. For operating plants, the present value of the liability is added to the cost of the associated asset and depreciated over the remaining life of the asset. For retired plants, the present value of the liability is recorded as a regulatory asset unless determined not to be probable of recovery.

The present value of the initial obligation and subsequent updates are based on discounted cash flows, which include estimates regarding timing of future cash flows, selection of discount rates and cost escalation rates, among other factors. These estimates are subject to change. Depreciation expense is adjusted prospectively for any changes to the carrying amount of the associated asset. Duke Energy Kentucky receives amounts to fund the cost of the ARO from regulated revenues. As a result, amounts recovered in regulated revenues, accretion expense and depreciation of the associated asset are netted and deferred as a regulatory asset or regulatory liability.

Obligations for closure of ash basins are based upon discounted cash flows of estimated costs for site-specific plans, if known, or probability weightings of the potential closure methods if the closure plans are under development and multiple closure options are being considered and evaluated on a site-by-site basis.

See Note 5 for further information.

Revenue Recognition

Duke Energy Kentucky recognizes revenue as customers obtain control of promised goods and services in an amount that reflects consideration expected in exchange for those goods or services. Generally, the delivery of electricity and natural gas results in the transfer of control to customers at the time the commodity is delivered and the amount of revenue recognized is equal to the amount billed to each customer, including estimated volumes delivered when billings have not yet occurred.

See Note 12 for further information.

Derivatives and Hedging

Derivative instruments may be used in connection with commodity price and interest rate activities, including swaps, futures, forwards and options. All derivative instruments, except those that qualify for the normal purchase/normal sale exception, are recorded on the Balance Sheets at fair value. For activity subject to regulatory accounting, gains and losses on derivative contracts are reflected as regulatory assets or regulatory liabilities and not as other comprehensive income or current period income. As a result, changes in fair value of these derivatives have no immediate earnings impact.

See Note 9 for further information.

Unamortized Debt Premium, Discount and Expense

Premiums, discounts and expenses incurred with the issuance of outstanding long-term debt are amortized over the term of the debt issue. The gain or loss on extinguishment associated with refinancing higher-cost debt obligations in the regulated operations is amortized. Amortization expense is recorded as Interest Expense in the Statements of Operations and is reflected as Depreciation and amortization within Net cash provided by operating activities on the Statements of Cash Flows.

Premiums, discounts and expenses are presented as an adjustment to the carrying value of the debt amount and included in Long-Term Debt on the Balance Sheets presented.

Loss Contingencies and Environmental Liabilities

Contingent losses are recorded when it is probable a loss has occurred and can be reasonably estimated. When a range of the probable loss exists and no amount within the range is a better estimate than any other amount, the minimum amount in the range is recorded. Unless otherwise required by GAAP, legal fees are expensed as incurred.

Environmental liabilities are recorded on an undiscounted basis when environmental remediation or other liabilities become probable and can be reasonably estimated. Environmental expenditures related to past operations that do not generate current or future revenues are expensed. Environmental expenditures related to operations that generate current or future revenues are expensed or capitalized, as appropriate. Certain environmental expenditures receive regulatory accounting treatment and are recorded as regulatory assets.

See Notes 2 and 3 for further information.

Pension and Other Post-Retirement Benefit Plans

Duke Energy maintains qualified, non-qualified and other post-retirement benefit plans. Eligible employees of Duke Energy Kentucky participate in the respective qualified, non-qualified and other post-retirement benefit plans and Duke Energy Kentucky is allocated its proportionate share of benefit costs.

See Note 13 for further information, including significant accounting policies associated with these plans.

Income Taxes

Duke Energy and its subsidiaries file a consolidated federal income tax return and other state and foreign jurisdictional returns. Duke Energy Kentucky has a tax-sharing agreement with Duke Energy, and income taxes recorded represent amounts Duke Energy Kentucky would incur as a separate C-Corporation. Deferred income taxes have been provided for temporary differences between GAAP and tax bases of assets and liabilities because the differences create taxable or tax-deductible amounts for future periods. Investment tax credits associated with regulated operations are deferred and amortized as a reduction of income tax expense over the estimated useful lives of the related properties.

ADIT is valued using the enacted tax rate expected to apply to taxable income in the periods in which the deferred tax asset or liability is expected to be settled or realized. In the event of a change in tax rates, deferred tax assets and liabilities are remeasured as of the enactment date of the new rate. To the extent that the change in the value of the deferred tax represents an obligation to customers, the impact of the remeasurement is deferred to a regulatory liability. Remaining impacts are recorded in income from continuing operations. If Duke Energy Kentucky's estimate of the tax effect of reversing temporary differences is not reflective of actual outcomes, is modified to reflect new developments or interpretations of the tax law, is revised to incorporate new accounting principles, or changes in the expected timing or manner of the reversal then Duke Energy Kentucky's results of operations could be impacted.

Tax-related interest and penalties are recorded in Interest Expense and Other Income and Expenses, net, in the Statements of Operations.

See Note 14 for further information.

Dividend Restrictions

Duke Energy Kentucky is required to pay dividends solely out of retained earnings and to maintain a minimum of 35 percent equity in its capital structure.

NEW ACCOUNTING STANDARDS

The new accounting standards adopted for 2018 and 2017 had no material impact on the presentation or results of operations, cash flows or financial position of Duke Energy Kentucky. While immaterial, adoption of the following accounting standards had the most significant impact on Duke Energy Kentucky's results of operations, cash flows and financial position for the year ended December 31, 2018.

Revenue from Contracts with Customers. In May 2014, the FASB issued revised accounting guidance for revenue recognition from contracts with customers. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration expected in exchange for those goods or services. The amendments also required disclosure of sufficient information to allow users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The majority of Duke Energy Kentucky's revenue is in scope of the new guidance. Revenue from derivatives and other revenue arrangements, such as alternative revenue programs and lighting tariffs accounted for as leases, are excluded from the scope of this guidance and, therefore, are accounted for and evaluated for separate presentation and disclosure under other relevant accounting guidance.

Duke Energy Kentucky elected the modified retrospective method of adoption effective January 1, 2018. Under the modified retrospective method of adoption, prior year reported results are not restated. Adoption of this standard did not result in a material change in the timing or pattern of revenue recognition and a cumulative-effect adjustment was not recorded at January 1, 2018. Duke Energy Kentucky utilized certain practical expedients including applying this guidance to open contracts at the date of adoption, expensing costs to obtain a contract where the amortization period of the asset would have been one year or less, ignoring the effects of a significant financing when the period between transfer of the good or service and payment is one year or less and recognizing revenues for certain contracts under the invoice practical expedient, which allows revenue recognition to be consistent with invoiced amounts (including unbilled estimates) provided certain criteria are met, including consideration of whether the invoiced amounts reasonably represent the value provided to customers.

In preparation for adoption, Duke Energy Kentucky identified material revenue streams and reviewed representative contracts and tariffs. Duke Energy Kentucky also monitored the activities of the power and utilities industry revenue recognition task force and has reviewed published positions on specific industry issues to evaluate the impact, if any, on Duke Energy Kentucky's specific contracts and conclusions. Duke Energy Kentucky applied the available practical expedient to portfolios of tariffs and contracts with similar characteristics. The vast majority of sales, including energy provided to retail customers, are from tariff offerings that provide natural gas or electricity without a defined contractual term ("at-will"). In most circumstances, revenue from contracts with customers is equivalent to the electricity or natural gas supplied and billed in that period (including unbilled estimates). As such, adoption of the new rules did not result in a shift in the timing or pattern of revenue recognition for such sales. While there have been changes to the captions and descriptions of revenues in Duke Energy Kentucky's financial statements, the most significant impact as a result of adopting the standard are additional disclosures around the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. See Note 12 for further information.

Retirement Benefits. In March 2017, the FASB issued revised accounting guidance for the presentation of net periodic costs related to benefit plans. Previous guidance required the aggregation of all the components of net periodic costs on the Statements of Operations and did not require the disclosure of the location of net periodic costs on the Statements of Operations. Under the amended guidance, the service cost component of net periodic costs is included within Operating Income within the same line as other compensation expenses. All other components of net periodic costs are outside of Operating Income. In addition, the updated guidance permits only the service cost component of net periodic costs to be capitalized to Inventory or Property, Plant and Equipment. This represents a change from previous guidance, which permitted all components of net periodic costs to be eligible for capitalization.

Duke Energy Kentucky adopted this guidance on January 1, 2018. Under previous guidance, Duke Energy Kentucky presented the total non-capitalized net periodic costs within Operation, maintenance and other on the Statements of Operations. The adoption of this guidance resulted in a retrospective change to reclassify the presentation of the non-service cost (benefit) components of net periodic costs to Other Income and Expenses, net. Duke Energy Kentucky utilized the practical expedient for retrospective presentation. The change in components of net periodic costs eligible for capitalization is applicable prospectively. Since Duke Energy Kentucky's service cost component is greater than the total net periodic costs, the change results in increased capitalization of net periodic costs, higher Operation, maintenance and other and higher Other Income and Expenses, net. The resulting prospective impact to Duke Energy Kentucky is an immaterial increase in Net Income. See Note 13 for further information.

For Duke Energy Kentucky, the retrospective change resulted in higher Operation, maintenance and other and higher Other Income and Expenses, net, of $1,758 thousand for the year ended December 31, 2017. There was no change to Net Income for this prior period.

The following new Accounting Standards Updates have been issued, but have not yet been adopted by Duke Energy Kentucky, as of December 31, 2018.

Leases. In February 2016, the FASB issued revised accounting guidance for leases. The core principle of this guidance is that a lessee should recognize the assets and liabilities that arise from leases on the balance sheet.

For Duke Energy Kentucky, this guidance is effective for interim and annual periods beginning January 1, 2019. The guidance will be applied using a modified retrospective approach. Under the modified retrospective approach of adoption, prior year reported results are not restated and a cumulative-effect adjustment, if applicable, is recorded to retained earnings at January 1, 2019. Upon adoption, agreements considered leases for the use of space on communication towers and office space will be recognized on the balance sheet. Duke Energy Kentucky expects to adopt the following practical expedients:

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Practical Expedient	Description	Election
Package of transition practical expedients (for leases commenced prior to adoption date and must be adopted as a package)	Do not need to 1) reassess whether any expired or existing contracts are/or contain leases, 2) reassess the lease classification for any expired or existing leases and 3) reassess initial direct costs for any existing leases.	Duke Energy Kentucky plans to elect this practical expedient.
Short-term lease expedient (elect by class of underlying asset)	Elect as an accounting policy to not apply the recognition requirements to short-term leases by asset class.	Duke Energy Kentucky plans to elect this practical expedient for all asset classes.
Lease and non-lease components (elect by class of underlying asset)	Elect as an accounting policy to not separate non-lease components from lease components and instead account for each lease and associated non-lease component as a single lease component by asset class.	Duke Energy Kentucky plans to elect this practical expedient for all asset classes.
Hindsight expedient (when determining lease term)	Elect to use hindsight to determine the lease term.	Duke Energy Kentucky plans to elect this practical expedient.
Existing and expired land easements not previously accounted for as leases	Elect to not evaluate existing or expired easements under the new guidance and carry forward current accounting treatment.	Duke Energy Kentucky plans to elect this practical expedient.
Comparative reporting requirements for initial adoption	Elect to apply transition requirements at adoption date, recognize cumulative effect adjustment to retained earnings in period of adoption and not apply ASC 842 to comparative periods, including disclosures.	Duke Energy Kentucky plans to elect this practical expedient.
Lessor expedient (elect by class of underlying asset)	Elect as an accounting policy to aggregate non-lease components with the related lease component when specified conditions are met by asset class. Account for the combined component based on its predominant characteristic (revenue or operating lease).	Duke Energy Kentucky plans to elect this practical expedient for all asset classes.

Duke Energy Kentucky currently expects to record right-of-use assets and operating lease liabilities on its balance sheet of $10 million. In addition to the recognition of operating leases on the balance sheet, Duke Energy Kentucky expects additional disclosures including operating lease costs, short-term lease costs, variable lease costs, weighted-average remaining lease term as well as weighted-average discount rates. Duke Energy Kentucky does not expect a material change to its financial statements from adoption of the new standard for contracts where it is the lessor.

2. REGULATORY MATTERS

REGULATORY ASSETS AND LIABILITIES

Duke Energy Kentucky records regulatory assets and liabilities that result from the ratemaking process. See Note 1 for further information.

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The following table represents the regulatory assets and liabilities on the Balance Sheets.

	December 31,		Earns/Pays	Recovery/Refund
(in thousands)	**2018**	**2017**	**a Return**	**Period Ends**
Regulatory Assets[(a)]				
Accrued pension and other post-retirement benefits	**$ 31,764**	$ 34,682		(b)
East Bend deferrals	**47,482**	45,485	X	(c)
Demand side management/Energy efficiency costs	**—**	2,226		(d)
Hedge costs and other deferrals	**4,082**	4,938		(e)
Storm cost deferrals	**4,258**	4,913		2023
AROs – coal ash	**19,513**	16,721	X	(c)(g)
Vacation accrual	**1,414**	1,394		2019
Deferred debt expense	**922**	1,188		2036
Deferred fuel and purchased gas costs	**1,516**	179		2019
Carbon management research grant	**1,733**	1,800		2023
Deferred gas integrity costs	**2,887**	2,887		(c)
AMI	**5,366**	6,087		2033
East Bend outage normalization	**2,066**	—		(c)
Other	**1,211**	594		(c)
Total regulatory assets	**124,214**	123,094		
Less: current portion	**10,562**	4,356		
Total noncurrent regulatory assets	**$ 113,652**	$ 118,738		
Regulatory Liabilities[(a)]				
Costs of removal	**$ 19,300**	$ 39,707		(f)
Net regulatory liability related to income taxes	**136,972**	132,721		(c)
Accrued pension and other post-retirement benefits	**5,206**	4,833		(b)
Hedge costs and other deferrals	**2,930**	33		(e)
Deferred fuel and purchased gas costs	**(144)**	(204)		2019
Profit sharing mechanism	**619**	1,405		2019
Demand side management/Energy efficiency costs	**3,129**	—		(d)
Other	**2,397**	14		(c)
Total regulatory liabilities	**170,409**	178,509		
Less: current portion	**14,294**	6,892		
Total noncurrent regulatory liabilities	**$ 156,115**	$ 171,617		

(a) Regulatory assets and liabilities are excluded from rate base unless otherwise noted.

(b) Recovered primarily over the average remaining service periods or life expectancies of employees covered by the benefit plans, which is approximately fourteen years. See Note 13 for further information.

(c) The expected recovery or refund period varies or has not been determined.

(d) Deferred costs are recovered through a rider mechanism.

(e) Recovery varies over the life of the associated instrument.

(f) Represents funds received from customers to cover future removal of property, plant and equipment from retired or abandoned sites as property is retired. Included in rate base and recovered over the life of associated assets.

(g) Certain amounts are recovered through rates.

RATE RELATED INFORMATION

The KPSC approves rates for retail electric and natural gas services within the Commonwealth of Kentucky. The FERC approves rates for electric sales to wholesale customers served under cost-based rates, as well as sales of transmission service.

Duke Energy Kentucky Electric Rate Case

On September 1, 2017, Duke Energy Kentucky filed a rate case with the KPSC requesting an increase in electric base rates of approximately $49 million, which represents an approximate 15 percent increase on the average customer bill. Subsequent to the filing, Duke Energy Kentucky adjusted the requested amount to $30.1 million, in part to reflect the benefits of the Tax Act, representing an approximate 9 percent increase on the average customer bill. The rate increase was driven by increased investment in utility plant, increased operations and maintenance expenses and recovery of regulatory assets. The application also includes requests to implement an Environmental Surcharge Mechanism to recover environmental costs not recovered in base rates, to establish a Distribution Capital Investment Rider to recover incremental costs of specific programs, to establish a FERC Transmission Cost Reconciliation Rider to recover escalating transmission costs and to modify existing Profit Sharing Mechanism to increase customers' share of proceeds from the benefits of owning generation and to mitigate shareholder risks associated with that generation. An evidentiary hearing concluded on March 8, 2018, and the KPSC issued an order on April 13, 2018. Major components of the order include approval of an $8 million increase in base rates with a return on equity at 9.725 percent based upon a capital structure of 49 percent equity on a total allocable capitalization of approximately $650 million. The order approved the Environmental Surcharge Mechanism Rider and in June 2018 recovery began of capital-related environmental costs, including costs related to ash and ash disposal, and environmental operation and maintenance expenses formerly recovered in base rates, including expenses for environmental reagents and emission allowances. The incremental revenue from this rider will be approximately $13 million on an annualized basis. The order settles all issues associated with the Tax Act as it relates to the electric business by lowering the income tax component of the revenue requirement and refunding protected EDIT under allowable normalization rules and unprotected EDIT over 10 years. The order denied requests to implement riders for certain transmission costs and distribution capital investments. Duke Energy Kentucky implemented new base rates on May 1, 2018. On May 3, 2018, Duke Energy Kentucky filed an application for rehearing on certain aspects of the order; on May 23, 2018, the KPSC granted a rehearing. On October 2, 2018, the KPSC issued its rehearing order correcting certain findings in its initial order and making additional changes that are immaterial to the company's earnings.

Duke Energy Kentucky Natural Gas Base Rate Case

On August 31, 2018, Duke Energy Kentucky filed an application with the KPSC requesting an increase in natural gas base rates of approximately $11 million, an approximate 11.1 percent average increase across all customer classes. The increase is net of approximately $5 million in annual savings as a result of the Tax Act. The drivers for this case are capital invested since Duke Energy Kentucky's last rate case in 2009. Duke Energy Kentucky is also seeking implementation of a Weather Normalization Adjustment Mechanism, amortization of regulatory assets and to implement the impacts of the Tax Act, prospectively. On January 30, 2019, Duke Energy Kentucky entered into a settlement agreement with the Attorney General of Kentucky, the only intervenor in the case, which if approved would resolve the matter. The settlement provides for an approximate $7 million increase and approval of the proposed Weather Normalization Mechanism. A hearing was held on February 5, 2019. A ruling is expected in late first quarter 2019. Duke Energy Kentucky cannot predict the outcome of this matter.

FERC 494 Refund of Regional Transmission Enhancement Projects

FERC Order No. 494 Settlement Agreement (FERC 494 Settlement Agreement) was entered into by most of the PJM transmission owners, including Duke Energy Kentucky, and the PJM state regulatory commissions approximately two years ago and was planned to be effective on January 1, 2016; however, it was not approved by the FERC until May 31, 2018. The FERC 494 Settlement Agreement was due to the Seventh Circuit Court of Appeals finding that the FERC had failed to adequately justify the costs that the customers in the western part of PJM were being charged for high voltage transmission projects, or Regional Transmission Expansion Plan (RTEP) projects (500 kV and above) built in the east. These costs were being allocated to all PJM customers on a load-ratio share basis but the court determined that these costs were not justifiable to customers in the west, including Duke Energy Kentucky, that did not benefit from the RTEP projects. Costs for the periods 2012 through 2015 are expected to be refunded to Duke Energy Kentucky on a monthly basis through December 2025. The refund amount for similar costs incurred beginning in 2016 through June 30, 2018, prior to the change in cost allocation by PJM was determined in the third quarter of 2018 and these amounts will be refunded over a 12-month period beginning in July 2018. These refunds, totaling approximately $8 million for Duke Energy Kentucky have been recorded to Operation, maintenance and other on the Statements of Operations for the year ended December 31, 2018.

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RTO Realignment

Duke Energy Kentucky transferred control of its transmission assets to effect a RTO realignment from MISO to PJM, effective December 31, 2011.

On December 22, 2010, the KPSC approved Duke Energy Kentucky's request to effect the RTO realignment, subject to a commitment not to seek double-recovery in a future rate case of the transmission expansion fees that may be charged by MISO and PJM in the same period or overlapping periods. Duke Energy Kentucky is currently recovering PJM transmission expansion fees through current base rates.

Upon its exit from MISO on December 31, 2011, Duke Energy Kentucky recorded a liability and expense for its exit obligation and share of MISO Transmission Expansion Planning costs, excluding MVP. This liability was recorded within Other in Current Liabilities and Other in Noncurrent Liabilities on the Balance Sheets.

The following table provides a reconciliation of the beginning and ending balance of recorded obligations related to the withdrawal from MISO.

(in thousands)	December 31, 2017	Provision / Adjustments	Cash Reductions	December 31, 2018
MISO withdrawal liability	$ 16,366	$ (551)	$ (911)	$ 14,904

3. COMMITMENTS AND CONTINGENCIES

GENERAL INSURANCE

Duke Energy Kentucky has insurance and/or reinsurance coverage either directly or through indemnification from Duke Energy's captive insurance company, Bison Insurance Company Limited, and its affiliates, consistent with companies engaged in similar commercial operations with similar type properties. Duke Energy Kentucky's coverage includes (i) commercial general liability coverage for liabilities arising to third parties for bodily injury and property damage; (ii) workers' compensation; (iii) automobile liability coverage; and (iv) property coverage for all real and personal property damage. Real and personal property damage coverage excludes electric transmission and distribution lines, but includes damages arising from boiler and machinery breakdowns, earthquakes, flood damage and extra expense, but not outage or replacement power coverage. All coverage is subject to certain deductibles or retentions, sublimits, exclusions, terms and conditions common for companies with similar types of operations. Duke Energy Kentucky self-insures its electric transmission and distribution lines against loss due to storm damage and other natural disasters.

The cost of Duke Energy Kentucky's coverage can fluctuate year to year reflecting claims history and conditions of the insurance and reinsurance markets.

In the event of a loss, terms and amounts of insurance and reinsurance available might not be adequate to cover claims and other expenses incurred. Uninsured losses and other expenses, to the extent not recovered by other sources, could have a material effect on Duke Energy Kentucky's results of operations, cash flows or financial position. Duke Energy Kentucky is responsible to the extent losses may be excluded or exceed limits of the coverage available.

ENVIRONMENTAL

Duke Energy Kentucky is subject to federal, state, and local regulations regarding air and water quality, hazardous and solid waste disposal, and other environmental matters, including the CPP. These regulations can be changed from time to time, imposing new obligations on Duke Energy Kentucky.

On November 16, 2016, the state of Maryland filed a petition with EPA under Section 126 of the Clean Air Act alleging that 19 power plants, including one unit owned and operated by Duke Energy Kentucky, contribute to violations of EPA's NAAQS for ozone in the state of Maryland. On March 12, 2018, the state of New York filed a petition with EPA, also under Section 126 of the Clean Air Act alleging that over 60 power plants, including one unit owned and operated by Duke Energy Kentucky, contribute to violations of EPA's ozone NAAQS in the state of New York. Both Maryland and New York seek EPA orders requiring the states in which the named power plants operate impose more stringent NO_x emission limitations on the plants. On October 5, 2018, EPA published a final rule denying the Maryland petition. That same day, Maryland appealed EPA's denial of their Section 126 petition to the D.C. Circuit Court. The impact of these petitions could be more stringent requirements for the operation of NO_x emission controls at these plants. Duke Energy Kentucky cannot predict the outcome of these matters.

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Remediation Activities

In addition to the AROs discussed in Note 5, Duke Energy Kentucky is responsible for environmental remediation at various sites. These include certain properties that are part of ongoing operations and sites formerly owned or used by Duke Energy Kentucky. These sites are in various stages of investigation, remediation and monitoring. Managed in conjunction with relevant federal, state and local agencies, remediation activities vary based upon site condition and location, remediation requirements, complexity and sharing of responsibility. If remediation activities involve joint and several liability provisions, strict liability, or cost recovery or contribution actions, Duke Energy Kentucky could potentially be held responsible for environmental impacts caused by other potentially responsible parties, and may also benefit from insurance policies or contractual indemnities that cover some or all cleanup costs. Liabilities are recorded when losses become probable and are reasonably estimable. The total costs that may be incurred cannot be estimated because the extent of environmental impact, allocation among potentially responsible parties, remediation alternatives and/or regulatory decisions have not yet been determined. Additional costs associated with remediation activities are likely to be incurred in the future and could be significant. Costs are typically expensed as Operation, maintenance and other on the Statements of Operations unless regulatory recovery of the costs is deemed probable.

Duke Energy Kentucky has accrued approximately $670 thousand of probable and estimable costs related to its various environmental sites in Other within Other Noncurrent Liabilities on the Balance Sheets as of December 31, 2018 and 2017. Additional losses in excess of recorded reserves are expected to be immaterial for the stages of investigation, remediation and monitoring for the environmental sites that have been evaluated. The maximum amount of the range for all stages of Duke Energy Kentucky's environmental sites cannot be determined at this time.

LITIGATION

Duke Energy Kentucky is involved in other legal, tax and regulatory proceedings arising in the ordinary course of business, some of which involve significant amounts. Duke Energy Kentucky believes the final disposition of these proceedings will not have a material effect on its results of operations, cash flows or financial position. Duke Energy Kentucky expenses legal costs related to the defense of loss contingencies as incurred.

OTHER COMMITMENTS AND CONTINGENCIES

General

As part of its normal business, Duke Energy Kentucky is party to various financial guarantees, performance guarantees and other contractual commitments to extend guarantees of credit and other assistance to various third parties. These guarantees involve elements of performance and credit risk which are not included on the Balance Sheets. The possibility of Duke Energy Kentucky having to honor its contingencies is largely dependent upon future operations of various third parties or the occurrence of certain future events.

Purchase Obligations

Pipeline and Storage Capacity Contracts

Duke Energy Kentucky enters into pipeline and storage capacity contracts that commit future cash flows to acquire services needed in its business. Cost arising from capacity commitments are recovered via the Gas Cost Adjustment Clause in Kentucky. The time period for fixed payments under these pipeline and storage capacity contracts is up to four years.

Certain storage and pipeline capacity contracts require the payment of demand charges that are based on rates approved by the FERC in order to maintain rights to access the natural gas storage or pipeline capacity on a firm basis during the contract term. The demand charges that are incurred in each period are recognized in the Statements of Operations as part of natural gas purchases and are included in Cost of natural gas.

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The following table presents future unconditional purchase obligations under these contracts.

(in thousands)	December 31, 2018
2019	$ 6,825
2020	4,363
2021	4,245
2022	1,260
2023	—
Thereafter	—
Total	$ 16,693

Operating and Capital Lease Commitments

Duke Energy Kentucky leases office buildings, vehicles, computer equipment and other property and equipment with various terms and expiration dates. Capitalized lease obligations are classified as Long-Term Debt on the Balance Sheets. Amortization of assets recorded under capital leases is included in Depreciation and amortization on the Statements of Operations.

Rental expense for operating leases, which is included in Operation, maintenance and other on the Statements of Operations, was $2 million for the years ended December 31, 2018 and 2017.

The following table presents future minimum lease payments under operating leases, which at inception had a non-cancelable term of more than one year, and capital leases as of December 31, 2018.

(in thousands)	Operating Leases	Capital Leases
2019	$ 707	$ 438
2020	666	219
2021	677	—
2022	689	—
2023	701	—
Thereafter	10,745	—
Minimum annual payments	14,185	657
Less: amount representing interest	—	(77)
Total	$ 14,185	$ 580

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4. DEBT AND CREDIT FACILITIES

SUMMARY OF DEBT AND RELATED TERMS

The following table summarizes outstanding debt.

(in thousands)	Weighted Average Interest Rate	Year Due	December 31, 2018	December 31, 2017
Unsecured debt	4.50%	2019 - 2057	$ 450,000	$ 350,000
Capital leases	7.09%	2019 - 2020	580	1,466
Tax-exempt bonds[(a)(b)]	2.53%	2027	76,720	76,720
Money pool borrowings[(b)(c)]	2.79%		63,875	25,000
Unamortized debt discount and premium, net			(239)	(288)
Unamortized debt issuance costs			(1,951)	(1,718)
Total debt	4.06%		$ 588,985	$ 451,180
Short-term money pool borrowings			(38,875)	—
Current maturities of long-term debt[(d)]			(100,396)	(885)
Total long-term debt			$ 449,714	$ 450,295

(a) Includes $27 million that is secured by a bilateral letter of credit agreement.
(b) Floating-rate debt. At December 31, 2017, the weighted average interest rate was 1.74 percent for tax-exempt bonds.
(c) Includes $25 million classified as Long-Term Debt Payable to Affiliated Companies on the Balance Sheets.
(d) At December 31, 2018, the balance includes unsecured debt of $100 million, maturing in October 2019, with an interest rate of 4.65 percent.

MATURITIES AND CALL OPTIONS

The following table shows the annual maturities of long-term debt for the next five years and thereafter. Amounts presented exclude short-term notes payable.

(in thousands)	December 31, 2018
2019	$ 100,396
2020	184
2021	50,000
2022	—
2023	50,000
Thereafter	351,720
Total long-term debt, including current maturities	$ 552,300

Duke Energy Kentucky has the ability under certain debt facilities to call and repay the obligation prior to its scheduled maturity. Therefore, the actual timing of future cash repayments could be materially different than as presented above.

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SHORT-TERM OBLIGATIONS CLASSIFIED AS LONG-TERM DEBT

Tax-exempt bonds that may be put to Duke Energy Kentucky at the option of the holder and money pool borrowings, which are short-term obligations by nature, are classified as long-term due to Duke Energy Kentucky's intent and ability to utilize such borrowings as long-term financing. As Duke Energy's Master Credit Facility and Duke Energy Kentucky's other bilateral letter of credit agreements have non-cancelable terms in excess of one year as of the balance sheet date, Duke Energy Kentucky has the ability to refinance these short-term obligations on a long-term basis. See "Available Credit Facilities" below for additional information.

At December 31, 2018 and 2017, $27 million of tax-exempt bonds and $25 million of money pool borrowings were classified as Long-Term Debt and Long-Term Debt Payable to Affiliated Companies, respectively, on the Balance Sheets.

SUMMARY OF SIGNIFICANT DEBT ISSUANCES

Duke Energy Kentucky issued $100 million of unsecured debentures, of which $25 million carry a fixed interest rate of 4.01 percent and mature October 2023, $40 million carry a fixed interest rate of 4.18 percent and mature October 2028 and $35 million carry a fixed interest rate of 4.62 percent and mature December 2048. The first two tranches totaling $65 million were closed and funded on October 3, 2018, and the remaining tranche of $35 million closed in December 2018. The proceeds were used to pay down short-term debt, fund capital expenditures and for general corporate purposes.

In September 2017, Duke Energy Kentucky issued $90 million of unsecured debentures, of which $30 million carry a fixed interest rate of 3.35 percent and mature September 2029, $30 million carry a fixed interest rate of 4.11 percent and mature September 2047 and $30 million carry a fixed interest rate of 4.26 percent and mature September 2057. The debt was issued for capital expenditures, to refinance short-term debt and for general corporate purposes.

AVAILABLE CREDIT FACILITIES

In January 2018, Duke Energy extended the termination date of substantially all of its existing $8 billion Master Credit Facility capacity from March 16, 2022, to March 16, 2023. In May 2018, Duke Energy completed the extension process with 100 percent of all commitments to the Master Credit Facility extending to March 16, 2023. Duke Energy Kentucky has borrowing capacity under the Master Credit Facility up to a specified sublimit. Duke Energy has the unilateral ability at any time to increase or decrease Duke Energy Kentucky's borrowing sublimit, subject to a maximum sublimit. The amount available to Duke Energy Kentucky under the Master Credit Facility may be reduced to backstop issuances of commercial paper, certain letters of credit and variable-rate demand tax-exempt bonds that may be put to Duke Energy Kentucky at the option of the holder. At December 31, 2018, Duke Energy Kentucky had a borrowing sublimit of $150 million and available capacity of $86 million under the Master Credit Facility.

Duke Energy Kentucky and Duke Energy Indiana, a wholly owned subsidiary of Duke Energy, collectively have a $156 million bilateral letter of credit agreement. In February 2018, Duke Energy Kentucky and Duke Energy Indiana amended the bilateral letter of credit agreement to extend the termination date from February 2019 to February 2023. Duke Energy Kentucky and Duke Energy Indiana may request the issuance of letters of credit up to $27 million and $129 million, respectively, on their behalf to support various series of tax-exempt bonds. This credit facility may not be used for any purpose other than to support the tax-exempt bonds.

OTHER DEBT MATTERS

Money Pool

Duke Energy Kentucky receives support for its short-term borrowing needs through participation with Duke Energy and certain of its subsidiaries in a money pool arrangement. Under this arrangement, those companies with short-term funds may provide short-term loans to affiliates participating under this arrangement. The money pool is structured such that Duke Energy Kentucky separately manages its cash needs and working capital requirements. Accordingly, there is no net settlement of receivables and payables between money pool participants. Duke Energy may loan funds to its participating subsidiaries, but may not borrow funds through the money pool.

Money pool receivable balances are reflected within Notes receivable from affiliated companies on the Balance Sheets. Money pool payable balances are reflected within either Notes payable to affiliated companies or Long-Term Debt Payable to Affiliated Companies on the Balance Sheets.

Restrictive Debt Covenants

Duke Energy Kentucky's debt and credit agreements contain various financial and other covenants. Duke Energy's Master Credit Facility contains a covenant requiring the debt-to-total capitalization ratio not to exceed 65 percent for each borrower. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements. As of December 31, 2018, Duke Energy Kentucky was in compliance with all covenants related to its debt agreements. In addition, some credit agreements may allow for acceleration of payments or termination of the agreements due to nonpayment, or acceleration of other significant indebtedness of the borrower or some of its subsidiaries. None of the debt or credit agreements contain material adverse change clauses.

5. ASSET RETIREMENT OBLIGATIONS

Duke Energy Kentucky records an ARO when it has a legal obligation to incur retirement costs associated with the retirement of a long-lived asset and the obligation can be reasonably estimated. Certain assets have an indeterminate life, and thus the fair value of the retirement obligation is not reasonably estimable. A liability for these AROs will be recorded when a fair value is determinable.

Duke Energy Kentucky's regulated electric and regulated natural gas operations accrue costs of removal for property that does not have an associated legal retirement obligation based on regulatory orders from the KPSC. These costs of removal are recorded as a regulatory liability in accordance with regulatory accounting treatment. See Note 2 for the estimated cost of removal for assets without an associated legal retirement obligation, which are included in Regulatory liabilities on the Balance Sheets as of December 31, 2018 and 2017.

Duke Energy Kentucky is subject to state and federal regulations covering the closure of coal ash impoundments, including the EPA CCR Rule. AROs recorded on the Balance Sheets include the legal obligation for the disposal of CCR, which is based upon estimated closure costs for impacted ash impoundments. The amount recorded represents the discounted cash flows for estimated closure costs based upon either specific closure plans or the probability weightings of the potential closure methods as evaluated on a site-by-site basis. Actual costs to be incurred will be dependent upon factors that vary from site to site. The most significant factors are the method and time frame of closure at the individual sites. Closure methods considered include removing the water from ash basins, consolidating material as necessary and capping the ash with a synthetic barrier, excavating and relocating the ash to a lined structural fill or lined landfill or recycling the ash for concrete or some other beneficial use. The ultimate method and timetable for closure will be in compliance with standards set by federal and state regulations and other agreements. The ARO amount will be adjusted as additional information is gained through the closure and post-closure process, including acceptance and approval of compliance approaches, which may change management assumptions, and may result in a material change to the balance. Asset retirement costs associated with coal ash AROs at the East Bend Station are included within Property, Plant and Equipment on the Balance Sheets.

In addition to the coal ash AROs, Duke Energy Kentucky also has legal obligations related to the retirement of gas mains and asbestos remediation.

The following table presents the changes in the liability associated with AROs.

	Years Ended December 31,	
(in thousands)	**2018**	**2017**
Balance at beginning of period	**$ 54,582**	$ 52,822
Accretion expense	**2,065**	2,044
Liabilities settled[a]	**(4,204)**	(7,435)
Liabilities incurred in the current year[b]	**—**	7,089
Revisions to estimates of cash flows[c]	**10,383**	62
Balance at end of period	**$ 62,826**	$ 54,582

(a) Settlement of liabilities primarily relate to ash basin closure costs at the East Bend Station.
(b) 2017 additional liabilities incurred primarily relate to landfill closure costs at the East Bend Station.
(c) 2018 revisions to estimates of cash flows primarily relates to increases in groundwater monitoring and post-closure maintenance estimates for closure of the East Bend Station, partially offset by revised asbestos remediation estimates.

In April 2018, the KPSC issued an order that approved the Environmental Surcharge Mechanism, which includes the recovery of costs related to ash and ash disposal. Costs incurred through April 2018 will be recovered over a 10-year period beginning in June 2018, and prudently incurred costs after April 2018 will be recovered monthly on a two-month lag. See Note 2 for additional information on the order KPSC issued in April 2018.

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6. PROPERTY, PLANT AND EQUIPMENT

The following table summarizes property, plant and equipment.

(in thousands)	Estimated Useful Life (Years)	December 31, 2018	December 31, 2017
Land		$ 25,868	$ 24,616
Plant[(a)]			
Electric generation, distribution and transmission	15 – 100	1,708,224	1,585,904
Natural gas transmission and distribution	12 – 50	557,214	488,871
Other buildings and improvements	35 – 90	18,284	11,958
Equipment	5 – 25	29,865	19,167
Construction in process		119,830	109,722
Other	5 – 18	58,612	51,847
Total property, plant and equipment		2,517,897	2,292,085
Accumulated depreciation and amortization[(b)]		(965,124)	(977,244)
Net property, plant and equipment[(c)]		$ 1,552,773	$ 1,314,841

(a) Includes capitalized lease amounts of $20.9 million and $26.2 million at December 31, 2018 and 2017, respectively.
(b) Includes accumulated amortization of capitalized leases of $4.4 million and $6.8 million at December 31, 2018 and 2017, respectively.
(c) The debt component of AFUDC totaled $1.9 million and $1.3 million at December 31, 2018 and 2017, respectively.

7. OTHER INCOME AND EXPENSES, NET

The components of Other Income and Expenses, net on the Statements of Operations are as follows.

(in thousands)	Years Ended December 31, 2018	Years Ended December 31, 2017
Income/(Expense):		
Interest income	$ 1,624	$ 1,236
AFUDC equity	3,144	3,358
Other	1,859	1,763
Other Income and Expenses, net	$ 6,627	$ 6,357

8. RELATED PARTY TRANSACTIONS

Duke Energy Kentucky engages in related party transactions, which are generally performed at cost and in accordance with KPSC and FERC regulations. Refer to the Balance Sheets for balances due to or from related parties. Material amounts related to transactions with related parties included in the Statements of Operations are presented in the following table.

	Years Ended December 31,	
(in thousands)	**2018**	**2017**
Corporate governance and shared service expenses[(a)]	$ 91,003	$ 81,815

(a) Duke Energy Kentucky is charged its proportionate share of costs, primarily related to human resources, employee benefits, information technology, legal and accounting fees, as well as other third-party costs, from an unconsolidated affiliate that is a consolidated affiliate of Duke Energy. These amounts are recorded in Operation, maintenance and other within Operating Expenses on the Statements of Operations.

In addition to the amounts presented above, Duke Energy Kentucky has other affiliate transactions, including certain indemnification coverages through Duke Energy's wholly owned captive insurance subsidiary, rental of office space, participation in a money pool arrangement with Duke Energy and certain of its subsidiaries, other operational transactions and its proportionate share of certain charged expenses. See Note 4 for more information regarding the money pool. These transactions are incurred in the ordinary course of business and are eliminated in Duke Energy's Consolidated Financial Statements.

Certain trade receivables have been sold by Duke Energy Kentucky to CRC, an unconsolidated entity formed by a subsidiary of Duke Energy. The proceeds obtained from the sales of receivables are largely cash but do include a subordinated note from CRC for a portion of the purchase price. See Note 11 for further information related to the sales of these receivables.

Intercompany Income Taxes

Duke Energy and its subsidiaries file a consolidated federal income tax return and other state and jurisdictional returns. Duke Energy Kentucky has a tax sharing agreement with Duke Energy for the allocation of consolidated tax liabilities and benefits. Income taxes recorded represent amounts Duke Energy Kentucky would incur as a separate C-Corporation. Duke Energy Kentucky had an intercompany tax payable balance of $2 million at December 31, 2018 and 2017.

9. DERIVATIVES AND HEDGING

COMMODITY PRICE RISK

Duke Energy Kentucky has limited exposure to market price changes of fuel and emission allowance costs incurred for its retail customers due to the use of cost tracking and recovery mechanisms. Duke Energy Kentucky does have exposure to the impact of market fluctuations in the prices of electricity, fuel and emission allowances associated with its generation output not utilized to serve retail operations or committed load (off-system, wholesale power sales). Duke Energy Kentucky's outstanding commodity derivatives, financial transmission rights, had a notional volume of 1,786 gigawatt-hours at December 31, 2018.

See Note 10 for additional information on the fair value of commodity derivatives.

INTEREST RATE RISK

Duke Energy Kentucky is exposed to changes in interest rates as a result of its issuance or anticipated issuance of variable-rate and fixed-rate debt. Interest rate risk is managed by limiting variable-rate exposure to a percentage of total debt and by monitoring changes in interest rates. To manage risk associated with changes in interest rates, Duke Energy Kentucky may enter into financial contracts including interest rate swaps and U.S. Treasury lock agreements. The notional amount of interest rate swaps outstanding was $26.7 million at December 31, 2018 and 2017. Financial contracts entered into by Duke Energy Kentucky are not designated as a hedge because they are accounted for under regulatory accounting. With regulatory accounting, the mark-to-market gains or losses are deferred as regulatory liabilities or assets. Regulatory assets and regulatory liabilities are amortized consistent with the treatment of related costs in the ratemaking process. The accrual of interest on swaps is recorded as Interest Expense on the Statements of Operations.

See Note 10 for additional information on the fair value of interest rate derivatives.

CREDIT RISK

Duke Energy Kentucky analyzes the financial condition of counterparties prior to entering into agreements and establishes credit limits and monitors the appropriateness of those limits on an ongoing basis. Credit limits and collateral requirements for retail electric customers are established by the KPSC.

Duke Energy Kentucky's industry has historically operated under negotiated credit lines for physical delivery contracts. Duke Energy Kentucky may use master collateral agreements to mitigate certain credit exposures. The collateral agreements require certain counterparties to post cash or letters of credit for the amount of exposure in excess of an established threshold. The threshold amount represents an unsecured credit limit determined in accordance with the corporate credit policy. Collateral agreements also provide that the inability to post collateral is sufficient cause to terminate contracts and liquidate all positions.

Duke Energy Kentucky also obtains cash or letters of credit from customers to provide credit support outside of collateral agreements, where appropriate, based on its financial analysis of the customer and the regulatory or contractual terms and conditions applicable to each transaction.

10. FAIR VALUE MEASUREMENTS

Fair value is the exchange price to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The fair value definition focuses on an exit price versus the acquisition cost. Fair value measurements use market data or assumptions market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs may be readily observable, corroborated by market data or generally unobservable. Valuation techniques maximize the use of observable inputs and minimize use of unobservable inputs. A midmarket pricing convention (the midpoint price between bid and ask prices) is permitted for use as a practical expedient. Fair value measurements are classified in three levels based on the fair value hierarchy as defined by GAAP.

Fair value accounting guidance permits entities to elect to measure certain financial instruments that are not required to be accounted for at fair value, such as equity method investments or the company's own debt, at fair value. Duke Energy Kentucky has not elected to record any of these items at fair value.

Transfers between levels represent assets or liabilities that were previously (i) categorized at a higher level for which the inputs to the estimate became less observable or (ii) classified at a lower level for which the inputs became more observable during the period. Duke Energy Kentucky's policy is to recognize transfers between levels of the fair value hierarchy at the end of the period. There were no transfers between levels during the years ended December 31, 2018 and 2017.

Commodity derivatives

If forward price curves are not observable for the full term of the contract and the unobservable period had more than an insignificant impact on the valuation, the commodity derivative is classified as Level 3. The valuation technique and unobservable input for the financial transmission rights is regional transmission organization auction pricing and FTR price - per megawatt-hour, respectively.

Interest rate derivatives

Most over-the-counter interest rate contract derivatives are valued using financial models that utilize observable inputs for similar instruments and are classified as Level 2. Inputs include forward interest rate curves, notional amounts, interest rates and credit quality of the counterparties.

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QUANTITATIVE DISCLOSURES

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Balance Sheets. Derivative amounts in the table below exclude cash collateral.

	December 31, 2018		
(in thousands)	Total Fair Value	Level 2	Level 3
Derivative assets[(a)]	$ 6,056	$ —	$ 6,056
Derivative liabilities[(b)]	(4,487)	(4,487)	—
Net assets (liabilities)	$ 1,569	$ (4,487)	$ 6,056

	December 31, 2017		
(in thousands)	Total Fair Value	Level 2	Level 3
Derivative assets[(a)]	$ 1,444	$ —	$ 1,444
Derivative liabilities[(b)]	(5,367)	(5,367)	—
Net (liabilities) assets	$ (3,923)	$ (5,367)	$ 1,444

(a) Included in Other within Current Assets and Other within Other Noncurrent Assets on the Balance Sheets. The amounts classified as Level 3 relate to financial transmission rights.

(b) Included in Other within Current Liabilities and Other within Other Noncurrent Liabilities on the Balance Sheets. The amounts classified as Level 2 relate to interest rate swaps.

The following table provides a reconciliation of beginning and ending balances of assets and liabilities measured at fair value on a recurring basis where the determination of fair value includes significant unobservable inputs (Level 3).

	Derivatives (net)	
	Years Ended December 31,	
(in thousands)	2018	2017
Balance at beginning of period	$ 1,444	$ 4,916
Purchases, sales, issuances and settlements:		
Purchases	6,855	3,343
Settlements	(4,131)	(4,135)
Total gains (losses) included on the Balance Sheets as regulatory assets or liabilities	1,888	(2,680)
Balance at end of period	$ 6,056	$ 1,444

OTHER FAIR VALUE DISCLOSURES

The fair value of long-term debt, including current maturities, is summarized in the following table. Judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates determined are not necessarily indicative of the amounts Duke Energy Kentucky could have settled in current markets. The fair value of long-term debt is determined using Level 2 measurements.

	December 31, 2018		December 31, 2017	
(in thousands)	Book value	Fair value	Book value	Fair value
Long-Term debt, including current maturities	$ 550,110	$ 553,922	$ 451,180	$ 475,973

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At both December 31, 2018 and December 31, 2017, the fair value of cash and cash equivalents, accounts and notes receivable, and accounts and notes payable are not materially different from their carrying amounts because of the short-term nature of these instruments and/or because the stated rates approximate market rates.

11. VARIABLE INTEREST ENTITIES

A VIE is an entity that is evaluated for consolidation using more than a simple analysis of voting control. The analysis to determine whether an entity is a VIE considers contracts with an entity, credit support for an entity, the adequacy of the equity investment of an entity, and the relationship of voting power to the amount of equity invested in an entity. This analysis is performed either upon the creation of a legal entity or upon the occurrence of an event requiring reevaluation, such as a significant change in an entity's assets or activities. A qualitative analysis of control determines the party that consolidates a VIE. This assessment is based on (i) what party has the power to direct the activities of the VIE that most significantly impact its economic performance and (ii) what party has rights to receive benefits or is obligated to absorb losses that could potentially be significant to the VIE. The analysis of the party that consolidates a VIE is a continual reassessment.

Cinergy Receivables Company

CRC is a bankruptcy remote, special purpose entity that is an affiliate of Duke Energy Kentucky. As discussed below, Duke Energy Kentucky does not consolidate CRC as it is not the primary beneficiary. On a revolving basis, CRC buys certain accounts receivable arising from the sale of electricity, natural gas and related services from Duke Energy Kentucky. CRC borrows amounts under a credit facility to buy the receivables from Duke Energy Kentucky. Borrowing availability from the credit facility is limited to the amount of qualified receivables sold to CRC. The sole source of funds to satisfy the related debt obligation is cash collections from the receivables.

The proceeds Duke Energy Kentucky receives from the sale of receivables to CRC are approximately 75 percent cash and 25 percent in the form of a subordinated note from CRC. The subordinated note is a retained interest in the receivables sold. Duke Energy Kentucky had receivables of $23.1 million and $19.7 million from CRC at December 31, 2018 and December 31, 2017, respectively. These balances are included in Receivables from affiliated companies on the Balance Sheets and reflect Duke Energy Kentucky's retained interest in receivables sold to CRC.

CRC is considered a VIE because (i) equity capitalization is insufficient to support its operations, (ii) power to direct the activities that most significantly impact economic performance of the entity are not performed by the equity holder and (iii) deficiencies in net worth of CRC are funded by Duke Energy. The most significant activities that impact the economic performance of CRC are decisions made to manage delinquent receivables. Duke Energy is considered the primary beneficiary and consolidates CRC as it makes these decisions. Duke Energy Kentucky does not consolidate CRC.

The subordinated note held by Duke Energy Kentucky is stated at fair value. Carrying values of retained interests are determined by allocating carrying value of the receivables between assets sold and interests retained based on relative fair value. The allocated basis of the subordinated note is not materially different than its face value because (i) the receivables generally turnover in less than two months, (ii) credit losses are reasonably predictable due to the broad customer base and lack of significant concentration and (iii) the equity in CRC is subordinate to all retained interests and thus would absorb losses first. The hypothetical effect on fair value of the retained interests assuming both a 10 percent and a 20 percent unfavorable variation in credit losses or discount rates is not material due to the short turnover of receivables and historically low credit loss history. Interest accrues to Duke Energy Kentucky on the retained interests using the acceptable yield method. This method generally approximates the stated rate on the note since the allocated basis and the face value are nearly equivalent. An impairment charge is recorded against the carrying value of both retained interests and purchased beneficial interest whenever it is determined that an other-than-temporary impairment has occurred. Duke Energy Kentucky's maximum exposure to loss does not exceed the carrying value.

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Key assumptions used in estimating fair value are detailed in the following table.

	2018	2017
Anticipated credit loss ratio	0.4%	0.5%
Discount rate	3.0%	2.1%
Receivables turnover rate	11.5%	11.4%

The following table presents gross and net receivables sold.

(in thousands)	December 31, 2018	December 31, 2017
Receivables sold	$ 66,308	$ 59,074
Less: Retained interests	23,070	19,736
Net receivables sold	$ 43,238	$ 39,338

The following table shows sales and cash flows related to receivables sold.

	Years Ended December 31,	
(in thousands)	2018	2017
Sales		
Receivables sold	$ 478,134	$ 417,779
Loss recognized on sale	2,290	1,704
Cash flows		
Cash proceeds from receivables sold	$ 472,511	$ 414,729
Collection fees received	239	209
Return received on retained interests	1,541	783

Cash flows from the sale of receivables are reflected within Cash Flows from Operating Activities on the Statements of Cash Flows.

Collection fees received in connection with the servicing of transferred accounts receivable are included in Operation, maintenance and other on the Statements of Operations. The loss recognized on sales of receivables is calculated monthly by multiplying receivables sold during the month by the required discount. The required discount is derived monthly utilizing a three-year weighted average formula that considers charge-off history, late charge history and turnover history on the sold receivables, as well as a component for the time value of money. The discount rate, or component for the time value of money, is the prior month-end LIBOR plus a fixed rate of 1.00 percent.

12. REVENUE

As described in Note 1, Duke Energy Kentucky adopted Revenue from Contracts with Customers effective January 1, 2018, using the modified retrospective method of adoption, which does not require restatement of prior year reported results. No cumulative effect adjustment was recorded as the vast majority of Duke Energy Kentucky's revenues are at-will and without a defined contractual term. Additionally, comparative disclosures for 2018 operating results with the previous revenue recognition rules are not applicable as Duke Energy Kentucky's revenue recognition has not materially changed as a result of the new standard.

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Duke Energy Kentucky recognizes revenue consistent with amounts billed under tariff offerings or at contractually agreed upon rates based on actual physical delivery of electric or natural gas service, including estimated volumes delivered when billings have not yet occurred. As such, the majority of Duke Energy Kentucky's revenues have fixed pricing based on the contractual terms of the published tariffs, with variability in expected cash flows attributable to the customer's volumetric demand and ultimate quantities of energy or natural gas supplied and used during the billing period. The stand-alone selling price of related sales are designed to support recovery of prudently incurred costs and an appropriate return on invested assets and are primarily governed by published tariff rates or contractual agreements approved by relevant regulatory bodies. Certain excise taxes and franchise fees levied by state or local governments are required to be paid even if not collected from the customer. These taxes are recognized on a gross basis as part of revenues. Duke Energy Kentucky elects to account for all other taxes net of revenues.

Performance obligations are satisfied over time as energy or natural gas is delivered and consumed with billings generally occurring monthly and related payments due within 30 days, depending on regulatory requirements. In no event does the timing between payment and delivery of the goods and services exceed one year. Using this output method for revenue recognition provides a faithful depiction of the transfer of electric and natural gas service as customers obtain control of the commodity and benefit from its use at delivery. Additionally, Duke Energy Kentucky has an enforceable right to consideration for energy or natural gas delivered at any discrete point in time, and will recognize revenue at an amount that reflects the consideration to which Duke Energy Kentucky is entitled for the energy or natural gas delivered.

As described above, the majority of Duke Energy Kentucky's tariff revenues are at-will and, as such, related contracts with customers have an expected duration of one year or less and will not have future performance obligations for disclosure.

Duke Energy Kentucky earns substantially all of its revenues through the sale of electricity and natural gas.

Electricity Sales

Electric sales revenues are earned primarily through retail and wholesale electric service through the generation, transmission, distribution and sale of electricity. Duke Energy Kentucky generally provides retail electric service customers with their full electric load requirements and sells wholesale block sales of electricity into the market.

Retail electric service is generally marketed throughout Duke Energy Kentucky's electric service territory through standard service offers. The standard service offers are through tariffs determined by the KPSC. Each tariff, which is assigned to customers based on customer class, has multiple components such as an energy charge, customer charge, demand charge and applicable riders. Duke Energy Kentucky considers each of these components to be aggregated into a single performance obligation for providing electric service. Electricity is considered a single performance obligation satisfied over time consistent with the series guidance and is provided and consumed over the billing period, generally one month. Retail electric service is typically provided to at-will customers who can cancel service at any time, without a substantive penalty. Additionally, Duke Energy Kentucky adheres to applicable regulatory requirements to ensure the collectability of amounts billed and appropriate mitigating procedures are followed when necessary. As such, revenue from contracts with customers is equivalent to the electricity supplied and billed in that period (including unbilled estimates).

Wholesale electric service is provided through block sales of electricity. Revenues for block sales are recognized monthly as energy is delivered and stand-ready service is provided, consistent with invoiced amounts and unbilled estimates.

Natural Gas Sales

Natural gas sales revenues are earned through retail natural gas service through the transportation, distribution and sale of natural gas. Duke Energy Kentucky generally provides natural gas service customers with all natural gas load requirements. Additionally, while natural gas can be stored, substantially all natural gas provided by Duke Energy Kentucky is consumed by customers simultaneously with receipt of delivery.

Retail natural gas service is marketed throughout Duke Energy Kentucky's natural gas service territory using published tariff rates. The tariff rates are established by the KPSC. Each tariff, which is assigned to customers based on customer class, has multiple components, such as a commodity charge, customer or monthly charge and transportation costs. Duke Energy Kentucky considers each of these components to be aggregated into a single performance obligation for providing natural gas service. For contracts where Duke Energy Kentucky provides all of the customer's natural gas needs, the delivery of natural gas is considered a single performance obligation satisfied over time, and revenue is recognized monthly based on billings and unbilled estimates as service is provided and the commodity is consumed over the billing period. Additionally, natural gas service is typically at-will and customers can cancel service at any time, without a substantive penalty. Duke Energy Kentucky also adheres to applicable regulatory requirements to ensure the collectability of amounts billed and receivable and appropriate mitigating procedures are followed when necessary.

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Disaggregated Revenues

For electric and natural gas sales, revenue by customer class is most meaningful to Duke Energy Kentucky as each respective customer class collectively represents unique customer expectations of service, generally has different energy and demand requirements and operates under tailored, regulatory approved pricing structures. Additionally, each customer class is impacted differently by weather and a variety of economic factors including the level of population growth, economic investment, employment levels and regulatory activities. As such, analyzing revenues disaggregated by customer class allows Duke Energy Kentucky to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Disaggregated revenues are presented as follows:

(in thousands) **By market or type of customer**		**Year Ended December 31, 2018**
Electricity Sales		
Residential	$	142,113
General		145,904
Industrial		58,210
Wholesale[(a)]		11,566
Other revenues		7,998
Total Electricity Sales revenue from contracts with customers	$	365,791
Natural Gas Sales		
Residential	$	66,699
Commercial		28,580
Industrial		4,329
Other revenues		2,446
Total Natural Gas Sales revenue from contracts with customers	$	102,054
Total revenue from contracts with customers	$	467,845
Other revenue sources[(b)]		15,210
Total revenues	$	483,055

(a) Duke Energy Kentucky nets wholesale electric sales and purchases on an hourly basis. As such, the net position may result in fluctuations between positive and negative net revenues at the end of a reporting period.

(b) Other revenue sources includes revenues from derivatives, leases and alternative revenue programs that are not considered revenues from contracts with customers.

IMPACT OF WEATHER AND THE TIMING OF BILLING PERIODS

Revenues and costs are influenced by seasonal weather patterns. Peak sales of electricity occur during the summer and winter months, which results in higher revenue and cash flows during these periods. By contrast, lower sales of electricity occur during the spring and fall, allowing for scheduled plant maintenance. Residential and general service customers are more impacted by weather than industrial customers. Estimated weather impacts are based on actual current period weather compared to normal weather conditions. Normal weather conditions are defined as the long-term average of actual historical weather conditions. Heating-degree days measure the variation in weather based on the extent the average daily temperature falls below a base temperature. Cooling-degree days measure the variation in weather based on the extent the average daily temperature rises above the base temperature. Each degree of temperature below the base temperature counts as one heating-degree day and each degree of temperature above the base temperature counts as one cooling-degree day.

The estimated impact of weather on earnings for electricity sales is based on the temperature variances from a normal condition and customers' historic usage patterns. The methodology used to estimate the impact of weather does not consider all variables that may impact customer response to weather conditions, such as humidity in the summer or wind chill in the winter. The precision of this estimate may also be impacted by applying long-term weather trends to shorter-term periods.

Natural gas costs and revenues are influenced by seasonal patterns due to peak natural gas sales occurring during the winter months as a result of space heating requirements. Residential customers are the most impacted by weather.

UNBILLED REVENUE

Unbilled revenues are recognized by applying customer billing rates to the estimated volumes of energy or natural gas delivered but not yet billed. Unbilled revenues can vary significantly from period to period as a result of seasonality, weather, customer usage patterns, customer mix, average price in effect for customer classes, timing of rendering customer bills and meter reading schedules, and the impact of weather normalization or margin decoupling mechanisms. Receivables on the Balance Sheets include amounts related to unbilled wholesale revenues of $390 thousand and $516 thousand at December 31, 2018 and 2017, respectively.

Duke Energy Kentucky sells nearly all of its retail accounts receivable, including receivables for unbilled revenues to CRC on a revolving basis. As discussed further in Note 8, Duke Energy Kentucky accounts for these transfers of receivables to CRC as sales. Accordingly, the receivables sold are not reflected on the Balance Sheets. Receivables for unbilled revenues included in the sales of accounts receivable to CRC were $24 million and $25 million at December 31, 2018 and 2017, respectively.

13. EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT RETIREMENT PLANS

Duke Energy Kentucky participates in qualified and non-qualified defined benefit retirement plans and other post-retirement benefit plans sponsored by Duke Energy. Duke Energy allocates pension and other post-retirement obligations and costs related to these plans to Duke Energy Kentucky. The plans cover most employees using a cash balance formula. Under a cash balance formula, a plan participant accumulates a retirement benefit consisting of pay credits based upon a percentage of current eligible earnings based on age and/or years of service and interest credits. Certain employees are covered under plans that use a final average earnings formula. Under these average earnings formulas, a plan participant accumulates a retirement benefit equal to the sum of percentages of their (i) highest three-year or four-year average earnings, (ii) highest three-year or four-year average earnings in excess of covered compensation per year of participation (maximum of 35 years), and/or (iii) highest three-year average earnings times years of participation in excess of 35 years. Duke Energy also maintains, and Duke Energy Kentucky participates in, non-qualified, non-contributory defined benefit retirement plans which cover certain executives. As of January 1, 2014, the qualified and non-qualified non-contributory defined benefit plans are closed to new participants.

Duke Energy approved plan amendments to restructure its qualified non-contributory defined benefit retirement plans, effective January 1, 2018. The restructuring involved (i) the spin-off of the majority of inactive participants from two plans into a separate inactive plan and (ii) the merger of the active participant portions of such plans. Benefits offered to the plan participants remain unchanged. Actuarial gains and losses associated with the inactive plan will be amortized over the remaining life expectancy of the inactive participants.

Duke Energy uses a December 31 measurement date for its defined benefit retirement plan assets and obligations.

Duke Energy's policy is to fund amounts on an actuarial basis to provide assets sufficient to meet benefit payments to be paid to plan participants. Actual contributions for Duke Energy Kentucky were $72 thousand and $1,324 thousand for the years ended December 31, 2018 and 2017, respectively. Duke Energy Kentucky does not anticipate making any contributions in 2019.

Net periodic benefit costs disclosed in the tables below represent the cost of the respective plan for the periods presented prior to capitalization of amounts reflected as Net property, plant and equipment, on the Balance Sheets. Only the service cost component of net periodic benefit costs is eligible to be capitalized. The remaining non-capitalized portions of net periodic benefit costs are classified as either: (i) service cost, which is recorded in Operations, maintenance and other on the Statements of Operations; or as (ii) components of non-service cost, which is recorded in Other income and expenses, net, on the Statements of Operations. Amounts presented in the tables below represent the amounts of pension and other post-retirement benefit cost allocated by Duke Energy for employees of Duke Energy Kentucky. Additionally, Duke Energy Kentucky is allocated its proportionate share of pension and other post-retirement benefit cost for employees of Duke Energy's shared services affiliate that provides support to Duke Energy Kentucky. These allocated amounts are included in the governance and shared services costs discussed in Note 8.

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QUALIFIED PENSION PLANS

Components of Net Periodic Pension Costs

	Years Ended December 31,	
(in thousands)	**2018**	**2017**
Service cost	**$ 1,488**	$ 1,451
Interest cost on projected benefit obligation	**4,134**	4,274
Expected return on plan assets	**(6,473)**	(6,290)
Amortization of prior service credit	**(100)**	(95)
Amortization of actuarial loss	**1,957**	1,912
Net periodic pension costs	**$ 1,006**	$ 1,252

Amounts Recognized in Regulatory Assets

	December 31,	
(in thousands)	**2018**	**2017**
Regulatory assets, net (decrease) increase	**$ (2,652)**	$ 3,340

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Reconciliation of Funded Status to Net Amount Recognized

	Years Ended December 31,	
(in thousands)	**2018**	**2017**
Change in Projected Benefit Obligation		
Obligation at prior measurement date	**$ 116,977**	$ 106,067
Service cost	**1,387**	1,360
Interest cost	**4,134**	4,274
Actuarial (gains) losses	**(11,107)**	10,369
Transfers [(a)]	**—**	1,586
Benefits paid	**(7,996)**	(6,679)
Obligation at measurement date	**$ 103,395**	$ 116,977
Accumulated Benefit Obligation at measurement date	**$ 101,000**	$ 113,557
Change in Fair Value of Plan Assets		
Plan assets at prior measurement date	**$ 106,157**	$ 98,252
Actual return on plan assets	**(3,941)**	11,674
Benefits paid	**(7,996)**	(6,679)
Employer contributions	**72**	1,324
Transfers [(a)]	**—**	1,586
Plan assets at measurement date	**$ 94,292**	$ 106,157
Funded status of plan	**$ (9,103)**	$ (10,820)

(a) Transfers represents net amounts associated with plan participants that have moved to/from other Duke Energy subsidiaries.

Amounts Recognized in the Balance Sheets

	December 31,	
(in thousands)	**2018**	**2017**
Prefunded pension[(a)]	**$ 7,330**	$ 1,184
Noncurrent pension liability[(b)]	**16,433**	12,004
Net liability recognized	**$ (9,103)**	$ (10,820)
Regulatory assets	**$ 29,647**	$ 32,299
Amounts to be reported in net periodic pension expense in the next year		
Unrecognized net actuarial loss	**$ 875**	$ 1,664
Unrecognized prior service credit	**(100)**	(100)

(a) Included in Other within Investments and Other Assets on the Balance Sheets.
(b) Included in Accrued pension and other post-retirement benefit costs on the Balance Sheets.

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NOTES TO FINANCIAL STATEMENTS (Continued)

Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets

	December 31,	
(in thousands)	2018	2017
Projected benefit obligation	$ 40,901	$ 102,755
Accumulated benefit obligation	38,506	99,335
Fair value of plan assets	24,468	90,750

Assumptions Used for Pension Benefits Accounting

	December 31,	
	2018	2017
Benefit Obligations		
Discount rate	4.30%	3.60%
Salary increase	3.50%	3.50%
Net Periodic Benefit Cost		
Discount rate	3.60%	4.10%
Salary increase	3.50%	4.40%
Expected long-term rate of return on plan assets	6.50%	6.50%

The discount rate used to determine the current year pension obligation and following year's pension expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for the projected benefit payments of the plan. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

NON-QUALIFIED PENSION PLANS

Components of Net Periodic Pension Costs

	Years Ended December 31,	
(in thousands)	2018	2017
Interest cost on projected benefit obligation	$ 5	$ 6
Amortization of actuarial loss	4	4
Net periodic pension costs	$ 9	$ 10

Amounts Recognized in Regulatory Assets

	December 31,	
(in thousands)	2018	2017
Regulatory assets, net (decrease) increase	$ (10)	$ 1

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NOTES TO FINANCIAL STATEMENTS (Continued)

Reconciliation of Funded Status to Net Amount Recognized

	Years Ended December 31,	
(in thousands)	**2018**	**2017**
Change in Projected Benefit Obligation		
Obligation at prior measurement date	$ 141	$ 140
Interest cost	5	6
Actuarial (gains) losses	(6)	6
Benefits paid	(11)	(11)
Obligation at measurement date	$ 129	$ 141
Accumulated Benefit Obligation at measurement date	$ 129	$ 141
Change in Fair Value of Plan Assets		
Benefits paid	$ (11)	$ (11)
Employer contributions	11	11
Plan assets at measurement date	$ —	$ —

Amounts Recognized in the Balance Sheets

	December 31,	
(in thousands)	**2018**	**2017**
Current pension liability[(a)]	$ 10	$ 10
Noncurrent pension liability[(b)]	119	131
Total accrued pension liability	$ 129	$ 141
Regulatory assets	$ 42	$ 52
Amounts to be recognized in net periodic pension expense in the next year		
Unrecognized net actuarial loss	$ 3	4

(a) Included in Other within Current Liabilities on the Balance Sheets.
(b) Included in Accrued pension and other post-retirement benefit costs on the Balance Sheets.

Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets

	December 31,	
(in thousands)	**2018**	**2017**
Projected benefit obligation	$ 129	$ 141
Accumulated benefit obligation	129	141

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Assumptions Used for Pension Benefits Accounting

	December 31,	
	2018	**2017**
Benefit Obligations		
Discount rate	**4.30%**	3.60%
Salary increase	**3.50%**	3.50%
Net Periodic Benefit Cost		
Discount rate	**3.60%**	4.10%
Salary increase	**3.50%**	4.40%

The discount rate used to determine the current year pension obligation and following year's pension expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for the projected benefit payments of the plan. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

OTHER POST-RETIREMENT BENEFIT PLANS

Duke Energy provides, and Duke Energy Kentucky participates in, some health care and life insurance benefits for retired employees on a contributory and non-contributory basis. Employees are eligible for these benefits if they have met age and service requirements at retirement, as defined in the plans. The health care benefits include medical, dental, and prescription drug coverage and are subject to certain limitations, such as deductibles and co-payments.

Duke Energy did not make any pre-funding contributions to its other post-retirement benefit plans during the years ended December 31, 2018 and 2017.

Components of Net Periodic Other Post-Retirement Benefit Costs

	Years Ended December 31,	
(in thousands)	**2018**	**2017**
Service cost	**$ 202**	$ 82
Interest cost on projected benefit obligation	**210**	254
Expected return on plan assets	**(69)**	(78)
Amortization of prior service credit	**(236)**	(184)
Amortization of actuarial loss (gain)	**286**	(144)
Curtailment credit	**—**	(614)
Net periodic post-retirement pension costs	**$ 393**	$ (684)

Amounts Recognized in Regulatory Assets and Regulatory Liabilities

	December 31,	
(in thousands)	**2018**	**2017**
Regulatory assets, net decrease	**$ (255)**	$ (280)
Regulatory liabilities, net increase (decrease)	**373**	(717)

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Reconciliation of Funded Status to Accrued Other Post-Retirement Benefit Costs

	Years Ended December 31,	
(in thousands)	**2018**	**2017**
Change in Projected Benefit Obligation		
Accumulated post-retirement benefit obligation at prior measurement date	**$ 6,052**	$ 6,556
Service cost	**202**	82
Interest cost	**210**	254
Plan participants' contributions	**211**	193
Actuarial (gains) losses	**(699)**	197
Transfers [(a)]	**—**	85
Plan amendments	**—**	(642)
Benefits paid	**(622)**	(673)
Accrued retiree drug subsidy	**203**	—
Accumulated post-retirement benefit obligation at measurement date	**$ 5,557**	$ 6,052
Change in Fair Value of Plan Assets		
Plan assets at prior measurement date	**$ 1,433**	$ 1,519
Actual return on plan assets	**(52)**	160
Plan participants' contributions	**211**	193
Benefits paid	**(622)**	(673)
Transfers [(a)]	**—**	36
Employer contributions	**382**	198
Plan assets at measurement date	**$ 1,352**	$ 1,433
Funded status of plan	**$ (4,205)**	$ (4,619)

(a) Transfers represents net amounts associated with plan participants that have moved to/from other Duke Energy subsidiaries.

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Amounts Recognized in the Balance Sheets

	December 31,	
(in thousands)	**2018**	**2017**
Current post-retirement liability[a]	**$ 162**	$ 159
Noncurrent post-retirement liability[b]	**4,043**	4,460
Total accrued post-retirement liability	**$ 4,205**	$ 4,619
Regulatory assets	**$ 2,075**	$ 2,330
Regulatory liabilities	**$ 5,206**	$ 4,833
Amounts to be recognized in net periodic pension expense in the next year		
Unrecognized net actuarial loss	**$ 15**	$ 31
Unrecognized prior service credit	**$ (236)**	$ (236)

(a) Included in Other within Current Liabilities on the Balance Sheets.
(b) Included in Accrued pension and other post-retirement benefit costs on the Balance Sheets.

Assumptions Used for Other Post-Retirement Benefits Accounting

	December 31,	
	2018	**2017**
Benefit Obligations		
Discount rate	**4.30%**	3.60%
Net Periodic Benefit Cost		
Discount rate	**3.60%**	4.10%
Expected long-term rate of return on plan assets	**6.50%**	6.50%

The discount rate used to determine the current year other post-retirement benefits obligation and following year's other post-retirement benefits expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for the projected benefit payments of the plan. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

Assumed Health Care Cost Trend Rate

	December 31,	
	2018	**2017**
Health care cost trend rate assumed for next year	**6.50%**	7.00%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	**4.75%**	4.75%
Year that the rate reaches the ultimate trend rate	**2024**	2024

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NOTES TO FINANCIAL STATEMENTS (Continued)

Expected Benefit Payments

The following table presents Duke Energy's expected benefit payments to participants on behalf of Duke Energy Kentucky in its qualified, non-qualified and other post-retirement benefit plans over the next 10 years. These benefit payments reflect expected future service, as appropriate.

(in thousands)	Qualified Plans	Non-Qualified Plans	Other Post-Retirement Plans	Total
Years ending December 31,				
2019	$ 6,640	$ 11	$ 939	$ 7,590
2020	8,144	11	735	8,890
2021	8,710	11	655	9,376
2022	8,310	10	630	8,950
2023	7,983	10	584	8,577
2024–2028	37,732	50	2,179	39,961

MASTER RETIREMENT TRUST

The assets for the Duke Energy Kentucky plans discussed above are derived from the Master Trust that is held by Duke Energy and, as such, Duke Energy Kentucky is allocated its proportionate share of assets discussed below. Assets for both the qualified pension and other post-retirement benefits are maintained in the Master Trust. Duke Energy also invests other post-retirement assets in Voluntary Employees' Beneficiary Association trusts. The investment objective is to achieve sufficient returns, subject to a prudent level of portfolio risk, for the purpose of promoting the security of plan benefits for participants. As of December 31, 2018, Duke Energy assumes pension and other post-retirement plan assets will generate a long-term rate of return of 6.85 percent. The expected long-term rate of return was developed using a weighted average calculation of expected returns based primarily on future expected returns across asset classes considering the use of active asset managers, where applicable. The asset allocation targets were set after considering the investment objective and the risk profile. Equity securities are held for their high expected return. Debt securities are primarily held to hedge the qualified pension plan liability. Real assets, return seeking fixed income, hedge funds and other global securities are held for diversification. Investments within asset classes are diversified to achieve broad market participation and reduce the impact of individual managers or investments.

Effective January 1, 2019, the target asset allocation for the Duke Energy Retirement Master Trust is 58 percent liability hedging assets and 42 percent return-seeking assets. Duke Energy periodically reviews its asset allocation targets, and over time, as the funded status of the benefit plans increase, the level of asset risk relative to plan liabilities may be reduced to better manage Duke Energy's benefit plan liabilities and reduce funded status volatility.

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The following table presents target and actual asset allocations for the Master Trust at December 31, 2018 and 2017.

Asset Category	Target Allocation	Actual Allocation at December 31, 2018	2017
U.S. equity securities	10%	**11%**	11%
Non-U.S. equity securities	8%	**8%**	8%
Global equity securities	10%	**10%**	10%
Global private equity securities	3%	**2%**	2%
Debt securities	63%	**63%**	63%
Hedge funds	2%	**2%**	2%
Real estate and cash	2%	**2%**	2%
Other global securities	2%	**2%**	2%
Total	100%	**100%**	100%

EMPLOYEE SAVINGS PLAN

Duke Energy Kentucky also participates in employee savings plans sponsored by Duke Energy. Most employees participate in a matching contribution formula where Duke Energy provides a matching contribution generally equal to 100 percent of employee before-tax and Roth 401(k) contributions and, as applicable, after-tax contributions of up to 6 percent of eligible pay per period.

For new and rehired non-union and certain unionized employees who are not eligible to participate in Duke Energy's defined benefit plans, an additional employer contribution of 4 percent of eligible pay per pay period, which is subject to a three-year vesting schedule, is provided to the employee's savings plan account.

Duke Energy Kentucky's expense related to its proportionate share of pretax employer contributions and the additional 4 percent employer contribution was $1,181 thousand and $1,035 thousand for the years ended December 31, 2018 and 2017, respectively.

14. INCOME TAXES

Tax Act

On December 22, 2017, President Trump signed the Tax Act into law. Among other provisions, the Tax Act lowered the corporate federal income tax rate from 35 to 21 percent, limits interest deductions outside of regulated utility operations, requires the normalization of excess deferred taxes associated with property under the average rate assumption method as a prerequisite to qualifying for accelerated depreciation and repealed the federal manufacturing deduction.

