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VIA OVERNIGHT DELIVERY

RECEIVED

February 13, 2018

FEB 14 2018

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

**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 December 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 December 31, 2017
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
Assets				
Utility Plant in Service	1,677,235,209	501,699,279	11,808,972	2,190,743,460
Construction Work in Progress	83,880,577	25,509,760	-	109,390,337
Less: Accumulated Depreciation	(857,314,793)	(167,346,777)	(7,366,597)	(1,032,028,167)
Net Utility Plant	<u>903,800,993</u>	<u>359,862,262</u>	<u>4,442,375</u>	<u>1,268,105,630</u>
Nonutility Property	-	-	264,016	264,016
Other Investments	-	-	1,500	1,500
Other Special Funds	-	-	1,184,266	1,184,266
Long Term Portion of Derivative Instrument Assets	-	-	318,333	318,333
Total Other Property & Investments	<u>-</u>	<u>-</u>	<u>1,768,115</u>	<u>1,768,115</u>
Cash	1,263,132	518,595	(94,581)	1,687,146
Working Funds	-	-	-	-
Temporary Cash Investments	-	-	-	-
Customer Accounts Receivable	2,277,738	640,607	-	2,918,345
Other Accounts Receivable	614,175	252,157	(45,988)	820,344
Less: Provision for Uncollectibles	(182,277)	(51,265)	-	(233,542)
Notes Receivable from Assoc. Co.	25,760,177	10,576,165	(1,928,882)	34,407,460
Accounts Receivable from Assoc. Co.	2,853,773	1,171,652	(213,686)	3,811,739
Fuel Stock	18,664,613	1,255,419	2,331,493	22,251,525
Gas Stored Underground Inventory	-	2,958,880	-	2,958,880
Plant Materials & Operating Supplies	17,302,323	312,466	-	17,614,789
Other Materials & Supplies	-	-	-	-
Stores Expense Undistributed	950,200	17,160	-	967,360
Prepayments	333,785	158,016	-	491,801
Emission Allowances	31,208	-	-	31,208
Derivative Instrument Assets	1,125,387	-	-	1,125,387
Interest & Dividends Receivable	-	-	-	-
Misc Current and Accrued Assets	2,507,390	-	-	2,507,390
Rents Receivable	2,500	-	-	2,500
Total Current & Accrued Assets	<u>73,504,124</u>	<u>17,809,852</u>	<u>48,356</u>	<u>91,362,332</u>
Unamortized Debt Expense	1,556,168	638,904	(116,523)	2,078,549
Other Regulatory Assets	114,141,394	13,466,800	-	127,608,194
Preliminary Survey & Investigation	217,197	89,173	(16,263)	290,107
Clearing Accounts	(66)	(20)	-	(86)
Temporary Facilities	-	-	-	-
Miscellaneous Deferred Debits	1,797,561	738,011	(134,599)	2,400,973
Unamortized Loss on Reacquired Debt	889,755	365,300	(66,623)	1,188,432
Accumulated Deferred Income Taxes	42,448,168	15,913,279	-	58,361,447
Unrecovered Purchased Gas Costs	-	(219,763)	-	(219,763)
Total Deferred Debits	<u>161,050,177</u>	<u>30,991,684</u>	<u>(334,008)</u>	<u>191,707,853</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>1,138,355,294</u></u>	<u><u>408,663,798</u></u>	<u><u>5,924,838</u></u>	<u><u>1,552,943,930</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of December 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	(1,058,111)	18,838,946
Other Paid-in Capital Stock	122,525,367	50,304,332	(9,174,510)	163,655,189
Retained Earnings	277,669,017	56,311,487	(13,840,205)	320,140,299
Accumulated Other Comprehensive Income	-	-	-	-
Total Proprietary Capital	420,872,133	115,105,329	(24,563,033)	511,414,429
<u>Liabilities</u>				
Bonds	319,476,730	131,165,193	(23,921,923)	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	(215,903)	(88,642)	16,167	(288,378)
Total Long-Term Debt	337,977,827	138,761,051	(25,307,256)	451,431,622
Obligations Under Capital Leases - Noncurrent	411,348	168,882	-	580,230
Asset Retirement Obligation	47,193,682	7,387,826	-	54,581,508
Long-Term Portion of Derivative Instrument Liabilities	3,585,452	1,062,287	-	4,647,739
Accum. Misc. Operating Provisions	13,383,747	3,965,297	-	17,349,044
Total Other Noncurrent Liabilities	64,574,229	12,584,292	-	77,158,521
Accounts Payable	36,420,155	14,952,753	(2,727,085)	48,645,823
Notes Payable to Assoc. Co.	-	-	-	-
Accounts Payable to Assoc. Co.	11,805,410	4,846,860	(883,971)	15,768,299
Customer Deposits	5,895,275	3,964,693	-	9,859,968
Taxes Accrued	7,775,505	1,685,359	6,592,655	16,053,519
Interest Accrued	4,030,654	1,654,836	(301,809)	5,383,681
Tax Collections Payable	1,291,622	395,115	5,182	1,691,919
Misc. Current & Accrued Liabilities	6,437,050	1,907,151	-	8,344,201
Obligations Under Capital Leases - Current	627,654	257,689	-	885,343
Derivative Instrument Liabilities	4,140,891	1,226,792	-	5,367,683
Less: Long-Term Portion of Derivative Instrument Liabilities	(3,585,452)	(1,062,287)	-	(4,647,739)
Total Current & Accrued Liabilities	74,838,564	29,828,961	2,684,972	107,352,497
Customer Advances for Construction	-	1,562,943	-	1,562,943
Accum. Deferred Investment Tax Credits	426,728	570,830	2,839,403	3,836,961
Other Deferred Credits	12,130,402	3,860,110	-	15,990,512
Other Regulatory Liabilities	95,268,414	44,119,537	-	139,387,951
Accumulated Deferred Income Taxes	132,266,997	62,270,745	50,270,752	244,808,494
Total Deferred Credits	240,092,541	112,384,165	53,110,155	405,586,861
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	1,138,355,294	408,663,798	5,924,838	1,552,943,930

Duke Energy Kentucky, Inc.

