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VIA OVERNIGHT DELIVERY

May 12, 2017

Dr. Talina Mathews
Public Service Commission
Commonwealth of Kentucky
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

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**PUBLIC SERVICE
COMMISSION**

Re: Case No. 2011-00124
In the Matter of the Joint Application of Duke Energy Corporation, Cinergy Corp., Duke Energy Ohio, Inc., Duke Energy Kentucky, Inc., Diamond Acquisition Corporation, and Progress Energy, Inc. for Approval of the Indirect Transfer of Control of Duke Energy Kentucky, Inc.

Dear Dr. Mathews:

Enclosed please find Duke Energy Kentucky's financial statements for the end of March 2017, per order by the Commission in the above-referenced case.

Please file-stamp the extra copy of this letter and return to me in the enclosed return-addressed envelope.

If you have any questions regarding the financial statements, please contact Oyinade Taylor at 980-373-1816.

Sincerely,

Rocco D'Ascenzo
Associate General Counsel

Enclosures

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements

Balance Sheet - Page 1

As of March 31, 2017

(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
Assets				
Utility Plant in Service	1,578,536,549	472,390,187	11,786,060	2,062,712,796
Construction Work in Progress	61,033,002	11,663,461	-	72,696,463
Less: Accumulated Depreciation	(842,431,850)	(160,436,148)	(7,256,545)	(1,010,124,543)
Net Utility Plant	<u>797,137,701</u>	<u>323,617,500</u>	<u>4,529,515</u>	<u>1,125,284,716</u>
Nonutility Property	-	-	94,886	94,886
Other Investments	-	-	1,500	1,500
Other Special Funds	-	-	1,803,323	1,803,323
Long Term Portion of Derivative Instrument Assets	-	-	955,550	955,550
Total Other Property & Investments	<u>-</u>	<u>-</u>	<u>2,855,259</u>	<u>2,855,259</u>
Cash	6,117,593	2,511,655	(458,076)	8,171,172
Working Funds	-	-	-	-
Temporary Cash Investments	-	-	-	-
Customer Accounts Receivable	1,629,339	437,993	-	2,067,332
Other Accounts Receivable	764,347	313,812	(57,233)	1,020,926
Less: Provision for Uncollectibles	(109,773)	(29,509)	-	(139,282)
Notes Receivable from Assoc. Co.	8,697,766	3,570,978	(651,275)	11,617,469
Accounts Receivable from Assoc. Co.	(195,122)	(80,110)	14,610	(260,622)
Fuel Stock	18,614,072	1,147,832	2,131,688	21,893,592
Gas Stored Underground Inventory	-	988,448	-	988,448
Plant Materials & Operating Supplies	20,098,809	439,857	-	20,538,666
Other Materials & Supplies	-	-	-	-
Stores Expense Undistributed	579,529	12,683	-	592,212
Prepayments	(3,713,595)	(1,758,034)	-	(5,471,629)
Emission Allowances	46,464	-	-	46,464
Derivative Instrument Assets	413,996	-	-	413,996
Interest & Dividends Receivable	-	-	-	-
Misc Current and Accrued Assets	14,541,678	-	-	14,541,678
Rents Receivable	2,500	-	-	2,500
Total Current & Accrued Assets	<u>67,487,603</u>	<u>7,555,605</u>	<u>979,714</u>	<u>76,022,922</u>
Unamortized Debt Expense	1,408,469	578,264	(105,464)	1,881,269
Other Regulatory Assets	92,168,548	11,168,785	-	103,337,333
Preliminary Survey & Investigation	162,858	66,863	(12,195)	217,526
Clearing Accounts	4,458	1,205	-	5,663
Temporary Facilities	-	-	-	-
Miscellaneous Deferred Debits	754,254	309,668	(56,477)	1,007,445