On December 22, 2017, the SEC staff issued SAB 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act, which provides guidance on accounting for the Tax Act's impact. SAB 118 provides a measurement period, which in no case should extend beyond one year from the Tax Act enactment date, during which a company acting in good faith may complete the accounting for the impacts of the Tax Act under ASC Topic 740. In accordance with SAB 118, a company must reflect the income tax effects of the Tax Act in the reporting period in which the accounting under ASC Topic 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete, a company can determine a reasonable estimate for those effects and record a provisional estimate in the financial statements in the first reporting period in which a reasonable estimate can be determined.

As of December 31, 2018, the accounting for the effects of the Tax Act is complete. During the year ended December 31, 2018, Duke Energy Kentucky recorded the following measurement period adjustments in accordance with SAB 118:

- Additional tax expense of $2.4 million related to the completion of the analysis of Duke Energy Kentucky's existing regulatory liability related to deferred taxes.

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- The majority of Duke Energy Kentucky's operations are regulated and it is expected that they will ultimately pass on the savings associated with the amount representing the remeasurement of deferred tax balances related to regulated operations to customers. For Duke Energy Kentucky's regulated operations, where the reduction is expected to be returned to customers in future rates, the remeasurement has been deferred as a regulatory liability. During 2018, Duke Energy Kentucky recorded an additional regulatory liability of $7.6 million, representing the revaluation of those deferred tax balances.

INCOME TAX EXPENSE

Components of Income Tax Expense (Benefit)

	Years Ended December 31,	
(in thousands)	**2018**	**2017**
Current income taxes		
Federal	**$ (15,545)**	$ (13,442)
State	**(1,794)**	(87)
Total current income taxes	**(17,339)**	(13,529)
Deferred income taxes		
Federal	**26,832**	9,746
State	**4,059**	2,709
Total deferred income taxes	**30,891**	12,455
Investment tax credit amortization	**(78)**	(87)
Total income tax expense (benefit) included in Statements of Operations	**$ 13,474**	$ (1,161)

Statutory Rate Reconciliation

The following table presents a reconciliation of income tax expense at the U.S. federal statutory tax rate to actual tax expense.

	Years Ended December 31,	
(in thousands)	**2018**	**2017**
Income tax expense, computed at the statutory rate of 21 percent in 2018 and 35 percent in 2017	**$ 13,289**	$ 20,383
State income tax, net of federal income tax effect	**1,702**	1,705
Amortization of excess deferred income tax	**(2,626)**	—
Tax Credits	**(478)**	(747)
Tax Act	**2,381**	(21,276)
Other items, net	**(794)**	(1,226)
Total income tax expense (benefit)	**$ 13,474**	$ (1,161)
Effective tax rate(a)	**21.3%**	(2.0)%

(a) The increase in the effective tax rate was primarily due to the prior year revaluation of deferred tax assets and liabilities as a result of the Tax Act.

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NOTES TO FINANCIAL STATEMENTS (Continued)

DEFERRED TAXES

Net Deferred Income Tax Liability Components

	Years Ended December 31,	
(in thousands)	**2018**	**2017**
Deferred credits and other liabilities	$ 150	$ 38
Tax credits and NOL carryforwards	11,913	4,059
Pension, post-retirement and other employee benefits	4,491	4,970
Regulatory liabilities and deferred credits	9,655	7,104
Investments and other liabilities	824	718
Other	1,056	581
Total deferred income tax assets	28,089	17,470
Accelerated depreciation rates	(242,807)	(203,907)
Total deferred income tax liabilities	(242,807)	(203,907)
Net deferred income tax liabilities	$ (214,718)	$ (186,437)

The following table presents the expiration of tax credits and NOL carryforwards.

	December 31, 2018	
(in thousands)	**Amount**	**Expiration Year**
Investment tax credits	$ 4,346	2024 — 2038
Federal NOL carryforwards[(a)]	7,532	2037 — Indefinite
State NOL carryforwards and credits	35	2037
Total tax credits and NOL carryforwards	$ 11,913	

(a) Indefinite carryforward for Federal NOLs generated in tax years beginning after December 31, 2017.

UNRECOGNIZED TAX BENEFITS

The following table presents changes to unrecognized tax benefits.

	Years Ended December 31,	
(in thousands)	**2018**	**2017**
Unrecognized tax benefits – January 1	$ 143	$ —
Unrecognized tax benefits increases		
Gross increases – tax positions in prior periods	—	143
Gross increases - current period tax positions	50	—
Total changes	50	143
Unrecognized tax benefits – December 31	$ 193	$ 143

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OTHER TAX MATTERS

Duke Energy Kentucky recognized no interest income, interest expense or penalties related to income taxes on the Statements of Operations in 2018 or 2017. As of December 31, 2018 and 2017, no amounts were recognized on the Balance Sheets for interest or penalties related to income taxes.

Duke Energy Kentucky is no longer subject to U.S. federal examination for years before 2015. With few exceptions, Duke Energy Kentucky is no longer subject to state, local or non-U.S. income tax examinations by tax authorities for years before 2014.

15. SUBSEQUENT EVENTS

For information on subsequent events related to the adoption of the new lease accounting standard and regulatory matters, see Notes 1 and 2.

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STATEMENTS OF ACCUMULATED COMPREHENSIVE INCOME, COMPREHENSIVE INCOME, AND HEDGING ACTIVITIES

1. Report in columns (b),(c),(d) and (e) the amounts of accumulated other comprehensive income items, on a net-of-tax basis, where appropriate.
2. Report in columns (f) and (g) the amounts of other categories of other cash flow hedges.
3. For each category of hedges that have been accounted for as "fair value hedges", report the accounts affected and the related amounts in a footnote.
4. Report data on a year-to-date basis.

Line No.	Item (a)	Unrealized Gains and Losses on Available-for-Sale Securities (b)	Minimum Pension Liability adjustment (net amount) (c)	Foreign Currency Hedges (d)	Other Adjustments (e)
1	Balance of Account 219 at Beginning of Preceding Year				
2	Preceding Qtr/Yr to Date Reclassifications from Acct 219 to Net Income				
3	Preceding Quarter/Year to Date Changes in Fair Value				
4	Total (lines 2 and 3)				
5	Balance of Account 219 at End of Preceding Quarter/Year				
6	Balance of Account 219 at Beginning of Current Year				
7	Current Qtr/Yr to Date Reclassifications from Acct 219 to Net Income				
8	Current Quarter/Year to Date Changes in Fair Value				
9	Total (lines 7 and 8)				
10	Balance of Account 219 at End of Current Quarter/Year				

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STATEMENTS OF ACCUMULATED COMPREHENSIVE INCOME, COMPREHENSIVE INCOME, AND HEDGING ACTIVITIES

Line No.	Other Cash Flow Hedges Interest Rate Swaps (f)	Other Cash Flow Hedges [Specify] (g)	Totals for each category of items recorded in Account 219 (h)	Net Income (Carried Forward from Page 117, Line 78) (i)	Total Comprehensive Income (j)
1					
2					
3					
4				59,398,930	59,398,930
5					
6					
7					
8					
9				49,809,221	49,809,221
10					

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SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION. AMORTIZATION AND DEPLETION

Report in Column (c) the amount for electric function, in column (d) the amount for gas function, in column (e), (f), and (g) report other (specify) and in column (h) common function.

Line No.	Classification (a)	Total Company for the Current Year/Quarter Ended (b)	Electric (c)
1	Utility Plant		
2	In Service		
3	Plant in Service (Classified)	1,843,880,516	1,434,470,606
4	Property Under Capital Leases	181,281	8,926
5	Plant Purchased or Sold		
6	Completed Construction not Classified	555,315,910	334,664,338
7	Experimental Plant Unclassified		
8	Total (3 thru 7)	2,399,377,707	1,769,143,870
9	Leased to Others		
10	Held for Future Use	79,977	79,977
11	Construction Work in Progress	118,766,446	102,997,729
12	Acquisition Adjustments		
13	Total Utility Plant (8 thru 12)	2,518,224,130	1,872,221,576
14	Accum Prov for Depr, Amort, & Depl	992,560,885	783,462,699
15	Net Utility Plant (13 less 14)	1,525,663,245	1,088,758,877
16	Detail of Accum Prov for Depr, Amort & Depl		
17	In Service:		
18	Depreciation	944,870,689	770,339,839
19	Amort & Depl of Producing Nat Gas Land/Land Right		
20	Amort of Underground Storage Land/Land Rights		
21	Amort of Other Utility Plant	47,690,196	13,122,860
22	Total In Service (18 thru 21)	992,560,885	783,462,699
23	Leased to Others		
24	Depreciation		
25	Amortization and Depletion		
26	Total Leased to Others (24 & 25)		
27	Held for Future Use		
28	Depreciation		
29	Amortization		
30	Total Held for Future Use (28 & 29)		
31	Abandonment of Leases (Natural Gas)		
32	Amort of Plant Acquisition Adj		
33	Total Accum Prov (equals 14) (22,26,30,31,32)	992,560,885	783,462,699

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SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION. AMORTIZATION AND DEPLETION

Gas (d)	Other (Specify) (e)	Other (Specify) (f)	Other (Specify) (g)	Common (h)	Line No.
					1
					2
367,448,615				41,961,295	3
172,355					4
					5
212,832,598				7,818,974	6
					7
580,453,568				49,780,269	8
					9
					10
15,392,222				376,495	11
					12
595,845,790				50,156,764	13
171,513,336				37,584,850	14
424,332,454				12,571,914	15
					16
					17
163,793,295				10,737,555	18
					19
					20
7,720,041				26,847,295	21
171,513,336				37,584,850	22
					23
					24
					25
					26
					27
					28
					29
					30
					31
					32
171,513,336				37,584,850	33

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NUCLEAR FUEL MATERIALS (Account 120.1 through 120.6 and 157)

1. Report below the costs incurred for nuclear fuel materials in process of fabrication, on hand, in reactor, and in cooling; owned by the respondent.
2. If the nuclear fuel stock is obtained under leasing arrangements, attach a statement showing the amount of nuclear fuel leased, the quantity used and quantity on hand, and the costs incurred under such leasing arrangements.

Line No.	Description of item (a)	Balance Beginning of Year (b)	Changes during Year Additions (c)
1	Nuclear Fuel in process of Refinement, Conv, Enrichment & Fab (120.1)		
2	Fabrication		
3	Nuclear Materials		
4	Allowance for Funds Used during Construction		
5	(Other Overhead Construction Costs, provide details in footnote)		
6	SUBTOTAL (Total 2 thru 5)		
7	Nuclear Fuel Materials and Assemblies		
8	In Stock (120.2)		
9	In Reactor (120.3)		
10	SUBTOTAL (Total 8 & 9)		
11	Spent Nuclear Fuel (120.4)		
12	Nuclear Fuel Under Capital Leases (120.6)		
13	(Less) Accum Prov for Amortization of Nuclear Fuel Assem (120.5)		
14	TOTAL Nuclear Fuel Stock (Total 6, 10, 11, 12, less 13)		
15	Estimated net Salvage Value of Nuclear Materials in line 9		
16	Estimated net Salvage Value of Nuclear Materials in line 11		
17	Est Net Salvage Value of Nuclear Materials in Chemical Processing		
18	Nuclear Materials held for Sale (157)		
19	Uranium		
20	Plutonium		
21	Other (provide details in footnote):		
22	TOTAL Nuclear Materials held for Sale (Total 19, 20, and 21)		

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NUCLEAR FUEL MATERIALS (Account 120.1 through 120.6 and 157)

Changes during Year		Balance	Line
Amortization (d)	Other Reductions (Explain in a footnote) (e)	End of Year (f)	No.
			1
			2
			3
			4
			5
			6
			7
			8
			9
			10
			11
			12
			13
			14
			15
			16
			17
			18
			19
			20
			21
			22

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ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106)

1. Report below the original cost of electric plant in service according to the prescribed accounts.
2. In addition to Account 101, Electric Plant in Service (Classified), this page and the next include Account 102, Electric Plant Purchased or Sold; Account 103, Experimental Electric Plant Unclassified; and Account 106, Completed Construction Not Classified-Electric.
3. Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year.
4. For revisions to the amount of initial asset retirement costs capitalized, included by primary plant account, increases in column (c) additions and reductions in column (e) adjustments.
5. Enclose in parentheses credit adjustments of plant accounts to indicate the negative effect of such accounts.
6. Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d)

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)
1	1. INTANGIBLE PLANT		
2	(301) Organization		
3	(302) Franchises and Consents		
4	(303) Miscellaneous Intangible Plant	17,750,192	3,268,594
5	TOTAL Intangible Plant (Enter Total of lines 2, 3, and 4)	17,750,192	3,268,594
6	2. PRODUCTION PLANT		
7	A. Steam Production Plant		
8	(310) Land and Land Rights	7,047,301	
9	(311) Structures and Improvements	112,259,483	14,161,614
10	(312) Boiler Plant Equipment	464,205,456	96,459,149
11	(313) Engines and Engine-Driven Generators		
12	(314) Turbogenerator Units	102,158,517	12,506,791
13	(315) Accessory Electric Equipment	44,736,781	276,821
14	(316) Misc. Power Plant Equipment	21,044,962	539,966
15	(317) Asset Retirement Costs for Steam Production	46,051,134	10,455,540
16	TOTAL Steam Production Plant (Enter Total of lines 8 thru 15)	797,503,634	134,399,881
17	B. Nuclear Production Plant		
18	(320) Land and Land Rights		
19	(321) Structures and Improvements		
20	(322) Reactor Plant Equipment		
21	(323) Turbogenerator Units		
22	(324) Accessory Electric Equipment		
23	(325) Misc. Power Plant Equipment		
24	(326) Asset Retirement Costs for Nuclear Production		
25	TOTAL Nuclear Production Plant (Enter Total of lines 18 thru 24)		
26	C. Hydraulic Production Plant		
27	(330) Land and Land Rights		
28	(331) Structures and Improvements		
29	(332) Reservoirs, Dams, and Waterways		
30	(333) Water Wheels, Turbines, and Generators		
31	(334) Accessory Electric Equipment		
32	(335) Misc. Power PLant Equipment		
33	(336) Roads, Railroads, and Bridges		
34	(337) Asset Retirement Costs for Hydraulic Production		
35	TOTAL Hydraulic Production Plant (Enter Total of lines 27 thru 34)		
36	D. Other Production Plant		
37	(340) Land and Land Rights	3,491,608	195,646
38	(341) Structures and Improvements	36,423,383	23,644
39	(342) Fuel Holders, Products, and Accessories	15,952,904	
40	(343) Prime Movers		
41	(344) Generators	225,255,738	2,248,757
42	(345) Accessory Electric Equipment	22,370,055	323,315
43	(346) Misc. Power Plant Equipment	4,748,182	51,835
44	(347) Asset Retirement Costs for Other Production		
45	TOTAL Other Prod. Plant (Enter Total of lines 37 thru 44)	308,241,870	2,843,197
46	TOTAL Prod. Plant (Enter Total of lines 16, 25, 35, and 45)	1,105,745,504	137,243,078

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)

Line No.	Account (a)	Balance Beginning of Year (b)	Additions (c)
47	3. TRANSMISSION PLANT		
48	(350) Land and Land Rights	1,338,867	
49	(352) Structures and Improvements	1,480,413	
50	(353) Station Equipment	40,301,943	-13,206
51	(354) Towers and Fixtures		
52	(355) Poles and Fixtures	8,399,399	460,919
53	(356) Overhead Conductors and Devices	6,445,601	381,612
54	(357) Underground Conduit		
55	(358) Underground Conductors and Devices		
56	(359) Roads and Trails		
57	(359.1) Asset Retirement Costs for Transmission Plant		
58	TOTAL Transmission Plant (Enter Total of lines 48 thru 57)	57,966,223	829,325
59	4. DISTRIBUTION PLANT		
60	(360) Land and Land Rights	11,301,311	2,687,371
61	(361) Structures and Improvements	1,414,494	5,712
62	(362) Station Equipment	64,792,299	12,252,425
63	(363) Storage Battery Equipment		
64	(364) Poles, Towers, and Fixtures	61,126,863	3,059,661
65	(365) Overhead Conductors and Devices	125,859,079	4,997,994
66	(366) Underground Conduit	21,276,954	1,752,290
67	(367) Underground Conductors and Devices	57,977,852	5,600,205
68	(368) Line Transformers	59,990,177	3,556,314
69	(369) Services	20,562,505	483,551
70	(370) Meters	19,909,838	12,083,748
71	(371) Installations on Customer Premises	493,678	-116,368
72	(372) Leased Property on Customer Premises	9,647	
73	(373) Street Lighting and Signal Systems	8,969,633	206,795
74	(374) Asset Retirement Costs for Distribution Plant		
75	TOTAL Distribution Plant (Enter Total of lines 60 thru 74)	453,684,330	46,569,698
76	5. REGIONAL TRANSMISSION AND MARKET OPERATION PLANT		
77	(380) Land and Land Rights		
78	(381) Structures and Improvements		
79	(382) Computer Hardware		
80	(383) Computer Software		
81	(384) Communication Equipment		
82	(385) Miscellaneous Regional Transmission and Market Operation Plant		
83	(386) Asset Retirement Costs for Regional Transmission and Market Oper		
84	TOTAL Transmission and Market Operation Plant (Total lines 77 thru 83)		
85	6. GENERAL PLANT		
86	(389) Land and Land Rights		
87	(390) Structures and Improvements	144,984	
88	(391) Office Furniture and Equipment	1,933,238	728,305
89	(392) Transportation Equipment	419,779	370,928
90	(393) Stores Equipment		
91	(394) Tools, Shop and Garage Equipment	2,353,537	63,620
92	(395) Laboratory Equipment		
93	(396) Power Operated Equipment	11,770	
94	(397) Communication Equipment	3,581,715	432,023
95	(398) Miscellaneous Equipment		-7,561
96	SUBTOTAL (Enter Total of lines 86 thru 95)	8,445,023	1,587,315
97	(399) Other Tangible Property		
98	(399.1) Asset Retirement Costs for General Plant		
99	TOTAL General Plant (Enter Total of lines 96, 97 and 98)	8,445,023	1,587,315
100	TOTAL (Accounts 101 and 106)	1,643,591,272	189,498,010
101	(102) Electric Plant Purchased (See Instr. 8)		
102	(Less) (102) Electric Plant Sold (See Instr. 8)		
103	(103) Experimental Plant Unclassified		
104	TOTAL Electric Plant in Service (Enter Total of lines 100 thru 103)	1,643,591,272	189,498,010

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)

distributions of these tentative classifications in columns (c) and (d), including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Accounts 101 and 106 will avoid serious omissions of the reported amount of respondent's plant actually in service at end of year.

7. Show in column (f) reclassifications or transfers within utility plant accounts. Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits distributed in column (f) to primary account classifications.

8. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirement of these pages.

9. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchase, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give also date

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
					1
					2
					3
3			21,018,783		4
3			21,018,783		5
					6
					7
			7,047,301		8
801,022			125,620,075		9
43,921,756			516,742,849		10
					11
7,334,276			107,331,032		12
2,105			45,011,497		13
			21,584,928		14
-5,603,516			62,110,190		15
46,455,643			885,447,872		16
					17
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					35
					36
			3,687,254		37
-23,313			36,470,340		38
16,992			15,935,912		39
					40
689,313			226,815,182		41
128,658			22,564,712		42
10,840			4,789,177		43
					44
822,490			310,262,577		45
47,278,133			1,195,710,449		46

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

ELECTRIC PLANT IN SERVICE (Account 101, 102, 103 and 106) (Continued)

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
					47
			1,338,867		48
			1,480,413		49
308,452			39,980,285		50
					51
193,329			8,666,989		52
10,339			6,816,874		53
					54
					55
					56
					57
512,120			58,283,428		58
					59
			13,988,682		60
1,437			1,418,769		61
6,225,102			70,819,622		62
					63
488,751			63,697,773		64
1,520,022			129,337,051		65
82,132			22,947,112		66
729,036			62,849,021		67
727,415			62,819,076		68
10,932		-146	21,034,978		69
6,053,662		146	25,940,070		70
44,527			332,783		71
			9,647		72
9,887			9,166,541		73
					74
15,892,903			484,361,125		75
					76
					77
					78
					79
					80
					81
					82
					83
					84
					85
					86
			144,984		87
164,627			2,496,916		88
97,337			693,370		89
					90
			2,417,157		91
					92
			11,770		93
289			4,013,449		94
			-7,561		95
262,253			9,770,085		96
					97
					98
262,253			9,770,085		99
63,945,412			1,769,143,870		100
					101
					102
					103
63,945,412			1,769,143,870		104

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

ELECTRIC PLANT LEASED TO OTHERS (Account 104)

Line No.	Name of Lessee (Designate associated companies with a double asterisk) (a)	Description of Property Leased (b)	Commission Authorization (c)	Expiration Date of Lease (d)	Balance at End of Year (e)
1					
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42					
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46					
47	TOTAL				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

ELECTRIC PLANT HELD FOR FUTURE USE (Account 105)

1. Report separately each property held for future use at end of the year having an original cost of $250,000 or more. Group other items of property held for future use.
2. For property having an original cost of $250,000 or more previously used in utility operations, now held for future use, give in column (a), in addition to other required information, the date that utility use of such property was discontinued, and the date the original cost was transferred to Account 105.

Line No.	Description and Location Of Property (a)	Date Originally Included in This Account (b)	Date Expected to be used in Utility Service (c)	Balance at End of Year (d)
1	Land and Rights:			
2	Other Land and Rights <$250K (1 Items)			79,977
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21	Other Property:			
22				
23				
24				
25				
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46				
47	Total			79,977

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

CONSTRUCTION WORK IN PROGRESS - - ELECTRIC (Account 107)

1. Report below descriptions and balances at end of year of projects in process of construction (107)
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstrating (see Account 107 of the Uniform System of Accounts)
3. Minor projects (5% of the Balance End of the Year for Account 107 or $1,000,000, whichever is less) may be grouped.

Line No.	Description of Project (a)	Construction work in progress - Electric (Account 107) (b)
1	DISTRIBUTION PLANT	
2		
3	DIXIE BANK #3	2,238,469
4	DONALDSON BANK #3 AND #4	1,899,134
5	DISTRIBUTION OVERHEAD/UNDERGROUND LINE IMPROVEMENTS	1,669,094
6	WEST END 41 CONDUCTOR	1,495,074
7	KENTON BANK #3	1,449,983
8	SMART GRID DEK ADVANCED METERING INFRASTRUCTURE (AMI)	1,293,853
9	KENTON SUBSTATION SWITCHGEAR BREAKERS	1,146,551
10	PROJECTS LESS THAN $1 MILLION	6,137,733
11	TOTAL DISTRIBUTION PLANT $17,329,891	
12		
13	GENERAL PLANT	
14		
15	PROJECTS LESS THAN $1 MILLION	1,383,285
16	TOTAL GENERAL PLANT $1,383,285	
17		
18	INTANGIBLE PLANT	
19		
20	CUSTOMER CONNECT FUNDING PROJECT	1,141,604
21	PROJECTS LESS THAN $1 MILLION	2,256,308
22	TOTAL INTANGIBLE PLANT $3,397,912	
23		
24	PRODUCTION PLANT	
25		
26	WOODSDALE COMMON FUEL OIL SYSTEM	39,176,273
27	EAST BEND STORM WATER/PROCESS WATER REROUTE	28,886,141
28	EAST BEND UNIT 2 LIME INJECTION SYSTEM	7,062,028
29	PROJECTS LESS THAN $1 MILLION	2,045,598
30	TOTAL PRODUCTION PLANT $77,170,040	
31		
32	TRANSMISSION PLANT	
33		
34	PROJECTS LESS THAN $1 MILLION	3,716,601
35	TOTAL TRANSMISSION PLANT $3,716,601	
36		
37		
38		
39		
40		
41		
42		
43	TOTAL	102,997,729

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

ACCUMULATED PROVISION FOR DEPRECIATION OF ELECTRIC UTILITY PLANT (Account 108)

1. Explain in a footnote any important adjustments during year.
2. Explain in a footnote any difference between the amount for book cost of plant retired, Line 11, column (c), and that reported for electric plant in service, pages 204-207, column 9d), excluding retirements of non-depreciable property.
3. The provisions of Account 108 in the Uniform System of accounts require that retirements of depreciable plant be recorded when such plant is removed from service. If the respondent has a significant amount of plant retired at year end which has not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired. In addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications.
4. Show separately interest credits under a sinking fund or similar method of depreciation accounting.

Section A. Balances and Changes During Year

Line No.	Item (a)	Total (c+d+e) (b)	Electric Plant in Service (c)	Electric Plant Held for Future Use (d)	Electric Plant Leased to Others (e)
1	Balance Beginning of Year	817,393,972	817,393,972		
2	Depreciation Provisions for Year, Charged to				
3	(403) Depreciation Expense	40,601,640	40,601,640		
4	(403.1) Depreciation Expense for Asset Retirement Costs				
5	(413) Exp. of Elec. Plt. Leas. to Others				
6	Transportation Expenses-Clearing	25,432	25,432		
7	Other Clearing Accounts				
8	Other Accounts (Specify, details in footnote):	-3,150,427	-3,150,427		
9					
10	TOTAL Deprec. Prov for Year (Enter Total of lines 3 thru 9)	37,476,645	37,476,645		
11	Net Charges for Plant Retired:				
12	Book Cost of Plant Retired	63,781,076	63,781,076		
13	Cost of Removal	29,470,639	29,470,639		
14	Salvage (Credit)	3,535,219	3,535,219		
15	TOTAL Net Chrgs. for Plant Ret. (Enter Total of lines 12 thru 14)	89,716,496	89,716,496		
16	Other Debit or Cr. Items (Describe, details in footnote):	5,185,718	5,185,718		
17					
18	Book Cost or Asset Retirement Costs Retired				
19	Balance End of Year (Enter Totals of lines 1, 10, 15, 16, and 18)	770,339,839	770,339,839		
	Section B. Balances at End of Year According to Functional Classification				
20	Steam Production	420,482,801	420,482,801		
21	Nuclear Production				
22	Hydraulic Production-Conventional				
23	Hydraulic Production-Pumped Storage				
24	Other Production	176,273,921	176,273,921		
25	Transmission	19,575,675	19,575,675		
26	Distribution	152,298,366	152,298,366		
27	Regional Transmission and Market Operation				
28	General	1,709,076	1,709,076		
29	TOTAL (Enter Total of lines 20 thru 28)	770,339,839	770,339,839		

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) _ An Original (2) X A Resubmission	04/26/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 219 Line No.: 8 Column: c

East Bend Depreciation Deferral	$ (429,862)
ARO Electric Depreciation	(1,634,731)
ARO Deferral On-Top	(1,282,946)
Misc. Adj. (To Tie)	(23,562)
Midwest Lighting Adjustment	220,674
Total transfers/Adjustments	$ (3,150,427)

Schedule Page: 219 Line No.: 16 Column: c

Common Utility Plant Provision	$ (186,960)
Meter NBV Offset due to Early Retirement	5,320,759
Misc. Transfers/Adjustments	51,919
Total	$ 5,185,718

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

INVESTMENTS IN SUBSIDIARY COMPANIES (Account 123.1)

1. Report below investments in Accounts 123.1, investments in Subsidiary Companies.
2. Provide a subheading for each company and List there under the information called for below. Sub - TOTAL by company and give a TOTAL in columns (e),(f),(g) and (h)
(a) Investment in Securities - List and describe each security owned. For bonds give also principal amount, date of issue, maturity and interest rate.
(b) Investment Advances - Report separately the amounts of loans or investment advances which are subject to repayment, but which are not subject to current settlement. With respect to each advance show whether the advance is a note or open account. List each note giving date of issuance, maturity date, and specifying whether note is a renewal.
3. Report separately the equity in undistributed subsidiary earnings since acquisition. The TOTAL in column (e) should equal the amount entered for Account 418.1.

Line No.	Description of Investment (a)	Date Acquired (b)	Date Of Maturity (c)	Amount of Investment at Beginning of Year (d)
1	None- No Activity for Kentucky 2018			
2				
3				
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42	Total Cost of Account 123.1 $ 0		TOTAL	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

INVESTMENTS IN SUBSIDIARY COMPANIES (Account 123.1) (Continued)

4. For any securities, notes, or accounts that were pledged designate such securities, notes, or accounts in a footnote, and state the name of pledgee and purpose of the pledge.
5. If Commission approval was required for any advance made or security acquired, designate such fact in a footnote and give name of Commission, date of authorization, and case or docket number.
6. Report column (f) interest and dividend revenues form investments, including such revenues form securities disposed of during the year.
7. In column (h) report for each investment disposed of during the year, the gain or loss represented by the difference between cost of the investment (or the other amount at which carried in the books of account if difference from cost) and the selling price thereof, not including interest adjustment includible in column (f).
8. Report on Line 42, column (a) the TOTAL cost of Account 123.1

Equity in Subsidiary Earnings of Year (e)	Revenues for Year (f)	Amount of Investment at End of Year (g)	Gain or Loss from Investment Disposed of (h)	Line No.
				1
				2
				3
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				10
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

MATERIALS AND SUPPLIES

1. For Account 154, report the amount of plant materials and operating supplies under the primary functional classifications as indicated in column (a); estimates of amounts by function are acceptable. In column (d), designate the department or departments which use the class of material.
2. Give an explanation of important inventory adjustments during the year (in a footnote) showing general classes of material and supplies and the various accounts (operating expenses, clearing accounts, plant, etc.) affected debited or credited. Show separately debit or credits to stores expense clearing, if applicable.

Line No.	Account (a)	Balance Beginning of Year (b)	Balance End of Year (c)	Department or Departments which Use Material (d)
1	Fuel Stock (Account 151)	22,251,525	18,769,826	Gas and Electric
2	Fuel Stock Expenses Undistributed (Account 152)			
3	Residuals and Extracted Products (Account 153)			
4	Plant Materials and Operating Supplies (Account 154)			
5	Assigned to - Construction (Estimated)		2,835,173	Gas and Electric
6	Assigned to - Operations and Maintenance			
7	Production Plant (Estimated)	16,981,969	14,581,664	Electric
8	Transmission Plant (Estimated)	3,909	898	Electric
9	Distribution Plant (Estimated)	628,911	79,082	Gas and Electric
10	Regional Transmission and Market Operation Plant (Estimated)			
11	Assigned to - Other (provide details in footnote)			
12	TOTAL Account 154 (Enter Total of lines 5 thru 11)	17,614,789	17,496,817	
13	Merchandise (Account 155)			
14	Other Materials and Supplies (Account 156)			
15	Nuclear Materials Held for Sale (Account 157) (Not applic to Gas Util)			
16	Stores Expense Undistributed (Account 163)	967,360	2,088,977	Gas and Electric
17				
18				
19				
20	TOTAL Materials and Supplies (Per Balance Sheet)	40,833,674	38,355,620	

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) _ An Original (2) X A Resubmission	04/26/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 227 Line No.: 5 Column: c

Line 5. Assigned to - Construction

Production	$ 2,334,068
Transmission	2,675
Distribution	498,430
Total	$ 2,835,173

Schedule Page: 227 Line No.: 16 Column: b

Account 163 - Functionalized for use with PJM Attachments H-22A: Transmission portion of $215 is calculated by multiplying Account 163 balance by ratio of Transmission M&S balance to Total M&S balance.

Schedule Page: 227 Line No.: 16 Column: c

Account 163 - Functionalized for use with PJM Attachments H-22A: Transmission portion of $427 is calculated by multiplying Account 163 balance by ratio of Transmission M&S balance including Assigned To Construction and Transmission Plant to Total M&S balance.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

Allowances (Accounts 158.1 and 158.2)

1. Report below the particulars (details) called for concerning allowances.
2. Report all acquisitions of allowances at cost.
3. Report allowances in accordance with a weighted average cost allocation method and other accounting as prescribed by General Instruction No. 21 in the Uniform System of Accounts.
4. Report the allowances transactions by the period they are first eligible for use: the current year's allowances in columns (b)-(c), allowances for the three succeeding years in columns (d)-(i), starting with the following year, and allowances for the remaining succeeding years in columns (j)-(k).
5. Report on line 4 the Environmental Protection Agency (EPA) issued allowances. Report withheld portions Lines 36-40.

Line No.	SO2 Allowances Inventory (Account 158.1) (a)	Current Year No. (b)	Current Year Amt. (c)	2019 No. (d)	2019 Amt. (e)
1	Balance-Beginning of Year	133,930.00	17,472	25,041.00	
2					
3	Acquired During Year:				
4	Issued (Less Withheld Allow)	223.00		4,346.00	
5	Returned by EPA				
6					
7					
8	Purchases/Transfers:				
9					
10					
11					
12					
13					
14					
15	Total				
16					
17	Relinquished During Year:				
18	Charges to Account 509	4,081.00	343		
19	Other:				
20					
21	Cost of Sales/Transfers:				
22					
23					
24					
25					
26					
27					
28	Total				
29	Balance-End of Year	130,072.00	17,129	29,387.00	
30					
31	Sales:				
32	Net Sales Proceeds(Assoc. Co.)				
33	Net Sales Proceeds (Other)				
34	Gains				
35	Losses				
	Allowances Withheld (Acct 158.2)				
36	Balance-Beginning of Year	279.00		279.00	
37	Add: Withheld by EPA				
38	Deduct: Returned by EPA				
39	Cost of Sales	279.00			
40	Balance-End of Year			279.00	
41					
42	Sales:				
43	Net Sales Proceeds (Assoc. Co.)				
44	Net Sales Proceeds (Other)		17		
45	Gains		17		
46	Losses				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

Allowances (Accounts 158.1 and 158.2) (Continued)

6. Report on Lines 5 allowances returned by the EPA. Report on Line 39 the EPA's sales of the withheld allowances. Report on Lines 43-46 the net sales proceeds and gains/losses resulting from the EPA's sale or auction of the withheld allowances.
7. Report on Lines 8-14 the names of vendors/transferors of allowances acquire and identify associated companies (See "associated company" under "Definitions" in the Uniform System of Accounts).
8. Report on Lines 22 - 27 the name of purchasers/ transferees of allowances disposed of an identify associated companies.
9. Report the net costs and benefits of hedging transactions on a separate line under purchases/transfers and sales/transfers.
10. Report on Lines 32-35 and 43-46 the net sales proceeds and gains or losses from allowance sales.

2020		2021		Future Years		Totals		Line No.
No. (f)	Amt. (g)	No. (h)	Amt. (i)	No. (j)	Amt. (k)	No. (l)	Amt. (m)	
25,041.00		25,041.00		651,066.00		860,119.00	17,472	1
								2
								3
4,346.00		4,346.00		29,387.00		42,648.00		4
								5
								6
								7
								8
								9
								10
								11
								12
								13
								14
								15
								16
								17
						4,081.00	343	18
								19
								20
								21
								22
								23
								24
								25
								26
								27
								28
29,387.00		29,387.00		680,453.00		898,686.00	17,129	29
								30
								31
								32
								33
								34
								35
279.00		279.00		13,671.00		14,787.00		36
				279.00		279.00		37
								38
						279.00		39
279.00		279.00		13,950.00		14,787.00		40
								41
								42
								43
					6		23	44
					6		23	45
								46

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) __ An Original (2) X A Resubmission	04/26/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 228 Line No.: 1 Column: b

Beginning balance includes allowances for Cross State Air Pollution Rule and the Acid Rain Program.

Schedule Page: 228 Line No.: 29 Column: b

Ending balance includes allowances for Cross State Air Polution Rule and the Acid Rain Program.

Schedule Page: 228 Line No.: 39 Column: b

Represents allowances withheld in 2018 sold at auction.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

Allowances (Accounts 158.1 and 158.2)

1. Report below the particulars (details) called for concerning allowances.
2. Report all acquisitions of allowances at cost.
3. Report allowances in accordance with a weighted average cost allocation method and other accounting as prescribed by General Instruction No. 21 in the Uniform System of Accounts.
4. Report the allowances transactions by the period they are first eligible for use: the current year's allowances in columns (b)-(c), allowances for the three succeeding years in columns (d)-(i), starting with the following year, and allowances for the remaining succeeding years in columns (j)-(k).
5. Report on line 4 the Environmental Protection Agency (EPA) issued allowances. Report withheld portions Lines 36-40.

Line No.	NOx Allowances Inventory (Account 158.1) (a)	Current Year No. (b)	Current Year Amt. (c)	2019 No. (d)	2019 Amt. (e)
1	Balance-Beginning of Year	8,069.00	13,736		
2					
3	Acquired During Year:				
4	Issued (Less Withheld Allow)	60.00		4,205.00	
5	Returned by EPA				
6					
7					
8	Purchases/Transfers:				
9					
10					
11					
12					
13					
14					
15	Total				
16					
17	Relinquished During Year:				
18	Charges to Account 509	2,946.00	6,857		
19	Other:				
20					
21	Cost of Sales/Transfers:				
22					
23					
24					
25					
26					
27					
28	Total				
29	Balance-End of Year	5,183.00	6,879	4,205.00	
30					
31	Sales:				
32	Net Sales Proceeds(Assoc. Co.)				
33	Net Sales Proceeds (Other)				
34	Gains				
35	Losses				
	Allowances Withheld (Acct 158.2)				
36	Balance-Beginning of Year				
37	Add: Withheld by EPA				
38	Deduct: Returned by EPA				
39	Cost of Sales				
40	Balance-End of Year				
41					
42	Sales:				
43	Net Sales Proceeds (Assoc. Co.)				
44	Net Sales Proceeds (Other)				
45	Gains				
46	Losses				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

Allowances (Accounts 158.1 and 158.2) (Continued)

6. Report on Lines 5 allowances returned by the EPA. Report on Line 39 the EPA's sales of the withheld allowances. Report on Lines 43-46 the net sales proceeds and gains/losses resulting from the EPA's sale or auction of the withheld allowances.
7. Report on Lines 8-14 the names of vendors/transferors of allowances acquire and identify associated companies (See "associated company" under "Definitions" in the Uniform System of Accounts).
8. Report on Lines 22 - 27 the name of purchasers/ transferees of allowances disposed of an identify associated companies.
9. Report the net costs and benefits of hedging transactions on a separate line under purchases/transfers and sales/transfers.
10. Report on Lines 32-35 and 43-46 the net sales proceeds and gains or losses from allowance sales.

2020		2021		Future Years		Totals		Line No.
No. (f)	Amt. (g)	No. (h)	Amt. (i)	No. (j)	Amt. (k)	No. (l)	Amt. (m)	
						8,069.00	13,736	1
								2
								3
4,205.00		3,292.00		3,292.00		15,054.00		4
								5
								6
								7
								8
								9
								10
								11
								12
								13
								14
								15
								16
								17
						2,946.00	6,857	18
								19
								20
								21
								22
								23
								24
								25
								26
								27
								28
4,205.00		3,292.00		3,292.00		20,177.00	6,879	29
								30
								31
								32
								33
								34
								35
								36
								37
								38
								39
								40
								41
								42
								43
								44
								45
								46

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) _ An Original (2) X A Resubmission	04/26/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 229 Line No.: 1 Column: b

Beginning balance includes allowances for Cross State Air Pollution Rule only.

Schedule Page: 229 Line No.: 29 Column: b

Ending balance includes allowances for Cross State Air Pollution Rule only.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

EXTRAORDINARY PROPERTY LOSSES (Account 182.1)

Line No.	Description of Extraordinary Loss [Include in the description the date of Commission Authorization to use Acc 182.1 and period of amortization (mo, yr to mo, yr).] (a)	Total Amount of Loss (b)	Losses Recognised During Year (c)	WRITTEN OFF DURING YEAR: Account Charged (d)	WRITTEN OFF DURING YEAR: Amount (e)	Balance at End of Year (f)
1	NOT APPLICABLE					
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20	TOTAL					

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

UNRECOVERED PLANT AND REGULATORY STUDY COSTS (182.2)

Line No.	Description of Unrecovered Plant and Regulatory Study Costs [Include in the description of costs, the date of Commission Authorization to use Acc 182.2 and period of amortization (mo, yr to mo, yr)] (a)	Total Amount of Charges (b)	Costs Recognised During Year (c)	WRITTEN OFF DURING YEAR Account Charged (d)	WRITTEN OFF DURING YEAR Amount (e)	Balance at End of Year (f)
21	NOT APPLICABLE					
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41						
42						
43						
44						
45						
46						
47						
48						
49	TOTAL					

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

Transmission Service and Generation Interconnection Study Costs

1. Report the particulars (details) called for concerning the costs incurred and the reimbursements received for performing transmission service and generator interconnection studies.
2. List each study separately.
3. In column (a) provide the name of the study.
4. In column (b) report the cost incurred to perform the study at the end of period.
5. In column (c) report the account charged with the cost of the study.
6. In column (d) report the amounts received for reimbursement of the study costs at end of period.
7. In column (e) report the account credited with the reimbursement received for performing the study.

Line No.	Description (a)	Costs Incurred During Period (b)	Account Charged (c)	Reimbursements Received During the Period (d)	Account Credited With Reimbursement (e)
1	**Transmission Studies**				
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21	**Generation Studies**				
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

OTHER REGULATORY ASSETS (Account 182.3)

1. Report below the particulars (details) called for concerning other regulatory assets, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 182.3 at end of period, or amounts less than $100,000 which ever is less), may be grouped by classes.
3. For Regulatory Assets being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Assets (a)	Balance at Beginning of Current Quarter/Year (b)	Debits (c)	CREDITS Written off During the Quarter/Year Account Charged (d)	CREDITS Written off During the Period Amount (e)	Balance at end of Current Quarter/Year (f)
1	INCOME TAXES	1,834,756	40,741,528	Various	36,854,332	5,721,952
2						
3	DEMAND SIDE MANAGEMENT COSTS	2,226,306	5,517,979	Various	7,744,285	
4	(Amortized in accordance with rider revenue)					
5	- Order #2017-321					
6	- Order #2015-368					
7	- Order #2014-388					
8						
9	INTEREST RATE HEDGES	4,647,739	751,310	Various	1,496,270	3,902,779
10	(Amortized over life associated debt)					
11	- Order #2006-563					
12						
13	ARO OTHER REGULATORY ASSET	6,786,724	485,660	403, 411	5,622,986	1,649,398
14						
15	GAS ARO OTHER REGULATORY ASSET	4,978,514	469,695	N/A		5,448,209
16						
17	COAL ASH DEFERRED SPEND	15,652,025	1,980,656	108, 182.3	16,681,706	950,975
18	- Order #2015-187					
19						
20	COAL ASH ARO	1,769,292	6,633,271	Various	5,387,228	3,015,335
21	- Order #2015-187					
22						
23	COAL ASH CONTRA EQUITY		15,770	182.3	918,909	-903,139
24	- Order #2017-321					
25						
26	SPEND RA AMORTIZATION (NC & MW)		17,365,566	Various	1,417,399	15,948,167
27	- Order #2017-321					
28						
29	SPEND RA AMORTIZATION (SC & FL)		2,054,689	Various	1,553,224	501,465
30	- Order #2017-321					
31						
32	CARBON MANAGEMENT REGULATORY ASSET	1,800,000	200,000	407.3	266,684	1,733,316
33	- Order #2017-321					
34	- Order #2008-308					
35						
36	HURRICANE IKE REGULATORY ASSET	4,912,684		407.3	655,028	4,257,656
37	- Order #2017-321					
38	- Order #2008-476					
39						
40	EAST BEND PLANT O&M DEFERRAL	33,888,761	5,712,428	146, 407.3	3,285,919	36,315,270
41	- Order #2017-321					
42	- Order #2014-201					
43						
44	TOTAL	127,608,194	90,096,135		85,545,585	132,158,744

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

OTHER REGULATORY ASSETS (Account 182.3)

1. Report below the particulars (details) called for concerning other regulatory assets, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 182.3 at end of period, or amounts less than $100,000 which ever is less), may be grouped by classes.
3. For Regulatory Assets being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Assets (a)	Balance at Beginning of Current Quarter/Year (b)	Debits (c)	CREDITS Written off During the Quarter/Year Account Charged (d)	CREDITS Written off During the Period Amount (e)	Balance at end of Current Quarter/Year (f)
1	EAST BEND DEPRECIATION DEFERRAL	11,596,480		403	429,862	11,166,618
2	- Order #2015-120					
3						
4	DEFERRED FORCED OUTAGE PURCHASED POWER		338,074	N/A		338,074
5	- Order #2017-321					
6						
7	Non-AMI Meter NBV		5,187,508	407.3	95,235	5,092,273
8	- Order #2017-321					
9						
10	Opt-Out IT Modification	154,716	2,595	407.3	20,971	136,340
11	- Order #2017-321					
12	- Order #2016-152					
13						
14	Plant Outage Normalization		2,264,399	557	198,312	2,066,087
15	- Order #2017-321					
16						
17	GAS RATE CASE DEFERRAL		166,578	N/A		166,578
18	- Order #2017-321					
19						
20	DEFERRED GAS INTEGRITY COSTS	2,887,116		N/A	1	2,887,115
21	- Order #2016-159					
22						
23	OTHER REGULATORY ASSETS - GENERAL ACCOUNTING	27,719,755	208,429	Various	2,358,118	25,570,066
24	- FERC Docket No. A107-1-000					
25						
26	PENSION POST RETIRE PURCHASE ACCOUNTING - Q	4,370,952		Various	293,136	4,077,816
27	- FERC Docket No. A107-1-000					
28						
29	PENSION POST RETIRE PURCHASE ACCOUNTING - NQ	52,180		Various	10,560	41,620
30	- FERC Docket No. A107-1-000					
31						
32	PENSION POST RETIRE PURCHASE ACCOUNTING - FAS			Various	255,420	-255,420
33	- FERC Docket No. A107-1-000					
34						
35	OPEB FAS 106 - MEDICAL	2,330,194		N/A		2,330,194
36	- FERC Docket No. A107-1-000					
37						
38						
39						
40						
41						
42						
43						
44	TOTAL	127,608,194	90,096,135		85,545,585	132,158,744

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) _ An Original (2) X A Resubmission	Date of Report (Mo, Da, Yr) 04/26/2019	Year/Period of Report 2018/Q4

FOOTNOTE DATA

Schedule Page: 232 Line No.: 1 Column: d

Offsetting accounts are: 190, 236, 254, 255, 281, 282, 283, 409, 410, 411.

Schedule Page: 232 Line No.: 3 Column: d

Offsetting accounts are: 107, 146, 407.3, 417, 557.

Schedule Page: 232 Line No.: 9 Column: d

Offsetting accounts are: 174, 244, 431.

Schedule Page: 232 Line No.: 20 Column: d

Offsetting accounts are: 182.3, 186, 411.

Schedule Page: 232 Line No.: 26 Column: d

Offsetting accounts are: 182.3, 186, 407.3, 421.

Schedule Page: 232 Line No.: 29 Column: d

Offsetting accounts are: 182.3, 186, 407.3, 421.

Schedule Page: 232.1 Line No.: 23 Column: d

Offsetting accounts are: 128, 146, 182.3, 228, 253, 254, 926.

Schedule Page: 232.1 Line No.: 26 Column: d

Offsetting accounts are: 128, 146, 182.3, 926.

Schedule Page: 232.1 Line No.: 29 Column: d

Offsetting accounts are: 128, 182.3, 228, 253, 254, 926.

Schedule Page: 232.1 Line No.: 32 Column: d

Offsetting accounts are: 146, 228, 254, 926.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

MISCELLANEOUS DEFFERED DEBITS (Account 186)

1. Report below the particulars (details) called for concerning miscellaneous deferred debits.
2. For any deferred debit being amortized, show period of amortization in column (a)
3. Minor item (1% of the Balance at End of Year for Account 186 or amounts less than $100,000, whichever is less) may be grouped by classes.

Line No.	Description of Miscellaneous Deferred Debits (a)	Balance at Beginning of Year (b)	Debits (c)	CREDITS Account Charged (d)	CREDITS Amount (e)	Balance at End of Year (f)
1	Vacation accrual	1,394,121	19,399	N/A		1,413,520
2						
3	Storm Deferral		2,715,784	232	1,514,021	1,201,763
4						
5	FERC Remand 494 LT Receivable		12,627,528	Various	11,922,504	705,024
6						
7	AMI	1,085,840		182.3	1,085,840	
8						
9	DEK 2017 Rate Case	439,586	378,816	Various	248,638	569,764
10						
11	Accrued pension post retire -	208,429		Various	208,429	
12	FAS 158					
13						
14	Other miscellaneous items	1,000		N/A		1,000
15						
16	Indirect overhead allocation	-27,348	11,866,457	Various	12,026,605	-187,496
17	pool - undistributed					
18						
19	Deferred coal ash remediation	-700,655	966,219	Various	265,564	
20	costs					
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41						
42						
43						
44						
45						
46						
47	Misc. Work in Progress					
48	Deferred Regulatory Comm. Expenses (See pages 350 - 351)					
49	TOTAL	2,400,973				3,703,575

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) _ An Original (2) X A Resubmission	Date of Report (Mo, Da, Yr) 04/26/2019	Year/Period of Report 2018/Q4

FOOTNOTE DATA

Schedule Page: 233 Line No.: 5 Column: d

Offsetting accounts are: 142, 143, 146, 165, 232, 253, 447, 456, 457, 555, 557, 561, 565, 575.

Schedule Page: 233 Line No.: 9 Column: d

Offsetting accounts are: 107, 146, 912, 921, 928.

Schedule Page: 233 Line No.: 11 Column: d

Offsetting accounts are: 128, 182.3, 228.

Schedule Page: 233 Line No.: 16 Column: d

Offsetting accounts are: 105, 107, 108, 121, 142, 143, 146, 163, 183, 185, 186, 232, 242, 408, 416, 417, 426, 454, 456, 489, 500, 501, 502, 505, 506, 510, 511, 512, 513, 514, 524, 528, 531, 546, 548, 549, 551, 552, 553, 554, 557, 560, 561, 562, 563, 566, 569, 570, 571, 573, 580, 581, 582, 583, 584, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 717, 735, 742, 771, 804, 807, 850, 870, 871, 874, 875, 876, 878, 879, 880, 887, 889, 892, 893, 894, 901, 902, 903, 908, 910, 911, 912, 920, 921, 922, 923, 924, 926, 928, 930, 931, 932, 935, 999.

Schedule Page: 233 Line No.: 19 Column: d

Offsetting accounts are: 182.3, 407.3, 421, 431.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

ACCUMULATED DEFERRED INCOME TAXES (Account 190)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes.
2. At Other (Specify), include deferrals relating to other income and deductions.

Line No.	Description and Location (a)	Balance of Begining of Year (b)	Balance at End of Year (c)
1	Electric		
2		42,458,400	55,886,925
3			
4			
5			
6			
7	Other		
8	TOTAL Electric (Enter Total of lines 2 thru 7)	42,458,400	55,886,925
9	Gas		
10		15,913,279	16,102,093
11			
12			
13			
14			
15	Other		
16	TOTAL Gas (Enter Total of lines 10 thru 15	15,913,279	16,102,093
17	Other - Non-Utility	-10,232	
18	TOTAL (Acct 190) (Total of lines 8, 16 and 17)	58,361,447	71,989,018

Notes

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

CAPITAL STOCKS (Account 201 and 204)

1. Report below the particulars (details) called for concerning common and preferred stock at end of year, distinguishing separate series of any general class. Show separate totals for common and preferred stock. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form filing, a specific reference to report form (i.e., year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.
2. Entries in column (b) should represent the number of shares authorized by the articles of incorporation as amended to end of year.

Line No.	Class and Series of Stock and Name of Stock Series (a)	Number of shares Authorized by Charter (b)	Par or Stated Value per share (c)	Call Price at End of Year (d)
1	COMMON STOCK (ACCT 201)	1,000,000	15.00	
2	TOTAL COMMON STOCK	1,000,000		
3				
4	PREFERRED STOCK (ACCT 204)			
5	TOTAL PREFERRED STOCK			
6				
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

CAPITAL STOCKS (Account 201 and 204) (Continued)

3. Give particulars (details) concerning shares of any class and series of stock authorized to be issued by a regulatory commission which have not yet been issued.
4. The identification of each class of preferred stock should show the dividend rate and whether the dividends are cumulative or non-cumulative.
5. State in a footnote if any capital stock which has been nominally issued is nominally outstanding at end of year.
Give particulars (details) in column (a) of any nominally issued capital stock, reacquired stock, or stock in sinking and other funds which is pledged, stating name of pledgee and purposes of pledge.

OUTSTANDING PER BALANCE SHEET (Total amount outstanding without reduction for amounts held by respondent)		HELD BY RESPONDENT				Line No.
		AS REACQUIRED STOCK (Account 217)		IN SINKING AND OTHER FUNDS		
Shares (e)	Amount (f)	Shares (g)	Cost (h)	Shares (i)	Amount (j)	
585,333	8,779,995					1
585,333	8,779,995					2
						3
						4
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

OTHER PAID-IN CAPITAL (Accounts 208-211, inc.)

Report below the balance at the end of the year and the information specified below for the respective other paid-in capital accounts. Provide a subheading for each account and show a total for the account, as well as total of all accounts for reconciliation with balance sheet, Page 112. Add more columns for any account if deemed necessary. Explain changes made in any account during the year and give the accounting entries effecting such change.

(a) Donations Received from Stockholders (Account 208)-State amount and give brief explanation of the origin and purpose of each donation.

(b) Reduction in Par or Stated value of Capital Stock (Account 209): State amount and give brief explanation of the capital change which gave rise to amounts reported under this caption including identification with the class and series of stock to which related.

(c) Gain on Resale or Cancellation of Reacquired Capital Stock (Account 210): Report balance at beginning of year, credits, debits, and balance at end of year with a designation of the nature of each credit and debit identified by the class and series of stock to which related.

(d) Miscellaneous Paid-in Capital (Account 211)-Classify amounts included in this account according to captions which, together with brief explanations, disclose the general nature of the transactions which gave rise to the reported amounts.

Line No.	Item (a)	Amount (b)
1	Account 208 Donations Received from Stockholders	
2	Balance - Beginning of Year	148,811,383
3		
4		
5		
6		
7	Subtotal Balance - End of Year	148,811,383
8		
9		
10	Account 211 - Miscellaneous Paid-In Capital	
11	Balance - Beginning of Year	14,843,806
12	Equity Infusion	35,000,000
13	Subtotal Balance - End of Year	49,843,806
14		
15		
16		
17		
18		
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21		
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25		
26		
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39		
40	TOTAL	198,655,189

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) _ An Original (2) X A Resubmission	04/26/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 253 Line No.: 12 Column: b

Equity infusion of $35M from Parent.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

CAPITAL STOCK EXPENSE (Account 214)

1. Report the balance at end of the year of discount on capital stock for each class and series of capital stock.
2. If any change occurred during the year in the balance in respect to any class or series of stock, attach a statement giving particulars (details) of the change. State the reason for any charge-off of capital stock expense and specify the account charged.

Line No.	Class and Series of Stock (a)	Balance at End of Year (b)
1	None	
2		
3		
4		
5		
6		
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22	TOTAL	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

LONG-TERM DEBT (Account 221, 222, 223 and 224)

1. Report by balance sheet account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other long-Term Debt.
2. In column (a), for new issues, give Commission authorization numbers and dates.
3. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.
4. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
5. For receivers, certificates, show in column (a) the name of the court -and date of court order under which such certificates were issued.
6. In column (b) show the principal amount of bonds or other long-term debt originally issued.
7. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.
8. For column (c) the total expenses should be listed first for each issuance, then the amount of premium (in parentheses) or discount. Indicate the premium or discount with a notation, such as (P) or (D). The expenses, premium or discount should not be netted.
9. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.

Line No.	Class and Series of Obligation, Coupon Rate (For new issue, give commission Authorization numbers and dates) (a)	Principal Amount Of Debt issued (b)	Total expense, Premium or Discount (c)
1	ACCOUNT 221 - NONE		
2	ACCOUNTS 222 & 223		
3	Intercompany Moneypool Notes Payable-Long Term, 2.794%	25,000,000	
4	SUBTOTAL ACCOUNT 222 & 223	25,000,000	
5			
6	ACCOUNT 224		
7	UNSECURED DEBENTURES:		
8	6.20% SERIES DUE IN 2036	65,000,000	653,550
9			367,900 D
10	2008 SERIES A POLLUTION CONTROL REFUNDING BONDS DUE IN 2027	50,000,000	705,545
11			
12	2010 SERIES POLLUTION CONTROL REFUNDING BONDS DUE IN 2027	26,720,000	1,029,608
13			
14	3.42% SERIES DUE IN 2026	45,000,000	220,191
15			
16	4.45% SERIES DUE IN 2046	50,000,000	247,535
17			
18	4.65% SERIES DUE IN 2019	100,000,000	756,468
19			374,000 D
20	3.35% SERIES DUE IN 2029	30,000,000	124,475
21			
22	4.11% SERIES DUE IN 2047	30,000,000	124,475
23			
24	4.26% SERIES DUE IN 2057	30,000,000	124,475
25			
26	4.01% SERIES DUE IN 2023	25,000,000	111,522
27			
28	4.18% SERIES DUE IN 2028	40,000,000	156,522
29			
30	4.62% SERIES DUE IN 2048	35,000,000	141,522
31			
32	SUBTOTAL ACCOUNT 224	526,720,000	5,137,788
33	TOTAL	551,720,000	5,137,788

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

LONG-TERM DEBT (Account 221, 222, 223 and 224)

1. Report by balance sheet account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other long-Term Debt.
2. In column (a), for new issues, give Commission authorization numbers and dates.
3. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.
4. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
5. For receivers, certificates, show in column (a) the name of the court -and date of court order under which such certificates were issued.
6. In column (b) show the principal amount of bonds or other long-term debt originally issued.
7. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.
8. For column (c) the total expenses should be listed first for each issuance, then the amount of premium (in parentheses) or discount. Indicate the premium or discount with a notation, such as (P) or (D). The expenses, premium or discount should not be netted.
9. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.

Line No.	Class and Series of Obligation, Coupon Rate (For new issue, give commission Authorization numbers and dates) (a)	Principal Amount Of Debt issued (b)	Total expense, Premium or Discount (c)
1	See footnote		
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
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30			
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32			
33	TOTAL	551,720,000	5,137,788

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

LONG-TERM DEBT (Account 221, 222, 223 and 224) (Continued)

10. Identify separate undisposed amounts applicable to issues which were redeemed in prior years.
11. Explain any debits and credits other than debited to Account 428, Amortization and Expense, or credited to Account 429, Premium on Debt - Credit.
12. In a footnote, give explanatory (details) for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year, (b) interest added to principal amount, and (c) principle repaid during year. Give Commission authorization numbers and dates.
13. If the respondent has pledged any of its long-term debt securities give particulars (details) in a footnote including name of pledgee and purpose of the pledge.
14. If the respondent has any long-term debt securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
15. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (i). Explain in a footnote any difference between the total of column (i) and the total of Account 427, interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.
16. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued.

Nominal Date of Issue (d)	Date of Maturity (e)	AMORTIZATION PERIOD Date From (f)	Date To (g)	Outstanding (Total amount outstanding without reduction for amounts held by respondent) (h)	Interest for Year Amount (i)	Line No.
						1
						2
12/15/2014	03/16/2023			25,000,000	566,390	3
				25,000,000	566,390	4
						5
						6
						7
03/07/2006	03/10/2036	03/10/2006	03/10/2036	65,000,000	4,030,000	8
						9
12/11/2008	08/01/2027	12/11/2008	08/01/2027	50,000,000	1,320,995	10
						11
11/24/2010	08/01/2027	11/24/2010	08/01/2027	26,720,000	308,261	12
						13
01/05/2016	01/15/2026	01/05/2016	01/15/2026	45,000,000	1,539,000	14
						15
01/05/2016	01/15/2046	01/05/2016	01/15/2046	50,000,000	2,225,000	16
						17
09/22/2009	10/01/2019	09/22/2009	10/01/2019	100,000,000	4,650,000	18
						19
09/07/2017	09/15/2029	09/07/2017	09/15/2029	30,000,000	1,005,000	20
						21
09/07/2017	09/15/2047	09/07/2017	09/15/2047	30,000,000	1,233,000	22
						23
09/07/2017	09/15/2057	09/07/2017	09/15/2057	30,000,000	1,278,000	24
						25
10/03/2018	10/15/2023	10/03/2018	10/15/2023	25,000,000	245,056	26
						27
10/03/2018	10/15/2028	10/03/2018	10/15/2028	40,000,000	408,711	28
						29
12/12/2018	12/15/2048	12/12/2018	12/15/2048	35,000,000	85,342	30
						31
				526,720,000	18,328,365	32
				551,720,000	18,894,755	33

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

LONG-TERM DEBT (Account 221, 222, 223 and 224) (Continued)

10. Identify separate undisposed amounts applicable to issues which were redeemed in prior years.
11. Explain any debits and credits other than debited to Account 428, Amortization and Expense, or credited to Account 429, Premium on Debt - Credit.
12. In a footnote, give explanatory (details) for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year, (b) interest added to principal amount, and (c) principle repaid during year. Give Commission authorization numbers and dates.
13. If the respondent has pledged any of its long-term debt securities give particulars (details) in a footnote including name of pledgee and purpose of the pledge.
14. If the respondent has any long-term debt securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
15. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (i). Explain in a footnote any difference between the total of column (i) and the total of Account 427, interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.
16. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued.

Nominal Date of Issue (d)	Date of Maturity (e)	AMORTIZATION PERIOD Date From (f)	Date To (g)	Outstanding (Total amount outstanding without reduction for amounts held by respondent) (h)	Interest for Year Amount (i)	Line No.
						1
						2
						3
						4
						5
						6
						7
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				551,720,000	18,894,755	33

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) __ An Original (2) X A Resubmission	04/26/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 256 Line No.: 12 Column: a

The interest rate varies on this pollution control bond.

Schedule Page: 256.1 Line No.: 1 Column: a

On December 16, 2016 the Kentucky PSC approved Duke Energy Kentucky's long-term financing application authorizing the issuance of up to $200 million of secured and/or unsecured notes, and $76.72 million of tax-exempt private activity bonds to refund existing tax exempt bonds. Authorization expires 12/31/2018.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.
2. If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be field, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group member, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.
3. A substitute page, designed to meet a particular need of a company, may be used as Long as the data is consistent and meets the requirements of the above instructions. For electronic reporting purposes complete Line 27 and provide the substitute Page in the context of a footnote.

Line No.	Particulars (Details) (a)	Amount (b)
1	Net Income for the Year (Page 117)	49,809,221
2		
3		
4	Taxable Income Not Reported on Books	
5	Contributions in Aid of Construction	4,493,669
6		
7		
8		
9	Deductions Recorded on Books Not Deducted for Return	
10	Federal and State Income Tax Deducted for Books	13,473,554
11	Other Deductions Recorded on Books Not Deducted for Return	121,425,614
12		
13		
14	Income Recorded on Books Not Included in Return	
15	Allowance for Funds Used During Construction	5,132,932
16		
17		
18		
19	Deductions on Return Not Charged Against Book Income	
20	Deductions on Return Not Charged Against Book Income	248,705,201
21		
22		
23		
24		
25		
26		
27	Federal Tax Net Income	-64,636,075
28	Show Computation of Tax:	
29	Provision for Federal Income Tax @ 21%	-13,573,576
30	NOLs	7,532,430
31	True Up Entries	-9,545,303
32	Other Benefits	41,671
33		
34	Total Federal Income Tax Provision	-15,544,778
35		
36		
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44		

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) _ An Original (2) X A Resubmission	04/26/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 261 Line No.: 11 Column: b

Demand Side Management (DSM) Defer	$ 1,217,962
Reg Liability - Rate Case Expense - Amortization - NC	1,425,833
Reg Asset Storm Damage Recovery	1,637,564
Miscellaneous NC Taxable Income Adj - DTA	1,910,913
Reg Liab RSLI & Other Misc Dfd Costs	2,132,750
Reg Asset-Pension Post Retirement PAA-FAS87Qual and Oth	2,442,825
Tax Interest Capitalized	3,399,253
Retirement Plan Expense - Underfunded	4,428,610
ARO Regulatory Asset	4,667,631
Regulatory Asset - Deferred Plant Costs	7,096,820
Asset Retirement Obligation	13,336,314
Coal Ash Spend Reg Asset Deferral - Retail (NC & MW)	14,701,050
Book Depreciation/Amortization	58,059,714
Other	4,968,375
Total	$ 121,425,614

Schedule Page: 261 Line No.: 20 Column: b

State Income Tax Expense	$ (1,729,906)
Reg Asset - Plant Related Retirements	1,201,763
ARO Regulatory Asset - Coal Ash	6,337,563
Reg Asset - Transition from MISO to PJM	1,461,837
Reg Asset/Liab Def Revenue	1,951,786
Miscellaneous NC Taxable Income Adj - DTL	2,292,175
Reg Asset_Liab - Outage Costs	2,404,160
T & D Repairs - Annual Adj.	2,900,000
Non-AMI Meters Retired Early - NBV	5,366,202
Retirement Plan Expense - Overfunded	6,074,252
Asset Retirement Costs - Coal Ash	12,117,034
Coal Ash Spend Reg Asset Approved - Retail (NC & MW)	15,948,167
Tax Depreciation/Amortization	187,405,015
Other	4,975,153
Total	$ 248,705,201

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR

1. Give particulars (details) of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual, or estimated amounts of such taxes are know, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes.) Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b)amounts credited to proportions of prepaid taxes chargeable to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

Line No.	Kind of Tax (See instruction 5) (a)	BALANCE AT BEGINNING OF YEAR Taxes Accrued (Account 236) (b)	Prepaid Taxes (Include in Account 165) (c)	Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjust-ments (f)
1						
2	FEDERAL TAXES					
3						
4	INCOME	2,616,704		-15,544,778	-16,064,333	-1,236,562
5	FUEL TAXES			1,634	1,634	
6	FEDERAL INSURANCE	64,583		2,501,753	1,516,244	-989,033
7	UNEMPLOYMENT	282		10,758	9,912	-918
8						
9						
10	STATE TAXES:					
11						
12	INCOME	1,281,263		-1,794,063	600,608	
13	UNEMPLOYMENT	494		9,250	9,543	
14	PROPERTY	1,918,994		2,089,957	1,860,013	
15	SALES & USE TAXES	633,589		93,830	3,466,073	2,930,100
16	FRANCHISE					
17						
18						
19						
20	OTHER:					
21						
22	PROPERTY	9,537,610		10,387,312	9,244,469	-72,360
23						
24						
25						
26						
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36						
37						
38						
39						
40						
41	TOTAL	16,053,519		-2,244,347	644,163	631,227

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)

5. If any tax (exclude Federal and State income taxes)- covers more then one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a foot- note. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Report in columns (i) through (l) how the taxes were distributed. Report in column (l) only the amounts charged to Accounts 408.1 and 409.1 pertaining to electric operations. Report in column (l) the amounts charged to Accounts 408.1 and 109.1 pertaining to other utility departments and amounts charged to Accounts 408.2 and 409.2. Also shown in column (l) the taxes charged to utility plant or other balance sheet accounts.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.

BALANCE AT END OF YEAR		DISTRIBUTION OF TAXES CHARGED				
(Taxes accrued Account 236) (g)	Prepaid Taxes (Incl. in Account 165) (h)	Electric (Account 408.1, 409.1) (i)	Extraordinary Items (Account 409.3) (j)	Adjustments to Ret. Earnings (Account 439) (k)	Other (l)	Line No.
						1
						2
						3
1,899,696		-14,264,509			-1,280,269	4
		1,217			416	5
61,058		1,867,087			634,667	6
211		7,813			2,944	7
						8
						9
						10
						11
-1,113,408		-2,541,597			747,535	12
201		6,702			2,547	13
2,148,938		1,601,742			488,215	14
191,446		-12,883			106,713	15
						16
						17
						18
						19
						20
						21
10,608,093		7,960,833			2,426,480	22
						23
						24
						25
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						29
						30
						31
						32
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						40
13,796,235		-5,373,595			3,129,248	41

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255)

Report below information applicable to Account 255. Where appropriate, segregate the balances and transactions by utility and nonutility operations. Explain by footnote any correction adjustments to the account balance shown in column (g).Include in column (i) the average period over which the tax credits are amortized.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Deferred for Year Account No. (c)	Deferred for Year Amount (d)	Allocations to Current Year's Income Account No. (e)	Allocations to Current Year's Income Amount (f)	Adjustments (g)
1	Electric Utility						
2	3%						
3	4%						
4	7%						
5	10%	12,542			411.4	11,335	
6	30%	3,253,589					-236,282
7							
8	TOTAL	3,266,131				11,335	-236,282
9	Other (List separately and show 3%, 4%, 7%, 10% and TOTAL)						
10							
11	Gas - 3%						
12	Gas - 4%	9,874			411.4	3,280	
13	Gas - 10%	560,956			411.4	63,950	
14							
15	TOTAL - Gas	570,830				67,230	
16							
17							
18	Other - 10%						
19							
20	TOTAL - Other						
21							
22							
23		3,836,961				314,847	
24							
25							
26							
27							
28							
30							
31							
32							
33							
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48							

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

ACCUMULATED DEFERRED INVESTMENT TAX CREDITS (Account 255) (continued)

Balance at End of Year (h)	Average Period of Allocation to Income (i)	ADJUSTMENT EXPLANATION	Line No.
			1
			2
			3
			4
1,207	30 Years		5
3,017,307	25 Years		6
			7
3,018,514			8
			9
			10
			11
6,594	46 Years		12
497,006	45 Years		13
			14
503,600			15
			16
			17
			18
			19
			20
			21
			22
3,522,114			23
			24
			25
			26
			27
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			47
			48

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

OTHER DEFFERED CREDITS (Account 253)

1. Report below the particulars (details) called for concerning other deferred credits.
2. For any deferred credit being amortized, show the period of amortization.
3. Minor items (5% of the Balance End of Year for Account 253 or amounts less than $100,000, whichever is greater) may be grouped by classes.

Line No.	Description and Other Deferred Credits (a)	Balance at Beginning of Year (b)	DEBITS Contra Account (c)	DEBITS Amount (d)	Credits (e)	Balance at End of Year (f)
1	MISO MTEP Accrual	15,309,319	146, 561	2,018,449	656,520	13,947,390
2						
3	MGP Reserve	670,000	146	201,467	201,467	670,000
4						
5	Gas Refunds	-424,113	191	381,031	661,587	-143,557
6						
7	FTR MTM gains/losses	285,016	175	893,364	770,014	161,666
8						
9	Deferred Revenue -Outdoor Lighting	150,290	146, 415	26,886	121,396	244,800
10						
11						
12						
13						
14						
15						
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18						
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46						
47	TOTAL	15,990,512		3,521,197	2,410,984	14,880,299

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED AMORTIZATION PROPERTY (Account 281)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes rating to amortizable property.
2. For other (Specify),include deferrals relating to other income and deductions.

Line No.	Account	Balance at Beginning of Year	CHANGES DURING YEAR	
			Amounts Debited to Account 410.1	Amounts Credited to Account 411.1
	(a)	(b)	(c)	(d)
1	Accelerated Amortization (Account 281)			
2	Electric			
3	Defense Facilities			
4	Pollution Control Facilities	499,676		
5	Other (provide details in footnote):			
6				
7				
8	TOTAL Electric (Enter Total of lines 3 thru 7)	499,676		
9	Gas			
10	Defense Facilities			
11	Pollution Control Facilities			
12	Other (provide details in footnote):			
13				
14				
15	TOTAL Gas (Enter Total of lines 10 thru 14)			
16				
17	TOTAL (Acct 281) (Total of 8, 15 and 16)	499,676		
18	Classification of TOTAL			
19	Federal Income Tax	430,256		
20	State Income Tax	69,420		
21	Local Income Tax			

NOTES

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

ACCUMULATED DEFERRED INCOME TAXES _ ACCELERATED AMORTIZATION PROPERTY (Account 281) (Continued)

3. Use footnotes as required.

CHANGES DURING YEAR		ADJUSTMENTS					
		Debits		Credits			
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Account Credited (g)	Amount (h)	Account Debited (i)	Amount (j)	Balance at End of Year (k)	Line No.
							1
							2
							3
		282	499,676				4
							5
							6
							7
			499,676				8
							9
							10
							11
							12
							13
							14
							15
							16
			499,676				17
							18
			430,256				19
			69,420				20
							21

NOTES (Continued)

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

ACCUMULATED DEFFERED INCOME TAXES - OTHER PROPERTY (Account 282)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes rating to property not subject to accelerated amortization
2. For other (Specify),include deferrals relating to other income and deductions.

Line No.	Account (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR Amounts Debited to Account 410.1 (c)	Amounts Credited to Account 411.1 (d)
1	Account 282			
2	Electric	129,657,967	50,305,854	11,699,663
3	Gas	60,878,622	10,163,948	4,985,600
4				
5	TOTAL (Enter Total of lines 2 thru 4)	190,536,589	60,469,802	16,685,263
6	Other - Non-Utility	28,122,287		
7				
8				
9	TOTAL Account 282 (Enter Total of lines 5 thru	218,658,876	60,469,802	16,685,263
10	Classification of TOTAL			
11	Federal Income Tax	178,716,064	52,604,831	14,122,379
12	State Income Tax	39,942,812	7,864,971	2,562,884
13	Local Income Tax			

NOTES

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

ACCUMULATED DEFERRED INCOME TAXES - OTHER PROPERTY (Account 282) (Continued)

3. Use footnotes as required.

CHANGES DURING YEAR		ADJUSTMENTS					
Amounts Debited to Account 410.2	Amounts Credited to Account 411.2	Debits		Credits		Balance at End of Year	Line No.
		Account Credited	Amount	Account Debited	Amount		
(e)	(f)	(g)	(h)	(i)	(j)	(k)	
							1
269,128	134,406	BSO	680,152	BSO	30,854,698	198,573,426	2
43,858	43,180	BSO	3,328,036	BSO	43,288	62,772,900	3
							4
312,986	177,586		4,008,188		30,897,986	261,346,326	5
		BSO	30,597,757	BSO	2,475,470		6
							7
							8
312,986	177,586		34,605,945		33,373,456	261,346,326	9
							10
175,159	-740,813		33,277,531		33,373,456	218,210,413	11
137,827	918,399		1,328,414			43,135,913	12
							13

NOTES (Continued)

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

ACCUMULATED DEFFERED INCOME TAXES - OTHER (Account 283)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to amounts recorded in Account 283.
2. For other (Specify),include deferrals relating to other income and deductions.

Line No.	Account (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR: Amounts Debited to Account 410.1 (c)	CHANGES DURING YEAR: Amounts Credited to Account 411.1 (d)
1	Account 283			
2	Electric			
3		21,782,350	8,797,988	5,989,428
4				
5				
6				
7				
8				
9	TOTAL Electric (Total of lines 3 thru 8)	21,782,350	8,797,988	5,989,428
10	Gas			
11		3,862,473	608,635	615,134
12				
13				
14				
15				
16				
17	TOTAL Gas (Total of lines 11 thru 16)	3,862,473	608,635	615,134
18	Other - Non-Utility	5,120		
19	TOTAL (Acct 283) (Enter Total of lines 9, 17 and 18)	25,649,943	9,406,623	6,604,562
20	Classification of TOTAL			
21	Federal Income Tax	20,218,615	7,590,301	5,345,003
22	State Income Tax	5,431,328	1,816,322	1,259,559
23	Local Income Tax			

NOTES

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

ACCUMULATED DEFERRED INCOME TAXES - OTHER (Account 283) (Continued)

3. Provide in the space below explanations for Page 276 and 277. Include amounts relating to insignificant items listed under Other.
4. Use footnotes as required.

