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VIA OVERNIGHT DELIVERY

May 14, 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 March, 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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MAY 15 2018

PUBLIC SERVICE
COMMISSION

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MAY 15 2018

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 1
As of March 31, 2018
(Unaudited)

PUBLIC SERVICE
COMMISSION

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
Assets				
Utility Plant in Service	1,689,685,215	511,504,157	11,810,099	2,212,999,471
Construction Work in Progress	123,772,862	28,768,084	-	152,540,946
Less: Accumulated Depreciation	(861,517,204)	(170,238,207)	(7,413,198)	(1,039,168,609)
Net Utility Plant	951,940,873	370,034,034	4,396,901	1,326,371,808
Nonutility Property	-	-	297,964	297,964
Other Investments	-	-	1,500	1,500
Other Special Funds	-	-	7,723,986	7,723,986
Long Term Portion of Derivative Instrument Assets	-	-	318,323	318,323
Total Other Property & Investments	-	-	8,341,773	8,341,773
Cash	6,146,272	2,523,430	(460,223)	8,209,479
Working Funds	-	-	-	-
Temporary Cash Investments	-	-	-	-
Customer Accounts Receivable	4,659,728	1,329,922	-	5,989,650
Other Accounts Receivable	780,526	320,455	(58,445)	1,042,536
Less: Provision for Uncollectibles	(172,810)	(49,321)	-	(222,131)
Notes Receivable from Assoc. Co.	10,972,615	4,504,946	(821,612)	14,655,949
Accounts Receivable from Assoc. Co.	(13,078)	(5,370)	979	(17,469)
Fuel Stock	13,608,393	955,591	1,774,670	16,338,654
Gas Stored Underground Inventory	-	970,442	-	970,442
Plant Materials & Operating Supplies	17,750,273	333,195	-	18,083,468
Other Materials & Supplies	-	-	-	-
Stores Expense Undistributed	622,313	11,682	-	633,995
Prepayments	2,881,325	1,364,034	-	4,245,359
Emission Allowances	29,834	-	-	29,834
Derivative Instrument Assets	707,601	-	-	707,601
Interest & Dividends Receivable	-	-	-	-
Misc Current and Accrued Assets	5,517,644	-	-	5,517,644
Rents Receivable	-	-	-	-
Total Current & Accrued Assets	63,490,636	12,259,006	435,369	76,185,011
Unamortized Debt Expense	1,609,448	660,779	(120,513)	2,149,714
Other Regulatory Assets	121,639,337	14,479,860	-	136,119,197
Preliminary Survey & Investigation	57,852	23,752	(4,332)	77,272
Clearing Accounts	5,693	2,309	-	8,002
Temporary Facilities	1,945	-	-	1,945
Miscellaneous Deferred Debits	914,039	375,270	(68,442)	1,220,867
Unamortized Loss on Reacquired Debt	839,879	344,823	(62,889)	1,121,813
Accumulated Deferred Income Taxes	44,752,307	15,286,707	-	60,039,014
Unrecovered Purchased Gas Costs	-	(669,276)	-	(669,276)
Total Deferred Debits	169,820,500	30,504,224	(256,176)	200,068,548
TOTAL ASSETS AND OTHER DEBITS	1,185,252,009	412,797,264	12,917,867	1,610,967,140

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of March 31, 2018
(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	122,525,367	50,304,332	(9,174,510)	163,655,189
Retained Earnings	270,490,322	44,907,710	17,404,995	332,803,027
Accumulated Other Comprehensive Income	-	-	-	-
Total Proprietary Capital	<u>413,693,438</u>	<u>103,701,552</u>	<u>6,682,167</u>	<u>524,077,157</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	(208,625)	(84,833)	15,472	(275,986)
Total Long-Term Debt	<u>337,987,105</u>	<u>138,764,861</u>	<u>(25,307,952)</u>	<u>451,444,014</u>
Obligations Under Capital Leases - Noncurrent	352,109	144,560	-	496,669
Asset Retirement Obligation	46,555,571	7,481,716	-	54,037,287
Long-Term Portion of Derivative Instrument Liabilities	2,668,097	1,082,444	-	3,750,541
Accum. Misc. Operating Provisions	19,294,092	7,827,588	-	27,121,680
Total Other Noncurrent Liabilities	<u>68,869,869</u>	<u>16,536,308</u>	<u>-</u>	<u>85,406,177</u>
Accounts Payable	39,430,552	16,188,710	(2,952,499)	52,666,763
Notes Payable to Assoc. Co.	23,983,000	9,838,312	(1,794,312)	32,007,000
Accounts Payable to Assoc. Co.	13,548,855	5,562,653	(1,014,517)	18,096,991
Customer Deposits	6,034,611	4,058,400	-	10,093,011
Taxes Accrued	4,689,954	1,039,183	4,645,139	10,374,276
Interest Accrued	2,771,313	1,137,797	(207,512)	3,701,598
Tax Collections Payable	1,203,771	367,679	5,844	1,577,294
Misc. Current & Accrued Liabilities	5,498,471	2,230,722	-	7,729,193
Obligations Under Capital Leases - Current	560,891	230,278	-	791,169
Derivative Instrument Liabilities	3,110,763	1,262,033	-	4,372,796
Less: Long-Term Portion of Derivative Instrument Liabilities	(2,668,097)	(1,082,444)	-	(3,750,541)
Total Current & Accrued Liabilities	<u>98,144,084</u>	<u>40,833,323</u>	<u>(1,317,857)</u>	<u>137,659,550</u>
Customer Advances for Construction	-	1,583,742	-	1,583,742
Accum. Deferred Investment Tax Credits	423,896	554,023	2,839,403	3,817,322
Other Deferred Credits	12,403,751	3,947,094	-	16,350,845
Other Regulatory Liabilities	95,230,268	44,099,732	-	139,330,000
Accumulated Deferred Income Taxes	158,499,598	62,776,629	30,022,106	251,298,333
Total Deferred Credits	<u>266,557,513</u>	<u>112,981,220</u>	<u>32,861,509</u>	<u>412,380,242</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u><u>1,185,252,009</u></u>	<u><u>412,797,264</u></u>	<u><u>12,917,867</u></u>	<u><u>1,610,967,140</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Income Statement
For the 12 Months Ended March 31, 2018
(Unaudited)