Unamortized Loss on Reacquired Debt	1,039,383	426,732	(77,828)	1,388,287
Accumulated Deferred Income Taxes	27,080,837	5,438,192	-	32,519,029
Unrecovered Purchased Gas Costs	-	(1,228,431)	-	(1,228,431)
Total Deferred Debits	<u>122,618,807</u>	<u>16,761,278</u>	<u>(251,964)</u>	<u>139,128,121</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>987,244,111</u></u>	<u><u>347,934,383</u></u>	<u><u>8,112,524</u></u>	<u><u>1,343,291,018</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of March 31, 2017
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<u>Proprietary Capital</u>				
Common Stock Issued	6,573,407	2,698,795	(492,207)	8,779,995
Premium on Capital Stock	14,104,342	5,790,715	(1,056,111)	18,838,946
Other Paid-in Capital Stock	111,295,167	45,693,632	(8,333,610)	148,655,189
Retained Earnings	228,777,856	59,152,643	(14,775,262)	273,155,237
Accumulated Other Comprehensive Income	-	-	-	-
Total Proprietary Capital	<u>360,750,772</u>	<u>113,335,785</u>	<u>(24,657,190)</u>	<u>449,429,367</u>
<u>Liabilities</u>				
Bonds	252,095,530	103,500,994	(18,876,524)	336,720,000
Advances from Associated Companies	18,717,000	7,684,500	(1,401,500)	25,000,000
Less: Unamortized Discount on Long-Term Debt	(243,737)	(100,069)	18,250	(325,556)
Total Long-Term Debt	<u>270,568,793</u>	<u>111,085,425</u>	<u>(20,259,774)</u>	<u>361,394,444</u>
Obligations Under Capital Leases - Noncurrent	984,891	404,354	-	1,389,245
Asset Retirement Obligation	45,882,368	5,936,106	-	51,818,474
Long-Term Portion of Derivative Instrument Liabilities	3,676,868	993,594	-	4,670,462
Accum. Misc. Operating Provisions	11,627,795	3,142,160	-	14,769,955
Total Other Noncurrent Liabilities	<u>62,171,922</u>	<u>10,476,214</u>	<u>-</u>	<u>72,648,136</u>
Accounts Payable	18,609,670	7,640,434	(1,393,463)	24,856,641
Notes Payable to Assoc. Co.	6,908,070	2,836,195	(517,265)	9,227,000
Accounts Payable to Assoc. Co.	10,793,137	4,431,258	(808,173)	14,416,222
Customer Deposits	6,117,676	4,114,262	-	10,231,938
Taxes Accrued	644,905	(1,030,658)	(6,312)	(392,065)
Interest Accrued	2,593,223	1,064,680	(194,176)	3,463,727
Tax Collections Payable	1,071,829	491,654	4,705	1,568,188
Misc. Current & Accrued Liabilities	9,573,210	2,586,953	-	12,160,163
Obligations Under Capital Leases - Current	421,589	173,086	-	594,675
Derivative Instrument Liabilities	4,319,767	1,167,324	-	5,487,091
Less: Long-Term Portion of Derivative Instrument Liabilities	(3,676,868)	(993,594)	-	(4,670,462)
Total Current & Accrued Liabilities	<u>57,376,208</u>	<u>22,481,594</u>	<u>(2,914,684)</u>	<u>76,943,118</u>
Customer Advances for Construction	-	1,477,813	-	1,477,813
Accum. Deferred Investment Tax Credits	(2,800,894)	621,343	2,839,403	659,852
Other Deferred Credits	14,948,275	4,756,807	-	19,705,082
Other Regulatory Liabilities	3,893,059	1,928,599	-	5,821,658
Accumulated Deferred Income Taxes	220,335,976	81,770,803	53,104,769	355,211,548
Total Deferred Credits	<u>236,376,416</u>	<u>90,555,365</u>	<u>55,944,172</u>	<u>382,875,953</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u>987,244,111</u>	<u>347,934,383</u>	<u>8,112,524</u>	<u>1,343,291,018</u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Income Statement
For the 12 Months Ended March 31, 2017
(Unaudited)

