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Rocco O. D'Ascenzo  
Deputy General Counsel

**VIA OVERNIGHT DELIVERY**

July 5, 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.

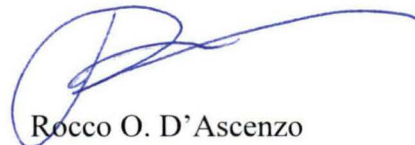
Dear Ms. Pinson:

Enclosed please find Duke Energy Kentucky's financial statements for the end of May, 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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PUBLIC SERVICE  
COMMISSION

Duke Energy Kentucky, Inc.

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

	<u>Total Company</u>
<u>Assets</u>	
Utility Plant in Service	2,250,746,375
Construction Work in Progress	156,532,293
Less: Accumulated Depreciation	(1,034,737,068)
Net Utility Plant	<u>1,372,541,600</u>
Nonutility Property	315,670
Other Investments	1,500
Other Special Funds	7,865,918
Long Term Portion of Derivative Instrument Assets	318,322
Total Other Property & Investments	<u>8,501,410</u>
Cash	7,275,764
Working Funds	-
Temporary Cash Investments	-
Customer Accounts Receivable	3,164,039
Other Accounts Receivable	1,688,139
Less: Provision for Uncollectibles	(228,650)
Notes Receivable from Assoc. Co.	9,252,029
Accounts Receivable from Assoc. Co.	1,711,482
Fuel Stock	17,622,390
Gas Stored Underground Inventory	1,802,410
Plant Materials & Operating Supplies	17,385,011
Other Materials & Supplies	-
Stores Expense Undistributed	263,938
Prepayments	1,451,480
Emission Allowances	29,775
Derivative Instrument Assets	7,929,395
Interest & Dividends Receivable	-
Misc Current and Accrued Assets	6,972,171
Accrued Utility Revenue	1,465,518
Rents Receivable	-
Total Current & Accrued Assets	<u>77,784,891</u>
Unamortized Debt Expense	2,106,852
Other Regulatory Assets	135,039,572
Preliminary Survey & Investigation	90,175
Clearing Accounts	15,161
Temporary Facilities	4,070
Miscellaneous Deferred Debits	4,547,513
Unamortized Loss on Reacquired Debt	1,077,401
Accumulated Deferred Income Taxes	59,837,971
Unrecovered Purchased Gas Costs	(669,902)
Total Deferred Debits	<u>202,048,813</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>1,660,876,714</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements  
Balance Sheet - Page 2  
As of May 31, 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	336,721,757
Accumulated Other Comprehensive Income	-
Total Proprietary Capital	<u>527,995,887</u>
<u>Liabilities</u>	
Bonds	426,720,000
Advances from Associated Companies	25,000,000
Less: Unamortized Discount on Long-Term Debt	(267,724)
Total Long-Term Debt	<u>451,452,276</u>
Obligations Under Capital Leases - Noncurrent	440,839
Asset Retirement Obligation	53,931,976
Long-Term Portion of Derivative Instrument Liabilities	3,750,541
Accum. Misc. Operating Provisions	27,862,479
Total Other Noncurrent Liabilities	<u>85,985,835</u>
Accounts Payable	39,823,265
Notes Payable to Assoc. Co.	96,319,000
Accounts Payable to Assoc. Co.	14,465,073
Customer Deposits	9,835,816
Taxes Accrued	6,327,082
Interest Accrued	4,068,937
Tax Collections Payable	1,431,087
Misc. Current & Accrued Liabilities	8,850,337
Obligations Under Capital Leases - Current	324,745
Derivative Instrument Liabilities	4,435,156
Less: Long-Term Portion of Derivative Instrument Liabilities	(3,750,541)
Total Current & Accrued Liabilities	<u>182,129,957</u>
Customer Advances for Construction	1,579,329
Accum. Deferred Investment Tax Credits	3,804,229
Other Deferred Credits	16,352,781
Other Regulatory Liabilities	140,834,408
Accumulated Deferred Income Taxes	250,742,012
Total Deferred Credits	<u>413,312,759</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u><u>1,660,876,714</u></u>

Duke Energy Kentucky, Inc.