CHANGES DURING YEAR		ADJUSTMENTS					
		Debits		Credits			
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Account Credited (g)	Amount (h)	Account Debited (i)	Amount (j)	Balance at End of Year (k)	Line No.
							1
							2
		BSO	272,240			24,318,670	3
							4
							5
							6
							7
							8
			272,240			24,318,670	9
							10
		BSO	44,301			3,811,673	11
							12
							13
							14
							15
							16
			44,301			3,811,673	17
	5,120						18
	5,120		316,541			28,130,343	19
							20
	4,035		-63,381			22,523,259	21
	1,085		379,922			5,607,084	22
							23

NOTES (Continued)

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

OTHER REGULATORY LIABILITIES (Account 254)

1. Report below the particulars (details) called for concerning other regulatory liabilities, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 254 at end of period, or amounts less than $100,000 which ever is less), may be grouped by classes.
3. For Regulatory Liabilities being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Liabilities (a)	Balance at Begining of Current Quarter/Year (b)	DEBITS Account Credited (c)	DEBITS Amount (d)	Credits (e)	Balance at End of Current Quarter/Year (f)
1	INCOME TAXES	1,277,495	Various	3,344,286	3,236,142	1,169,351
2						
3	PENSION COSTS	4,832,653	Various	205,319	578,303	5,205,637
4						
5	REG LIAB-EXCESS ADIT	133,277,803	Various	1,554,552,160	1,527,095,559	105,821,202
6						
7	REG LIAB-EXCESS ADIT GROSSUP		Various	1,356,100,763	1,390,378,098	34,277,335
8						
9	DSM ENERGY EFFICIENCY		N/A		3,128,875	3,128,875
10						
11	ENVIRONMENTAL SURCHARGE MECHANISM		N/A		1,425,833	1,425,833
12						
13						
14						
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27						
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32						
33						
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35						
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37						
38						
39						
40						
41	TOTAL	139,387,951		2,914,202,528	2,925,842,810	151,028,233

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) _ An Original (2) X A Resubmission	04/26/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 278 Line No.: 1 Column: c

Offsetting accounts are: 182.3, 190, 236, 254, 255, 281, 282, 283, 409, 410, 411.

Schedule Page: 278 Line No.: 3 Column: c

Offsetting accounts are: 146, 182.3, 228, 926.

Schedule Page: 278 Line No.: 5 Column: c

Offsetting accounts are: 182.3, 190, 236, 254, 255, 281, 282, 283, 409, 410, 411.

Schedule Page: 278 Line No.: 7 Column: c

Offsetting accounts are: 182.3, 190, 236, 254, 255, 281, 282, 283, 409, 410, 411.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

ELECTRIC OPERATING REVENUES (Account 400)

1. The following instructions generally apply to the annual version of these pages. Do not report quarterly data in columns (c), (e), (f), and (g). Unbilled revenues and MWH related to unbilled revenues need not be reported separately as required in the annual version of these pages.
2. Report below operating revenues for each prescribed account, and manufactured gas revenues in total.
3. Report number of customers, columns (f) and (g), on the basis of meters, in addition to the number of flat rate accounts; except that where separate meter readings are added for billing purposes, one customer should be counted for each group of meters added. The -average number of customers means the average of twelve figures at the close of each month.
4. If increases or decreases from previous period (columns (c),(e), and (g)), are not derived from previously reported figures, explain any inconsistencies in a footnote.
5. Disclose amounts of $250,000 or greater in a footnote for accounts 451, 456, and 457.2.

Line No.	Title of Account (a)	Operating Revenues Year to Date Quarterly/Annual (b)	Operating Revenues Previous year (no Quarterly) (c)
1	Sales of Electricity		
2	(440) Residential Sales	142,431,021	121,488,425
3	(442) Commercial and Industrial Sales		
4	Small (or Comm.) (See Instr. 4)	123,508,733	107,308,632
5	Large (or Ind.) (See Instr. 4)	58,304,530	50,490,483
6	(444) Public Street and Highway Lighting	1,612,492	1,561,771
7	(445) Other Sales to Public Authorities	22,811,549	19,995,417
8	(446) Sales to Railroads and Railways		
9	(448) Interdepartmental Sales	52,752	80,798
10	TOTAL Sales to Ultimate Consumers	348,721,077	300,925,526
11	(447) Sales for Resale	11,565,891	26,742,669
12	TOTAL Sales of Electricity	360,286,968	327,668,195
13	(Less) (449.1) Provision for Rate Refunds	-305,821	200,108
14	TOTAL Revenues Net of Prov. for Refunds	360,592,789	327,468,087
15	Other Operating Revenues		
16	(450) Forfeited Discounts		
17	(451) Miscellaneous Service Revenues	247,067	306,272
18	(453) Sales of Water and Water Power		29,458
19	(454) Rent from Electric Property	1,069,299	1,108,999
20	(455) Interdepartmental Rents		
21	(456) Other Electric Revenues	2,679,258	895,770
22	(456.1) Revenues from Transmission of Electricity of Others	18,763,040	2,822,950
23	(457.1) Regional Control Service Revenues	215,052	242,391
24	(457.2) Miscellaneous Revenues	2,457,931	2,034,102
25			
26	TOTAL Other Operating Revenues	25,431,647	7,439,942
27	TOTAL Electric Operating Revenues	386,024,436	334,908,029

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

ELECTRIC OPERATING REVENUES (Account 400)

6. Commercial and industrial Sales, Account 442, may be classified according to the basis of classification (Small or Commercial, and Large or Industrial) regularly used by the respondent if such basis of classification is not generally greater than 1000 Kw of demand. (See Account 442 of the Uniform System of Accounts. Explain basis of classification in a footnote.)
7. See pages 108-109, Important Changes During Period, for important new territory added and important rate increase or decreases.
8. For Lines 2,4,5,and 6, see Page 304 for amounts relating to unbilled revenue by accounts.
9. Include unmetered sales. Provide details of such Sales in a footnote.

MEGAWATT HOURS SOLD		AVG.NO. CUSTOMERS PER MONTH		Line No.
Year to Date Quarterly/Annual (d)	Amount Previous year (no Quarterly) (e)	Current Year (no Quarterly) (f)	Previous Year (no Quarterly) (g)	
				1
1,547,286	1,406,689	126,987	125,795	2
				3
1,475,182	1,454,877	13,648	13,710	4
813,301	801,755	360	365	5
14,317	15,077	452	447	6
282,832	277,956	946	956	7
				8
689	1,136			9
4,133,607	3,957,490	142,393	141,273	10
507,428	950,582	1	1	11
4,641,035	4,908,072	142,394	141,274	12
				13
4,641,035	4,908,072	142,394	141,274	14

Line 12, column (b) includes $ -506,239 of unbilled revenues.
Line 12, column (d) includes -23,998 MWH relating to unbilled revenues

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) _ An Original (2) X A Resubmission	(Mo, Da, Yr) 04/26/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 300   Line No.: 17   Column: b

Green Power Revenue	$	5,072
Jobbing and Contract Work		(1,446)
Non-Utility Miscellaneous Revenue		144,927
Power Delivery Revenue		98,514
Total	$	247,067

Schedule Page: 300   Line No.: 17   Column: c

Green Power Revenue	$	6,800
Jobbing and Contract Work		16,943
Non-Utility Miscellaneous Revenue		99,079
Disconnecting for Non-Pay		183,450
Total	$	306,272

Schedule Page: 300   Line No.: 21   Column: b

RSG Revenue - MISO Make Whole	$	2,646,176
Sales & Use Tax Collection Fee		600
Data Processing Service		920
Profit or Loss on Sale of M&S		(232)
Gross Up-Contr In Aid Of Const		31,794
Total	$	2,679,258

Schedule Page: 300   Line No.: 21   Column: c

RSG Revenue - MISO Make Whole	$	872,225
Sales & Use Tax Collection Fee		600
Data Processing Service		224
Profit or Loss on Sale of M&S		2,088
Gross Up-Contr In Aid Of Const		20,633
Total	$	895,770

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

REGIONAL TRANSMISSION SERVICE REVENUES (Account 457.1)

1. The respondent shall report below the revenue collected for each service (i.e., control area administration, market administration, etc.) performed pursuant to a Commission approved tariff. All amounts separately billed must be detailed below.

Line No.	Description of Service (a)	Balance at End of Quarter 1 (b)	Balance at End of Quarter 2 (c)	Balance at End of Quarter 3 (d)	Balance at End of Year (e)
1	Scheduling, System Control and Dispatch	62,848	120,298	173,288	215,052
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
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44					
45					
46	TOTAL	62,848	120,298	173,288	215,052

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

SALES OF ELECTRICITY BY RATE SCHEDULES

1. Report below for each rate schedule in effect during the year the MWH of electricity sold, revenue, average number of customer, average Kwh per customer, and average revenue per Kwh, excluding date for Sales for Resale which is reported on Pages 310-311.
2. Provide a subheading and total for each prescribed operating revenue account in the sequence followed in "Electric Operating Revenues," Page 300-301. If the sales under any rate schedule are classified in more than one revenue account, List the rate schedule and sales data under each applicable revenue account subheading.
3. Where the same customers are served under more than one rate schedule in the same revenue account classification (such as a general residential schedule and an off peak water heating schedule), the entries in column (d) for the special schedule should denote the duplication in number of reported customers.
4. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (12 if all billings are made monthly).
5. For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto.
6. Report amount of unbilled revenue as of end of year for each applicable revenue account subheading.

Line No.	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
1	(440) RESIDENTIAL OR					
2	DOMESTIC SALES					
3						
4						
5	RESIDENTIAL SERVICE					
6	SHEET 30 (1)	1,563,656	143,480,543	126,987	12,314	0.0918
7	SHEET 32 (2)					
8	SHEET 40 (3)					
9	SHEET 41 (4)					
10						
11	OUTDOOR LIGHTING SERVICE					
12	SHEET 65 (5)		12			
13	SHEET 67 (6)		19			
14						
15	UNBILLED REVENUE	-16,370	-1,049,553			0.0641
16						
17	TOTAL (440) RESIDENTIAL	1,547,286	142,431,021	126,987	12,185	0.0921
18						
19						
20						
21						
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23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
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36						
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38						
39						
40						
41	TOTAL Billed	4,157,605	349,227,316	142,393	29,198	0.0840
42	Total Unbilled Rev.(See Instr. 6)	-23,998	-506,239	0	0	0.0211
43	TOTAL	4,133,607	348,721,077	142,393	29,030	0.0844

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

SALES OF ELECTRICITY BY RATE SCHEDULES

1. Report below for each rate schedule in effect during the year the MWH of electricity sold, revenue, average number of customer, average Kwh per customer, and average revenue per Kwh, excluding date for Sales for Resale which is reported on Pages 310-311.
2. Provide a subheading and total for each prescribed operating revenue account in the sequence followed in "Electric Operating Revenues," Page 300-301. If the sales under any rate schedule are classified in more than one revenue account, List the rate schedule and sales data under each applicable revenue account subheading.
3. Where the same customers are served under more than one rate schedule in the same revenue account classification (such as a general residential schedule and an off peak water heating schedule), the entries in column (d) for the special schedule should denote the duplication in number of reported customers.
4. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (12 if all billings are made monthly).
5. For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto.
6. Report amount of unbilled revenue as of end of year for each applicable revenue account subheading.

Line No.	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
1	COMMERCIAL AND INDUSTRIAL					
2						
3	RESIDENTIAL SERVICE					
4	SHEET 30 (7)	10,660	1,046,427	1,503	7,092	0.0982
5						
6	DISTRIBUTION SERVICE					
7	SHEET 40 (8)	948,000	84,759,027	11,865	79,899	0.0894
8	SHEET 42 (9)	4,327	308,744	75	57,693	0.0714
9	SHEET 43 (10)	41	3,547			0.0865
10	SHEET 44 (11)	6,063	554,285	125	48,504	0.0914
11						
12	PRIMARY SERVICE					
13	SHEET 45 (12)	14,181	1,126,788	6	2,363,500	0.0795
14						
15	TIME OF DAY DISTRIBUTION					
16	SERVICES					
17	SHEET 41 (13)	1,046,127	75,646,950	173	6,046,977	0.0723
18						
19	TIME OF DAY TRANSMISSION					
20	SERVICE					
21	SHEET 51 (14)	202,727	12,266,642	6	33,787,833	0.0605
22						
23	OUTDOOR LIGHTING SERVICE					
24	SHEET 62(15)	3,370	394,697	41	82,195	0.1171
25	SHEET 65 (16)	10	1,093			0.1093
26	SHEET 67					
27						
28	TRAFFIC LIGHTING SERVICE					
29	SHEET 61 (17)	1	46			0.0460
30						
31	STREET LIGHTING SERVICE					
32	SHEET 60 (18)	114	44,131	38	3,000	0.3871
33	SHEET 69 (19)	210	31,615	31	6,774	0.1505
34						
35						
36						
37						
38						
39						
40						
41	TOTAL Billed	4,157,605	349,227,316	142,393	29,198	0.0840
42	Total Unbilled Rev.(See Instr. 6)	-23,998	-506,239	0	0	0.0211
43	TOTAL	4,133,607	348,721,077	142,393	29,030	0.0844

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

SALES OF ELECTRICITY BY RATE SCHEDULES

1. Report below for each rate schedule in effect during the year the MWH of electricity sold, revenue, average number of customer, average Kwh per customer, and average revenue per Kwh, excluding date for Sales for Resale which is reported on Pages 310-311.
2. Provide a subheading and total for each prescribed operating revenue account in the sequence followed in "Electric Operating Revenues," Page 300-301. If the sales under any rate schedule are classified in more than one revenue account, List the rate schedule and sales data under each applicable revenue account subheading.
3. Where the same customers are served under more than one rate schedule in the same revenue account classification (such as a general residential schedule and an off peak water heating schedule), the entries in column (d) for the special schedule should denote the duplication in number of reported customers.
4. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (12 if all billings are made monthly).
5. For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto.
6. Report amount of unbilled revenue as of end of year for each applicable revenue account subheading.

Line No.	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
1						
2						
3						
4	SPECIAL CONTRACTS					
5	METERED (20)					
6	UNMETERED (21)					
7						
8	LOAD MANAGEMENT RIDERS					
9	SHEET 73(22)	58,669	5,133,676	145	404,614	0.0875
10	SHEET 74 (23)					
11						
12	UNBILLED REVENUE	-6,017	495,595			-0.0824
13						
14	TOTAL (442) COMMERCIAL	2,288,483	181,813,263	14,008	163,370	0.0794
15						
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27						
28						
29						
30						
31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41	TOTAL Billed	4,157,605	349,227,316	142,393	29,198	0.0840
42	Total Unbilled Rev.(See Instr. 6)	-23,998	-506,239	0	0	0.0211
43	TOTAL	4,133,607	348,721,077	142,393	29,030	0.0844

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

SALES OF ELECTRICITY BY RATE SCHEDULES

1. Report below for each rate schedule in effect during the year the MWH of electricity sold, revenue, average number of customer, average Kwh per customer, and average revenue per Kwh, excluding date for Sales for Resale which is reported on Pages 310-311.
2. Provide a subheading and total for each prescribed operating revenue account in the sequence followed in "Electric Operating Revenues," Page 300-301. If the sales under any rate schedule are classified in more than one revenue account, List the rate schedule and sales data under each applicable revenue account subheading.
3. Where the same customers are served under more than one rate schedule in the same revenue account classification (such as a general residential schedule and an off peak water heating schedule), the entries in column (d) for the special schedule should denote the duplication in number of reported customers.
4. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (12 if all billings are made monthly).
5. For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto.
6. Report amount of unbilled revenue as of end of year for each applicable revenue account subheading.

Line No.	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
1						
2	(444) PUBLIC STREET AND					
3	HIGHWAY LIGHTING					
4						
5	DISTRIBUTION SERVICE					
6	SHEET 40 (24)	1,398	127,629	24	58,250	0.0913
7						
8	STREET LIGHTING SERVICE					
9	SHEET 60(25)	9,870	1,313,413	279	35,376	0.1331
10	SHEET 66(26)	403	67,920			0.1685
11	SHEET 68 (27)					
12	SHEET 69(28)					
13	SHEET 71					
14	TRAFFIC LIGHTING SERVICE					
15	SHEET 61 (29)	2,646	103,530	149	17,758	0.0391
16						
17	UNBILLED REVENUE					
18						
19	TOTAL (444) PUBLIC STREET	14,317	1,612,492	452	31,675	0.1126
20						
21						
22						
23						
24						
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27						
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29						
30						
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32						
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34						
35						
36						
37						
38						
39						
40						
41	TOTAL Billed	4,157,605	349,227,316	142,393	29,198	0.0840
42	Total Unbilled Rev.(See Instr. 6)	-23,998	-506,239	0	0	0.0211
43	TOTAL	4,133,607	348,721,077	142,393	29,030	0.0844

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

SALES OF ELECTRICITY BY RATE SCHEDULES

1. Report below for each rate schedule in effect during the year the MWH of electricity sold, revenue, average number of customer, average Kwh per customer, and average revenue per Kwh, excluding date for Sales for Resale which is reported on Pages 310-311.
2. Provide a subheading and total for each prescribed operating revenue account in the sequence followed in "Electric Operating Revenues," Page 300-301. If the sales under any rate schedule are classified in more than one revenue account, List the rate schedule and sales data under each applicable revenue account subheading.
3. Where the same customers are served under more than one rate schedule in the same revenue account classification (such as a general residential schedule and an off peak water heating schedule), the entries in column (d) for the special schedule should denote the duplication in number of reported customers.
4. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (12 if all billings are made monthly).
5. For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto.
6. Report amount of unbilled revenue as of end of year for each applicable revenue account subheading.

Line No.	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
1						
2	(445) SALES TO OTHER PUBLIC					
3	AUTHORITIES					
4						
5	RESIDENTIAL SERVICE					
6	SHEET 30 (30)	2	273			0.1365
7						
8	DISTRIBUTION SERVICE					
9	SHEET 40(31)	107,703	10,161,730	831	129,606	0.0943
10	SHEET 42(32)	13,427	932,257	27	497,296	0.0694
11	SHEET 43 (33)	290	33,528	13	22,308	0.1156
12	SHEET 44 (34)	189	18,775	45	4,200	0.0993
13						
14	PRIMARY SERVICE					
15	SHEET 45 (35)	8,128	616,949	2	4,064,000	0.0759
16						
17	TIME OF DAY DISTRIBUTION					
18	SERVICE					
19	SHEET 41 (36)	114,564	8,442,749	17	6,739,059	0.0737
20						
21	TIME OF DAY TRANSMISSION					
22	SERVICE					
23	SHEET 51 (37)	37,602	2,313,681	4	9,400,500	0.0615
24						
25	OUTDOOR LIGHTING SERVICE					
26	SHEET 65 (38)	606	72,810			0.1201
27	SHEET 67 (39)					
28						
29	SPECIAL CONTRACTS					
30	METERED (40)					
31						
32	LOAD MANAGEMENT RIDERS					
33	SHEET 73 (41)	1,463	148,385	6	243,833	0.1014
34	SHEET 74 (42)					
35	SHEET 61 (43)	469	22,693	1	469,000	0.0484
36	SHEET 59					
37	UNBILLED REVENUE	-1,611	47,719			-0.0296
38						
39	TOTAL (445) SALES TO OTHER	282,832	22,811,549	946	298,977	0.0807
40	PUBLIC AUTHORITIES					
41	TOTAL Billed	4,157,605	349,227,316	142,393	29,198	0.0840
42	Total Unbilled Rev.(See Instr. 6)	-23,998	-506,239	0	0	0.0211
43	TOTAL	4,133,607	348,721,077	142,393	29,030	0.0844

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

SALES OF ELECTRICITY BY RATE SCHEDULES

1. Report below for each rate schedule in effect during the year the MWH of electricity sold, revenue, average number of customer, average Kwh per customer, and average revenue per Kwh, excluding date for Sales for Resale which is reported on Pages 310-311.
2. Provide a subheading and total for each prescribed operating revenue account in the sequence followed in "Electric Operating Revenues," Page 300-301. If the sales under any rate schedule are classified in more than one revenue account, List the rate schedule and sales data under each applicable revenue account subheading.
3. Where the same customers are served under more than one rate schedule in the same revenue account classification (such as a general residential schedule and an off peak water heating schedule), the entries in column (d) for the special schedule should denote the duplication in number of reported customers.
4. The average number of customers should be the number of bills rendered during the year divided by the number of billing periods during the year (12 if all billings are made monthly).
5. For any rate schedule having a fuel adjustment clause state in a footnote the estimated additional revenue billed pursuant thereto.
6. Report amount of unbilled revenue as of end of year for each applicable revenue account subheading.

Line No.	Number and Title of Rate schedule (a)	MWh Sold (b)	Revenue (c)	Average Number of Customers (d)	KWh of Sales Per Customer (e)	Revenue Per KWh Sold (f)
1						
2	(448) INTERDEPARTMENTAL	689	52,752			0.0766
3	SALES (44)					
4						
5	TOTAL (448) INTER-DEPART	689	52,752			0.0766
6						
7						
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30						
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37						
38						
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40						
41	TOTAL Billed	4,157,605	349,227,316	142,393	29,198	0.0840
42	Total Unbilled Rev.(See Instr. 6)	-23,998	-506,239	0	0	0.0211
43	TOTAL	4,133,607	348,721,077	142,393	29,030	0.0844

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) _ An Original (2) X A Resubmission	Date of Report (Mo, Da, Yr) 04/26/2019	Year/Period of Report 2018/Q4

FOOTNOTE DATA

Schedule Page: 304 Line No.: 6 Column: a

All references represent the detail of additional revenue not included in the base rates from fuel adjustment clause.
$ 7,016,397.12

Schedule Page: 304 Line No.: 12 Column: a

$ 0.47

Schedule Page: 304 Line No.: 13 Column: a

$ 0.50

Schedule Page: 304.1 Line No.: 4 Column: a

$ 45,377.46

Schedule Page: 304.1 Line No.: 7 Column: a

$ 4,467,300.12

Schedule Page: 304.1 Line No.: 8 Column: a

$ 12,823.58

Schedule Page: 304.1 Line No.: 9 Column: a

$ 196.01

Schedule Page: 304.1 Line No.: 10 Column: a

$ 27,509.20

Schedule Page: 304.1 Line No.: 13 Column: a

$ 68,027.23

Schedule Page: 304.1 Line No.: 17 Column: a

$ 4,824,518.17

Schedule Page: 304.1 Line No.: 21 Column: a

$ 867,589.00

Schedule Page: 304.1 Line No.: 24 Column: a

$ 15,311.12

Schedule Page: 304.1 Line No.: 25 Column: a

$ 47.69

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) _ An Original (2) X A Resubmission	Date of Report (Mo, Da, Yr) 04/26/2019	Year/Period of Report 2018/Q4

FOOTNOTE DATA

Schedule Page: 304.1 Line No.: 29 Column: a

$ 4.50

Schedule Page: 304.1 Line No.: 32 Column: a

$ 518.32

Schedule Page: 304.1 Line No.: 33 Column: a

$ 951.49

Schedule Page: 304.2 Line No.: 9 Column: a

$ 268,975.28

Schedule Page: 304.3 Line No.: 6 Column: a

$ 5,644.50

Schedule Page: 304.3 Line No.: 9 Column: a

$ 46,841.12

Schedule Page: 304.3 Line No.: 10 Column: a

$ 1,834.97

Schedule Page: 304.3 Line No.: 15 Column: a

$ 11,346.63

Schedule Page: 304.4 Line No.: 6 Column: a

$ 10.09

Schedule Page: 304.4 Line No.: 9 Column: a

$ 497,487.66

Schedule Page: 304.4 Line No.: 10 Column: a

$ 43,349.97

Schedule Page: 304.4 Line No.: 11 Column: a

$ 1,308.62

Schedule Page: 304.4 Line No.: 12 Column: a

$ 858.57

Schedule Page: 304.4 Line No.: 15 Column: a

$ 38,723.88

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) _ An Original (2) X A Resubmission	04/26/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 304.4 Line No.: 19 Column: a

$ 526,661.29

Schedule Page: 304.4 Line No.: 23 Column: a

$ 170,454.01

Schedule Page: 304.4 Line No.: 26 Column: a

$ 2,753.30

Schedule Page: 304.4 Line No.: 33 Column: a

$ 6,933.65

Schedule Page: 304.4 Line No.: 35 Column: a

$ 1,386.80

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

SALES FOR RESALE (Account 447)

1. Report all sales for resale (i.e., sales to purchasers other than ultimate consumers) transacted on a settlement basis other than power exchanges during the year. Do not report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges on this schedule. Power exchanges must be reported on the Purchased Power schedule (Page 326-327).
2. Enter the name of the purchaser in column (a). Do note abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the purchaser.
3. In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:
RQ - for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projected load for this service in its system resource planning). In addition, the reliability of requirements service must be the same as, or second only to, the supplier's service to its own ultimate consumers.
LF - for tong-term service. "Long-term" means five years or Longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for Long-term firm service which meets the definition of RQ service. For all transactions identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or setter can unilaterally get out of the contract.
IF - for intermediate-term firm service. The same as LF service except that "intermediate-term" means longer than one year but Less than five years.
SF - for short-term firm service. Use this category for all firm services where the duration of each period of commitment for service is one year or less.
LU - for Long-term service from a designated generating unit. "Long-term" means five years or Longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of designated unit.
IU - for intermediate-term service from a designated generating unit. The same as LU service except that "intermediate-term" means Longer than one year but Less than five years.

Line No.	Name of Company or Public Authority (Footnote Affiliations)	Statistical Classifi-cation	FERC Rate Schedule or Tariff Number	Average Monthly Billing Demand (MW)	Actual Demand (MW)	
					Average Monthly NCP Demand	Average Monthly CP Demand
	(a)	(b)	(c)	(d)	(e)	(f)
1	PJM Settlements, Inc.	OS	MBRT1			
2	PJM Settlements, Inc.	AD	MBRT1			
3	Wells Fargo Securities	OS	NJ			
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
	Subtotal RQ			0	0	0
	Subtotal non-RQ			0	0	0
	Total			**0**	**0**	**0**

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

SALES FOR RESALE (Account 447) (Continued)

OS - for other service. use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote.
AD - for Out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.
4. Group requirements RQ sales together and report them starting at line number one. After listing all RQ sales, enter "Subtotal - RQ" in column (a). The remaining sales may then be listed in any order. Enter "Subtotal-Non-RQ" in column (a) after this Listing. Enter "Total" in column (a) as the Last Line of the schedule. Report subtotals and total for columns (9) through (k)
5. In Column (c), identify the FERC Rate Schedule or Tariff Number. On separate Lines, List all FERC rate schedules or tariffs under which service, as identified in column (b), is provided.
6. For requirements RQ sales and any type of-service involving demand charges imposed on a monthly (or Longer) basis, enter the average monthly billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP)
demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.
7. Report in column (g) the megawatt hours shown on bills rendered to the purchaser.
8. Report demand charges in column (h), energy charges in column (i), and the total of any other types of charges, including out-of-period adjustments, in column (j). Explain in a footnote all components of the amount shown in column (j). Report in column (k) the total charge shown on bills rendered to the purchaser.
9. The data in column (g) through (k) must be subtotaled based on the RQ/Non-RQ grouping (see instruction 4), and then totaled on the Last -line of the schedule. The "Subtotal - RQ" amount in column (g) must be reported as Requirements Sales For Resale on Page 401, line 23. The "Subtotal - Non-RQ" amount in column (g) must be reported as Non-Requirements Sales For Resale on Page 401,iine 24.
10. Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Sold (g)	REVENUE Demand Charges ($) (h)	Energy Charges ($) (i)	Other Charges ($) (j)	Total ($) (h+i+j) (k)	Line No.
510,627	2,026,798	9,558,826		11,585,624	1
-3,199		-95,293		-95,293	2
		75,560		75,560	3
					4
					5
					6
					7
					8
					9
					10
					11
					12
					13
					14
0	0	0	0	0	
507,428	2,026,798	9,539,093	0	11,565,891	
507,428	**2,026,798**	**9,539,093**	**0**	**11,565,891**	

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) _ An Original (2) X A Resubmission	04/26/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 310 Line No.: 3 Column: c

NJ = Non-Jurisdictional Agreement

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

ELECTRIC OPERATION AND MAINTENANCE EXPENSES

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
1	1. POWER PRODUCTION EXPENSES		
2	A. Steam Power Generation		
3	Operation		
4	(500) Operation Supervision and Engineering	2,467,177	2,503,811
5	(501) Fuel	59,244,693	93,476,994
6	(502) Steam Expenses	11,457,338	12,131,869
7	(503) Steam from Other Sources		
8	(Less) (504) Steam Transferred-Cr.		
9	(505) Electric Expenses	933,344	871,079
10	(506) Miscellaneous Steam Power Expenses	2,846,615	2,262,237
11	(507) Rents	226	
12	(509) Allowances	7,200	19,444
13	TOTAL Operation (Enter Total of Lines 4 thru 12)	76,956,593	111,265,434
14	Maintenance		
15	(510) Maintenance Supervision and Engineering	2,237,531	1,770,161
16	(511) Maintenance of Structures	7,178,498	4,731,213
17	(512) Maintenance of Boiler Plant	11,206,645	5,935,527
18	(513) Maintenance of Electric Plant	6,224,144	1,148,120
19	(514) Maintenance of Miscellaneous Steam Plant	6,013,259	2,362,209
20	TOTAL Maintenance (Enter Total of Lines 15 thru 19)	32,860,077	15,947,230
21	TOTAL Power Production Expenses-Steam Power (Entr Tot lines 13 & 20)	109,816,670	127,212,664
22	B. Nuclear Power Generation		
23	Operation		
24	(517) Operation Supervision and Engineering		
25	(518) Fuel		
26	(519) Coolants and Water		
27	(520) Steam Expenses		
28	(521) Steam from Other Sources		
29	(Less) (522) Steam Transferred-Cr.		
30	(523) Electric Expenses		
31	(524) Miscellaneous Nuclear Power Expenses		
32	(525) Rents		
33	TOTAL Operation (Enter Total of lines 24 thru 32)		
34	Maintenance		
35	(528) Maintenance Supervision and Engineering		
36	(529) Maintenance of Structures		
37	(530) Maintenance of Reactor Plant Equipment		
38	(531) Maintenance of Electric Plant		
39	(532) Maintenance of Miscellaneous Nuclear Plant		
40	TOTAL Maintenance (Enter Total of lines 35 thru 39)		
41	TOTAL Power Production Expenses-Nuc. Power (Entr tot lines 33 & 40)		
42	C. Hydraulic Power Generation		
43	Operation		
44	(535) Operation Supervision and Engineering		
45	(536) Water for Power		
46	(537) Hydraulic Expenses		
47	(538) Electric Expenses		
48	(539) Miscellaneous Hydraulic Power Generation Expenses		
49	(540) Rents		
50	TOTAL Operation (Enter Total of Lines 44 thru 49)		
51	C. Hydraulic Power Generation (Continued)		
52	Maintenance		
53	(541) Mainentance Supervision and Engineering		
54	(542) Maintenance of Structures		
55	(543) Maintenance of Reservoirs, Dams, and Waterways		
56	(544) Maintenance of Electric Plant		
57	(545) Maintenance of Miscellaneous Hydraulic Plant		
58	TOTAL Maintenance (Enter Total of lines 53 thru 57)		
59	TOTAL Power Production Expenses-Hydraulic Power (tot of lines 50 & 58)		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
60	D. Other Power Generation		
61	Operation		
62	(546) Operation Supervision and Engineering	392,525	409,170
63	(547) Fuel	8,541,559	1,920,479
64	(548) Generation Expenses	342,235	334,915
65	(549) Miscellaneous Other Power Generation Expenses	948,145	965,092
66	(550) Rents		
67	TOTAL Operation (Enter Total of lines 62 thru 66)	10,224,464	3,629,656
68	Maintenance		
69	(551) Maintenance Supervision and Engineering	206,662	84,829
70	(552) Maintenance of Structures	392,714	280,302
71	(553) Maintenance of Generating and Electric Plant	247,356	2,387,546
72	(554) Maintenance of Miscellaneous Other Power Generation Plant	326,663	296,614
73	TOTAL Maintenance (Enter Total of lines 69 thru 72)	1,173,395	3,049,291
74	TOTAL Power Production Expenses-Other Power (Enter Tot of 67 & 73)	11,397,859	6,678,947
75	E. Other Power Supply Expenses		
76	(555) Purchased Power	75,625,084	31,557,546
77	(556) System Control and Load Dispatching	1,460	1,246
78	(557) Other Expenses	2,538,182	6,225,805
79	TOTAL Other Power Supply Exp (Enter Total of lines 76 thru 78)	78,164,726	37,784,597
80	TOTAL Power Production Expenses (Total of lines 21, 41, 59, 74 & 79)	199,379,255	171,676,208
81	2. TRANSMISSION EXPENSES		
82	Operation		
83	(560) Operation Supervision and Engineering	2,518	2,789
84			
85	(561.1) Load Dispatch-Reliability	93,821	94,788
86	(561.2) Load Dispatch-Monitor and Operate Transmission System	435,265	435,117
87	(561.3) Load Dispatch-Transmission Service and Scheduling	59,242	59,082
88	(561.4) Scheduling, System Control and Dispatch Services	3,046,615	1,877,059
89	(561.5) Reliability, Planning and Standards Development		1,424
90	(561.6) Transmission Service Studies		
91	(561.7) Generation Interconnection Studies		
92	(561.8) Reliability, Planning and Standards Development Services	-6,392,346	666,832
93	(562) Station Expenses	148,685	111,250
94	(563) Overhead Lines Expenses	33,532	46,121
95	(564) Underground Lines Expenses		
96	(565) Transmission of Electricity by Others	13,909,634	12,797,078
97	(566) Miscellaneous Transmission Expenses	486,517	481,220
98	(567) Rents		
99	TOTAL Operation (Enter Total of lines 83 thru 98)	11,823,483	16,572,760
100	Maintenance		
101	(568) Maintenance Supervision and Engineering		
102	(569) Maintenance of Structures	29,250	8,929
103	(569.1) Maintenance of Computer Hardware	1,011	615
104	(569.2) Maintenance of Computer Software	134,506	97,287
105	(569.3) Maintenance of Communication Equipment		
106	(569.4) Maintenance of Miscellaneous Regional Transmission Plant		
107	(570) Maintenance of Station Equipment	255,031	335,680
108	(571) Maintenance of Overhead Lines	428,751	230,761
109	(572) Maintenance of Underground Lines		
110	(573) Maintenance of Miscellaneous Transmission Plant	2,108	
111	TOTAL Maintenance (Total of lines 101 thru 110)	850,657	673,272
112	TOTAL Transmission Expenses (Total of lines 99 and 111)	12,674,140	17,246,032

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
113	3. REGIONAL MARKET EXPENSES		
114	Operation		
115	(575.1) Operation Supervision		
116	(575.2) Day-Ahead and Real-Time Market Facilitation		
117	(575.3) Transmission Rights Market Facilitation		
118	(575.4) Capacity Market Facilitation		
119	(575.5) Ancillary Services Market Facilitation		
120	(575.6) Market Monitoring and Compliance		
121	(575.7) Market Facilitation, Monitoring and Compliance Services	1,689,716	1,870,407
122	(575.8) Rents		
123	Total Operation (Lines 115 thru 122)	1,689,716	1,870,407
124	Maintenance		
125	(576.1) Maintenance of Structures and Improvements		
126	(576.2) Maintenance of Computer Hardware		
127	(576.3) Maintenance of Computer Software		
128	(576.4) Maintenance of Communication Equipment		
129	(576.5) Maintenance of Miscellaneous Market Operation Plant		
130	Total Maintenance (Lines 125 thru 129)		
131	TOTAL Regional Transmission and Market Op Expns (Total 123 and 130)	1,689,716	1,870,407
132	4. DISTRIBUTION EXPENSES		
133	Operation		
134	(580) Operation Supervision and Engineering	116,063	45,381
135	(581) Load Dispatching	345,581	415,686
136	(582) Station Expenses	61,654	187,322
137	(583) Overhead Line Expenses	192,433	171,769
138	(584) Underground Line Expenses	318,756	405,387
139	(585) Street Lighting and Signal System Expenses		
140	(586) Meter Expenses	625,332	837,430
141	(587) Customer Installations Expenses	961,447	623,309
142	(588) Miscellaneous Expenses	2,539,530	2,431,263
143	(589) Rents	-21,469	-28,173
144	TOTAL Operation (Enter Total of lines 134 thru 143)	5,139,327	5,089,374
145	Maintenance		
146	(590) Maintenance Supervision and Engineering	84,317	
147	(591) Maintenance of Structures	8,247	4,020
148	(592) Maintenance of Station Equipment	302,347	314,089
149	(593) Maintenance of Overhead Lines	7,798,853	10,909,894
150	(594) Maintenance of Underground Lines	268,976	621,980
151	(595) Maintenance of Line Transformers	231,011	457,602
152	(596) Maintenance of Street Lighting and Signal Systems	352,595	458,640
153	(597) Maintenance of Meters	306,149	334,384
154	(598) Maintenance of Miscellaneous Distribution Plant	6,587	
155	TOTAL Maintenance (Total of lines 146 thru 154)	9,359,082	13,100,609
156	TOTAL Distribution Expenses (Total of lines 144 and 155)	14,498,409	18,189,983
157	5. CUSTOMER ACCOUNTS EXPENSES		
158	Operation		
159	(901) Supervision	271,402	271,798
160	(902) Meter Reading Expenses	534,343	903,386
161	(903) Customer Records and Collection Expenses	4,195,665	4,302,161
162	(904) Uncollectible Accounts	-7,252	-35,509
163	(905) Miscellaneous Customer Accounts Expenses	381	451
164	TOTAL Customer Accounts Expenses (Total of lines 159 thru 163)	4,994,539	5,442,287

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

ELECTRIC OPERATION AND MAINTENANCE EXPENSES (Continued)

If the amount for previous year is not derived from previously reported figures, explain in footnote.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
165	6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
166	Operation		
167	(907) Supervision		
168	(908) Customer Assistance Expenses	21	15
169	(909) Informational and Instructional Expenses	8,766	4,629
170	(910) Miscellaneous Customer Service and Informational Expenses	584,132	587,857
171	TOTAL Customer Service and Information Expenses (Total 167 thru 170)	592,919	592,501
172	7. SALES EXPENSES		
173	Operation		
174	(911) Supervision	26	1
175	(912) Demonstrating and Selling Expenses	1,170,705	821,355
176	(913) Advertising Expenses	41,652	67,260
177	(916) Miscellaneous Sales Expenses		
178	TOTAL Sales Expenses (Enter Total of lines 174 thru 177)	1,212,383	888,616
179	8. ADMINISTRATIVE AND GENERAL EXPENSES		
180	Operation		
181	(920) Administrative and General Salaries	7,546,822	6,210,773
182	(921) Office Supplies and Expenses	2,571,605	2,473,918
183	(Less) (922) Administrative Expenses Transferred-Credit	-8	-33
184	(923) Outside Services Employed	1,594,696	1,818,475
185	(924) Property Insurance	392,693	355,729
186	(925) Injuries and Damages	733,670	1,001,114
187	(926) Employee Pensions and Benefits	6,005,039	6,033,202
188	(927) Franchise Requirements		
189	(928) Regulatory Commission Expenses	820,054	698,688
190	(929) (Less) Duplicate Charges-Cr.	961,490	747,429
191	(930.1) General Advertising Expenses	71,895	23,812
192	(930.2) Miscellaneous General Expenses	447,148	618,506
193	(931) Rents	1,036,645	991,699
194	TOTAL Operation (Enter Total of lines 181 thru 193)	20,258,785	19,478,520
195	Maintenance		
196	(935) Maintenance of General Plant	2,796	18,133
197	TOTAL Administrative & General Expenses (Total of lines 194 and 196)	20,261,581	19,496,653
198	TOTAL Elec Op and Maint Expns (Total 80,112,131,156,164,171,178,197)	255,302,942	235,402,687

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

PURCHASED POWER (Account 555)
(Including power exchanges)

1. Report all power purchases made during the year. Also report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges.
2. Enter the name of the seller or other party in an exchange transaction in column (a). Do not abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the seller.
3. In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:

RQ - for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projects load for this service in its system resource planning). In addition, the reliability of requirement service must be the same as, or second only to, the supplier's service to its own ultimate consumers.

LF - for long-term firm service. "Long-term" means five years or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for long-term firm service firm service which meets the definition of RQ service. For all transaction identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or seller can unilaterally get out of the contract.

IF - for intermediate-term firm service. The same as LF service expect that "intermediate-term" means longer than one year but less than five years.

SF - for short-term service. Use this category for all firm services, where the duration of each period of commitment for service is one year or less.

LU - for long-term service from a designated generating unit. "Long-term" means five years or longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of the designated unit.

IU - for intermediate-term service from a designated generating unit. The same as LU service expect that "intermediate-term" means longer than one year but less than five years.

EX - For exchanges of electricity. Use this category for transactions involving a balancing of debits and credits for energy, capacity, etc. and any settlements for imbalanced exchanges.

OS - for other service. Use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote for each adjustment.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	FERC Rate Schedule or Tariff Number (c)	Average Monthly Billing Demand (MW) (d)	Actual Demand (MW) Average Monthly NCP Demand (e)	Actual Demand (MW) Average Monthly CP Demand (f)
1	East Kentucky Power Cooperative, Inc.	OS	MBRT1			
2	L'Oreal USA	IU	(1)			
3	PJM Settlements, Inc.	OS	MBRT1			
4	PJM Settlements, Inc.	AD	MBRT1			
5	Wells Fargo Securities	OS	NJ			
6						
7						
8						
9						
10						
11						
12						
13						
14						
	Total					

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

PURCHASED POWER(Account 555) (Continued)
(Including power exchanges)

AD - for out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.

4. In column (c), identify the FERC Rate Schedule Number or Tariff, or, for non-FERC jurisdictional sellers, include an appropriate designation for the contract. On separate lines, list all FERC rate schedules, tariffs or contract designations under which service, as identified in column (b), is provided.
5. For requirements RQ purchases and any type of service involving demand charges imposed on a monnthly (or longer) basis, enter the monthly average billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP) demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.
6. Report in column (g) the megawatthours shown on bills rendered to the respondent. Report in columns (h) and (i) the megawatthours of power exchanges received and delivered, used as the basis for settlement. Do not report net exchange.
7. Report demand charges in column (j), energy charges in column (k), and the total of any other types of charges, including out-of-period adjustments, in column (l). Explain in a footnote all components of the amount shown in column (l). Report in column (m) the total charge shown on bills received as settlement by the respondent. For power exchanges, report in column (m) the settlement amount for the net receipt of energy. If more energy was delivered than received, enter a negative amount. If the settlement amount (l) include credits or charges other than incremental generation expenses, or (2) excludes certain credits or charges covered by the agreement, provide an explanatory footnote.
8. The data in column (g) through (m) must be totalled on the last line of the schedule. The total amount in column (g) must be reported as Purchases on Page 401, line 10. The total amount in column (h) must be reported as Exchange Received on Page 401, line 12. The total amount in column (i) must be reported as Exchange Delivered on Page 401, line 13.
9. Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Purchased (g)	POWER EXCHANGES		COST/SETTLEMENT OF POWER				Line No.
	MegaWatt Hours Received (h)	MegaWatt Hours Delivered (i)	Demand Charges ($) (j)	Energy Charges ($) (k)	Other Charges ($) (l)	Total (j+k+l) of Settlement ($) (m)	
			216,000			216,000	1
				2,836		2,836	2
2,054,514				78,329,523		78,329,523	3
2,507					124,892	124,892	4
				-3,048,167		-3,048,167	5
							6
							7
							8
							9
							10
							11
							12
							13
							14
2,057,021			216,000	75,284,192	124,892	75,625,084	

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) _ An Original (2) X A Resubmission	04/26/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 326 Line No.: 2 Column: c

The number "1" notation designates FERC approved Tariff and/or Rate Schedule as on file with the Commission. The tariff is applicable to qualifying cogeneration and small power production facilities.

Schedule Page: 326 Line No.: 4 Column: l

$124,892 - PJM prior period adjustments.

Schedule Page: 326 Line No.: 5 Column: c

NJ = Non-Jurisdictional Agreement.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456.1)
(Including transactions referred to as 'wheeling')

1. Report all transmission of electricity, i.e., wheeling, provided for other electric utilities, cooperatives, other public authorities, qualifying facilities, non-traditional utility suppliers and ultimate customers for the quarter.
2. Use a separate line of data for each distinct type of transmission service involving the entities listed in column (a), (b) and (c).
3. Report in column (a) the company or public authority that paid for the transmission service. Report in column (b) the company or public authority that the energy was received from and in column (c) the company or public authority that the energy was delivered to. Provide the full name of each company or public authority. Do not abbreviate or truncate name or use acronyms. Explain in a footnote any ownership interest in or affiliation the respondent has with the entities listed in columns (a), (b) or (c)
4. In column (d) enter a Statistical Classification code based on the original contractual terms and conditions of the service as follows: FNO - Firm Network Service for Others, FNS - Firm Network Transmission Service for Self, LFP - "Long-Term Firm Point to Point Transmission Service, OLF - Other Long-Term Firm Transmission Service, SFP - Short-Term Firm Point to Point Transmission Reservation, NF - non-firm transmission service, OS - Other Transmission Service and AD - Out-of-Period Adjustments. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting periods. Provide an explanation in a footnote for each adjustment. See General Instruction for definitions of codes.

Line No.	Payment By (Company of Public Authority) (Footnote Affiliation) (a)	Energy Received From (Company of Public Authority) (Footnote Affiliation) (b)	Energy Delivered To (Company of Public Authority) (Footnote Affiliation) (c)	Statistical Classifi-cation (d)
1	PJM			OS
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
	TOTAL			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456)(Continued)
(Including transactions reffered to as 'wheeling')

5. In column (e), identify the FERC Rate Schedule or Tariff Number, On separate lines, list all FERC rate schedules or contract designations under which service, as identified in column (d), is provided.
6. Report receipt and delivery locations for all single contract path, "point to point" transmission service. In column (f), report the designation for the substation, or other appropriate identification for where energy was received as specified in the contract. In column (g) report the designation for the substation, or other appropriate identification for where energy was delivered as specified in the contract.
7. Report in column (h) the number of megawatts of billing demand that is specified in the firm transmission service contract. Demand reported in column (h) must be in megawatts. Footnote any demand not stated on a megawatts basis and explain.
8. Report in column (i) and (j) the total megawatthours received and delivered.

FERC Rate Schedule of Tariff Number (e)	Point of Receipt (Subsatation or Other Designation) (f)	Point of Delivery (Substation or Other Designation) (g)	Billing Demand (MW) (h)	TRANSFER OF ENERGY MegaWatt Hours Received (i)	TRANSFER OF ENERGY MegaWatt Hours Delivered (j)	Line No.
						1
						2
						3
						4
						5
						6
						7
						8
						9
						10
						11
						12
						13
						14
						15
						16
						17
						18
						19
						20
						21
						22
						23
						24
						25
						26
						27
						28
						29
						30
						31
						32
						33
						34
			0	0	0	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456) (Continued)
(Including transactions reffered to as 'wheeling')

9. In column (k) through (n), report the revenue amounts as shown on bills or vouchers. In column (k), provide revenues from demand charges related to the billing demand reported in column (h). In column (l), provide revenues from energy charges related to the amount of energy transferred. In column (m), provide the total revenues from all other charges on bills or vouchers rendered, including out of period adjustments. Explain in a footnote all components of the amount shown in column (m). Report in column (n) the total charge shown on bills rendered to the entity Listed in column (a). If no monetary settlement was made, enter zero (11011) in column (n). Provide a footnote explaining the nature of the non-monetary settlement, including the amount and type of energy or service rendered.
10. The total amounts in columns (i) and (j) must be reported as Transmission Received and Transmission Delivered for annual report purposes only on Page 401, Lines 16 and 17, respectively.
11. Footnote entries and provide explanations following all required data.

REVENUE FROM TRANSMISSION OF ELECTRICITY FOR OTHERS

Demand Charges ($) (k)	Energy Charges ($) (l)	(Other Charges) ($) (m)	Total Revenues ($) (k+l+m) (n)	Line No.
53,503	61,823	18,647,714	18,763,040	1
				2
				3
				4
				5
				6
				7
				8
				9
				10
				11
				12
				13
				14
				15
				16
				17
				18
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53,503	**61,823**	**18,647,714**	**18,763,040**	

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) _ An Original (2) X A Resubmission	04/26/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 328 Line No.: 1 Column: m

PJM Financial Transmission Rights (FTRs)

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

TRANSMISSION OF ELECTRICITY BY ISO/RTOs

1. Report in Column (a) the Transmission Owner receiving revenue for the transmission of electricity by the ISO/RTO.
2. Use a separate line of data for each distinct type of transmission service involving the entities listed in Column (a).
3. In Column (b) enter a Statistical Classification code based on the original contractual terms and conditions of the service as follows: FNO – Firm Network Service for Others, FNS – Firm Network Transmission Service for Self, LFP – Long-Term Firm Point-to-Point Transmission Service, OLF – Other Long-Term Firm Transmission Service, SFP – Short-Term Firm Point-to-Point Transmission Reservation, NF – Non-Firm Transmission Service, OS – Other Transmission Service and AD- Out-of-Period Adjustments. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting periods. Provide an explanation in a footnote for each adjustment. See General Instruction for definitions of codes.
4. In column (c) identify the FERC Rate Schedule or tariff Number, on separate lines, list all FERC rate schedules or contract designations under which service, as identified in column (b) was provided.
5. In column (d) report the revenue amounts as shown on bills or vouchers.
6. Report in column (e) the total revenues distributed to the entity listed in column (a).

Line No.	Payment Received by (Transmission Owner Name) (a)	Statistical Classification (b)	FERC Rate Schedule or Tariff Number (c)	Total Revenue by Rate Schedule or Tarirff (d)	Total Revenue (e)
1					
2					
3					
4					
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39					
40	TOTAL				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

TRANSMISSION OF ELECTRICITY BY OTHERS (Account 565)
(Including transactions referred to as "wheeling")

1. Report all transmission, i.e. wheeling or electricity provided by other electric utilities, cooperatives, municipalities, other public authorities, qualifying facilities, and others for the quarter.
2. In column (a) report each company or public authority that provided transmission service. Provide the full name of the company, abbreviate if necessary, but do not truncate name or use acronyms. Explain in a footnote any ownership interest in or affiliation with the transmission service provider. Use additional columns as necessary to report all companies or public authorities that provided transmission service for the quarter reported.
3. In column (b) enter a Statistical Classification code based on the original contractual terms and conditions of the service as follows: FNS - Firm Network Transmission Service for Self, LFP - Long-Term Firm Point-to-Point Transmission Reservations. OLF - Other Long-Term Firm Transmission Service, SFP - Short-Term Firm Point-to- Point Transmission Reservations, NF - Non-Firm Transmission Service, and OS - Other Transmission Service. See General Instructions for definitions of statistical classifications.
4. Report in column (c) and (d) the total megawatt hours received and delivered by the provider of the transmission service.
5. Report in column (e), (f) and (g) expenses as shown on bills or vouchers rendered to the respondent. In column (e) report the demand charges and in column (f) energy charges related to the amount of energy transferred. On column (g) report the total of all other charges on bills or vouchers rendered to the respondent, including any out of period adjustments. Explain in a footnote all components of the amount shown in column (g). Report in column (h) the total charge shown on bills rendered to the respondent. If no monetary settlement was made, enter zero in column (h). Provide a footnote explaining the nature of the non-monetary settlement, including the amount and type of energy or service rendered.
6. Enter "TOTAL" in column (a) as the last line.
7. Footnote entries and provide explanations following all required data.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	TRANSFER OF ENERGY Magawatt-hours Received (c)	Magawatt-hours Delivered (d)	EXPENSES FOR TRANSMISSION OF ELECTRICITY BY OTHERS Demand Charges ($) (e)	Energy Charges ($) (f)	Other Charges ($) (g)	Total Cost of Transmission ($) (h)
1	Midcontinent ISO	LFP					646,000	646,000
2	PJM Interconnection	LFP			13,263,634			13,263,634
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
	TOTAL				13,263,634		646,000	13,909,634

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) _ An Original (2) X A Resubmission	04/26/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 332 Line No.: 1 Column: g

Accretion of the MTEP obligation

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (ELECTRIC)

Line No.	Description (a)	Amount (b)
1	Industry Association Dues	36,430
2	Nuclear Power Research Expenses	
3	Other Experimental and General Research Expenses	3,453
4	Pub & Dist Info to Stkhldrs...expn servicing outstanding Securities	
5	Oth Expn >=5,000 show purpose, recipient, amount. Group if < $5,000	
6	Business and Service Company Support	541,283
7	Director's Fees and Expenses	52,273
8	Shareholder's Communications/System	41,772
9	ISO Conversion Costs	
10	Dues and Subscriptions to Various Organizations	33,778
11	Account Analysis Reconciliation Adjustments	-261,914
12	Leased Circuit Charges	73
13		
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46	TOTAL	447,148

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Account 403, 404, 405)
(Except amortization of aquisition adjustments)

1. Report in section A for the year the amounts for : (b) Depreciation Expense (Account 403; (c) Depreciation Expense for Asset Retirement Costs (Account 403.1; (d) Amortization of Limited-Term Electric Plant (Account 404); and (e) Amortization of Other Electric Plant (Account 405).
2. Report in Section 8 the rates used to compute amortization charges for electric plant (Accounts 404 and 405). State the basis used to compute charges and whether any changes have been made in the basis or rates used from the preceding report year.
3. Report all available information called for in Section C every fifth year beginning with report year 1971, reporting annually only changes to columns (c) through (g) from the complete report of the preceding year.
Unless composite depreciation accounting for total depreciable plant is followed, list numerically in column (a) each plant subaccount, account or functional classification, as appropriate, to which a rate is applied. Identify at the bottom of Section C the type of plant included in any sub-account used.
In column (b) report all depreciable plant balances to which rates are applied showing subtotals by functional Classifications and showing composite total. Indicate at the bottom of section C the manner in which column balances are obtained. If average balances, state the method of averaging used.
For columns (c), (d), and (e) report available information for each plant subaccount, account or functional classification Listed in column (a). If plant mortality studies are prepared to assist in estimating average service Lives, show in column (f) the type mortality curve selected as most appropriate for the account and in column (g), if available, the weighted average remaining life of surviving plant. If composite depreciation accounting is used, report available information called for in columns (b) through (g) on this basis.
4. If provisions for depreciation were made during the year in addition to depreciation provided by application of reported rates, state at the bottom of section C the amounts and nature of the provisions and the plant items to which related.

A. Summary of Depreciation and Amortization Charges

Line No.	Functional Classification (a)	Depreciation Expense (Account 403) (b)	Depreciation Expense for Asset Retirement Costs (Account 403.1) (c)	Amortization of Limited Term Electric Plant (Account 404) (d)	Amortization of Other Electric Plant (Acc 405) (e)	Total (f)
1	Intangible Plant			2,130,625		2,130,625
2	Steam Production Plant	18,377,864				18,377,864
3	Nuclear Production Plant					
4	Hydraulic Production Plant-Conventional					
5	Hydraulic Production Plant-Pumped Storage					
6	Other Production Plant	8,993,448				8,993,448
7	Transmission Plant	1,242,440				1,242,440
8	Distribution Plant	11,554,692				11,554,692
9	Regional Transmission and Market Operation					
10	General Plant	246,236		476,010		722,246
11	Common Plant-Electric	186,960		57,623		244,583
12	TOTAL	40,601,640		2,664,258		43,265,898

B. Basis for Amortization Charges

Notes for "Basis Amortization" Tab

The rate used to compute amortization charges for intangible electric plant is primarily 20%. No changes have been made in the types of items

included in the base or in the rates used from the preceding reporting year.

The Respondent determines its monthly Provision for Depreciation by the application rates to the previous month-end balance of property capitalized in each primary
plant account plus property in Account 106 - Completed in Construction Not Classified.

In 1997, the Respondent adopted vintage year accounting for General Plant accounts in accordance with FERC Accounting Release No. 15.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Continued)

C. Factors Used in Estimating Depreciation Charges

Line No.	Account No. (a)	Depreciable Plant Base (In Thousands) (b)	Estimated Avg. Service Life (c)	Net Salvage (Percent) (d)	Applied Depr. rates (Percent) (e)	Mortality Curve Type (f)	Average Remaining Life (g)
12	Steam Production Plant						
13	311- East Bend	124,742	100.00	-0.17	2.47	S0.5	24.00
14	312- East Bend	476,748	40.00	-0.17	2.24	S0.5	22.10
15	312- EB Catalyst	60,200	10.00		4.56	S2.5	8.30
16	314- East Bend	107,294	40.00	-0.17	2.36	S0.5	21.60
17	315- East Bend	45,003	55.00	-0.17	2.24	R2	23.00
18	316- East Bend	21,741	45.00	-0.17	3.17	S0	21.80
19	Other Production						
20	340- R/W	652	40.00		3.77	SQ	15.50
21	341	36,470	60.00	-0.04	2.52	R4	15.20
22	342	15,953	55.00	-0.04	2.13	S2.5	14.70
23	344	226,788	45.00	-0.04	3.36	R2	14.30
24	345	22,556	40.00	-0.04	3.82	R2	13.90
25	346	4,805	35.00	-0.04	3.71	S0	13.20
26	Transmission Plant						
27	350- R/W	1,030	65.00		1.27	R4	32.20
28	352	1,480	65.00	-0.10	1.96	R2.5	47.80
29	353- Station Equip	17,705	50.00	-0.15	2.16	R2	40.60
30	353	9,447	50.00		2.05	R2.5	28.80
31	353- Major Equip	5,826	60.00	-0.10	1.73	R2.5	46.90
32	353- Step-up Major Equi	7,057	30.00		4.13	R2.5	21.50
33	355	8,841	55.00	-0.30	1.76	R1.5	43.70
34	356- OH Conduct & Devic	6,235	50.00	-0.30	1.91	R1	36.50
35	356- OH Conduct-Clear R	573	60.00		1.74	R3	56.80
36	Distribution Plant						
37	360- R/W	4,484	70.00		1.03	R3	52.80
38	361	1,420	65.00	-0.10	2.26	R2.5	47.00
39	362- Station Equip	43,909	48.00	-0.15	2.35	R2.5	36.50
40	362- Major Equip	28,755	60.00	-0.10	1.59	R2.5	46.40
41	364	63,305	52.00	-0.40	2.09	R0.5	43.10
42	365- OH Conduct & Devic	124,212	50.00	-0.25	2.14	O1	43.90
43	365- OH Conduct-Clear R	4,717	60.00		1.65	R2.5	57.20
44	366	22,156	65.00	-0.20	1.80	S2.5	48.50
45	367	62,431	58.00	-0.20	2.07	R2	45.10
46	368- Line Trans	62,124	45.00	-0.10	1.68	R0.5	35.20
47	368- Cust Line Trans	274	50.00	-0.10	0.31	R1.5	25.10
48	369- Services UG	2,458	60.00	-0.25	1.87	R2	56.60
49	369- Services OH	18,554	53.00	-0.20	1.21	R1	46.40
50	370- Meters	1,904	24.00	-0.01	6.32	L1	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

DEPRECIATION AND AMORTIZATION OF ELECTRIC PLANT (Continued)

C. Factors Used in Estimating Depreciation Charges

Line No.	Account No. (a)	Depreciable Plant Base (In Thousands) (b)	Estimated Avg. Service Life (c)	Net Salvage (Percent) (d)	Applied Depr. rates (Percent) (e)	Mortality Curve Type (f)	Average Remaining Life (g)
12	370- Meters Instrum Tra	715	24.00	-0.01	10.17	L1	6.30
13	370- UoF Meters	23,037	15.00		6.85	S2.5	14.30
14	371	409	20.00		5.26	S0.5	18.30
15	372	10	25.00			L3	
16	373- Street Lght OH	2,504	32.00	-0.10	0.73	L0.5	29.10
17	373- Street Lght Blvd	3,367	45.00	-0.10	1.18	R1.5	33.40
18	373- Street Lght Cust	1,591	30.00	-0.10	2.67	L0	26.90
19							
20	General Plant						
21	390	145	35.00	-0.05	3.40	S1	22.00
22	391- Office Furn	26	20.00			SQ	
23	391- Elec Data Proc	2,426	5.00		20.00	SQ	2.50
24	392- Transport	347	12.00		8.56	S3	11.50
25	392-Trailers	114	18.00	0.05	3.84	R2.5	9.70
26	394- Tools, shop, and G	2,383	25.00		4.00	SQ	19.30
27	396	5	15.00		6.74	L2	8.00
28	397- Comm Equip	3,987	15.00		6.67	SQ	9.30
29							
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

REGULATORY COMMISSION EXPENSES

1. Report particulars (details) of regulatory commission expenses incurred during the current year (or incurred in previous years, if being amortized) relating to format cases before a regulatory body, or cases in which such a body was a party.
2. Report in columns (b) and (c), only the current year's expenses that are not deferred and the current year's amortization of amounts deferred in previous years.

Line No.	Description (Furnish name of regulatory commission or body the docket or case number and a description of the case) (a)	Assessed by Regulatory Commission (b)	Expenses of Utility (c)	Total Expense for Current Year (b) + (c) (d)	Deferred in Account 182.3 at Beginning of Year (e)
1	Kentucky Public Service Commission Expense				
2	Gas Related	186,988		186,988	
3	Electric Related	681,983		681,983	
4					
5	Kentucky Public Service Commission				
6	Case No. 2017-00321				
7	Request for Rate Increase - Electric (1)		138,071	138,071	
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42	(1) The expenses from the Request for Rate				
43	Increase, Case No. 2017-00321, are deferred				
44	in FERC account 186.				
45					
46	TOTAL	868,971	138,071	1,007,042	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

REGULATORY COMMISSION EXPENSES (Continued)

3. Show in column (k) any expenses incurred in prior years which are being amortized. List in column (a) the period of amortization.
4. List in column (f), (g), and (h) expenses incurred during year which were charged currently to income, plant, or other accounts.
5. Minor items (less than $25,000) may be grouped.

EXPENSES INCURRED DURING YEAR				AMORTIZED DURING YEAR			
CURRENTLY CHARGED TO							
Department (f)	Account No. (g)	Amount (h)	Deferred to Account 182.3 (i)	Contra Account (j)	Amount (k)	Deferred in Account 182.3 End of Year (l)	Line No.
							1
Gas	928	186,988					2
Electric	928	681,983					3
							4
							5
							6
Electric	928	138,071				569,764	7
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		1,007,042				569,764	46

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

RESEARCH, DEVELOPMENT, AND DEMONSTRATION ACTIVITIES

1. Describe and show below costs incurred and accounts charged during the year for technological research, development, and demonstration (R, D & D) project initiated, continued or concluded during the year. Report also support given to others during the year for jointly-sponsored projects.(Identify recipient regardless of affiliation.) For any R, D & D work carried with others, show separately the respondent's cost for the year and cost chargeable to others (See definition of research, development, and demonstration in Uniform System of Accounts).
2. Indicate in column (a) the applicable classification, as shown below:

Classifications:
A. Electric R, D & D Performed Internally:
(1) Generation
a. hydroelectric
i. Recreation fish and wildlife
ii Other hydroelectric
b. Fossil-fuel steam
c. Internal combustion or gas turbine
d. Nuclear
e. Unconventional generation
f. Siting and heat rejection
(2) Transmission
a. Overhead
b. Underground
(3) Distribution
(4) Regional Transmission and Market Operation
(5) Environment (other than equipment)
(6) Other (Classify and include items in excess of $50,000.)
(7) Total Cost Incurred
B. Electric, R, D & D Performed Externally:
(1) Research Support to the electrical Research Council or the Electric Power Research Institute

Line No.	Classification (a)	Description (b)
1	A. Electric R, D&D Performed Internally:	
2		
3	(3) Distribution	Research & Development Administration Costs
4		
5	(7) TOTAL ELECTRIC R, D&D PERFORMED INTERNALLY	
6		
7	B. Electric R, D&D Performed Externally:	
8		
9	(1) Electric Power Research Institute	Electric Power Research Institute Memberships
10		Others (Less than $50K Each)
11		
12	(5) TOTAL ELECTRIC R, D&D PERFORMED EXTERNALLY	
13		
14		
15		
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

RESEARCH, DEVELOPMENT, AND DEMONSTRATION ACTIVITIES (Continued)

(2) Research Support to Edison Electric Institute
(3) Research Support to Nuclear Power Groups
(4) Research Support to Others (Classify)
(5) Total Cost Incurred

3. Include in column (c) all R, D & D items performed internally and in column (d) those items performed outside the company costing $50,000 or more, briefly describing the specific area of R, D & D (such as safety, corrosion control, pollution, automation, measurement, insulation, type of appliance, etc.). Group items under $50,000 by classifications and indicate the number of items grouped. Under Other, (A (6) and B (4)) classify items by type of R, D & D activity.
4. Show in column (e) the account number charged with expenses during the year or the account to which amounts were capitalized during the year, listing Account 107, Construction Work in Progress, first. Show in column (f) the amounts related to the account charged in column (e)
5. Show in column (g) the total unamortized accumulating of costs of projects. This total must equal the balance in Account 188, Research, Development, and Demonstration Expenditures, Outstanding at the end of the year.
6. If costs have not been segregated for R, D &D activities or projects, submit estimates for columns (c), (d), and (f) with such amounts identified by "Est."
7. Report separately research and related testing facilities operated by the respondent.

Costs Incurred Internally Current Year (c)	Costs Incurred Externally Current Year (d)	AMOUNTS CHARGED IN CURRENT YEAR Account (e)	Amount (f)	Unamortized Accumulation (g)	Line No.
					1
					2
2,082		930.7	2,082		3
					4
2,082			2,082		5
					6
					7
					8
	574,477	Various	574,477		9
	5,856	Various	5,856		10
					11
	580,333		580,333		12
					13
					14
					15
					16
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

DISTRIBUTION OF SALARIES AND WAGES

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for Clearing Accounts (c)	Total (d)
1	Electric			
2	Operation			
3	Production	6,130,301		
4	Transmission	665,498		
5	Regional Market			
6	Distribution	2,247,791		
7	Customer Accounts	2,427,717		
8	Customer Service and Informational	158,818		
9	Sales			
10	Administrative and General	8,417,439		
11	TOTAL Operation (Enter Total of lines 3 thru 10)	20,047,564		
12	Maintenance			
13	Production	7,162,881		
14	Transmission	303,225		
15	Regional Market			
16	Distribution	1,719,956		
17	Administrative and General	223		
18	TOTAL Maintenance (Total of lines 13 thru 17)	9,186,285		
19	Total Operation and Maintenance			
20	Production (Enter Total of lines 3 and 13)	13,293,182		
21	Transmission (Enter Total of lines 4 and 14)	968,723		
22	Regional Market (Enter Total of Lines 5 and 15)			
23	Distribution (Enter Total of lines 6 and 16)	3,967,747		
24	Customer Accounts (Transcribe from line 7)	2,427,717		
25	Customer Service and Informational (Transcribe from line 8)	158,818		
26	Sales (Transcribe from line 9)			
27	Administrative and General (Enter Total of lines 10 and 17)	8,417,662		
28	TOTAL Oper. and Maint. (Total of lines 20 thru 27)	29,233,849	385,583	29,619,432
29	Gas			
30	Operation			
31	Production-Manufactured Gas	442,707		
32	Production-Nat. Gas (Including Expl. and Dev.)			
33	Other Gas Supply	338,149		
34	Storage, LNG Terminaling and Processing			
35	Transmission			
36	Distribution	2,931,608		
37	Customer Accounts	1,688,614		
38	Customer Service and Informational	172,954		
39	Sales			
40	Administrative and General	2,483,725		
41	TOTAL Operation (Enter Total of lines 31 thru 40)	8,057,757		
42	Maintenance			
43	Production-Manufactured Gas	150,451		
44	Production-Natural Gas (Including Exploration and Development)			
45	Other Gas Supply			
46	Storage, LNG Terminaling and Processing			
47	Transmission			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

DISTRIBUTION OF SALARIES AND WAGES (Continued)

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll charged for Clearing Accounts (c)	Total (d)
48	Distribution	1,349,312		
49	Administrative and General	1,127		
50	TOTAL Maint. (Enter Total of lines 43 thru 49)	1,500,890		
51	Total Operation and Maintenance			
52	Production-Manufactured Gas (Enter Total of lines 31 and 43)	593,158		
53	Production-Natural Gas (Including Expl. and Dev.) (Total lines 32,			
54	Other Gas Supply (Enter Total of lines 33 and 45)	338,149		
55	Storage, LNG Terminaling and Processing (Total of lines 31 thru			
56	Transmission (Lines 35 and 47)			
57	Distribution (Lines 36 and 48)	4,280,920		
58	Customer Accounts (Line 37)	1,688,614		
59	Customer Service and Informational (Line 38)	172,954		
60	Sales (Line 39)			
61	Administrative and General (Lines 40 and 49)	2,484,852		
62	TOTAL Operation and Maint. (Total of lines 52 thru 61)	9,558,647	20,693	9,579,340
63	Other Utility Departments			
64	Operation and Maintenance			
65	TOTAL All Utility Dept. (Total of lines 28, 62, and 64)	38,792,496	406,276	39,198,772
66	Utility Plant			
67	Construction (By Utility Departments)			
68	Electric Plant	13,899,201	1,374,267	15,273,468
69	Gas Plant	6,130,138	340,437	6,470,575
70	Other (provide details in footnote):			
71	TOTAL Construction (Total of lines 68 thru 70)	20,029,339	1,714,704	21,744,043
72	Plant Removal (By Utility Departments)			
73	Electric Plant	1,835,075		1,835,075
74	Gas Plant	589,113		589,113
75	Other (provide details in footnote):			
76	TOTAL Plant Removal (Total of lines 73 thru 75)	2,424,188		2,424,188
77	Other Accounts (Specify, provide details in footnote):	1,782,845		1,782,845
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94				
95	TOTAL Other Accounts	1,782,845		1,782,845
96	TOTAL SALARIES AND WAGES	63,028,868	2,120,980	65,149,848

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) _ An Original (2) X A Resubmission	04/26/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 354 Line No.: 95 Column: b

Projects For Duke's Subsidiaries & Merchandising	$ 32,999
Other Work in Progress	449,648
Other Accounts	1,300,198
Total	**$ 1,782,845**

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

COMMON UTILITY PLANT AND EXPENSES

1. Describe the property carried in the utility's accounts as common utility plant and show the book cost of such plant at end of year classified by accounts as provided by Plant Instruction 13, Common Utility Plant, of the Uniform System of Accounts. Also show the allocation of such plant costs to the respective departments using the common utility plant and explain the basis of allocation used, giving the allocation factors.
2. Furnish the accumulated provisions for depreciation and amortization at end of year, showing the amounts and classifications of such accumulated provisions, and amounts allocated to utility departments using the Common utility plant to which such accumulated provisions relate, including explanation of basis of allocation and factors used.
3. Give for the year the expenses of operation, maintenance, rents, depreciation, and amortization for common utility plant classified by accounts as provided by the Uniform System of Accounts. Show the allocation of such expenses to the departments using the common utility plant to which such expenses are related. Explain the basis of allocation used and give the factors of allocation.
4. Give date of approval by the Commission for use of the common utility plant classification and reference to order of the Commission or other authorization.

1. COMMON UTILITY PLANT
COMMON PLANT IN SERVICE

Account Title	Bal.Beg. of Yr	Additions (1)	Retirements	Transfers(2)	Balance YE
303 Misc. Intangible Plant	22,332,072	-	-	-	22,332,072
370 Common AMI Meters	-	-	-	-	-
389 Land and Land Rights	154,248	881,634	-	-	1,035,882
390 Struct & Improvements	11,498,490	6,505,446	(834,601)	-	17,169,335
391 Office Furniture & Equipment	755,564	2,999	(601)	-	757,962
Electronic Data Processing	807,217	-	(766,682)	-	40,535
392 Transportation Equipment	-	-	-	-	-
393 Stores Equipment	-	-	-	-	-
394 Tools, Shop & Garage Equip	121,888	-	(2,398)	-	119,490
395 Laboratory Equipment	-	-	-	-	-
397 Communication Equipment	7,828,641	285,553	(57,602)	-	8,056,592
398 Miscellaneous Equipment	41,504	-	-	-	41,504
399 ARO General Plant	314,111	(87,214)	-	-	226,897
Total Common Plt in Service	43,853,735	7,558,418	(1,661,884)	-	49,780,269
CWIP	2,736,085	(2,359,590)		-	376,495
Total Common Plant in Ser.	46,589,820	5,228,828	(1,661,884)	-	50,156,764

ALLOCATION OF COMMON PLANT TO UTILITY DEPARTMENTS (3)
Summary by Account Estimated as of 12/31/2018

Gas Department	27.29%	13,687,781
Electric Department	72.71%	36,468,983
	100.00%	50,156,764

(1) The percentages used to allocate Common Plant to utility departments are the weighted average resulting

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

COMMON UTILITY PLANT AND EXPENSES

1. Describe the property carried in the utility's accounts as common utility plant and show the book cost of such plant at end of year classified by accounts as provided by Plant Instruction 13, Common Utility Plant, of the Uniform System of Accounts. Also show the allocation of such plant costs to the respective departments using the common utility plant and explain the basis of allocation used, giving the allocation factors.
2. Furnish the accumulated provisions for depreciation and amortization at end of year, showing the amounts and classifications of such accumulated provisions, and amounts allocated to utility departments using the Common utility plant to which such accumulated provisions relate, including explanation of basis of allocation and factors used.
3. Give for the year the expenses of operation, maintenance, rents, depreciation, and amortization for common utility plant classified by accounts as provided by the Uniform System of Accounts. Show the allocation of such expenses to the departments using the common utility plant to which such expenses are related. Explain the basis of allocation used and give the factors of allocation.
4. Give date of approval by the Commission for use of the common utility plant classification and reference to order of the Commission or other authorization.

from the application of allocation factors to the investment based on Gross Plant as of 12/31/2018.

2. ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF COMMON UTILITY PLANT

Summary by Account Estimated as of 12/31/2018		38,204,423
Depreciation provision for the year charged to:		
(403) Depreciation expense (1)	252,647	
(404) Amortization - Limited Term Plant	412,945	
(403.1) Depreciation Expense (1)	265,147	
Net Charges for Plant Retired:		930,739
Book Cost of Plant Retired	(1,661,884)	
Cost of Removal	111,572	
Salvage (Credit)	-	
		(1,550,312)
Other Items:		
Transfers & Adjustments	-	
		-
Balance - End of the Year	37,584,850	

ALLOCATION OF Accumulated Provision for Depreciation to Utility Departments (4)
Summary by Account Estimated as of 12/31/2018

Gas Department	27.29%	10,256,906
Electric Department	72.71%	27,327,944
	--------	-----------
	100%	37,584,850

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

COMMON UTILITY PLANT AND EXPENSES

1. Describe the property carried in the utility's accounts as common utility plant and show the book cost of such plant at end of year classified by accounts as provided by Plant Instruction 13, Common Utility Plant, of the Uniform System of Accounts. Also show the allocation of such plant costs to the respective departments using the common utility plant and explain the basis of allocation used, giving the allocation factors.
2. Furnish the accumulated provisions for depreciation and amortization at end of year, showing the amounts and classifications of such accumulated provisions, and amounts allocated to utility departments using the Common utility plant to which such accumulated provisions relate, including explanation of basis of allocation and factors used.
3. Give for the year the expenses of operation, maintenance, rents, depreciation, and amortization for common utility plant classified by accounts as provided by the Uniform System of Accounts. Show the allocation of such expenses to the departments using the common utility plant to which such expenses are related. Explain the basis of allocation used and give the factors of allocation.
4. Give date of approval by the Commission for use of the common utility plant classification and reference to order of the Commission or other authorization.

