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VIA OVERNIGHT DELIVERY

November 13, 2017

Ms. Gwen R. Pinson
Executive Director
Kentucky Public Service Commission
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 Ms. Pinson:

Enclosed please find Duke Energy Kentucky's financial statements for the end of September 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
Balance Sheet - Page 1
As of September 30, 2017
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<u>Assets</u>				
Utility Plant in Service	1,605,970,326	492,405,253	11,810,100	2,110,185,679
Construction Work in Progress	91,935,919	18,255,041	-	110,190,960
Less: Accumulated Depreciation	(852,711,960)	(165,155,069)	(7,331,257)	(1,025,198,286)
Net Utility Plant	<u>845,194,285</u>	<u>345,505,225</u>	<u>4,478,843</u>	<u>1,195,178,353</u>
Nonutility Property	-	-	252,934	252,934
Other Investments	-	-	1,500	1,500
Other Special Funds	-	-	1,978,679	1,978,679
Long Term Portion of Derivative Instrument Assets	-	-	318,343	318,343
Total Other Property & Investments	<u>-</u>	<u>-</u>	<u>2,551,456</u>	<u>2,551,456</u>
Cash	692,719	284,404	(51,870)	925,253
Working Funds	-	-	-	-
Temporary Cash Investments	-	-	-	-
Customer Accounts Receivable	1,703,333	471,309	-	2,174,642
Other Accounts Receivable	605,448	248,574	(45,335)	808,687
Less: Provision for Uncollectibles	(170,550)	(47,191)	-	(217,741)
Notes Receivable from Assoc. Co.	44,762,599	18,377,849	(3,351,754)	59,788,694
Accounts Receivable from Assoc. Co.	307,175	126,115	(23,001)	410,289
Fuel Stock	18,258,784	1,430,963	2,657,503	22,347,250
Gas Stored Underground Inventory	-	4,175,001	-	4,175,001
Plant Materials & Operating Supplies	18,973,207	367,019	-	19,340,226
Other Materials & Supplies	-	-	-	-
Stores Expense Undistributed	618,018	11,955	-	629,973
Prepayments	657,391	311,212	-	968,603
Emission Allowances	34,586	-	-	34,586
Derivative Instrument Assets	1,559,879	-	-	1,559,879
Interest & Dividends Receivable	-	-	-	-
Misc Current and Accrued Assets	3,110,482	-	-	3,110,482
Rents Receivable	-	-	-	-
Total Current & Accrued Assets	<u>91,113,071</u>	<u>25,757,210</u>	<u>(814,457)</u>	<u>116,055,824</u>
Unamortized Debt Expense	1,559,917	640,443	(116,804)	2,083,556
Other Regulatory Assets	106,878,341	12,526,122	-	119,404,463
Preliminary Survey & Investigation	181,091	74,349	(13,560)	241,880
Clearing Accounts	12,161	3,355	-	15,516
Temporary Facilities	-	-	-	-
Miscellaneous Deferred Debits	903,585	370,978	(67,659)	1,206,904
Unamortized Loss on Reacquired Debt	939,631	385,777	(70,358)	1,255,050
Accumulated Deferred Income Taxes	26,935,462	4,712,078	-	31,647,540
Unrecovered Purchased Gas Costs	-	(897,865)	-	(897,865)
Total Deferred Debits	<u>137,410,188</u>	<u>17,815,237</u>	<u>(268,381)</u>	<u>154,957,044</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>1,073,717,544</u></u>	<u><u>389,077,672</u></u>	<u><u>5,947,461</u></u>	<u><u>1,468,742,677</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of September 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	241,839,902	55,836,088	(9,838,570)	287,837,420
Accumulated Other Comprehensive Income	-	-	-	-
Total Proprietary Capital	<u>373,812,818</u>	<u>110,019,230</u>	<u>(19,720,498)</u>	<u>464,111,550</u>
<u>Liabilities</u>				
Bonds	319,476,730	131,165,194	(23,921,924)	426,720,000
Advances from Associated Companies	18,717,000	7,684,500	(1,401,500)	25,000,000
Less: Unamortized Discount on Long-Term Debt	(225,181)	(92,451)	16,861	(300,771)
Total Long-Term Debt	<u>337,968,549</u>	<u>138,757,243</u>	<u>(25,306,563)</u>	<u>451,419,229</u>
Obligations Under Capital Leases - Noncurrent	872,654	358,274	-	1,230,928
Asset Retirement Obligation	44,110,239	6,097,914	-	50,208,153
Long-Term Portion of Derivative Instrument Liabilities	3,667,442	1,011,731	-	4,679,173
Accum. Misc. Operating Provisions	10,858,915	2,995,630	-	13,854,545
Total Other Noncurrent Liabilities	<u>59,509,250</u>	<u>10,463,549</u>	<u>-</u>	<u>69,972,799</u>
Accounts Payable	22,031,847	9,045,453	(1,649,711)	29,427,589
Notes Payable to Assoc. Co.	-	-	-	-
Accounts Payable to Assoc. Co.	12,876,737	5,286,706	(964,190)	17,199,253
Customer Deposits	5,980,529	4,022,028	-	10,002,557
Taxes Accrued	7,071,173	2,369,766	(14,018)	9,426,921
Interest Accrued	2,801,514	1,150,197	(209,773)	3,741,938
Tax Collections Payable	923,863	351,176	3,855	1,278,894
Misc. Current & Accrued Liabilities	11,237,895	3,100,178	-	14,338,073
Obligations Under Capital Leases - Current	290,576	119,299	-	409,875
Derivative Instrument Liabilities	4,278,102	1,180,192	-	5,458,294
Less: Long-Term Portion of Derivative Instrument Liabilities	(3,667,442)	(1,011,731)	-	(4,679,173)
Total Current & Accrued Liabilities	<u>63,824,794</u>	<u>25,613,264</u>	<u>(2,833,837)</u>	<u>86,604,221</u>
Customer Advances for Construction	-	1,635,070	-	1,635,070
Accum. Deferred Investment Tax Credits	(2,818,206)	587,668	2,839,403	608,865
Other Deferred Credits	14,104,607	4,488,337	-	18,592,944
Other Regulatory Liabilities	3,665,648	1,827,170	-	5,492,818
Accumulated Deferred Income Taxes	223,650,084	95,686,141	50,968,956	370,305,181
Total Deferred Credits	<u>238,602,133</u>	<u>104,224,386</u>	<u>53,808,359</u>	<u>396,634,878</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u><u>1,073,717,544</u></u>	<u><u>389,077,672</u></u>	<u><u>5,947,461</u></u>	<u><u>1,468,742,677</u></u>

