



139 East Fourth Street-1303-Main  
Cincinnati, Ohio 45202  
Tel: 513-287-4359  
Fax: 513-287-4385  
Amy.Spiller@duke-energy.com

Amy B. Spiller  
Deputy General Counsel

**VIA OVERNIGHT DELIVERY**

August 10, 2017

Mr. John Lyons  
Public Service Commission  
Commonwealth of Kentucky  
211 Sower Boulevard  
Frankfort, Kentucky 40602-0615

**RECEIVED**

AUG 10 2017

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 Mr. Lyons:

Enclosed please find Duke Energy Kentucky's financial statements for the end of June 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 Mai Xuan Zinchenko at 980-373-2167.

Very Truly Yours,

Amy B. Spiller

Enclosures

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Balance Sheet - Page 1  
As of June 30, 2017  
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<b>Assets</b>				
Utility Plant in Service	1,591,272,496	481,026,226	11,809,717	2,084,108,439
Construction Work in Progress	73,102,017	15,329,354	-	88,431,371
Less: Accumulated Depreciation	(846,689,355)	(162,453,573)	(7,288,722)	(1,016,431,650)
Net Utility Plant	<u>817,685,158</u>	<u>333,902,007</u>	<u>4,520,995</u>	<u>1,156,108,160</u>
Nonutility Property	-	-	203,642	203,642
Other Investments	-	-	1,500	1,500
Other Special Funds	-	-	1,891,001	1,891,001
Long Term Portion of Derivative Instrument Assets	-	-	333,598	333,598
Total Other Property & Investments	<u>-</u>	<u>-</u>	<u>2,429,741</u>	<u>2,429,741</u>
Cash	3,339,923	1,371,248	(250,088)	4,461,083
Working Funds	-	-	-	-
Temporary Cash Investments	-	-	-	-
Customer Accounts Receivable	1,005,781	271,823	-	1,277,604
Other Accounts Receivable	647,528	265,851	(48,486)	864,893
Less: Provision for Uncollectibles	(170,137)	(45,982)	-	(216,119)
Notes Receivable from Assoc. Co.	7,156,178	2,938,059	(535,844)	9,558,393
Accounts Receivable from Assoc. Co.	186,399	76,529	(13,957)	248,971
Fuel Stock	17,868,102	1,147,832	2,131,688	21,147,622
Gas Stored Underground Inventory	-	3,170,881	-	3,170,881
Plant Materials & Operating Supplies	18,873,324	449,789	-	19,323,113
Other Materials & Supplies	-	-	-	-
Stores Expense Undistributed	376,840	8,981	-	385,821
Prepayments	1,104,340	522,800	-	1,627,140
Emission Allowances	42,552	-	-	42,552
Derivative Instrument Assets	2,237,779	-	-	2,237,779
Interest & Dividends Receivable	-	-	-	-
Misc Current and Accrued Assets	1,942,449	-	-	1,942,449
Rents Receivable	2,500	-	-	2,500
Total Current & Accrued Assets	<u>54,613,558</u>	<u>10,177,811</u>	<u>1,283,313</u>	<u>66,074,682</u>
Unamortized Debt Expense	1,378,799	566,083	(103,242)	1,841,640
Other Regulatory Assets	98,582,808	11,699,159	-	110,281,967
Preliminary Survey & Investigation	313,787	128,829	(23,496)	419,120
Clearing Accounts	8,459	2,085	-	10,544
Temporary Facilities	-	-	-	-
Miscellaneous Deferred Debits	797,012	327,223	(59,679)	1,064,556
Unamortized Loss on Reacquired Debt	989,507	406,255	(74,093)	1,321,669