METHOD OF DETERMINATION OF DEPRECIATION & AMORTIZATION

Common Plant in Service	Rate (4)
Miscellaneous Intangible Plant	Note (2)
Leased Meters	0 00%
Structures and Improvements	1.95%
Office Furniture and Equipment	5.00%
Electronic Data Processing Equipment	20.00%
Stores Equipment	0.00%
Tools, Shop & Garage Equipment	4.00%
Laboratory Equipment	Note (5)
Communication Equipment	6.67%
Miscellaneous Equipment	6.67%

(1) Classification of Account 106, Completed Construction Not Classified, included in the Additions column.
(2) Represents reclassification between utility departments and primary plant accounts.
(3) The percentages used to allocate Common Plant to utility departments are the weighted averages resulting from the application of allocation factors to the investment based on Gross Plant as of 12/31/2018.

(1) The Respondent determines its monthly provision for depreciation by the application of rates to the previous month's balance of property capitalized in each primary plant account plus total Account 106 - Completed Construction Not Classified.
(2) The Respondent amortized its investment in Miscellaneous Intangible Plant equally over 60 months for certain projects and 120 months for other projects.
(3) The percentages used to allocate the Common Plant Accumulated Provision for Depreciation balances to utility departments are the weighted averages resulting from the application of allocation factors to the balance of Common Plant Accumulated Provision at 12/31/2018. These factors are based on Gross Plant as of 12/31/2018.
(4) In 1997, the Respondent adopted vintage year accounting for general plant accounts in accordance with FERC Accounting Release No. 15.
(5) The respondent amortized its investment in Transportation Equipment over the estimated lives of the individual assets.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

COMMON UTILITY PLANT AND EXPENSES

1. Describe the property carried in the utility's accounts as common utility plant and show the book cost of such plant at end of year classified by accounts as provided by Plant Instruction 13, Common Utility Plant, of the Uniform System of Accounts. Also show the allocation of such plant costs to the respective departments using the common utility plant and explain the basis of allocation used, giving the allocation factors.
2. Furnish the accumulated provisions for depreciation and amortization at end of year, showing the amounts and classifications of such accumulated provisions, and amounts allocated to utility departments using the Common utility plant to which such accumulated provisions relate, including explanation of basis of allocation and factors used.
3. Give for the year the expenses of operation, maintenance, rents, depreciation, and amortization for common utility plant classified by accounts as provided by the Uniform System of Accounts. Show the allocation of such expenses to the departments using the common utility plant to which such expenses are related. Explain the basis of allocation used and give the factors of allocation.
4. Give date of approval by the Commission for use of the common utility plant classification and reference to order of the Commission or other authorization.

3. COMMON UTILITY PLANT EXPENSE ACCOUNTS

Common utility plant expense accounts are not maintained, but such expenses are allocated to gas and electric departments principally on one or more of the following bases:

Floor space utilized for buildings and office equipment
General labor - total company
Number of gas and electric customers
IT operations
Number of customers
Three factor formula

4. COMMISSION APPROVAL

Prior to establishment of original cost, Messrs. Brenner and Eilers of the respondent and Campbell and Schwartz from Columbia System met with Mr. Smith of the Federal Power Commission to discuss amongst other things, the Federal Power Commission's permission to use the Common Utility Plant accounts. It was pointed out by the representatives of the respondent that because of the nature of the respondent's operations it was impossible and impractical to assign certain types of equipment directly to either gas or electric utility plant. Because of the facts presented, Mr. Smith gave the respondent's representatives verbal permission to use the common plant accounts.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

AMOUNTS INCLUDED IN ISO/RTO SETTLEMENT STATEMENTS

1. The respondent shall report below the details called for concerning amounts it recorded in Account 555, Purchase Power, and Account 447, Sales for Resale, for items shown on ISO/RTO Settlement Statements. Transactions should be separately netted for each ISO/RTO administered energy market for purposes of determining whether an entity is a net seller or purchaser in a given hour. Net megawatt hours are to be used as the basis for determining whether a net purchase or sale has occurred. In each monthly reporting period, the hourly sale and purchase net amounts are to be aggregated and separately reported in Account 447, Sales for Resale, or Account 555, Purchased Power, respectively.

Line No.	Description of Item(s) (a)	Balance at End of Quarter 1 (b)	Balance at End of Quarter 2 (c)	Balance at End of Quarter 3 (d)	Balance at End of Year (e)
1	Energy				
2	Net Purchases (Account 555)	21,691,084	53,745,263	67,564,062	77,898,824
3	Net Sales (Account 447)	(1,431,449)	1,084,722	3,889,658	10,572,681
4	Transmission Rights	10,726,139	13,321,661	17,731,586	18,647,714
5	Ancillary Services				
6	Other Items (list separately)				
7	Ancillary Services (Account 555)	51,707	127,299	301,510	555,591
8	Ancillary Services (Account 447)	194,825	399,395	782,591	917,649
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45					
46	TOTAL	31,232,306	68,678,340	90,269,407	108,592,459

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

PURCHASES AND SALES OF ANCILLARY SERVICES

Report the amounts for each type of ancillary service shown in column (a) for the year as specified in Order No. 888 and defined in the respondents Open Access Transmission Tariff.

In columns for usage, report usage-related billing determinant and the unit of measure.

(1) On line 1 columns (b), (c), (d), (e), (f) and (g) report the amount of ancillary services purchased and sold during the year.

(2) On line 2 columns (b) (c), (d), (e), (f), and (g) report the amount of reactive supply and voltage control services purchased and sold during the year.

(3) On line 3 columns (b) (c), (d), (e), (f), and (g) report the amount of regulation and frequency response services purchased and sold during the year.

(4) On line 4 columns (b), (c), (d), (e), (f), and (g) report the amount of energy imbalance services purchased and sold during the year.

(5) On lines 5 and 6, columns (b), (c), (d), (e), (f), and (g) report the amount of operating reserve spinning and supplement services purchased and sold during the period.

(6) On line 7 columns (b), (c), (d), (e), (f), and (g) report the total amount of all other types ancillary services purchased or sold during the year. Include in a footnote and specify the amount for each type of other ancillary service provided.

		Amount Purchased for the Year			Amount Sold for the Year		
		Usage - Related Billing Determinant			Usage - Related Billing Determinant		
Line No.	Type of Ancillary Service (a)	Number of Units (b)	Unit of Measure (c)	Dollars (d)	Number of Units (e)	Unit of Measure (f)	Dollars (g)
1	Scheduling, System Control and Dispatch			828,817			215,052
2	Reactive Supply and Voltage			1,723,770			1,962,640
3	Regulation and Frequency Response			857,445			
4	Energy Imbalance						
5	Operating Reserve - Spinning						
6	Operating Reserve - Supplement						
7	Other			1,775,923			5,066,280
8	Total (Lines 1 thru 7)			5,185,955			7,243,972

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) _ An Original (2) X A Resubmission	04/26/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 398 Line No.: 1 Column: g

Revenues from PJM

Schedule Page: 398 Line No.: 7 Column: g

Revenues from PJM

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

MONTHLY TRANSMISSION SYSTEM PEAK LOAD

(1) Report the monthly peak load on the respondent's transmission system. If the respondent has two or more power systems which are not physically integrated, furnish the required information for each non-integrated system.
(2) Report on Column (b) by month the transmission system's peak load.
(3) Report on Columns (c) and (d) the specified information for each monthly transmission - system peak load reported on Column (b).
(4) Report on Columns (e) through (j) by month the system' monthly maximum megawatt load by statistical classifications. See General Instruction for the definition of each statistical classification.

NAME OF SYSTEM:

Line No.	Month (a)	Monthly Peak MW - Total (b)	Day of Monthly Peak (c)	Hour of Monthly Peak (d)	Firm Network Service for Self (e)	Firm Network Service for Others (f)	Long-Term Firm Point-to-point Reservations (g)	Other Long-Term Firm Service (h)	Short-Term Firm Point-to-point Reservation (i)	Other Service (j)
1	January									
2	February									
3	March									
4	Total for Quarter 1									
5	April									
6	May									
7	June									
8	Total for Quarter 2									
9	July									
10	August									
11	September									
12	Total for Quarter 3									
13	October									
14	November									
15	December									
16	Total for Quarter 4									
17	Total Year to Date/Year									

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

MONTHLY ISO/RTO TRANSMISSION SYSTEM PEAK LOAD

(1) Report the monthly peak load on the respondent's transmission system. If the Respondent has two or more power systems which are not physically integrated, furnish the required information for each non-integrated system.
(2) Report on Column (b) by month the transmission system's peak load.
(3) Report on Column (c) and (d) the specified information for each monthly transmission - system peak load reported on Column (b).
(4) Report on Columns (e) through (i) by month the system's transmission usage by classification. Amounts reported as Through and Out Service in Column (g) are to be excluded from those amounts reported in Columns (e) and (f).
(5) Amounts reported in Column (j) for Total Usage is the sum of Columns (h) and (i).

NAME OF SYSTEM:

Line No.	Month (a)	Monthly Peak MW - Total (b)	Day of Monthly Peak (c)	Hour of Monthly Peak (d)	Imports into ISO/RTO (e)	Exports from ISO/RTO (f)	Through and Out Service (g)	Network Service Usage (h)	Point-to-Point Service Usage (i)	Total Usage (j)
1	January									
2	February									
3	March									
4	Total for Quarter 1									
5	April									
6	May									
7	June									
8	Total for Quarter 2									
9	July									
10	August									
11	September									
12	Total for Quarter 3									
13	October									
14	November									
15	December									
16	Total for Quarter 4									
17	Total Year to Date/Year									

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

ELECTRIC ENERGY ACCOUNT

Report below the information called for concerning the disposition of electric energy generated, purchased, exchanged and wheeled during the year.

Line No.	Item (a)	MegaWatt Hours (b)	Line No.	Item (a)	MegaWatt Hours (b)
1	SOURCES OF ENERGY		21	DISPOSITION OF ENERGY	
2	Generation (Excluding Station Use):		22	Sales to Ultimate Consumers (Including Interdepartmental Sales)	4,133,607
3	Steam	2,792,745	23	Requirements Sales for Resale (See instruction 4, page 311.)	
4	Nuclear		24	Non-Requirements Sales for Resale (See instruction 4, page 311.)	507,428
5	Hydro-Conventional		25	Energy Furnished Without Charge	
6	Hydro-Pumped Storage		26	Energy Used by the Company (Electric Dept Only, Excluding Station Use)	776
7	Other	116,441	27	Total Energy Losses	324,396
8	Less Energy for Pumping		28	TOTAL (Enter Total of Lines 22 Through 27) (MUST EQUAL LINE 20)	4,966,207
9	Net Generation (Enter Total of lines 3 through 8)	2,909,186			
10	Purchases	2,057,021			
11	Power Exchanges:				
12	Received				
13	Delivered				
14	Net Exchanges (Line 12 minus line 13)				
15	Transmission For Other (Wheeling)				
16	Received				
17	Delivered				
18	Net Transmission for Other (Line 16 minus line 17)				
19	Transmission By Others Losses				
20	TOTAL (Enter Total of lines 9, 10, 14, 18 and 19)	4,966,207			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

MONTHLY PEAKS AND OUTPUT

1. Report the monthly peak load and energy output. If the respondent has two or more power which are not physically integrated, furnish the required information for each non- integrated system.
2. Report in column (b) by month the system's output in Megawatt hours for each month.
3. Report in column (c) by month the non-requirements sales for resale. Include in the monthly amounts any energy losses associated with the sales.
4. Report in column (d) by month the system's monthly maximum megawatt load (60 minute integration) associated with the system.
5. Report in column (e) and (f) the specified information for each monthly peak load reported in column (d).

NAME OF SYSTEM:

Line No.	Month (a)	Total Monthly Energy (b)	Monthly Non-Requirments Sales for Resale & Associated Losses (c)	MONTHLY PEAK Megawatts (See Instr. 4) (d)	MONTHLY PEAK Day of Month (e)	MONTHLY PEAK Hour (f)
29	January	438,637	25,795	768	5	800
30	February	336,733	11,176	634	2	800
31	March	413,305	63,448	632	8	2000
32	April	311,874	-1,402	612	17	1100
33	May	376,235	-1,199	734	15	1700
34	June	475,503	51,939	819	19	1700
35	July	458,456	22,549	808	10	1600
36	August	441,156	8,228	787	28	1700
37	September	462,077	97,127	799	4	1600
38	October	380,918	31,605	758	8	1500
39	November	372,110	44,553	632	27	1900
40	December	499,203	153,609	630	11	800
41	TOTAL	4,966,207	507,428			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

STEAM-ELECTRIC GENERATING PLANT STATISTICS (Large Plants)

1. Report data for plant in Service only. 2. Large plants are steam plants with installed capacity (name plate rating) of 25,000 Kw or more. Report in this page gas-turbine and internal combustion plants of 10,000 Kw or more, and nuclear plants. 3. Indicate by a footnote any plant leased or operated as a joint facility. 4. If net peak demand for 60 minutes is not available, give data which is available, specifying period. 5. If any employees attend more than one plant, report on line 11 the approximate average number of employees assignable to each plant. 6. If gas is used and purchased on a therm basis report the Btu content or the gas and the quantity of fuel burned converted to Mct. 7. Quantities of fuel burned (Line 38) and average cost per unit of fuel burned (Line 41) must be consistent with charges to expense accounts 501 and 547 (Line 42) as show on Line 20. 8. If more than one fuel is burned in a plant furnish only the composite heat rate for all fuels burned.

Line No.	Item (a)	Plant Name: *EAST BEND* (b)	Plant Name: *MIAMI FORT 6* (c)
1	Kind of Plant (Internal Comb, Gas Turb, Nuclear	Steam	Steam
2	Type of Constr (Conventional, Outdoor, Boiler, etc)	Conventional	Conventional
3	Year Originally Constructed	1981	1960
4	Year Last Unit was Installed	1981	1960
5	Total Installed Cap (Max Gen Name Plate Ratings-MW)	768.00	168.00
6	Net Peak Demand on Plant - MW (60 minutes)	615	0
7	Plant Hours Connected to Load	5820	0
8	Net Continuous Plant Capability (Megawatts)	0	0
9	When Not Limited by Condenser Water	600	0
10	When Limited by Condenser Water	600	0
11	Average Number of Employees	104	0
12	Net Generation, Exclusive of Plant Use - KWh	2792745000	0
13	Cost of Plant: Land and Land Rights	7047301	0
14	Structures and Improvements	125620075	0
15	Equipment Costs	690670306	0
16	Asset Retirement Costs	62110190	0
17	Total Cost	885447872	0
18	Cost per KW of Installed Capacity (line 17/5) Including	1152.9269	0.0000
19	Production Expenses: Oper, Supv, & Engr	2467177	0
20	Fuel	57890073	0
21	Coolants and Water (Nuclear Plants Only)	0	0
22	Steam Expenses	11457338	0
23	Steam From Other Sources	0	0
24	Steam Transferred (Cr)	0	0
25	Electric Expenses	933344	0
26	Misc Steam (or Nuclear) Power Expenses	2846615	0
27	Rents	226	0
28	Allowances	0	0
29	Maintenance Supervision and Engineering	2237531	0
30	Maintenance of Structures	7178662	-164
31	Maintenance of Boiler (or reactor) Plant	11206645	0
32	Maintenance of Electric Plant	6212362	11783
33	Maintenance of Misc Steam (or Nuclear) Plant	6013259	0
34	Total Production Expenses	108443232	11619
35	Expenses per Net KWh	0.0388	0.0000

Line No.	Item (a)	(b)	(b)	(b)	(c)	(c)	(c)
36	Fuel: Kind (Coal, Gas, Oil, or Nuclear)	Coal		Oil			
37	Unit (Coal-tons/Oil-barrel/Gas-mcf/Nuclear-indicate)	Tons		Barrels			
38	Quantity (Units) of Fuel Burned	1267562	0	22287	0	0	0
39	Avg Heat Cont - Fuel Burned (btu/indicate if nuclear)	12135	0	139050	0	0	0
40	Avg Cost of Fuel/unit, as Delvd f.o.b. during year	43.868	0.000	96.714	0.000	0.000	0.000
41	Average Cost of Fuel per Unit Burned	44.023	0.000	93.708	0.000	0.000	0.000
42	Average Cost of Fuel Burned per Million BTU	1.814	0.000	16.046	0.000	0.000	0.000
43	Average Cost of Fuel Burned per KWh Net Gen	0.020	0.000	0.001	0.000	0.000	0.000
44	Average BTU per KWh Net Generation	11016.000	0.000	11016.000	0.000	0.000	0.000

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

STEAM-ELECTRIC GENERATING PLANT STATISTICS (Large Plants) *(Continued)*

9. Items under Cost of Plant are based on U. S. of A. Accounts. Production expenses do not include Purchased Power, System Control and Load Dispatching, and Other Expenses Classified as Other Power Supply Expenses. 10. For IC and GT plants, report Operating Expenses, Account Nos. 547 and 549 on Line 25 "Electric Expenses," and Maintenance Account Nos. 553 and 554 on Line 32, "Maintenance of Electric Plant." Indicate plants designed for peak load service. Designate automatically operated plants. 11. For a plant equipped with combinations of fossil fuel steam, nuclear steam, hydro, internal combustion or gas-turbine equipment, report each as a separate plant. However, if a gas-turbine unit functions in a combined cycle operation with a conventional steam unit, include the gas-turbine with the steam plant. 12. If a nuclear power generating plant, briefly explain by footnote (a) accounting method for cost of power generated including any excess costs attributed to research and development; (b) types of cost units used for the various components of fuel cost; and (c) any other informative data concerning plant type fuel used, fuel enrichment type and quantity for the report period and other physical and operating characteristics of plant.

Plant Name: *WOODSDALE GT* (d)	Plant Name: (e)	Plant Name: (f)	Line No.
Combustion Turbine			1
Conventional			2
1992			3
1993			4
572.00	0.00	0.00	5
498	0	0	6
689	0	0	7
0	0	0	8
564	0	0	9
476	0	0	10
24	0	0	11
116441000	0	0	12
3687254	0	0	13
36470340	0	0	14
270104983	0	0	15
0	0	0	16
310262577	0	0	17
542.4171	0	0	18
392257	0	0	19
8530164	0	0	20
0	0	0	21
340359	0	0	22
0	0	0	23
0	0	0	24
948033	0	0	25
0	0	0	26
0	0	0	27
0	0	0	28
206300	0	0	29
363564	0	0	30
0	0	0	31
247356	0	0	32
320688	0	0	33
11348721	0	0	34
0.0975	0.0000	0.0000	35

(d)	(d)	(d)	(e)	(e)	(e)	(f)	(f)	(f)	Line No.
Gas		Propane							36
Mcfs		Barrels							37
1994314	0	3613	0	0	0	0	0	0	38
1	0	91709	0	0	0	0	0	0	39
4.209	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	40
4.209	0.000	37.730	0.000	0.000	0.000	0.000	0.000	0.000	41
4.094	0.000	9.795	0.000	0.000	0.000	0.000	0.000	0.000	42
0.072	0.000	0.001	0.000	0.000	0.000	0.000	0.000	0.000	43
17726.000	0.000	17726.000	0.000	0.000	0.000	0.000	0.000	0.000	44

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) _ An Original (2) X A Resubmission	Date of Report (Mo, Da, Yr) 04/26/2019	Year/Period of Report 2018/Q4
FOOTNOTE DATA			

Schedule Page: 402 Line No.: 1 Column: b

Effective 12-30-14, East Bend is owned 100% by Duke Energy Kentucky, Inc. Prior to that, East Bend was commonly owned by Duke Energy Kentucky, Inc. and the Dayton Power and Light Company with undivided interest of 69% and 31% respectively. Fuel expenses were shared on the basis of energy usage and other expenses were shared on an ownership basis.

Schedule Page: 402 Line No.: 1 Column: c

Miami Fort U6 retired 2015.

Schedule Page: 402 Line No.: 5 Column: b

The name plate rating is the actual name plate capacity that is determined by the generator's manufacturer and indicates the maximum output a generator can produce.

Schedule Page: 402 Line No.: 5 Column: c

The name plate rating is the actual name plate capacity that is determined by the generator's manufacturer and indicates the maximum output a generator can produce.
Miami Fort U6 retired 05/31/2015.

Schedule Page: 403 Line No.: 5 Column: d

The name plate rating is the actual name plate capacity that is determined by the generator's manufacturer and indicates the maximum output a generator can produce.

Schedule Page: 402 Line No.: 9 Column: c

Miami Fort U6 retired 05/31/2015.

Schedule Page: 402 Line No.: 10 Column: c

Miami Fort U6 retired 05/31/2015.

Schedule Page: 402 Line No.: 11 Column: c

Miami Fort 6 has no employees. All employees at Miami Fort are non-regulated. Miami Fort U6 retired 05/31/2015.

Schedule Page: 402 Line No.: 20 Column: b

Excludes coal handling, sale of fly ash, and other miscellaneous cost of $1,354,620.

Schedule Page: 403 Line No.: 20 Column: d

Excludes natural gas handling cost of $11,395.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

HYDROELECTRIC GENERATING PLANT STATISTICS (Large Plants)

1. Large plants are hydro plants of 10,000 Kw or more of installed capacity (name plate ratings)
2. If any plant is leased, operated under a license from the Federal Energy Regulatory Commission, or operated as a joint facility, indicate such facts in a footnote. If licensed project, give project number.
3. If net peak demand for 60 minutes is not available, give that which is available specifying period.
4. If a group of employees attends more than one generating plant, report on line 11 the approximate average number of employees assignable to each plant.

Line No.	Item (a)	FERC Licensed Project No. 0 Plant Name: (b)	FERC Licensed Project No. 0 Plant Name: (c)
1	Kind of Plant (Run-of-River or Storage)		
2	Plant Construction type (Conventional or Outdoor)		
3	Year Originally Constructed		
4	Year Last Unit was Installed		
5	Total installed cap (Gen name plate Rating in MW)	0.00	0.00
6	Net Peak Demand on Plant-Megawatts (60 minutes)	0	0
7	Plant Hours Connect to Load	0	0
8	Net Plant Capability (in megawatts)		
9	(a) Under Most Favorable Oper Conditions	0	0
10	(b) Under the Most Adverse Oper Conditions	0	0
11	Average Number of Employees	0	0
12	Net Generation, Exclusive of Plant Use - Kwh	0	0
13	Cost of Plant		
14	Land and Land Rights	0	0
15	Structures and Improvements	0	0
16	Reservoirs, Dams, and Waterways	0	0
17	Equipment Costs	0	0
18	Roads, Railroads, and Bridges	0	0
19	Asset Retirement Costs	0	0
20	TOTAL cost (Total of 14 thru 19)	0	0
21	Cost per KW of Installed Capacity (line 20 / 5)	0.0000	0.0000
22	Production Expenses		
23	Operation Supervision and Engineering	0	0
24	Water for Power	0	0
25	Hydraulic Expenses	0	0
26	Electric Expenses	0	0
27	Misc Hydraulic Power Generation Expenses	0	0
28	Rents	0	0
29	Maintenance Supervision and Engineering	0	0
30	Maintenance of Structures	0	0
31	Maintenance of Reservoirs, Dams, and Waterways	0	0
32	Maintenance of Electric Plant	0	0
33	Maintenance of Misc Hydraulic Plant	0	0
34	Total Production Expenses (total 23 thru 33)	0	0
35	Expenses per net KWh	0.0000	0.0000

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

HYDROELECTRIC GENERATING PLANT STATISTICS (Large Plants) (Continued)

5. The items under Cost of Plant represent accounts or combinations of accounts prescribed by the Uniform System of Accounts. Production Expenses do not include Purchased Power, System control and Load Dispatching, and Other Expenses classified as "Other Power Supply Expenses."
6. Report as a separate plant any plant equipped with combinations of steam, hydro, internal combustion engine, or gas turbine equipment.

FERC Licensed Project No. 0 Plant Name: (d)	FERC Licensed Project No. 0 Plant Name: (e)	FERC Licensed Project No. 0 Plant Name: (f)	Line No.
			1
			2
			3
			4
0.00	0.00	0.00	5
0	0	0	6
0	0	0	7
			8
0	0	0	9
0	0	0	10
0	0	0	11
0	0	0	12
			13
0	0	0	14
0	0	0	15
0	0	0	16
0	0	0	17
0	0	0	18
0	0	0	19
0	0	0	20
0.0000	0.0000	0.0000	21
			22
0	0	0	23
0	0	0	24
0	0	0	25
0	0	0	26
0	0	0	27
0	0	0	28
0	0	0	29
0	0	0	30
0	0	0	31
0	0	0	32
0	0	0	33
0	0	0	34
0.0000	0.0000	0.0000	35

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

PUMPED STORAGE GENERATING PLANT STATISTICS (Large Plants)

1. Large plants and pumped storage plants of 10,000 Kw or more of installed capacity (name plate ratings)
2. If any plant is leased, operating under a license from the Federal Energy Regulatory Commission, or operated as a joint facility, indicate such facts in a footnote. Give project number.
3. If net peak demand for 60 minutes is not available, give the which is available, specifying period.
4. If a group of employees attends more than one generating plant, report on line 8 the approximate average number of employees assignable to each plant.
5. The items under Cost of Plant represent accounts or combinations of accounts prescribed by the Uniform System of Accounts. Production Expenses do not include Purchased Power System Control and Load Dispatching, and Other Expenses classified as "Other Power Supply Expenses."

Line No.	Item (a)	FERC Licensed Project No. Plant Name: (b)
1	Type of Plant Construction (Conventional or Outdoor)	
2	Year Originally Constructed	
3	Year Last Unit was Installed	
4	Total installed cap (Gen name plate Rating in MW)	
5	Net Peak Demaind on Plant-Megawatts (60 minutes)	
6	Plant Hours Connect to Load While Generating	
7	Net Plant Capability (in megawatts)	
8	Average Number of Employees	
9	Generation, Exclusive of Plant Use - Kwh	
10	Energy Used for Pumping	
11	Net Output for Load (line 9 - line 10) - Kwh	
12	Cost of Plant	
13	Land and Land Rights	
14	Structures and Improvements	
15	Reservoirs, Dams, and Waterways	
16	Water Wheels, Turbines, and Generators	
17	Accessory Electric Equipment	
18	Miscellaneous Powerplant Equipment	
19	Roads, Railroads, and Bridges	
20	Asset Retirement Costs	
21	Total cost (total 13 thru 20)	
22	Cost per KW of installed cap (line 21 / 4)	
23	Production Expenses	
24	Operation Supervision and Engineering	
25	Water for Power	
26	Pumped Storage Expenses	
27	Electric Expenses	
28	Misc Pumped Storage Power generation Expenses	
29	Rents	
30	Maintenance Supervision and Engineering	
31	Maintenance of Structures	
32	Maintenance of Reservoirs, Dams, and Waterways	
33	Maintenance of Electric Plant	
34	Maintenance of Misc Pumped Storage Plant	
35	Production Exp Before Pumping Exp (24 thru 34)	
36	Pumping Expenses	
37	Total Production Exp (total 35 and 36)	
38	Expenses per KWh (line 37 / 9)	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

PUMPED STORAGE GENERATING PLANT STATISTICS (Large Plants) (Continued)

6. Pumping energy (Line 10) is that energy measured as input to the plant for pumping purposes.
7. Include on Line 36 the cost of energy used in pumping into the storage reservoir. When this item cannot be accurately computed leave Lines 36, 37 and 38 blank and describe at the bottom of the schedule the company's principal sources of pumping power, the estimated amounts of energy from each station or other source that individually provides more than 10 percent of the total energy used for pumping, and production expenses per net MWH as reported herein for each source described. Group together stations and other resources which individually provide less than 10 percent of total pumping energy. If contracts are made with others to purchase power for pumping, give the supplier contract number, and date of contract.

FERC Licensed Project No. Plant Name: (c)	FERC Licensed Project No. Plant Name: (d)	FERC Licensed Project No. Plant Name: (e)	Line No.
			1
			2
			3
			4
			5
			6
			7
			8
			9
			10
			11
			12
			13
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			21
			22
			23
			24
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			33
			34
			35
			36
			37
			38

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

GENERATING PLANT STATISTICS (Small Plants)

1. Small generating plants are steam plants of, less than 25,000 Kw; internal combustion and gas turbine-plants, conventional hydro plants and pumped storage plants of less than 10,000 Kw installed capacity (name plate rating). 2. Designate any plant leased from others, operated under a license from the Federal Energy Regulatory Commission, or operated as a joint facility, and give a concise statement of the facts in a footnote. If licensed project, give project number in footnote.

Line No.	Name of Plant (a)	Year Orig. Const. (b)	Installed Capacity Name Plate Rating (In MW) (c)	Net Peak Demand MW (60 min.) (d)	Net Generation Excluding Plant Use (e)	Cost of Plant (f)
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
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46						

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

GENERATING PLANT STATISTICS (Small Plants) (Continued)

3. List plants appropriately under subheadings for steam, hydro, nuclear, internal combustion and gas turbine plants. For nuclear, see instruction 11, Page 403. 4. If net peak demand for 60 minutes is not available, give the which is available, specifying period. 5. If any plant is equipped with combinations of steam, hydro internal combustion or gas turbine equipment, report each as a separate plant. However, if the exhaust heat from the gas turbine is utilized in a steam turbine regenerative feed water cycle, or for preheated combustion air in a boiler, report as one plant.

Plant Cost (Incl Asset Retire. Costs) Per MW (g)	Operation Exc'l. Fuel (h)	Production Expenses: Fuel (i)	Production Expenses: Maintenance (j)	Kind of Fuel (k)	Fuel Costs (in cents (per Million Btu) (l)	Line No.
						1
						2
						3
						4
						5
						6
						7
						8
						9
						10
						11
						12
						13
						14
						15
						16
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						45
						46

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

TRANSMISSION LINE STATISTICS

1. Report information concerning transmission lines, cost of lines, and expenses for year. List each transmission line having nominal voltage of 132 kilovolts or greater. Report transmission lines below these voltages in group totals only for each voltage.
2. Transmission lines include all lines covered by the definition of transmission system plant as given in the Uniform System of Accounts. Do not report substation costs and expenses on this page.
3. Report data by individual lines for all voltages if so required by a State commission.
4. Exclude from this page any transmission lines for which plant costs are included in Account 121, Nonutility Property.
5. Indicate whether the type of supporting structure reported in column (e) is: (1) single pole wood or steel; (2) H-frame wood, or steel poles; (3) tower; or (4) underground construction If a transmission line has more than one type of supporting structure, indicate the mileage of each type of construction by the use of brackets and extra lines. Minor portions of a transmission line of a different type of construction need not be distinguished from the remainder of the line.
6. Report in columns (f) and (g) the total pole miles of each transmission line. Show in column (f) the pole miles of line on structures the cost of which is reported for the line designated; conversely, show in column (g) the pole miles of line on structures the cost of which is reported for another line. Report pole miles of line on leased or partly owned structures in column (g). In a footnote, explain the basis of such occupancy and state whether expenses with respect to such structures are included in the expenses reported for the line designated.

Line No.	DESIGNATION		VOLTAGE (KV) (Indicate where other than 60 cycle, 3 phase)		Type of Supporting	LENGTH (Pole miles) (In the case of underground lines report circuit miles)		Number Of
	From (a)	To (b)	Operating (c)	Designed (d)	Structure (e)	On Structure of Line Designated (f)	On Structures of Another Line (g)	Circuits (h)
1	69KV TRANSMISSION POOL		69.00	69.00	POLE	102.18	3.04	
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
21								
22								
23								
24								
25								
26								
27								
28								
29								
30								
31								
32								
33								
34								
35								
36					TOTAL	102.18	3.04	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

TRANSMISSION LINE STATISTICS (Continued)

7. Do not report the same transmission line structure twice. Report Lower voltage Lines and higher voltage lines as one line. Designate in a footnote if you do not include Lower voltage lines with higher voltage lines. If two or more transmission line structures support lines of the same voltage, report the pole miles of the primary structure in column (f) and the pole miles of the other line(s) in column (g)
8. Designate any transmission line or portion thereof for which the respondent is not the sole owner. If such property is leased from another company, give name of lessor, date and terms of Lease, and amount of rent for year. For any transmission line other than a leased line, or portion thereof, for which the respondent is not the sole owner but which the respondent operates or shares in the operation of, furnish a succinct statement explaining the arrangement and giving particulars (details) of such matters as percent ownership by respondent in the line, name of co-owner, basis of sharing expenses of the Line, and how the expenses borne by the respondent are accounted for, and accounts affected. Specify whether lessor, co-owner, or other party is an associated company.
9. Designate any transmission line leased to another company and give name of Lessee, date and terms of lease, annual rent for year, and how determined. Specify whether lessee is an associated company.
10. Base the plant cost figures called for in columns (j) to (l) on the book cost at end of year.

Size of Conductor and Material	COST OF LINE (Include in Column (j) Land, Land rights, and clearing right-of-way)			EXPENSES, EXCEPT DEPRECIATION AND TAXES				Line No.
(i)	Land (j)	Construction and Other Costs (k)	Total Cost (l)	Operation Expenses (m)	Maintenance Expenses (n)	Rents (o)	Total Expenses (p)	
	1,032,581	15,560,999	16,593,580	33,532	428,751		462,283	1
								2
								3
								4
								5
								6
								7
								8
								9
								10
								11
								12
								13
								14
								15
								16
								17
								18
								19
								20
								21
								22
								23
								24
								25
								26
								27
								28
								29
								30
								31
								32
								33
								34
								35
	1,032,581	15,560,999	16,593,580	33,532	428,751		462,283	36

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

TRANSMISSION LINES ADDED DURING YEAR

1. Report below the information called for concerning Transmission lines added or altered during the year. It is not necessary to report minor revisions of lines.
2. Provide separate subheadings for overhead and under- ground construction and show each transmission line separately. If actual costs of competed construction are not readily available for reporting columns (l) to (o), it is permissible to report in these columns the

Line No.	LINE DESIGNATION		Line Length in Miles	SUPPORTING STRUCTURE		CIRCUITS PER STRUCTURE	
	From (a)	To (b)	(c)	Type (d)	Average Number per Miles (e)	Present (f)	Ultimate (g)
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							
39							
40							
41							
42							
43							
44	TOTAL						

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) ☐ An Original (2) ☒ A Resubmission	04/26/2019	End of 2018/Q4

TRANSMISSION LINES ADDED DURING YEAR (Continued)

costs. Designate, however, if estimated amounts are reported. Include costs of Clearing Land and Rights-of-Way, and Roads and Trails, in column (l) with appropriate footnote, and costs of Underground Conduit in column (m).
3. If design voltage differs from operating voltage, indicate such fact by footnote; also where line is other than 60 cycle, 3 phase, indicate such other characteristic.

CONDUCTORS			Voltage	LINE COST					Line
Size (h)	Specification (i)	Configuration and Spacing (j)	KV (Operating) (k)	Land and Land Rights (l)	Poles, Towers and Fixtures (m)	Conductors and Devices (n)	Asset Retire. Costs (o)	Total (p)	No.
									1
									2
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

SUBSTATIONS

1. Report below the information called for concerning substations of the respondent as of the end of the year.
2. Substations which serve only one industrial or street railway customer should not be listed below.
3. Substations with capacities of Less than 10 MVa except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
4. Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation (a)	Character of Substation (b)	VOLTAGE (In MVa) Primary (c)	Secondary (d)	Tertiary (e)
1	ALEXANDRIA SOUTH-CAMPBELL CO	UNATTENDED - D	69.00	13.20	
2	ATLAS-KENTON CO	UNATTENDED - D	69.00	13.20	
3	AUGUSTINE-COVINGTON, KY	UNATTENDED - D	138.00	13.00	
4	BEAVER-BOONE CO.	UNATTENDED - D	69.00	13.20	
5	BELLEVUE-CAMPBELL CO.	UNATTENDED - D	138.00	13.20	
6	BLACKWELL-GRANT CO.	UNATTENDED - T	138.00	69.00	
7	BUFFINGTON-KENTON CO.	UNATTENDED - T&D	138.00	69.00	13.20
8	CLARYVILLE-CAMBELL CO.	UNATTENDED - D	69.00	13.20	
9	COLD SPRING-KENTON CO.	UNATTENDED - D	138.00	13.20	
10	CONSTANCE-KENTON CO.	UNATTENDED - D	138.00	13.20	
11	COVINGTON - KENTON CO.	UNATTENDED - D	69.00	13.09	
12	CRESCENT-KENTON CO.	UNATTENDED - D	138.00	13.20	
13	CRITTENDEN-GRANT CO.	UNATTENDED - D	69.00	13.20	
14	DAYTON - CAMPBELL CO.	UNATTENDED - D	138.00	13.20	
15	DECOURSEY-KENTON CO.	UNATTENDED - D	69.00	13.20	
16	DIXIE-BOONE CO.	UNATTENDED - D	69.00	13.20	
17	DONALDSON-KENTON CO.	UNATTENDED - D	138.00	13.20	
18	DRY RIDGE-GRANT CO.	UNATTENDED - D	69.00	13.20	
19	EMPIRE - BOONE CO.	UNATTENDED - D	69.00	13.20	
20	FLORENCE-BOONE CO.	UNATTENDED - D	138.00	13.20	
21	GRANT-GRANT CO.	UNATTENDED - D	69.00	13.20	
22	HANDS-KENTON CO.	UNATTENDED - D	138.00	13.20	
23	HEBRON- BOONE CO.	UNATTENDED - D	138.00	13.20	
24	KENTON-KENTON CO.	UNATTENDED - T&D	138.00	13.20	
25	KY. UNIVERSITY-CAMP. CO.	UNATTENDED - D	138.00	13.20	
26	LIMABURG-BOONE CO.	UNATTENDED - D	69.00	13.20	
27	LONGBRANCH- BOONE CO.	UNATTENDED - D	138.00	13.20	
28	MARSHALL-CAMPBELL CO.	UNATTENDED - D	69.00	13.20	
29	MT ZION - BOONE CO.	UNATTENDED - D	138.00	13.20	
30	OAKBROOK - BOONE CO	UNATTENDED - D	69.00	13.20	
31	RICHWOOD - BOONE CO.	UNATTENDED - D	69.00	13.20	
32	SILVER GROVE - CAMPBELL CO.	UNATTENDED - T&D	138.00	13.20	
33	THOMAS MORE - KENTON CO.	UNATTENDED - D	69.00	13.20	
34	VERONA - KENTON CO.	UNATTENDED - D	69.00	13.20	
35	VILLA-CRESTVIEW HLS., KY	UNATTENDED - D	69.00	13.20	
36	WHITE TOWER-KENTON CO.	UNATTENDED - D	69.00	13.20	
37	WILDER-WILDER, KY.	UNATTENDED - T&D	138.00	69.00	13.20
38	YORK-NEWPORT, KY.	UNATTENDED - D	138.00	13.20	
39	NO STATIONS UNDER 10 MVA				
40					

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

SUBSTATIONS

1. Report below the information called for concerning substations of the respondent as of the end of the year.
2. Substations which serve only one industrial or street railway customer should not be listed below.
3. Substations with capacities of Less than 10 MVa except those serving customers with energy for resale, may be grouped according to functional character, but the number of such substations must be shown.
4. Indicate in column (b) the functional character of each substation, designating whether transmission or distribution and whether attended or unattended. At the end of the page, summarize according to function the capacities reported for the individual stations in column (f).

Line No.	Name and Location of Substation (a)	Character of Substation (b)	VOLTAGE (In MVa) Primary (c)	Secondary (d)	Tertiary (e)
1					
2	Summary of Listed Stations Above				
3	(By Function) not including Commonly Owned				
4	Substations				
5					
6	UNATTENDED - T&D				
7	UNATTENDED - D				
8	UNATTENDED - T				
9	ATTENDED - T&D				
10	ATTENDED - D				
11	ATTENDED - T				
12					
13					
14	Note				
15					
16					
17					
18					
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

SUBSTATIONS (Continued)

5. Show in columns (I), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation (In Service) (In MVa) (f)	Number of Transformers In Service (g)	Number of Spare Transformers (h)	CONVERSION APPARATUS AND SPECIAL EQUIPMENT Type of Equipment (i)	Number of Units (j)	Total Capacity (In MVa) (k)	Line No.
11	1					1
11	1					2
67	3					3
21	2					4
45	2					5
150	1					6
328	5					7
32	3					8
33	2					9
45	2					10
45	2					11
67	3					12
21	2					13
22	1					14
11	1					15
42	2					16
45	2					17
11	1					18
25	2					19
67	3					20
21	2					21
45	2					22
45	2					23
167	3					24
45	2					25
32	3					26
22	1					27
11	1					28
22	1					29
22	1					30
32	3					31
22	1					32
22	1					33
11	1					34
45	2					35
21	2					36
147	4					37
22	1					38
						39
						40

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

SUBSTATIONS (Continued)

5. Show in columns (I), (j), and (k) special equipment such as rotary converters, rectifiers, condensers, etc. and auxiliary equipment for increasing capacity.
6. Designate substations or major items of equipment leased from others, jointly owned with others, or operated otherwise than by reason of sole ownership by the respondent. For any substation or equipment operated under lease, give name of lessor, date and period of lease, and annual rent. For any substation or equipment operated other than by reason of sole ownership or lease, give name of co-owner or other party, explain basis of sharing expenses or other accounting between the parties, and state amounts and accounts affected in respondent's books of account. Specify in each case whether lessor, co-owner, or other party is an associated company.

Capacity of Substation (In Service) (In MVa) (f)	Number of Transformers In Service (g)	Number of Spare Transformers (h)	CONVERSION APPARATUS AND SPECIAL EQUIPMENT Type of Equipment (i)	Number of Units (j)	Total Capacity (In MVa) (k)	Line No.
						1
						2
						3
						4
						5
664						6
1042						7
150						8
						9
						10
						11
						12
						13
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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) _ An Original (2) X A Resubmission	04/26/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 426.1 Line No.: 14 Column: a

Note: The voltages reported in column (c), (d) and (e) are the highest and lowest in the substation BUT not necessarily on the same transformer.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

TRANSACTIONS WITH ASSOCIATED (AFFILIATED) COMPANIES

1. Report below the information called for concerning all non-power goods or services received from or provided to associated (affiliated) companies.
2. The reporting threshold for reporting purposes is $250,000. The threshold applies to the annual amount billed to the respondent or billed to an associated/affiliated company for non-power goods and services. The good or service must be specific in nature. Respondents should not attempt to include or aggregate amounts in a nonspecific category such as "general".
3. Where amounts billed to or received from the associated (affiliated) company are based on an allocation process, explain in a footnote.

Line No.	Description of the Non-Power Good or Service (a)	Name of Associated/Affiliated Company (b)	Account Charged or Credited (c)	Amount Charged or Credited (d)
1	**Non-power Goods or Services Provided by Affiliated**			
2	Services Provided by Duke Energy Business Services	Duke Energy Business Services, LLC	Various	135,224,601
3	Customer and Market Services	Duke Energy Carolinas, LLC	Various	3,472,555
4	Generation Services	Duke Energy Carolinas, LLC	Various	33,991,789
5	Other Goods and Services	Duke Energy Carolinas, LLC	Various	864,510
6	Transmission and Distribution Services	Duke Energy Carolinas, LLC	Various	1,923,431
7	Customer and Market Services	Duke Energy Progress, LLC	Various	228,021
8	Generation Services	Duke Energy Progress, LLC	Various	220,992
9	Other Goods and Services	Duke Energy Progress, LLC	Various	294,834
10	Transmission and Distribution Services	Duke Energy Progress, LLC	Various	190,020
11				
12				
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14				
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16				
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19				
20	**Non-power Goods or Services Provided for Affiliate**			
21	Customer and Market Services	Duke Energy Carolinas, LLC	Various	35,469
22	Gas Distribution Services	Duke Energy Carolinas, LLC	Various	-2,321
23	Generation Services	Duke Energy Carolinas, LLC	Various	3,462
24	Other Goods and Services	Duke Energy Carolinas, LLC	Various	14
25	Transmission and Distribution Services	Duke Energy Carolinas, LLC	Various	545,532
26				
27	Customer and Market Services	Duke Energy Progress, LLC	Various	52,001
28	Gas Distribution Services	Duke Energy Progress, LLC	Various	658
29	Generation Services	Duke Energy Progress, LLC	Various	18,432
30	Transmission and Distribution Services	Duke Energy Progress, LLC	Various	385,145
31				
32	Customer and Market Services	Duke Energy Florida, LLC	Various	7,355
33	Gas Distribution Services	Duke Energy Florida, LLC	Various	749
34	Generation Services	Duke Energy Florida, LLC	Various	39,148
35	Transmission and Distribution Services	Duke Energy Florida, LLC	Various	1,026,527
36				
37				
38				
39				
40				
41				
42				
1	**Non-power Goods or Services Provided by Affiliated**			
2	Customer and Market Services	Duke Energy Indiana, LLC	Various	107,586

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [ ] An Original (2) [X] A Resubmission	04/26/2019	End of 2018/Q4

TRANSACTIONS WITH ASSOCIATED (AFFILIATED) COMPANIES

1. Report below the information called for concerning all non-power goods or services received from or provided to associated (affiliated) companies.
2. The reporting threshold for reporting purposes is $250,000. The threshold applies to the annual amount billed to the respondent or billed to an associated/affiliated company for non-power goods and services. The good or service must be specific in nature. Respondents should not attempt to include or aggregate amounts in a nonspecific category such as "general".
3. Where amounts billed to or received from the associated (affiliated) company are based on an allocation process, explain in a footnote.

Line No.	Description of the Non-Power Good or Service (a)	Name of Associated/Affiliated Company (b)	Account Charged or Credited (c)	Amount Charged or Credited (d)
3	Generation Services	Duke Energy Indiana, LLC	Various	19,051,496
4	Other Goods and Services	Duke Energy Indiana, LLC	Various	59,332
5	Transmission and Distribution Services	Duke Energy Indiana, LLC	Various	112,851
6				
7	Customer and Market Services	Duke Energy Ohio, Inc.	Various	6,503,161
8	Gas Distribution Services	Duke Energy Ohio, Inc.	Various	5,018
9	Other Goods and Services	Duke Energy Ohio, Inc.	Various	8,784,657
10	Transmission and Distribution Services	Duke Energy Ohio, Inc.	Various	2,118,446
11				
12				
13				
14				
15				
16				
17	Gas Distribution Services	Piedmont Natural Gas Company, Inc.	Various	983,372
18				
19				
20	**Non-power Goods or Services Provided for Affiliate**			
21	Customer and Market Services	Duke Energy Indiana, LLC	Various	437
22	Gas Distribution Services	Duke Energy Indiana, LLC	Various	355
23	Generation Services	Duke Energy Indiana, LLC	Various	1,302,602
24	Transmission and Distribution Services	Duke Energy Indiana, LLC	Various	19,372
25				
26	Customer and Market Services	Duke Energy Ohio, Inc.	Various	564,301
27	Gas Distribution Services	Duke Energy Ohio, Inc.	Various	1,202,008
28	Other Goods and Services	Duke Energy Ohio, Inc.	Various	25,000
29	Transmission and Distribution Services	Duke Energy Ohio, Inc.	Various	3,734,066
30				
31				
32				
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36				
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38				
39				
40				
41				
42	Other Goods and Services	KO Transmission Company		1,729,061

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) _ An Original (2) X A Resubmission	04/26/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 429 Line No.: 2 Column: a

When an employee of the Service Company performs services for a Client Company, costs will be directly assigned or distributed or allocated. For allocated services, the allocation method will be on a basis reasonably related to the service performed. The Service Company Utility Service Agreement prescribes 23 Service Company functions and approximately 20 allocation methods.

Functions and Allocation Methods:

Information Systems
- Number of Central Processing Unit Seconds Ratio/Millions of Instructions per Second
- Number of Personal Computer Workstations Ratio
- Number of Information Systems Servers Ratio
- Number of Employees Ratio

Meters
- Number of Customers Ratio

Transportation
- Number of Employees Ratio
- Three Factor Formula

Electric System Maintenance
- Circuit Miles of Electric Transmission Lines Ratio
- Circuit Miles of Electric Distribution Lines Ratio

Marketing and Customer Relations and Grid Solutions
- Number of Customers Ratio

Electric Transmission & Distribution Engineering & Construction
- Electric Transmission Plant's Construction - Expenditures Ratio
- Electric Distribution Plant's Construction - Expenditures Ratio

Power Engineering & Construction
- Electric Production Plant's Construction - Expenditures Ratio

Human Resources
- Number of Employees Ratio

Supply Chain
- Procurement Spending Ratio
- Inventory Ratio

Facilities
- Square Footage Ratio

Accounting
- Three Factor Formula
- Generating Unit MW Capability Ratio

Power Planning and Operations
- Electric Peak Load Ratio
- Weighted Avg of the Circuit Miles of Electric Distribution Lines Ratio and the Electric Peak Load Ratio
- Sales Ratio
- Weighted Avg of the Circuit Miles of Electric Transmission Lines Ratio and the Electric Peak Load Ratio
- Generating Unit MW Capability Ratio

Public Affairs
- Three Factor Formula
- Weighted Avg of Number of Customers Ratio and Number of Employees Ratio

Legal
- Three Factor Formula

Rates
- Sales Ratio

Finance
- Three Factor Formula

Rights of Way
- Circuit Miles of Electric Transmission Lines Ratio

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) _ An Original (2) X A Resubmission	04/26/2019	2018/Q4

FOOTNOTE DATA

- Circuit Miles of Electric Distribution Lines Ratio
- Electric Peak Load Ratio

Internal Auditing
- Three Factor Formula

Environmental, Health and Safety
- Three Factor Formula
- Sales Ratio

Fuels
- Sales Ratio

Investor Relations
- Three Factor Formula

Planning
- Three Factor Formula

Executive
- Three Factor Formula

INDEX

INDEX (continued)

INDEX (continued)

INDEX (continued)

INDEX (continued)

THIS FILING IS	
Item 1: [X] An Initial (Original) Submission	OR [ ] Resubmission No. ____

Form 2 Approved
OMB No.1902-0028
(Expires 12/31/2020)

Form 3-Q Approved
OMB No.1902-0205
(Expires 12/31/2019)

FERC FINANCIAL REPORT
FERC FORM No. 2: Annual Report of Major Natural Gas Companies and Supplemental Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Natural Gas Act, Sections 10(a), and 16 and 18 CFR Parts 260.1 and 260.300. Failure to report may result in criminal fines, civil penalties, and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of a confidential nature.

Exact Legal Name of Respondent (Company)	Year/Period of Report
Duke Energy Kentucky, Inc.	End of 2018/Q4

INSTRUCTIONS FOR FILING FERC FORMS 2, 2-A and 3-Q

GENERAL INFORMATION

I Purpose

FERC Forms 2, 2-A, and 3-Q are designed to collect financial and operational information form natural gas companies subject to the jurisdiction of the Federal Energy Regulatory Commission. These reports are also considered to be a non-confidential public use forms.

II. Who Must Submit

Each natural gas company whose combined gas transported or stored for a fee exceed 50 million dekatherms in each of the previous three years must submit FERC Form 2 and 3-Q.

Each natural gas company not meeting the filing threshold for FERC Form 2, but having total gas sales or volume transactions exceeding 200,000 dekatherms in each of the previous three calendar years must submit FERC Form 2-A and 3-Q.

Newly established entities must use projected data to determine whether they must file the FERC Form 3-Q and FERC Form 2 or 2-A.

III. What and Where to Submit

(a) Submit Forms 2, 2-A and 3-Q electronically through the submission software at http://www.ferc.gov/docs-filing/eforms/form-2/elec-subm-soft.asp .

(b) The Corporate Officer Certification must be submitted electronically as part of the FERC Form 2 and 3-Q filings.

(c) Submit immediately upon publication, by either eFiling or mailing two (2) copies to the Secretary of the Commission, the latest Annual Report to Stockholders and any annual financial or statistical report regularly prepared and distributed to bondholders, security analysts, or industry associations. Do not include monthly and quarterly reports. Indicate by checking the appropriate box on Form 2, Page 3, List of Schedules, if the reports to stockholders will be submitted or if no annual report to stockholders is prepared. Unless eFiling the Annual Report to Stockholders, mail these reports to the Secretary of the Commission at:

Secretary of the Commission
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

(d) For the Annual CPA certification, submit with the original submission of this form, a letter or report (not applicable to respondents classified as Class C or Class D prior to January 1, 1984) prepared in conformity with the current standards of reporting which will:

(i) Contain a paragraph attesting to the conformity, in all material respects, of the schedules listed below with the Commission's applicable Uniform Systems of Accounts (including applicable notes relating thereto and the Chief Accountant's published accounting releases), and

(ii) be signed by independent certified public accountants or an independent licensed public accountant certified or licensed by a regulatory authority of a State or other political subdivision of the U. S. (See 18 C.F.R. §§ 158.10-158.12 for specific qualifications.)

Reference	Reference Schedules Pages
Comparative Balance Sheet	110-113
Statement of Income	114-117
Statement of Retained Earnings	118-119
Statement of Cash Flows	120-121
Notes to Financial Statements	122-123

Filers should state in the letter or report, which, if any, of the pages above do not conform to the Commission's requirements. Describe the discrepancies that exist

.

(e) Filers are encouraged to file their Annual Report to Stockholders, and the CPA Certification Statement using eFiling. To further that effort, new selections, "Annual Report to Stockholders" and "CPA Certification Statement," have been added to the dropdown "pick list" from which companies must choose when eFiling. Further instructions are found on the Commission website at http://www.ferc.gov/help/how-to.asp

(f) Federal, State and Local Governments and other authorized users may obtain additional blank copies of FERC Form 2 and 2-A free of charge from: http://www.ferc.gov/docs-filing/eforms/form-2/form-2.pdf and http://www.ferc.gov/docs-filing/eforms/form-2a/form-2a.pdf, respectively. Copies may also be obtained from the Public Reference and Files Maintenance Branch, Federal Energy Regulatory Commission, 888 First Street, NE. Room 2A, Washington, DC 20426 or by calling (202).502-8371

IV. When to Submit:

FERC Forms 2, 2-A, and 3-Q must be filed by the dates:

(a) FERC Form 2 and 2-A --- by April 18th of the following year (18 C.F.R. §§ 260.1 and 260.2)

(b) FERC Form 3-Q --- Natural gas companies that file a FERC Form 2 must file the FERC Form 3-Q within 60 days after the reporting quarter (18 C.F.R.§ 260.300), and

(c) FERC Form 3-Q --- Natural gas companies that file a FERC Form 2-A must file the FERC Form 3-Q within 70 days after the reporting quarter (18 C.F.R. § 260.300).

V. Where to Send Comments on Public Reporting Burden.

The public reporting burden for the Form 2 collection of information is estimated to average 1,623 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data-needed, and completing and reviewing the collection of information. The public reporting burden for the Form 2A collection of information is estimated to average 250 hours per response. The public reporting burden for the Form 3-Q collection of information is estimated to average 167 hours per response.

Send comments regarding these burden estimates or any aspect of these collections of information, including suggestions for reducing burden, to the Federal Energy Regulatory Commission, 888 First Street NE, Washington, DC 20426 (Attention: Information Clearance Officer); and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC 20503 (Attention: Desk Officer for the Federal Energy Regulatory Commission). No person shall be subject to any penalty if any collection of information does not display a valid control number (44 U.S.C. § 3512 (a)).

GENERAL INSTRUCTIONS

I. Prepare all reports in conformity with the Uniform System of Accounts (USofA) (18 C.F.R. Part 201). Interpret all accounting words and phrases in accordance with the USofA.

II. Enter in whole numbers (dollars or Dth) only, except where otherwise noted. (Enter cents for averages and figures per unit where cents are important. The truncating of cents is allowed except on the four basic financial statements where rounding is required.) The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting period, and use for statement of income accounts the current year's year to date amounts.

III Complete each question fully and accurately, even if it has been answered in a previous report. Enter the word "None" where it truly and completely states the fact.

IV. For any page(s) that is not applicable to the respondent, omit the page(s) and enter "NA," "NONE," or "Not Applicable" in column (d) on the List of Schedules, pages 2 and 3.

V. Enter the month, day, and year for all dates. Use customary abbreviations. **The "Date of Report" included in the header of each page is to be completed only for resubmissions**.

VI. Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive. Numbers having a sign that is different from the expected sign must be reported by enclosing the numbers in parentheses.

VII For any resubmissions, submit the electronic filing using the form submission only. Please explain the reason for the resubmission in a footnote to the data field.

VIII. Footnote and further explain accounts or pages as necessary.

IX. Do not make references to reports of previous periods/years or to other reports in lieu of required entries, except as specifically authorized.

X. Wherever (schedule) pages refer to figures from a previous period/year, the figures reported must be based upon those shown by the report of the previous period/year, or an appropriate explanation given as to why the different figures were used.

XI. Report all gas volumes in Dth unless the schedule specifically requires the reporting in another unit of measurement.

DEFINITIONS	
I.	Btu per cubic foot – The total heating value, expressed in Btu, produced by the combustion, at constant pressure, of the amount of the gas which would occupy a volume of 1 cubic foot at a temperature of 60°F if saturated with water vapor and under a pressure equivalent to that of 30°F, and under standard gravitational force (980.665 cm. per sec) with air of the same temperature and pressure as the gas, when the products of combustion are cooled to the initial temperature of gas and air when the water formed by combustion is condensed to the liquid state (called gross heating value or total heating value).
II.	Commission Authorization -- The authorization of the Federal Energy Regulatory Commission, or any other Commission. Name the commission whose authorization was obtained and give date of the authorization.
III.	Dekatherm – A unit of heating value equivalent to 10 therms or 1,000,000 Btu.
IV	Respondent – The person, corporation, licensee, agency, authority, or other legal entity or instrumentality on whose behalf the report is made.

EXCERPTS FROM THE LAW
(Natural Gas Act, 15 U.S.C. 717-717w)

"Sec. 10(a). Every natural-gas company shall file with the Commission such annual and other periodic or special reports as the Commission may by rules and regulations or order prescribe as necessary or appropriate to assist the Commission in the proper administration of this act. The Commission may prescribe the manner and form in which such reports shall be made and require from such natural-gas companies specific answers to all questions upon which the Commission may need information. The Commission may require that such reports include, among other things, full information as to assets and liabilities, capitalization, investment and reduction thereof, gross receipts, interest dues and paid, depreciation, amortization, and other reserves, cost of facilities, costs of maintenance and operation of facilities for the production, transportation, delivery, use, or sale of natural gas, costs of renewal and replacement of such facilities, transportation, delivery, use and sale of natural gas..."

"Section 16. The Commission shall have power to perform all and any acts, and to prescribe, issue, make, amend, and rescind such orders, rules, and regulations as it may find necessary or appropriate to carry out the provisions of this act. Among other things, such rules and regulations may define accounting, technical, and trade terms used in this act; and may prescribe the form or forms of all statements declarations, applications, and reports to be filed with the Commission, the information which they shall contain, and time within they shall be filed..."

General Penalties

The Commission may assess up to $1 million per day per violation of its rules and regulations. See NGA § 22(a), 15 U.S.C. § 717t-1(a).

QUARTERLY/ANNUAL REPORT OF MAJOR NATURAL GAS COMPANIES

IDENTIFICATION

01 Exact Legal Name of Respondent Duke Energy Kentucky, Inc.	Year/Period of Report End of 2018/Q4	
03 Previous Name and Date of Change (If name changed during year)		
04 Address of Principal Office at End of Year (Street, City, State, Zip Code) 4580 Olympic Boulevard, Erlanger, KY 41018		
05 Name of Contact Person Anna Anderson	06 Title of Contact Person Accounting Analyst II	
07 Address of Contact Person (Street, City, State, Zip Code) 550 South Tryon Street, Charlotte, NC 28202		
08 Telephone of Contact Person, Including Area Code 980-373-2179	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	10 Date of Report *(Mo, Da, Yr)* 04/12/2019

ANNUAL CORPORATE OFFICER CERTIFICATION

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

11 Name Dwight L. Jacobs	12 Title SVP, CAO, Tax and Controller
13 Signature Dwight L. Jacobs	14 Date Signed 04/12/2019

Title 18, U.S.C. 1001, makes it a crime for any person knowingly and willingly to make to any Agency or Department of the United States any false, fictitious or fraudulent statements as to any matter within its jurisdiction.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

List of Schedules (Natural Gas Company)

Enter in column (d) the terms "none," "not applicable," or "NA" as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the responses are "none," "not applicable," or "NA."

Line No.	Title of Schedule (a)	Reference Page No. (b)	Date Revised (c)	Remarks (d)
	GENERAL CORPORATE INFORMATION AND FINANCIAL STATEMENTS			
1	General Information	101		
2	Control Over Respondent	102		
3	Corporations Controlled by Respondent	103		N/A
4	Security Holders and Voting Powers	107		
5	Important Changes During the Year	108		
6	Comparative Balance Sheet	110-113		
7	Statement of Income for the Year	114-116		
8	Statement of Accumulated Comprehensive Income and Hedging Activities	117		
9	Statement of Retained Earnings for the Year	118-119		
10	Statements of Cash Flows	120-121		
11	Notes to Financial Statements	122		
	BALANCE SHEET SUPPORTING SCHEDULES (Assets and Other Debits)			
12	Summary of Utility Plant and Accumulated Provisions for Depreciation, Amortization, and Depletion	200-201		
13	Gas Plant in Service	204-209		
14	Gas Property and Capacity Leased from Others	212		
15	Gas Property and Capacity Leased to Others	213		N/A
16	Gas Plant Held for Future Use	214		N/A
17	Construction Work in Progress-Gas	216		
18	Non-Traditional Rate Treatment Afforded New Projects	217		N/A
19	General Description of Construction Overhead Procedure	218		
20	Accumulated Provision for Depreciation of Gas Utility Plant	219		
21	Gas Stored	220		
22	Investments	222-223		
23	Investments in Subsidiary Companies	224-225		N/A
24	Prepayments	230		
25	Extraordinary Property Losses	230		
26	Unrecovered Plant and Regulatory Study Costs	230		
27	Other Regulatory Assets	232		
28	Miscellaneous Deferred Debits	233		
29	Accumulated Deferred Income Taxes	234-235		
	BALANCE SHEET SUPPORTING SCHEDULES (Liabilities and Other Credits)			
30	Capital Stock	250-251		
31	Capital Stock Subscribed, Capital Stock Liability for Conversion, Premium on Capital Stock, and Installments Received on Capital Stock	252		
32	Other Paid-in Capital	253		
33	Discount on Capital Stock	254		N/A
34	Capital Stock Expense	254		N/A
35	Securities issued or Assumed and Securities Refunded or Retired During the Year	255		
36	Long-Term Debt	256-257		
37	Unamortized Debt Expense, Premium, and Discount on Long-Term Debt	258-259		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

List of Schedules (Natural Gas Company) (continued)

Enter in column (d) the terms "none," "not applicable," or "NA" as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the responses are "none," "not applicable," or "NA."

Line No.	Title of Schedule (a)	Reference Page No. (b)	Date Revised (c)	Remarks (d)
38	Unamortized Loss and Gain on Reacquired Debt	260		
39	Reconciliation of Reported Net Income with Taxable Income for Federal Income Taxes	261		
40	Taxes Accrued, Prepaid, and Charged During Year	262-263		
41	Miscellaneous Current and Accrued Liabilities	268		
42	Other Deferred Credits	269		
43	Accumulated Deferred Income Taxes-Other Property	274-275		
44	Accumulated Deferred Income Taxes-Other	276-277		
45	Other Regulatory Liabilities	278		
	INCOME ACCOUNT SUPPORTING SCHEDULES			
46	Monthly Quantity & Revenue Data by Rate Schedule	299		
47	Gas Operating Revenues	300-301		
48	Revenues from Transportation of Gas of Others Through Gathering Facilities	302-303		N/A
49	Revenues from Transportation of Gas of Others Through Transmission Facilities	304-305		
50	Revenues from Storage Gas of Others	306-307		N/A
51	Other Gas Revenues	308		
52	Discounted Rate Services and Negotiated Rate Services	313		N/A
53	Gas Operation and Maintenance Expenses	317-325		
54	Exchange and Imbalance Transactions	328		N/A
55	Gas Used in Utility Operations	331		N/A
56	Transmission and Compression of Gas by Others	332		N/A
57	Other Gas Supply Expenses	334		
58	Miscellaneous General Expenses-Gas	335		
59	Depreciation, Depletion, and Amortization of Gas Plant	336-338		
60	Particulars Concerning Certain Income Deduction and Interest Charges Accounts	340		
	COMMON SECTION			
61	Regulatory Commission Expenses	350-351		
62	Employee Pensions and Benefits (Account 926)	352		
63	Distribution of Salaries and Wages	354-355		
64	Charges for Outside Professional and Other Consultative Services	357		
65	Transactions with Associated (Affiliated) Companies	358		
	GAS PLANT STATISTICAL DATA			
66	Compressor Stations	508-509		N/A
67	Gas Storage Projects	512-513		N/A
68	Transmission Lines	514		N/A
69	Transmission System Peak Deliveries	518		N/A
70	Auxiliary Peaking Facilities	519		
71	Gas Account-Natural Gas	520		
72	Shipper Supplied Gas for the Current Quarter	521		N/A
73	System Map	522		
74	Footnote Reference	551		
75	Footnote Text	552		
76	Stockholder's Reports (check appropriate box)			
	[ ] Four copies will be submitted [ ] No annual report to stockholders is prepared			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

General Information

1. Provide name and title of officer having custody of the general corporate books of account and address of office where the general corporate books are kept and address of office where any other corporate books of account are kept, if different from that where the general corporate books are kept.

Dwight L. Jacobs
SVP, CAO, Tax and Controller
550 South Tryon Street
Charlotte, NC 28202

2. Provide the name of the State under the laws of which respondent is incorporated and date of incorporation. If incorporated under a special law, give reference to such law. If not incorporated, state that fact and give the type of organization and the date organized.

Commonwealth of Kentucky
Date of Incorporation: March 20, 1901

3. If at any time during the year the property of respondent was held by a receiver or trustee, give (a) name of receiver or trustee, (b) date such receiver or trustee took possession, (c) the authority by which the receivership or trusteeship was created, and (d) date when possession by receiver or trustee ceased.

Not applicable

4. State the classes of utility and other services furnished by respondent during the year in each State in which the respondent operated.

Kentucky - Gas and Electric

5. Have you engaged as the principal accountant to audit your financial statements an accountant who is not the principal accountant for your previous year's certified financial statements?

(1) [ ] Yes... Enter the date when such independent accountant was initially engaged:
(2) [X] No

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Control Over Respondent

1. Report in column (a) the names of all corporations, partnerships, business trusts, and similar organizations that directly, indirectly, or jointly held control (see page 103 for definition of control) over the respondent at the end of the year. If control is in a holding company organization, report in a footnote the chain of organization.
2. If control is held by trustees, state in a footnote the names of trustees, the names of beneficiaries for whom the trust is maintained, and the purpose of the trust.
3. In column (b) designate type of control over the respondent. Report an "M" if the company is the main parent or controlling company having ultimate control over the respondent. Otherwise, report a "D" for direct, an "I" for indirect, or a "J" for joint control.

Line No.	Company Name (a)	Type of Control (b)	State of Incorporation (c)	Percent Voting Stock Owned (d)
1	Duke Energy Ohio, Inc	M	OH	100.00
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Corporations Controlled by Respondent

1. Report below the names of all corporations, business trusts, and similar organizations, controlled directly or indirectly by respondent at any time during the year. If control ceased prior to end of year, give particulars (details) in a footnote.
2. If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediaries involved.
3. If control was held jointly with one or more other interests, state the fact in a footnote and name the other interests.
4. In column (b) designate type of control of the respondent as "D" for direct, an "I" for indirect, or a "J" for joint control.

DEFINITIONS
----

1. See the Uniform System of Accounts for a definition of control.
2. Direct control is that which is exercised without interposition of an intermediary.
3. Indirect control is that which is exercised by the interposition of an intermediary that exercises direct control.
4. Joint control is that in which neither interest can effectively control or direct action without the consent of the other, as where the voting control is equally divided between two holders, or each party holds a veto power over the other. Joint control may exist by mutual agreement or understanding between two or more parties who together have control within the meaning of the definition of control in the Uniform System of Accounts, regardless of the relative voting rights of each party.

Line No.	Name of Company Controlled (a)	Type of Control (b)	Kind of Business (c)	Percent Voting Stock Owned (d)	Footnote Reference (e)
1	N/A				*Not used*
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Security Holders and Voting Powers

1. Give the names and addresses of the 10 security holders of the respondent who, at the date of the latest closing of the stock book or compilation of list of stockholders of the respondent, prior to the end of the year, had the highest voting powers in the respondent, and state the number of votes that each could cast on that date if a meeting were held. If any such holder held in trust, give in a footnote the known particulars of the trust (whether voting trust, etc.), duration of trust, and principal holders of beneficiary interests in the trust. If the company did not close the stock book or did not compile a list of stockholders within one year prior to the end of the year, or if since it compiled the previous list of stockholders, some other class of security has become vested with voting rights, then show such 10 security holders as of the close of the year. Arrange the names of the security holders in the order of voting power, commencing with the highest. Show in column (a) the titles of officers and directors included in such list of 10 security holders.
2. If any security other than stock carries voting rights, explain in a supplemental statement how such security became vested with voting rights and give other important details concerning the voting rights of such security. State whether voting rights are actual or contingent; if contingent, describe the contingency.
3. If any class or issue of security has any special privileges in the election of directors, trustees or managers, or in the determination of corporate action by any method, explain briefly in a footnote.
4. Furnish details concerning any options, warrants, or rights outstanding at the end of the year for others to purchase securities of the respondent or any securities or other assets owned by the respondent, including prices, expiration dates, and other material information relating to exercise of the options, warrants, or rights. Specify the amount of such securities or assets any officer, director, associated company, or any of the 10 largest security holders is entitled to purchase. This instruction is inapplicable to convertible securities or to any securities substantially all of which are outstanding in the hands of the general public where the options, warrants,

1. Give date of the latest closing of the stock book prior to end of year, and, in a footnote, state the purpose of such closing:	2. State the total number of votes cast at the latest general meeting prior to the end of year for election of directors of the respondent and number of such votes cast by proxy.	3. Give the date and place of such meeting:
	Total: 585333 By Proxy:	

Line No.	Name (Title) and Address of Security Holder (a)	VOTING SECURITIES 4. Number of votes as of (date): Total Votes (b)	Common Stock (c)	Preferred Stock (d)	Other (e)
5	TOTAL votes of all voting securities	585,333	585,333		
6	TOTAL number of security holders	1	1		
7	TOTAL votes of security holders listed below	585,333	585,333		
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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) X An Original (2) _ A Resubmission	04/12/2019	2018/Q4

Important Changes During the Quarter/Year

Give details concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Answer each inquiry. Enter "none" or "not applicable" where applicable. If the answer is given elsewhere in the report, refer to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration and state from whom the franchise rights were acquired. If the franchise rights were acquired without the payment of consideration, state that fact.
2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.
3. Purchase or sale of an operating unit or system: Briefly describe the property, and the related transactions, and cite Commission authorization, if any was required. Give date journal entries called for by Uniform System of Accounts were submitted to the Commission.
4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents, and other conditions. State name of Commission authorizing lease and give reference to such authorization.
5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and cite Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service.

Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements, etc.

6. Obligations incurred or assumed by respondent as guarantor for the performance by another of any agreement or obligation, including ordinary commercial paper maturing on demand or not later than one year after date of issue: State on behalf of whom the obligation was assumed and amount of the obligation. Cite Commission authorization if any was required.
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.
8. State the estimated annual effect and nature of any important wage scale changes during the year.
9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
10. Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.
11. Estimated increase or decrease in annual revenues caused by important rate changes: State effective date and approximate amount of increase or decrease for each revenue classification. State the number of customers affected.
12. Describe fully any changes in officers, directors, major security holders and voting powers of the respondent that may have occurred during the reporting period.
13. In the event that the respondent participates in a cash management program(s) and its proprietary capital ratio is less than 30 percent please describe the significant events or transactions causing the proprietary capital ratio to be less than 30 percent, and the extent to which the respondent has amounts loaned or money advanced to its parent, subsidiary, or affiliated companies through a cash management program(s). Additionally, please describe plans, if any to regain at least a 30 percent proprietary ratio.

1. None
2. None
3. See Notes to Financial Statements, Note 2, "Regulatory Matters"
4. During the fourth quarter 2018, the Erlanger Building was surrendered (10/19/2018) due to purchase of building. Initial value was $2.1M (depreciated since 10/2005).
5. None
6. See Notes to Financial Statements, Note 4, "Debt and Credit Facilities"
7. None
8. During the fourth quarter 2018, there are no large wage scale changes to report.

   During the third quarter 2018, there are no large wage scale changes to report.

   During the second quarter 2018, employees bargained for by IBEW Local 1347, UWUA, IUU Local 600 and USW Local 12049 received pay changes (pay rate change/merit) that totaled $334,305 in annualized costs.

   During the first quarter 2018, employees bargained for by IBEW Local 1347, USW Local 12049, and UWUA/IUU Local 600 received pay changes (promotion, demotion, pay rate

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) X An Original (2) _ A Resubmission	Date of Report (Mo, Da, Yr) 04/12/2019	Year/Period of Report 2018/Q4

Important Changes During the Quarter/Year

change/merit, job reclassification and adjustments) that totaled 40,289.60 in annualized costs or a monthly amount of approximately $3,357.47.

During the first quarter 2018, non-union employees received pay changes (promotion, demotion, pay rate change/merit, job reclassification and adjustments) that totaled $50,563.78 in annualized costs or a monthly amount of approximately $4,213.65.

9. See Notes to Financial Statements, Note 2, "Regulatory Matters" and Note 3, "Commitments and Contingencies"

10. None

11. None

12. There are no changes in major security holders and voting powers of Duke Energy Kentucky, Inc that occurred during the fourth quarter of 2018.

