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Rocco O. D'Ascenzo
Deputy General Counsel

VIA OVERNIGHT DELIVERY

September 18, 2018

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

RECEIVED

SEP 19 2018

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 July, 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 Mai Xuan Zinchenko at 980-373-2167.

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 July 31, 2018
(Unaudited)

	<u>Total Company</u>
<u>Assets</u>	
Utility Plant in Service	2,336,205,706
Construction Work in Progress	76,464,554
Less: Accumulated Depreciation	<u>(1,005,947,906)</u>
Net Utility Plant	<u>1,406,722,354</u>
Nonutility Property	334,782
Other Investments	1,500
Other Special Funds	8,007,850
Long Term Portion of Derivative Instrument Assets	<u>366,891</u>
Total Other Property & Investments	<u>8,711,023</u>
Cash	8,908,002
Working Funds	-
Temporary Cash Investments	-
Customer Accounts Receivable	3,107,981
Other Accounts Receivable	3,432,510
Less: Provision for Uncollectibles	(229,566)
Notes Receivable from Assoc. Co.	15,584,904
Accounts Receivable from Assoc. Co.	937,942
Fuel Stock	18,841,835
Gas Stored Underground Inventory	2,619,274
Plant Materials & Operating Supplies	17,415,459
Other Materials & Supplies	-
Stores Expense Undistributed	955,347
Prepayments	1,012,536
Emission Allowances	28,527
Derivative Instrument Assets	8,994,011
Interest & Dividends Receivable	-
Misc Current and Accrued Assets	6,665,825
Accrued Utility Revenue	-
Rents Receivable	-
Total Current & Accrued Assets	<u>88,274,587</u>
Unamortized Debt Expense	2,064,284
Other Regulatory Assets	135,674,848
Preliminary Survey & Investigation	100,021
Clearing Accounts	25,236
Temporary Facilities	(4,717)
Miscellaneous Deferred Debits	4,131,986
Unamortized Loss on Reacquired Debt	1,032,989
Accumulated Deferred Income Taxes	61,902,158
Unrecovered Purchased Gas Costs	<u>(284,332)</u>
Total Deferred Debits	<u>204,642,473</u>
TOTAL ASSETS AND OTHER DEBITS	<u>1,708,350,437</u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of July 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	198,655,189
Retained Earnings	348,527,119
Accumulated Other Comprehensive Income	-
Total Proprietary Capital	<u>574,801,249</u>
<u>Liabilities</u>	
Bonds	426,720,000
Advances from Associated Companies	25,000,000
Less: Unamortized Discount on Long-Term Debt	(259,462)
Total Long-Term Debt	<u>451,460,538</u>
Obligations Under Capital Leases - Noncurrent	281,284
Asset Retirement Obligation	59,673,180
Long-Term Portion of Derivative Instrument Liabilities	3,726,348
Accum. Misc. Operating Provisions	28,547,083
Total Other Noncurrent Liabilities	<u>92,227,895</u>
Accounts Payable	34,990,857
Notes Payable to Assoc. Co.	95,005,000
Accounts Payable to Assoc. Co.	1,838,565
Customer Deposits	9,935,738
Taxes Accrued	10,538,107
Interest Accrued	4,863,342
Tax Collections Payable	1,772,154
Misc. Current & Accrued Liabilities	14,504,774
Obligations Under Capital Leases - Current	432,096
Derivative Instrument Liabilities	4,293,892
Less: Long-Term Portion of Derivative Instrument Liabilities	(3,726,348)
Total Current & Accrued Liabilities	<u>174,448,177</u>
Customer Advances for Construction	1,579,329
Accum. Deferred Investment Tax Credits	3,797,679
Other Deferred Credits	16,275,084
Other Regulatory Liabilities	139,949,851
Accumulated Deferred Income Taxes	253,810,635
Total Deferred Credits	<u>415,412,578</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u><u>1,708,350,437</u></u>

Duke Energy Kentucky, Inc.

