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Rocco O. D'Ascenzo
Deputy General Counsel

VIA OVERNIGHT DELIVERY

August 13, 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 June, 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,

A handwritten signature in blue ink, appearing to be "Rocco O. D'Ascenzo", written over a horizontal line.

Rocco O. D'Ascenzo

Enclosures

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COMMISSION

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PUBLIC SERVICE
COMMISSIONDuke Energy Kentucky, Inc.Monthly Supplemental Financial Statements
Balance Sheet - Page 1
As of June 30, 2018
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
Assets				
Utility Plant in Service	1,773,570,144	539,409,292	12,496,083	2,325,475,519
Construction Work in Progress	65,742,695	14,259,077	-	80,001,772
Less: Accumulated Depreciation	(825,478,363)	(171,045,168)	(7,732,537)	(1,004,256,068)
Net Utility Plant	1,013,834,476	382,623,201	4,763,546	1,401,221,223
Nonutility Property	-	-	325,107	325,107
Other Investments	-	-	1,500	1,500
Other Special Funds	-	-	8,556,406	8,556,406
Long Term Portion of Derivative Instrument Assets	-	-	366,891	366,891
Total Other Property & Investments	-	-	9,249,904	9,249,904
Cash	950,616	390,287	(71,181)	1,269,722
Working Funds	-	-	-	-
Temporary Cash Investments	-	-	-	-
Customer Accounts Receivable	4,661,360	1,295,363	-	5,956,723
Other Accounts Receivable	2,297,217	943,151	(172,012)	3,068,356
Less: Provision for Uncollectibles	(173,641)	(48,254)	-	(221,895)
Notes Receivable from Assoc. Co.	10,865,914	4,461,138	(813,623)	14,513,429
Accounts Receivable from Assoc. Co.	304,872	125,169	(22,828)	407,213
Fuel Stock	16,454,725	955,591	1,774,670	19,184,986
Gas Stored Underground Inventory	-	2,359,766	-	2,359,766
Plant Materials & Operating Supplies	17,169,099	326,363	-	17,495,462
Other Materials & Supplies	-	-	-	-
Stores Expense Undistributed	691,169	13,138	-	704,307
Prepayments	839,475	397,412	-	1,236,887
Emission Allowances	29,733	-	-	29,733
Derivative Instrument Assets	8,994,011	-	-	8,994,011
Interest & Dividends Receivable	-	-	-	-
Misc Current and Accrued Assets	6,665,825	-	-	6,665,825
Rents Receivable	7,584	-	-	7,584
Total Current & Accrued Assets	69,757,959	11,219,124	695,026	81,672,109
Unamortized Debt Expense	1,561,423	641,062	(116,917)	2,085,568
Other Regulatory Assets	121,169,215	14,966,365	-	136,135,580
Preliminary Survey & Investigation	69,252	28,432	(5,185)	92,499
Clearing Accounts	15,354	5,944	-	21,298
Temporary Facilities	-	-	-	-
Miscellaneous Deferred Debits	3,096,806	1,271,433	(231,884)	4,136,355
Unamortized Loss on Reacquired Debt	790,003	324,346	(59,154)	1,055,195
Accumulated Deferred Income Taxes	46,528,906	15,373,252	-	61,902,158
Unrecovered Purchased Gas Costs	-	(195,774)	-	(195,774)
Total Deferred Debits	173,230,959	32,415,060	(413,140)	205,232,879
TOTAL ASSETS AND OTHER DEBITS	1,256,823,394	426,257,385	14,295,336	1,697,376,115

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of June 30, 2018
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
Proprietary Capital				
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	148,729,167	61,062,632	(11,136,610)	198,655,189
Retained Earnings	282,939,464	37,620,058	22,860,479	343,420,001
Accumulated Other Comprehensive Income	-	-	-	-
Total Proprietary Capital	<u>452,346,380</u>	<u>107,172,200</u>	<u>10,175,551</u>	<u>569,694,131</u>
Liabilities				
Bonds	319,476,729	131,165,194	(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	(197,347)	(81,023)	14,777	(263,593)
Total Long-Term Debt	<u>337,996,382</u>	<u>138,768,671</u>	<u>(25,308,646)</u>	<u>451,456,407</u>
Obligations Under Capital Leases - Noncurrent	212,859	87,391	-	300,250
Asset Retirement Obligation	52,132,636	7,576,845	-	59,709,481
Long-Term Portion of Derivative Instrument Liabilities	2,686,436	1,039,912	-	3,726,348
Accum. Misc. Operating Provisions	20,878,670	8,082,075	-	28,960,745
Total Other Noncurrent Liabilities	<u>75,910,601</u>	<u>16,786,223</u>	<u>-</u>	<u>92,696,824</u>
Accounts Payable	28,487,353	11,695,841	(2,133,089)	38,050,105
Notes Payable to Assoc. Co.	56,070,143	23,020,303	(4,198,446)	74,892,000
Accounts Payable to Assoc. Co.	9,454,831	3,881,800	(707,963)	12,628,668
Customer Deposits	5,901,345	3,968,775	-	9,870,120
Taxes Accrued	4,028,161	959,833	4,265,004	9,252,998
Interest Accrued	4,047,872	1,661,905	(303,098)	5,406,679
Tax Collections Payable	1,278,869	388,962	6,095	1,673,926
Misc. Current & Accrued Liabilities	10,726,218	4,152,089	-	14,878,307
Obligations Under Capital Leases - Current	311,442	127,865	-	439,307
Derivative Instrument Liabilities	3,095,596	1,198,296	-	4,293,892
Less: Long-Term Portion of Derivative Instrument Liabilities	(2,686,436)	(1,039,912)	-	(3,726,348)
Total Current & Accrued Liabilities	<u>120,715,394</u>	<u>50,015,757</u>	<u>(3,071,497)</u>	<u>167,659,654</u>
Customer Advances for Construction	-	1,579,329	-	1,579,329
Accum. Deferred Investment Tax Credits	421,061	537,215	2,839,403	3,797,679
Other Deferred Credits	12,401,179	3,946,276	-	16,347,455
Other Regulatory Liabilities	95,606,041	44,727,960	-	140,334,001
Accumulated Deferred Income Taxes	161,426,356	62,723,754	29,660,525	253,810,635
Total Deferred Credits	<u>269,854,637</u>	<u>113,514,534</u>	<u>32,499,928</u>	<u>415,869,099</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u><u>1,256,823,394</u></u>	<u><u>426,257,385</u></u>	<u><u>14,295,336</u></u>	<u><u>1,697,376,115</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Income Statement
For the 12 Months Ended June 30, 2018
(Unaudited)

