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VIA OVERNIGHT DELIVERY

RECEIVED

October 12, 2018

OCT 15 2018

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

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 August, 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 Tiffany Etheredge at 980-373-2369.

Very Truly Yours,



Rocco O. D'Ascenzo

Enclosures

Duke Energy Kentucky, Inc.

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

	<u>Total Company</u>
<u>Assets</u>	
Utility Plant in Service	2,344,825,757
Construction Work in Progress	92,320,702
Less: Accumulated Depreciation	(1,006,400,017)
Net Utility Plant	<u>1,430,746,442</u>
Nonutility Property	343,550
Other Investments	1,500
Other Special Funds	8,078,816
Long Term Portion of Derivative Instrument Assets	366,891
Total Other Property & Investments	<u>8,790,757</u>
Cash	8,377,782
Working Funds	-
Temporary Cash Investments	-
Customer Accounts Receivable	4,272,980
Other Accounts Receivable	5,363,599
Less: Provision for Uncollectibles	(234,089)
Notes Receivable from Assoc. Co.	11,733,150
Accounts Receivable from Assoc. Co.	(638,222)
Fuel Stock	20,153,329
Gas Stored Underground Inventory	3,142,153
Plant Materials & Operating Supplies	17,445,104
Other Materials & Supplies	-
Stores Expense Undistributed	1,199,077
Prepayments	897,957
Emission Allowances	27,118
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>87,399,774</u>
Unamortized Debt Expense	2,043,000
Other Regulatory Assets	133,837,728
Preliminary Survey & Investigation	104,108
Clearing Accounts	25,805
Temporary Facilities	(2,332)
Miscellaneous Deferred Debits	5,577,481
Unamortized Loss on Reacquired Debt	1,010,782
Accumulated Deferred Income Taxes	64,556,491
Unrecovered Purchased Gas Costs	(47,651)
Total Deferred Debits	<u>207,105,412</u>
 TOTAL ASSETS AND OTHER DEBITS	 <u><u>1,734,042,385</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of August 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	355,754,086
Accumulated Other Comprehensive Income	-
Total Proprietary Capital	<u>582,028,216</u>
<u>Liabilities</u>	
Bonds	426,720,000
Advances from Associated Companies	25,000,000
Less: Unamortized Discount on Long-Term Debt	(255,331)
Total Long-Term Debt	<u>451,464,669</u>
Obligations Under Capital Leases - Noncurrent	262,319
Asset Retirement Obligation	58,619,571
Long-Term Portion of Derivative Instrument Liabilities	3,726,348
Accum. Misc. Operating Provisions	28,776,622
Total Other Noncurrent Liabilities	<u>91,384,860</u>
Accounts Payable	40,284,400
Notes Payable to Assoc. Co.	88,395,000
Accounts Payable to Assoc. Co.	18,921,502
Customer Deposits	9,907,658
Taxes Accrued	3,323,881
Interest Accrued	6,212,807
Tax Collections Payable	1,538,153
Misc. Current & Accrued Liabilities	12,816,290
Obligations Under Capital Leases - Current	424,735
Derivative Instrument Liabilities	4,293,892
Less: Long-Term Portion of Derivative Instrument Liabilities	(3,726,348)
Total Current & Accrued Liabilities	<u>182,391,970</u>
Customer Advances for Construction	1,579,329
Accum. Deferred Investment Tax Credits	3,548,302
Other Deferred Credits	16,123,819
Other Regulatory Liabilities	144,241,582
Accumulated Deferred Income Taxes	261,279,638
Total Deferred Credits	<u>426,772,670</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u><u>1,734,042,385</u></u>

Duke Energy Kentucky, Inc.