The changes in officers and directors for Duke Energy Kentucky, Inc. that occurred during the fourth quarter of 2018 are as follows:

Appointments effective 11/16/18	
Melody Birmingham-Byrd	Senior Vice President and Chief Procurement Officer

Appointments effective 11/01/18	
Donald E. Broadhurst	Vice President Operations-Customer Delivery
Swati V. Daji	Senior Vice President, Customer Solutions
Joni Y. Davis	Vice President, Chief Diversity and Inclusion Officer
David B. Fountain	Senior Vice President, Legal, Chief Ethics and Compliance Officer and Corporate Secretary
Emily G. Henson	Vice President Operations-Customer Delivery
Rufus S. Jackson	Vice President Operations-Customer Delivery
Julia S. Janson	Executive Vice President, External Affairs and Chief Legal Officer
Jackie Joyner	Vice President Operations-Customer Delivery
Karl W. Newlin	Senior Vice President, Corporate Development and Treasurer
L. Stanford Sherrill, Jr.	Vice President, Talent Acquisition and Workforce Development
Alexander J. Weintraub	Senior Vice President and Chief Commercial Officer, Natural Gas Business
Sandra S. Wyckoff	Vice President, Ethics and Compliance

Appointments effective 10/16/18	
Mia S. Haynes	Vice President, Customer Care

Appointments effective 10/01/18	
William H. Fowler	Regional Senior Vice President, Customer Delivery Midwest
Larry E. Hatcher	Senior Vice President, Customer Delivery Governance, Programs and Support

Resignations effective 12/31/18	
Caren B. Anders	Vice President, Operations Support
Christopher B. Heck	Vice President
Christopher B. Heck	Chief Information Officer
John F. Smith, III	Senior Vice President, Distribution Grid Performance and Contractor Operations

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) X An Original (2) _ A Resubmission	Date of Report (Mo, Da, Yr) 04/12/2019	Year/Period of Report 2018/Q4

Important Changes During the Quarter/Year

Resignations effective 11/01/18

Swati V. Daji	Senior Vice President, Chief Procurement Officer
Joni Y. Davis	Vice President, Marketing and Customer Engagement
Stephen G. De May	Senior Vice President Tax
Stephen G. De May	Treasurer
Julia S. Janson	Executive Vice President, External Affairs, Chief Legal Officer and Corporate Secretary
Karl W. Newlin	Senior Vice President, Corporate Development
L. Stanford Sherrill, Jr.	Vice President, Workforce Development, Diversity & Inclusion
Alexander J. Weintraub	Senior Vice President, Customer Solutions
Sandra S. Wyckoff	Vice President and Chief Ethics and Compliance Officer

Resignations effective 10/03/18

James R. Sochacki	Vice President, Distribution Construction and Maintenance-Midwest

Resignations effective 10/01/18

William H. Fowler	Vice President, Design Engineering & Consolidated Planning Midwest

There are no changes in major security holders and voting powers of Duke Energy Kentucky, Inc. that occurred during the third quarter of 2018.

The changes in officers and directors for Duke Energy Kentucky, Inc. that occurred during the third quarter of 2018 are as follows:

Appointments effective 09/03/18

Dennis P. Gilbert, Jr.	Vice President and Chief Information Security Officer

Appointments effective 08/01/18

Rodney E. Gaddy	Senior Vice President, Administrative Services

Appointments effective 07/16/18

Clark S. Gillespy	Senior Vice President, Economic Development
Brian R. Weisker	Vice President, Natural Gas Operational Excellence

Resignations effective 09/14/18

Lisa M. Marcuz	Vice President, Talent Management

Resignations effective 08/31/18

David J. Maxon	Senior Vice President, Distribution Construction and Maintenance

Resignations effective 08/01/18

Rodney E. Gaddy	Vice President, Administrative Services

Resignations effective 07/16/18

Larry E. Hatcher	Vice President, Natural Gas Operational Excellence
Brian R. Weisker	Vice President, Coal Combustion Products Operations and Maintenance

There are no changes in major security holders and voting powers of Duke Energy Kentucky, Inc. that occurred during the second quarter of 2018.

The changes in officers and directors for Duke Energy Kentucky, Inc. that occurred during the second quarter of 2018 are as follows:

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) X An Original (2) __ A Resubmission	Date of Report (Mo, Da, Yr) 04/12/2019	Year/Period of Report 2018/Q4

Important Changes During the Quarter/Year

Appointments effective 06/01/18

Donna T. Council	Vice President, HR Strategic Business Solutions
William E. Currens, Jr.	Senior Vice President, Financial Planning and Analysis
Dwight L. Jacobs	Senior Vice President, Chief Accounting Officer and Controller
James M. Mosley	Vice President, Midwest Generation
Karl W. Newlin	Senior Vice President, Corporate Development
Deborah T. Patton	HR Director, Employee Relations
L. Stanford Sherrill, Jr.	Vice President, Workforce Development, Diversity and Inclusion
Harry K. Sideris	Senior Vice President, and Chief Distribution Officer
Amy Spiller	President

Resignations effective 06/30/18

Jeffrey A. Corbett	Senior Vice President, Distribution Engineering and Technical Customer Relations
Charles R. Whitlock	Senior Vice President, Strategic Growth Initiatives

Resignations effective 06/01/18

Donna T. Council	Vice President, Human Resources Business Partners
William E. Currens, Jr.	Senior Vice President, Chief Accounting Officer and Controller
John B. Hayes	Vice President, Midwest Generation
James P. Henning	President
Michael A. Lewis	Senior Vice President and Chief Distribution Officer
Karl W. Newlin	Senior Vice President and Chief Commercial Officer, Natural Gas Business
L. Stanford Sherrill, Jr.	Vice President, Workforce Development, Employee and Labor Relations
Catherine S. Stempien	Senior Vice President, Corporate Development

Resignations effective 05/04/18

Michael R. Delowery	Vice President, Project Management and Construction

Resignations effective 04/30/18

Gayle S. Lanier	Senior Vice President, Customer Services

There are no changes in major security holders and voting powers of Duke Energy Kentucky, Inc. that occurred during the first quarter of 2018.

The changes in officers and directors for Duke Energy Kentucky, Inc. that occurred during the first quarter of 2018 are as follows:

Appointments effective 03/15/18

Larry E. Hatcher	Vice President, Natural Gas Operational Excellence

Appointments effective 03/01/18

Janice L. Walker	Assistant Secretary
Michael S. Hendershott	Assistant Treasurer

Resignations effective 03/15/18

Larry E. Hatcher	Vice President, Environmental

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) X An Original (2) _ A Resubmission	04/12/2019	2018/Q4

Important Changes During the Quarter/Year

<u>Resignations effective 03/01/18</u>
Kris C. Duffy Assistant Treasurer

13. N/A

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Comparative Balance Sheet (Assets and Other Debits)

Line No.	Title of Account (a)	Reference Page Number (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	**UTILITY PLANT**			
2	Utility Plant (101-106, 114)	200-201	2,399,457,684	2,190,743,460
3	Construction Work in Progress (107)	200-201	118,766,446	109,390,337
4	TOTAL Utility Plant (Total of lines 2 and 3)	200-201	2,518,224,130	2,300,133,797
5	(Less) Accum. Provision for Depr., Amort., Depl. (108, 111, 115)		992,560,885	1,032,028,167
6	Net Utility Plant (Total of line 4 less 5)		1,525,663,245	1,268,105,630
7	Nuclear Fuel (120.1 thru 120.4, and 120.6)		0	0
8	(Less) Accum. Provision for Amort., of Nuclear Fuel Assemblies (120.5)		0	0
9	Nuclear Fuel (Total of line 7 less 8)		0	0
10	Net Utility Plant (Total of lines 6 and 9)		1,525,663,245	1,268,105,630
11	Utility Plant Adjustments (116)	122	0	0
12	Gas Stored-Base Gas (117.1)	220	0	0
13	System Balancing Gas (117.2)	220	0	0
14	Gas Stored in Reservoirs and Pipelines-Noncurrent (117.3)	220	0	0
15	Gas Owed to System Gas (117.4)	220	0	0
16	**OTHER PROPERTY AND INVESTMENTS**			
17	Nonutility Property (121)		985,844	264,016
18	(Less) Accum. Provision for Depreciation and Amortization (122)		0	0
19	Investments in Associated Companies (123)	222-223	0	0
20	Investments in Subsidiary Companies (123.1)	224-225	0	0
21	(For Cost of Account 123.1 See Footnote Page 224, line 40)			
22	Noncurrent Portion of Allowances		0	0
23	Other Investments (124)	222-223	1,500	1,500
24	Sinking Funds (125)		0	0
25	Depreciation Fund (126)		0	0
26	Amortization Fund - Federal (127)		0	0
27	Other Special Funds (128)		7,330,598	1,184,266
28	Long-Term Portion of Derivative Assets (175)		371,272	318,333
29	Long-Term Portion of Derivative Assets - Hedges (176)		0	0
30	TOTAL Other Property and Investments (Total of lines 17-20, 22-29)		8,689,214	1,768,115
31	**CURRENT AND ACCRUED ASSETS**			
32	Cash (131)		7,772,710	1,687,146
33	Special Deposits (132-134)		0	0
34	Working Funds (135)		0	0
35	Temporary Cash Investments (136)	222-223	0	0
36	Notes Receivable (141)		0	0
37	Customer Accounts Receivable (142)		4,925,759	2,918,345
38	Other Accounts Receivable (143)		6,089,935	820,344
39	(Less) Accum. Provision for Uncollectible Accounts - Credit (144)		220,841	233,542
40	Notes Receivable from Associated Companies (145)		23,069,663	34,407,460
41	Accounts Receivable from Associated Companies (146)		4,842,266	3,811,739
42	Fuel Stock (151)		18,769,826	22,251,525
43	Fuel Stock Expenses Undistributed (152)		0	0

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Comparative Balance Sheet (Assets and Other Debits)(continued)

Line No.	Title of Account (a)	Reference Page Number (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
44	Residuals (Elec) and Extracted Products (Gas) (153)		0	0
45	Plant Materials and Operating Supplies (154)		17,496,817	17,614,789
46	Merchandise (155)		0	0
47	Other Materials and Supplies (156)		0	0
48	Nuclear Materials Held for Sale (157)		0	0
49	Allowances (158.1 and 158.2)		24,008	31,208
50	(Less) Noncurrent Portion of Allowances		0	0
51	Stores Expense Undistributed (163)		2,088,977	967,360
52	Gas Stored Underground-Current (164.1)	220	2,239,894	2,958,880
53	Liquefied Natural Gas Stored and Held for Processing (164.2 thru 164.3)	220	0	0
54	Prepayments (165)	230	634,866	491,801
55	Advances for Gas (166 thru 167)		0	0
56	Interest and Dividends Receivable (171)		0	0
57	Rents Receivable (172)		2,500	2,500
58	Accrued Utility Revenues (173)		0	0
59	Miscellaneous Current and Accrued Assets (174)		4,705,042	2,507,391
60	Derivative Instrument Assets (175)		6,056,231	1,443,720
61	(Less) Long-Term Portion of Derivative Instrument Assets (175)		371,272	318,333
62	Derivative Instrument Assets - Hedges (176)		0	0
63	(Less) Long-Term Portion of Derivative Instrument Assests - Hedges (176)		0	0
64	TOTAL Current and Accrued Assets (Total of lines 32 thru 63)		98,126,381	91,362,333
65	**DEFERRED DEBITS**			
66	Unamortized Debt Expense (181)		2,315,607	2,078,548
67	Extraordinary Property Losses (182.1)	230	0	0
68	Unrecovered Plant and Regulatory Study Costs (182.2)	230	0	0
69	Other Regulatory Assets (182.3)	232	132,158,744	127,608,194
70	Preliminary Survey and Investigation Charges (Electric)(183)		95,916	290,107
71	Preliminary Survey and Investigation Charges (Gas)(183.1 and 183.2)		0	0
72	Clearing Accounts (184)		14	(86)
73	Temporary Facilities (185)		0	0
74	Miscellaneous Deferred Debits (186)	233	3,703,575	2,400,973
75	Deferred Losses from Disposition of Utility Plant (187)		0	0
76	Research, Development, and Demonstration Expend. (188)		0	0
77	Unamortized Loss on Reacquired Debt (189)		921,958	1,188,432
78	Accumulated Deferred Income Taxes (190)	234-235	71,989,018	58,361,447
79	Unrecovered Purchased Gas Costs (191)		170,883	(219,763)
80	TOTAL Deferred Debits (Total of lines 66 thru 79)		211,355,715	191,707,852
81	TOTAL Assets and Other Debits (Total of lines 10-15,30,64,and 80)		1,843,834,555	1,552,943,930

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Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Comparative Balance Sheet (Liabilities and Other Credits)

Line No.	Title of Account (a)	Reference Page Number (b)	Current Year End of Quarter/Year Balance	Prior Year End Balance 12/31 (d)
1	**PROPRIETARY CAPITAL**			
2	Common Stock Issued (201)	250-251	8,779,995	8,779,995
3	Preferred Stock Issued (204)	250-251	0	0
4	Capital Stock Subscribed (202, 205)	252	0	0
5	Stock Liability for Conversion (203, 206)	252	0	0
6	Premium on Capital Stock (207)	252	18,838,946	18,838,946
7	Other Paid-In Capital (208-211)	253	198,655,189	163,655,189
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254	0	0
11	Retained Earnings (215, 215.1, 216)	118-119	369,949,518	320,140,297
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	0	0
13	(Less) Reacquired Capital Stock (217)	250-251	0	0
14	Accumulated Other Comprehensive Income (219)	117	0	0
15	TOTAL Proprietary Capital (Total of lines 2 thru 14)		596,223,648	511,414,427
16	**LONG TERM DEBT**			
17	Bonds (221)	256-257	0	0
18	(Less) Reacquired Bonds (222)	256-257	0	0
19	Advances from Associated Companies (223)	256-257	25,000,000	25,000,000
20	Other Long-Term Debt (224)	256-257	526,720,000	426,720,000
21	Unamortized Premium on Long-Term Debt (225)	258-259	0	0
22	(Less) Unamortized Discount on Long-Term Debt-Dr (226)	258-259	238,808	288,378
23	(Less) Current Portion of Long-Term Debt		100,000,000	0
24	TOTAL Long-Term Debt (Total of lines 17 thru 23)		451,481,192	451,431,622
25	**OTHER NONCURRENT LIABILITIES**			
26	Obligations Under Capital Leases-Noncurrent (227)		184,010	580,230
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		(41,175)	(68,721)
29	Accumulated Provision for Pensions and Benefits (228.3)		21,734,353	17,417,765
30	Accumulated Miscellaneous Operating Provisions (228.4)		(555)	0
31	Accumulated Provision for Rate Refunds (229)		250,709	0

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Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Comparative Balance Sheet (Liabilities and Other Credits)(continued)

Line No.	Title of Account (a)	Reference Page Number (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
32	Long-Term Portion of Derivative Instrument Liabilities		3,902,779	4,647,739
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
34	Asset Retirement Obligations (230)		62,826,300	54,581,508
35	TOTAL Other Noncurrent Liabilities (Total of lines 26 thru 34)		88,856,421	77,158,521
36	**CURRENT AND ACCRUED LIABILITIES**			
37	Current Portion of Long-Term Debt		100,000,000	0
38	Notes Payable (231)		0	0
39	Accounts Payable (232)		45,799,387	48,645,825
40	Notes Payable to Associated Companies (233)		38,875,002	0
41	Accounts Payable to Associated Companies (234)		17,532,978	15,768,299
42	Customer Deposits (235)		9,927,601	9,859,968
43	Taxes Accrued (236)	262-263	13,796,235	16,053,519
44	Interest Accrued (237)		6,111,877	5,383,681
45	Dividends Declared (238)		0	0
46	Matured Long-Term Debt (239)		0	0
47	Matured Interest (240)		0	0
48	Tax Collections Payable (241)		2,106,943	1,691,919
49	Miscellaneous Current and Accrued Liabilities (242)	268	14,419,733	8,344,201
50	Obligations Under Capital Leases-Current (243)		396,478	885,342
51	Derivative Instrument Liabilities (244)		4,487,277	5,367,483
52	(Less) Long-Term Portion of Derivative Instrument Liabilities		3,902,779	4,647,739
53	Derivative Instrument Liabilities - Hedges (245)		0	0
54	(Less) Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
55	TOTAL Current and Accrued Liabilities (Total of lines 37 thru 54)		249,550,732	107,352,498
56	**DEFERRED CREDITS**			
57	Customer Advances for Construction (252)		1,574,916	1,562,943
58	Accumulated Deferred Investment Tax Credits (255)		3,522,114	3,836,961
59	Deferred Gains from Disposition of Utility Plant (256)		0	0
60	Other Deferred Credits (253)	269	14,880,299	15,990,512
61	Other Regulatory Liabilities (254)	278	151,028,233	139,387,951
62	Unamortized Gain on Reacquired Debt (257)	260	0	0
63	Accumulated Deferred Income Taxes - Accelerated Amortization (281)		0	499,676
64	Accumulated Deferred Income Taxes - Other Property (282)		258,586,657	218,658,876
65	Accumulated Deferred Income Taxes - Other (283)		28,130,343	25,649,943
66	TOTAL Deferred Credits (Total of lines 57 thru 65)		457,722,562	405,586,862
67	TOTAL Liabilities and Other Credits (Total of lines 15,24,35,55,and 66)		1,843,834,555	1,552,943,930

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Statement of Income

Quarterly
1. Enter in column (d) the balance for the reporting quarter and in column (e) the balance for the same three month period for the prior year.
2. Report in column (f) the quarter to date amounts for electric utility function; in column (h) the quarter to date amounts for gas utility, and in (j) the quarter to date amounts for other utility function for the current year quarter.
3. Report in column (g) the quarter to date amounts for electric utility function; in column (i) the quarter to date amounts for gas utility, and in (k) the quarter to date amounts for other utility function for the prior year quarter.
4. If additional columns are needed place them in a footnote.

Annual or Quarterly, if applicable
5. Do not report fourth quarter data in columns (e) and (f)
6. Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others, in another utility columnin a similar manner to a utility department. Spread the amount(s) over lines 2 thru 26 as appropriate. Include these amounts in columns (c) and (d) totals.
7. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.
8. Report data for lines 8, 10 and 11 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1 and 407.2.
9. Use page 122 for important notes regarding the statement of income for any account thereof.
10. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in material refund to the utility with respect to power or gas purchases. State for each year effected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power or gas purchases.
11 Give concise explanations concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purches, and a summary of the adjustments made to balance sheet, income, and expense accounts.
12. If any notes appearing in the report to stokholders are applicable to the Statement of Income, such notes may be included at page 122.
13. Enter on page 122 a concise explanation of only those changes in accounting mehods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also, give the appropriate dollar effect of such changes.
14. Explain in a footnote if the previous year's/quarter's figures are different from that reported in prior reports.
15. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles report the information in a footnote to this schedule.

Line No.	Title of Account (a)	Reference Page Number (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current Three Months Ended Quarterly Only No Fourth Quarter (e)	Prior Three Months Ended Quarterly Only No Fourth Quarter (f)
1	**UTILITY OPERATING INCOME**					
2	Gas Operating Revenues (400)	300-301	488,020,879	429,072,243	0	0
3	Operating Expenses					
4	Operation Expenses (401)	317-325	276,886,906	261,647,225	0	0
5	Maintenance Expenses (402)	317-325	47,041,717	34,864,014	0	0
6	Depreciation Expense (403)	336-338	53,029,478	43,842,295	0	0
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-338	0	0	0	0
8	Amortization and Depletion of Utility Plant (404-405)	336-338	5,030,236	3,824,519	0	0
9	Amortization of Utility Plant Acu. Adjustment (406)	336-338	0	0	0	0
10	Amort. of Prop. Losses, Unrecovered Plant and Reg. Study Costs (407.1)		0	0	0	0
11	Amortization of Conversion Expenses (407.2)		0	0	0	0
12	Regulatory Debits (407.3)		14,739,407	544,974	0	0
13	(Less) Regulatory Credits (407.4)		4,229,062	2,772,810	0	0
14	Taxes Other than Income Taxes (408.1)	262-263	14,991,588	14,222,244	0	0
15	Income Taxes-Federal (409.1)	262-263	(16,807,453)	(15,290,192)	0	0
16	Income Taxes-Other (409.1)	262-263	(2,119,436)	(376,169)	0	0
17	Provision of Deferred Income Taxes (410.1)	234-235	72,123,832	92,675,520	0	0
18	(Less) Provision for Deferred Income Taxes-Credit (411.1)	234-235	42,043,865	56,685,655	0	0
19	Investment Tax Credit Adjustment-Net (411.4)		(78,565)	(78,441)	0	0
20	(Less) Gains from Disposition of Utility Plant (411.6)		0	0	0	0
21	Losses from Disposition of Utility Plant (411.7)		0	0	0	0
22	(Less) Gains from Disposition of Allowances (411.8)		6,192	23	0	0
23	Losses from Disposition of Allowances (411.9)		0	0	0	0
24	Accretion Expense (411.10)		0	0	0	0
25	TOTAL Utility Operating Expenses (Total of lines 4 thru 24)		418,558,591	376,417,501	0	0
26	Net Utility Operating Income (Total of lines 2 less 25) (Carry forward to page 116, line 27)		69,462,288	52,654,742	0	0

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Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Statement of Income(continued)

Line No.	Title of Account (a)	Reference Page Number (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current Three Months Ended Quarterly Only No Fourth Quarter (e)	Prior Three Months Ended Quarterly Only No Fourth Quarter (f)
27	Net Utility Operating Income (Carried forward from page 114)		69,462,288	52,654,742	0	0
28	**OTHER INCOME AND DEDUCTIONS**					
29	Other Income					
30	Nonutility Operating Income					
31	Revenues form Merchandising, Jobbing and Contract Work (415)		807,078	1,180,457	0	0
32	(Less) Costs and Expense of Merchandising, Job & Contract Work (416)		125,612	429,647	0	0
33	Revenues from Nonutility Operations (417)		3,395	2,441	0	0
34	(Less) Expenses of Nonutility Operations (417.1)		70,019	48,782	0	0
35	Nonoperating Rental Income (418)		0	0	0	0
36	Equity in Earnings of Subsidiary Companies (418.1)	119	0	0	0	0
37	Interest and Dividend Income (419)		1,623,783	1,235,748	0	0
38	Allowance for Other Funds Used During Construction (419.1)		3,143,817	3,358,208	0	0
39	Miscellaneous Nonoperating Income (421)		725,689	4,136	0	0
40	Gain on Disposition of Property (421.1)		0	17,045	0	0
41	TOTAL Other Income (Total of lines 31 thru 40)		6,108,131	5,319,606	0	0
42	Other Income Deductions					
43	Loss on Disposition of Property (421.2)		79,868	115,629	0	0
44	Miscellaneous Amortization (425)		0	0	0	0
45	Donations (426.1)	340	345,454	450,291	0	0
46	Life Insurance (426.2)		(2,327)	0	0	0
47	Penalties (426.3)		12	25,003	0	0
48	Expenditures for Certain Civic, Political and Related Activities (426.4)		573,720	642,878	0	0
49	Other Deductions (426.5)		2,237,275	2,905,838	0	0
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)	340	3,234,002	4,139,639	0	0
51	Taxes Applic. to Other Income and Deductions					
52	Taxes Other than Income Taxes (408.2)	262-263	102,905	117,175	0	0
53	Income Taxes-Federal (409.2)	262-263	1,262,675	1,848,320	0	0
54	Income Taxes-Other (409.2)	262-263	325,373	289,565	0	0
55	Provision for Deferred Income Taxes (410.2)	234-235	1,013,143	1,456,786	0	0
56	(Less) Provision for Deferred Income Taxes-Credit (411.2)	234-235	202,151	24,991,931	0	0
57	Investment Tax Credit Adjustments-Net (411.5)		0	(8,911)	0	0
58	(Less) Investment Tax Credits (420)		0	0	0	0
59	TOTAL Taxes on Other Income and Deductions (Total of lines 52-58)		2,501,945	(21,288,996)	0	0
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		372,184	22,468,963	0	0
61	**INTEREST CHARGES**					
62	Interest on Long-Term Debt (427)		18,328,365	14,618,543	0	0
63	Amortization of Debt Disc. and Expense (428)	258-259	329,160	301,742	0	0
64	Amortization of Loss on Reacquired Debt (428.1)		266,474	266,474	0	0
65	(Less) Amortization of Premium on Debt-Credit (429)	258-259	0	0	0	0
66	(Less) Amortization of Gain on Reacquired Debt-Credit (429.1)		0	0	0	0
67	Interest on Debt to Associated Companies (430)	340	1,688,923	453,674	0	0
68	Other Interest Expense (431)	340	1,401,444	1,384,300	0	0
69	(Less) Allowance for Borrowed Funds Used During Construction-Credit (432)		1,989,115	1,299,958	0	0
70	Net Interest Charges (Total of lines 62 thru 69)		20,025,251	15,724,775	0	0
71	Income Before Extraordinary Items (Total of lines 27,60 and 70)		49,809,221	59,398,930	0	0
72	**EXTRAORDINARY ITEMS**					
73	Extraordinary Income (434)		0	0	0	0
74	(Less) Extraordinary Deductions (435)		0	0	0	0
75	Net Extraordinary Items (Total of line 73 less line 74)		0	0	0	0
76	Income Taxes-Federal and Other (409.3)	262-263	0	0	0	0
77	Extraordinary Items after Taxes (Total of line 75 less line 76)		0	0	0	0
78	Net Income (Total of lines 71 and 77)		49,809,221	59,398,930	0	0

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Statement of Income

Line No.	Elec. Utility Current Year to Date (in dollars) (g)	Elec. Utility Previous Year to Date (in dollars) (h)	Gas Utility Current Year to Date (in dollars) (i)	Gas Utility Previous Year to Date (in dollars) (j)	Other Utility Current Year to Date (in dollars) (k)	Other Utility Previous Year to Date (in dollars) (l)
1						
2	386,024,436	334,908,029	101,996,443	94,164,214	0	0
3						
4	211,056,935	202,614,152	65,829,971	59,033,073	0	0
5	44,246,007	32,788,535	2,795,710	2,075,479	0	0
6	40,601,640	32,250,753	12,427,838	11,591,542	0	0
7	0	0	0	0	0	0
8	2,664,258	2,401,945	2,365,978	1,422,574	0	0
9	0	0	0	0	0	0
10	0	0	0	0	0	0
11	0	0	0	0	0	0
12	14,739,407	0	0	544,974	0	0
13	1,678,102	2,772,810	2,550,960	0	0	0
14	11,432,511	10,857,356	3,559,077	3,364,888	0	0
15	(14,264,509)	(7,634,080)	(2,542,944)	(7,656,112)	0	0
16	(2,541,597)	520,667	422,161	(896,836)	0	0
17	60,637,987	67,639,786	11,485,845	25,035,734	0	0
18	35,143,993	44,367,134	6,899,872	12,318,521	0	0
19	(11,335)	(11,090)	(67,230)	(67,351)	0	0
20	0	0	0	0	0	0
21	0	0	0	0	0	0
22	6,192	23	0	0	0	0
23	0	0	0	0	0	0
24	0	0	0	0	0	0
25	331,733,017	294,288,057	86,825,574	82,129,444	0	0
26	54,291,419	40,619,972	15,170,869	12,034,770	0	0

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Statement of Accumulated Comprehensive Income and Hedging Activities

1. Report in columns (b) (c) and (e) the amounts of accumulated other comprehensive income items, on a net-of-tax basis, where appropriate.

2. Report in columns (f) and (g) the amounts of other categories of other cash flow hedges.

3. For each category of hedges that have been accounted for as "fair value hedges", report the accounts affected and the related amounts in a footnote.

Line No.	Item (a)	Unrealized Gains and Losses on available-for-sale securities (b)	Minimum Pension liabililty Adjustment (net amount) (c)	Foreign Currency Hedges (d)	Other Adjustments (e)
1	Balance of Account 219 at Beginning of Preceding Year				
2	Preceding Quarter/Year to Date Reclassifications from Account 219 to Net Income				
3	Preceding Quarter/Year to Date Changes in Fair Value				
4	Total (lines 2 and 3)				
5	Balance of Account 219 at End of Preceding Quarter/Year				
6	Balance of Account 219 at Beginning of Current Year				
7	Current Quarter/Year to Date Reclassifications from Account 219 to Net Income				
8	Current Quarter/Year to Date Changes in Fair Value				
9	Total (lines 7 and 8)				
10	Balance of Account 219 at End of Current Quarter/Year				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Statement of Accumulated Comprehensive Income and Hedging Activities(continued)

Line No.	Other Cash Flow Hedges Interest Rate Swaps (f)	Other Cash Flow Hedges [Insert Footnote at Line 1 to specify] (g)	Totals for each category of items recorded in Account 219 (h)	Net Income (Carried Forward from Page 116, Line 78) (i)	Total Comprehensive Income (j)
1					
2					
3					
4				59,398,930	59,398,930
5					
6					
7					
8					
9				49,809,221	49,809,221
10					

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Statement of Retained Earnings

1. Report all changes in appropriated retained earnings, unappropriated retained earnings, and unappropriated undistributed subsidiary earnings for the year.
2. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436-439 inclusive). Show the contra primary account affected in column (b).
3. State the purpose and amount for each reservation or appropriation of retained earnings.
4. List first Account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items, in that order.
5. Show dividends for each class and series of capital stock.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter Year to Date Balance (c)	Previous Quarter Year to Date Balance (d)
	UNAPPROPRIATED RETAINED EARNINGS			
1	Balance-Beginning of Period		320,140,297	260,741,367
2	Changes (Identify by prescribed retained earnings accounts)			
3	Adjustments to Retained Earnings (Account 439)			
4	TOTAL Credits to Retained Earnings (Account 439) (footnote details)			
5	TOTAL Debits to Retained Earnings (Account 439) (footnote details)			
6	Balance Transferred from Income (Acct 433 less Acct 418.1)		49,809,221	59,398,930
7	Appropriations of Retained Earnings (Account 436)			
8	TOTAL Appropriations of Retained Earnings (Account 436) (footnote details)			
9	Dividends Declared-Preferred Stock (Account 437)			
10	TOTAL Dividends Declared-Preferred Stock (Account 437) (footnote details)			
11	Dividends Declared-Common Stock (Account 438)			
12	TOTAL Dividends Declared-Common Stock (Account 438) (footnote details)	131		
13	Transfers from Account 216.1, Unappropriated Undistributed Subsidiary Earnings			
14	Balance-End of Period (Total of lines 1, 4, 5, 6, 8, 10, 12, and 13)		369,949,518	320,140,297
15	APPROPRIATED RETAINED EARNINGS (Account 215)			
16	TOTAL Appropriated Retained Earnings (Account 215) (footnote details)			
17	APPROPRIATED RETAINED EARNINGS-AMORTIZATION RESERVE, FEDERAL (Account			
18	TOTAL Appropriated Retained Earnings-Amortization Reserve, Federal (Account			
19	TOTAL Appropriated Retained Earnings (Accounts 215, 215.1) (Total of lines			
20	TOTAL Retained Earnings (Accounts 215, 215.1, 216) (Total of lines 14 and 1		369,949,518	320,140,297
21	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account 216.1)			
	Report only on an Annual Basis no Quarterly			
22	Balance-Beginning of Year (Debit or Credit)			
23	Equity in Earnings for Year (Credit) (Account 418.1)			
24	(Less) Dividends Received (Debit)			
25	Other Changes (Explain)			
26	Balance-End of Year			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Statement of Cash Flows

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.
(4) Investing Activities: Include at Other (line 25) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.

Line No.	Description (See Instructions for explanation of codes) (a)	Current Year to Date Quarter/Year	Previous Year to Date Quarter/Year
1	Net Cash Flow from Operating Activities		
2	Net Income (Line 78(c) on page 116)	49,809,221	59,398,930
3	Noncash Charges (Credits) to Income:		
4	Depreciation and Depletion	53,029,478	43,842,295
5	Amortization of (Specify) (footnote details)	5,625,870	4,392,735
6	Deferred Income Taxes (Net)	30,890,959	12,454,720
7	Investment Tax Credit Adjustments (Net)	(78,565)	(87,352)
8	Net (Increase) Decrease in Receivables	(11,466,705)	(3,150,383)
9	Net (Increase) Decrease in Inventory	3,197,040	5,244,159
10	Net (Increase) Decrease in Allowances Inventory	7,200	19,444
11	Net Increase (Decrease) in Payables and Accrued Expenses	2,610,270	2,557,700
12	Net (Increase) Decrease in Other Regulatory Assets	(9,427,271)	(17,777,573)
13	Net Increase (Decrease) in Other Regulatory Liabilities	11,640,282	(96,367)
14	(Less) Allowance for Other Funds Used During Construction	3,143,817	3,358,208
15	(Less) Undistributed Earnings from Subsidiary Companies		
16	Other (footnote details):	(9,297,037)	7,562,304
17	Net Cash Provided by (Used in) Operating Activities		
18	(Total of Lines 2 thru 16)	123,396,925	111,002,404
19			
20	Cash Flows from Investment Activities:		
21	Construction and Acquisition of Plant (including land):		
22	Gross Additions to Utility Plant (less nuclear fuel)	(303,320,055)	(185,906,815)
23	Gross Additions to Nuclear Fuel		
24	Gross Additions to Common Utility Plant	(5,264,828)	(3,588,413)
25	Gross Additions to Nonutility Plant		
26	(Less) Allowance for Other Funds Used During Construction	(3,143,817)	(3,358,208)
27	Other (footnote details):		
28	Cash Outflows for Plant (Total of lines 22 thru 27)	(305,441,066)	(186,137,020)
29			
30	Acquisition of Other Noncurrent Assets (d)		
31	Proceeds from Disposal of Noncurrent Assets (d)		
32			
33	Investments in and Advances to Assoc. and Subsidiary Companies	14,671,000	(14,671,000)
34	Contributions and Advances from Assoc. and Subsidiary Companies		
35	Disposition of Investments in (and Advances to)		
36	Associated and Subsidiary Companies		
37			
38	Purchase of Investment Securities (a)		
39	Proceeds from Sales of Investment Securities (a)		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Statement of Cash Flows (continued)

Line No.	Description (See Instructions for explanation of codes) (a)	Current Year to Date Quarter/Year	Previous Year to Date Quarter/Year
40	Loans Made or Purchased		
41	Collections on Loans		
42			
43	Net (Increase) Decrease in Receivables		
44	Net (Increase) Decrease in Inventory		
45	Net (Increase) Decrease in Allowances Held for Speculation		
46	Net Increase (Decrease) in Payables and Accrued Expenses		
47	Other (footnote details):		
48	Net Cash Provided by (Used in) Investing Activities		
49	(Total of lines 28 thru 47)	(290,770,066)	(200,808,020)
50			
51	Cash Flows from Financing Activities:		
52	Proceeds from Issuance of:		
53	Long-Term Debt (b)	100,000,000	90,000,000
54	Preferred Stock		
55	Common Stock		
56	Capital Investment Infusion	35,000,000	15,000,000
57	Net Increase in Short-term Debt (c)		
58	Other (footnote details):		
59	Cash Provided by Outside Sources (Total of lines 53 thru 58)	135,000,000	105,000,000
60			
61	Payments for Retirement of:		
62	Long-Term Debt (b)		
63	Preferred Stock		
64	Common Stock		
65	Other (footnote details):	38,875,000	(19,656,000)
66	Net Decrease in Short-Term Debt (c)		
67	Premium Payments and Fees on Deferred Debts	(416,295)	(385,073)
68	Dividends on Preferred Stock		
69	Dividends on Common Stock		
70	Net Cash Provided by (Used in) Financing Activities		
71	(Total of lines 59 thru 69)	173,458,705	84,958,927
72			
73	Net Increase (Decrease) in Cash and Cash Equivalents		
74	(Total of line 18, 49 and 71)	6,085,564	(4,846,689)
75			
76	Cash and Cash Equivalents at Beginning of Period	1,687,146	6,533,836
77			
78	Cash and Cash Equivalents at End of Period	7,772,710	1,687,146

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) X An Original (2) _ A Resubmission	04/12/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 120 Line No.: 5 Column: c

Plant Items	$	3,824,519
Debt Discount, Premium, Expense and Loss on Reacquired Debt		568,216
Total Amortization	$	4,392,735

Schedule Page: 120 Line No.: 5 Column: b

Plant Items	$	5,030,236
Debt Discount, Premium, Expense and Loss on Reacquired Debt		595,634
Total Amortization	$	5,625,870

Schedule Page: 120 Line No.: 16 Column: b

Unrecovered Purchased Gas Costs	$	(390,646)
Prepayments		(5,145,973)
Clearing Accounts		(100)
Miscellaneous Current and Accrued Assets		(908,526)
Derivative Instrument Assets		(52,938)
Miscellaneous Deferred Debits		(2,025,203)
Obligations under Capital Leases - Non current		(396,220)
Accumulated Provisions		(3,222,287)
Accumulated Provisions For Rate Refunds		250,709
Customer Advances for Construction		11,973
Other Deferred Credits Excl. Contrib. to Company Sponsored Pension Plan		(1,110,213)
Contribution to Company Sponsored Pension Plan		(72,080)
Net Utility Plant and Nonutility Property		5,160,568
Deferred Income Taxes		(2,846,307)
Derivative Instrument Liabilities		(135,246)
Preliminary Survey and Investigation Charges		194,191
Debt Expenses		(100,353)
Other Investments		1,491,614
Total	$	(9,297,037)

Schedule Page: 120 Line No.: 65 Column: c

Intercompany Moneypool Payable	$	(19,656,000)

Schedule Page: 120 Line No.: 65 Column: b

Intercompany Moneypool Receivable	$	38,875,000

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) X An Original (2) _ A Resubmission	04/12/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 120 Line No.: 16 Column: c

Unrecovered Purchased Gas Costs	$ 1,011,058
Prepayments	8,579,740
Clearing Accounts	70
Miscellaneous Current and Accrued Assets	3,498,226
Miscellaneous Deferred Debits	(2,162,806)
Obligations under Capital Leases - Non current	(885,341)
Accumulated Provisions	155,165
Customer Advances for Construction	128,564
Other Deferred Credits Excl. Contrib. to Company Sponsored Pension Plan	(3,119,637)
Contribution to Company Sponsored Pension Plan	(1,323,820)
Net Utility Plant and Nonutility Property	3,337,676
Deferred Income Taxes	(1,136,317)
Derivative Instrument Liabilities	(113,030)
Preliminary Survey and Investigation Charges	152,487
Debt Expenses	(209,019)
Other Investments	(350,712)
Total	$ 7,562,304

Schedule Page: 120 Line No.: 78 Column: b

Supplemental Disclosures (in thousands)	**YTD December 2018**	**YTD December 2017**
Cash paid for interest, net of amount capitalized	$17,024	$12,352
Cash paid / (refunded) for income taxes	($16,784)	($15,767)

Significant non-cash transactions (in -thousands)	**YTD December 2018**	**YTD December 2017**
AFUDC - equity component	$ 5,265	$ 3,358
Accrued capital expenditures	$32,142	$32,369

Cash and Cash Equivalent at End of period:

Cash (131)	$7,772,710	$1,687,146
Working Funds (135)	0	0
Temporary Cash Investments (136)	0	0
	$7,772,710	$1,687,146

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) X An Original (2) __ A Resubmission	04/12/2019	2018/Q4

Notes to Financial Statements

1. Provide important disclosures regarding the Balance Sheet, Statement of Income for the Year, Statement of Retained Earnings for the Year, and Statement of Cash Flow, or any account thereof. Classify the disclosures according to each financial statement, providing a subheading for each statement except where a disclosure is applicable to more than one statement. The disclosures must be on the same subject matters and in the same level of detail that would be required if the respondent issued general purpose financial statements to the public or shareholders.
2. Furnish details as to any significant contingent assets or liabilities existing at year end, and briefly explain any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or a claim for refund of income taxes of a material amount initiated by the utility. Also, briefly explain any dividends in arrears on cumulative preferred stock.
3. Furnish details on the respondent's pension plans, post-retirement benefits other than pensions (PBOP) plans, and post-employment benefit plans as required by instruction no. 1 and, in addition, disclose for each individual plan the current year's cash contributions. Furnish details on the accounting for the plans and any changes in the method of accounting for them. Include details on the accounting for transition obligations or assets, gains or losses, the amounts deferred and the expected recovery periods. Also, disclose any current year's plan or trust curtailments, terminations, transfers, or reversions of assets. Entities that participate in multiemployer postretirement benefit plans (e.g. parent company sponsored pension plans) disclose in addition to the required disclosures for the consolidated plan, (1) the amount of cost recognized in the respondent's financial statements for each plan for the period presented, and (2) the basis for determining the respondent's share of the total plan costs.
4. Furnish details on the respondent's asset retirement obligations (ARO) as required by instruction no. 1 and, in addition, disclose the amounts recovered through rates to settle such obligations. Identify any mechanism or account in which recovered funds are being placed (i.e. trust funds, insurance policies, surety bonds). Furnish details on the accounting for the asset retirement obligations and any changes in the measurement or method of accounting for the obligations. Include details on the accounting for settlement of the obligations and any gains or losses expected or incurred on the settlement.
5. Provide a list of all environmental credits received during the reporting period.
6. Provide a summary of revenues and expenses for each tracked cost and special surcharge.
7. Where Account 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these item. See General Instruction 17 of the Uniform System of Accounts.
8. Explain concisely any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
9. Disclose details on any significant financial changes during the reporting year to the respondent or the respondent's consolidated group that directly affect the respondent's gas pipeline operations, including: sales, transfers or mergers of affiliates, investments in new partnerships, sales of gas pipeline facilities or the sale of ownership interests in the gas pipeline to limited partnerships, investments in related industries (i.e., production, gathering), major pipeline investments, acquisitions by the parent corporation(s), and distributions of capital.
10. Explain concisely unsettled rate proceedings where a contingency exists such that the company may need to refund a material amount to the utility's customers or that the utility may receive a material refund with respect to power or gas purchases. State for each year affected the gross revenues or costs to which the contingency relates and the tax effects and explain the major factors that affect the rights of the utility to retain such revenues or to recover amounts paid with respect to power and gas purchases.
11. Explain concisely significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and summarize the adjustments made to balance sheet, income, and expense accounts.
12. Explain concisely only those significant changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.
13. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
14. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
15. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

This Federal Energy Regulatory Commission (FERC) Form 1 has been prepared in conformity with the requirements of the FERC as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than Generally Accepted Accounting Principles in the United States of America (GAAP). The following areas represent the significant differences between the Uniform System of Accounts and GAAP:

- GAAP requires that public business enterprises report certain information about operating segments in complete sets of financial statements of the enterprise and certain information about their products and services, which are not required for FERC reporting purposes.

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) X An Original (2) __ A Resubmission	04/12/2019	2018/Q4

Notes to Financial Statements

- GAAP requires that majority-owned subsidiaries be consolidated for financial reporting purposes. FERC requires that majority-owned subsidiaries be separately reported as Investment in Subsidiary Companies, unless an appropriate waiver has been granted by the FERC.

- FERC requires that income or losses of an unusual nature and infrequent occurrence, which would significantly distort the current year's income, be recorded as extraordinary income or deductions, respectively.

- GAAP requires that removal and nuclear decommissioning costs for property that does not have an associated legal retirement obligation be presented as a regulatory liability on the Balance Sheet. These costs are presented as accumulated depreciation on the Balance Sheet for FERC reporting purposes.

- GAAP requires the regulatory assets and liabilities resulting from the implementation of ASC 740-10 (formerly SFAS No. 109) be presented as a net amount on the balance sheet. For FERC reporting purposes, these assets and liabilities are presented separately and are included in the Other Regulatory Asset and Other Regulatory Liability line items.

- GAAP requires that the current portion of regulatory assets and regulatory liabilities be reported as current assets and current liabilities, respectively, on the Balance Sheet. FERC requires that the current portion of regulatory assets and liabilities be reported as Regulatory Assets within Deferred Debits and Regulatory Liabilities within Deferred Credits, respectively.

- GAAP requires that the current portion of long-term debt and preferred stock be reported as a current liability on the Balance Sheet. FERC requires that the current portion of long-term debt and preferred stock be reported as Long-term Debt and Proprietary Capital.

- GAAP requires that any deferred costs associated with a specific debt issuance be presented as a reduction to debt on the Balance Sheet. FERC requires any Unamortized Debt Expense to be separately stated as a Deferred Debit on the Balance Sheet.

- GAAP requires that certain account balances within financial statement line items which are not in the natural position for that line item (e.g. an account within Accounts Receivable with a credit balance) be reclassed to the appropriate side of the Balance Sheet. FERC does not require certain accounts which are not in a natural position for their respective line item to be reclassed, as long as the line item in total is in its natural position.

- GAAP requires that regulated assets that are abandoned or retired early, including the cost of the asset and its associated depreciation, be reclassified to a separate regulatory asset on the Balance Sheet. For FERC reporting purposes, those assets which have been abandoned but are still operating are maintained in their original balance sheet accounts.

- GAAP requires that the current portion of Asset Retirement Obligations be reported as current liabilities on the Balance Sheet. For FERC reporting purposes, these liabilities are not reported separately and are reflected as Asset Retirement Obligations within the Other Noncurrent Liabilities section of the Balance Sheet.

- With the adoption of Accounting Standards Update (ASU) No. 2017-17, Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, on January 1, 2018, GAAP requires that the service cost related to pensions and post-retirement benefits other than pensions (PBOP) be reported with other compensation costs arising from services rendered by employees during the period be included in a subtotal of income from operations on the income statement, while non-service cost components are to be presented in the income statement separately outside a subtotal of income from operations. Only the service cost component may be eligible for capitalization if all other capitalization criteria are met. For FERC reporting purposes, costs related to pensions and PBOP will be included in the Net Utility Operating Income of the income statement. Duke has made a non-revocable election to capitalize only the service cost component of pension and PBOP costs, upon implementing ASU No. 2017-07. This change is not expected to have a material impact on the financial statements.

Duke Energy Kentucky's notes to the financial statements have been prepared in conformity with GAAP. Accordingly, certain footnotes are not reflective of Duke Energy Kentucky's financial statements contained herein. Management has evaluated the impact of events occurring after December 31, 2018 up to March 20, 2019, the date that Duke Energy Kentucky's U.S. GAAP financial statements were issued and has updated such evaluation for disclosure purposes through April 12, 2019. These financial statements include all necessary adjustments and disclosures resulting from these evaluations.

DEK Gas FERC Federal Tax Reform Disclosure

In December 2017, Duke Energy Kentucky re-measured its deferred tax assets and liabilities to the new federal corporate income tax rate of 21%. The result of this re-measurement was a reduction in the net deferred tax liability of approximately $32 million. Based on our estimate of the amount of excess deferred income taxes (EDIT) that would be used to reduce future customer rates, we recorded an increase in regulatory liabilities of approximately $42 million. The additional $10 million in regulatory liabilities was required to reflect the future revenue reduction required to return $32 million of previously collected income taxes to customers. We also recorded a $10 million deferred tax asset related to the $32 million regulatory liability. The accounts that were debited and (credited) in the 2017 re-measurement of deferred income taxes are reflected below (in millions):

	254	**190**	**282**	**283**	**411.2**	**182.3/254**
EDIT	$ (32)	$ (2)	$ 32	$ 2	$ 0	$ 0
Gross ups	$ (10)	$ 10				
Total	$ (42)	$ 8	$ 32	$ 2	$	$ 0

In December 2018, Duke Energy Kentucky recorded adjustments to accumulated deferred income tax (ADIT) and EDIT after filing the 2017 tax return. As of December 2018, the cumulative re-measurement, prior to amortization, is shown below (in millions):

	254	**190**	**282**	**283**	**411.2**	**182.3/254**
EDIT	$ (33)	$ (2)	$ 33	$ 2	$ 0	$ 0
Gross ups	$ (11)	$ 11				
Total	$ (44)	$ 9	$ 33	$ 2	$ 0	$ 0

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Duke Energy Kentucky, Inc.	(1) X An Original (2) _ A Resubmission	04/12/2019	2018/Q4

Notes to Financial Statements

The amount of excess deferred income taxes that is considered protected and unprotected as of December 31, 2018 and 2017 is reflected below (in millions):

EDIT Category	12/31/18	12/31/17
Protected	$ (32)	$ (32)
Unprotected	$ 0	$ 0
Total	$ (32)	$ (32)

In accordance with a regulatory order from the Kentucky Public Service Commission the regulatory liability related to excess deferred income taxes was amortized by $0.07 million. The reduction in the excess deferred income tax regulatory liability was offset against account 411.1, the account to which the original re-measurement of deferred income taxes was recorded in December 2017. The estimated amortization period based on regulatory orders, and the account that the amortization will be reported in, is reflected below (in millions):

EDIT Category	Amortization Period	Amortization Amounts
411.1		
Protected	In accordance with ARAM, which is generally between 25 and 50 years	$ 0.07
Unprotected	10 years straight line	$ 0.00

In the table above, ARAM refers to the average rate assumption method.

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) X An Original (2) _ A Resubmission	04/12/2019	2018/Q4

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Duke Energy Kentucky is a combination electric and natural gas regulated public utility company that provides service in northern Kentucky. Duke Energy Kentucky's principal lines of business include generation, transmission, distribution and sale of electricity, as well as the transportation and sale of natural gas. Duke Energy Kentucky is subject to the regulatory provisions of the KPSC and the FERC. Duke Energy Kentucky's common stock is wholly owned by Duke Energy Ohio, an indirect wholly owned subsidiary of Duke Energy.

Certain prior year amounts have been reclassified to conform to the current year presentation.

Other Current Assets and Liabilities

The following table provides a description of amounts included in Other within Current Assets or Current Liabilities that exceed 5 percent of total Current Assets or Current Liabilities on the Duke Energy Kentucky Balance Sheets at either December 31, 2018, or 2017.

		December 31,	
(in thousands)	Location	2018	2017
Duke Energy Kentucky			
Unrealized gains on mark-to-market and hedging transactions	Current Assets	$ **5,685**	$ 1,125
Customer Deposits	Current Liabilities	**9,928**	9,860

SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

In preparing financial statements that conform to GAAP, Duke Energy Kentucky must make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Regulatory Accounting

The majority of Duke Energy Kentucky's operations are subject to price regulation for the sale of electricity and natural gas by the KPSC or FERC. When prices are set on the basis of specific costs of the regulated operations and an effective franchise is in place such that sufficient natural gas or electric services can be sold to recover those costs, Duke Energy Kentucky applies regulatory accounting. Regulatory accounting changes the timing of the recognition of costs or revenues relative to a company that does not apply regulatory accounting. As a result, regulatory assets and regulatory liabilities are recognized on the Balance Sheets and are amortized consistent with the treatment of the related cost in the ratemaking process. See Note 2 for further information.

Duke Energy Kentucky utilizes cost-tracking mechanisms, commonly referred to as fuel adjustment clauses or PGA clauses. These clauses allow for the recovery of fuel and fuel-related costs, portions of purchased power, natural gas costs and hedging costs through surcharges on customer rates. The difference between the costs incurred and the surcharge revenues is recorded either as an adjustment to Operating Revenues, Operating Expenses - Fuel used in electric generation and purchased power or Operating Expenses - Cost of natural gas on the Statements of Operations with an off-setting impact on regulatory assets or regulatory liabilities.

Cash and Cash Equivalents

All highly liquid investments with maturities of three months or less at the date of acquisition are considered cash equivalents.

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Inventory

Inventory is used for operations and is recorded primarily using the average cost method. Inventory related to regulated operations is valued at historical cost. Materials and supplies are recorded as inventory when purchased and subsequently charged to expense or capitalized to property, plant and equipment when installed. Inventory, including excess or obsolete inventory, is written-down to the lower of cost or market value. Once inventory has been written-down, it creates a new cost basis for the inventory that is not subsequently written-up. Provisions for inventory write-offs were not material at December 31, 2018, and 2017. The components of inventory are presented in the table below.

	December 31,	
(in thousands)	**2018**	**2017**
Materials and supplies	$ **19,608**	$ 19,300
Coal	**14,356**	17,354
Natural gas, oil and other	**6,632**	7,139
Total inventory	$ **40,596**	$ 43,793

Long-Lived Asset Impairments

Duke Energy Kentucky evaluates long-lived assets for impairment when circumstances indicate the carrying value of those assets may not be recoverable. An impairment exists when a long-lived asset's carrying value exceeds the estimated undiscounted cash flows expected to result from the use and eventual disposition of the asset. The estimated cash flows may be based on alternative expected outcomes that are probability weighted. If the carrying value of the long-lived asset is not recoverable based on these estimated future undiscounted cash flows, the carrying value of the asset is written-down to its then-current estimated fair value and an impairment charge is recognized.

Duke Energy Kentucky assesses the fair value of long-lived assets using various methods, including recent comparable third-party sales, internally developed discounted cash flow analysis and analysis from outside advisors. Triggering events to reassess cash flows may include, but are not limited to, significant changes in commodity prices, the condition of an asset or management's interest in selling the asset.

Property, Plant and Equipment

Property, plant and equipment are stated at the lower of depreciated historical cost net of any disallowances or fair value, if impaired. Duke Energy Kentucky capitalizes all construction-related direct labor and material costs, as well as indirect construction costs such as general engineering, taxes and financing costs. See "Allowance for Funds Used During Construction" and "Asset Retirement Obligations " below for further information on capitalized financing costs and legal obligations associated with the retirement of property, plant and equipment. Costs of renewals and betterments that extend the useful life of property, plant and equipment are also capitalized. The cost of repairs, replacements and major maintenance projects, which do not extend the useful life or increase the expected output of the asset, are expensed as incurred. Depreciation is generally computed over the estimated useful life of the asset using the composite straight-line method. Depreciation studies are conducted periodically to update composite rates and are approved by the KPSC and/or the FERC when required. The composite weighted average depreciation rate was 2.5 percent and 2.2 percent for the years ended December 31, 2018 and 2017, respectively.

In general, when Duke Energy Kentucky retires its regulated property, plant and equipment, the original cost plus the cost of retirement, less salvage value and any depreciation already recognized, is charged to accumulated depreciation. However, when it becomes probable a regulated asset will be retired substantially in advance of its original expected useful life or will be abandoned, the cost of the asset and the corresponding accumulated depreciation is recognized as a separate asset. If the asset is still in operation, the net amount is classified as Generation facilities to be retired, net on the Balance Sheets. If the asset is no longer operating, the net amount is classified in Regulatory assets on the Balance Sheets if deemed recoverable (see discussion of long-lived asset impairments above). When it becomes probable that regulated mass utility assets, such as meters, will be abandoned, the cost of the assets and accumulated depreciation is reclassified to Regulatory assets on the Balance Sheets for amounts recoverable in rates. The carrying value of the asset is based on historical cost if Duke Energy Kentucky is allowed to recover the remaining net book value and a return equal to at least the incremental borrowing rate. If not, an impairment is recognized to the extent the net book value of the asset exceeds the present value of future revenues discounted at the incremental borrowing rate.

When Duke Energy Kentucky sells entire regulated operating units, the original cost and accumulated depreciation and amortization balances are removed from Property, Plant and Equipment on the Balance Sheets. Any gain or loss is recorded in earnings, unless otherwise required by the KPSC and/or the FERC.

See Note 6 for further information.

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Allowance for Funds Used During Construction

For regulated operations, the debt and equity costs of financing the construction of property, plant and equipment are reflected as AFUDC and capitalized as a component of the cost of property, plant and equipment. AFUDC equity is reported on the Statements of Operations as non-cash income in Other Income and Expenses, net. AFUDC debt is reported as a non-cash offset to Interest Expense on the Statements of Operations. After construction is completed, Duke Energy Kentucky is permitted to recover these costs through their inclusion in rate base and the corresponding subsequent depreciation or amortization of those regulated assets.

AFUDC equity, a permanent difference for income taxes, reduces the effective tax rate when capitalized and increases the effective tax rate when depreciated or amortized.

See Note 14 for additional information.

Asset Retirement Obligations

AROs are recognized for legal obligations associated with the retirement of property, plant and equipment. Substantially all AROs are related to regulated operations. When recording an ARO, the present value of the projected liability is recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made. The liability is accreted over time. For operating plants, the present value of the liability is added to the cost of the associated asset and depreciated over the remaining life of the asset. For retired plants, the present value of the liability is recorded as a regulatory asset unless determined not to be probable of recovery.

The present value of the initial obligation and subsequent updates are based on discounted cash flows, which include estimates regarding timing of future cash flows, selection of discount rates and cost escalation rates, among other factors. These estimates are subject to change. Depreciation expense is adjusted prospectively for any changes to the carrying amount of the associated asset. Duke Energy Kentucky receives amounts to fund the cost of the ARO from regulated revenues. As a result, amounts recovered in regulated revenues, accretion expense and depreciation of the associated asset are netted and deferred as a regulatory asset or regulatory liability.

Obligations for closure of ash basins are based upon discounted cash flows of estimated costs for site-specific plans, if known, or probability weightings of the potential closure methods if the closure plans are under development and multiple closure options are being considered and evaluated on a site-by-site basis.

See Note 5 for further information.

Revenue Recognition

Duke Energy Kentucky recognizes revenue as customers obtain control of promised goods and services in an amount that reflects consideration expected in exchange for those goods or services. Generally, the delivery of electricity and natural gas results in the transfer of control to customers at the time the commodity is delivered and the amount of revenue recognized is equal to the amount billed to each customer, including estimated volumes delivered when billings have not yet occurred.

See Note 12 for further information.

Derivatives and Hedging

Derivative instruments may be used in connection with commodity price and interest rate activities, including swaps, futures, forwards and options. All derivative instruments, except those that qualify for the normal purchase/normal sale exception, are recorded on the Balance Sheets at fair value. For activity subject to regulatory accounting, gains and losses on derivative contracts are reflected as regulatory assets or regulatory liabilities and not as other comprehensive income or current period income. As a result, changes in fair value of these derivatives have no immediate earnings impact.

See Note 9 for further information.

Unamortized Debt Premium, Discount and Expense

Premiums, discounts and expenses incurred with the issuance of outstanding long-term debt are amortized over the term of the debt issue. The gain or loss on extinguishment associated with refinancing higher-cost debt obligations in the regulated operations is amortized. Amortization expense is recorded as Interest Expense in the Statements of Operations and is reflected as Depreciation and amortization within Net cash provided by operating activities on the Statements of Cash Flows.

Premiums, discounts and expenses are presented as an adjustment to the carrying value of the debt amount and included in Long-Term Debt on the Balance Sheets presented.

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Loss Contingencies and Environmental Liabilities

Contingent losses are recorded when it is probable a loss has occurred and can be reasonably estimated. When a range of the probable loss exists and no amount within the range is a better estimate than any other amount, the minimum amount in the range is recorded. Unless otherwise required by GAAP, legal fees are expensed as incurred.

Environmental liabilities are recorded on an undiscounted basis when environmental remediation or other liabilities become probable and can be reasonably estimated. Environmental expenditures related to past operations that do not generate current or future revenues are expensed. Environmental expenditures related to operations that generate current or future revenues are expensed or capitalized, as appropriate. Certain environmental expenditures receive regulatory accounting treatment and are recorded as regulatory assets.

See Notes 2 and 3 for further information.

Pension and Other Post-Retirement Benefit Plans

Duke Energy maintains qualified, non-qualified and other post-retirement benefit plans. Eligible employees of Duke Energy Kentucky participate in the respective qualified, non-qualified and other post-retirement benefit plans and Duke Energy Kentucky is allocated its proportionate share of benefit costs.

See Note 13 for further information, including significant accounting policies associated with these plans.

Income Taxes

Duke Energy and its subsidiaries file a consolidated federal income tax return and other state and foreign jurisdictional returns. Duke Energy Kentucky has a tax-sharing agreement with Duke Energy, and income taxes recorded represent amounts Duke Energy Kentucky would incur as a separate C-Corporation. Deferred income taxes have been provided for temporary differences between GAAP and tax bases of assets and liabilities because the differences create taxable or tax-deductible amounts for future periods. Investment tax credits associated with regulated operations are deferred and amortized as a reduction of income tax expense over the estimated useful lives of the related properties.

ADIT is valued using the enacted tax rate expected to apply to taxable income in the periods in which the deferred tax asset or liability is expected to be settled or realized. In the event of a change in tax rates, deferred tax assets and liabilities are remeasured as of the enactment date of the new rate. To the extent that the change in the value of the deferred tax represents an obligation to customers, the impact of the remeasurement is deferred to a regulatory liability. Remaining impacts are recorded in income from continuing operations. If Duke Energy Kentucky's estimate of the tax effect of reversing temporary differences is not reflective of actual outcomes, is modified to reflect new developments or interpretations of the tax law, is revised to incorporate new accounting principles, or changes in the expected timing or manner of the reversal then Duke Energy Kentucky's results of operations could be impacted.

Tax-related interest and penalties are recorded in Interest Expense and Other Income and Expenses, net, in the Statements of Operations.

See Note 14 for further information.

Dividend Restrictions

Duke Energy Kentucky is required to pay dividends solely out of retained earnings and to maintain a minimum of 35 percent equity in its capital structure.

NEW ACCOUNTING STANDARDS

The new accounting standards adopted for 2018 and 2017 had no material impact on the presentation or results of operations, cash flows or financial position of Duke Energy Kentucky. While immaterial, adoption of the following accounting standards had the most significant impact on Duke Energy Kentucky's results of operations, cash flows and financial position for the year ended December 31, 2018.

Revenue from Contracts with Customers. In May 2014, the FASB issued revised accounting guidance for revenue recognition from contracts with customers. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration expected in exchange for those goods or services. The amendments also required disclosure of sufficient information to allow users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The majority of Duke Energy Kentucky's revenue is in scope of the new guidance. Revenue from derivatives and other revenue arrangements, such as alternative revenue programs and lighting tariffs accounted for as leases, are excluded from the scope of this guidance and, therefore, are accounted for and evaluated for separate presentation and disclosure under other relevant accounting guidance.

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Duke Energy Kentucky elected the modified retrospective method of adoption effective January 1, 2018. Under the modified retrospective method of adoption, prior year reported results are not restated. Adoption of this standard did not result in a material change in the timing or pattern of revenue recognition and a cumulative-effect adjustment was not recorded at January 1, 2018. Duke Energy Kentucky utilized certain practical expedients including applying this guidance to open contracts at the date of adoption, expensing costs to obtain a contract where the amortization period of the asset would have been one year or less, ignoring the effects of a significant financing when the period between transfer of the good or service and payment is one year or less and recognizing revenues for certain contracts under the invoice practical expedient, which allows revenue recognition to be consistent with invoiced amounts (including unbilled estimates) provided certain criteria are met, including consideration of whether the invoiced amounts reasonably represent the value provided to customers.

In preparation for adoption, Duke Energy Kentucky identified material revenue streams and reviewed representative contracts and tariffs. Duke Energy Kentucky also monitored the activities of the power and utilities industry revenue recognition task force and has reviewed published positions on specific industry issues to evaluate the impact, if any, on Duke Energy Kentucky's specific contracts and conclusions. Duke Energy Kentucky applied the available practical expedient to portfolios of tariffs and contracts with similar characteristics. The vast majority of sales, including energy provided to retail customers, are from tariff offerings that provide natural gas or electricity without a defined contractual term ("at-will"). In most circumstances, revenue from contracts with customers is equivalent to the electricity or natural gas supplied and billed in that period (including unbilled estimates). As such, adoption of the new rules did not result in a shift in the timing or pattern of revenue recognition for such sales. While there have been changes to the captions and descriptions of revenues in Duke Energy Kentucky's financial statements, the most significant impact as a result of adopting the standard are additional disclosures around the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. See Note 12 for further information.

Retirement Benefits. In March 2017, the FASB issued revised accounting guidance for the presentation of net periodic costs related to benefit plans. Previous guidance required the aggregation of all the components of net periodic costs on the Statements of Operations and did not require the disclosure of the location of net periodic costs on the Statements of Operations. Under the amended guidance, the service cost component of net periodic costs is included within Operating Income within the same line as other compensation expenses. All other components of net periodic costs are outside of Operating Income. In addition, the updated guidance permits only the service cost component of net periodic costs to be capitalized to Inventory or Property, Plant and Equipment. This represents a change from previous guidance, which permitted all components of net periodic costs to be eligible for capitalization.

Duke Energy Kentucky adopted this guidance on January 1, 2018. Under previous guidance, Duke Energy Kentucky presented the total non-capitalized net periodic costs within Operation, maintenance and other on the Statements of Operations. The adoption of this guidance resulted in a retrospective change to reclassify the presentation of the non-service cost (benefit) components of net periodic costs to Other Income and Expenses, net. Duke Energy Kentucky utilized the practical expedient for retrospective presentation. The change in components of net periodic costs eligible for capitalization is applicable prospectively. Since Duke Energy Kentucky's service cost component is greater than the total net periodic costs, the change results in increased capitalization of net periodic costs, higher Operation, maintenance and other and higher Other Income and Expenses, net. The resulting prospective impact to Duke Energy Kentucky is an immaterial increase in Net Income. See Note 13 for further information.

For Duke Energy Kentucky, the retrospective change resulted in higher Operation, maintenance and other and higher Other Income and Expenses, net, of $1,758 thousand for the year ended December 31, 2017. There was no change to Net Income for this prior period.

The following new Accounting Standards Updates have been issued, but have not yet been adopted by Duke Energy Kentucky, as of December 31, 2018.

Leases. In February 2016, the FASB issued revised accounting guidance for leases. The core principle of this guidance is that a lessee should recognize the assets and liabilities that arise from leases on the balance sheet.

For Duke Energy Kentucky, this guidance is effective for interim and annual periods beginning January 1, 2019. The guidance will be applied using a modified retrospective approach. Under the modified retrospective approach of adoption, prior year reported results are not restated and a cumulative-effect adjustment, if applicable, is recorded to retained earnings at January 1, 2019. Upon adoption, agreements considered leases for the use of space on communication towers and office space will be recognized on the balance sheet. Duke Energy Kentucky expects to adopt the following practical expedients:

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Practical Expedient	Description	Election
Package of transition practical expedients (for leases commenced prior to adoption date and must be adopted as a package)	Do not need to 1) reassess whether any expired or existing contracts are/or contain leases, 2) reassess the lease classification for any expired or existing leases and 3) reassess initial direct costs for any existing leases.	Duke Energy Kentucky plans to elect this practical expedient.
Short-term lease expedient (elect by class of underlying asset)	Elect as an accounting policy to not apply the recognition requirements to short-term leases by asset class.	Duke Energy Kentucky plans to elect this practical expedient for all asset classes.
Lease and non-lease components (elect by class of underlying asset)	Elect as an accounting policy to not separate non-lease components from lease components and instead account for each lease and associated non-lease component as a single lease component by asset class.	Duke Energy Kentucky plans to elect this practical expedient for all asset classes.
Hindsight expedient (when determining lease term)	Elect to use hindsight to determine the lease term.	Duke Energy Kentucky plans to elect this practical expedient.
Existing and expired land easements not previously accounted for as leases	Elect to not evaluate existing or expired easements under the new guidance and carry forward current accounting treatment.	Duke Energy Kentucky plans to elect this practical expedient.
Comparative reporting requirements for initial adoption	Elect to apply transition requirements at adoption date, recognize cumulative effect adjustment to retained earnings in period of adoption and not apply ASC 842 to comparative periods, including disclosures.	Duke Energy Kentucky plans to elect this practical expedient.
Lessor expedient (elect by class of underlying asset)	Elect as an accounting policy to aggregate non-lease components with the related lease component when specified conditions are met by asset class. Account for the combined component based on its predominant characteristic (revenue or operating lease).	Duke Energy Kentucky plans to elect this practical expedient for all asset classes.

Duke Energy Kentucky currently expects to record right-of-use assets and operating lease liabilities on its balance sheet of $10 million. In addition to the recognition of operating leases on the balance sheet, Duke Energy Kentucky expects additional disclosures including operating lease costs, short-term lease costs, variable lease costs, weighted-average remaining lease term as well as weighted-average discount rates. Duke Energy Kentucky does not expect a material change to its financial statements from adoption of the new standard for contracts where it is the lessor.

2. REGULATORY MATTERS

REGULATORY ASSETS AND LIABILITIES

Duke Energy Kentucky records regulatory assets and liabilities that result from the ratemaking process. See Note 1 for further information.

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The following table represents the regulatory assets and liabilities on the Balance Sheets.

(in thousands)	December 31, 2018	December 31, 2017	Earns/Pays a Return	Recovery/Refund Period Ends
Regulatory Assets[a]				
Accrued pension and other post-retirement benefits	$ 31,764	$ 34,682		(b)
East Bend deferrals	47,482	45,485	X	(c)
Demand side management/Energy efficiency costs	—	2,226		(d)
Hedge costs and other deferrals	4,082	4,938		(e)
Storm cost deferrals	4,258	4,913		2023
AROs – coal ash	19,513	16,721	X	(c)(g)
Vacation accrual	1,414	1,394		2019
Deferred debt expense	922	1,188		2036
Deferred fuel and purchased gas costs	1,516	179		2019
Carbon management research grant	1,733	1,800		2023
Deferred gas integrity costs	2,887	2,887		(c)
AMI	5,366	6,087		2033
East Bend outage normalization	2,066	—		(c)
Other	1,211	594		(c)
Total regulatory assets	124,214	123,094		
Less: current portion	10,562	4,356		
Total noncurrent regulatory assets	$ 113,652	$ 118,738		
Regulatory Liabilities[a]				
Costs of removal	$ 19,300	$ 39,707		(f)
Net regulatory liability related to income taxes	136,972	132,721		(c)
Accrued pension and other post-retirement benefits	5,206	4,833		(b)
Hedge costs and other deferrals	2,930	33		(e)
Deferred fuel and purchased gas costs	(144)	(204)		2019
Profit sharing mechanism	619	1,405		2019
Demand side management/Energy efficiency costs	3,129	—		(d)
Other	2,397	14		(c)
Total regulatory liabilities	170,409	178,509		
Less: current portion	14,294	6,892		
Total noncurrent regulatory liabilities	$ 156,115	$ 171,617		

(a) Regulatory assets and liabilities are excluded from rate base unless otherwise noted.
(b) Recovered primarily over the average remaining service periods or life expectancies of employees covered by the benefit plans, which is approximately fourteen years. See Note 13 for further information.
(c) The expected recovery or refund period varies or has not been determined.
(d) Deferred costs are recovered through a rider mechanism.
(e) Recovery varies over the life of the associated instrument.

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(f) Represents funds received from customers to cover future removal of property, plant and equipment from retired or abandoned sites as property is retired. Included in rate base and recovered over the life of associated assets.

(g) Certain amounts are recovered through rates.

RATE RELATED INFORMATION

The KPSC approves rates for retail electric and natural gas services within the Commonwealth of Kentucky. The FERC approves rates for electric sales to wholesale customers served under cost-based rates, as well as sales of transmission service.

Duke Energy Kentucky Electric Rate Case

On September 1, 2017, Duke Energy Kentucky filed a rate case with the KPSC requesting an increase in electric base rates of approximately $49 million, which represents an approximate 15 percent increase on the average customer bill. Subsequent to the filing, Duke Energy Kentucky adjusted the requested amount to $30.1 million, in part to reflect the benefits of the Tax Act, representing an approximate 9 percent increase on the average customer bill. The rate increase was driven by increased investment in utility plant, increased operations and maintenance expenses and recovery of regulatory assets. The application also includes requests to implement an Environmental Surcharge Mechanism to recover environmental costs not recovered in base rates, to establish a Distribution Capital Investment Rider to recover incremental costs of specific programs, to establish a FERC Transmission Cost Reconciliation Rider to recover escalating transmission costs and to modify existing Profit Sharing Mechanism to increase customers' share of proceeds from the benefits of owning generation and to mitigate shareholder risks associated with that generation. An evidentiary hearing concluded on March 8, 2018, and the KPSC issued an order on April 13, 2018. Major components of the order include approval of an $8 million increase in base rates with a return on equity at 9.725 percent based upon a capital structure of 49 percent equity on a total allocable capitalization of approximately $650 million. The order approved the Environmental Surcharge Mechanism Rider and in June 2018 recovery began of capital-related environmental costs, including costs related to ash and ash disposal, and environmental operation and maintenance expenses formerly recovered in base rates, including expenses for environmental reagents and emission allowances. The incremental revenue from this rider will be approximately $13 million on an annualized basis. The order settles all issues associated with the Tax Act as it relates to the electric business by lowering the income tax component of the revenue requirement and refunding protected EDIT under allowable normalization rules and unprotected EDIT over 10 years. The order denied requests to implement riders for certain transmission costs and distribution capital investments. Duke Energy Kentucky implemented new base rates on May 1, 2018. On May 3, 2018, Duke Energy Kentucky filed an application for rehearing on certain aspects of the order; on May 23, 2018, the KPSC granted a rehearing. On October 2, 2018, the KPSC issued its rehearing order correcting certain findings in its initial order and making additional changes that are immaterial to the company's earnings.

Duke Energy Kentucky Natural Gas Base Rate Case

On August 31, 2018, Duke Energy Kentucky filed an application with the KPSC requesting an increase in natural gas base rates of approximately $11 million, an approximate 11.1 percent average increase across all customer classes. The increase is net of approximately $5 million in annual savings as a result of the Tax Act. The drivers for this case are capital invested since Duke Energy Kentucky's last rate case in 2009. Duke Energy Kentucky is also seeking implementation of a Weather Normalization Adjustment Mechanism, amortization of regulatory assets and to implement the impacts of the Tax Act, prospectively. On January 30, 2019, Duke Energy Kentucky entered into a settlement agreement with the Attorney General of Kentucky, the only intervenor in the case, which if approved would resolve the matter. The settlement provides for an approximate $7 million increase and approval of the proposed Weather Normalization Mechanism. A hearing was held on February 5, 2019. A ruling is expected in late first quarter 2019. Duke Energy Kentucky cannot predict the outcome of this matter.

FERC 494 Refund of Regional Transmission Enhancement Projects

FERC Order No. 494 Settlement Agreement (FERC 494 Settlement Agreement) was entered into by most of the PJM transmission owners, including Duke Energy Kentucky, and the PJM state regulatory commissions approximately two years ago and was planned to be effective on January 1, 2016; however, it was not approved by the FERC until May 31, 2018. The FERC 494 Settlement Agreement was due to the Seventh Circuit Court of Appeals finding that the FERC had failed to adequately justify the costs that the customers in the western part of PJM were being charged for high voltage transmission projects, or Regional Transmission Expansion Plan (RTEP) projects (500 kV and above) built in the east. These costs were being allocated to all PJM customers on a load-ratio share basis but the court determined that these costs were not justifiable to customers in the west, including Duke Energy Kentucky, that did not benefit from the RTEP projects. Costs for the periods 2012 through 2015 are expected to be refunded to Duke Energy Kentucky on a monthly basis through December 2025. The refund amount for similar costs incurred beginning in 2016 through June 30, 2018, prior to the change in cost allocation by PJM was determined in the third quarter of 2018 and these amounts will be refunded over a 12-month period beginning in July 2018. These refunds, totaling approximately $8 million for Duke Energy Kentucky have been recorded to Operation, maintenance and other on the Statements of Operations for the year ended December 31, 2018.

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RTO Realignment

Duke Energy Kentucky transferred control of its transmission assets to effect a RTO realignment from MISO to PJM, effective December 31, 2011.

On December 22, 2010, the KPSC approved Duke Energy Kentucky's request to effect the RTO realignment, subject to a commitment not to seek double-recovery in a future rate case of the transmission expansion fees that may be charged by MISO and PJM in the same period or overlapping periods. Duke Energy Kentucky is currently recovering PJM transmission expansion fees through current base rates.

Upon its exit from MISO on December 31, 2011, Duke Energy Kentucky recorded a liability and expense for its exit obligation and share of MISO Transmission Expansion Planning costs, excluding MVP. This liability was recorded within Other in Current Liabilities and Other in Noncurrent Liabilities on the Balance Sheets.

The following table provides a reconciliation of the beginning and ending balance of recorded obligations related to the withdrawal from MISO.

