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VIA OVERNIGHT DELIVERY

February 15, 2019

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 December 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

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**PUBLIC SERVICE
COMMISSION**

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements

Balance Sheet - Page 1

As of December 31, 2018

(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
Assets				
Utility Plant in Service	1,806,706,207	578,742,579	14,008,898	2,399,457,684
Construction Work in Progress	103,325,274	15,441,171	1	118,766,446
Less: Accumulated Depreciation	(811,762,444)	(173,046,763)	(7,751,678)	(992,560,885)
Net Utility Plant	<u>1,098,269,037</u>	<u>421,136,987</u>	<u>6,257,221</u>	<u>1,525,663,245</u>
Nonutility Property	-	-	985,844	985,844
Other Investments	-	-	1,500	1,500
Other Special Funds	-	-	7,330,598	7,330,598
Long Term Portion of Derivative Instrument Assets	-	-	371,272	371,272
Total Other Property & Investments	<u>-</u>	<u>-</u>	<u>8,689,214</u>	<u>8,689,214</u>
Cash	5,819,273	2,389,176	(435,738)	7,772,711
Working Funds	-	-	-	-
Temporary Cash Investments	-	-	-	-
Customer Accounts Receivable	3,895,386	1,030,373	-	4,925,759
Other Accounts Receivable	4,559,413	1,871,924	(341,402)	6,089,935
Less: Provision for Uncollectibles	(174,645)	(46,196)	-	(220,841)
Notes Receivable from Assoc. Co.	17,271,796	7,091,153	(1,293,286)	23,069,663
Accounts Receivable from Assoc. Co.	3,625,308	1,488,416	(271,458)	4,842,266
Fuel Stock	15,110,624	1,280,720	2,378,482	18,769,826
Gas Stored Underground Inventory	-	2,239,894	-	2,239,894
Plant Materials & Operating Supplies	17,201,840	294,977	-	17,496,817
Other Materials & Supplies	-	-	-	-
Stores Expense Undistributed	2,053,759	35,218	-	2,088,977
Prepayments	430,883	203,983	-	634,866
Emission Allowances	24,008	-	-	24,008
Derivative Instrument Assets	5,684,959	-	-	5,684,959
Interest & Dividends Receivable	-	-	-	-
Misc Current and Accrued Assets	4,705,042	-	-	4,705,042
Rents Receivable	2,500	-	-	2,500
Total Current & Accrued Assets	<u>80,210,146</u>	<u>17,879,638</u>	<u>36,598</u>	<u>98,126,382</u>
Unamortized Debt Expense	1,733,648	711,771	(129,812)	2,315,607
Other Regulatory Assets	115,798,314	16,360,430	-	132,158,744
Preliminary Survey & Investigation	71,809	29,483	(5,376)	95,916
Clearing Accounts	11	3	-	14
Temporary Facilities	-	-	-	-
Miscellaneous Deferred Debits	2,772,791	1,138,405	(207,622)	3,703,574
Unamortized Loss on Reacquired Debt	690,251	283,392	(51,685)	921,958
Accumulated Deferred Income Taxes	55,886,925	16,102,093	-	71,989,018
Unrecovered Purchased Gas Costs	-	170,883	-	170,883
Total Deferred Debits	<u>176,953,749</u>	<u>34,796,460</u>	<u>(394,495)</u>	<u>211,355,714</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>1,355,432,932</u></u>	<u><u>473,813,085</u></u>	<u><u>14,588,538</u></u>	<u><u>1,843,834,555</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of December 31, 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	277,547,356	57,172,164	35,230,001	369,949,521
Accumulated Other Comprehensive Income	-	-	-	-
Total Proprietary Capital	446,954,272	126,724,306	22,545,073	596,223,651
Liabilities				
Bonds	394,344,730	161,903,194	(29,527,924)	526,720,000
Advances from Associated Companies	18,717,000	7,684,500	(1,401,500)	25,000,000
Less: Unamortized Discount on Long-Term Debt	(178,791)	(73,405)	13,388	(238,808)
Total Long-Term Debt	412,882,939	169,514,289	(30,916,036)	551,481,192
Obligations Under Capital Leases - Noncurrent	130,452	53,558	-	184,010
Asset Retirement Obligation	55,040,307	7,785,993	-	62,826,300
Long-Term Portion of Derivative Instrument Liabilities	3,050,412	852,367	-	3,902,779
Accum. Misc. Operating Provisions	17,150,908	4,792,424	-	21,943,332
Total Other Noncurrent Liabilities	75,372,079	13,484,342	-	88,856,421
Accounts Payable	34,289,084	14,077,815	(2,567,512)	45,799,387
Notes Payable to Assoc. Co.	29,104,935	11,949,398	(2,179,333)	38,875,000
Accounts Payable to Assoc. Co.	13,126,590	5,389,287	(982,899)	17,532,978
Customer Deposits	5,935,713	3,991,888	-	9,927,601
Taxes Accrued	11,773,363	4,673,176	(2,650,304)	13,796,235
Interest Accrued	4,575,840	1,878,669	(342,632)	6,111,877
Tax Collections Payable	1,606,744	492,678	7,521	2,106,943
Misc. Current & Accrued Liabilities	11,270,463	3,149,270	-	14,419,733
Obligations Under Capital Leases - Current	281,079	115,399	-	396,478
Derivative Instrument Liabilities	3,507,256	980,021	-	4,487,277
Less: Long-Term Portion of Derivative Instrument Liabilities	(3,050,412)	(852,367)	-	(3,902,779)
Total Current & Accrued Liabilities	112,420,655	45,845,234	(8,715,159)	149,550,730
Customer Advances for Construction		1,574,916		1,574,916
Accum. Deferred Investment Tax Credits	179,111	503,600	2,839,401	3,522,112
Other Deferred Credits	11,288,195	3,592,104	-	14,880,299
Other Regulatory Liabilities	105,139,805	45,888,430	-	151,028,235
Accumulated Deferred Income Taxes	191,195,876	66,685,864	28,835,259	286,716,999
Total Deferred Credits	307,802,987	118,244,914	31,674,660	457,722,561
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	1,355,432,932	473,813,085	14,588,538	1,843,834,555