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

	Electric	Gas	Total Company
<u>Revenues</u>			
Residential Sales	136,126,313	66,735,045	202,861,358
Commercial Sales	116,302,527	24,031,270	140,333,797
Industrial Sales	54,717,006	1,703,144	56,420,150
Sales to Public Authorities	21,391,284	2,414,601	23,805,885
Public Street & Highway Lighting	1,571,985	957	1,572,942
Inter-Departmental Sales	79,254	34,038	113,292
Misc. Service Revenues	(281,003)	532,843	251,840
Revenues from Transportation	-	6,553,401	6,553,401
Sales for Resale	15,165,266	-	15,165,266
Rents from Property	1,056,250	(130)	1,056,120
Other Revenues	30,096,556	(2,806,894)	27,289,662
Total Revenues	<u>376,225,438</u>	<u>99,198,275</u>	<u>475,423,713</u>
<u>Operating Expenses</u>			
Operation Expense	220,260,644	61,095,404	281,356,048
Maintenance Expense	43,328,588	2,635,267	45,963,855
Depreciation Expense	41,914,167	10,804,067	52,718,234
Amortization and Depletion	3,714,360	1,912,181	5,626,541
Taxes Other than Income Taxes	11,259,963	3,531,742	14,791,705
Income Taxes - Federal & Other	(6,939,516)	1,648,836	(5,290,680)
Provision for Deferred Income Taxes - Net	15,373,687	2,085,342	17,459,029
Investment Tax Credit Adjustment	-	-	-
Total Operating Expenses	<u>328,911,893</u>	<u>83,712,839</u>	<u>412,624,732</u>
NET OPERATING INCOME	<u>47,313,545</u>	<u>15,485,436</u>	<u>62,798,981</u>
<u>Other Income & Deductions</u>			
Revenues from Merchandising, Jobbing and Contract Work	980,149	550	980,699
Less: Expense of Merchandising, Jobbing and Contract Work	(243,351)	(1,600)	(244,951)
Revenues from Nonutility Operations	320,952	71,368	392,320
Interest & Dividend Income	1,162,775	408,597	1,571,372
AFUDC	3,329,283	674,069	4,003,352
Gain on Disposition of Property	14,679	-	14,679
Loss on Disposition of Property	(178,635)	(1,187)	(179,822)
Misc. Income Deductions	(2,311,141)	(811,242)	(3,122,383)
Taxes Other than Income Taxes	(87,112)	(29,028)	(116,140)
Income Taxes - Federal & Other	(1,286,249)	86,719	(1,199,530)
Provision for Deferred Income Taxes - Net	22,645,300	(81,667)	22,563,633
Total Other Income & Deductions	<u>24,346,650</u>	<u>316,579</u>	<u>24,663,229</u>
<u>Interest Charges</u>			
Interest on Long Term Debt	(12,552,598)	(4,770,046)	(17,322,644)
Amortization of Debt Disc. And Expense	(263,248)	(55,963)	(319,211)
Amortization of Loss on Reacquired Debt	(186,541)	(79,933)	(266,474)
Interest on Debt to Assoc. Co.	(815,650)	(350,963)	(1,166,613)
Other Interest Expense	(1,824,461)	(62,379)	(1,886,840)
Less: Allowance for Borrowed Fund Used During Construction - Credit	1,670,973	283,707	1,954,680
Net interest Charges	<u>(13,971,525)</u>	<u>(5,035,577)</u>	<u>(19,007,102)</u>
Extraordinary Items after Taxes	-	-	-
NET INCOME	<u>57,688,670</u>	<u>10,766,438</u>	<u>68,455,108</u>

Duke Energy Kentucky, Inc.

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

	Actual July 2018	Activity	Actual August 2018
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	424,797,011	18,176	424,815,187
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	281,284	(18,965)	262,319
Total Long-term debt	450,078,295	(789)	450,077,506
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	28,386,820	7,226,967	35,613,787
Total Common Stock Equity	574,801,249	7,226,967	582,028,216
TOTAL CAPITALIZATION	1,024,879,544	7,226,178	1,032,105,722

NOTE:

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