Accumulated Deferred Income Taxes	26,250,854	4,989,172	-	31,240,026
Unrecovered Purchased Gas Costs	-	(1,961,316)	-	(1,961,316)
Total Deferred Debits	<u>128,321,226</u>	<u>16,157,490</u>	<u>(260,510)</u>	<u>144,218,206</u>
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<u><u>1,000,619,942</u></u>	<u><u>360,237,308</u></u>	<u><u>7,973,539</u></u>	<u><u>1,368,830,789</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Balance Sheet - Page 2  
As of June 30, 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	225,395,321	66,163,292	(12,670,453)	278,888,160
Accumulated Other Comprehensive Income	-	-	-	-
Total Proprietary Capital	<u>357,368,237</u>	<u>120,346,434</u>	<u>(22,552,381)</u>	<u>455,162,290</u>
<u>Liabilities</u>				
Bonds	252,095,529	103,500,994	(18,876,523)	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	(234,459)	(96,260)	17,556	(313,163)
Total Long-Term Debt	<u>270,578,070</u>	<u>111,089,234</u>	<u>(20,260,467)</u>	<u>361,406,837</u>
Obligations Under Capital Leases - Noncurrent	928,257	381,102	-	1,309,359
Asset Retirement Obligation	45,095,364	6,016,454	-	51,111,818
Long-Term Portion of Derivative Instrument Liabilities	4,027,690	992,489	-	5,020,179
Accum. Misc. Operating Provisions	11,814,249	2,911,226	-	14,725,475
Total Other Noncurrent Liabilities	<u>61,865,560</u>	<u>10,301,271</u>	<u>-</u>	<u>72,166,831</u>
Accounts Payable	21,512,954	8,832,414	(1,610,857)	28,734,511
Notes Payable to Assoc. Co.	18,375,602	7,544,335	(1,375,937)	24,544,000
Accounts Payable to Assoc. Co.	7,082,134	2,907,659	(530,299)	9,459,494
Customer Deposits	6,080,943	4,089,559	-	10,170,502
Taxes Accrued	(3,042,463)	(966,199)	32,478	(3,976,184)
Interest Accrued	3,199,942	1,313,776	(239,607)	4,274,111
Tax Collections Payable	932,569	390,713	4,044	1,327,326
Misc. Current & Accrued Liabilities	7,985,273	1,967,703	-	9,952,976
Obligations Under Capital Leases - Current	357,457	146,757	-	504,214
Derivative Instrument Liabilities	4,644,900	1,144,580	-	5,789,480
Less: Long-Term Portion of Derivative Instrument Liabilities	(4,027,690)	(992,489)	-	(5,020,179)
Total Current & Accrued Liabilities	<u>63,101,621</u>	<u>26,378,808</u>	<u>(3,720,178)</u>	<u>85,760,251</u>
Customer Advances for Construction	-	1,615,431	-	1,615,431
Accum. Deferred Investment Tax Credits	(2,809,549)	604,505	2,839,403	634,359
Other Deferred Credits	14,521,537	4,621,011	-	19,142,548
Other Regulatory Liabilities	3,779,353	1,877,884	-	5,657,237
Accumulated Deferred Income Taxes	232,215,113	83,402,730	51,667,162	367,285,005
Total Deferred Credits	<u>247,706,454</u>	<u>92,121,561</u>	<u>54,506,565</u>	<u>394,334,580</u>
<b>TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS</b>	<u><u>1,000,619,942</u></u>	<u><u>360,237,308</u></u>	<u><u>7,973,539</u></u>	<u><u>1,368,830,789</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Income Statement  
For the 12 Months Ended June 30, 2017  
(Unaudited)