	Electric	Gas	Non- Jurisdictional	Total Company
<u>Revenues</u>				
Residential Sales	127,517,885	61,142,737	-	188,660,622
Commercial Sales	114,300,761	20,721,206	-	135,021,967
Industrial Sales	52,980,079	1,480,476	-	54,460,555
Sales to Public Authorities	21,656,230	2,240,997	-	23,897,227
Public Street & Highway Lighting	1,659,934	951	-	1,660,885
Inter-Departmental Sales	85,159	21,670	-	106,829
Misc. Service Revenues	(1,308,818)	33,131	511,423	(764,264)
Revenues from Transportation	-	6,320,946	-	6,320,946
Sales for Resale	21,318,284	-	-	21,318,284
Rents from Property	1,040,663	276	-	1,040,939
Other Revenues	4,758,728	1,464	-	4,760,192
Total Revenues	<u>344,008,905</u>	<u>91,963,854</u>	<u>511,423</u>	<u>436,484,182</u>
<u>Operating Expenses</u>				
Operation Expense	215,979,816	57,009,436	203,958	273,193,210
Maintenance Expense	31,720,642	2,060,388	10,843	33,791,873
Depreciation Expense	30,485,825	12,632,943	-	43,118,768
Amortization and Depletion	1,843,664	918,082	-	2,761,746
Taxes Other than Income Taxes	9,914,454	4,547,824	43,526	14,505,804
Income Taxes - Federal & Other	(16,751,944)	6,379,543	23,398	(10,349,003)
Provision for Deferred Income Taxes - Net	30,377,545	(3,103,666)	820,670	28,094,549
Investment Tax Credit Adjustment	-	128	(128)	-
Total Operating Expenses	<u>303,570,002</u>	<u>80,444,678</u>	<u>1,102,267</u>	<u>385,116,947</u>
NET OPERATING INCOME	<u>40,438,903</u>	<u>11,519,176</u>	<u>(590,844)</u>	<u>51,367,235</u>
<u>Other Income & Deductions</u>				
Revenues from Merchandising, Jobbing and Contract Work	-	-	946,408	946,408
Less: Expense of Merchandising, Jobbing and Contract Work	-	-	(292,213)	(292,213)
Revenues from Nonutility Operations	-	-	(25,350)	(25,350)
Less Expenses from Nonutility Operations	-	-	-	-
Interest & Dividend Income	-	-	987,663	987,663
AFUDC	1,274,670	368,410	-	1,643,080
Gain on Disposition of Property	-	-	43,381	43,381
Loss on Disposition of Property	-	-	(15,685)	(15,685)
Misc. Income Deductions	-	-	(2,397,737)	(2,397,737)
Taxes Other than Income Taxes	-	-	(103,569)	(103,569)
Income Taxes - Federal & Other	-	-	(4,383,201)	(4,383,201)
Provision for Deferred Income Taxes - Net	-	-	3,713,141	3,713,141
Total Other Income & Deductions	<u>1,274,670</u>	<u>368,410</u>	<u>(1,527,162)</u>	<u>115,918</u>
<u>Interest Charges</u>				
Interest on Long Term Debt	(9,958,429)	(4,088,559)	745,672	(13,301,316)
Amortization of Debt Disc. And Expense	(445,784)	(183,022)	33,380	(595,426)
Amortization of Loss on Reacquired Debt	(199,504)	(81,909)	14,939	(266,474)
Interest on Debt to Assoc. Co.	(185,788)	(76,278)	13,912	(248,154)
Other Interest Expense	(1,092,554)	(448,562)	81,809	(1,459,307)
Less: Allowance for Borrowed Fund Used During Construction - Credit	528,950	118,779	-	647,729
Net interest Charges	<u>(11,353,109)</u>	<u>(4,759,551)</u>	<u>889,712</u>	<u>(15,222,948)</u>
Extraordinary Items after Taxes	-	-	-	-
NET INCOME	<u>30,360,464</u>	<u>7,128,035</u>	<u>(1,228,294)</u>	<u>36,260,205</u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Capital Structure
March 31, 2017
(Unaudited)

	Actual Feb-17	Activity	Actual Mar-17
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	334,923,231	16,668	334,939,899
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	1,413,596	(24,351)	1,389,245
Total Long-term debt	361,336,827	(7,683)	361,329,144
Common Stock Equity			
Common Stock	8,779,995	-	8,779,995
Premium On Capital Stock Common	18,838,946	-	18,838,946
Donations Received From Stockholders	143,211,362	-	143,211,362
Donations Received From Stockholders Tax	5,600,021	-	5,600,021
Other Miscellaneous PIC	(156,194)	-	(156,194)
Miscellaneous PIC	-	-	-
Unappropriated Retained Earnings Balance	260,741,369	-	260,741,369
Unappropriated Retained Earnings - Current Year Net Income	10,104,566	2,309,302	12,413,868
Total Common Stock Equity	447,120,065	2,309,302	449,429,367
TOTAL CAPITALIZATION	808,456,892	2,301,619	810,758,511

NOTE:

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