Duke Energy Kentucky, Inc.

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

	Electric	Gas	Non- Jurisdictional	Total Company
Revenues				
Residential Sales	119,499,541	61,023,807		180,523,348
Commercial Sales	108,440,498	21,015,361		129,455,859
Industrial Sales	50,527,935	1,507,760		52,035,695
Sales to Public Authorities	20,332,305	2,226,130		22,558,435
Public Street & Highway Lighting	1,578,963	978		1,579,941
Inter-Departmental Sales	51,082	24,118		75,200
Misc. Service Revenues	1,169,500	35,421	493,483	1,698,404
Revenues from Transportation	-	6,225,393		6,225,393
Sales for Resale	25,685,753	-		25,685,753
Rents from Property	1,096,305	55		1,096,360
Other Revenues	6,109,737	627		6,110,364
Total Revenues	334,491,619	92,059,650	493,483	427,044,752
Operating Expenses				
Operation Expense	214,038,413	58,651,936	182,654	272,873,003
Maintenance Expense	29,933,609	2,136,557	17,229	32,087,395
Depreciation Expense	28,253,364	12,274,901		40,528,265
Amortization and Depletion	1,946,583	1,232,407		3,178,990
Taxes Other than Income Taxes	10,411,673	3,957,654	43,444	14,412,771
Income Taxes - Federal & Other	(3,847,828)	(10,947,484)	(55,488)	(14,850,800)
Provision for Deferred Income Taxes - Net	15,709,192	14,454,204	108,997	30,272,393
Investment Tax Credit Adjustment	-	162	(162)	-
Total Operating Expenses	296,445,006	81,760,337	296,674	378,502,017
NET OPERATING INCOME	38,046,613	10,299,313	196,809	48,542,735
Other Income & Deductions				
Revenues from Merchandising, Jobbing and Contract Work	-	-	1,064,033	1,064,033
Less: Expense of Merchandising, Jobbing and Contract Work	-	-	(532,173)	(532,173)
Revenues from Nonutility Operations	-	-	(38,722)	(38,722)
Interest & Dividend Income	-	-	1,018,476	1,018,476
AFUDC	2,215,312	492,195	-	2,707,507
Gain on Disposition of Property	-	-	17,045	17,045
Loss on Disposition of Property	-	-	(15,675)	(15,675)
Misc. Income Deductions	-	-	(2,708,674)	(2,708,674)
Taxes Other than Income Taxes	-	-	(99,206)	(99,206)
Income Taxes - Federal & Other	-	-	(3,006,376)	(3,006,376)
Provision for Deferred Income Taxes - Net	-	-	2,964,475	2,964,475
Total Other Income & Deductions	2,215,312	492,195	(1,336,797)	1,370,710
Interest Charges				
Interest on Long Term Debt	(10,224,525)	(4,197,808)	765,597	(13,656,736)
Amortization of Debt Disc. And Expense	(253,265)	(103,981)	18,964	(338,282)
Amortization of Loss on Reacquired Debt	(199,504)	(81,909)	14,939	(266,474)
Interest on Debt to Assoc. Co.	(313,939)	(128,892)	23,507	(419,324)
Other Interest Expense	(1,052,136)	(431,968)	78,782	(1,405,322)
Less: Allowance for Borrowed Fund Used During Construction - Credit	825,204	157,362	-	982,566
Net interest Charges	(11,218,165)	(4,787,196)	901,789	(15,103,572)
Extraordinary Items after Taxes	-	-	-	-
NET INCOME	29,043,760	6,004,312	(238,199)	34,809,873

Duke Energy Kentucky, Inc.

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

	Actual Aug-17	Activity	Actual Sep-17
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	334,996,916	89,722,349	424,719,265
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	1,257,096	(26,168)	1,230,928
Total Long-term debt	<u>361,254,012</u>	<u>89,696,181</u>	<u>450,950,193</u>
	-		
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	26,557,608	538,443	27,096,051
Total Common Stock Equity	<u>463,573,107</u>	<u>538,443</u>	<u>464,111,550</u>
 TOTAL CAPITALIZATION	 824,827,119	 90,234,624	 915,061,743

NOTE:

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