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

	Electric	Gas	Non- Jurisdictional	Total Company
<u>Revenues</u>				
Residential Sales	121,488,425	61,825,680	-	183,314,105
Commercial Sales	107,308,632	21,472,263	-	128,780,895
Industrial Sales	50,490,483	1,584,623	-	52,075,106
Sales to Public Authorities	19,995,417	2,299,938	-	22,295,355
Public Street & Highway Lighting	1,561,771	986	-	1,562,737
Inter-Departmental Sales	80,798	27,474	-	108,272
Misc. Service Revenues	108,163	35,742	564,521	706,426
Revenues from Transportation	-	6,351,569	-	6,351,569
Sales for Resale	26,644,547	-	-	26,644,547
Rents from Property	1,097,903	-	-	1,097,903
Other Revenues	6,035,768	1,438	-	6,037,206
Total Revenues	<u>334,809,907</u>	<u>93,599,693</u>	<u>564,521</u>	<u>428,974,121</u>
<u>Operating Expenses</u>				
Operation Expense	202,516,007	58,765,793	267,280	261,549,080
Maintenance Expense	32,788,535	2,057,822	17,657	34,864,014
Depreciation Expense	29,477,943	12,136,515	-	41,614,458
Amortization and Depletion	2,401,945	1,422,574	-	3,824,519
Taxes Other than Income Taxes	10,857,356	3,321,331	43,557	14,222,244
Income Taxes - Federal & Other	(7,113,412)	(8,556,611)	3,662	(15,666,361)
Provision for Deferred Income Taxes - Net	23,261,562	11,088,787	1,561,075	35,911,424
Investment Tax Credit Adjustment	-	50,286	(50,286)	-
Total Operating Expenses	<u>294,189,936</u>	<u>80,286,497</u>	<u>1,842,945</u>	<u>376,319,378</u>
NET OPERATING INCOME	<u>40,619,971</u>	<u>13,313,196</u>	<u>(1,278,424)</u>	<u>52,654,743</u>
<u>Other Income & Deductions</u>				
Revenues from Merchandising, Jobbing and Contract Work	-	-	1,180,457	1,180,457
Less: Expense of Merchandising, Jobbing and Contract Work	-	-	(429,647)	(429,647)
Revenues from Nonutility Operations	-	-	(42,205)	(42,205)
Interest & Dividend Income	-	-	1,235,748	1,235,748
AFUDC	2,757,819	600,389	-	3,358,208
Gain on Disposition of Property	-	-	17,045	17,045
Loss on Disposition of Property	-	-	(115,629)	(115,629)
Misc. Income Deductions	-	-	(4,024,010)	(4,024,010)
Taxes Other than Income Taxes	-	-	(117,175)	(117,175)
Income Taxes - Federal & Other	-	-	(2,128,974)	(2,128,974)
Provision for Deferred Income Taxes - Net	-	-	23,535,145	23,535,145
Total Other Income & Deductions	<u>2,757,819</u>	<u>600,389</u>	<u>19,110,755</u>	<u>22,468,963</u>
<u>Interest Charges</u>				
Interest on Long Term Debt	(10,944,611)	(4,493,448)	819,516	(14,618,543)
Amortization of Debt Disc. And Expense	(225,909)	(92,749)	16,916	(301,742)
Amortization of Loss on Reacquired Debt	(199,504)	(81,909)	14,939	(266,474)
Interest on Debt to Assoc. Co.	(339,657)	(139,450)	25,433	(453,674)
Other Interest Expense	(1,036,398)	(425,506)	77,604	(1,384,300)
Less: Allowance for Borrowed Fund Used During Construction - Credit	1,094,345	205,612	-	1,299,957
Net interest Charges	<u>(11,651,734)</u>	<u>(5,027,450)</u>	<u>954,408</u>	<u>(15,724,776)</u>
Extraordinary Items after Taxes	-	-	-	-
NET INCOME	<u>31,726,056</u>	<u>8,888,135</u>	<u>18,786,739</u>	<u>59,398,930</u>

Duke Energy Kentucky, Inc.

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

	Actual Nov-17	Activity	Actual Dec-17
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	424,716,114	(1,015)	424,715,099
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	1,178,520	(598,290)	580,230
Total Long-term debt	450,894,634	(599,305)	450,295,329
-			
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	15,000,000	-	15,000,000
Unappropriated Retained Earnings Balance	260,741,369	-	260,741,369
Unappropriated Retained Earnings - Current Year Net Income	34,142,321	25,256,609	59,398,930
Total Common Stock Equity	486,157,820	25,256,609	511,414,429
TOTAL CAPITALIZATION	937,052,454	24,657,304	961,709,758

NOTE:

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