	Electric	Gas	Non- Jurisdictional	Total Company
<u>Revenues</u>				
Residential Sales	125,791,061	64,435,559	-	190,226,620
Commercial Sales	108,013,341	22,923,771	-	130,937,112
Industrial Sales	50,887,489	1,628,719	-	52,516,208
Sales to Public Authorities	19,952,301	2,306,962	-	22,259,263
Public Street & Highway Lighting	1,589,254	963	-	1,590,217
Inter-Departmental Sales	41,620	30,374	-	71,994
Misc. Service Revenues	(664,366)	36,910	581,658	(45,798)
Revenues from Transportation	-	6,496,354	-	6,496,354
Sales for Resale	18,425,853	-	-	18,425,853
Rents from Property	1,189,492	(124)	-	1,189,368
Other Revenues	14,517,157	(1,475,871)	-	13,041,286
Total Revenues	<u>339,743,202</u>	<u>96,383,617</u>	<u>581,658</u>	<u>436,708,477</u>
<u>Operating Expenses</u>				
Operation Expense	207,732,811	59,849,352	672,954	268,255,117
Maintenance Expense	36,557,686	2,068,071	29,903	38,655,660
Depreciation Expense	31,819,003	10,434,994	-	42,253,997
Amortization and Depletion	2,556,083	1,601,030	-	4,157,113
Taxes Other than Income Taxes	11,104,466	3,391,746	53,911	14,550,123
Income Taxes - Federal & Other	(4,755,032)	(8,771,464)	57,287	(13,469,209)
Provision for Deferred Income Taxes - Net	16,972,644	10,547,337	1,713,080	29,233,061
Investment Tax Credit Adjustment	-	50,240	(50,240)	-
Total Operating Expenses	<u>301,987,661</u>	<u>79,171,306</u>	<u>2,476,895</u>	<u>383,635,862</u>
NET OPERATING INCOME	<u>37,755,541</u>	<u>17,212,311</u>	<u>(1,895,237)</u>	<u>53,072,615</u>
<u>Other Income & Deductions</u>				
Revenues from Merchandising, Jobbing and Contract Work	-	-	1,007,029	1,007,029
Less: Expense of Merchandising, Jobbing and Contract Work	-	-	(386,513)	(386,513)
Revenues from Nonutility Operations	-	-	(51,522)	(51,522)
Interest & Dividend Income	-	-	1,363,221	1,363,221
AFUDC	3,278,663	820,930	-	4,099,593
Gain on Disposition of Property	-	-	17,045	17,045
Loss on Disposition of Property	-	-	(116,815)	(116,815)
Misc. Income Deductions	-	-	(4,115,506)	(4,115,506)
Taxes Other than Income Taxes	-	-	(126,799)	(126,799)
Income Taxes - Federal & Other	-	-	(1,806,361)	(1,806,361)
Provision for Deferred Income Taxes - Net	-	-	23,208,103	23,208,103
Total Other Income & Deductions	<u>3,278,663</u>	<u>820,930</u>	<u>18,991,882</u>	<u>23,091,475</u>
<u>Interest Charges</u>				
Interest on Long Term Debt	(11,721,245)	(4,812,305)	877,669	(15,655,881)
Amortization of Debt Disc. And Expense	(231,753)	(95,149)	17,353	(309,549)
Amortization of Loss on Reacquired Debt	(199,504)	(81,909)	14,939	(266,474)
Interest on Debt to Assoc. Co.	(383,372)	(157,398)	28,706	(512,064)
Other Interest Expense	(1,025,256)	(420,932)	76,770	(1,369,418)
Less: Allowance for Borrowed Fund Used During Construction - Credit	1,310,146	286,940	-	1,597,086
Net interest Charges	<u>(12,250,984)</u>	<u>(5,280,753)</u>	<u>1,015,437</u>	<u>(16,516,300)</u>
Extraordinary Items after Taxes	-	-	-	-
NET INCOME	<u>28,783,220</u>	<u>12,752,488</u>	<u>18,112,082</u>	<u>59,647,790</u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Capital Structure
March 31, 2018
(Unaudited)

	Actual Feb-18	Activity	Actual Mar-18
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	424,704,902	19,110	424,724,012
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	524,548	(27,879)	496,669
Total Long-term debt	450,229,450	(8,769)	450,220,681
-			
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	10,779,994	1,882,734	12,662,728
Total Common Stock Equity	522,194,423	1,882,734	524,077,157
TOTAL CAPITALIZATION	972,423,873	1,873,965	974,297,838

NOTE:

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