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

	Electric	Gas	Total Company
<u>Revenues</u>			
Residential Sales	130,276,274	66,216,858	196,493,132
Commercial Sales	110,872,148	23,904,487	134,776,635
Industrial Sales	52,527,786	1,687,401	54,215,187
Sales to Public Authorities	20,514,134	2,399,945	22,914,079
Public Street & Highway Lighting	1,609,284	958	1,610,242
Inter-Departmental Sales	72,286	34,170	106,456
Misc. Service Revenues	(1,441,209)	558,598	(882,611)
Revenues from Transportation	-	6,561,581	6,561,581
Sales for Resale	15,526,866	-	15,526,866
Rents from Property	1,191,817	(60)	1,191,757
Other Revenues	15,697,679	(2,231,805)	13,465,874
Total Revenues	<u>346,847,065</u>	<u>99,132,133</u>	<u>445,979,198</u>
<u>Operating Expenses</u>			
Operation Expense	205,832,060	61,298,478	267,130,538
Maintenance Expense	42,719,038	2,307,458	45,026,496
Depreciation Expense	37,968,257	10,577,042	48,545,299
Amortization and Depletion	2,622,097	1,706,024	4,328,121
Taxes Other than Income Taxes	11,203,532	3,470,217	14,673,749
Income Taxes - Federal & Other	864,452	(7,600,133)	(6,735,681)
Provision for Deferred Income Taxes - Net	9,184,201	11,264,230	20,448,431
Investment Tax Credit Adjustment	-	-	-
Total Operating Expenses	<u>310,393,637</u>	<u>83,023,316</u>	<u>393,416,953</u>
NET OPERATING INCOME	<u>36,453,428</u>	<u>16,108,817</u>	<u>52,562,245</u>
<u>Other Income &amp; Deductions</u>			
Revenues from Merchandising, Jobbing and Contract Work	1,105,820	(123,443)	982,377
Less: Expense of Merchandising, Jobbing and Contract Work	(293,172)	(1,600)	(294,772)
Revenues from Nonutility Operations	130,273	72,885	203,158
Interest & Dividend Income	1,066,168	376,079	1,442,247
AFUDC	3,669,697	892,573	4,562,270
Gain on Disposition of Property	17,045	-	17,045
Loss on Disposition of Property	(102,319)	(1,187)	(103,506)
Misc. Income Deductions	(2,189,206)	(767,157)	(2,956,363)
Taxes Other than Income Taxes	(86,649)	(88,824)	(175,473)
Income Taxes - Federal & Other	(1,861,254)	106,397	(1,754,857)
Provision for Deferred Income Taxes - Net	23,042,593	(98,968)	22,943,625
Total Other Income & Deductions	<u>24,498,996</u>	<u>426,755</u>	<u>24,925,751</u>
<u>Interest Charges</u>			
Interest on Long Term Debt	(11,873,148)	(4,492,760)	(16,365,908)
Amortization of Debt Disc. And Expense	(260,092)	(54,443)	(314,535)
Amortization of Loss on Recquired Debt	(186,807)	(79,667)	(266,474)
Interest on Debt to Assoc. Co.	(511,028)	(218,608)	(729,636)
Other Interest Expense	(1,230,491)	(61,277)	(1,291,768)
Less: Allowance for Borrowed Fund Used During Construction - Credit	1,533,757	324,955	1,858,712
Net interest Charges	<u>(12,527,809)</u>	<u>(4,581,800)</u>	<u>(17,109,609)</u>
Extraordinary Items after Taxes	-	-	-
NET INCOME	<u>48,424,615</u>	<u>11,953,772</u>	<u>60,378,387</u>

Duke Energy Kentucky, Inc.

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

	Actual April 2018	Activity	Actual May 2018
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	424,741,547	19,111	424,760,658
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	468,767	(27,928)	440,839
Total Long-term debt	450,210,314	(8,817)	450,201,497
			(0)
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	13,551,265	3,030,193	16,581,458
Total Common Stock Equity	524,965,694	3,030,193	527,995,887
 TOTAL CAPITALIZATION	 975,176,008	 3,021,376	 978,197,384

NOTE:

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