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VIA OVERNIGHT DELIVERY

April 11, 2018

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

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 February, 2018, 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 Anna Anderson at 980-373-2179.

Very Truly Yours,



Rocco O. D'Ascenzo

Enclosures

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APR 12 2018

PUBLIC SERVICE
COMMISSION

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Duke Energy Kentucky, Inc.

APR 12 2018

Monthly Supplemental Financial Statements
Balance Sheet - Page 1
As of February 28, 2018
(Unaudited)

PUBLIC SERVICE
COMMISSION

	<u>Total Company</u>
Assets	
Utility Plant in Service	2,205,850,441
Construction Work in Progress	126,468,258
Less: Accumulated Depreciation	<u>(1,036,182,362)</u>
Net Utility Plant	<u>1,296,136,337</u>
Nonutility Property	288,839
Other Investments	1,500
Other Special Funds	7,653,020
Long Term Portion of Derivative Instrument Assets	<u>318,333</u>
Total Other Property & Investments	<u>8,261,692</u>
Cash	9,337,400
Working Funds	-
Temporary Cash Investments	-
Customer Accounts Receivable	2,515,851
Other Accounts Receivable	1,236,443
Less: Provision for Uncollectibles	(241,720)
Notes Receivable from Assoc. Co.	19,178,547
Accounts Receivable from Assoc. Co.	(1,364,817)
Fuel Stock	16,239,101
Gas Stored Underground Inventory	1,490,689
Plant Materials & Operating Supplies	17,887,067
Other Materials & Supplies	-
Stores Expense Undistributed	811,467
Prepayments	3,302,963
Emission Allowances	30,107
Derivative Instrument Assets	1,125,387
Interest & Dividends Receivable	-
Misc Current and Accrued Assets	2,507,390
Rents Receivable	-
Total Current & Accrued Assets	<u>74,055,875</u>
Unamortized Debt Expense	2,171,933
Other Regulatory Assets	131,329,778
Preliminary Survey & Investigation	77,272
Clearing Accounts	4,203
Temporary Facilities	(9,878)
Miscellaneous Deferred Debits	2,148,537
Unamortized Loss on Reacquired Debt	1,144,019
Accumulated Deferred Income Taxes	60,005,308
Unrecovered Purchased Gas Costs	738,751
Total Deferred Debits	<u>197,609,923</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>1,576,063,827</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of February 28, 2018
(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	163,655,189
Retained Earnings	330,920,293
Accumulated Other Comprehensive Income	-
Total Proprietary Capital	<u>522,194,423</u>
<u>Liabilities</u>	
Bonds	426,720,000
Advances from Associated Companies	25,000,000
Less: Unamortized Discount on Long-Term Debt	(280,117)
Total Long-Term Debt	<u>451,439,883</u>
Obligations Under Capital Leases - Noncurrent	524,548
Asset Retirement Obligation	54,286,528
Long-Term Portion of Derivative Instrument Liabilities	4,647,739
Accum. Misc. Operating Provisions	26,069,433
Total Other Noncurrent Liabilities	<u>85,528,248</u>
Accounts Payable	39,174,834
Notes Payable to Assoc. Co.	11,870,000
Accounts Payable to Assoc. Co.	13,047,711
Customer Deposits	9,963,239
Taxes Accrued	15,290,564
Interest Accrued	6,200,819
Tax Collections Payable	1,813,054
Misc. Current & Accrued Liabilities	8,316,155
Obligations Under Capital Leases - Current	822,816
Derivative Instrument Liabilities	5,367,483
Less: Long-Term Portion of Derivative Instrument Liabilities	(4,647,739)
Total Current & Accrued Liabilities	<u>107,218,936</u>
Customer Advances for Construction	1,583,742
Accum. Deferred Investment Tax Credits	3,823,908
Other Deferred Credits	16,172,609
Other Regulatory Liabilities	139,358,131
Accumulated Deferred Income Taxes	248,743,947
Total Deferred Credits	<u>409,682,337</u>
 TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	 <u><u>1,576,063,827</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Income Statement
For the 12 Months Ended February 28, 2018
(Unaudited)