(in thousands)	December 31, 2017	Provision / Adjustments	Cash Reductions	December 31, 2018
MISO withdrawal liability	$ 16,366	$ (551)	$ (911)	$ 14,904

3. COMMITMENTS AND CONTINGENCIES

GENERAL INSURANCE

Duke Energy Kentucky has insurance and/or reinsurance coverage either directly or through indemnification from Duke Energy's captive insurance company, Bison Insurance Company Limited, and its affiliates, consistent with companies engaged in similar commercial operations with similar type properties. Duke Energy Kentucky's coverage includes (i) commercial general liability coverage for liabilities arising to third parties for bodily injury and property damage; (ii) workers' compensation; (iii) automobile liability coverage; and (iv) property coverage for all real and personal property damage. Real and personal property damage coverage excludes electric transmission and distribution lines, but includes damages arising from boiler and machinery breakdowns, earthquakes, flood damage and extra expense, but not outage or replacement power coverage. All coverage is subject to certain deductibles or retentions, sublimits, exclusions, terms and conditions common for companies with similar types of operations. Duke Energy Kentucky self-insures its electric transmission and distribution lines against loss due to storm damage and other natural disasters.

The cost of Duke Energy Kentucky's coverage can fluctuate year to year reflecting claims history and conditions of the insurance and reinsurance markets.

In the event of a loss, terms and amounts of insurance and reinsurance available might not be adequate to cover claims and other expenses incurred. Uninsured losses and other expenses, to the extent not recovered by other sources, could have a material effect on Duke Energy Kentucky's results of operations, cash flows or financial position. Duke Energy Kentucky is responsible to the extent losses may be excluded or exceed limits of the coverage available.

ENVIRONMENTAL

Duke Energy Kentucky is subject to federal, state, and local regulations regarding air and water quality, hazardous and solid waste disposal, and other environmental matters, including the CPP. These regulations can be changed from time to time, imposing new obligations on Duke Energy Kentucky.

On November 16, 2016, the state of Maryland filed a petition with EPA under Section 126 of the Clean Air Act alleging that 19 power plants, including one unit owned and operated by Duke Energy Kentucky, contribute to violations of EPA's NAAQS for ozone in the state of Maryland. On March 12, 2018, the state of New York filed a petition with EPA, also under Section 126 of the Clean Air Act alleging that over 60 power plants, including one unit owned and operated by Duke Energy Kentucky, contribute to violations of EPA's ozone NAAQS in the state of New York. Both Maryland and New York seek EPA orders requiring the states in which the named power plants operate impose more stringent NO_x emission limitations on the plants. On October 5, 2018, EPA published a final rule denying the Maryland petition. That same day, Maryland appealed EPA's denial of their Section 126 petition to the D.C. Circuit Court. The impact of these petitions could be more stringent requirements for the operation of NO_x emission controls at these plants. Duke Energy Kentucky cannot predict the outcome of these matters.

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Remediation Activities

In addition to the AROs discussed in Note 5, Duke Energy Kentucky is responsible for environmental remediation at various sites. These include certain properties that are part of ongoing operations and sites formerly owned or used by Duke Energy Kentucky. These sites are in various stages of investigation, remediation and monitoring. Managed in conjunction with relevant federal, state and local agencies, remediation activities vary based upon site condition and location, remediation requirements, complexity and sharing of responsibility. If remediation activities involve joint and several liability provisions, strict liability, or cost recovery or contribution actions, Duke Energy Kentucky could potentially be held responsible for environmental impacts caused by other potentially responsible parties, and may also benefit from insurance policies or contractual indemnities that cover some or all cleanup costs. Liabilities are recorded when losses become probable and are reasonably estimable. The total costs that may be incurred cannot be estimated because the extent of environmental impact, allocation among potentially responsible parties, remediation alternatives and/or regulatory decisions have not yet been determined. Additional costs associated with remediation activities are likely to be incurred in the future and could be significant. Costs are typically expensed as Operation, maintenance and other on the Statements of Operations unless regulatory recovery of the costs is deemed probable.

Duke Energy Kentucky has accrued approximately $670 thousand of probable and estimable costs related to its various environmental sites in Other within Other Noncurrent Liabilities on the Balance Sheets as of December 31, 2018 and 2017. Additional losses in excess of recorded reserves are expected to be immaterial for the stages of investigation, remediation and monitoring for the environmental sites that have been evaluated. The maximum amount of the range for all stages of Duke Energy Kentucky's environmental sites cannot be determined at this time.

LITIGATION

Duke Energy Kentucky is involved in other legal, tax and regulatory proceedings arising in the ordinary course of business, some of which involve significant amounts. Duke Energy Kentucky believes the final disposition of these proceedings will not have a material effect on its results of operations, cash flows or financial position. Duke Energy Kentucky expenses legal costs related to the defense of loss contingencies as incurred.

OTHER COMMITMENTS AND CONTINGENCIES

General

As part of its normal business, Duke Energy Kentucky is party to various financial guarantees, performance guarantees and other contractual commitments to extend guarantees of credit and other assistance to various third parties. These guarantees involve elements of performance and credit risk which are not included on the Balance Sheets. The possibility of Duke Energy Kentucky having to honor its contingencies is largely dependent upon future operations of various third parties or the occurrence of certain future events.

Purchase Obligations

Pipeline and Storage Capacity Contracts

Duke Energy Kentucky enters into pipeline and storage capacity contracts that commit future cash flows to acquire services needed in its business. Cost arising from capacity commitments are recovered via the Gas Cost Adjustment Clause in Kentucky. The time period for fixed payments under these pipeline and storage capacity contracts is up to four years.

Certain storage and pipeline capacity contracts require the payment of demand charges that are based on rates approved by the FERC in order to maintain rights to access the natural gas storage or pipeline capacity on a firm basis during the contract term. The demand charges that are incurred in each period are recognized in the Statements of Operations as part of natural gas purchases and are included in Cost of natural gas.

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The following table presents future unconditional purchase obligations under these contracts.

(in thousands)	December 31, 2018
2019	$ 6,825
2020	4,363
2021	4,245
2022	1,260
2023	—
Thereafter	—
Total	$ 16,693

Operating and Capital Lease Commitments

Duke Energy Kentucky leases office buildings, vehicles, computer equipment and other property and equipment with various terms and expiration dates. Capitalized lease obligations are classified as Long-Term Debt on the Balance Sheets. Amortization of assets recorded under capital leases is included in Depreciation and amortization on the Statements of Operations.

Rental expense for operating leases, which is included in Operation, maintenance and other on the Statements of Operations, was $2 million for the years ended December 31, 2018 and 2017.

The following table presents future minimum lease payments under operating leases, which at inception had a non-cancelable term of more than one year, and capital leases as of December 31, 2018.

(in thousands)	Operating Leases	Capital Leases
2019	$ 707	$ 438
2020	666	219
2021	677	—
2022	689	—
2023	701	—
Thereafter	10,745	—
Minimum annual payments	14,185	657
Less: amount representing interest	—	(77)
Total	$ 14,185	$ 580

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4. DEBT AND CREDIT FACILITIES

SUMMARY OF DEBT AND RELATED TERMS

The following table summarizes outstanding debt.

(in thousands)	Weighted Average Interest Rate	Year Due	December 31, 2018	December 31, 2017
Unsecured debt	4.50%	2019 - 2057	$ 450,000	$ 350,000
Capital leases	7.09%	2019 - 2020	580	1,466
Tax-exempt bonds[(a)(b)]	2.53%	2027	76,720	76,720
Money pool borrowings[(b)(c)]	2.79%		63,875	25,000
Unamortized debt discount and premium, net			(239)	(288)
Unamortized debt issuance costs			(1,951)	(1,718)
Total debt	4.06%		$ 588,985	$ 451,180
Short-term money pool borrowings			(38,875)	—
Current maturities of long-term debt[(d)]			(100,396)	(885)
Total long-term debt			$ 449,714	$ 450,295

(a) Includes $27 million that is secured by a bilateral letter of credit agreement.
(b) Floating-rate debt. At December 31, 2017, the weighted average interest rate was 1.74 percent for tax-exempt bonds.
(c) Includes $25 million classified as Long-Term Debt Payable to Affiliated Companies on the Balance Sheets.
(d) At December 31, 2018, the balance includes unsecured debt of $100 million, maturing in October 2019, with an interest rate of 4.65 percent.

MATURITIES AND CALL OPTIONS

The following table shows the annual maturities of long-term debt for the next five years and thereafter. Amounts presented exclude short-term notes payable.

(in thousands)	December 31, 2018
2019	$ 100,396
2020	184
2021	50,000
2022	—
2023	50,000
Thereafter	351,720
Total long-term debt, including current maturities	$ 552,300

Duke Energy Kentucky has the ability under certain debt facilities to call and repay the obligation prior to its scheduled maturity. Therefore, the actual timing of future cash repayments could be materially different than as presented above.

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SHORT-TERM OBLIGATIONS CLASSIFIED AS LONG-TERM DEBT

Tax-exempt bonds that may be put to Duke Energy Kentucky at the option of the holder and money pool borrowings, which are short-term obligations by nature, are classified as long-term due to Duke Energy Kentucky's intent and ability to utilize such borrowings as long-term financing. As Duke Energy's Master Credit Facility and Duke Energy Kentucky's other bilateral letter of credit agreements have non-cancelable terms in excess of one year as of the balance sheet date, Duke Energy Kentucky has the ability to refinance these short-term obligations on a long-term basis. See "Available Credit Facilities" below for additional information.

At December 31, 2018 and 2017, $27 million of tax-exempt bonds and $25 million of money pool borrowings were classified as Long-Term Debt and Long-Term Debt Payable to Affiliated Companies, respectively, on the Balance Sheets.

SUMMARY OF SIGNIFICANT DEBT ISSUANCES

Duke Energy Kentucky issued $100 million of unsecured debentures, of which $25 million carry a fixed interest rate of 4.01 percent and mature October 2023, $40 million carry a fixed interest rate of 4.18 percent and mature October 2028 and $35 million carry a fixed interest rate of 4.62 percent and mature December 2048. The first two tranches totaling $65 million were closed and funded on October 3, 2018, and the remaining tranche of $35 million closed in December 2018. The proceeds were used to pay down short-term debt, fund capital expenditures and for general corporate purposes.

In September 2017, Duke Energy Kentucky issued $90 million of unsecured debentures, of which $30 million carry a fixed interest rate of 3.35 percent and mature September 2029, $30 million carry a fixed interest rate of 4.11 percent and mature September 2047 and $30 million carry a fixed interest rate of 4.26 percent and mature September 2057. The debt was issued for capital expenditures, to refinance short-term debt and for general corporate purposes.

AVAILABLE CREDIT FACILITIES

In January 2018, Duke Energy extended the termination date of substantially all of its existing $8 billion Master Credit Facility capacity from March 16, 2022, to March 16, 2023. In May 2018, Duke Energy completed the extension process with 100 percent of all commitments to the Master Credit Facility extending to March 16, 2023. Duke Energy Kentucky has borrowing capacity under the Master Credit Facility up to a specified sublimit. Duke Energy has the unilateral ability at any time to increase or decrease Duke Energy Kentucky's borrowing sublimit, subject to a maximum sublimit. The amount available to Duke Energy Kentucky under the Master Credit Facility may be reduced to backstop issuances of commercial paper, certain letters of credit and variable-rate demand tax-exempt bonds that may be put to Duke Energy Kentucky at the option of the holder. At December 31, 2018, Duke Energy Kentucky had a borrowing sublimit of $150 million and available capacity of $86 million under the Master Credit Facility.

Duke Energy Kentucky and Duke Energy Indiana, a wholly owned subsidiary of Duke Energy, collectively have a $156 million bilateral letter of credit agreement. In February 2018, Duke Energy Kentucky and Duke Energy Indiana amended the bilateral letter of credit agreement to extend the termination date from February 2019 to February 2023. Duke Energy Kentucky and Duke Energy Indiana may request the issuance of letters of credit up to $27 million and $129 million, respectively, on their behalf to support various series of tax-exempt bonds. This credit facility may not be used for any purpose other than to support the tax-exempt bonds.

OTHER DEBT MATTERS

Money Pool

Duke Energy Kentucky receives support for its short-term borrowing needs through participation with Duke Energy and certain of its subsidiaries in a money pool arrangement. Under this arrangement, those companies with short-term funds may provide short-term loans to affiliates participating under this arrangement. The money pool is structured such that Duke Energy Kentucky separately manages its cash needs and working capital requirements. Accordingly, there is no net settlement of receivables and payables between money pool participants. Duke Energy may loan funds to its participating subsidiaries, but may not borrow funds through the money pool.

Money pool receivable balances are reflected within Notes receivable from affiliated companies on the Balance Sheets. Money pool payable balances are reflected within either Notes payable to affiliated companies or Long-Term Debt Payable to Affiliated Companies on the Balance Sheets.

Restrictive Debt Covenants

Duke Energy Kentucky's debt and credit agreements contain various financial and other covenants. Duke Energy's Master Credit Facility contains a covenant requiring the debt-to-total capitalization ratio not to exceed 65 percent for each borrower. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements. As of December 31, 2018, Duke Energy Kentucky was in compliance with all covenants related to its debt agreements. In addition, some credit agreements may allow for acceleration of payments or termination of the agreements due to nonpayment, or acceleration of other significant indebtedness of the borrower or some of its subsidiaries. None of the debt or credit agreements contain material adverse change clauses.

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5. ASSET RETIREMENT OBLIGATIONS

Duke Energy Kentucky records an ARO when it has a legal obligation to incur retirement costs associated with the retirement of a long-lived asset and the obligation can be reasonably estimated. Certain assets have an indeterminate life, and thus the fair value of the retirement obligation is not reasonably estimable. A liability for these AROs will be recorded when a fair value is determinable.

Duke Energy Kentucky's regulated electric and regulated natural gas operations accrue costs of removal for property that does not have an associated legal retirement obligation based on regulatory orders from the KPSC. These costs of removal are recorded as a regulatory liability in accordance with regulatory accounting treatment. See Note 2 for the estimated cost of removal for assets without an associated legal retirement obligation, which are included in Regulatory liabilities on the Balance Sheets as of December 31, 2018 and 2017.

Duke Energy Kentucky is subject to state and federal regulations covering the closure of coal ash impoundments, including the EPA CCR Rule. AROs recorded on the Balance Sheets include the legal obligation for the disposal of CCR, which is based upon estimated closure costs for impacted ash impoundments. The amount recorded represents the discounted cash flows for estimated closure costs based upon either specific closure plans or the probability weightings of the potential closure methods as evaluated on a site-by-site basis. Actual costs to be incurred will be dependent upon factors that vary from site to site. The most significant factors are the method and time frame of closure at the individual sites. Closure methods considered include removing the water from ash basins, consolidating material as necessary and capping the ash with a synthetic barrier, excavating and relocating the ash to a lined structural fill or lined landfill or recycling the ash for concrete or some other beneficial use. The ultimate method and timetable for closure will be in compliance with standards set by federal and state regulations and other agreements. The ARO amount will be adjusted as additional information is gained through the closure and post-closure process, including acceptance and approval of compliance approaches, which may change management assumptions, and may result in a material change to the balance. Asset retirement costs associated with coal ash AROs at the East Bend Station are included within Property, Plant and Equipment on the Balance Sheets.

In addition to the coal ash AROs, Duke Energy Kentucky also has legal obligations related to the retirement of gas mains and asbestos remediation.

The following table presents the changes in the liability associated with AROs.

	Years Ended December 31,	
(in thousands)	**2018**	**2017**
Balance at beginning of period	**$ 54,582**	$ 52,822
Accretion expense	**2,065**	2,044
Liabilities settled[a]	**(4,204)**	(7,435)
Liabilities incurred in the current year[b]	**—**	7,089
Revisions to estimates of cash flows[c]	**10,383**	62
Balance at end of period	**$ 62,826**	$ 54,582

(a) Settlement of liabilities primarily relate to ash basin closure costs at the East Bend Station.
(b) 2017 additional liabilities incurred primarily relate to landfill closure costs at the East Bend Station.
(c) 2018 revisions to estimates of cash flows primarily relates to increases in groundwater monitoring and post-closure maintenance estimates for closure of the East Bend Station, partially offset by revised asbestos remediation estimates.

In April 2018, the KPSC issued an order that approved the Environmental Surcharge Mechanism, which includes the recovery of costs related to ash and ash disposal. Costs incurred through April 2018 will be recovered over a 10-year period beginning in June 2018, and prudently incurred costs after April 2018 will be recovered monthly on a two-month lag. See Note 2 for additional information on the order KPSC issued in April 2018.

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6. PROPERTY, PLANT AND EQUIPMENT

The following table summarizes property, plant and equipment.

(in thousands)	Estimated Useful Life (Years)	December 31, 2018	2017
Land		$ 25,868	$ 24,616
Plant[(a)]			
Electric generation, distribution and transmission	15 – 100	1,708,224	1,585,904
Natural gas transmission and distribution	12 – 50	557,214	488,871
Other buildings and improvements	35 – 90	18,284	11,958
Equipment	5 – 25	29,865	19,167
Construction in process		119,830	109,722
Other	5 – 18	58,612	51,847
Total property, plant and equipment		2,517,897	2,292,085
Accumulated depreciation and amortization[(b)]		(965,124)	(977,244)
Net property, plant and equipment[(c)]		$ 1,552,773	$ 1,314,841

(a) Includes capitalized lease amounts of $20.9 million and $26.2 million at December 31, 2018 and 2017, respectively.
(b) Includes accumulated amortization of capitalized leases of $4.4 million and $6.8 million at December 31, 2018 and 2017, respectively.
(c) The debt component of AFUDC totaled $1.9 million and $1.3 million at December 31, 2018 and 2017, respectively.

7. OTHER INCOME AND EXPENSES, NET

The components of Other Income and Expenses, net on the Statements of Operations are as follows.

(in thousands)	Years Ended December 31, 2018	2017
Income/(Expense):		
Interest income	$ 1,624	$ 1,236
AFUDC equity	3,144	3,358
Other	1,859	1,763
Other Income and Expenses, net	$ 6,627	$ 6,357

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8. RELATED PARTY TRANSACTIONS

Duke Energy Kentucky engages in related party transactions, which are generally performed at cost and in accordance with KPSC and FERC regulations. Refer to the Balance Sheets for balances due to or from related parties. Material amounts related to transactions with related parties included in the Statements of Operations are presented in the following table.

	Years Ended December 31,	
(in thousands)	2018	2017
Corporate governance and shared service expenses[(a)]	$ 91,003	$ 81,815

(a) Duke Energy Kentucky is charged its proportionate share of costs, primarily related to human resources, employee benefits, information technology, legal and accounting fees, as well as other third-party costs, from an unconsolidated affiliate that is a consolidated affiliate of Duke Energy. These amounts are recorded in Operation, maintenance and other within Operating Expenses on the Statements of Operations.

In addition to the amounts presented above, Duke Energy Kentucky has other affiliate transactions, including certain indemnification coverages through Duke Energy's wholly owned captive insurance subsidiary, rental of office space, participation in a money pool arrangement with Duke Energy and certain of its subsidiaries, other operational transactions and its proportionate share of certain charged expenses. See Note 4 for more information regarding the money pool. These transactions are incurred in the ordinary course of business and are eliminated in Duke Energy's Consolidated Financial Statements.

Certain trade receivables have been sold by Duke Energy Kentucky to CRC, an unconsolidated entity formed by a subsidiary of Duke Energy. The proceeds obtained from the sales of receivables are largely cash but do include a subordinated note from CRC for a portion of the purchase price. See Note 11 for further information related to the sales of these receivables.

Intercompany Income Taxes

Duke Energy and its subsidiaries file a consolidated federal income tax return and other state and jurisdictional returns. Duke Energy Kentucky has a tax sharing agreement with Duke Energy for the allocation of consolidated tax liabilities and benefits. Income taxes recorded represent amounts Duke Energy Kentucky would incur as a separate C-Corporation. Duke Energy Kentucky had an intercompany tax payable balance of $2 million at December 31, 2018 and 2017.

9. DERIVATIVES AND HEDGING

COMMODITY PRICE RISK

Duke Energy Kentucky has limited exposure to market price changes of fuel and emission allowance costs incurred for its retail customers due to the use of cost tracking and recovery mechanisms. Duke Energy Kentucky does have exposure to the impact of market fluctuations in the prices of electricity, fuel and emission allowances associated with its generation output not utilized to serve retail operations or committed load (off-system, wholesale power sales). Duke Energy Kentucky's outstanding commodity derivatives, financial transmission rights, had a notional volume of 1,786 gigawatt-hours at December 31, 2018.

See Note 10 for additional information on the fair value of commodity derivatives.

INTEREST RATE RISK

Duke Energy Kentucky is exposed to changes in interest rates as a result of its issuance or anticipated issuance of variable-rate and fixed-rate debt. Interest rate risk is managed by limiting variable-rate exposure to a percentage of total debt and by monitoring changes in interest rates. To manage risk associated with changes in interest rates, Duke Energy Kentucky may enter into financial contracts including interest rate swaps and U.S. Treasury lock agreements. The notional amount of interest rate swaps outstanding was $26.7 million at December 31, 2018 and 2017. Financial contracts entered into by Duke Energy Kentucky are not designated as a hedge because they are accounted for under regulatory accounting. With regulatory accounting, the mark-to-market gains or losses are deferred as regulatory liabilities or assets. Regulatory assets and regulatory liabilities are amortized consistent with the treatment of related costs in the ratemaking process. The accrual of interest on swaps is recorded as Interest Expense on the Statements of Operations.

See Note 10 for additional information on the fair value of interest rate derivatives.

CREDIT RISK

Duke Energy Kentucky analyzes the financial condition of counterparties prior to entering into agreements and establishes credit limits and monitors the appropriateness of those limits on an ongoing basis. Credit limits and collateral requirements for retail electric customers are established by the KPSC.

Duke Energy Kentucky's industry has historically operated under negotiated credit lines for physical delivery contracts. Duke Energy Kentucky may use master collateral agreements to mitigate certain credit exposures. The collateral agreements require certain counterparties to post cash or letters of credit for the amount of exposure in excess of an established threshold. The threshold amount represents an unsecured credit limit determined in accordance with the corporate credit policy. Collateral agreements also provide that the inability to post collateral is sufficient cause to terminate contracts and liquidate all positions.

Duke Energy Kentucky also obtains cash or letters of credit from customers to provide credit support outside of collateral agreements, where appropriate, based on its financial analysis of the customer and the regulatory or contractual terms and conditions applicable to each transaction.

10. FAIR VALUE MEASUREMENTS

Fair value is the exchange price to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The fair value definition focuses on an exit price versus the acquisition cost. Fair value measurements use market data or assumptions market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs may be readily observable, corroborated by market data or generally unobservable. Valuation techniques maximize the use of observable inputs and minimize use of unobservable inputs. A midmarket pricing convention (the midpoint price between bid and ask prices) is permitted for use as a practical expedient. Fair value measurements are classified in three levels based on the fair value hierarchy as defined by GAAP.

Fair value accounting guidance permits entities to elect to measure certain financial instruments that are not required to be accounted for at fair value, such as equity method investments or the company's own debt, at fair value. Duke Energy Kentucky has not elected to record any of these items at fair value.

Transfers between levels represent assets or liabilities that were previously (i) categorized at a higher level for which the inputs to the estimate became less observable or (ii) classified at a lower level for which the inputs became more observable during the period. Duke Energy Kentucky's policy is to recognize transfers between levels of the fair value hierarchy at the end of the period. There were no transfers between levels during the years ended December 31, 2018 and 2017.

Commodity derivatives

If forward price curves are not observable for the full term of the contract and the unobservable period had more than an insignificant impact on the valuation, the commodity derivative is classified as Level 3. The valuation technique and unobservable input for the financial transmission rights is regional transmission organization auction pricing and FTR price - per megawatt-hour, respectively.

Interest rate derivatives

Most over-the-counter interest rate contract derivatives are valued using financial models that utilize observable inputs for similar instruments and are classified as Level 2. Inputs include forward interest rate curves, notional amounts, interest rates and credit quality of the counterparties.

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QUANTITATIVE DISCLOSURES

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Balance Sheets. Derivative amounts in the table below exclude cash collateral.

	December 31, 2018		
(in thousands)	Total Fair Value	Level 2	Level 3
Derivative assets[a]	$ 6,056	$ —	$ 6,056
Derivative liabilities[b]	(4,487)	(4,487)	—
Net assets (liabilities)	$ 1,569	$ (4,487)	$ 6,056

	December 31, 2017		
(in thousands)	Total Fair Value	Level 2	Level 3
Derivative assets[a]	$ 1,444	$ —	$ 1,444
Derivative liabilities[b]	(5,367)	(5,367)	—
Net (liabilities) assets	$ (3,923)	$ (5,367)	$ 1,444

(a) Included in Other within Current Assets and Other within Other Noncurrent Assets on the Balance Sheets. The amounts classified as Level 3 relate to financial transmission rights.

(b) Included in Other within Current Liabilities and Other within Other Noncurrent Liabilities on the Balance Sheets. The amounts classified as Level 2 relate to interest rate swaps.

The following table provides a reconciliation of beginning and ending balances of assets and liabilities measured at fair value on a recurring basis where the determination of fair value includes significant unobservable inputs (Level 3).

	Derivatives (net)	
	Years Ended December 31,	
(in thousands)	2018	2017
Balance at beginning of period	$ 1,444	$ 4,916
Purchases, sales, issuances and settlements:		
Purchases	6,855	3,343
Settlements	(4,131)	(4,135)
Total gains (losses) included on the Balance Sheets as regulatory assets or liabilities	1,888	(2,680)
Balance at end of period	$ 6,056	$ 1,444

OTHER FAIR VALUE DISCLOSURES

The fair value of long-term debt, including current maturities, is summarized in the following table. Judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates determined are not necessarily indicative of the amounts Duke Energy Kentucky could have settled in current markets. The fair value of long-term debt is determined using Level 2 measurements.

	December 31, 2018		December 31, 2017	
(in thousands)	Book value	Fair value	Book value	Fair value
Long-Term debt, including current maturities	$ 550,110	$ 553,922	$ 451,180	$ 475,973

At both December 31, 2018 and December 31, 2017, the fair value of cash and cash equivalents, accounts and notes receivable, and accounts and notes payable are not materially different from their carrying amounts because of the short-term nature of these instruments and/or because the stated rates approximate market rates.

11. VARIABLE INTEREST ENTITIES

A VIE is an entity that is evaluated for consolidation using more than a simple analysis of voting control. The analysis to determine whether an entity is a VIE considers contracts with an entity, credit support for an entity, the adequacy of the equity investment of an entity, and the relationship of voting power to the amount of equity invested in an entity. This analysis is performed either upon the creation of a legal entity or upon the occurrence of an event requiring reevaluation, such as a significant change in an entity's assets or activities. A qualitative analysis of control determines the party that consolidates a VIE. This assessment is based on (i) what party has the power to direct the activities of the VIE that most significantly impact its economic performance and (ii) what party has rights to receive benefits or is obligated to absorb losses that could potentially be significant to the VIE. The analysis of the party that consolidates a VIE is a continual reassessment.

Cinergy Receivables Company

CRC is a bankruptcy remote, special purpose entity that is an affiliate of Duke Energy Kentucky. As discussed below, Duke Energy Kentucky does not consolidate CRC as it is not the primary beneficiary. On a revolving basis, CRC buys certain accounts receivable arising from the sale of electricity, natural gas and related services from Duke Energy Kentucky. CRC borrows amounts under a credit facility to buy the receivables from Duke Energy Kentucky. Borrowing availability from the credit facility is limited to the amount of qualified receivables sold to CRC. The sole source of funds to satisfy the related debt obligation is cash collections from the receivables.

The proceeds Duke Energy Kentucky receives from the sale of receivables to CRC are approximately 75 percent cash and 25 percent in the form of a subordinated note from CRC. The subordinated note is a retained interest in the receivables sold. Duke Energy Kentucky had receivables of $23.1 million and $19.7 million from CRC at December 31, 2018 and December 31, 2017, respectively. These balances are included in Receivables from affiliated companies on the Balance Sheets and reflect Duke Energy Kentucky's retained interest in receivables sold to CRC.

CRC is considered a VIE because (i) equity capitalization is insufficient to support its operations, (ii) power to direct the activities that most significantly impact economic performance of the entity are not performed by the equity holder and (iii) deficiencies in net worth of CRC are funded by Duke Energy. The most significant activities that impact the economic performance of CRC are decisions made to manage delinquent receivables. Duke Energy is considered the primary beneficiary and consolidates CRC as it makes these decisions. Duke Energy Kentucky does not consolidate CRC.

The subordinated note held by Duke Energy Kentucky is stated at fair value. Carrying values of retained interests are determined by allocating carrying value of the receivables between assets sold and interests retained based on relative fair value. The allocated basis of the subordinated note is not materially different than its face value because (i) the receivables generally turnover in less than two months, (ii) credit losses are reasonably predictable due to the broad customer base and lack of significant concentration and (iii) the equity in CRC is subordinate to all retained interests and thus would absorb losses first. The hypothetical effect on fair value of the retained interests assuming both a 10 percent and a 20 percent unfavorable variation in credit losses or discount rates is not material due to the short turnover of receivables and historically low credit loss history. Interest accrues to Duke Energy Kentucky on the retained interests using the acceptable yield method. This method generally approximates the stated rate on the note since the allocated basis and the face value are nearly equivalent. An impairment charge is recorded against the carrying value of both retained interests and purchased beneficial interest whenever it is determined that an other-than-temporary impairment has occurred. Duke Energy Kentucky's maximum exposure to loss does not exceed the carrying value.

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Key assumptions used in estimating fair value are detailed in the following table.

	2018	2017
Anticipated credit loss ratio	0.4%	0.5%
Discount rate	3.0%	2.1%
Receivables turnover rate	11.5%	11.4%

The following table presents gross and net receivables sold.

(in thousands)	December 31, 2018	December 31, 2017
Receivables sold	$ 66,308	$ 59,074
Less: Retained interests	23,070	19,736
Net receivables sold	$ 43,238	$ 39,338

The following table shows sales and cash flows related to receivables sold.

	Years Ended December 31,	
(in thousands)	2018	2017
Sales		
Receivables sold	$ 478,134	$ 417,779
Loss recognized on sale	2,290	1,704
Cash flows		
Cash proceeds from receivables sold	$ 472,511	$ 414,729
Collection fees received	239	209
Return received on retained interests	1,541	783

Cash flows from the sale of receivables are reflected within Cash Flows from Operating Activities on the Statements of Cash Flows.

Collection fees received in connection with the servicing of transferred accounts receivable are included in Operation, maintenance and other on the Statements of Operations. The loss recognized on sales of receivables is calculated monthly by multiplying receivables sold during the month by the required discount. The required discount is derived monthly utilizing a three-year weighted average formula that considers charge-off history, late charge history and turnover history on the sold receivables, as well as a component for the time value of money. The discount rate, or component for the time value of money, is the prior month-end LIBOR plus a fixed rate of 1.00 percent.

12. REVENUE

As described in Note 1, Duke Energy Kentucky adopted Revenue from Contracts with Customers effective January 1, 2018, using the modified retrospective method of adoption, which does not require restatement of prior year reported results. No cumulative effect adjustment was recorded as the vast majority of Duke Energy Kentucky's revenues are at-will and without a defined contractual term. Additionally, comparative disclosures for 2018 operating results with the previous revenue recognition rules are not applicable as Duke Energy Kentucky's revenue recognition has not materially changed as a result of the new standard.

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Duke Energy Kentucky recognizes revenue consistent with amounts billed under tariff offerings or at contractually agreed upon rates based on actual physical delivery of electric or natural gas service, including estimated volumes delivered when billings have not yet occurred. As such, the majority of Duke Energy Kentucky's revenues have fixed pricing based on the contractual terms of the published tariffs, with variability in expected cash flows attributable to the customer's volumetric demand and ultimate quantities of energy or natural gas supplied and used during the billing period. The stand-alone selling price of related sales are designed to support recovery of prudently incurred costs and an appropriate return on invested assets and are primarily governed by published tariff rates or contractual agreements approved by relevant regulatory bodies. Certain excise taxes and franchise fees levied by state or local governments are required to be paid even if not collected from the customer. These taxes are recognized on a gross basis as part of revenues. Duke Energy Kentucky elects to account for all other taxes net of revenues.

Performance obligations are satisfied over time as energy or natural gas is delivered and consumed with billings generally occurring monthly and related payments due within 30 days, depending on regulatory requirements. In no event does the timing between payment and delivery of the goods and services exceed one year. Using this output method for revenue recognition provides a faithful depiction of the transfer of electric and natural gas service as customers obtain control of the commodity and benefit from its use at delivery. Additionally, Duke Energy Kentucky has an enforceable right to consideration for energy or natural gas delivered at any discrete point in time, and will recognize revenue at an amount that reflects the consideration to which Duke Energy Kentucky is entitled for the energy or natural gas delivered.

As described above, the majority of Duke Energy Kentucky's tariff revenues are at-will and, as such, related contracts with customers have an expected duration of one year or less and will not have future performance obligations for disclosure.

Duke Energy Kentucky earns substantially all of its revenues through the sale of electricity and natural gas.

Electricity Sales

Electric sales revenues are earned primarily through retail and wholesale electric service through the generation, transmission, distribution and sale of electricity. Duke Energy Kentucky generally provides retail electric service customers with their full electric load requirements and sells wholesale block sales of electricity into the market.

Retail electric service is generally marketed throughout Duke Energy Kentucky's electric service territory through standard service offers. The standard service offers are through tariffs determined by the KPSC. Each tariff, which is assigned to customers based on customer class, has multiple components such as an energy charge, customer charge, demand charge and applicable riders. Duke Energy Kentucky considers each of these components to be aggregated into a single performance obligation for providing electric service. Electricity is considered a single performance obligation satisfied over time consistent with the series guidance and is provided and consumed over the billing period, generally one month. Retail electric service is typically provided to at-will customers who can cancel service at any time, without a substantive penalty. Additionally, Duke Energy Kentucky adheres to applicable regulatory requirements to ensure the collectability of amounts billed and appropriate mitigating procedures are followed when necessary. As such, revenue from contracts with customers is equivalent to the electricity supplied and billed in that period (including unbilled estimates).

Wholesale electric service is provided through block sales of electricity. Revenues for block sales are recognized monthly as energy is delivered and stand-ready service is provided, consistent with invoiced amounts and unbilled estimates.

Natural Gas Sales

Natural gas sales revenues are earned through retail natural gas service through the transportation, distribution and sale of natural gas. Duke Energy Kentucky generally provides natural gas service customers with all natural gas load requirements. Additionally, while natural gas can be stored, substantially all natural gas provided by Duke Energy Kentucky is consumed by customers simultaneously with receipt of delivery.

Retail natural gas service is marketed throughout Duke Energy Kentucky's natural gas service territory using published tariff rates. The tariff rates are established by the KPSC. Each tariff, which is assigned to customers based on customer class, has multiple components, such as a commodity charge, customer or monthly charge and transportation costs. Duke Energy Kentucky considers each of these components to be aggregated into a single performance obligation for providing natural gas service. For contracts where Duke Energy Kentucky provides all of the customer's natural gas needs, the delivery of natural gas is considered a single performance obligation satisfied over time, and revenue is recognized monthly based on billings and unbilled estimates as service is provided and the commodity is consumed over the billing period. Additionally, natural gas service is typically at-will and customers can cancel service at any time, without a substantive penalty. Duke Energy Kentucky also adheres to applicable regulatory requirements to ensure the collectability of amounts billed and receivable and appropriate mitigating procedures are followed when necessary.

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Disaggregated Revenues

For electric and natural gas sales, revenue by customer class is most meaningful to Duke Energy Kentucky as each respective customer class collectively represents unique customer expectations of service, generally has different energy and demand requirements and operates under tailored, regulatory approved pricing structures. Additionally, each customer class is impacted differently by weather and a variety of economic factors including the level of population growth, economic investment, employment levels and regulatory activities. As such, analyzing revenues disaggregated by customer class allows Duke Energy Kentucky to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Disaggregated revenues are presented as follows:

(in thousands) By market or type of customer		Year Ended December 31, 2018
Electricity Sales		
Residential	$	142,113
General		145,904
Industrial		58,210
Wholesale(a)		11,566
Other revenues		7,998
Total Electricity Sales revenue from contracts with customers	$	365,791
Natural Gas Sales		
Residential	$	66,699
Commercial		28,580
Industrial		4,329
Other revenues		2,446
Total Natural Gas Sales revenue from contracts with customers	$	102,054
Total revenue from contracts with customers	$	467,845
Other revenue sources(b)		15,210
Total revenues	$	483,055

(a) Duke Energy Kentucky nets wholesale electric sales and purchases on an hourly basis. As such, the net position may result in fluctuations between positive and negative net revenues at the end of a reporting period.

(b) Other revenue sources includes revenues from derivatives, leases and alternative revenue programs that are not considered revenues from contracts with customers.

IMPACT OF WEATHER AND THE TIMING OF BILLING PERIODS

Revenues and costs are influenced by seasonal weather patterns. Peak sales of electricity occur during the summer and winter months, which results in higher revenue and cash flows during these periods. By contrast, lower sales of electricity occur during the spring and fall, allowing for scheduled plant maintenance. Residential and general service customers are more impacted by weather than industrial customers. Estimated weather impacts are based on actual current period weather compared to normal weather conditions. Normal weather conditions are defined as the long-term average of actual historical weather conditions. Heating-degree days measure the variation in weather based on the extent the average daily temperature falls below a base temperature. Cooling-degree days measure the variation in weather based on the extent the average daily temperature rises above the base temperature. Each degree of temperature below the base temperature counts as one heating-degree day and each degree of temperature above the base temperature counts as one cooling-degree day.

The estimated impact of weather on earnings for electricity sales is based on the temperature variances from a normal condition and customers' historic usage patterns. The methodology used to estimate the impact of weather does not consider all variables that may impact customer response to weather conditions, such as humidity in the summer or wind chill in the winter. The precision of this estimate may also be impacted by applying long-term weather trends to shorter-term periods.

Natural gas costs and revenues are influenced by seasonal patterns due to peak natural gas sales occurring during the winter months as a result of space heating requirements. Residential customers are the most impacted by weather.

UNBILLED REVENUE

Unbilled revenues are recognized by applying customer billing rates to the estimated volumes of energy or natural gas delivered but not yet billed. Unbilled revenues can vary significantly from period to period as a result of seasonality, weather, customer usage patterns, customer mix, average price in effect for customer classes, timing of rendering customer bills and meter reading schedules, and the impact of weather normalization or margin decoupling mechanisms. Receivables on the Balance Sheets include amounts related to unbilled wholesale revenues of $390 thousand and $516 thousand at December 31, 2018 and 2017, respectively.

Duke Energy Kentucky sells nearly all of its retail accounts receivable, including receivables for unbilled revenues to CRC on a revolving basis. As discussed further in Note 8, Duke Energy Kentucky accounts for these transfers of receivables to CRC as sales. Accordingly, the receivables sold are not reflected on the Balance Sheets. Receivables for unbilled revenues included in the sales of accounts receivable to CRC were $24 million and $25 million at December 31, 2018 and 2017, respectively.

13. EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT RETIREMENT PLANS

Duke Energy Kentucky participates in qualified and non-qualified defined benefit retirement plans and other post-retirement benefit plans sponsored by Duke Energy. Duke Energy allocates pension and other post-retirement obligations and costs related to these plans to Duke Energy Kentucky. The plans cover most employees using a cash balance formula. Under a cash balance formula, a plan participant accumulates a retirement benefit consisting of pay credits based upon a percentage of current eligible earnings based on age and/or years of service and interest credits. Certain employees are covered under plans that use a final average earnings formula. Under these average earnings formulas, a plan participant accumulates a retirement benefit equal to the sum of percentages of their (i) highest three-year or four-year average earnings, (ii) highest three-year or four-year average earnings in excess of covered compensation per year of participation (maximum of 35 years), and/or (iii) highest three-year average earnings times years of participation in excess of 35 years. Duke Energy also maintains, and Duke Energy Kentucky participates in, non-qualified, non-contributory defined benefit retirement plans which cover certain executives. As of January 1, 2014, the qualified and non-qualified non-contributory defined benefit plans are closed to new participants.

Duke Energy approved plan amendments to restructure its qualified non-contributory defined benefit retirement plans, effective January 1, 2018. The restructuring involved (i) the spin-off of the majority of inactive participants from two plans into a separate inactive plan and (ii) the merger of the active participant portions of such plans. Benefits offered to the plan participants remain unchanged. Actuarial gains and losses associated with the inactive plan will be amortized over the remaining life expectancy of the inactive participants.

Duke Energy uses a December 31 measurement date for its defined benefit retirement plan assets and obligations.

Duke Energy's policy is to fund amounts on an actuarial basis to provide assets sufficient to meet benefit payments to be paid to plan participants. Actual contributions for Duke Energy Kentucky were $72 thousand and $1,324 thousand for the years ended December 31, 2018 and 2017, respectively. Duke Energy Kentucky does not anticipate making any contributions in 2019.

Net periodic benefit costs disclosed in the tables below represent the cost of the respective plan for the periods presented prior to capitalization of amounts reflected as Net property, plant and equipment, on the Balance Sheets. Only the service cost component of net periodic benefit costs is eligible to be capitalized. The remaining non-capitalized portions of net periodic benefit costs are classified as either: (i) service cost, which is recorded in Operations, maintenance and other on the Statements of Operations; or as (ii) components of non-service cost, which is recorded in Other income and expenses, net, on the Statements of Operations. Amounts presented in the tables below represent the amounts of pension and other post-retirement benefit cost allocated by Duke Energy for employees of Duke Energy Kentucky. Additionally, Duke Energy Kentucky is allocated its proportionate share of pension and other post-retirement benefit cost for employees of Duke Energy's shared services affiliate that provides support to Duke Energy Kentucky. These allocated amounts are included in the governance and shared services costs discussed in Note 8.

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QUALIFIED PENSION PLANS

Components of Net Periodic Pension Costs

	Years Ended December 31,	
(in thousands)	**2018**	**2017**
Service cost	**$ 1,488**	$ 1,451
Interest cost on projected benefit obligation	**4,134**	4,274
Expected return on plan assets	**(6,473)**	(6,290)
Amortization of prior service credit	**(100)**	(95)
Amortization of actuarial loss	**1,957**	1,912
Net periodic pension costs	**$ 1,006**	$ 1,252

Amounts Recognized in Regulatory Assets

	December 31,	
(in thousands)	**2018**	**2017**
Regulatory assets, net (decrease) increase	**$ (2,652)**	$ 3,340

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Reconciliation of Funded Status to Net Amount Recognized

	Years Ended December 31,	
(in thousands)	**2018**	**2017**
Change in Projected Benefit Obligation		
Obligation at prior measurement date	$ **116,977**	$ 106,067
Service cost	**1,387**	1,360
Interest cost	**4,134**	4,274
Actuarial (gains) losses	**(11,107)**	10,369
Transfers [(a)]	**—**	1,586
Benefits paid	**(7,996)**	(6,679)
Obligation at measurement date	$ **103,395**	$ 116,977
Accumulated Benefit Obligation at measurement date	$ **101,000**	$ 113,557
Change in Fair Value of Plan Assets		
Plan assets at prior measurement date	$ **106,157**	$ 98,252
Actual return on plan assets	**(3,941)**	11,674
Benefits paid	**(7,996)**	(6,679)
Employer contributions	**72**	1,324
Transfers [(a)]	**—**	1,586
Plan assets at measurement date	$ **94,292**	$ 106,157
Funded status of plan	$ **(9,103)**	$ (10,820)

(a) Transfers represents net amounts associated with plan participants that have moved to/from other Duke Energy subsidiaries.

Amounts Recognized in the Balance Sheets

	December 31,	
(in thousands)	**2018**	**2017**
Prefunded pension[(a)]	$ **7,330**	$ 1,184
Noncurrent pension liability[(b)]	**16,433**	12,004
Net liability recognized	$ **(9,103)**	$ (10,820)
Regulatory assets	$ **29,647**	$ 32,299
Amounts to be reported in net periodic pension expense in the next year		
Unrecognized net actuarial loss	$ **875**	$ 1,664
Unrecognized prior service credit	**(100)**	(100)

(a) Included in Other within Investments and Other Assets on the Balance Sheets.
(b) Included in Accrued pension and other post-retirement benefit costs on the Balance Sheets.

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Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets

	December 31,	
(in thousands)	**2018**	**2017**
Projected benefit obligation	**$ 40,901**	$ 102,755
Accumulated benefit obligation	**38,506**	99,335
Fair value of plan assets	**24,468**	90,750

Assumptions Used for Pension Benefits Accounting

	December 31,	
	2018	**2017**
Benefit Obligations		
Discount rate	**4.30%**	3.60%
Salary increase	**3.50%**	3.50%
Net Periodic Benefit Cost		
Discount rate	**3.60%**	4.10%
Salary increase	**3.50%**	4.40%
Expected long-term rate of return on plan assets	**6.50%**	6.50%

The discount rate used to determine the current year pension obligation and following year's pension expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for the projected benefit payments of the plan. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

NON-QUALIFIED PENSION PLANS

Components of Net Periodic Pension Costs

	Years Ended December 31,	
(in thousands)	**2018**	**2017**
Interest cost on projected benefit obligation	**$ 5**	$ 6
Amortization of actuarial loss	**4**	4
Net periodic pension costs	**$ 9**	$ 10

Amounts Recognized in Regulatory Assets

	December 31,	
(in thousands)	**2018**	**2017**
Regulatory assets, net (decrease) increase	**$ (10)**	$ 1

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Reconciliation of Funded Status to Net Amount Recognized

	Years Ended December 31,	
(in thousands)	**2018**	**2017**
Change in Projected Benefit Obligation		
Obligation at prior measurement date	$ 141	$ 140
Interest cost	5	6
Actuarial (gains) losses	(6)	6
Benefits paid	(11)	(11)
Obligation at measurement date	$ 129	$ 141
Accumulated Benefit Obligation at measurement date	$ 129	$ 141
Change in Fair Value of Plan Assets		
Benefits paid	$ (11)	$ (11)
Employer contributions	11	11
Plan assets at measurement date	$ —	$ —

Amounts Recognized in the Balance Sheets

	December 31,	
(in thousands)	**2018**	**2017**
Current pension liability[(a)]	$ 10	$ 10
Noncurrent pension liability[(b)]	119	131
Total accrued pension liability	$ 129	$ 141
Regulatory assets	$ 42	$ 52
Amounts to be recognized in net periodic pension expense in the next year		
Unrecognized net actuarial loss	$ 3	4

(a) Included in Other within Current Liabilities on the Balance Sheets.
(b) Included in Accrued pension and other post-retirement benefit costs on the Balance Sheets.

Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets

	December 31,	
(in thousands)	**2018**	**2017**
Projected benefit obligation	$ 129	$ 141
Accumulated benefit obligation	129	141

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Assumptions Used for Pension Benefits Accounting

	December 31,	
	2018	**2017**
Benefit Obligations		
Discount rate	**4.30%**	3.60%
Salary increase	**3.50%**	3.50%
Net Periodic Benefit Cost		
Discount rate	**3.60%**	4.10%
Salary increase	**3.50%**	4.40%

The discount rate used to determine the current year pension obligation and following year's pension expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for the projected benefit payments of the plan. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

OTHER POST-RETIREMENT BENEFIT PLANS

Duke Energy provides, and Duke Energy Kentucky participates in, some health care and life insurance benefits for retired employees on a contributory and non-contributory basis. Employees are eligible for these benefits if they have met age and service requirements at retirement, as defined in the plans. The health care benefits include medical, dental, and prescription drug coverage and are subject to certain limitations, such as deductibles and co-payments.

Duke Energy did not make any pre-funding contributions to its other post-retirement benefit plans during the years ended December 31, 2018 and 2017.

Components of Net Periodic Other Post-Retirement Benefit Costs

	Years Ended December 31,	
(in thousands)	**2018**	**2017**
Service cost	**$ 202**	$ 82
Interest cost on projected benefit obligation	**210**	254
Expected return on plan assets	**(69)**	(78)
Amortization of prior service credit	**(236)**	(184)
Amortization of actuarial loss (gain)	**286**	(144)
Curtailment credit	**—**	(614)
Net periodic post-retirement pension costs	**$ 393**	$ (684)

Amounts Recognized in Regulatory Assets and Regulatory Liabilities

	December 31,	
(in thousands)	**2018**	**2017**
Regulatory assets, net decrease	**$ (255)**	$ (280)
Regulatory liabilities, net increase (decrease)	**373**	(717)

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Reconciliation of Funded Status to Accrued Other Post-Retirement Benefit Costs

(in thousands)	Years Ended December 31, 2018	2017
Change in Projected Benefit Obligation		
Accumulated post-retirement benefit obligation at prior measurement date	$ 6,052	$ 6,556
Service cost	202	82
Interest cost	210	254
Plan participants' contributions	211	193
Actuarial (gains) losses	(699)	197
Transfers (a)	—	85
Plan amendments	—	(642)
Benefits paid	(622)	(673)
Accrued retiree drug subsidy	203	—
Accumulated post-retirement benefit obligation at measurement date	$ 5,557	$ 6,052
Change in Fair Value of Plan Assets		
Plan assets at prior measurement date	$ 1,433	$ 1,519
Actual return on plan assets	(52)	160
Plan participants' contributions	211	193
Benefits paid	(622)	(673)
Transfers (a)	—	36
Employer contributions	382	198
Plan assets at measurement date	$ 1,352	$ 1,433
Funded status of plan	$ (4,205)	$ (4,619)

(a) Transfers represents net amounts associated with plan participants that have moved to/from other Duke Energy subsidiaries.

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Amounts Recognized in the Balance Sheets

	December 31,	
(in thousands)	**2018**	**2017**
Current post-retirement liability[(a)]	**$ 162**	$ 159
Noncurrent post-retirement liability[(b)]	**4,043**	4,460
Total accrued post-retirement liability	**$ 4,205**	$ 4,619
Regulatory assets	**$ 2,075**	$ 2,330
Regulatory liabilities	**$ 5,206**	$ 4,833
Amounts to be recognized in net periodic pension expense in the next year		
Unrecognized net actuarial loss	**$ 15**	$ 31
Unrecognized prior service credit	**$ (236)**	$ (236)

(a) Included in Other within Current Liabilities on the Balance Sheets.
(b) Included in Accrued pension and other post-retirement benefit costs on the Balance Sheets.

Assumptions Used for Other Post-Retirement Benefits Accounting

	December 31,	
	2018	**2017**
Benefit Obligations		
Discount rate	**4.30%**	3.60%
Net Periodic Benefit Cost		
Discount rate	**3.60%**	4.10%
Expected long-term rate of return on plan assets	**6.50%**	6.50%

The discount rate used to determine the current year other post-retirement benefits obligation and following year's other post-retirement benefits expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for the projected benefit payments of the plan. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

Assumed Health Care Cost Trend Rate

	December 31,	
	2018	**2017**
Health care cost trend rate assumed for next year	**6.50%**	7.00%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	**4.75%**	4.75%
Year that the rate reaches the ultimate trend rate	**2024**	2024

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Expected Benefit Payments

The following table presents Duke Energy's expected benefit payments to participants on behalf of Duke Energy Kentucky in its qualified, non-qualified and other post-retirement benefit plans over the next 10 years. These benefit payments reflect expected future service, as appropriate.

(in thousands)	Qualified Plans	Non-Qualified Plans	Other Post-Retirement Plans	Total
Years ending December 31,				
2019	$ 6,640	$ 11	$ 939	$ 7,590
2020	8,144	11	735	8,890
2021	8,710	11	655	9,376
2022	8,310	10	630	8,950
2023	7,983	10	584	8,577
2024–2028	37,732	50	2,179	39,961

MASTER RETIREMENT TRUST

The assets for the Duke Energy Kentucky plans discussed above are derived from the Master Trust that is held by Duke Energy and, as such, Duke Energy Kentucky is allocated its proportionate share of assets discussed below. Assets for both the qualified pension and other post-retirement benefits are maintained in the Master Trust. Duke Energy also invests other post-retirement assets in Voluntary Employees' Beneficiary Association trusts. The investment objective is to achieve sufficient returns, subject to a prudent level of portfolio risk, for the purpose of promoting the security of plan benefits for participants. As of December 31, 2018, Duke Energy assumes pension and other post-retirement plan assets will generate a long-term rate of return of 6.85 percent. The expected long-term rate of return was developed using a weighted average calculation of expected returns based primarily on future expected returns across asset classes considering the use of active asset managers, where applicable. The asset allocation targets were set after considering the investment objective and the risk profile. Equity securities are held for their high expected return. Debt securities are primarily held to hedge the qualified pension plan liability. Real assets, return seeking fixed income, hedge funds and other global securities are held for diversification. Investments within asset classes are diversified to achieve broad market participation and reduce the impact of individual managers or investments.

Effective January 1, 2019, the target asset allocation for the Duke Energy Retirement Master Trust is 58 percent liability hedging assets and 42 percent return-seeking assets. Duke Energy periodically reviews its asset allocation targets, and over time, as the funded status of the benefit plans increase, the level of asset risk relative to plan liabilities may be reduced to better manage Duke Energy's benefit plan liabilities and reduce funded status volatility.

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The following table presents target and actual asset allocations for the Master Trust at December 31, 2018 and 2017.

Asset Category	Target Allocation	Actual Allocation at December 31, 2018	2017
U.S. equity securities	10%	11%	11%
Non-U.S. equity securities	8%	8%	8%
Global equity securities	10%	10%	10%
Global private equity securities	3%	2%	2%
Debt securities	63%	63%	63%
Hedge funds	2%	2%	2%
Real estate and cash	2%	2%	2%
Other global securities	2%	2%	2%
Total	100%	100%	100%

EMPLOYEE SAVINGS PLAN

Duke Energy Kentucky also participates in employee savings plans sponsored by Duke Energy. Most employees participate in a matching contribution formula where Duke Energy provides a matching contribution generally equal to 100 percent of employee before-tax and Roth 401(k) contributions and, as applicable, after-tax contributions of up to 6 percent of eligible pay per period.

For new and rehired non-union and certain unionized employees who are not eligible to participate in Duke Energy's defined benefit plans, an additional employer contribution of 4 percent of eligible pay per pay period, which is subject to a three-year vesting schedule, is provided to the employee's savings plan account.

Duke Energy Kentucky's expense related to its proportionate share of pretax employer contributions and the additional 4 percent employer contribution was $1,181 thousand and $1,035 thousand for the years ended December 31, 2018 and 2017, respectively.

14. INCOME TAXES

Tax Act

On December 22, 2017, President Trump signed the Tax Act into law. Among other provisions, the Tax Act lowered the corporate federal income tax rate from 35 to 21 percent, limits interest deductions outside of regulated utility operations, requires the normalization of excess deferred taxes associated with property under the average rate assumption method as a prerequisite to qualifying for accelerated depreciation and repealed the federal manufacturing deduction.

On December 22, 2017, the SEC staff issued SAB 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act, which provides guidance on accounting for the Tax Act's impact. SAB 118 provides a measurement period, which in no case should extend beyond one year from the Tax Act enactment date, during which a company acting in good faith may complete the accounting for the impacts of the Tax Act under ASC Topic 740. In accordance with SAB 118, a company must reflect the income tax effects of the Tax Act in the reporting period in which the accounting under ASC Topic 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete, a company can determine a reasonable estimate for those effects and record a provisional estimate in the financial statements in the first reporting period in which a reasonable estimate can be determined.

As of December 31, 2018, the accounting for the effects of the Tax Act is complete. During the year ended December 31, 2018, Duke Energy Kentucky recorded the following measurement period adjustments in accordance with SAB 118:

- Additional tax expense of $2.4 million related to the completion of the analysis of Duke Energy Kentucky's existing regulatory liability related to deferred taxes.

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Notes to Financial Statements

- The majority of Duke Energy Kentucky's operations are regulated and it is expected that they will ultimately pass on the savings associated with the amount representing the remeasurement of deferred tax balances related to regulated operations to customers. For Duke Energy Kentucky's regulated operations, where the reduction is expected to be returned to customers in future rates, the remeasurement has been deferred as a regulatory liability. During 2018, Duke Energy Kentucky recorded an additional regulatory liability of $7.6 million, representing the revaluation of those deferred tax balances.

INCOME TAX EXPENSE

Components of Income Tax Expense (Benefit)

	Years Ended December 31,	
(in thousands)	**2018**	**2017**
Current income taxes		
Federal	**$ (15,545)**	$ (13,442)
State	**(1,794)**	(87)
Total current income taxes	**(17,339)**	(13,529)
Deferred income taxes		
Federal	**26,832**	9,746
State	**4,059**	2,709
Total deferred income taxes	**30,891**	12,455
Investment tax credit amortization	**(78)**	(87)
Total income tax expense (benefit) included in Statements of Operations	**$ 13,474**	$ (1,161)

Statutory Rate Reconciliation

The following table presents a reconciliation of income tax expense at the U.S. federal statutory tax rate to actual tax expense.

	Years Ended December 31,	
(in thousands)	**2018**	**2017**
Income tax expense, computed at the statutory rate of 21 percent in 2018 and 35 percent in 2017	**$ 13,289**	$ 20,383
State income tax, net of federal income tax effect	**1,702**	1,705
Amortization of excess deferred income tax	**(2,626)**	—
Tax Credits	**(478)**	(747)
Tax Act	**2,381**	(21,276)
Other items, net	**(794)**	(1,226)
Total income tax expense (benefit)	**$ 13,474**	$ (1,161)
Effective tax rate[(a)]	**21.3%**	(2.0)%

(a) The increase in the effective tax rate was primarily due to the prior year revaluation of deferred tax assets and liabilities as a result of the Tax Act.

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Notes to Financial Statements

DEFERRED TAXES

Net Deferred Income Tax Liability Components

	Years Ended December 31,	
(in thousands)	**2018**	**2017**
Deferred credits and other liabilities	**$ 150**	$ 38
Tax credits and NOL carryforwards	**11,913**	4,059
Pension, post-retirement and other employee benefits	**4,491**	4,970
Regulatory liabilities and deferred credits	**9,655**	7,104
Investments and other liabilities	**824**	718
Other	**1,056**	581
Total deferred income tax assets	**28,089**	17,470
Accelerated depreciation rates	**(242,807)**	(203,907)
Total deferred income tax liabilities	**(242,807)**	(203,907)
Net deferred income tax liabilities	**$ (214,718)**	$ (186,437)

The following table presents the expiration of tax credits and NOL carryforwards.

	December 31, 2018	
(in thousands)	**Amount**	**Expiration Year**
Investment tax credits	**$ 4,346**	2024 — 2038
Federal NOL carryforwards[(a)]	**7,532**	2037 — Indefinite
State NOL carryforwards and credits	**35**	2037
Total tax credits and NOL carryforwards	**$ 11,913**	

(a) Indefinite carryforward for Federal NOLs generated in tax years beginning after December 31, 2017.

UNRECOGNIZED TAX BENEFITS

The following table presents changes to unrecognized tax benefits.

	Years Ended December 31,	
(in thousands)	**2018**	**2017**
Unrecognized tax benefits – January 1	**$ 143**	$ —
Unrecognized tax benefits increases		
Gross increases – tax positions in prior periods	**—**	143
Gross increases - current period tax positions	**50**	—
Total changes	**50**	143
Unrecognized tax benefits – December 31	**$ 193**	$ 143

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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Notes to Financial Statements

OTHER TAX MATTERS

Duke Energy Kentucky recognized no interest income, interest expense or penalties related to income taxes on the Statements of Operations in 2018 or 2017. As of December 31, 2018 and 2017, no amounts were recognized on the Balance Sheets for interest or penalties related to income taxes.

Duke Energy Kentucky is no longer subject to U.S. federal examination for years before 2015. With few exceptions, Duke Energy Kentucky is no longer subject to state, local or non-U.S. income tax examinations by tax authorities for years before 2014.

15. SUBSEQUENT EVENTS

For information on subsequent events related to the adoption of the new lease accounting standard and regulatory matters, see Notes 1 and 2.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Summary of Utility Plant and Accumulated Provisions for Depreciation, Amortization and Depletion

Line No.	Item (a)	Total Company For the Current Quarter/Year
1	UTILITY PLANT	
2	In Service	
3	Plant in Service (Classified)	1,843,880,516
4	Property Under Capital Leases	181,280
5	Plant Purchased or Sold	
6	Completed Construction not Classified	555,315,911
7	Experimental Plant Unclassified	
8	TOTAL Utility Plant (Total of lines 3 thru 7)	2,399,377,707
9	Leased to Others	
10	Held for Future Use	79,977
11	Construction Work in Progress	118,766,446
12	Acquisition Adjustments	
13	TOTAL Utility Plant (Total of lines 8 thru 12)	2,518,224,130
14	Accumulated Provisions for Depreciation, Amortization, & Depletion	992,560,885
15	Net Utility Plant (Total of lines 13 and 14)	1,525,663,245
16	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION	
17	In Service:	
18	Depreciation	944,870,689
19	Amortization and Depletion of Producing Natural Gas Land and Land Rights	
20	Amortization of Underground Storage Land and Land Rights	
21	Amortization of Other Utility Plant	47,690,196
22	TOTAL In Service (Total of lines 18 thru 21)	992,560,885
23	Leased to Others	
24	Depreciation	
25	Amortization and Depletion	
26	TOTAL Leased to Others (Total of lines 24 and 25)	
27	Held for Future Use	
28	Depreciation	
29	Amortization	
30	TOTAL Held for Future Use (Total of lines 28 and 29)	
31	Abandonment of Leases (Natural Gas)	
32	Amortization of Plant Acquisition Adjustment	
33	TOTAL Accum. Provisions (Should agree with line 14 above)(Total of lines 22, 26, 30, 31, and 32)	992,560,885

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Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Summary of Utility Plant and Accumulated Provisions for Depreciation, Amortization and Depletion (continued)

Line No.	Electric (c)	Gas (d)	Other (specify) (e)	Common (f)
1	[redacted]	[redacted]	[redacted]	[redacted]
2	[redacted]	[redacted]	[redacted]	[redacted]
3	1,434,470,606	367,448,615		41,961,295
4	8,925	172,355		
5				
6	334,664,339	212,832,598		7,818,974
7				
8	1,769,143,870	580,453,568		49,780,269
9				
10	79,977			
11	102,997,729	15,392,222		376,495
12				
13	1,872,221,576	595,845,790		50,156,764
14	783,462,699	171,513,336		37,584,850
15	1,088,758,877	424,332,454		12,571,914
16	[redacted]	[redacted]	[redacted]	[redacted]
17	[redacted]	[redacted]	[redacted]	[redacted]
18	770,339,839	163,793,295		10,737,555
19	[redacted]		[redacted]	[redacted]
20	[redacted]		[redacted]	[redacted]
21	13,122,860	7,720,041		26,847,295
22	783,462,699	171,513,336		37,584,850
23	[redacted]	[redacted]	[redacted]	[redacted]
24				
25				
26				
27	[redacted]	[redacted]	[redacted]	[redacted]
28				
29				
30				
31	[redacted]		[redacted]	[redacted]
32				
33	783,462,699	171,513,336		37,584,850

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Gas Plant in Service (Accounts 101, 102, 103, and 106)

1. Report below the original cost of gas plant in service according to the prescribed accounts.
2. In addition to Account 101, Gas Plant in Service (Classified), this page and the next include Account 102, Gas Plant Purchased or Sold, Account 103, Experimental Gas Plant Unclassified, and Account 106, Completed Construction Not Classified-Gas.
3. Include in column (c) and (d), as appropriate corrections of additions and retirements for the current or preceding year.
4. Enclose in parenthesis credit adjustments of plant accounts to indicate the negative effect of such accounts.
5. Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c).Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d) reversals of tentative distributions of prior year's unclassified retirements. Attach supplemental statement showing the account distributions of these tentative classifications in columns (c) and (d),

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
1	INTANGIBLE PLANT		
2	301 Organization		
3	302 Franchises and Consents		
4	303 Miscellaneous Intangible Plant	11,279,452	3,224,334
5	TOTAL Intangible Plant (Enter Total of lines 2 thru 4)	11,279,452	3,224,334
6	PRODUCTION PLANT		
7	Natural Gas Production and Gathering Plant		
8	325.1 Producing Lands		
9	325.2 Producing Leaseholds		
10	325.3 Gas Rights		
11	325.4 Rights-of-Way		
12	325.5 Other Land and Land Rights		
13	326 Gas Well Structures		
14	327 Field Compressor Station Structures		
15	328 Field Measuring and Regulating Station Equipment		
16	329 Other Structures		
17	330 Producing Gas Wells-Well Construction		
18	331 Producing Gas Wells-Well Equipment		
19	332 Field Lines		
20	333 Field Compressor Station Equipment		
21	334 Field Measuring and Regulating Station Equipment		
22	335 Drilling and Cleaning Equipment		
23	336 Purification Equipment		
24	337 Other Equipment		
25	338 Unsuccessful Exploration and Development Costs		
26	339 Asset Retirement Costs for Natural Gas Production and		
27	TOTAL Production and Gathering Plant (Enter Total of lines 8		
28	PRODUCTS EXTRACTION PLANT		
29	340 Land and Land Rights		
30	341 Structures and Improvements		
31	342 Extraction and Refining Equipment		
32	343 Pipe Lines		
33	344 Extracted Products Storage Equipment		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Gas Plant in Service (Accounts 101, 102, 103, and 106) (continued)

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
34	345 Compressor Equipment		
35	346 Gas Measuring and Regulating Equipment		
36	347 Other Equipment		
37	348 Asset Retirement Costs for Products Extraction Plant		
38	TOTAL Products Extraction Plant (Enter Total of lines 29 thru 37)		
39	TOTAL Natural Gas Production Plant (Enter Total of lines 27 and		
40	Manufactured Gas Production Plant (Submit Supplementary	7,820,133	(10)
41	TOTAL Production Plant (Enter Total of lines 39 and 40)	7,820,133	(10)
42	NATURAL GAS STORAGE AND PROCESSING PLANT		
43	Underground Storage Plant		
44	350.1 Land		
45	350.2 Rights-of-Way		
46	351 Structures and Improvements		
47	352 Wells		
48	352.1 Storage Leaseholds and Rights		
49	352.2 Reservoirs		
50	352.3 Non-recoverable Natural Gas		
51	353 Lines		
52	354 Compressor Station Equipment		
53	355 Other Equipment		
54	356 Purification Equipment		
55	357 Other Equipment		
56	358 Asset Retirement Costs for Underground Storage Plant		
57	TOTAL Underground Storage Plant (Enter Total of lines 44 thru		
58	Other Storage Plant		
59	360 Land and Land Rights		
60	361 Structures and Improvements		
61	362 Gas Holders		
62	363 Purification Equipment		
63	363.1 Liquefaction Equipment		
64	363.2 Vaporizing Equipment		
65	363.3 Compressor Equipment		
66	363.4 Measuring and Regulating Equipment		
67	363.5 Other Equipment		
68	363.6 Asset Retirement Costs for Other Storage Plant		
69	TOTAL Other Storage Plant (Enter Total of lines 58 thru 68)		
70	Base Load Liquefied Natural Gas Terminaling and Processing Plant		
71	364.1 Land and Land Rights		
72	364.2 Structures and Improvements		
73	364.3 LNG Processing Terminal Equipment		
74	364.4 LNG Transportation Equipment		
75	364.5 Measuring and Regulating Equipment		
76	364.6 Compressor Station Equipment		
77	364.7 Communications Equipment		
78	364.8 Other Equipment		
79	364.9 Asset Retirement Costs for Base Load Liquefied Natural Gas		
80	TOTAL Base Load Liquefied Nat'l Gas, Terminaling and		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Gas Plant in Service (Accounts 101, 102, 103, and 106) (continued)

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
81	TOTAL Nat'l Gas Storage and Processing Plant (Total of lines 57,		
82	TRANSMISSION PLAN		
83	365.1 Land and Land Rights		
84	365.2 Rights-of-Way		
85	366 Structures and Improvements		
86	367 Mains		
87	368 Compressor Station Equipment		
88	369 Measuring and Regulating Station Equipment		
89	370 Communication Equipment		
90	371 Other Equipment		
91	372 Asset Retirement Costs for Transmission Plant		
92	TOTAL Transmission Plant (Enter Totals of lines 83 thru 91)		
93	DISTRIBUTION PLANT		
94	374 Land and Land Rights	1,138,477	
95	375 Structures and Improvements	555,988	1,057,677
96	376 Mains	267,523,361	44,939,392
97	377 Compressor Station Equipment		
98	378 Measuring and Regulating Station Equipment-General	9,994,460	5,299,005
99	379 Measuring and Regulating Station Equipment-City Gate		
100	380 Services	158,905,294	16,530,544
101	381 Meters	16,946,189	9,119,438
102	382 Meter Installations	10,424,840	1,357,357
103	383 House Regulators	6,750,405	180,749
104	384 House Regulator Installations	5,939,296	39,188
105	385 Industrial Measuring and Regulating Station Equipment	519,875	
106	386 Other Property on Customers' Premises		
107	387 Other Equipment	49,737	
108	388 Asset Retirement Costs for Distribution Plant	3,583,545	15,108
109	TOTAL Distribution Plant (Enter Total of lines 94 thru 108)	482,331,467	78,538,458
110	GENERAL PLANT		
111	389 Land and Land Rights		
112	390 Structures and Improvements		
113	391 Office Furniture and Equipment	324,517	241,648
114	392 Transportation Equipment	65,845	20,774
115	393 Stores Equipment		
116	394 Tools, Shop, and Garage Equipment	1,278,772	263,216
117	395 Laboratory Equipment		
118	396 Power Operated Equipment		168,272
119	397 Communication Equipment	44,871	884,640
120	398 Miscellaneous Equipment	83,591	
121	Subtotal (Enter Total of lines 111 thru 120)	1,797,596	1,578,550
122	399 Other Tangible Property		
123	399.1 Asset Retirement Costs for General Plant		
124	TOTAL General Plant (Enter Total of lines 121, 122 and 123)	1,797,596	1,578,550
125	TOTAL (Accounts 101 and 106)	503,228,648	83,341,332
126	Gas Plant Purchased (See Instruction 8)		
127	(Less) Gas Plant Sold (See Instruction 8)		
128	Experimental Gas Plant Unclassified		
129	TOTAL Gas Plant In Service (Enter Total of lines 125 thru 128)	503,228,648	83,341,332

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Gas Plant in Service (Accounts 101, 102, 103, and 106) (continued)

including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Account 101 and 106 will avoid serious omissions of respondent's reported amount for plant actually in service at end of year.

6. Show in column (f) reclassifications or transfers within utility plant accounts. Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102. In showing the clearance of Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits to primary account classifications.

7. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirements of these pages.

8. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchaser, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give date of such filing.

Line No.	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)
1				
2				
3				
4				14,503,786
5				14,503,786
6				
7				
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9				
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Gas Plant in Service (Accounts 101, 102, 103, and 106) (continued)

Line No.	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)
34				
35				
36				
37				
38				
39				
40	72,734			7,747,389
41	72,734			7,747,389
42	[redacted]			
43				
44				
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58	[redacted]			
59				
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70	[redacted]			
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Gas Plant in Service (Accounts 101, 102, 103, and 106) (continued)

Line No.	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)
81				
82				
83				
84				
85				
86				
87				
88				
89				
90				
91				
92				
93				
94	1,522			1,136,955
95	5,155			1,608,510
96	2,906,472			309,556,281
97				
98	1,039,742			14,253,723
99				
100	537,561			174,898,277
101	1,329,033		(8,669,438)	16,067,156
102	97,583			11,684,614
103	11,900			6,919,254
104				5,978,484
105				519,875
106				
107				49,737
108	(142,844)			3,741,497
109	5,786,124		(8,669,438)	546,414,363
110				
111				
112				
113	10,779			555,386
114	23,170			63,449
115				
116	89,374			1,452,614
117				
118				168,272
119	134,232		8,669,438	9,464,717
120				83,591
121	257,555		8,669,438	11,788,029
122				
123				
124	257,555		8,669,438	11,788,029
125	6,116,413			580,453,567
126				
127				
128				
129	6,116,413			580,453,567

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Gas Property and Capacity Leased from Others

1. Report below the information called for concerning gas property and capacity leased from others for gas operations.
2. For all leases in which the average annual lease payment over the initial term of the lease exceeds $500,000, describe in column (c), if applicable: the property or capacity leased. Designate associated companies with an asterisk in column (b).

Line No.	Name of Lessor (a)	* (b)	Description of Lease (c)	Lease Payments for Current Year (d)
1	2009 Bank of America Leasing & Capital		Meters	580,426
2	2010 Bank of America Leasing & Capital		Meters	111,975
3	Erlanger		Service Center	254,257
4				
5				
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8				
9				
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44				
45	**Total**			**946,658**

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Gas Property and Capacity Leased to Others

1. For all leases in which the average lease income over the initial term of the lease exceeds $500,000 provide in column (c), a description of each facility or leased capacity that is classified as gas plant in service, and is leased to others for gas operations.
2. In column (d) provide the lease payments received from others.
3. Designate associated companies with an asterisk in column (b).

Line No.	Name of Lessor (a)	* (b)	Description of Lease (c)	Lease Payments for Current Year (d)
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
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44				
45	**Total**			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Gas Plant Held for Future Use (Account 105)

1. Report separately each property held for future use at end of the year having an original cost of $1,000,000 or more. Group other items of property held for future use.
2. For property having an original cost of $1,000,000 or more previously used in utility operations, now held for future use, give in column (a), in addition to other required information, the date that utility use of such property was discontinued, and the date the original cost was transferred to Account 105.

Line No.	Description and Location of Property (a)	Date Originally Included in this Account (b)	Date Expected to be Used in Utility Service (c)	Balance at End of Year (d)
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
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42				
43				
44				
45	**Total**			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Construction Work in Progress-Gas (Account 107)

1. Report below descriptions and balances at end of year of projects in process of construction (Account 107).
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstration (see Account 107 of the Uniform System of Accounts).
3. Minor projects (less than $1,000,000) may be grouped.

Line No.	Description of Project (a)	Construction Work in Progress-Gas (Account 107) (b)	Estimated Additional Cost of Project (c)
1	DISTRIBUTION PLANT		
2			
3	THREE MILE STATION	3,803,399	
4	PUBLIC IMPROVEMENTS	2,616,304	
5	LARGE MEASURING AND REGULATING STATIONS	2,423,967	
6	PROJECTS LESS THAN $1 MILLION	4,700,201	
7	TOTAL DISTRIBUTION PLANT $13,543,871		
8			
9	GENERAL PLANT		
10			
11	PROJECTS LESS THAN $1 MILLION	181,148	
12	TOTAL GENERAL PLANT $181,148		
13			
14	INTANGIBLE PLANT		
15			
16	PROJECTS LESS THAN $1 MILLION	1,667,203	
17	TOTAL INTANGIBLE PLANT $1,667,203		
18			
19			
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24			
25			
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45	**Total**	**15,392,222**	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Non-Traditional Rate Treatment Afforded New Projects

1. The Commission's Certificate Policy Statement provides a threshold requirement for existing pipelines proposing new projects is that the pipeline must be prepared to financially support the project without relying on subsidization from its existing customers. See Certification of New Interstate Natural Gas Pipeline Facilities, 88 FERC P61,227 (1999); order clarifying policy, 90 FERC P61,128 (2000); order clarifying policy, 92 FERC P61,094 (2000) (Policy Statement). In column a, list the name of the facility granted non-traditional rate treatment.
2. In column b, list the CP Docket Number where the Commission authorized the facility.
3. In column c, indicate the type of rate treatment approved by the Commission (e.g. incremental, at risk)
4. In column d, list the amount in Account 101, Gas Plant in Service, associated with the facility.
5. In column e, list the amount in Account 108, Accumulated Provision for Depreciation of Gas Utility Plant, associated with the facility.

