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Rocco O. D'Ascenzo
Associate General Counsel

VIA OVERNIGHT DELIVERY

September 13, 2017

Mr. John Lyons
Interim Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

RECEIVED

SEP 14 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 July 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 Zinchenko at 980-373-2167.

Sincerely,

Rocco D'Ascenzo
Associate General Counsel

Enclosures

Duke Energy Kentucky, Inc.

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

	Electric	Gas	Total Company
<u>Revenues</u>			
Residential Sales	124,772,860	61,033,103	185,805,963
Commercial Sales	111,280,298	21,007,600	132,287,898
Industrial Sales	51,355,420	1,507,140	52,862,560
Sales to Public Authorities	20,986,247	2,224,047	23,210,294
Public Street & Highway Lighting	1,588,951	977	1,589,928
Inter-Departmental Sales	52,193	24,019	76,212
Misc. Service Revenues	1,154,548	533,696	1,688,244
Revenues from Transportation	-	6,228,651	6,228,651
Sales for Resale	24,943,093	-	24,943,093
Rents from Property	1,093,299	252	1,093,551
Other Revenues	5,522,445	751	5,523,196
Total Revenues	<u>342,749,354</u>	<u>92,560,236</u>	<u>435,309,590</u>
<u>Operating Expenses</u>			
Operation Expense	216,757,047	59,116,111	275,873,158
Maintenance Expense	29,104,198	2,097,338	31,201,536
Depreciation Expense	28,287,573	12,293,940	40,581,513
Amortization and Depletion	1,883,719	1,084,824	2,968,543
Taxes Other than Income Taxes	10,080,701	4,148,056	14,228,757
Income Taxes - Federal & Other	(17,479,784)	446,518	(17,033,266)
Provision for Deferred Income Taxes - Net	29,630,613	3,589,543	33,220,156
Investment Tax Credit Adjustment	-	-	-
Total Operating Expenses	<u>298,264,067</u>	<u>82,776,330</u>	<u>381,040,397</u>
NET OPERATING INCOME	<u>44,485,287</u>	<u>9,783,906</u>	<u>54,269,193</u>
<u>Other Income & Deductions</u>			
Revenues from Merchandising, Jobbing and Contract Work	964,787	32,874	997,661
Less: Expense of Merchandising, Jobbing and Contract Work	(413,088)	(108)	(413,196)
Revenues from Nonutility Operations	(107,273)	77,213	(30,060)
Interest & Dividend Income	759,738	254,689	1,014,427
AFUDC	2,054,161	459,219	2,513,380
Gain on Disposition of Property	38,554	(4)	38,550
Loss on Disposition of Property	(15,674)	(4,832)	(20,506)
Misc. Income Deductions	(3,385,554)	(731,382)	(4,116,936)
Taxes Other than Income Taxes	(74,108)	(25,643)	(99,751)
Income Taxes - Federal & Other	(6,281,480)	343,713	(5,937,767)
Provision for Deferred Income Taxes - Net	3,466,437	(46,783)	3,419,654
Total Other Income & Deductions	<u>(2,993,500)</u>	<u>358,956</u>	<u>(2,634,544)</u>
<u>Interest Charges</u>			
Interest on Long Term Debt	(9,665,534)	(3,718,940)	(13,384,474)
Amortization of Debt Disc. And Expense	(222,243)	(199,810)	(422,053)
Amortization of Loss on Reacquired Debt	(186,963)	(79,511)	(266,474)
Interest on Debt to Assoc. Co.	(242,775)	(103,072)	(345,847)
Other Interest Expense	(1,358,883)	(49,312)	(1,408,195)
Less: Allowance for Borrowed Fund Used During Construction - Credit	761,311	145,325	906,636
Net interest Charges	<u>(10,915,087)</u>	<u>(4,005,320)</u>	<u>(14,920,407)</u>
Extraordinary Items after Taxes	-	-	-
NET INCOME	<u>30,576,700</u>	<u>6,137,542</u>	<u>36,714,242</u>

Duke Energy Kentucky, Inc.