	Electric	Gas	Total Company
<u>Revenues</u>			
Residential Sales	125,790,049	63,720,506	189,510,555
Commercial Sales	107,820,430	22,582,152	130,402,582
Industrial Sales	50,614,484	1,644,339	52,258,823
Sales to Public Authorities	19,984,193	2,242,090	22,226,283
Public Street & Highway Lighting	1,583,704	966	1,584,670
Inter-Departmental Sales	70,386	29,761	100,147
Misc. Service Revenues	(1,153,103)	583,526	(569,577)
Revenues from Transportation	-	6,398,052	6,398,052
Sales for Resale	26,542,128	-	26,542,128
Rents from Property	1,187,443	(6)	1,187,437
Other Revenues	15,465,532	(1,043,008)	14,422,524
Total Revenues	347,905,246	96,158,378	444,063,624
<u>Operating Expenses</u>			
Operation Expense	217,960,666	60,287,820	278,248,486
Maintenance Expense	33,538,717	2,132,803	35,671,520
Depreciation Expense	29,924,558	10,943,675	40,868,233
Amortization and Depletion	2,506,142	1,544,261	4,050,403
Taxes Other than Income Taxes	10,956,018	3,381,779	14,337,797
Income Taxes - Federal & Other	(2,729,948)	(11,055,958)	(13,785,906)
Provision for Deferred Income Taxes - Net	16,566,355	14,624,560	31,190,915
Investment Tax Credit Adjustment	-	-	-
Total Operating Expenses	308,722,508	81,858,940	390,581,448
NET OPERATING INCOME	39,182,738	14,299,438	53,482,176
<u>Other Income & Deductions</u>			
Revenues from Merchandising, Jobbing and Contract Work	1,176,017	(9,966)	1,166,051
Less: Expense of Merchandising, Jobbing and Contract Work	(402,860)	(1,600)	(404,460)
Revenues from Nonutility Operations	(135,957)	74,206	(61,751)
Interest & Dividend Income	989,742	345,561	1,335,303
AFUDC	3,063,391	738,514	3,801,905
Gain on Disposition of Property	17,045	-	17,045
Loss on Disposition of Property	(115,628)	(1,187)	(116,815)
Misc. Income Deductions	(3,338,128)	(779,756)	(4,117,884)
Taxes Other than Income Taxes	(98,045)	(28,619)	(126,664)
Income Taxes - Federal & Other	(2,060,059)	82,825	(1,977,234)
Provision for Deferred Income Taxes - Net	23,429,315	(88,394)	23,340,921
Total Other Income & Deductions	22,524,833	331,584	22,856,417
<u>Interest Charges</u>			
Interest on Long Term Debt	(11,091,512)	(4,215,473)	(15,306,985)
Amortization of Debt Disc. And Expense	(253,833)	(52,790)	(306,623)
Amortization of Loss on Reacquired Debt	(187,074)	(79,400)	(266,474)
Interest on Debt to Assoc. Co.	(337,462)	(143,232)	(480,694)
Other Interest Expense	(1,323,987)	(54,561)	(1,378,548)
Less: Allowance for Borrowed Fund Used During Construction - Credit	1,219,124	255,965	1,475,089
Net interest Charges	(11,974,744)	(4,289,491)	(16,264,235)
Extraordinary Items after Taxes	-	-	-
NET INCOME	49,732,827	10,341,531	60,074,358

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Capital Structure
February 28, 2018
(Unaudited)

	Actual January 2018	Activity	Actual February 2018
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	424,733,421	(28,519)	424,704,902
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	552,401	(27,853)	524,548
Total Long-term debt	<u>450,285,822</u>	<u>(56,372)</u>	<u>450,229,450</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	15,000,000	-	15,000,000
Unappropriated Retained Earnings Balance	320,140,299	-	320,140,299
Unappropriated Retained Earnings - Current Year Net Income	7,215,317	3,564,677	10,779,994
Total Common Stock Equity	<u>518,629,746</u>	<u>3,564,677</u>	<u>522,194,423</u>
TOTAL CAPITALIZATION	<u>968,915,568</u>	<u>3,508,305</u>	<u>972,423,873</u>

NOTE:

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