Line No.	Name of Facility (a)	CP Docket No. (b)	Type of Rate Treatment (c)	Gas Plant in Service (d)
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	Total			0

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Non-Traditional Rate Treatment Afforded New Projects (continued)

6. In column f, list the amount in Account 190, Accumulated Deferred Income Tax; Account 281, Accumulated Deferred Income Taxes – Accelerated Amortization Property; Account 282, Accumulated Deferred Income Taxes – Other Property; Account 283, Accumulated Deferred Income Taxes – Other, associated with the facility.
7. In column g, report the total amount included in the gas operations expense accounts during the year related to the facility (Account 401, Operation Expense).
8. In column h, report the total amount included in the gas maintenance expense accounts during the year related to the facility.
9. In column i, report the amount of depreciation expense accrued on the facility during the year.
10. In column j, list any other expenses(including taxes) allocated to the facility.
11. In column k, report the incremental revenues associated with the facility.
12. Identify the volumes received and used for any incremental project that has a separate fuel rate for that project.
13. Provide the total amounts for each column.

Line No.	Accumulated Depreciation (e)	Accumulated Deferred Income Taxes (f)	Operating Expense (g)	Maintenance Expense (h)	Depreciation Expense (i)	Other Expenses (including taxes) (j)	Incremental Revenues (k)
1							
2							
3							
4							
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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) X An Original (2) __ A Resubmission	04/12/2019	2018/Q4

General Description of Construction Overhead Procedure

1. For each construction overhead explain: (a) the nature and extent of work, etc., the overhead charges are intended to cover, (b) the general procedure for determining the amount capitalized, (c) the method of distribution to construction jobs, (d) whether different rates are applied to different types of construction, (e) basis of differentiation in rates for different types of construction, and (f) whether the overhead is directly or indirectly assigned.
2. Show below the computation of allowance for funds used during construction rates, in accordance with the provisions of Gas Plant Instructions 3 (17) of the Uniform System of Accounts.
3. Where a net-of-tax rate for borrowed funds is used, show the appropriate tax effect adjustment to the computations below in a manner that clearly indicates the amount of reduction in the gross rate for tax effects.

1. CONSTRUCTION OVERHEAD COSTS INCLUDE ENGINEERING AND SUPERVISORY SALARIES, ADMINISTRATIVE AND GENERAL SALARIES AND ASSOCIATED PAYROLL TAXES AND BENEFITS AND EMPLOYEE EXPENSES.

IN GENERAL, IF ENGINEERS, SUPERVISORS, AND CLERICAL EMPLOYEES DEVOTE ALL OR SUBSTANTIALLY ALL OF THEIR TIME TO CAPITAL CONSTRUCTION PROJECTS, THE SALARIES AND RELATED EXPENSES ARE CHARGED DIRECTLY TO THE SPECIFIC CAPITAL CONSTRUCTION PROJECTS.

FOR POWER DELIVERY, CONSTRUCTION OVERHEAD COSTS ARE CHARGED TO THE ALLOCATION POOLS AND FROM THERE TRANSFERRED TO THE SPECIFIC CAPITAL CONSTRUCTION PROJECTS WHERE THE LABOR (INTERNAL AND CONTRACT) WAS CHARGED DURING THE MONTH.

2. ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC) IS APPLIED TO THE TOTAL CONSTRUCTION EXPENDITURES, LESS CERTAIN EXCLUSIONS, ON JOBS UNDER CONSTRUCTION. EFFECTIVE JULY 1, 1982, THE RESPONDENT ADOPTED THE PRACTICE OF UPDATING THE AFUDC RATE MONTHLY, AS AUTHORIZED BY THE FEDERAL ENERGY REGULATORY COMMISSION IN A LETTER DATED MAY 27, 1982. THE AVERAGE AFUDC RATE FOR 2018 WAS 5.24%. THE MONTHLY RATE DOES NOT INCLUDE A REDUCTION FOR THE INCOME TAX EFFECT ON THE COST OF DEBT.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

General Description of Construction Overhead Procedure (continued)

COMPUTATION OF ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION RATES

1. For line (5), column (d) below, enter the rate granted in the last rate proceeding. If not available, use the average rate earned during the preceding 3 years.
2. Identify, in a footnote, the specific entity used as the source for the capital structure figures.
3. Indicate, in a footnote, if the reported rate of return is one that has been approved in a rate case, black-box settlement rate, or an actual three-year average rate.

1. Components of Formula (Derived from actual book balances and actual cost rates):

Line No.	Title (a)	Amount (b)	Capitalization Ration (percent) (c)	Cost Rate Percentage (d)
	(1) Average Short-Term Debt	S		
	(2) Short-Term Interest			s
	(3) Long-Term Debt	D		d
	(4) Preferred Stock	P		p
	(5) Common Equity	C		c
	(6) Total Capitalization			
	(7) Average Construction Work In Progress Balance	W		

2. Gross Rate for Borrowed Funds s(S/W) + d[(D/(D+P+C)) (1-(S/W))]

3. Rate for Other Funds [1-(S/W)] [p(P/(D+P+C)) + c(C/(D+P+C))]

4. Weighted Average Rate Actually Used for the Year:
   a. Rate for Borrowed Funds -
   b. Rate for Other Funds -

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Accumulated Provision for Depreciation of Gas Utility Plant (Account 108)

1. Explain in a footnote any important adjustments during year.
2. Explain in a footnote any difference between the amount for book cost of plant retired, line 10, column (c), and that reported for gas plant in service, page 204-209, column (d), excluding retirements of nondepreciable property.
3. The provisions of Account 108 in the Uniform System of Accounts require that retirements of depreciable plant be recorded when such plant is removed from service. If the respondent has a significant amount of plant retired at year end which has not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired. In addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications.
4. Show separately interest credits under a sinking fund or similar method of depreciation accounting.
5. At lines 7 and 14, add rows as necessary to report all data. Additional rows should be numbered in sequence, e.g., 7.01, 7.02, etc.

Line No.	Item (a)	Total (c+d+e) (b)	Gas Plant in Service (c)	Gas Plant Held for Future Use (d)	Gas Plant Leased to Others (e)
	Section A. BALANCES AND CHANGES DURING YEAR				
1	Balance Beginning of Year	159,768,239	159,768,239		
2	Depreciation Provisions for Year, Charged to				
3	(403) Depreciation Expense	12,427,838	12,427,838		
4	(403.1) Depreciation Expense for Asset Retirement Costs				
5	(413) Expense of Gas Plant Leased to Others				
6	Transportation Expenses - Clearing	10,198	10,198		
7	Other Clearing Accounts				
8	Other Clearing (Specify) (footnote details):	86,636	86,636		
9					
10	TOTAL Deprec. Prov. for Year (Total of lines 3 thru 8)	12,524,672	12,524,672		
11	Net Charges for Plant Retired:				
12	Book Cost of Plant Retired	(5,993,091)	(5,993,091)		
13	Cost of Removal	(2,600,238)	(2,600,238)		
14	Salvage (Credit)	340	340		
15	TOTAL Net Chrgs for Plant Ret. (Total of lines 12 thru 14)	(8,593,669)	(8,593,669)		
16	Other Debit or Credit Items (Describe) (footnote details):	94,053	94,053		
17					
18	Book Cost of Asset Retirement Costs				
19	Balance End of Year (Total of lines 1,10,15,16 and 18)	163,793,295	163,793,295		
	Section B. BALANCES AT END OF YEAR ACCORDING TO FUNCTIONAL CLASSIFICATIONS				
21	Productions-Manufactured Gas	4,499,375	4,499,375		
22	Production and Gathering-Natural Gas				
23	Products Extraction-Natural Gas				
24	Underground Gas Storage				
25	Other Storage Plant				
26	Base Load LNG Terminaling and Processing Plant				
27	Transmission				
28	Distribution	159,405,735	159,405,735		
29	General	(111,815)	(111,815)		
30	TOTAL (Total of lines 21 thru 29)	163,793,295	163,793,295		

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) X An Original (2) _ A Resubmission	04/12/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 219 Line No.: 8 Column: c

ARO Gas Depreciation	$	86,636
Total	$	86,636

Schedule Page: 219 Line No.: 16 Column: c

Common Utility Plant Provisions	$	(65,688)
Misc. Transfers/Adjustments		159,741
Total	$	94,053

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Gas Stored (Accounts 117.1, 117.2, 117.3, 117.4, 164.1, 164.2, and 164.3)

1. If during the year adjustments were made to the stored gas inventory reported in columns (d), (f), (g), and (h) (such as to correct cumulative inaccuracies of gas measurements), explain in a footnote the reason for the adjustments, the Dth and dollar amount of adjustment, and account charged or credited.
2. Report in column (e) all encroachments during the year upon the volumes designated as base gas, column (b), and system balancing gas, column (c), and gas property recordable in the plant accounts.
3. State in a footnote the basis of segregation of inventory between current and noncurrent portions. Also, state in a footnote the method used to report storage (i.e., fixed asset method or inventory method).

Line No.	Description (a)	(Account 117.1) (b)	(Account 117.2) (c)	Noncurrent (Account 117.3) (d)	(Account 117.4) (e)	Current (Account 164.1) (f)	LNG (Account 164.2) (g)	LNG (Account 164.3) (h)	Total (i)
1	Balance at Beginning of					2,958,880			2,958,880
2	Gas Delivered to Storage					3,980,511			3,980,511
3	Gas Withdrawn from					4,699,497			4,699,497
4	Other Debits and Credits								
5	Balance at End of Year					2,239,894			2,239,894
6	Dth					776,336			776,336
7	Amount Per Dth					2.8852			2.8852

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Investments (Account 123, 124, and 136)

1. Report below investments in Accounts 123, Investments in Associated Companies, 124, Other Investments, and 136, Temporary Cash Investments.
2. Provide a subheading for each account and list thereunder the information called for:
   (a) Investment in Securities-List and describe each security owned, giving name of issuer, date acquired and date of maturity. For bonds, also give principal amount, date of issue, maturity, and interest rate. For capital stock (including capital stock of respondent reacquired under a definite plan for resale pursuant to authorization by the Board of Directors, and included in Account 124, Other Investments) state number of shares, class, and series of stock. Minor investments may be grouped by classes. Investments included in Account 136, Temporary Cash Investments, also may be grouped by classes.
   (b) Investment Advances-Report separately for each person or company the amounts of loans or investment advances that are properly includable in Account 123. Include advances subject to current repayment in Account 145 and 146. With respect to each advance, show whether the advance is a note or open account.

Line No.	Description of Investment (a)	* (b)	Book Cost at Beginning of Year (If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference) (c)	Purchases or Additions During the Year (d)
1	124-9 Campbell County Business Dev. Corp		1,500	
2	Date acquired 06/18/62			
3	Date of Maturity			
4	Capital Stock			
5				
6				
7	Total Account 124		1,500	
8				
9				
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Investments (Account 123, 124, and 136) (continued)

List each note, giving date of issuance, maturity date, and specifying whether note is a renewal. Designate any advances due from officers, directors, stockholders, or employees.

3. Designate with an asterisk in column (b) any securities, notes or accounts that were pledged, and in a footnote state the name of pledges and purpose of the pledge.
4. If Commission approval was required for any advance made or security acquired, designate such fact in a footnote and cite Commission, date of authorization, and case or docket number.
5. Report in column (h) interest and dividend revenues from investments including such revenues from securities disposed of during the year.
6. In column (i) report for each investment disposed of during the year the gain or loss represented by the difference between cost of the investment (or the other amount at which carried in the books of account if different from cost) and the selling price thereof, not including any dividend or interest adjustment includible in column (h).

Line No.	Sales or Other Dispositions During Year (e)	Principal Amount or No. of Shares at End of Year (f)	Book Cost at End of Year (If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference) (g)	Revenues for Year (h)	Gain or Loss from Investment Disposed of (i)
1			1,500		
2					
3					
4					
5					
6					
7			1,500		
8					
9					
10					
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Investments in Subsidiary Companies (Account 123.1)

1. Report below investments in Account 123.1, Investments in Subsidiary Companies.
2. Provide a subheading for each company and list thereunder the information called for below. Sub-total by company and give a total in columns (e), (f), (g) and (h).
(a) Investment in Securities-List and describe each security owned. For bonds give also principal amount, date of issue, maturity, and interest rate.
(b) Investment Advances - Report separately the amounts of loans or investment advances which are subject to repayment, but which are not subject to current settlement. With respect to each advance show whether the advance is a note or open account. List each note giving date of issuance, maturity date, and specifying whether note is a renewal.
3. Report separately the equity in undistributed subsidiary earnings since acquisition. The total in column (e) should equal the amount entered for Account 418.1.

Line No.	Description of Investment (a)	Date Acquired (b)	Date of Maturity (c)	Amount of Investment at Beginning of Year (d)
1	N/A			
2				
3				
4				
5				
6				
7				
8				
9				
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40	**TOTAL Cost of Account 123.1 $**		**TOTAL**	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Investments in Subsidiary Companies (Account 123.1) (continued)

4. Designate in a footnote, any securities, notes, or accounts that were pledged, and state the name of pledgee and purpose of the pledge.
5. If Commission approval was required for any advance made or security acquired, designate such fact in a footnote and give name of Commission, date of authorization, and case or docket number.
6. Report in column (f) interest and dividend revenues from investments, including such revenues from securities disposed of during the year.
7. In column (h) report for each investment disposed of during the year, the gain or loss represented by the difference between cost of the investment (or the other amount at which carried in the books of account if different from cost), and the selling price thereof, not including interest adjustments includible in column (f).
8. Report on Line 40, column (a) the total cost of Account 123.1.

Line No.	Equity in Subsidiary Earnings for Year (e)	Revenues for Year (f)	Amount of Investment at End of Year (g)	Gain or Loss from Investment Disposed of (h)
1				
2				
3				
4				
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Prepayments (Acct 165), Extraordinary Property Losses (Acct 182.1), Unrecovered Plant and Regulatory Study Costs (Acct 182.2)

PREPAYMENTS (ACCOUNT 165)

1. Report below the particulars (details) on each prepayment.

Line No.	Nature of Payment (a)	Balance at End of Year (in dollars) (b)
1	Prepaid Insurance	
2	Prepaid Rents	
3	Prepaid Taxes	
4	Prepaid Interest	
5	Miscellaneous Prepayments	634,866
6	TOTAL	634,866

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Prepayments (Acct 165), Extraordinary Property Losses (Acct 182.1), Unrecovered Plant and Regulatory Study Costs (Acct 182.2) (continued)

EXTRAORDINARY PROPERTY LOSSES (ACCOUNT 182.1)

Line No.	Description of Extraordinary Loss [include the date of loss, the date of Commission authorization to use Account 182.1 and period of amortization (mo, yr, to mo, yr)] Add rows as necessary to report all data. (a)	Balance at Beginning of Year (b)	Total Amount of Loss (c)	Losses Recognized During Year (d)	Written off During Year Account Charged (e)	Written off During Year Amount (f)	Balance at End of Year (g)
7	NOT APPLICABLE						
8							
9							
10							
11							
12							
13							
14							
15	**Total**						

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Prepayments (Acct 165), Extraordinary Property Losses (Acct 182.1), Unrecovered Plant and Regulatory Study Costs (Acct 182.2) (continued)

UNRECOVERED PLANT AND REGULATORY STUDY COSTS (ACCOUNT 182.2)

Line No.	Description of Unrecovered Plant and Regulatory Study Costs [Include in the description of costs, the date of Commission authorization to use Account 182.2 and period of amortization (mo, yr, to mo, yr)] Add rows as necessary to report all data. Number rows in sequence beginning with the next row number after the last row number used for extraordinary property losses. (a)	Balance at Beginning of Year (b)	Total Amount of Charges (c)	Costs Recognized During Year (d)	Written off During Year Account Charged (e)	Written off During Year Amount (f)	Balance at End of Year (g)
16	NOT APPLICABLE						
17							
18							
19							
20							
21							
22							
23							
24							
25							
26	**Total**						

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Other Regulatory Assets (Account 182.3)

1. Report below the details called for concerning other regulatory assets which are created through the ratemaking actions of regulatory agencies (and not includable in other accounts).
2. For regulatory assets being amortized, show period of amortization in column (a).
3. Minor items (5% of the Balance at End of Year for Account 182.3 or amounts less than $250,000, whichever is less) may be grouped by classes.
4. Report separately any "Deferred Regulatory Commission Expenses" that are also reported on pages 350-351, Regulatory Commission Expenses.
5. Provide in a footnote, for each line item, the regulatory citation where authorization for the regulatory asset has been granted (e.g. Commission Order, state commission order, court decision).

Line No.	Description and Purpose of Other Regulatory Assets (a)	Balance at Beginning Current Quarter/Year (b)	Debits (c)	Written off During Quarter/Year Account Charged (d)	Written off During Period Amount Recovered (e)	Written off During Period Amount Deemed Unrecoverable (f)	Balance at End of Current Quarter/Year (g)
1	INCOME TAXES	1,834,756	40,741,528	Various	36,854,332		5,721,952
2							
3	DEMAND SIDE MANAGEMENT COSTS	2,226,306	5,517,979	Various	7,744,285		
4							
5	INTEREST RATE HEDGES	4,647,739	751,310	Various	1,496,270		3,902,779
6							
7	ARO OTHER REGULATORY ASSET	6,786,724	485,660	403, 411	5,622,986		1,649,398
8							
9	GAS ARO OTHER REGULATORY ASSET	4,978,514	469,695	N/A			5,448,209
10							
11	COAL ASH DEFERRED SPEND	15,652,025	1,980,656	108, 182.3	16,681,706		950,975
12							
13	COAL ASH ARO	1,769,292	6,633,271	Various	5,387,228		3,015,335
14							
15	COAL ASH CONTRA EQUITY		15,770	182.3	918,909		(903,139)
16							
17	SPEND RA AMORTIZATION (NC & MW)		17,365,566	Various	1,417,399		15,948,167
18							
19	SPEND RA AMORTIZATION (SC & FL)		2,054,689	Various	1,553,224		501,465
20							
21	CARBON MANAGEMENT REGULATORY ASSET	1,800,000	200,000	407.3	266,684		1,733,316
22							
23	HURRICANE IKE REGULATORY ASSET	4,912,684		407.3	655,028		4,257,656
24							
25	EAST BEND PLANT O&M DEFERRAL	33,888,761	5,712,428	146, 407.3	3,285,919		36,315,270
26	EAST BEND DEPRECIATION DEFERRAL	11,596,480		403	429,862		11,166,618
27							
28	DEFERRED FORCED OUTAGE PURCHASED POWER		338,074	N/A			338,074
29	NON-AMI METER NBV		5,187,508	407.3	95,235		5,092,273
30	OPT-OUT IT MODIFICATION	154,716	2,595	407.3	20,971		136,340
31	PLANT OUTAGE NORMALIZATION		2,264,399	557	198,312		2,066,087
32	GAS RATE CASE DEFERRAL		166,578	N/A			166,578
33	DEFERRED GAS INTEGRITY COSTS	2,887,116		N/A	1		2,887,115
34							
35	OTHER REGULATORY ASSETS - GENERAL ACCOUNTING	27,719,755	208,429	Various	2,358,118		25,570,066
36	PENSION POST RETIRE PURCHASE ACCOUNTING - Q	4,370,952		Various	293,136		4,077,816
37	PENSION POST RETIRE PURCHASE ACCOUNTING - NQ	52,180		Various	10,560		41,620
38	PENSION POST RETIRE PURCHASE ACCOUNTING - FAS			Various	255,420		(255,420)
39	OPEB FAS 106 - MEDICAL	2,330,194		N/A			2,330,194
40	**Total**	**127,608,194**	**90,096,135**		**85,545,585**	**0**	**132,158,744**

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) X An Original (2) _ A Resubmission	Date of Report (Mo, Da, Yr) 04/12/2019	Year/Period of Report 2018/Q4

FOOTNOTE DATA

Schedule Page: 232 Line No.: 3 Column: a

Amortized in accordance with rider revenue;
Applicable orders: 2017-321, 2015-368, 2014-388

Schedule Page: 232 Line No.: 5 Column: a

Amortized over life of associated debt;
Applicable orders: 2006-563

Schedule Page: 232 Line No.: 11 Column: a

Applicable orders: 2015-187

Schedule Page: 232 Line No.: 13 Column: a

Applicable orders: 2015-187

Schedule Page: 232 Line No.: 15 Column: a

Applicable orders: 2017-321

Schedule Page: 232 Line No.: 17 Column: a

Applicable orders: 2017-321

Schedule Page: 232 Line No.: 19 Column: a

Applicable orders: 2017-321

Schedule Page: 232 Line No.: 21 Column: a

Applicable orders: 2017-321, 2008-308

Schedule Page: 232 Line No.: 23 Column: a

Applicable orders: 2017-321, 2008-476

Schedule Page: 232 Line No.: 25 Column: a

Applicable orders: 2017-321, 2014-201

Schedule Page: 232 Line No.: 26 Column: a

Applicable orders: 2015-120

Schedule Page: 232 Line No.: 28 Column: a

Applicable orders: 2017-321

Schedule Page: 232 Line No.: 29 Column: a

Applicable orders: 2017-321

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) X An Original (2) __ A Resubmission	Date of Report (Mo, Da, Yr) 04/12/2019	Year/Period of Report 2018/Q4

FOOTNOTE DATA

Schedule Page: 232 Line No.: 30 Column: a

Applicable orders: 2017-321, 2016-152

Schedule Page: 232 Line No.: 31 Column: a

Applicable orders: 2017-321

Schedule Page: 232 Line No.: 32 Column: a

Applicable orders: 2017-321

Schedule Page: 232 Line No.: 33 Column: a

Applicable orders: 2016-159

Schedule Page: 232 Line No.: 35 Column: a

Applicable orders: FERC Docket No. A107-1-000

Schedule Page: 232 Line No.: 36 Column: a

Applicable orders: FERC Docket No. A107-1-000

Schedule Page: 232 Line No.: 37 Column: a

Applicable orders: FERC Docket No. A107-1-000

Schedule Page: 232 Line No.: 38 Column: a

Applicable orders: FERC Docket No. A107-1-000

Schedule Page: 232 Line No.: 39 Column: a

Applicable orders: FERC Docket No. A107-1-000

Schedule Page: 232 Line No.: 1 Column: d

Offsetting accounts are: 190, 236, 254, 255, 281, 282, 283, 409, 410, 411.

Schedule Page: 232 Line No.: 3 Column: d

Offsetting accounts are: 107, 146, 407.3, 417, 557.

Schedule Page: 232 Line No.: 5 Column: d

Offsetting accounts are: 174, 244, 431.

Schedule Page: 232 Line No.: 13 Column: d

Offsetting accounts are: 182.3, 186, 411.

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) X An Original (2) _ A Resubmission	Date of Report (Mo, Da, Yr) 04/12/2019	Year/Period of Report 2018/Q4

FOOTNOTE DATA

Schedule Page: 232 Line No.: 17 Column: d

Offsetting accounts are: 182.3, 186, 407.3, 421.

Schedule Page: 232 Line No.: 19 Column: d

Offsetting accounts are: 182.3, 186, 407.3, 421.

Schedule Page: 232 Line No.: 35 Column: d

Offsetting accounts are: 128, 146, 182.3, 228, 253, 254, 926.

Schedule Page: 232 Line No.: 36 Column: d

Offsetting accounts are: 128, 146, 182.3, 926.

Schedule Page: 232 Line No.: 37 Column: d

Offsetting accounts are: 128, 182.3, 228, 253, 254, 926.

Schedule Page: 232 Line No.: 38 Column: d

Offsetting accounts are: 146, 228, 254, 926.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Miscellaneous Deferred Debits (Account 186)

1. Report below the details called for concerning miscellaneous deferred debits.
2. For any deferred debit being amortized, show period of amortization in column (a).
3. Minor items (less than $250,000) may be grouped by classes.

Line No.	Description of Miscellaneous Deferred Debits (a)	Balance at Beginning of Year (b)	Debits (c)	Credits Account Charged (d)	Credits Amount (e)	Balance at End of Year (f)
1	Vacation accrual	1,394,121	19,399			1,413,520
2						
3	AMI	1,085,840		182.3	1,085,840	
4						
5	DEK 2017 Rate Case	439,586	378,816	Various	248,638	569,764
6						
7	Accrued pension post retire - FAS158	208,429		Various	208,429	
8						
9	Other miscellaneous items	1,000				1,000
10						
11	Indirect overhead allocation	(27,348)	11,866,457	Various	12,026,605	(187,496)
12	pool - undistributed					
13						
14	Deferred coal ash remediation costs	(700,655)	966,219	Various	265,564	
15						
16	Storm Deferral		2,715,784	232	1,514,021	1,201,763
17						
18	FERC Remand 494 LT Receivable		12,627,528	Various	11,922,504	705,024
19						
20						
21						
22						
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25						
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27						
28						
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30						
31						
32						
33						
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36						
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39	Miscellaneous Work in Progress					
40	**Total**	2,400,973	28,574,203		27,271,601	3,703,575

Name of Respondent Duke Energy Kentucky, Inc.	This Report is: (1) X An Original (2) _ A Resubmission	Date of Report (Mo, Da, Yr) 04/12/2019	Year/Period of Report 2018/Q4

FOOTNOTE DATA

Schedule Page: 233 Line No.: 5 Column: d

Offsetting accounts are: 107, 146, 912, 921, 928.

Schedule Page: 233 Line No.: 11 Column: d

Offsetting accounts are: 105, 107, 108, 121, 142, 143, 146, 163, 183, 185, 186, 232, 242, 408, 416, 417, 426, 454, 456, 489, 500, 501, 502, 505, 506, 510, 511, 512, 513, 514, 524, 528, 531, 546, 548, 549, 551, 552, 553, 554, 557, 560, 561, 562, 563, 566, 569, 570, 571, 573, 580, 581, 582, 583, 584, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 717, 735, 742, 771, 804, 807, 850, 870, 871, 874, 875, 876, 878, 879, 880, 887, 889, 892, 893, 894, 901, 902, 903, 908, 910, 911, 912, 920, 921, 922, 923, 924, 926, 928, 930, 931, 932, 935, 999.

Schedule Page: 233 Line No.: 18 Column: d

Offsetting accounts are: 142, 143, 146, 165, 232, 253, 447, 456, 457, 555, 557, 561, 565, 575.

Schedule Page: 233 Line No.: 14 Column: d

Offsetting accounts are: 182.3, 407.3, 421, 431.

Schedule Page: 233 Line No.: 7 Column: d

Offsetting accounts are: 128, 182.3, 228.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Accumulated Deferred Income Taxes (Account 190)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes.
2. At Other (Specify), include deferrals relating to other income and deductions.
3. Provide in a footnote a summary of the type and amount of deferred income taxes reported in the beginning-of-year and end-of-year balances for deferred income taxes that the respondent estimates could be included in the development of jurisdictional recourse rates.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Changes During Year Amounts Debited to Account 410.1 (c)	Changes During Year Amounts Credited to Account 411.1 (d)
1	Account 190			
2	Electric	42,458,400	1,952,992	14,632,667
3	Gas	15,913,279	783,576	1,232,539
4	Other (Define) (footnote details)			
5	Total (Total of lines 2 thru 4)	58,371,679	2,736,568	15,865,206
6	Other - Non-Utility	(10,232)		
7	TOTAL Account 190 (Total of lines 5 thru 6)	58,361,447	2,736,568	15,865,206
8	Classification of TOTAL			
9	Federal Income Tax	46,911,531	2,154,371	14,245,935
10	State Income Tax	11,449,916	582,197	1,619,271
11	Local Income Tax			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Accumulated Deferred Income Taxes (Account 190) (continued)

Line No.	Changes During Year Amounts Debited to Account 410.2 (e)	Changes During Year Amounts Credited to Account 411.2 (f)	Adjustments Debits Account No. (g)	Adjustments Debits Amount (h)	Adjustments Credits Account No. (i)	Adjustments Credits Amount (j)	Balance at End of Year (k)
1							
2	210,996	19,256			BSO	940,590	55,886,925
3			BSO	260,149			16,102,093
4							
5	210,996	19,256		260,149		940,590	71,989,018
6					BSO	10,232	
7	210,996	19,256		260,149		950,822	71,989,018
8							
9	153,651			209,117		870,733	59,511,060
10	57,345	19,256		51,032		80,089	12,477,958
11							

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Capital Stock (Accounts 201 and 204)

1. Report below the details called for concerning common and preferred stock at end of year, distinguishing separate series of any general class. Show separate totals for common and preferred stock.
2. Entries in column (b) should represent the number of shares authorized by the articles of incorporation as amended to end of year.
3. Give details concerning shares of any class and series of stock authorized to be issued by a regulatory commission which have not yet been issued.

Line No.	Class and Series of Stock and Name of Stock Exchange (a)	Number of Shares Authorized by Charter (b)	Par or Stated Value per Share (c)	Call Price at End of Year (d)
1	COMMON STOCK (ACCT 201)	1,000,000	15.00	
2	TOTAL COMMON STOCK	1,000,000		
3				
4	PREFERRED STOCK (ACCT 204)			
5	TOTAL PREFERRED STOCK			
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Capital Stock (Accounts 201 and 204)

4. The identification of each class of preferred stock should show the dividend rate and whether the dividends are cumulative or noncumulative.
5. State in a footnote if any capital stock that has been nominally issued is nominally outstanding at end of year.
6. Give particulars (details) in column (a) of any nominally issued capital stock, reacquired stock, or stock in sinking and other funds which is pledged, stating name of pledgee and purpose of pledge.

Line No.	Outstanding per Bal. Sheet (total amt outstanding without reduction for amts held by respondent) Shares (e)	Outstanding per Bal. Sheet Amount (f)	Held by Respondent As Reacquired Stock (Acct 217) Shares (g)	Held by Respondent As Reacquired Stock (Acct 217) Cost (h)	Held by Respondent In Sinking and Other Funds Shares (i)	Held by Respondent In Sinking and Other Funds Amount (j)
1	585,333	8,779,995				
2	585,333	8,779,995				
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Capital Stock: Subscribed, Liability for Conversion, Premium on, and Installments Recieved on (Accts 202, 203, 205, 206, 207, and 212)

1. Show for each of the above accounts the amounts applying to each class and series of capital stock.
2. For Account 202, Common Stock Subscribed, and Account 205, Preferred Stock Subscribed, show the subscription price and the balance due on each class at the end of year.
3. Describe in a footnote the agreement and transactions under which a conversion liability existed under Account 203, Common Stock Liability for Conversion, or Account 206, Preferred Stock Liability for Conversion, at the end of year.
4. For Premium on Account 207, Capital Stock, designate with an asterisk in column (b), any amounts representing the excess of consideration received over stated values of stocks without par value.

Line No.	Name of Account and Description of Item (a)	* (b)	Number of Shares (c)	Amount (d)
1	Accounts 202, 203, 205, 206, and 212			
2	Accounts 207 - Premium $15 per Share on Capital Stock in 1955		62,419	936,287
3	Accounts 207 - Premium $17 per Share on Capital Stock in 1957		104,000	1,768,003
4	Accounts 207 - Premium $38 per Share on Capital Stock in 1961		69,333	2,634,656
5	Accounts 207 - Premium $135 per Share on Capital Stock in 1992		100,000	13,500,000
6				
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40	**Total**		**335,752**	**18,838,946**

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Other Paid-In Capital (Accounts 208-211)

1. Report below the balance at the end of the year and the information specified below for the respective other paid-in capital accounts. Provide a subheading for each account and show a total for the account, as well as a total of all accounts for reconciliation with the balance sheet, page 112. Explain changes made in any account during the year and give the accounting entries effecting such change.
(a) Donations Received from Stockholders (Account 208) - State amount and briefly explain the origin and purpose of each donation.
(b) Reduction in Par or Stated Value of Capital Stock (Account 209) - State amount and briefly explain the capital changes that gave rise to amounts reported under this caption including identification with the class and series of stock to which related.
(c) Gain or Resale or Cancellation of Reacquired Capital Stock (Account 210) - Report balance at beginning of year, credits, debits, and balance at end of year with a designation of the nature of each credit and debit identified by the class and series of stock to which related.
(d) Miscellaneous Paid-In Capital (Account 211) - Classify amounts included in this account according to captions that, together with brief explanations, disclose the general nature of the transactions that gave rise to the reported amounts.

Line No.	Item (a)	Amount (b)
1	Account 208 Donations Received from Stockholders	
2	Balance Beginning of Year	148,811,383
3		
4		
5		
6		
7	Subtotal Balance - End of Year	148,811,383
8		
9		
10	Account 211 - Miscellaneous Paid-In Capital	
11	Balance Beginning of Year	14,843,806
12	Equity Infusion	35,000,000
13	Subtotal Balance - End of Year	49,843,806
14		
15		
16		
17		
18		
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40	**Total**	**198,655,189**

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

DISCOUNT ON CAPITAL STOCK (ACCOUNT 213)

1. Report the balance at end of year of discount on capital stock for each class and series of capital stock. Use as many rows as necessary to report all data.
2. If any change occurred during the year in the balance with respect to any class or series of stock, attach a statement giving details of the change. State the reason for any charge-off during the year and specify the account charged.

Line No.	Class and Series of Stock (a)	Balance at End of Year (b)
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
	TOTAL	

CAPITAL STOCK EXPENSE (ACCOUNT 214)

1. Report the balance at end of year of capital stock expenses for each class and series of capital stock. Use as many rows as necessary to report all data. Number the rows in sequence starting from the last row number used for Discount on Capital Stock above.
2. If any change occurred during the year in the balance with respect to any class or series of stock, attach a statement giving details of the change. State the reason for any charge-off of capital stock expense and specify the account charged.

Line No.	Class and Series of Stock (a)	Balance at End of Year (b)
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
	TOTAL	

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) X An Original (2) __ A Resubmission	04/12/2019	2018/Q4

Securities Issued or Assumed and Securities Refunded or Retired During the Year

1. Furnish a supplemental statement briefly describing security financing and refinancing transactions during the year and the accounting for the securities, discounts, premiums, expenses, and related gains or losses. Identify as to Commission authorization numbers and dates.
2. Provide details showing the full accounting for the total principal amount, par value, or stated value of each class and series of security issued, assumed, retired, or refunded and the accounting for premiums, discounts, expenses, and gains or losses relating to the securities. Set forth the facts of the accounting clearly with regard to redemption premiums, unamortized discounts, expenses, and gain or losses relating to securities retired or refunded, including the accounting for such amounts carried in the respondent's accounts at the date of the refunding or refinancing transactions with respect to securities previously refunded or retired.
3. Include in the identification of each class and series of security, as appropriate, the interest or dividend rate, nominal date of issuance, maturity date, aggregate principal amount, par value or stated value, and number of shares. Give also the issuance of redemption price and name of the principal underwriting firm through which the security transactions were consummated.
4. Where the accounting for amounts relating to securities refunded or retired is other than that specified in General Instruction 17 of the Uniform System of Accounts, cite the Commission authorization for the different accounting and state the accounting method.
5. For securities assumed, give the name of the company for which the liability on the securities was assumed as well as details of the transactions whereby the respondent undertook to pay obligations of another company. If any unamortized discount, premiums, expenses, and gains or losses were taken over onto the respondent's books, furnish details of these amounts with amounts relating to refunded securities clearly earmarked.

Issuances:
$25M Debentures 4.01% issued 10/3/2018 due 10/15/2023
Unamortized Expenses: $111,522
Unamortized Discount: $0
Unamortized Premium: $0

$40M Debentures 4.18% issued 10/3/2018 due 10/15/2028
Unamortized Expenses: $156,522
Unamortized Discount: $0
Unamortized Premium: $0

$35M Debentures 4.62% issued 12/12/2018 due 12/15/2048
Unamortized Expenses: $141,522
Unamortized Discount: $0
Unamortized Premium: $0

*Amounts reflect unamortized expenses at issuance date

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Long-Term Debt (Accounts 221, 222, 223, and 224)

1. Report by Balance Sheet Account the details concerning long-term debt included in Account 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt.
2. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.
3. For Advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
4. For receivers' certificates, show in column (a) the name of the court and date of court order under which such certificates were issued.

Line No.	Class and Series of Obligation and Name of Stock Exchange (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Outstanding (Total amount outstanding without reduction for amts held by respondent) (d)
1	ACCOUNT 221- NONE			
2				
3	INTERCOMPANY MONEYPOOL NOTES PAYABLE- LONG TERM	12/15/2014	03/16/2023	25,000,000
4				
5	SUBTOTAL ACCOUNT 222 &223			25,000,000
6				
7	ACCOUNT 224			
8	UNSECURED DEBENTURES 6.20% SERIES B DUE IN 2036	03/07/2006	03/10/2036	65,000,000
9	POLLUTION CONTROL REFUNDING BONDS 2008 SERIES A DUE IN 2027	12/11/2008	08/01/2027	50,000,000
10	POLLUTION CONTROL REFUNDING BONDS 2010 SERIES B DUE IN 2027	11/24/2010	08/01/2027	26,720,000
11	UNSECURED DEBENTURES 4.65% SERIES DUE IN 2019	09/22/2009	10/01/2019	100,000,000
12	UNSECURED DEBENTURES 3.42% SERIES DUE IN 2026	01/05/2016	01/15/2026	45,000,000
13	UNSECURED DEBENTURES 4.45% SERIES DUE IN 2046	01/05/2016	01/15/2046	50,000,000
14	UNSECURED DEBENTURES 3.35% SERIES DUE IN 2029	09/07/2017	09/15/2029	30,000,000
15	UNSECURED DEBENTURES 4.11% SERIES DUE IN 2047	09/07/2017	09/15/2047	30,000,000
16	UNSECURED DEBENTURES 4.26% SERIES DUE IN 2057	09/07/2017	09/15/2057	30,000,000
17	UNSECURED DEBENTURES 4.01% SERIES DUE IN 2023	10/03/2018	10/15/2023	25,000,000
18	UNSECURED DEBENTURES 4.18% SERIES DUE IN 2028	10/03/2018	10/15/2028	40,000,000
19	UNSECURED DEBENTURES 4.62% SERIES DUE IN 2048	12/12/2018	12/15/2048	35,000,000
20				
21	SUBTOTAL ACCOUNT 224			526,720,000
22				
23	SEE FOOTNOTE			
24				
25				
26				
27				
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40	**TOTAL**			551,720,000

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Long-Term Debt (Accounts 221, 222, 223, and 224)

5. In a supplemental statement, give explanatory details for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year (b) interest added to principal amount, and (c) principal repaid during year. Give Commission authorization numbers and dates.
6. If the respondent has pledged any of its long-term debt securities, give particulars (details) in a footnote, including name of the pledgee and purpose of the pledge.
7. If the respondent has any long-term securities that have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
8. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (f). Explain in a footnote any difference between the total of column (f) and the total Account 427, Interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.
9. Give details concerning any long-term debt authorized by a regulatory commission but not yet issued.

Line No.	Interest for Year Rate (in %) (e)	Interest for Year Amount (f)	Held by Respondent Reacquired Bonds (Acct 222) (g)	Held by Respondent Sinking and Other Funds (h)	Redemption Price per $100 at End of Year (i)
1					
2					
3	2.794	566,390			
4					
5	2.794	566,390			
6					
7					
8	6.200	4,030,000			0.30
9	2.956	1,320,995			1.00
10	1.720	308,261			1.00
11	4.650	4,650,000			0.25
12	3.420	1,539,000			0.50
13	4.450	2,225,000			0.50
14	3.350	1,005,000			0.50
15	4.110	1,233,000			0.50
16	4.260	1,278,000			0.50
17	4.010	245,056			0.50
18	4.180	408,711			0.50
19	4.620	85,342			0.50
20					
21		18,328,365			
22					
23					
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39					
40		18,894,755			

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) X An Original (2) _ A Resubmission	(Mo, Da, Yr) 04/12/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 256 Line No.: 9 Column: e

The interest rate varies on this bond. This is the interest rate as of December 31, 2018.

Schedule Page: 256 Line No.: 10 Column: e

The interest rate varies on this bond. This is the interest rate as of December 31, 2018.

Schedule Page: 256 Line No.: 9 Column: i

This PCB is redeemable at par ($100) and is not subject to the redemption calculation.

Schedule Page: 256 Line No.: 10 Column: i

This PCB is redeemable at par ($100) and is not subject to the redemption calculation.

Schedule Page: 256 Line No.: 8 Column: i

Footnote for Lines 8,11,12,13,14,15,16,17,18,19 Column(i):
Redemption price of the Debenture is based on the present value of the future interest and principal payments discounted at a rate equal to the yield of the US governement securites with a maturity similar to the Debenture plus a certain spread. This spread is presented in Column(i) and is shown as basis points in percentages. The calculated redemption price can never be less than $100.

Schedule Page: 256 Line No.: 23 Column: a

On December 16, 2016 the Kentucky PSC approved Duke Energy Kentucky's long-term financing application authorizing the issuance of up to $200 million of secured and/or unsecured notes, and $76.72 million of tax-exempt private activity bonds to refund existing tax exempt bonds. Authorization expires 12/31/2018.

Schedule Page: 256 Line No.: 3 Column: e

The interest rate varies on this bond. This is the interest rate as of December 31, 2018.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Unamortized Debt Expense, Premium and Discount on Long-Term Debt (Accounts 181, 225, 226)

1. Report under separate subheadings for Unamortized Debt Expense, Unamortized Premium on Long-Term Debt and Unamortized Discount on Long-Term Debt, details of expense, premium or discount applicable to each class and series of long-term debt.
2. Show premium amounts by enclosing the figures in parentheses.
3. In column (b) show the principal amount of bonds or other long-term debt originally issued.
4. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.

Line No.	Designation of Long-Term Debt (a)	Principal Amount of Debt Issued (b)	Total Expense Premium or Discount (c)	Amortization Period Date From (d)	Amortization Period Date To (e)
1	UNAMORTIZED EXPENSE:				
2					
3	MASTER CREDIT FACILITY		454,094	11/18/2011	03/16/2023
4					
5	UNSECURED DEBENTURES 6.20% SERIES B DUE IN 2036	65,000,000	653,550	03/10/2006	03/10/2036
6	UNSECURED DEBENTURES 4.650% SERIES DUE IN 2019	100,000,000	756,468	09/22/2009	10/01/2019
7	POLLUTION CONTROL BONDS 2010 SERIES B DUE IN 2027	26,720,000	939,966	11/24/2010	08/01/2027
8	POLLUTION CONTROL BONDS 2008 SERIES A DUE IN 2027	50,000,000	691,754	12/03/2008	08/01/2027
9	UNSECURED DEBENTURES 3.42% SERIES A DUE IN 2026	45,000,000	220,191	01/05/2016	01/15/2026
10	UNSECURED DEBENTURES 4.45% SERIES A DUE IN 2046	50,000,000	247,535	01/05/2016	01/15/2046
11	UNSECURED DEBENTURES 3.35% SERIES DUE IN 2029	30,000,000	124,475	09/07/2017	09/15/2029
12	UNSECURED DEBENTURES 4.11% SERIES DUE IN 2047	30,000,000	124,475	09/07/2017	09/15/2047
13	UNSECURED DEBENTURES 4.26% SERIES DUE IN 2057	30,000,000	124,475	09/07/2017	09/15/2057
14	UNSECURED DEBENTURES 4.01% SERIES DUE 2023	25,000,000	111,522	10/03/2018	10/15/2023
15	UNSECURED DEBENTURES 4.18% SERIES DUE 2028	40,000,000	156,522	10/03/2018	10/15/2028
16	UNSECURED DEBENTURES 4.62% SERIES DUE 2048	35,000,000	141,522	12/12/2018	12/15/2048
17	TOTAL ACCOUNT 181	526,720,000			
18					
19					
20	UNAMORTIZED PREMIUM ON LONG-TERM DEBT:				
21					
22	TOTAL ACCOUNT 225- NONE				
23					
24					
25	UNAMORTIZED DISCOUNT ON LONG-TERM DEBT:				
26					
27	UNSECURED DEBENTURES 6.20% SERIES B DUE IN 2036	65,000,000	367,900	03/10/2006	03/10/2036
28	UNSECURED DEBENTURES 4.650% SERIES DUE IN 2019	100,000,000	374,000	09/22/2009	10/01/2019
29					
30	TOTAL ACCOUNT 226	165,000,000	741,900		
31					
32					
33					
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Unamortized Debt Expense, Premium and Discount on Long-Term Debt (Accounts 181, 225, 226)

5. Furnish in a footnote details regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.
6. Identify separately undisposed amounts applicable to issues which were redeemed in prior years.
7. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount and Expense, or credited to Account 429, Amortization of Premium on Debt-Credit.

Line No.	Balance at Beginning of Year (f)	Debits During Year (g)	Credits During Year (h)	Balance at End of Year (i)
1				
2				
3	363,025	89,353	86,816	365,562
4				
5	396,315		21,788	374,527
6	73,752		42,144	31,608
7	205,554	44,477	32,059	217,972
8	224,904		22,999	201,905
9	191,414		23,811	167,603
10	248,591		8,866	239,725
11	123,578		12,735	110,843
12	125,544		6,528	119,016
13	125,871		5,491	120,380
14		103,115	5,416	97,699
15		143,074	3,813	139,261
16		129,755	249	129,506
17	2,078,548	509,774	272,715	2,315,607
18				
19				
20				
21				
22				
23				
24				
25				
26				
27	223,093		12,263	210,830
28	65,285		37,307	27,978
29				
30	288,378		49,570	238,808
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40				

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) X An Original (2) __ A Resubmission	04/12/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 258 Line No.: 3 Column: a

In January 2018, Duke Energy extended the termination date of substantially all of its existing $8 billion Master Credit Facility capacity from March 16, 2022, to March 16, 2023. In May 2018, Duke Energy completed the extension process with 100 percent of all commitments to the Master Credit Facility extending to March 16, 2023. The Duke Energy Registrants, excluding Progress Energy (Parent), have borrowing capacity under the Master Credit Facility up to specified sublimits for each borrower.

Duke Energy Kentucky has a $150 million borrowing limit as of December 31, 2018.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Unamortized Loss and Gain on Reacquired Debt (Accounts 189, 257)

1. Report under separate subheadings for Unamortized Loss and Unamortized Gain on Reacquired Debt, details of gain and loss, including maturity date, on reacquisition applicable to each class and series of long-term debt. If gain or loss resulted from a refunding transaction, include also the maturity date of the new issue.
2. In column (c) show the principal amount of bonds or other long-term debt reacquired.
3. In column (d) show the net gain or net loss realized on each debt reacquisition as computed in accordance with General Instruction 17 of the Uniform Systems of Accounts.
4. Show loss amounts by enclosing the figures in parentheses.
5. Explain in a footnote any debits and credits other than amortization debited to Account 428.1, Amortization of Loss on Reacquired Debt, or credited to Account 429.1, Amortization of Gain on Reacquired Debt-Credit.

Line No.	Designation of Long-Term Debt (a)	Date Reacquired (b)	Principal of Debt Reacquired (c)	Net Gain or Loss (d)	Balance at Beginning of Year (e)	Balance at End of Year (f)
1	10-1/4% SERIES	06/01/1995	15,000,000	(925,479)	(94,917)	(55,641)
2	9.7% SERIES	09/01/1995	20,000,000	(1,596,748)	(100,494)	(33,498)
3	10-1/4% SERIES	02/15/1996	15,000,000	(917,675)	(107,648)	(70,169)
4						
5	7.65 SERIES	04/06/2006	15,000,000	(1,230,503)	(482,019)	(418,081)
6	5.5% SERIES	09/01/2006	48,000,000	(669,996)	(231,922)	(193,268)
7	6.5% SERIES	09/01/2006	12,720,663	(73,931)	(22,231)	(17,669)
8	2006A SERIES	12/26/2008	50,000,000	(289,319)	(149,201)	(133,632)
9						
10						
11	TOTAL 189		175,720,663	(5,703,651)	(1,188,432)	(921,958)
12						
13	TOTAL 257					
14						
15						
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Reconciliation of Reported Net Income with Taxable Income for Feder Income Taxes

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal Income Tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.
2. If the utility is a member of a group that files consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignments, or sharing of the consolidated tax among the group members.

Line No.	Details (a)	Amount (b)
1	Net Income for the Year (Page 116)	49,809,221
2	Reconciling Items for the Year	
3		
4	Taxable Income Not Reported on Books	
5	Contributions in Aid of Construction	4,493,669
6		
7		
8	TOTAL	4,493,669
9	Deductions Recorded on Books Not Deducted for Return	
10	Federal and State Income Tax Deducted for Books	13,473,554
11	Other Deductions Recorded on Books Not Deducted for Return	121,425,614
12		
13	TOTAL	134,899,168
14	Income Recorded on Books Not Included in Return	
15	Allowance for Funds Used During Construction	5,132,932
16		
17		
18	TOTAL	5,132,932
19	Deductions on Return Not Charged Against Book Income	
20	Deductions on Return Not Charged Against Book Income	248,705,201
21		
22		
23		
24		
25		
26	TOTAL	248,705,201
27	Federal Tax Net Income	(64,636,075)
28	Show Computation of Tax:	
29	Provision for Federal Income Tax @21%	(13,573,576)
30	NOLs	7,532,430
31	True Up Entries	(9,545,303)
32	Other Benefits	41,671
33		
34	Total Federal Income Tax Provision	(15,544,778)
35		

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) X An Original (2) _ A Resubmission	04/12/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 261 Line No.: 11 Column: b

Demand Side Management (DSM) Defer	1,217,962
Reg Liability - Rate Case Expense - Amortization - NC	1,425,833
Reg Asset Storm Damage Recovery	1,637,564
Miscellaneous NC Taxable Income Adj - DTA	1,910,913
Reg Liab RSLI & Other Misc Dfd Costs	2,132,750
Reg Asset-Pension Post Retirement PAA-FAS87Qual and Oth	2,442,825
Tax Interest Capitalized	3,399,253
Retirement Plan Expense - Underfunded	4,428,610
ARO Regulatory Asset	4,667,631
Regulatory Asset - Deferred Plant Costs	7,096,820
Asset Retirement Obligation	13,336,314
Coal Ash Spend Reg Asset Deferral - Retail (NC & MW)	14,701,050
Book Depreciation/Amortization	58,059,714
Other	4,968,375
Total	121,425,614

Schedule Page: 261 Line No.: 20 Column: b

State Income Tax Expense	(1,729,906)
Reg Asset - Plant Related Retirements	1,201,763
ARO Regulatory Asset - Coal Ash	6,337,563
Reg Asset - Transition from MISO to PJM	1,461,837
Reg Asset/Liab Def Revenue	1,951,786
Miscellaneous NC Taxable Income Adj - DTL	2,292,175
Reg Asset_Liab - Outage Costs	2,404,160
T & D Repairs - Annual Adj.	2,900,000
Non-AMI Meters Retired Early - NBV	5,366,202
Retirement Plan Expense - Overfunded	6,074,252
Asset Retirement Costs - Coal Ash	12,117,034
Coal Ash Spend Reg Asset Approved - Retail (NC & MW)	15,948,167
Tax Depreciation/Amortization	187,405,015
Other	4,975,153
Total	248,705,201

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged)

1. Give details of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual or estimated amounts of such taxes are known, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes). Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b) amounts credited to the portion of prepaid taxes charged to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

Line No.	Kind of Tax (See Instruction 5) (a)	Balance at Beg. of Year Taxes Accrued (b)	Balance at Beg. of Year Prepaid Taxes (c)
1			
2	FEDERAL TAXES:		
3			
4	INCOME	2,616,704	
5	FUEL TAXES		
6	FEDERAL INSURANCE	64,583	
7	UNEMPLOYMENT	282	
8			
9			
10	STATE TAXES:		
11			
12	INCOME	1,281,263	
13	UNEMPLOYMENT	494	
14	PROPERTY	1,918,994	
15	SALES & USE TAX	633,589	
16	FRANCHISE		
17			
18			
19			
20	OTHER:		
21			
22	PROPERTY	9,537,610	
23			
24			
25			
26			
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39			
	TOTAL	16,053,519	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged) (continued)

5. If any tax (exclude Federal and State income taxes) covers more than one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a footnote. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Show in columns (i) thru (p) how the taxes accounts were distributed. Show both the utility department and number of account charged. For taxes charged to utility plant, show the number of the appropriate balance sheet plant account or subaccount.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.
10. Items under $250,000 may be grouped.
11. Report in column (q) the applicable effective state income tax rate.

Line No.	Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjustments (f)	Balance at End of Year Taxes Accrued (Account 236) (g)	Balance at End of Year Prepaid Taxes (Included in Acct 165) (h)
1					
2					
3					
4	(15,544,778)	(16,064,333)	(1,236,562)	1,899,696	
5	1,634	1,634			
6	2,501,753	1,516,244	(989,033)	61,058	
7	10,758	9,912	(918)	211	
8					
9					
10					
11					
12	(1,794,063)	600,608		(1,113,408)	
13	9,250	9,543		201	
14	2,089,957	1,860,013		2,148,938	
15	93,830	3,466,073	2,930,100	191,446	
16					
17					
18					
19					
20					
21					
22	10,387,312	9,244,469	(72,360)	10,608,093	
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
TOTAL	(2,244,347)	644,163	631,227	13,796,235	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged)

1. Give details of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual or estimated amounts of such taxes are known, show the amounts in a footnote and designate whether estimated or actual amounts.
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes). Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.
3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b) amounts credited to the portion of prepaid taxes charged to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.
4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.

DISTRIBUTION OF TAXES CHARGED (Show utility department where applicable and account charged.)

Line No.	Electric (Account 408.1, 409.1) (i)	Gas (Account 408.1, 409.1) (j)	Other Utility Dept. (Account 408.1, 409.1) (k)	Other Income and Deductions (Account 408.2, 409.2) (l)
1				
2				
3				
4	(14,264,509)	(2,542,944)		1,262,675
5	1,217	416		
6	1,867,086	634,667		
7	7,813	2,944		
8				
9				
10				
11				
12	(2,541,597)	422,161		325,374
13	6,702	2,547		
14	1,601,742	488,215		
15	(12,883)	3,808		102,905
16				
17				
18				
19				
20				
21				
22	7,960,833	2,426,480		
23				
24				
25				
26				
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39				
TOTAL	(5,373,596)	1,438,294		1,690,954

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Taxes Accrued, Prepaid and Charged During Year, Distribution of Taxes Charged (Show utility dept where applicable and acct charged) (continued)

5. If any tax (exclude Federal and State income taxes) covers more than one year, show the required information separately for each tax year, identifying the year in column (a).
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a footnote. Designate debit adjustments by parentheses.
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.
8. Show in columns (i) thru (p) how the taxes accounts were distributed. Show both the utility department and number of account charged. For taxes charged to utility plant, show the number of the appropriate balance sheet plant account or subaccount.
9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.
10. Items under $250,000 may be grouped.
11. Report in column (q) the applicable effective state income tax rate.

DISTRIBUTION OF TAXES CHARGED (Show utility department where applicable and account charged.) .

Line No.	Extraordinary Items (Account 409.3) (m)	Other Utility Opn. Income (Account 408.1, 409.1) (n)	Adjustment to Ret. Earnings (Account 439) (o)	Other (p)	State/Local Income Tax Rate (q)
1					
2					
3					
4					
5					
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39					
TOTAL					

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Miscellaneous Current and Accrued Liabilities (Account 242)

1. Describe and report the amount of other current and accrued liabilities at the end of year.
2. Minor items (less than $250,000) may be grouped under appropriate title.

Line No.	Item (a)	Balance at End of Year (b)
1	Deferred Revenue PJM FTR	2,964,850
2	Native Deferred MTM Liability	2,929,718
3	Deferred Revenue Payable - Fuel	2,132,750
4	Vacation Entitlement Reserve	1,700,359
5	MISO MTEP - Short Term Accrual	956,837
6	Retirement Bank Accrual	868,104
7	Wages Payable	842,000
8	Provision for Incentive Ben Prog	724,340
9	Ratepayer Sharing Provisions	619,467
10	Severance Reserve/Accrual	371,076
11	FAS 158 Current Liabilities	281,110
12	Retirement Savings Plan Accrual	29,122
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
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45	**Total**	**14,419,733**

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Other Deferred Credits (Account 253)

1. Report below the details called for concerning other deferred credits.
2. For any deferred credit being amortized, show the period of amortization.
3. Minor items (less than $250,000) may be grouped by classes.

Line No.	Description of Other Deferred Credits (a)	Balance at Beginning of Year (b)	Debit Contra Account (c)	Debit Amount (d)	Credits (e)	Balance at End of Year (f)
1	MISO MTEP Accrual	15,309,319	146, 561	2,018,449	656,520	13,947,390
2						
3	MGP Reserve	670,000	146	201,467	201,467	670,000
4						
5	Gas Refunds	(424,113)	191	381,031	661,587	(143,557)
6						
7	FTR MTM gains/losses	285,016	175	893,364	770,014	161,666
8						
9	Deferred Revenue - Outdoor Lighting	150,290	146, 415	26,886	121,396	244,800
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45	**Total**	15,990,512		3,521,197	2,410,984	14,880,299

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Accumulated Deferred Income Taxes-Other Property (Account 282)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to property not subject to accelerated amortization.
2. At Other (Specify), include deferrals relating to other income and deductions.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Amounts Debited to Account 410.1 (c)	Amounts Credited to Account 411.1 (d)
1	Account 282			
2	Electric	129,657,967	50,305,854	11,699,663
3	Gas	60,878,622	10,163,948	4,985,600
4	Other (Define) (footnote details)			
5	Total (Enter Total of lines 2 thru 4)	190,536,589	60,469,802	16,685,263
6	Other - Non-Utility	28,122,287		
7	TOTAL Account 282 (Enter Total of lines 5 thr	218,658,876	60,469,802	16,685,263
8	Classification of TOTAL			
9	Federal Income Tax	178,716,064	52,604,831	14,122,379
10	State Income Tax	39,942,812	7,864,971	2,562,884
11	Local Income Tax			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Accumulated Deferred Income Taxes-Other Property (Account 282) (continued)

3. Provide in a footnote a summary of the type and amount of deferred income taxes reported in the beginning-of-year and end-of-year balances for deferred income taxes that the respondent estimates could be included in the development of jurisdictional recourse rates.

Line No.	Changes during Year Amounts Debited to Account 410.2 (e)	Changes during Year Amounts Credited to Account 411.2 (f)	Adjustments Debits Acct. No. (g)	Adjustments Debits Amount (h)	Adjustments Credits Account No. (i)	Adjustments Credits Amount (j)	Balance at End of Year (k)
1							
2	269,128	134,406	BSO	30,854,698		680,152	198,573,426
3	43,858	43,180		43,288	BSO	3,328,036	62,772,900
4							
5	312,986	177,586		30,897,986		4,008,188	261,346,326
6			BSO	2,475,470	BSO	30,597,757	
7	312,986	177,586		33,373,456		34,605,945	261,346,326
8							
9	175,159	(740,813)		33,373,456		33,277,531	218,210,413
10	137,827	918,399				1,328,414	43,135,913
11							

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Accumulated Deferred Income Taxes-Other (Account 283)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to amounts recorded in Account 283.
2. At Other (Specify), include deferrals relating to other income and deductions.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Changes During Year Amounts Debited to Account 410.1 (c)	Changes During Year Amounts Credited to Account 411.1 (d)
1	Account 283			
2	Electric	21,782,350	8,797,988	5,989,428
3	Gas	3,862,473	608,635	615,134
4	Other (Define) (footnote details)			
5	Total (Total of lines 2 thru 4)	25,644,823	9,406,623	6,604,562
6	Other - Non-Utility	5,120		
7	TOTAL Account 283 (Total of lines 5 thru	25,649,943	9,406,623	6,604,562
8	Classification of TOTAL			
9	Federal Income Tax	20,218,615	7,590,301	5,345,003
10	State Income Tax	5,431,328	1,816,322	1,259,559
11	Local Income Tax			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Accumulated Deferred Income Taxes-Other (Account 283) (continued)

3. Provide in a footnote a summary of the type and amount of deferred income taxes reported in the beginning-of-year and end-of-year balances for deferred income taxes that the respondent estimates could be included in the development of jurisdictional recourse rates.

Line No.	Changes during Year Amounts Debited to Account 410.2 (e)	Changes during Year Amounts Credited to Account 411.2 (f)	Adjustments Debits Acct. No. (g)	Adjustments Debits Amount (h)	Adjustments Credits Account No. (i)	Adjustments Credits Amount (j)	Balance at End of Year (k)
1							
2					BSO	272,240	24,318,670
3					BSO	44,301	3,811,673
4							
5						316,541	28,130,343
6		5,120					
7		5,120				316,541	28,130,343
8							
9		4,035				(63,381)	22,523,259
10		1,085				379,922	5,607,084
11							

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Other Regulatory Liabilities (Account 254)

1. Report below the details called for concerning other regulatory liabilities which are created through the ratemaking actions of regulatory agencies (and not includable in other amounts).
2. For regulatory liabilities being amortized, show period of amortization in column (a).
3. Minor items (5% of the Balance at End of Year for Account 254 or amounts less than $250,000, whichever is less) may be grouped by classes.
4. Provide in a footnote, for each line item, the regulatory citation where the respondent was directed to refund the regulatory liability (e.g. Commission Order, state commission order, court decision).

Line No.	Description and Purpose of Other Regulatory Liabilities (a)	Balance at Beginning of Current Quarter/Year (b)	Written off during Quarter/Period Account Credited (c)	Written off During Period Amount Refunded (d)	Written off During Period Amount Deemed Non-Refundable (e)	Credits (f)	Balance at End of Current Quarter/Year (g)
1	INCOME TAXES	1,277,495	Various	3,344,286		3,236,142	1,169,351
2							
3	PENSION COSTS	4,832,653	Various	205,319		578,303	5,205,637
4							
5	REG LIAB-EXCESS FED ADIT	133,277,803	Various	1,554,552,160		1,527,095,559	105,821,202
6							
7	REG LIAB-EXESS ADIT GROSSUP		Various	1,356,100,763		1,390,378,098	34,277,335
8							
9	ENVIRONMENTAL SURCHARGE MECHANISM					3,128,875	3,128,875
10							
11	DSM ENERGY EFFICIENCY					1,425,833	1,425,833
12							
13							
14							
15							
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44							
45	**Total**	139,387,951		2,914,202,528	0	2,925,842,810	151,028,233

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) X An Original (2) __ A Resubmission	(Mo, Da, Yr) 04/12/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 278 Line No.: 1 Column: c

Offsetting accounts are: 182.3, 190, 236, 254, 255, 281, 282, 283, 409, 410, 411.

Schedule Page: 278 Line No.: 3 Column: c

Offsetting accounts are: 146, 182.3, 228, 926.

Schedule Page: 278 Line No.: 5 Column: c

Offsetting accounts are: 182.3, 190, 236, 254, 255, 281, 282, 283, 409, 410, 411.

Schedule Page: 278 Line No.: 7 Column: c

Offsetting accounts are: 182.3, 190, 236, 254, 255, 281, 282, 283, 409, 410, 411.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Monthly Quantity & Revenue Data by Rate Schedule

1. Reference to account numbers in the USofA is provided in parentheses beside applicable data. Quantities must not be adjusted for discounts.
2. Total Quantities and Revenues in whole numbers
3. Report revenues and quantities of gas by rate schedule. Where transportation services are bundled with storage services, reflect only transportation Dth. When reporting storage, report Dth of gas withdrawn from storage and revenues by rate schedule.
4. Revenues in Column (c) include transition costs from upstream pipelines. Revenue (Other) in Column (e) includes reservation charges received by the pipeline plus usage charges, less revenues reflected in Columns (c) and (d). Include in Column (e), revenue for Accounts 490-495.
5. Enter footnotes as appropriate.

Line No.	Item (a)	Month 1 Quantity (b)	Month 1 Revenue Costs and Take-or-Pay (c)	Month 1 Revenue (GRI & ACA) (d)	Month 1 Revenue (Other) (e)	Month 1 Revenue (Total) (f)
1	Total Sales (480-488)	477,526			5,390,665	5,390,665
2	Transportation of Gas for Others (489.2 and 489..3)					
3	Rate Case #PRO8-27				50,292	50,292
4	Rate FT	255,456			455,637	455,637
5	Rate IT	249,898			223,469	223,469
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Monthly Quantity & Revenue Data by Rate Schedule (continued)

Line No.	Item (a)	Month 1 Quantity (b)	Month 1 Revenue Costs and Take-or-Pay (c)	Month 1 Revenue (GRI & ACA) (d)	Month 1 Revenue (Other) (e)	Month 1 Revenue (Total) (f)
48						
49						
50						
51						
52						
53						
54						
55						
56						
57						
58						
59						
60						
61						
62						
63	Total Transportation (Other than Gathering)	505,354			729,398	729,398
64	Storage (489.4)					
65						
66						
67						
68						
69						
70						
71						
72						
73						
74						
75						
76						
77						
78						
79						
80						
81						
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83						
84						
85						
86						
87						
88						
89						
90	Total Storage					
91	Gathering (489.1)					
92	Gathering-Firm					
93	Gathering-Interruptible					
94	Total Gathering (489.1)					
95	Additional Revenues					
96	Products Sales and Extraction (490-492)					
97	Rents (493-494)					
98	Other Gas Revenues (495)				132	132
99	(Less) Provision for Rate Refunds					
100	Total Additional Revenues				132	132
101	Total Operating Revenues (Total of Lines 1,63,90,94 & 100)	982,880			6,120,195	6,120,195

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Monthly Quantity & Revenue Data by Rate Schedule

1. Reference to account numbers in the USofA is provided in parentheses beside applicable data. Quantities must not be adjusted for discounts.
2. Total Quantities and Revenues in whole numbers
3. Report revenues and quantities of gas by rate schedule. Where transportation services are bundled with storage services, reflect only transportation Dth. When reporting storage, report Dth of gas withdrawn from storage and revenues by rate schedule.
4. Revenues in Column (c) include transition costs from upstream pipelines. Revenue (Other) in Column (e) includes reservation charges received by the pipeline plus usage charges, less revenues reflected in Columns (c) and (d). Include in Column (e), revenue for Accounts 490-495.
5. Enter footnotes as appropriate.

Line No.	Month 2 Quantity (g)	Month 2 Revenue Costs and Take-or-Pay (h)	Month 2 Revenue (GRI & ACA) (i)	Month 2 Revenue (Other) (j)	Month 2 Revenue (Total) (k)	Month 3 Quantity (l)	Month 3 Revenue Costs and Take-or-Pay (m)	Month 3 Revenue (GRI & ACA) (n)	Month 3 Revenue (Other) (o)	Month 3 Revenue (Total) (p)
1	1,253,642			11,013,054	11,013,054	1,825,262			15,689,545	15,689,545
2	[redacted]									
3				50,292	50,292				50,292	50,292
4	362,529			544,408	544,408	247,242			395,147	395,147
5	150,151			91,603	91,603	146,465			85,575	85,575
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Monthly Quantity & Revenue Data by Rate Schedule (continued)

Line No.	Month 2 Quantity (g)	Month 2 Revenue Costs and Take-or-Pay (h)	Month 2 Revenue (GRI & ACA) (i)	Month 2 Revenue (Other) (j)	Month 2 Revenue (Total) (k)	Month 3 Quantity (l)	Month 3 Revenue Costs and Take-or-Pay (m)	Month 3 Revenue (GRI & ACA) (n)	Month 3 Revenue (Other) (o)	Month 3 Revenue (Total) (p)
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63	512,680			686,303	686,303	393,707			531,014	531,014
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98				595	595				441	441
99										
100				595	595				441	441
101	1,766,322			11,699,952	11,699,952	2,218,969			16,221,000	16,221,000

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Gas Operating Revenues

1. Report below natural gas operating revenues for each prescribed account total. The amounts must be consistent with the detailed data on succeeding pages.
2. Revenues in columns (b) and (c) include transition costs from upstream pipelines.
3. Other Revenues in columns (f) and (g) include reservation charges received by the pipeline plus usage charges, less revenues reflected in columns (b) through (e). Include in columns (f) and (g) revenues for Accounts 480-495.

Line No.	Title of Account (a)	Revenues for Transition Costs and Take-or-Pay Amount for Current Year (b)	Revenues for Transition Costs and Take-or-Pay Amount for Previous Year (c)	Revenues for GRI and ACA Amount for Current Year (d)	Revenues for GRI and ACA Amount for Previous Year (e)
1	480 Residential Sales				
2	481 Commercial and Industrial Sales				
3	482 Other Sales to Public Authorities				
4	483 Sales for Resale				
5	484 Interdepartmental Sales				
6	485 Intracompany Transfers				
7	487 Forfeited Discounts				
8	488 Miscellaneous Service Revenues				
9	489.1 Revenues from Transportation of Gas of Others Through Gathering Facilities				
10	489.2 Revenues from Transportation of Gas of Others Through Transmission Facilities				
11	489.3 Revenues from Transportation of Gas of Others Through Distribution Facilities				
12	489.4 Revenues from Storing Gas of Others				
13	490 Sales of Prod. Ext. from Natural Gas				
14	491 Revenues from Natural Gas Proc. by Others				
15	492 Incidental Gasoline and Oil Sales				
16	493 Rent from Gas Property				
17	494 Interdepartmental Rents				
18	495 Other Gas Revenues				
19	Subtotal:				
20	496 (Less) Provision for Rate Refunds				
21	TOTAL:				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Gas Operating Revenues

4. If increases or decreases from previous year are not derived from previously reported figures, explain any inconsistencies in a footnote.
5. On Page 108, include information on major changes during the year, new service, and important rate increases or decreases.
6. Report the revenue from transportation services that are bundled with storage services as transportation service revenue.

Line No.	Other Revenues Amount for Current Year (f)	Other Revenues Amount for Previous Year (g)	Total Operating Revenues Amount for Current Year (h)	Total Operating Revenues Amount for Previous Year (i)	Dekatherm of Natural Gas Amount for Current Year (j)	Dekatherm of Natural Gas Amount for Previous Year (k)
1	68,598,330	61,825,680	68,598,330	61,825,680	6,820,710	5,751,960
2	26,834,802	23,056,885	26,834,802	23,056,885	3,722,267	3,155,100
3	2,407,892	2,300,905	2,407,892	2,300,905	369,514	350,988
4						
5	33,931	27,474	33,931	27,474	5,881	4,549
6					[redacted]	[redacted]
7					[redacted]	[redacted]
8	365,316	600,263	365,316	600,263	[redacted]	[redacted]
9						
10	556,002	522,072	556,002	522,072		
11	5,823,371	5,829,497	5,823,371	5,829,497	4,202,603	4,037,069
12						
13					[redacted]	[redacted]
14					[redacted]	[redacted]
15					[redacted]	[redacted]
16					[redacted]	[redacted]
17					[redacted]	[redacted]
18	23,188	1,438	23,188	1,438	[redacted]	[redacted]
19	104,642,832	94,164,214	104,642,832	94,164,214	[redacted]	[redacted]
20	2,646,389		2,646,389		[redacted]	[redacted]
21	101,996,443	94,164,214	101,996,443	94,164,214	[redacted]	[redacted]

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Revenues from Transporation of Gas of Others Through Gathering Facilities (Account 489.1)

1. Report revenues and Dth of gas delivered through gathering facilities by zone of receipt (i.e. state in which gas enters respondent's system).
2. Revenues for penalties including penalties for unauthorized overruns must be reported on page 308.

Line No.	Rate Schedule and Zone of Receipt (a)	Revenues for Transition Costs and Take-or-Pay Amount for Current Year (b)	Revenues for Transaction Costs and Take-or-Pay Amount for Previous Year (c)	Revenues for GRI and ACA Amount for Current Year (d)	Revenues for GRI and ACA Amount for Current Year (d)
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Revenues from Transporation of Gas of Others Through Gathering Facilities (Account 489.1)

3. Other Revenues in columns (f) and (g) include reservation charges received by the pipeline plus usage charges, less revenues reflected in columns (b) through (e).
4. Delivered Dth of gas must not be adjusted for discounting.

Line No.	Other Revenues Amount for Current Year (f)	Other Revenues Amount for Previous Year (g)	Total Operating Revenues Amount for Current Year (h)	Total Operating Revenues Amount for Previous Year (i)	Dekatherm of Natural Gas Amount for Current Year (j)	Dekatherm of Natural Gas Amount for Previous Year (k)
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Revenues from Transportation of Gas of Others Through Transmission Facilities (Account 489.2)

1. Report revenues and Dth of gas delivered by Zone of Delivery by Rate Schedule. Total by Zone of Delivery and for all zones. If respondent does not have separate zones, provide totals by rate schedule.
2. Revenues for penalties including penalties for unauthorized overruns must be reported on page 308.
3. Other Revenues in columns (f) and (g) include reservation charges received by the pipeline plus usage charges for transportation and hub services, less revenues reflected in columns (b) through (e).

Line No.	Zone of Delivery, Rate Schedule (a)	Revenues for Transition Costs and Take-or-Pay Amount for Current Year (b)	Revenues for Transition Costs and Take-or-Pay Amount for Previous Year (c)	Revenues for GRI and ACA Amount for Current Year (d)	Revenues for GRI and ACA Amount for Previous Year (e)
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Revenues from Transportation of Gas of Others Through Transmission Facilities (Account 489.2)

4. Delivered Dth of gas must not be adjusted for discounting.
5. Each incremental rate schedule and each individually certificated rate schedule must be separately reported.
6. Where transportation services are bundled with storage services, report total revenues but only transportation Dth.

Line No.	Other Revenues Amount for Current Year (f)	Other Revenues Amount for Previous Year (g)	Total Operating Revenues Amount for Current Year (h)	Total Operating Revenues Amount for Previous Year (i)	Dekatherm of Natural Gas Amount for Current Year (j)	Dekatherm of Natural Gas Amount for Previous Year (k)
1	556,002	522,072	556,002	522,072	13,924,617	12,320,860
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Revenues from Storing Gas of Others (Account 489.4)

1. Report revenues and Dth of gas withdrawn from storage by Rate Schedule and in total.
2. Revenues for penalties including penalties for unauthorized overruns must be reported on page 308.
3. Other revenues in columns (f) and (g) include reservation charges, deliverability charges, injection and withdrawal charges, less revenues reflected in columns (b) through (e).

Line No.	Rate Schedule (a)	Revenues for Transition Costs and Take-or-Pay Amount for Current Year (b)	Revenues for Transaction Costs and Take-or-Pay Amount for Previous Year (c)	Revenues for GRI and ACA Amount for Current Year (d)	Revenues for GRI and ACA Amount for Previous Year (e)
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Revenues from Storing Gas of Others (Account 489.4)

4. Dth of gas withdrawn from storage must not be adjusted for discounting.
5. Where transportation services are bundled with storage services, report only Dth withdrawn from storage.

Line No.	Other Revenues Amount for Current Year (f)	Other Revenues Amount for Previous Year (g)	Total Operating Revenues Amount for Current Year (h)	Total Operating Revenues Amount for Previous Year (i)	Dekatherm of Natural Gas Amount for Current Year (j)	Dekatherm of Natural Gas Amount for Previous Year (k)
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Other Gas Revenues (Account 495)

Report below transactions of $250,000 or more included in Account 495, Other Gas Revenues. Group all transactions below $250,000 in one amount and provide the number of items.