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

	Electric	Gas	Total Company
<u>Revenues</u>			
Residential Sales	134,247,700	66,575,469	200,823,169
Commercial Sales	115,091,848	23,835,664	138,927,512
Industrial Sales	54,256,466	1,698,808	55,955,274
Sales to Public Authorities	21,218,021	2,413,493	23,631,514
Public Street & Highway Lighting	1,589,386	956	1,590,342
Inter-Departmental Sales	78,539	34,051	112,590
Misc. Service Revenues	(545,902)	541,601	(4,301)
Revenues from Transportation	-	6,549,823	6,549,823
Sales for Resale	15,501,825	-	15,501,825
Rents from Property	1,051,974	(134)	1,051,840
Other Revenues	20,614,947	(2,616,392)	17,998,555
Total Revenues	<u>363,104,804</u>	<u>99,033,339</u>	<u>462,138,143</u>
<u>Operating Expenses</u>			
Operation Expense	212,618,532	60,734,216	273,352,748
Maintenance Expense	42,494,789	2,525,598	45,020,387
Depreciation Expense	39,911,903	10,731,289	50,643,192
Amortization and Depletion	3,325,002	1,768,089	5,093,091
Taxes Other than Income Taxes	11,335,856	3,515,103	14,850,959
Income Taxes - Federal & Other	4,605,216	(6,910,146)	(2,304,930)
Provision for Deferred Income Taxes - Net	6,014,314	10,733,855	16,748,169
Investment Tax Credit Adjustment	-	-	-
Total Operating Expenses	<u>320,305,612</u>	<u>83,098,004</u>	<u>403,403,616</u>
NET OPERATING INCOME	<u>42,799,192</u>	<u>15,935,335</u>	<u>58,734,527</u>
<u>Other Income & Deductions</u>			
Revenues from Merchandising, Jobbing and Contract Work	976,236	550	976,786
Less: Expense of Merchandising, Jobbing and Contract Work	(243,807)	(1,600)	(245,407)
Revenues from Nonutility Operations	229,411	72,133	301,544
Interest & Dividend Income	1,139,225	399,843	1,539,068
AFUDC	3,542,980	726,262	4,269,242
Gain on Disposition of Property	17,046	-	17,046
Loss on Disposition of Property	(178,635)	(1,187)	(179,822)
Misc. Income Deductions	(2,284,247)	(790,003)	(3,074,250)
Taxes Other than Income Taxes	(87,234)	(28,960)	(116,194)
Income Taxes - Federal & Other	(779,449)	123,119	(656,330)
Provision for Deferred Income Taxes - Net	22,920,508	(98,708)	22,821,800
Total Other Income & Deductions	<u>25,252,034</u>	<u>401,449</u>	<u>25,653,483</u>
<u>Interest Charges</u>			
Interest on Long Term Debt	(12,346,701)	(4,677,617)	(17,024,318)
Amortization of Debt Disc. And Expense	(262,196)	(55,456)	(317,652)
Amortization of Loss on Reacquired Debt	(186,629)	(79,845)	(266,474)
Interest on Debt to Assoc. Co.	(720,838)	(309,676)	(1,030,514)
Other Interest Expense	(1,284,464)	(62,109)	(1,346,573)
Less: Allowance for Borrowed Fund Used During Construction - Credit	1,638,758	285,386	1,924,144
Net interest Charges	<u>(13,162,070)</u>	<u>(4,899,317)</u>	<u>(18,061,387)</u>
Extraordinary Items after Taxes	-	-	-
NET INCOME	<u>54,889,156</u>	<u>11,437,467</u>	<u>66,326,623</u>

Duke Energy Kentucky, Inc.

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

	Actual June 2018	Activity	Actual July 2018
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	424,778,834	18,177	424,797,011
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	300,250	(18,966)	281,284
Total Long-term debt	450,079,084	(789)	450,078,295
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	50,000,000	-	50,000,000
Unappropriated Retained Earnings Balance	320,140,299	-	320,140,299
Unappropriated Retained Earnings - Current Year Net Income	23,279,702	5,107,118	28,386,820
Total Common Stock Equity	569,694,131	5,107,118	574,801,249
TOTAL CAPITALIZATION	1,019,773,215	5,106,329	1,024,879,544

NOTE:

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