	Electric	Gas	Non- Jurisdictional	Total Company
<u>Revenues</u>				
Residential Sales	125,088,770	61,005,931	-	186,094,701
Commercial Sales	111,690,563	21,023,894	-	132,714,457
Industrial Sales	51,528,855	1,501,885	-	53,030,740
Sales to Public Authorities	20,947,154	2,226,612	-	23,173,766
Public Street & Highway Lighting	1,590,514	977	-	1,591,491
Inter-Departmental Sales	56,795	24,387	-	81,182
Misc. Service Revenues	760,626	34,948	502,453	1,298,027
Revenues from Transportation	-	6,242,440	-	6,242,440
Sales for Resale	24,333,328	-	-	24,333,328
Rents from Property	1,110,635	247	-	1,110,882
Other Revenues	5,393,257	751	-	5,394,008
Total Revenues	<u>342,500,497</u>	<u>92,062,072</u>	<u>502,453</u>	<u>435,065,022</u>
<u>Operating Expenses</u>				
Operation Expense	216,150,285	58,230,412	184,578	274,565,275
Maintenance Expense	27,772,797	2,042,679	14,593	29,830,069
Depreciation Expense	27,838,600	12,128,612	-	39,967,212
Amortization and Depletion	1,860,698	968,795	-	2,829,493
Taxes Other than Income Taxes	10,020,465	4,198,214	43,456	14,262,135
Income Taxes - Federal & Other	(20,488,813)	5,660,475	(11,187)	(14,839,525)
Provision for Deferred Income Taxes - Net	35,851,374	(1,797,765)	183,568	34,237,177
Investment Tax Credit Adjustment	-	145	(145)	-
Total Operating Expenses	<u>299,005,406</u>	<u>81,431,567</u>	<u>414,863</u>	<u>380,851,836</u>
NET OPERATING INCOME	<u>43,495,091</u>	<u>10,630,505</u>	<u>87,590</u>	<u>54,213,186</u>
<u>Other Income &amp; Deductions</u>				
Revenues from Merchandising, Jobbing and Contract Work	-	-	920,281	920,281
Less: Expense of Merchandising, Jobbing and Contract Work	-	-	(384,772)	(384,772)
Revenues from Nonutility Operations	-	-	(26,232)	(26,232)
Interest & Dividend Income	-	-	999,316	999,316
AFUDC	1,878,483	438,832	-	2,317,315
Gain on Disposition of Property	-	-	38,549	38,549
Loss on Disposition of Property	-	-	(19,899)	(19,899)
Misc. Income Deductions	-	-	(4,018,435)	(4,018,435)
Taxes Other than Income Taxes	-	-	(100,201)	(100,201)
Income Taxes - Federal & Other	-	-	(4,589,427)	(4,589,427)
Provision for Deferred Income Taxes - Net	-	-	4,202,826	4,202,826
Total Other Income & Deductions	<u>1,878,483</u>	<u>438,832</u>	<u>(2,977,994)</u>	<u>(660,679)</u>
<u>Interest Charges</u>				
Interest on Long Term Debt	(10,001,738)	(4,106,340)	748,915	(13,359,163)
Amortization of Debt Disc. And Expense	(347,778)	(142,785)	26,041	(464,522)
Amortization of Loss on Reacquired Debt	(199,504)	(81,909)	14,939	(266,474)
Interest on Debt to Assoc. Co.	(226,479)	(92,984)	16,958	(302,505)
Other Interest Expense	(1,076,859)	(442,118)	80,634	(1,438,343)
Less: Allowance for Borrowed Fund Used During Construction - Credit	694,380	139,509	-	833,889
Net interest Charges	<u>(11,157,978)</u>	<u>(4,726,627)</u>	<u>887,487</u>	<u>(14,997,118)</u>
Extraordinary Items after Taxes	-	-	-	-
NET INCOME	<u>34,215,596</u>	<u>6,342,710</u>	<u>(2,002,917)</u>	<u>38,555,389</u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Capital Structure  
June 30, 2017  
(Unaudited)

	Actual May-17	Activity	Actual Jun-17
<b>Liabilities and Shareholders' Equity</b>			
<b>Non-Current Liabilities</b>			
* Long-term debt	334,971,866	(1,511)	334,970,355
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	1,335,454	(26,095)	1,309,359
Total Long-term debt	361,307,320	(27,606)	361,279,714
<b>Common Stock Equity</b>			
Common Stock	8,779,995	-	8,779,995
Premium On Capital Stock Common	18,838,946	-	18,838,946
Donations Received From Stockholders	143,211,362	-	143,211,362
Donations Received From Stockholders Tax	5,600,021	-	5,600,021
Other Miscellaneous PIC	(156,194)	-	(156,194)
Miscellaneous PIC	-	-	-
Unappropriated Retained Earnings Balance	260,741,369	-	260,741,369
Unappropriated Retained Earnings - Current Year Net Income	15,602,001	2,544,790	18,146,791
Total Common Stock Equity	452,617,500	2,544,790	455,162,290
<b>TOTAL CAPITALIZATION</b>	813,924,820	2,517,184	816,442,004

**NOTE:**

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