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

	Actual June 2017	Activity	Actual July 2017
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	334,970,355	9,893	334,980,248
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	1,309,359	(26,119)	1,283,240
Total Long-term debt	361,279,714	(16,226)	361,263,488
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	18,146,791	3,312,336	21,459,127
Total Common Stock Equity	455,162,290	3,312,336	458,474,626
TOTAL CAPITALIZATION	816,442,004	3,296,110	819,738,114

NOTE:

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

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 1
As of July 31, 2017
(Unaudited)

	<u>Total Company</u>
<u>Assets</u>	
Utility Plant in Service	2,084,730,630
Construction Work in Progress	97,549,364
Less: Accumulated Depreciation	<u>(1,014,933,133)</u>
Net Utility Plant	<u>1,167,346,861</u>
Nonutility Property	248,491
Other Investments	1,500
Other Special Funds	1,920,227
Long Term Portion of Derivative Instrument Assets	<u>333,597</u>
Total Other Property & Investments	<u>2,503,815</u>
Cash	5,879,088
Working Funds	-
Temporary Cash Investments	-
Customer Accounts Receivable	1,491,195
Other Accounts Receivable	886,274
Less: Provision for Uncollectibles	(219,186)
Notes Receivable from Assoc. Co.	15,061,096
Accounts Receivable from Assoc. Co.	1,082,020
Fuel Stock	21,705,617
Gas Stored Underground Inventory	3,202,947
Plant Materials & Operating Supplies	19,133,719
Other Materials & Supplies	-
Stores Expense Undistributed	467,314
Prepayments	1,408,770
Emission Allowances	39,590
Derivative Instrument Assets	2,237,779
Interest & Dividends Receivable	-
Misc Current and Accrued Assets	1,942,449
Rents Receivable	2,500
Total Current & Accrued Assets	<u>74,321,172</u>
Unamortized Debt Expense	1,828,688
Other Regulatory Assets	110,990,941
Preliminary Survey & Investigation	565,849
Clearing Accounts	12,229
Temporary Facilities	(3,008)
Miscellaneous Deferred Debits	888,967
Unamortized Loss on Reacquired Debt	1,299,463
Accumulated Deferred Income Taxes	31,240,026
Unrecovered Purchased Gas Costs	<u>(1,582,708)</u>
Total Deferred Debits	<u>145,240,447</u>
TOTAL ASSETS AND OTHER DEBITS	<u>1,389,412,295</u>

Duke Energy Kentucky, Inc.

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

	<u>Total Company</u>
<u>Proprietary Capital</u>	
Common Stock Issued	8,779,995
Premium on Capital Stock	18,838,946
Other Paid-in Capital Stock	148,655,189
Retained Earnings	282,200,496
Accumulated Other Comprehensive Income	-
Total Proprietary Capital	<u>458,474,626</u>
<u>Liabilities</u>	
Bonds	336,720,000
Advances from Associated Companies	25,000,000
Less: Unamortized Discount on Long-Term Debt	(309,032)
Total Long-Term Debt	<u>361,410,968</u>
Obligations Under Capital Leases - Noncurrent	1,283,240
Asset Retirement Obligation	51,036,431
Long-Term Portion of Derivative Instrument Liabilities	5,020,179
Accum. Misc. Operating Provisions	14,601,380
Total Other Noncurrent Liabilities	<u>71,941,230</u>
Accounts Payable	29,644,876
Notes Payable to Assoc. Co.	39,546,000
Accounts Payable to Assoc. Co.	9,481,670
Customer Deposits	10,122,622
Taxes Accrued	(827,300)
Interest Accrued	3,439,498
Tax Collections Payable	1,565,001
Misc. Current & Accrued Liabilities	9,286,104
Obligations Under Capital Leases - Current	473,015
Derivative Instrument Liabilities	5,789,480
Less: Long-Term Portion of Derivative Instrument Liabilities	(5,020,179)
Total Current & Accrued Liabilities	<u>103,500,787</u>
Customer Advances for Construction	1,615,431
Accum. Deferred Investment Tax Credits	634,359
Other Deferred Credits	18,943,370
Other Regulatory Liabilities	5,606,518
Accumulated Deferred Income Taxes	367,285,006
Total Deferred Credits	<u>394,084,684</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u><u>1,389,412,295</u></u>