	Electric	Gas	Non- Jurisdictional	Total Company
<u>Revenues</u>				
Residential Sales	133,510,889	66,502,794		200,013,683
Commercial Sales	113,658,751	23,909,902		137,568,653
Industrial Sales	53,497,538	1,690,913		55,188,451
Sales to Public Authorities	21,120,549	2,416,252		23,536,801
Public Street & Highway Lighting	1,558,979	956		1,559,935
Inter-Departmental Sales	78,052	34,073		112,125
Misc. Service Revenues	(128,657)	36,743	513,635	421,721
Revenues from Transportation	-	6,533,001		6,533,001
Sales for Resale	14,565,630	-		14,565,630
Rents from Property	1,051,943	(138)		1,051,805
Other Revenues	18,098,816	(2,426,567)		15,672,249
Total Revenues	357,012,490	98,697,929	513,635	456,224,054
<u>Operating Expenses</u>				
Operation Expense	207,657,527	60,502,913	684,281	268,844,721
Maintenance Expense	43,865,327	2,405,839	27,298	46,298,464
Depreciation Expense	39,723,646	10,712,395	-	50,436,041
Amortization and Depletion	2,638,382	1,753,932	-	4,392,314
Taxes Other than Income Taxes	11,288,594	3,433,368	53,802	14,775,764
Income Taxes - Federal & Other	4,605,217	(6,993,339)	83,192	(2,304,930)
Provision for Deferred Income Taxes - Net	6,381,355	8,867,716	1,866,139	17,115,210
Investment Tax Credit Adjustment	-	50,194	(50,194)	-
Total Operating Expenses	316,160,048	80,733,018	2,664,518	399,557,584
NET OPERATING INCOME	40,852,442	17,964,911	(2,150,883)	56,666,470
<u>Other Income & Deductions</u>				
Revenues from Merchandising, Jobbing and Contract Work	-	-	985,268	985,268
Less: Expense of Merchandising, Jobbing and Contract Work	-	-	(289,638)	(289,638)
Revenues from Nonutility Operations	-	-	204,690	204,690
Interest & Dividend Income	-	-	1,493,487	1,493,487
AFUDC	3,697,090	881,780		4,578,870
Gain on Disposition of Property	-	-	17,046	17,046
Loss on Disposition of Property	-	-	(180,429)	(180,429)
Misc. Income Deductions	-	-	(3,008,029)	(3,008,029)
Taxes Other than Income Taxes	-	-	(115,924)	(115,924)
Income Taxes - Federal & Other	-	-	(1,124,134)	(1,124,134)
Provision for Deferred Income Taxes - Net	-	-	22,821,799	22,821,799
Total Other Income & Deductions	3,697,090	881,780	20,804,136	25,383,006
<u>Interest Charges</u>				
Interest on Long Term Debt	(12,515,684)	(5,138,472)	937,155	(16,717,001)
Amortization of Debt Disc. And Expense	(236,653)	(97,161)	17,720	(316,094)
Amortization of Loss on Reacquired Debt	(199,504)	(81,909)	14,939	(266,474)
Interest on Debt to Assoc. Co.	(666,933)	(273,818)	49,939	(890,812)
Other Interest Expense	(955,126)	(392,138)	71,518	(1,275,746)
Less: Allowance for Borrowed Fund Used During Construction - Credit	1,616,673	331,819	-	1,948,492
Net Interest Charges	(12,957,227)	(5,651,679)	1,091,271	(17,517,635)
Extraordinary Items after Taxes	-	-	-	-
NET INCOME	31,592,305	13,195,012	19,744,524	64,531,841

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Capital Structure
June 30, 2018
(Unaudited)

	Actual May-18	Activity	Actual Jun-18
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	424,760,658	18,176	424,778,834
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	440,839	(140,589)	300,250
Total Long-term debt	<u>450,201,497</u>	<u>(122,413)</u>	<u>450,079,084</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	35,000,000	50,000,000
Unappropriated Retained Earnings Balance	320,140,299	-	320,140,299
Unappropriated Retained Earnings - Current Year Net Income	16,581,458	6,698,244	23,279,702
Total Common Stock Equity	<u>527,995,887</u>	<u>41,698,244</u>	<u>569,694,131</u>
TOTAL CAPITALIZATION	978,197,384	41,575,831	1,019,773,215

NOTE:

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