Duke Energy Kentucky, Inc.

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

	Electric	Gas	Non- Jurisdictional	Total Company
<u>Revenues</u>				
Residential Sales	142,431,021	68,598,330		211,029,351
Commercial Sales	123,508,733	25,100,307		148,609,040
Industrial Sales	58,304,530	1,734,495		60,039,025
Sales to Public Authorities	22,811,549	2,406,872		25,218,421
Public Street & Highway Lighting	1,612,492	1,019		1,613,511
Inter-Departmental Sales	52,752	33,931		86,683
Misc. Service Revenues	1,032,858	34,757	330,558	1,398,173
Revenues from Transportation	-	6,379,373		6,379,373
Sales for Resale	11,144,702	-		11,144,702
Rents from Property	1,089,314	-		1,089,314
Other Revenues	23,615,405	(2,623,307)		20,992,098
Total Revenues	<u>385,603,356</u>	<u>101,665,777</u>	<u>330,558</u>	<u>487,599,691</u>
<u>Operating Expenses</u>				
Operation Expense	210,664,497	65,288,665	541,172	276,494,334
Maintenance Expense	44,211,115	2,770,954	24,841	47,006,910
Depreciation Expense	53,662,946	9,876,877	-	63,539,823
Amortization and Depletion	2,664,258	2,365,978	-	5,030,236
Taxes Other than Income Taxes	11,432,511	3,505,568	53,509	14,991,588
Income Taxes - Federal & Other	(16,806,107)	(2,200,693)	79,911	(18,926,889)
Provision for Deferred Income Taxes - Net	25,482,659	6,676,973	(2,158,229)	30,001,403
Investment Tax Credit Adjustment	-	(53,746)	53,746	-
Total Operating Expenses	<u>331,311,879</u>	<u>88,230,576</u>	<u>(1,405,050)</u>	<u>418,137,405</u>
NET OPERATING INCOME	<u>54,291,477</u>	<u>13,435,201</u>	<u>1,735,608</u>	<u>69,462,286</u>
<u>Other Income & Deductions</u>				
Revenues from Merchandising, Jobbing and Contract Work	-	-	807,078	807,078
Less: Expense of Merchandising, Jobbing and Contract Work	-	-	(125,612)	(125,612)
Revenues from Nonutility Operations	-	-	659,065	659,065
Interest & Dividend Income	-	-	1,623,783	1,623,783
AFUDC	2,617,303	526,514		3,143,817
Gain on Disposition of Property	-	-	-	-
Loss on Disposition of Property	-	-	(79,868)	(79,868)
Misc. Income Deductions	-	-	(3,154,133)	(3,154,133)
Taxes Other than Income Taxes	-	-	(102,905)	(102,905)
Income Taxes - Federal & Other	-	-	(1,588,049)	(1,588,049)
Provision for Deferred Income Taxes - Net	-	-	(810,992)	(810,992)
Total Other Income & Deductions	<u>2,617,303</u>	<u>526,514</u>	<u>(2,771,633)</u>	<u>372,184</u>
<u>Interest Charges</u>				
Interest on Long Term Debt	(13,722,079)	(5,633,774)	1,027,488	(18,328,365)
Amortization of Debt Disc. And Expense	(246,436)	(101,177)	18,453	(329,160)
Amortization of Loss on Reacquired Debt	(199,505)	(81,908)	14,939	(266,474)
Interest on Debt to Assoc. Co.	(1,264,464)	(519,140)	94,681	(1,688,923)
Other Interest Expense	(1,049,230)	(430,778)	78,565	(1,401,443)
Less: Allowance for Borrowed Fund Used During Construction - Credit	1,703,126	285,990	-	1,989,116
Net interest Charges	<u>(14,778,588)</u>	<u>(6,480,787)</u>	<u>1,234,126</u>	<u>(20,025,249)</u>
Extraordinary Items after Taxes	-	-	-	-
NET INCOME	<u>42,130,192</u>	<u>7,480,928</u>	<u>198,101</u>	<u>49,809,221</u>

Duke Energy Kentucky, Inc.

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

	Actual Nov-18	Activity	Actual Dec-18
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	489,827,685	(65,297,537)	424,530,148
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	204,824	(20,814)	184,010
Total Long-term debt	515,032,509	(65,318,351)	449,714,158
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	48,012,066	1,797,156	49,809,222
Total Common Stock Equity	594,426,495	1,797,156	596,223,651
-			
TOTAL CAPITALIZATION	1,109,459,004	(63,521,195)	1,045,937,809

NOTE:

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