Line No.	Description of Transaction (a)	Amount (in dollars) (b)
1	Commissions on Sale or Distribution of Gas of Others	
2	Compensation for Minor or Incidental Services Provided for Others	
3	Profit or Loss on Sale of Material and Supplies not Ordinarily Purchased for Resale	
4	Sales of Stream, Water, or Electricity, including Sales or Transfers to Other Departments	
5	Miscellaneous Royalties	
6	Revenues from Dehydration and Other Processing of Gas of Others except as provided for in the Instructions to Account 495	
7	Revenues for Right and/or Benefits Received from Others which are Realized Through Research, Development, and Demonstration Ventures	
8	Gains on Settlements of Imbalance Receivables and Payables	
9	Revenues from Penalties earned Pursuant to Tariff Provisions, including Penalties Associated with Cash-out Settlements	
10	Revenues from Shipper Supplied Gas	
11	Other revenues (Specify):	23,188
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	Total	**23,188**

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) X An Original (2) __ A Resubmission	04/12/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 308 Line No.: 11 Column: b

Gas Losses Damaged Lines.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Discounted Rate Services and Negotiated Rate Services

1. In column b, report the revenues from discounted rate services.
2. In column c, report the volumes of discounted rate services.
3. In column d, report the revenues from negotiated rate services.
4. In column e, report the volumes of negotiated rate services.

Line No.	Account (a)	Discounted Rate Services Revenue (b)	Discounted Rate Services Volumes (c)	Negotiated Rate Services Revenue (d)	Negotiated Rate Services Volumes (e)
1	Account 489.1, Revenues from transportation of gas of others through gathering facilities.				
2	Account 489.2, Revenues from transportation of gas of others through transmission facilities.				
3	Account 489.4, Revenues from storing gas of others.				
4	Account 495, Other gas revenues.				
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	Total				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Gas Operation and Maintenance Expenses

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
1	1. PRODUCTION EXPENSES		
2	A. Manufactured Gas Production		
3	Manufactured Gas Production (Submit Supplemental Statement)	1,630,180	793,792
4	B. Natural Gas Production		
5	B1. Natural Gas Production and Gathering		
6	Operation		
7	750 Operation Supervision and Engineering	0	0
8	751 Production Maps and Records	0	0
9	752 Gas Well Expenses	0	0
10	753 Field Lines Expenses	0	0
11	754 Field Compressor Station Expenses	0	0
12	755 Field Compressor Station Fuel and Power	0	0
13	756 Field Measuring and Regulating Station Expenses	0	0
14	757 Purification Expenses	0	0
15	758 Gas Well Royalties	0	0
16	759 Other Expenses	0	0
17	760 Rents	0	0
18	TOTAL Operation (Total of lines 7 thru 17)	0	0
19	Maintenance		
20	761 Maintenance Supervision and Engineering	0	0
21	762 Maintenance of Structures and Improvements	0	0
22	763 Maintenance of Producing Gas Wells	0	0
23	764 Maintenance of Field Lines	0	0
24	765 Maintenance of Field Compressor Station Equipment	0	0
25	766 Maintenance of Field Measuring and Regulating Station Equipment	0	0
26	767 Maintenance of Purification Equipment	0	0
27	768 Maintenance of Drilling and Cleaning Equipment	0	0
28	769 Maintenance of Other Equipment	0	0
29	TOTAL Maintenance (Total of lines 20 thru 28)	0	0
30	TOTAL Natural Gas Production and Gathering (Total of lines 18 and 29)	0	0

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Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
31	B2. Products Extraction		
32	Operation		
33	770 Operation Supervision and Engineering	0	0
34	771 Operation Labor	0	0
35	772 Gas Shrinkage	0	0
36	773 Fuel	0	0
37	774 Power	0	0
38	775 Materials	0	0
39	776 Operation Supplies and Expenses	0	0
40	777 Gas Processed by Others	0	0
41	778 Royalties on Products Extracted	0	0
42	779 Marketing Expenses	0	0
43	780 Products Purchased for Resale	0	0
44	781 Variation in Products Inventory	0	0
45	(Less) 782 Extracted Products Used by the Utility-Credit	0	0
46	783 Rents	0	0
47	TOTAL Operation (Total of lines 33 thru 46)	0	0
48	Maintenance		
49	784 Maintenance Supervision and Engineering	0	0
50	785 Maintenance of Structures and Improvements	0	0
51	786 Maintenance of Extraction and Refining Equipment	0	0
52	787 Maintenance of Pipe Lines	0	0
53	788 Maintenance of Extracted Products Storage Equipment	0	0
54	789 Maintenance of Compressor Equipment	0	0
55	790 Maintenance of Gas Measuring and Regulating Equipment	0	0
56	791 Maintenance of Other Equipment	0	0
57	TOTAL Maintenance (Total of lines 49 thru 56)	0	0
58	TOTAL Products Extraction (Total of lines 47 and 57)	0	0

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Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
59	C. Exploration and Development		
60	Operation		
61	795 Delay Rentals	0	0
62	796 Nonproductive Well Drilling	0	0
63	797 Abandoned Leases	0	0
64	798 Other Exploration	0	0
65	TOTAL Exploration and Development (Total of lines 61 thru 64)	0	0
66	D. Other Gas Supply Expenses		
67	Operation		
68	800 Natural Gas Well Head Purchases	0	0
69	800.1 Natural Gas Well Head Purchases, Intracompany Transfers	0	0
70	801 Natural Gas Field Line Purchases	43,836,135	37,161,991
71	802 Natural Gas Gasoline Plant Outlet Purchases	0	0
72	803 Natural Gas Transmission Line Purchases	0	0
73	804 Natural Gas City Gate Purchases	0	0
74	804.1 Liquefied Natural Gas Purchases	0	0
75	805 Other Gas Purchases	(829,789)	86,609
76	(Less) 805.1 Purchases Gas Cost Adjustments	0	0
77	TOTAL Purchased Gas (Total of lines 68 thru 76)	43,006,346	37,248,600
78	806 Exchange Gas	0	0
79	Purchased Gas Expenses		
80	807.1 Well Expense-Purchased Gas	0	0
81	807.2 Operation of Purchased Gas Measuring Stations	296,366	166,931
82	807.3 Maintenance of Purchased Gas Measuring Stations	202,381	79,109
83	807.4 Purchased Gas Calculations Expenses	0	0
84	807.5 Other Purchased Gas Expenses	173,719	184,440
85	TOTAL Purchased Gas Expenses (Total of lines 80 thru 84)	672,466	430,480

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Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
86	808.1 Gas Withdrawn from Storage-Debit	0	0
87	(Less) 808.2 Gas Delivered to Storage-Credit	0	0
88	809.1 Withdrawals of Liquefied Natural Gas for Processing-Debit	0	0
89	(Less) 809.2 Deliveries of Natural Gas for Processing-Credit	0	0
90	Gas used in Utility Operation-Credit		
91	810 Gas Used for Compressor Station Fuel-Credit	0	0
92	811 Gas Used for Products Extraction-Credit	0	0
93	812 Gas Used for Other Utility Operations-Credit	0	0
94	TOTAL Gas Used in Utility Operations-Credit (Total of lines 91 thru 93)	0	0
95	813 Other Gas Supply Expenses	96,587	523,005
96	TOTAL Other Gas Supply Exp. (Total of lines 77,78,85,86 thru 89,94,95)	43,775,399	38,202,085
97	TOTAL Production Expenses (Total of lines 3, 30, 58, 65, and 96)	45,405,579	38,995,877
98	2. NATURAL GAS STORAGE, TERMINALING AND PROCESSING EXPENSES		
99	A. Underground Storage Expenses		
100	Operation		
101	814 Operation Supervision and Engineering	0	0
102	815 Maps and Records	0	0
103	816 Wells Expenses	0	0
104	817 Lines Expense	0	0
105	818 Compressor Station Expenses	0	0
106	819 Compressor Station Fuel and Power	0	0
107	820 Measuring and Regulating Station Expenses	0	0
108	821 Purification Expenses	0	0
109	822 Exploration and Development	0	0
110	823 Gas Losses	0	0
111	824 Other Expenses	0	0
112	825 Storage Well Royalties	0	0
113	826 Rents	0	0
114	TOTAL Operation (Total of lines of 101 thru 113)	0	0

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Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
115	Maintenance		
116	830 Maintenance Supervision and Engineering	0	0
117	831 Maintenance of Structures and Improvements	0	0
118	832 Maintenance of Reservoirs and Wells	0	0
119	833 Maintenance of Lines	0	0
120	834 Maintenance of Compressor Station Equipment	0	0
121	835 Maintenance of Measuring and Regulating Station Equipment	0	0
122	836 Maintenance of Purification Equipment	0	0
123	837 Maintenance of Other Equipment	0	0
124	TOTAL Maintenance (Total of lines 116 thru 123)	0	0
125	TOTAL Underground Storage Expenses (Total of lines 114 and 124)	0	0
126	B. Other Storage Expenses		
127	Operation		
128	840 Operation Supervision and Engineering	0	0
129	841 Operation Labor and Expenses	0	0
130	842 Rents	0	0
131	842.1 Fuel	0	0
132	842.2 Power	0	0
133	842.3 Gas Losses	0	0
134	TOTAL Operation (Total of lines 128 thru 133)	0	0
135	Maintenance		
136	843.1 Maintenance Supervision and Engineering	0	0
137	843.2 Maintenance of Structures	0	0
138	843.3 Maintenance of Gas Holders	0	0
139	843.4 Maintenance of Purification Equipment	0	0
140	843.5 Maintenance of Liquefaction Equipment	0	0
141	843.6 Maintenance of Vaporizing Equipment	0	0
142	843.7 Maintenance of Compressor Equipment	0	0
143	843.8 Maintenance of Measuring and Regulating Equipment	0	0
144	843.9 Maintenance of Other Equipment	0	0
145	TOTAL Maintenance (Total of lines 136 thru 144)	0	0
146	TOTAL Other Storage Expenses (Total of lines 134 and 145)	0	0

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Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
147	C. Liquefied Natural Gas Terminaling and Processing Expenses		
148	Operation		
149	844.1 Operation Supervision and Engineering	0	0
150	844.2 LNG Processing Terminal Labor and Expenses	0	0
151	844.3 Liquefaction Processing Labor and Expenses	0	0
152	844.4 Liquefaction Transportation Labor and Expenses	0	0
153	844.5 Measuring and Regulating Labor and Expenses	0	0
154	844.6 Compressor Station Labor and Expenses	0	0
155	844.7 Communication System Expenses	0	0
156	844.8 System Control and Load Dispatching	0	0
157	845.1 Fuel	0	0
158	845.2 Power	0	0
159	845.3 Rents	0	0
160	845.4 Demurrage Charges	0	0
161	(less) 845.5 Wharfage Receipts-Credit	0	0
162	845.6 Processing Liquefied or Vaporized Gas by Others	0	0
163	846.1 Gas Losses	0	0
164	846.2 Other Expenses	0	0
165	TOTAL Operation (Total of lines 149 thru 164)	0	0
166	Maintenance		
167	847.1 Maintenance Supervision and Engineering	0	0
168	847.2 Maintenance of Structures and Improvements	0	0
169	847.3 Maintenance of LNG Processing Terminal Equipment	0	0
170	847.4 Maintenance of LNG Transportation Equipment	0	0
171	847.5 Maintenance of Measuring and Regulating Equipment	0	0
172	847.6 Maintenance of Compressor Station Equipment	0	0
173	847.7 Maintenance of Communication Equipment	0	0
174	847.8 Maintenance of Other Equipment	0	0
175	TOTAL Maintenance (Total of lines 167 thru 174)	0	0
176	TOTAL Liquefied Nat Gas Terminaling and Proc Exp (Total of lines 165 and 175)	0	0
177	TOTAL Natural Gas Storage (Total of lines 125, 146, and 176)	0	0

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Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
178	3. TRANSMISSION EXPENSES		
179	Operation		
180	850 Operation Supervision and Engineering	1,944	481
181	851 System Control and Load Dispatching	0	0
182	852 Communication System Expenses	0	0
183	853 Compressor Station Labor and Expenses	0	0
184	854 Gas for Compressor Station Fuel	0	0
185	855 Other Fuel and Power for Compressor Stations	0	0
186	856 Mains Expenses	0	0
187	857 Measuring and Regulating Station Expenses	0	0
188	858 Transmission and Compression of Gas by Others	0	0
189	859 Other Expenses	5,335	2,235
190	860 Rents	0	0
191	TOTAL Operation (Total of lines 180 thru 190)	7,279	2,716
192	Maintenance		
193	861 Maintenance Supervision and Engineering	0	0
194	862 Maintenance of Structures and Improvements	0	0
195	863 Maintenance of Mains	0	0
196	864 Maintenance of Compressor Station Equipment	0	0
197	865 Maintenance of Measuring and Regulating Station Equipment	0	0
198	866 Maintenance of Communication Equipment	0	0
199	867 Maintenance of Other Equipment	0	0
200	TOTAL Maintenance (Total of lines 193 thru 199)	0	0
201	TOTAL Transmission Expenses (Total of lines 191 and 200)	7,279	2,716
202	4. DISTRIBUTION EXPENSES		
203	Operation		
204	870 Operation Supervision and Engineering	0	0
205	871 Distribution Load Dispatching	144,122	155,692
206	872 Compressor Station Labor and Expenses	0	0
207	873 Compressor Station Fuel and Power	0	0

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
208	874 Mains and Services Expenses	2,226,936	2,596,130
209	875 Measuring and Regulating Station Expenses-General	10,954	1,523
210	876 Measuring and Regulating Station Expenses-Industrial	26,394	20,754
211	877 Measuring and Regulating Station Expenses-City Gas Check Station	0	0
212	878 Meter and House Regulator Expenses	1,710,760	2,448,922
213	879 Customer Installations Expenses	1,147,331	1,264,352
214	880 Other Expenses	1,925,239	2,597,986
215	881 Rents	0	0
216	TOTAL Operation (Total of lines 204 thru 215)	7,191,736	9,085,359
217	Maintenance		
218	885 Maintenance Supervision and Engineering	0	0
219	886 Maintenance of Structures and Improvements	0	0
220	887 Maintenance of Mains	1,456,656	922,883
221	888 Maintenance of Compressor Station Equipment	0	0
222	889 Maintenance of Measuring and Regulating Station Equipment-General	33,567	47,473
223	890 Maintenance of Meas. and Reg. Station Equipment-Industrial	0	0
224	891 Maintenance of Meas. and Reg. Station Equip-City Gate Check Station	0	0
225	892 Maintenance of Services	723,645	759,836
226	893 Maintenance of Meters and House Regulators	462,658	284,008
227	894 Maintenance of Other Equipment	(54,236)	5,825
228	TOTAL Maintenance (Total of lines 218 thru 227)	2,622,290	2,020,025
229	TOTAL Distribution Expenses (Total of lines 216 and 228)	9,814,026	11,105,384
230	5. CUSTOMER ACCOUNTS EXPENSES		
231	Operation		
232	901 Supervision	412,906	587,612
233	902 Meter Reading Expenses	295,335	467,970
234	903 Customer Records and Collection Expenses	2,842,101	2,568,495

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Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Gas Operation and Maintenance Expenses(continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
235	904 Uncollectible Accounts	8,111	3,920
236	905 Miscellaneous Customer Accounts Expenses	265	314
237	TOTAL Customer Accounts Expenses (Total of lines 232 thru 236)	3,558,718	3,628,311
238	6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
239	Operation		
240	907 Supervision	0	0
241	908 Customer Assistance Expenses	162,535	139,343
242	909 Informational and Instructional Expenses	3,847	1,310
243	910 Miscellaneous Customer Service and Informational Expenses	248,950	310,786
244	TOTAL Customer Service and Information Expenses (Total of lines 240 thru 243)	415,332	451,439
245	7. SALES EXPENSES		
246	Operation		
247	911 Supervision	468	19
248	912 Demonstrating and Selling Expenses	164,756	99,009
249	913 Advertising Expenses	6,084	7,303
250	916 Miscellaneous Sales Expenses	0	0
251	TOTAL Sales Expenses (Total of lines 247 thru 250)	171,308	106,331
252	8. ADMINISTRATIVE AND GENERAL EXPENSES		
253	Operation		
254	920 Administrative and General Salaries	2,980,149	1,750,117
255	921 Office Supplies and Expenses	1,223,848	1,014,537
256	(Less) 922 Administrative Expenses Transferred-Credit	(150)	(331)
257	923 Outside Services Employed	2,155,791	1,092,343
258	924 Property Insurance	56,754	128,252
259	925 Injuries and Damages	166,823	423,476
260	926 Employee Pensions and Benefits	2,044,715	1,815,518
261	927 Franchise Requirements	0	0
262	928 Regulatory Commission Expenses	186,988	194,195
263	(Less) 929 Duplicate Charges-Credit	296,254	266,488
264	930.1General Advertising Expenses	27,271	8,689
265	930.2Miscellaneous General Expenses	334,441	215,142
266	931 Rents	357,830	439,855
267	TOTAL Operation (Total of lines 254 thru 266)	9,238,506	6,815,967
268	Maintenance		
269	932 Maintenance of General Plant	14,933	2,527
270	TOTAL Administrative and General Expenses (Total of lines 267 and 269)	9,253,439	6,818,494
271	TOTAL Gas O&M Expenses (Total of lines 97,177,201,229,237,244,251, and 270)	68,625,681	61,108,552

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Duke Energy Kentucky, Inc.	(1) X An Original (2) __ A Resubmission	04/12/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 317 Line No.: 3 Column: b

		Q4 2018		Q4 2017
Operation:				
711 Gas Boiler Labor	$	8,866	$	5,663
712 Other Power Expenses		3,882		17,096
717 Liquified Petroleum Gas Expenses		112,068		83,244
728 Liquified Petroleum Gas		1,282,289		588,951
735 Misc. Production Expense		64,588		45,911
736 Gas Raw Material - Rents		-		-
Total Operation	$	1,471,693	$	740,865
Maintenance:				
742 Production Equipment		158,487		52,927
Total Maintenance	$	158,487	$	52,927
Total Manufactured Gas Production	$	1,630,180	$	793,792

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Exchange and Imbalance Transactions

1. Report below details by zone and rate schedule concerning the gas quantities and related dollar amount of imbalances associated with system balancing and no-notice service. Also, report certificated natural gas exchange transactions during the year. Provide subtotals for imbalance and no-notice quantities for exchanges. If respondent does not have separate zones, provide totals by rate schedule. Minor exchange transactions (less than 100,000 Dth) may be grouped.

Line No.	Zone/Rate Schedule (a)	Gas Received from Others Amount (b)	Gas Received from Others Dth (c)	Gas Delivered to Others Amount (d)	Gas Delivered to Others Dth (e)
1					
2					
3					
4					
5					
6					
7					
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10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25	**Total**	0	0	0	0

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Gas Used in Utility Operations

1. Report below details of credits during the year to Accounts 810, 811, and 812.
2. If any natural gas was used by the respondent for which a charge was not made to the appropriate operating expense or other account, list separately in column (c) the Dth of gas used, omitting entries in column (d).

Line No.	Purpose for Which Gas Was Used (a)	Account Charged (b)	Natural Gas Gas Used Dth (c)	Natural Gas Amount of Credit (in dollars) (d)	Natural Gas Amount of Credit (in dollars) (d)	Natural Gas Amount of Credit (in dollars) (d)
1	810 Gas Used for Compressor Station Fuel - Credit					
2	811 Gas Used for Products Extraction - Credit					
3	Gas Shrinkage and Other Usage in Respondent's Own Processing					
4	Gas Shrinkage, etc. for Respondent's Gas Processed by Others					
5	812 Gas Used for Other Utility Operations - Credit (Report separately for each principal use. Group minor uses.)					
6						
7						
8						
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25	**Total**					

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Transmission and Compression of Gas by Others (Account 858)

1. Report below details concerning gas transported or compressed for respondent by others equalling more than 1,000,000 Dth and amounts of payments for such services during the year. Minor items (less than 1,000,000) Dth may be grouped. Also, include in column (c) amounts paid as transition costs to an upstream pipeline.
2. In column (a) give name of companies, points of delivery and receipt of gas. Designate points of delivery and receipt so that they can be identified readily on a map of respondent's pipeline system.
3. Designate associated companies with an asterisk in column (b).

Line No.	Name of Company and Description of Service Performed (a)	* (b)	Amount of Payment (in dollars) (c)	Dth of Gas Delivered (d)
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24				
25	**Total**			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Other Gas Supply Expenses (Account 813)

1. Report other gas supply expenses by descriptive titles that clearly indicate the nature of such expenses. Show maintenance expenses, revaluation of monthly encroachments recorded in Account 117.4, and losses on settlements of imbalances and gas losses not associated with storage separately. Indicate the functional classification and purpose of property to which any expenses relate. List separately items of $250,000 or more.

Line No.	Description (a)	Amount (in dollars) (b)
1	DSM Gas Expense	96,587
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25	**Total**	96,587

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Miscellaneous General Expenses (Account 930.2)

1. Provide the information requested below on miscellaneous general expenses.
2. For Other Expenses, show the (a) purpose, (b) recipient and (c) amount of such items. List separately amounts of $250,000 or more however, amounts less than $250,000 may be grouped if the number of items of so grouped is shown.

Line No.	Description (a)	Amount (in dollars) (b)
1	Industry association dues.	19,328
2	Experimental and general research expenses.	
	a. Gas Research Institute (GRI)	
	b. Other	714
3	Publishing and distributing information and reports to stockholders, trustee, registrar, and transfer	
	agent fees and expenses, and other expenses of servicing outstanding securities of the respondent	
4	Other expenses	
5	Business and Service Company Support	187,887
6	Director's Fees and Expenses	17,944
7	Shareholder's Communication's/Systems	93
8	Account Analysis Reconciliation Adjustments	108,389
9		
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25	**Total**	334,355

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Depreciation, Depletion and Amortization of Gas Plant (Accts 403, 404.1, 404.2, 404.3, 405) (Except Amortization of Acquisition Adjustments)

1. Report in Section A the amounts of depreciation expense, depletion and amortization for the accounts indicated and classified according to the plant functional groups shown.
2. Report in Section B, column (b) all depreciable or amortizable plant balances to which rates are applied and show a composite total. (If more desirable, report by plant account, subaccount or functional classifications other than those pre-printed in column (a). Indicate in a footnote the manner in which column (b) balances are

Section A. Summary of Depreciation, Depletion, and Amortization Charges

Line No.	Functional Classification (a)	Depreciation Expense (Account 403) (b)	Amortization Expense for Asset Retirement Costs (Account 403.1) (c)	Amortization and Depletion of Producing Natural Gas Land and Land Rights (Account 404.1) (d)	Amortization of Underground Storage Land and Land Rights (Account 404.2) (e)
1	Intangible plant				
2	Production plant, manufactured gas	151,932			
3	Production and gathering plant, natural gas				
4	Products extraction plant				
5	Underground gas storage plant				
6	Other storage plant				
7	Base load LNG terminaling and processing plant				
8	Transmission plant				
9	Distribution plant	12,210,218			
10	General plant				
11	Common plant-gas	65,688			
12	TOTAL	12,427,838			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Depreciation, Depletion and Amortization of Gas Plant (Accts 403, 404.1, 404.2, 404.3, 405) (Except Amortization of Acquisition Adjustments) (continued)

obtained. If average balances are used, state the method of averaging used. For column (c) report available information for each plant functional classification listed in column (a). If composite depreciation accounting is used, report available information called for in columns (b) and (c) on this basis. Where the unit-of-production method is used to determine depreciation charges, show in a footnote any revisions made to estimated gas reserves.

3. If provisions for depreciation were made during the year in addition to depreciation provided by application of reported rates, state in a footnote the amounts and nature of the provisions and the plant items to which related.

Section A. Summary of Depreciation, Depletion, and Amortization Charges

Line No.	Amortization of Other Limited-term Gas Plant (Account 404.3) (f)	Amortization of Other Gas Plant (Account 405) (g)	Total (b to g) (h)	Functional Classification (a)
1	1,579,875		1,579,875	Intangible plant
2			151,932	Production plant, manufactured gas
3				Production and gathering plant, natural gas
4				Products extraction plant
5				Underground gas storage plant
6				Other storage plant
7				Base load LNG terminaling and processing plant
8				Transmission plant
9			12,210,218	Distribution plant
10	430,780		430,780	General plant
11	355,323		421,011	Common plant-gas
12	2,365,978		14,793,816	TOTAL

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Depreciation, Depletion and Amortization of Gas Plant (Accts 403, 404.1, 404.2, 404.3, 405) (Except Amortization of Acquisition Adjustments) (continued)

4. Add rows as necessary to completely report all data. Number the additional rows in sequence as 2.01, 2.02, 3.01, 3.02, etc.

Section B. Factors Used in Estimating Depreciation Charges

Line No.	Functional Classification (a)	Plant Bases (in thousands) (b)	Applied Depreciation or Amortization Rates (percent) (c)
1	Production and Gathering Plant		
2	Offshore (footnote details)		
3	Onshore (footnote details)		
4	Underground Gas Storage Plant (footnote details)		
5	Transmission Plant		
6	Offshore (footnote details)		
7	Onshore (footnote details)		
8	General Plant (footnote details)		
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Particulars Concerning Certain Income Deductions and Interest Charges Accounts

Report the information specified below, in the order given, for the respective income deduction and interest charges accounts.

(a) Miscellaneous Amortization (Account 425)-Describe the nature of items included in this account, the contra account charged, the total of amortization charges for the year, and the period of amortization.

(b) Miscellaneous Income Deductions-Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2, Life Insurance; 426.3, Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities; and 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less than $250,000 may be grouped by classes within the above accounts.

(c) Interest on Debt to Associated Companies (Account 430)-For each associated company that incurred interest on debt during the year, indicate the amount and interest rate respectively for (a) advances on notes, (b) advances on open account, (c) notes payable, (d) accounts payable, and (e) other debt, and total interest. Explain the nature of other debt on which interest was incurred during the year.

(d) Other Interest Expense (Account 431) - Report details including the amount and interest rate for other interest charges incurred during the year.

Line No.	Item (a)	Amount (b)
1		
2	Account 421.2 - Loss On Disposal of Property	79,868
3		
4	Account 426.1 - Donations	
5	Customer Assistance Programs	51,824
6	Items Under Threshold	293,630
7		
8	Account 426.2 - Life Insurance	
9	Life Insurance Expense	(2,327)
10		
11	Account 426.3 - Penalties	
12	Items Under Threshold	12
13		
14	Account 426.4 - Expenditures	
15	Civic, Political & Related Activities	573,720
16		
17	Account 426.5 - Other Deductions	
18	Sale of A/R Fees	2,218,612
19	Items Under Threshold	18,663
20		
21	Total Account 426	3,234,002
22		
23	Account 430 - Interest on Debt to Associated Companies	
24	Money Pool - Duke Energy Kentucky to Duke Energy Corporation	1,423,935
25	Money Pool - Duke Energy Kentucky to Duke Energy Florida	199,385
26	Money Pool - Duke Energy Kentucky to Duke Energy Ohio	824
27	Money Pool - Duke Energy Kentucky to Duke Energy Progress	39,584
28	Money Pool - Duke Energy Kentucky to Duke Energy Carolinas	12,452
29	Money Pool - Duke Energy Kentucky to Piedmont Natural Gas	12,743
30		
31	Total Account 430	1,688,923
32		
33	Account 431 - Other Interest Expense:	
34	Swap Net Interest	771,107
35	Credit Facility	395,051

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Particulars Concerning Certain Income Deductions and Interest Charges Accounts (continued)

Line No.	Item (a)	Amount (b)
1	Interest - Assigned from Service Company	345,884
2	Customer Service Deposits @ .66% Annum	139,743
3	Cox Avenue Office Lease	45,301
4	Capital Meter Lease Interest	15,888
5	Deferred Compensation for Board of Directors	5,276
6	Coal Ash Equity Return	(317,833)
7	Items Under Threshold	1,027
8		
9	Total Account 431	1,401,444
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Regulatory Commission Expenses (Account 928)

1. Report below details of regulatory commission expenses incurred during the current year (or in previous years, if being amortized) relating to formal cases before a regulatory body, or cases in which such a body was a party.
2. In column (b) and (c), indicate whether the expenses were assessed by a regulatory body or were otherwise incurred by the utility.

Line No.	Description (Furnish name of regulatory commission or body, the docket number, and a description of the case.) (a)	Assessed by Regulatory Commission (b)	Expenses of Utility (c)	Total Expenses to Date (d)	Deferred in Account 182.3 at Beginning of Year (e)
1	Kentucky Public Service Commission Expense				
2	Gas Related	186,988		186,988	
3	Electric Related	681,983		681,983	
4					
5	Kentucky Public Service Commission				
6	Case No. 2017-00321				
7	Request for Rate Increase - Electric (1)		138,071	138,071	
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22	(1) The expenses from the Request for Rate				
23	Increase, Case No. 2017-00321, are deferred				
24	in FERC account 186.				
25	**Total**	868,971	138,071	1,007,042	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Regulatory Commission Expenses (Account 928)

3. Show in column (k) any expenses incurred in prior years that are being amortized. List in column (a) the period of amortization.
4. Identify separately all annual charge adjustments (ACA).
5. List in column (f), (g), and (h) expenses incurred during year which were charges currently to income, plant, or other accounts.
6. Minor items (less than $250,000) may be grouped.

Line No.	Expenses Incurred During Year Charged Currently To Department (f)	Expenses Incurred During Year Charged Currently To Account No. (g)	Expenses Incurred During Year Charged Currently To Amount (h)	Expenses Incurred During Year Deferred to Account 182.3 (i)	Amortized During Year Contra Account (j)	Amortized During Year Amount (k)	Deferred in Account 182.3 End of Year (l)
1							
2	Gas	928	186,988				
3	Electric	928	681,983				
4							
5							
6							
7	Electric	928	138,071				569,764
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25			1,007,042				569,764

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Employee Pensions and Benefits (Account 926)

1. Report below the items contained in Account 926, Employee Pensions and Benefits.

Line No.	Expense (a)	Amount (b)
1	Pensions – defined benefit plans	183,370
2	Pensions – other	1,218,019
3	Post-retirement benefits other than pensions (PBOP)	394,920
4	Post- employment benefit plans	556,776
5	Other (Specify)	
6	Medical and Dental	2,314,125
7	Life Insurance	29,635
8	Service/Safety/Awards	15,506
9	Other Work/Family Benefits/Tuition	11,474
10	Allocated S&E	(504,396)
11	Benefits Distribution	3,724,724
12	Other	105,604
13		
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	Total	**8,049,757**

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Distribution of Salaries and Wages

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals and Other Accounts, and enter such amounts in the appropriate lines and columns provided. Salaries and wages billed to the Respondent by an affiliated company must be assigned to the particular operating function(s) relating to the expenses.

In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used. When reporting detail of other accounts, enter as many rows as necessary numbered sequentially starting with 75.01, 75.02, etc.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Payroll Billed by Affiliated Companies (c)	Allocation of Payroll Charged for Clearing Accounts (d)	Total (e)
1	Electric				
2	Operation				
3	Production	3,125,836	3,004,465	538,141	6,668,442
4	Transmission	18,773	646,725	58,420	723,918
5	Distribution	1,144,855	1,102,936	197,319	2,445,110
6	Customer Accounts	540,980	1,886,737	213,114	2,640,831
7	Customer Service and Informational	103	158,715	13,942	172,760
8	Sales				
9	Administrative and General	348,211	8,069,228	738,914	9,156,353
10	TOTAL Operation (Total of lines 3 thru 9)	5,178,758	14,868,806	1,759,850	21,807,414
11	Maintenance				
12	Production	3,820,684	3,342,197		7,162,881
13	Transmission	25,197	278,028		303,225
14	Distribution	1,035,826	684,130		1,719,956
15	Administrative and General		223		223
16	TOTAL Maintenance (Total of lines 12 thru 15)	4,881,707	4,304,578		9,186,285
17	Total Operation and Maintenance				
18	Production (Total of lines 3 and 12)	6,946,520	6,346,662	538,141	13,831,323
19	Transmission (Total of lines 4 and 13)	43,970	924,753	58,420	1,027,143
20	Distribution (Total of lines 5 and 14)	2,180,681	1,787,066	197,319	4,165,066
21	Customer Accounts (line 6)	540,980	1,886,737	213,114	2,640,831
22	Customer Service and Informational (line 7)	103	158,715	13,942	172,760
23	Sales (line 8)				
24	Administrative and General (Total of lines 9 and 15)	348,211	8,069,451	738,914	9,156,576
25	TOTAL Operation and Maintenance (Total of lines 18 thru 24)	10,060,465	19,173,384	1,759,850	30,993,699
26	Gas				
27	Operation				
28	Production - Manufactured Gas	408,577	34,130	19,841	462,548
29	Production - Natural Gas(Including Exploration and Development)				
30	Other Gas Supply		338,149	15,155	353,304
31	Storage, LNG Terminaling and Processing				
32	Transmission				
33	Distribution	1,743,678	1,187,930	131,388	3,062,996
34	Customer Accounts	409,312	1,279,302	75,680	1,764,294
35	Customer Service and Informational		172,954	7,751	180,705
36	Sales				
37	Administrative and General	157,209	2,326,516	111,315	2,595,040
38	TOTAL Operation (Total of lines 28 thru 37)	2,718,776	5,338,981	361,130	8,418,887
39	Maintenance				
40	Production - Manufactured Gas	74,766	75,685		150,451
41	Production - Natural Gas(Including Exploration and Development)				
42	Other Gas Supply				
43	Storage, LNG Terminaling and Processing				
44	Transmission				
45	Distribution	662,631	686,681		1,349,312

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Distribution of Salaries and Wages (continued)

Line No.	Classification (a)	Direct Payroll Distribution (b)	Payroll Billed by Affiliated Companies (c)	Allocation of Payroll Charged for Clearing Accounts (d)	Total (e)
46	Administrative and General	409	718		1,127
47	TOTAL Maintenance (Total of lines 40 thru 46)	737,806	763,084		1,500,890
48	Gas (Continued)				
49	Total Operation and Maintenance				
50	Production - Manufactured Gas (Total of lines 28 and 40)	483,343	109,815	19,841	612,999
51	Production - Natural Gas (Including Expl. and Dev.)(ll. 29 and 41)				
52	Other Gas Supply (Total of lines 30 and 42)		338,149	15,155	353,304
53	Storage, LNG Terminaling and Processing (Total of ll. 31 and 43)				
54	Transmission (Total of lines 32 and 44)				
55	Distribution (Total of lines 33 and 45)	2,406,309	1,874,611	131,388	4,412,308
56	Customer Accounts (Total of line 34)	409,312	1,279,302	75,680	1,764,294
57	Customer Service and Informational (Total of line 35)		172,954	7,751	180,705
58	Sales (Total of line 36)				
59	Administrative and General (Total of lines 37 and 46)	157,618	2,327,234	111,315	2,596,167
60	Total Operation and Maintenance (Total of lines 50 thru 59)	3,456,582	6,102,065	361,130	9,919,777
61	Other Utility Departments				
62	Operation and Maintenance				
63	TOTAL ALL Utility Dept. (Total of lines 25, 60, and 62)	13,517,047	25,275,449	2,120,980	40,913,476
64	Utility Plant				
65	Construction (By Utility Departments)				
66	Electric Plant	4,602,982	9,296,219		13,899,201
67	Gas Plant	1,173,818	4,956,320		6,130,138
68	Other				
69	TOTAL Construction (Total of lines 66 thru 68)	5,776,800	14,252,539		20,029,339
70	Plant Removal (By Utility Departments)				
71	Electric Plant	682,867	1,152,208		1,835,075
72	Gas Plant	201,477	387,636		589,113
73	Other				
74	TOTAL Plant Removal (Total of lines 71 thru 73)	884,344	1,539,844		2,424,188
75	Other Accounts (Specify) (footnote details)	(1,668,064)	3,450,909		1,782,845
76	TOTAL Other Accounts	(1,668,064)	3,450,909		1,782,845
77	TOTAL SALARIES AND WAGES	18,510,127	44,518,741	2,120,980	65,149,848

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) X An Original (2) _ A Resubmission	04/12/2019	2018/Q4

FOOTNOTE DATA

Schedule Page: 354 Line No.: 76 Column: b

Projects For Duke's Subsidiaries & Merchandising	$	-
Other Work in Progress		(1,912,250)
Other Accounts		244,186
Total	$	(1,668,064)

Schedule Page: 354 Line No.: 76 Column: c

Projects For Duke's Subsidiaries & Merchandising	$	32,999
Other Work in Progress		2,361,898
Other Accounts		1,056,012
Total	$	3,450,909

Schedule Page: 354 Line No.: 76 Column: e

Projects For Duke's Subsidiaries & Merchandising	$	32,999
Other Work in Progress		449,648
Other Accounts		1,300,198
Total	$	1,782,845

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Charges for Outside Professional and Other Consultative Services

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting, purchasing, advertising,labor relations, and public relations, rendered for the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation partnership, organization of any kind, or individual (other than for services as an employee or for payments made for medical and related services) amounting to more than $250,000, including payments for legislative services, except those which should be reported in Account 426.4 Expenditures for Certain Civic, Political and Related Activities.
 (a) Name of person or organization rendering services.
 (b) Total charges for the year.
2. Sum under a description "Other", all of the aforementioned services amounting to $250,000 or less.
3. Total under a description "Total", the total of all of the aforementioned services.
4. Charges for outside professional and other consultative services provided by associated (affiliated) companies should be excluded from this schedule and be reported on Page 358, according to the instructions for that schedule.

Line No.	Description (a)	Amount (in dollars) (b)
1	ACCENTURE LLP - CONSULTING - FINANCE - IT	629,004
2	ELECTRIC POWER RESEARCH INSTITUTE ENTERPRISE - CONSULTING - IT	424,209
3	GOSS SAMFORD PLLC - LEGAL SERVICES - REGULATORY	295,599
4	Other	1,861,003
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10	Total	3,209,815
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Transactions with Associated (Affiliated) Companies

1. Report below the information called for concerning all goods or services received from or provided to associated (affiliated) companies amounting to more than $250,000.
2. Sum under a description "Other", all of the aforementioned goods and services amounting to $250,000 or less.
3. Total under a description "Total", the total of all of the aforementioned goods and services.
4. Where amounts billed to or received from the associated (affiliated) company are based on an allocation process, explain in a footnote the basis of the allocation.

Line No.	Description of the Good or Service (a)	Name of Associated/Affiliated Company (b)	Account(s) Charged or Credited (c)	Amount Charged or Credited (d)
1	Goods or Services Provided by Affiliated Company			
2	Services Provided by Duke Energy Business Services	Duke Energy Business Services, LLC	Various	135,224,601
3				
4	Customer & Market Services	Duke Energy Carolinas, LLC	Various	3,472,555
5	Generation Services	Duke Energy Carolinas, LLC	Various	33,991,789
6	Other Goods and Services	Duke Energy Carolinas, LLC	Various	864,510
7	Transmission and Distribution Services	Duke Energy Carolinas, LLC	Various	1,923,431
8				
9	Customer & Market Services	Duke Energy Progress, LLC	Various	228,021
10	Generation Services	Duke Energy Progress, LLC	Various	220,992
11	Other Goods and Services	Duke Energy Progress, LLC	Various	294,834
12	Transmission and Distribution Services	Duke Energy Progress, LLC	Various	190,020
13				
14				
15				
16				
17				
18				
19				
20	Goods or Services Provided for Affiliated Company			
21				
22	Customer & Market Services	Duke Energy Carolinas, LLC	Various	35,469
23	Gas Distribution Services	Duke Energy Carolinas, LLC	Various	(2,321)
24	Generation Services	Duke Energy Carolinas, LLC	Various	3,462
25	Other Goods and Services	Duke Energy Carolinas, LLC	Various	14
26	Transmission and Distribution Services	Duke Energy Carolinas, LLC	Various	545,532
27				
28	Customer & Market Services	Duke Energy Progress, LLC	Various	52,001
29	Gas Distribution Services	Duke Energy Progress, LLC	Various	658
30	Generation Services	Duke Energy Progress, LLC	Various	18,432
31	Other Goods and Services	Duke Energy Progress, LLC	Various	
32	Transmission and Distribution Services	Duke Energy Progress, LLC	Various	385,145
33				
34	Customer & Market Services	Duke Energy Florida, LLC	Various	7,355
35	Gas Distribution Services	Duke Energy Florida, LLC	Various	749
36	Generation Services	Duke Energy Florida, LLC	Various	39,148
37	Other Goods and Services	Duke Energy Florida, LLC	Various	
38	Transmission and Distribution Services	Duke Energy Florida, LLC	Various	1,026,527
39				
40				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Transactions with Associated (Affiliated) Companies (continued)

Line No.	Description of the Good or Service (a)	Name of Associated/Affiliated Company (b)	Account(s) Charged or Credited (c)	Amount Charged or Credited (d)
1	Goods or Services Provided by Affiliated Company			
2	Customer & Market Services	Duke Energy Indiana, LLC	Various	107,586
3	Gas Distribution Services	Duke Energy Indiana, LLC	Various	
4	Generation Services	Duke Energy Indiana, LLC	Various	19,051,496
5	Other Goods and Services	Duke Energy Indiana, LLC	Various	59,332
6	Transmission and Distribution Services	Duke Energy Indiana, LLC	Various	112,851
7				
8	Customer & Market Services	Duke Energy Ohio, Inc.	Various	6,503,161
9	Gas Distribution Services	Duke Energy Ohio, Inc.	Various	5,018
10	Other Goods and Services	Duke Energy Ohio, Inc.	Various	8,784,657
11	Transmission and Distribution Services	Duke Energy Ohio, Inc.	Various	2,118,446
12				
13	Gas Distribution Services	Piedmont Natural Gas Company, Inc.	Various	983,372
14				
15				
16				
17				
18				
19				
20	Goods or Services Provided for Affiliated Company			
21				
22	Customer & Market Services	Duke Energy Indiana, LLC	Various	437
23	Gas Distribution Services	Duke Energy Indiana, LLC	Various	355
24	Generation Services	Duke Energy Indiana, LLC	Various	1,302,602
25	Other Goods and Services	Duke Energy Indiana, LLC	Various	
26	Transmission and Distribution Services	Duke Energy Indiana, LLC	Various	19,372
27				
28	Customer & Market Services	Duke Energy Ohio, Inc.	Various	564,301
29	Gas Distribution Services	Duke Energy Ohio, Inc.	Various	1,202,008
30	Generation Services	Duke Energy Ohio, Inc.	Various	
31	Other Goods and Services	Duke Energy Ohio, Inc.	Various	25,000
32	Transmission and Distribution Services	Duke Energy Ohio, Inc.	Various	3,734,066
33				
34	Other Goods and Services	KO Transmission Company	Various	1,729,061
35				
36				
37				
38				
39				
40				

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
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FOOTNOTE DATA

Schedule Page: 358 Line No.: 2 Column: a

When an employee of the Service Company performs services for a Client Company, costs will be directly assigned or distributed or allocated. For allocated services, the allocation method will be on a basis reasonably related to the service performed. The Service Company Utility Service Agreement prescribes 23 Service Company functions and approximately 20 allocation methods.

Functions and Allocation Methods:

Information Systems
- Number of Central Processing Unit Seconds Ratio/Millions of Instructions per Second
- Number of Personal Computer Workstations Ratio
- Number of Information Systems Servers Ratio
- Number of Employees Ratio

Meters
- Number of Customers Ratio

Transportation
- Number of Employees Ratio
- Three Factor Formula

Electric System Maintenance
- Circuit Miles of Electric Transmission Lines Ratio
- Circuit Miles of Electric Distribution Lines Ratio

Marketing and Customer Relations and Grid Solutions
- Number of Customers Ratio

Electric Transmission & Distribution Engineering & Construction
- Electric Transmission Plant's Construction - Expenditures Ratio
- Electric Distribution Plant's Construction - Expenditures Ratio

Power Engineering & Construction
- Electric Production Plant's Construction - Expenditures Ratio

Human Resources
- Number of Employees Ratio

Supply Chain
- Procurement Spending Ratio
- Inventory Ratio

Facilities
- Square Footage Ratio

Accounting
- Three Factor Formula
- Generating Unit MW Capability Ratio

Power Planning and Operations
- Electric Peak Load Ratio
- Weighted Avg of the Circuit Miles of Electric Distribution Lines Ratio and the Electric Peak Load Ratio
- Sales Ratio
- Weighted Avg of the Circuit Miles of Electric Transmission Lines Ratio and the Electric Peak Load Ratio
- Generating Unit MW Capability Ratio

Public Affairs
- Three Factor Formula
- Weighted Avg of Number of Customers Ratio and Number of Employees Ratio

Legal
- Three Factor Formula

Rates
- Sales Ratio

Finance
- Three Factor Formula

Rights of Way
- Circuit Miles of Electric Transmission Lines Ratio

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FOOTNOTE DATA

- Circuit Miles of Electric Distribution Lines Ratio
- Electric Peak Load Ratio

Internal Auditing

- Three Factor Formula

Environmental, Health and Safety

- Three Factor Formula
- Sales Ratio

Fuels

- Sales Ratio

Investor Relations

- Three Factor Formula

Planning

- Three Factor Formula

Executive

- Three Factor Formula

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Compressor Stations

1. Report below details concerning compressor stations. Use the following subheadings: field compressor stations, products extraction compressor stations, underground storage compressor stations, transmission compressor stations, distribution compressor stations, and other compressor stations.
2. For column (a), indicate the production areas where such stations are used. Group relatively small field compressor stations by production areas. Show the number of stations grouped. Identify any station held under a title other than full ownership. State in a footnote the name of owner or co-owner, the nature of respondent's title, and percent of ownership if jointly owned.

Line No.	Name of Station and Location (a)	Number of Units at Station (b)	Certificated Horsepower for Each Station (c)	Plant Cost (d)
1				
2				
3				
4				
5				
6				
7				
8				
9				
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11				
12				
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25				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Compressor Stations

Designate any station that was not operated during the past year. State in a footnote whether the book cost of such station has been retired in the books of account, or what disposition of the station and its book cost are contemplated. Designate any compressor units in transmission compressor stations installed and put into operation during the year and show in a footnote each unit's size and the date the unit was placed in operation.

3. For column (e), include the type of fuel or power, if other than natural gas. If two types of fuel or power are used, show separate entries for natural gas and the other fuel or power.

Line No.	Expenses (except depreciation and taxes) Fuel (e)	Expenses (except depreciation and taxes) Power (f)	Expenses (except depreciation and taxes) Other (g)	Gas for Compressor Fuel in Dth (h)	Electricity for Compressor Station in kWh (i)	Operational Data Total Compressor Hours of Operation During Year (j)	Operational Data Number of Compressors Operated at Time of Station Peak (k)	Date of Station Peak (l)
1								
2								
3								
4								
5								
6								
7								
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9								
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11								
12								
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14								
15								
16								
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23								
24								
25								

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Gas Storage Projects

1. Report injections and withdrawals of gas for all storage projects used by respondent.

Line No.	Item (a)	Gas Belonging to Respondent (Dth) (b)	Gas Belonging to Others (Dth) (c)	Total Amount (Dth) (d)
	STORAGE OPERATIONS (in Dth)			
1	Gas Delivered to Storage			
2	January			
3	February			
4	March			
5	April			
6	May			
7	June			
8	July			
9	August			
10	September			
11	October			
12	November			
13	December			
14	TOTAL (Total of lines 2 thru 13)			
15	Gas Withdrawn from Storage			
16	January			
17	February			
18	March			
19	April			
20	May			
21	June			
22	July			
23	August			
24	September			
25	October			
26	November			
27	December			
28	TOTAL (Total of lines 16 thru 27)			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
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Gas Storage Projects

1. On line 4, enter the total storage capacity certificated by FERC.
2. Report total amount in Dth or other unit, as applicable on lines 2, 3, 4, 7. If quantity is converted from Mcf to Dth, provide conversion factor in a footnote.

Line No.	Item (a)	Total Amount (b)
	STORAGE OPERATIONS	
1	Top or Working Gas End of Year	
2	Cushion Gas (Including Native Gas)	
3	Total Gas in Reservoir (Total of line 1 and 2)	
4	Certificated Storage Capacity	
5	Number of Injection - Withdrawal Wells	
6	Number of Observation Wells	
7	Maximum Days' Withdrawal from Storage	
8	Date of Maximum Days' Withdrawal	
9	LNG Terminal Companies (in Dth)	
10	Number of Tanks	
11	Capacity of Tanks	
12	LNG Volume	
13	Received at "Ship Rail"	
14	Transferred to Tanks	
15	Withdrawn from Tanks	
16	"Boil Off" Vaporization Loss	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Transmission Lines

1. Report below, by state, the total miles of transmission lines of each transmission system operated by respondent at end of year.
2. Report separately any lines held under a title other than full ownership. Designate such lines with an asterisk, in column (b) and in a footnote state the name of owner, or co-owner, nature of respondent's title, and percent ownership if jointly owned.
3. Report separately any line that was not operated during the past year. Enter in a footnote the details and state whether the book cost of such a line, or any portion thereof, has been retired in the books of account, or what disposition of the line and its book costs are contemplated.
4. Report the number of miles of pipe to one decimal point.

Line No.	Designation (Identification) of Line or Group of Lines (a)	* (b)	Total Miles of Pipe (c)
1			
2			
3			
4			
5			
6			
7			
8			
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25			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Transmission System Peak Deliveries

1. Report below the total transmission system deliveries of gas (in Dth), excluding deliveries to storage, for the period of system peak deliveries indicated below, during the 12 months embracing the heating season overlapping the year's end for which this report is submitted. The season's peak normally will be reached before the due date of this report, April 30, which permits inclusion of the peak information required on this page. Add rows as necessary to report all data. Number additional rows 6.01, 6.02, etc.

Line No.	Description	Dth of Gas Delivered to Interstate Pipelines (b)	Dth of Gas Delivered to Others (c)	Total (b) + (c) (d)
	SECTION A: SINGLE DAY PEAK DELIVERIES			
1	Date:			
2	Volumes of Gas Transported			
3	No-Notice Transportation			
4	Other Firm Transportation			
5	Interruptible Transportation			
6	Other (Describe) (footnote details)			
7	TOTAL			
8	Volumes of gas Withdrawn form Storage under Storage Contract			
9	No-Notice Storage			
10	Other Firm Storage			
11	Interruptible Storage			
12	Other (Describe) (footnote details)			
13	TOTAL			
14	Other Operational Activities			
15	Gas Withdrawn from Storage for System Operations			
16	Reduction in Line Pack			
17	Other (Describe) (footnote details)			
18	TOTAL			
19	SECTION B: CONSECUTIVE THREE-DAY PEAK DELIVERIES			
20	Dates:			
21	Volumes of Gas Transported			
22	No-Notice Transportation			
23	Other Firm Transportation			
24	Interruptible Transportation			
25	Other (Describe) (footnote details)			
26	TOTAL			
27	Volumes of Gas Withdrawn from Storage under Storage Contract			
28	No-Notice Storage			
29	Other Firm Storage			
30	Interruptible Storage			
31	Other (Describe) (footnote details)			
32	TOTAL			
33	Other Operational Activities			
34	Gas Withdrawn from Storage for System Operations			
35	Reduction in Line Pack			
36	Other (Describe) (footnote details)			
37	TOTAL			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Auxiliary Peaking Facilities

1. Report below auxiliary facilities of the respondent for meeting seasonal peak demands on the respondent's system, such as underground storage projects, liquefied petroleum gas installations, gas liquefaction plants, oil gas sets, etc.
2. For column (c), for underground storage projects, report the delivery capacity on February 1 of the heating season overlapping the year-end for which this report is submitted. For other facilities, report the rated maximum daily delivery capacities.
3. For column (d), include or exclude (as appropriate) the cost of any plant used jointly with another facility on the basis of predominant use, unless the auxiliary peaking facility is a separate plant as contemplated by general instruction 12 of the Uniform System of Accounts.

Line No.	Location of Facility (a)	Type of Facility (b)	Maximum Daily Delivery Capacity of Facility Dth (c)	Cost of Facility (in dollars) (d)	Was Facility Operated on Day of Highest Transmission Peak Delivery?
1	Erlanger (KY)	Liquid Petroleum	25,060	7,849,472	Yes
2					
3					
4					
5					
6					
7					
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28					
29					
30					

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Gas Account - Natural Gas

1. The purpose of this schedule is to account for the quantity of natural gas received and delivered by the respondent.
2. Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.
3. Enter in column (c) the year to date Dth as reported in the schedules indicated for the items of receipts and deliveries.
4. Enter in column (d) the respective quarter's Dth as reported in the schedules indicated for the items of receipts and deliveries.
5. Indicate in a footnote the quantities of bundled sales and transportation gas and specify the line on which such quantities are listed.
6. If the respondent operates two or more systems which are not interconnected, submit separate pages for this purpose.
7. Indicate by footnote the quantities of gas not subject to Commission regulation which did not incur FERC regulatory costs by showing (1) the local distribution volumes another jurisdictional pipeline delivered to the local distribution company portion of the reporting pipeline (2) the quantities that the reporting pipeline transported or sold through its local distribution facilities or intrastate facilities and which the reporting pipeline received through gathering facilities or intrastate facilities, but not through any of the interstate portion of the reporting pipeline, and (3) the gathering line quantities that were not destined for interstate market or that were not transported through any interstate portion of the reporting pipeline.
8. Indicate in a footnote the specific gas purchase expense account(s) and related to which the aggregate volumes reported on line No. 3 relate.
9. Indicate in a footnote (1) the system supply quantities of gas that are stored by the reporting pipeline, during the reporting year and also reported as sales,transportation and compression volumes by the reporting pipeline during the same reporting year, (2) the system supply quantities of gas that are stored by the reporting pipeline during the reporting year which the reporting pipeline intends to sell or transport in a future reporting year, and (3) contract storage quantities.
10. Also indicate the volumes of pipeline production field sales that are included in both the company's total sales figure and the company's total transportation figure. Add additional information as necessary to the footnotes.

Line No.	Item (a)	Ref. Page No. of (FERC Form Nos. 2/2-A) (b)	Total Amount of Dth Year to Date (c)	Current Three Months Ended Amount of Dth Quarterly Only
01	Name of System:			
2	GAS RECEIVED			
3	Gas Purchases (Accounts 800-805)		11,173,476	
4	Gas of Others Received for Gathering (Account 489.1)	303		
5	Gas of Others Received for Transmission (Account 489.2)	305	13,924,617	
6	Gas of Others Received for Distribution (Account 489.3)	301	4,381,152	
7	Gas of Others Received for Contract Storage (Account 489.4)	307		
8	Gas of Others Received for Production/Extraction/Processing (Account 490 and 491)			
9	Exchanged Gas Received from Others (Account 806)	328		
10	Gas Received as Imbalances (Account 806)	328		
11	Receipts of Respondent's Gas Transported by Others (Account 858)	332		
12	Other Gas Withdrawn from Storage (Explain)			
13	Gas Received from Shippers as Compressor Station Fuel			
14	Gas Received from Shippers as Lost and Unaccounted for			
15	Other Receipts (Specify) (footnote details)		120,346	
16	Total Receipts (Total of lines 3 thru 15)		29,599,591	
17	GAS DELIVERED			
18	Gas Sales (Accounts 480-484)		10,918,373	
19	Deliveries of Gas Gathered for Others (Account 489.1)	303		
20	Deliveries of Gas Transported for Others (Account 489.2)	305	13,924,617	
21	Deliveries of Gas Distributed for Others (Account 489.3)	301	4,202,603	
22	Deliveries of Contract Storage Gas (Account 489.4)	307		
23	Gas of Others Delivered for Production/Extraction/Processing (Account 490 and 491)			
24	Exchange Gas Delivered to Others (Account 806)	328		
25	Gas Delivered as Imbalances (Account 806)	328		
26	Deliveries of Gas to Others for Transportation (Account 858)	332		
27	Other Gas Delivered to Storage (Explain)			
28	Gas Used for Compressor Station Fuel	509		
29	Other Deliveries and Gas Used for Other Operations		9,237	
30	Total Deliveries (Total of lines 18 thru 29)		29,054,830	
31	GAS LOSSES AND GAS UNACCOUNTED FOR			
32	Gas Losses and Gas Unaccounted For		544,761	
33	TOTALS			
34	Total Deliveries, Gas Losses & Unaccounted For (Total of lines 30 and 32)		29,599,591	

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Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Shipper Supplied Gas for the Current Quarter

1. Report monthly (1) shipper supplied gas for the current quarter and gas consumed in pipeline operations, (2) the disposition of any excess, the accounting recognition given to such disposition and the specific account(s) charged or credited, and (3) the source of gas used to meet any deficiency, the accounting recognition given to the gas used to meet the deficiency, including the accounting basis of the gas and the specific account(s) charged or credited.
2. On lines 7, 14, 22 and 30 report only the dekatherms of gas provided by shippers under tariff terms and conditions for gathering , production/ extraction/processing, transmission, distribution and storage service and the use of that gas for compressor fuel, other operational purposes and lost and unaccounted for. The dekatherms must be broken out by functional categories on Lines 2-6, 9-13, 16-21 and 24-29. The dekatherms must be reported in column (d) unless the company has discounted or negotiated rates which should be reported in columns (b) and (c).
3. On lines 7, 14, 22 and 30 report only the dollar amounts of gas provided by shippers under tariff terms and conditions for gathering, production/ extraction/processing, transmission, distribution and storage service and the use of that gas for compressor fuel, other operational purposes and lost and unaccounted for. The dollar amounts must be broken out by functional categories on Lines 2-6, 9-13, 16-21 and 23-29. The dollar amounts must be reported in column (h) unless the company has discounted or negotiated rates which should be reported in columns (f) and (g). The accounting should disclose the account(s) debited and credited in columns (m) and (n).
4. Indicate in a footnote the basis for valuing the gas reported in Columns (f), (g) and (h).
5. Report in columns (j), (k) and (l) the amount of fuel waived, discounted or reduced as part of a negotiated rate agreement.
6. On lines 32-37 report the dekatherms and dollar value of the excess or deficiency in shipper supplied gas broken out by functional category and whether recourse rate, discounted or negotiated rate.
7. On lines 39 through 51 report the dekatherms, the dollar amount and the account(s) credited in Column (o) for the dispositions of gas listed in column (a).
8. On lines 53 through 65 report the dekatherms, the dollar amount and the account(s) debited in Column (n) for the sources of gas reported in column (a).
9. On lines 66 and 67, report forwardhaul and backhaul volume in Dths of throughput.
10. Where appropriate, provide a full explanation of the allocation process used in reported numbers in a footnote.

Line No.	Item (a)	Month 1 Discounted rate Dth (b)	Month 1 Negotiated Rate Dth (c)	Month 1 Recourse Rate Dth (d)	Month 1 Total Dth (e)
1	**SHIPPER SUPPLIED GAS (LINES 13 AND 14 , PAGE 520)**				
2	Gathering				
3	Production/Extraction/Processing				
4	Transmission				
5	Distribution				
6	Storage				
7	**Total Shipper Supplied Gas**				
8	**LESS GAS USED FOR COMPRESSOR STATION FUEL (LINE 28, PAGE 520)**				
9	Gathering				
10	Production/Extraction/Processing				
11	Transmission				
12	Distribution				
13	Storage				
14	**Total gas used in compressors**				
15	**LESS GAS USED FOR OTHER DELIVERIES AND GAS USED FOR OTHER OPERATIONS (LINE 29, PAGE 520) (Footnote)**				
16	Gathering				
17	Production/Extraction/Processing				
18	Transmission				
19	Distribution				
20	Storage				
21	Other Deliveries (specify) (footnote details)				
22	**Total Gas Used For Other Deliveries And Gas Used For Other Operations**				
23	**LESS GAS LOST AND UNACCOUNTED FOR (LINE 32, PAGE 520)**				
24	Gathering				
25	Production/Extraction/Processing				
26	Transmission				
27	Distribution				
28	Storage				
29	Other Losses (specify) (footnote details)				
30	**Total Gas Lost And Unaccounted For**				

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Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Shipper Supplied Gas for the Current Quarter (continued)

Line No.	Item (a)	Month 1 Discounted rate Dth (b)	Month 1 Negotiated Rate Dth (c)	Month 1 Recourse Rate Dth (d)	Month 1 Total Dth (e)
	NET EXCESS OR (DEFICIENCY)				
31	Other Losses				
32	Gathering				
33	Production/Extraction				
34	Transmission				
35	Distribution				
36	Storage				
37	**Total Net Excess Or (Deficiency)**				
38	**DISPOSITION OF EXCESS GAS:**				
39	Gas sold to others				
40	Gas used to meet imbalances				
41	Gas added to system gas				
42	Gas returned to shippers				
43	Other (list)				
44					
45					
46					
47					
48					
49					
50					
51	**Total Disposition Of Excess Gas**				
52	**GAS ACQUIRED TO MEET DEFICIENCY:**				
53	System gas				
54	Purchased gas				
55	Other (list)				
56					
57					
58					
59					
60					
61					
62					
63					
64					
65	**Total Gas Acquired To Meet Deficiency**				

Line No.	SEPARATION OF FORWARDHAUL AND BACKHAUL THROUGHPUT	
66	Forwardhaul Volume in Dths for the Quarter	
67	Backhaul Volume in Dths for the Quarter	
68	**TOTAL (Lines 66 and 67)**	

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Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Shipper Supplied Gas for the Current Quarter

1. Report monthly (1) shipper supplied gas for the current quarter and gas consumed in pipeline operations, (2) the disposition of any excess, the accounting recognition given to such disposition and the specific account(s) charged or credited, and (3) the source of gas used to meet any deficiency, the accounting recognition given to the gas used to meet the deficiency, including the accounting basis of the gas and the specific account(s) charged or credited.
2. On lines 7, 14, 22 and 30 report only the dekatherms of gas provided by shippers under tariff terms and conditions for gathering , production/ extraction/processing, transmission, distribution and storage service and the use of that gas for compressor fuel, other operational purposes and lost and unaccounted for. The dekatherms must be broken out by functional categories on Lines 2-6, 9-13, 16-21 and 24-29. The dekatherms must be reported in column (d) unless the company has discounted or negotiated rates which should be reported in columns (b) and (c).
3. On lines 7, 14, 22 and 30 report only the dollar amounts of gas provided by shippers under tariff terms and conditions for gathering, production/ extraction/processing, transmission, distribution and storage service and the use of that gas for compressor fuel, other operational purposes and lost and unaccounted for. The dollar amounts must be broken out by functional categories on Lines 2-6, 9-13, 16-21 and 23-29. The dollar amounts must be reported in column (h) unless the company has discounted or negotiated rates which should be reported in columns (f) and (g). The accounting should disclose the account(s) debited and credited in columns (m) and (n).
4. Indicate in a footnote the basis for valuing the gas reported in Columns (f), (g) and (h).
5. Report in columns (j), (k) and (l) the amount of fuel waived, discounted or reduced as part of a negotiated rate agreement.
6. On lines 32-37 report the dekatherms and dollar value of the excess or deficiency in shipper supplied gas broken out by functional category and whether recourse rate, discounted or negotiated rate.
7. On lines 39 through 51 report the dekatherms, the dollar amount and the account(s) credited in Column (o) for the dispositions of gas listed in column (a).
8. On lines 53 through 65 report the dekatherms, the dollar amount and the account(s) debited in Column (n) for the sources of gas reported in column (a).
9. On lines 66 and 67, report forwardhaul and backhaul volume in Dths of throughput.
10. Where appropriate, provide a full explanation of the allocation process used in reported numbers in a footnote.

Line No.	Item (a)	Month 2 Discounted rate Dth (p)	Month 2 Negotiated Rate Dth (q)	Month 2 Recourse Rate Dth (r)	Month 2 Total Dth (s)
1	**SHIPPER SUPPLIED GAS (LINES 13 AND 14 , PAGE 520)**				
2	Gathering				
3	Production/Extraction/Processing				
4	Transmission				
5	Distribution				
6	Storage				
7	**Total Shipper Supplied Gas**				
8	**LESS GAS USED FOR COMPRESSOR STATION FUEL (LINE 28, PAGE 520)**				
9	Gathering				
10	Production/Extraction/Processing				
11	Transmission				
12	Distribution				
13	Storage				
14	**Total gas used in compressors**				
15	**LESS GAS USED FOR OTHER DELIVERIES AND GAS USED FOR OTHER OPERATIONS (LINE 29, PAGE 520) (Footnote)**				
16	Gathering				
17	Production/Extraction/Processing				
18	Transmission				
19	Distribution				
20	Storage				
21	Other Deliveries (specify) (footnote details)				
22	**Total Gas Used For Other Deliveries And Gas Used For Other Operations**				
23	**LESS GAS LOST AND UNACCOUNTED FOR (LINE 32, PAGE 520)**				
24	Gathering				
25	Production/Extraction/Processing				
26	Transmission				
27	Distribution				
28	Storage				
29	Other Losses (specify) (footnote details)				
30	**Total Gas Lost And Unaccounted For**				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Shipper Supplied Gas for the Current Quarter (continued)

Line No.	Item (a)	Month 2 Discounted rate Dth (p)	Month 2 Negotiated Rate Dth (q)	Month 2 Recourse Rate Dth (r)	Month 2 Total Dth (s)
	NET EXCESS OR (DEFICIENCY)				
31	Other Losses				
32	Gathering				
33	Production/Extraction				
34	Transmission				
35	Distribution				
36	Storage				
37	**Total Net Excess Or (Deficiency)**				
38	**DISPOSITION OF EXCESS GAS:**				
39	Gas sold to others				
40	Gas used to meet imbalances				
41	Gas added to system gas				
42	Gas returned to shippers				
43	Other (list)				
44					
45					
46					
47					
48					
49					
50					
51	**Total Disposition Of Excess Gas**				
52	**GAS ACQUIRED TO MEET DEFICIENCY:**				
53	System gas				
54	Purchased gas				
55	Other (list)				
56					
57					
58					
59					
60					
61					
62					
63					
64					
65	**Total Gas Acquired To Meet Deficiency**				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Shipper Supplied Gas for the Current Quarter

1. Report monthly (1) shipper supplied gas for the current quarter and gas consumed in pipeline operations, (2) the disposition of any excess, the accounting recognition given to such disposition and the specific account(s) charged or credited, and (3) the source of gas used to meet any deficiency, the accounting recognition given to the gas used to meet the deficiency, including the accounting basis of the gas and the specific account(s) charged or credited.
2. On lines 7, 14, 22 and 30 report only the dekatherms of gas provided by shippers under tariff terms and conditions for gathering , production/ extraction/processing, transmission, distribution and storage service and the use of that gas for compressor fuel, other operational purposes and lost and unaccounted for. The dekatherms must be broken out by functional categories on Lines 2-6, 9-13, 16-21 and 24-29. The dekatherms must be reported in column (d) unless the company has discounted or negotiated rates which should be reported in columns (b) and (c).
3. On lines 7, 14, 22 and 30 report only the dollar amounts of gas provided by shippers under tariff terms and conditions for gathering, production/ extraction/processing, transmission, distribution and storage service and the use of that gas for compressor fuel, other operational purposes and lost and unaccounted for. The dollar amounts must be broken out by functional categories on Lines 2-6, 9-13, 16-21 and 23-29. The dollar amounts must be reported in column (h) unless the company has discounted or negotiated rates which should be reported in columns (f) and (g). The accounting should disclose the account(s) debited and credited in columns (m) and (n).
4. Indicate in a footnote the basis for valuing the gas reported in Columns (f), (g) and (h).
5. Report in columns (j), (k) and (l) the amount of fuel waived, discounted or reduced as part of a negotiated rate agreement.
6. On lines 32-37 report the dekatherms and dollar value of the excess or deficiency in shipper supplied gas broken out by functional category and whether recourse rate, discounted or negotiated rate.
7. On lines 39 through 51 report the dekatherms, the dollar amount and the account(s) credited in Column (o) for the dispositions of gas listed in column (a).
8. On lines 53 through 65 report the dekatherms, the dollar amount and the account(s) debited in Column (n) for the sources of gas reported in column (a).
9. On lines 66 and 67, report forwardhaul and backhaul volume in Dths of throughput.
10. Where appropriate, provide a full explanation of the allocation process used in reported numbers in a footnote.

Line No.	Item (a)	Month 3 Discounted rate Dth (dd)	Month 3 Negotiated Rate Dth (ee)	Month 3 Recourse Rate Dth (ff)	Month 3 Total Dth (gg)
1	**SHIPPER SUPPLIED GAS (LINES 13 AND 14 , PAGE 520)**				
2	Gathering				
3	Production/Extraction/Processing				
4	Transmission				
5	Distribution				
6	Storage				
7	**Total Shipper Supplied Gas**				
8	**LESS GAS USED FOR COMPRESSOR STATION FUEL (LINE 28, PAGE 520)**				
9	Gathering				
10	Production/Extraction/Processing				
11	Transmission				
12	Distribution				
13	Storage				
14	**Total gas used in compressors**				
15	**LESS GAS USED FOR OTHER DELIVERIES AND GAS USED FOR OTHER OPERATIONS (LINE 29, PAGE 520) (Footnote)**				
16	Gathering				
17	Production/Extraction/Processing				
18	Transmission				
19	Distribution				
20	Storage				
21	Other Deliveries (specify) (footnote details)				
22	**Total Gas Used For Other Deliveries And Gas Used For Other Operations**				
23	**LESS GAS LOST AND UNACCOUNTED FOR (LINE 32, PAGE 520)**				
24	Gathering				
25	Production/Extraction/Processing				
26	Transmission				
27	Distribution				
28	Storage				
29	Other Losses (specify) (footnote details)				
30	**Total Gas Lost And Unaccounted For**				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Shipper Supplied Gas for the Current Quarter (continued)

Line No.	Item (a)	Month 3 Discounted rate Dth (dd)	Month 3 Negotiated Rate Dth (ee)	Month 3 Recourse Rate Dth (ff)	Month 3 Total Dth (gg)
	NET EXCESS OR (DEFICIENCY)				
31	Other Losses				
32	Gathering				
33	Production/Extraction				
34	Transmission				
35	Distribution				
36	Storage				
37	**Total Net Excess Or (Deficiency)**				
38	**DISPOSITION OF EXCESS GAS:**				
39	Gas sold to others				
40	Gas used to meet imbalances				
41	Gas added to system gas				
42	Gas returned to shippers				
43	Other (list)				
44					
45					
46					
47					
48					
49					
50					
51	**Total Disposition Of Excess Gas**				
52	**GAS ACQUIRED TO MEET DEFICIENCY:**				
53	System gas				
54	Purchased gas				
55	Other (list)				
56					
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59					
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62					
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64					
65	**Total Gas Acquired To Meet Deficiency**				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Shipper Supplied Gas for the Current Quarter (continued)

Line No.	Amount Collected (Dollars)				Volume (in Dth) Not Collected				Month 1 Account(s) Debited (n)	Month 1 Account(s) Credited (o)
	Month 1 Discounted Rate Amount (f)	Month 1 Negotiated Rate Amount (g)	Month 1 Recourse rate Amount (h)	Month 1 Total Amount (i)	Month 1 Waived Dth (j)	Month 1 Discounted Dth (k)	Month 1 Negotiated Dth (l)	Month 1 Total Dth (m)		
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Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Shipper Supplied Gas for the Current Quarter (continued)

Line No.	Amount Collected (Dollars)				Volume (in Dth) Not Collected				Month 1 Account(s) Debited (n)	Month 1 Account(s) Credited (o)
	Month 1 Discounted Rate Amount (f)	Month 1 Negotiated Rate Amount (g)	Month 1 Recourse rate Amount (h)	Month 1 Total Amount (i)	Month 1 Waived Dth (j)	Month 1 Discounted Dth (k)	Month 1 Negotiated Dth (l)	Month 1 Total Dth (m)		
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Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Shipper Supplied Gas for the Current Quarter (continued)

Line No.	Amount Collected (Dollars)				Volume (in Dth) Not Collected				Month 2 Account(s) Debited (bb)	Month 2 Account(s) Credited (cc)
	Month 2 Discounted Rate Amount (t)	Month 2 Negotiated Rate Amount (u)	Month 2 Recourse rate Amount (v)	Month 2 Total Amount (w)	Month 2 Waived Dth (x)	Month 2 Discounted Dth (y)	Month 2 Negotiated Dth (z)	Month 2 Total Dth (aa)		
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Shipper Supplied Gas for the Current Quarter (continued)

Line No.	Amount Collected (Dollars)				Volume (in Dth) Not Collected				Month 2 Account(s) Debited (bb)	Month 2 Account(s) Credited (cc)
	Month 2 Discounted Rate Amount (t)	Month 2 Negotiated Rate Amount (u)	Month 2 Recourse rate Amount (v)	Month 2 Total Amount (w)	Month 2 Waived Dth (x)	Month 2 Discounted Dth (y)	Month 2 Negotiated Dth (z)	Month 2 Total Dth (aa)		
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Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Shipper Supplied Gas for the Current Quarter (continued)

Line No.	Amount Collected (Dollars)				Volume (in Dth) Not Collected				Month 3 Account(s) Debited (pp)	Month 3 Account(s) Credited (qq)
	Month 3 Discounted Rate Amount (hh)	Month 3 Negotiated Rate Amount (ii)	Month 3 Recourse rate Amount (jj)	Month 3 Total Amount (kk)	Month 3 Waived Dth (ll)	Month 3 Discounted Dth (mm)	Month 3 Negotiated Dth (nn)	Month 3 Total Dth (oo)		
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Duke Energy Kentucky, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/12/2019	End of 2018/Q4

Shipper Supplied Gas for the Current Quarter (continued)

Line No.	Amount Collected (Dollars)				Volume (in Dth) Not Collected				Month 3 Account(s) Debited (pp)	Month 3 Account(s) Credited (qq)
	Month 3 Discounted Rate Amount (hh)	Month 3 Negotiated Rate Amount (ii)	Month 3 Recourse rate Amount (jj)	Month 3 Total Amount (kk)	Month 3 Waived Dth (ll)	Month 3 Discounted Dth (mm)	Month 3 Negotiated Dth (nn)	Month 3 Total Dth (oo)		
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Duke Energy Kentucky, Inc.	(1) X An Original (2) _ A Resubmission	04/12/2019	2018/Q4

System Maps

1. Furnish five copies of a system map (one with each filed copy of this report) of the facilities operated by the respondent for the production, gathering, transportation, and sale of natural gas. New maps need not be furnished if no important change has occurred in the facilities operated by the respondent since the date of the maps furnished with a previous year's annual report. If, however, maps are not furnished for this reason, reference should be made in the space below to the year's annual report with which the maps were furnished.
2. Indicate the following information on the maps:
   (a) Transmission lines.
   (b) Incremental facilities.
   (c) Location of gathering areas.
   (d) Location of zones and rate areas.
   (e) Location of storage fields.
   (f) Location of natural gas fields.
   (g) Location of compressor stations.
   (h) Normal direction of gas flow (indicated by arrows).
   (i) Size of pipe.
   (j) Location of products extraction plants, stabilization plants, purification plants, recycling areas, etc.
   (k) Principal communities receiving service through the respondent's pipeline.
3. In addition, show on each map: graphic scale of the map; date of the facts the map purports to show; a legend giving all symbols and abbreviations used; designations of facilities leased to or from another company, giving name of such other company.
4. Maps not larger than 24 inches square are desired. If necessary, however, submit larger maps to show essential information. Fold the maps to a size not larger then this report. Bind the maps to the report.

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