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VIA OVERNIGHT DELIVERY

RECEIVED

March 15, 2019

MAR 18 2019

Ms. Gwen R. Pinson
Executive Director
Kentucky Public Service Commission
211 Sower Blvd
Frankfort, KY 40601

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 January 31, 2019, 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 Danielle Weatherston at 980/373-1697.

Very Truly Yours,



Rocco D'Ascenzo

Enclosures

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 1
As of January 31, 2019
(Unaudited)

	Total Company :
<u>Assets</u>	
Utility Plant in Service	2,411,162,361
Construction Work in Progress	128,236,853
Less: Accumulated Depreciation	(994,504,481)
Net Utility Plant	1,544,894,733
Nonutility Property	1,012,858
Other Investments	1,500
Other Special Funds	6,010,124
Long Term Portion of Derivative Instrument Assets	371,272
Total Other Property & Investments	7,395,754
Cash	5,979,511
Working Funds	-
Temporary Cash Investments	-
Customer Accounts Receivable	3,362,624
Other Accounts Receivable	5,575,759
Less: Provision for Uncollectibles	(226,787)
Notes Receivable from Assoc. Co.	25,672,920
Accounts Receivable from Assoc. Co.	1,714,652
Fuel Stock	16,573,705
Gas Stored Underground Inventory	1,753,312
Plant Materials & Operating Supplies	17,588,813
Other Materials & Supplies	-
Stores Expense Undistributed	2,283,877
Prepayments	1,028,275
Emission Allowances	23,757
Derivative Instrument Assets	5,684,959
Interest & Dividends Receivable	-
Misc Current and Accrued Assets	4,705,042
Rents Receivable	-
Total Current & Accrued Assets	91,720,419
Unamortized Debt Expense	2,337,793
Other Regulatory Assets	132,105,036
Preliminary Survey & Investigation	107,099
Clearing Accounts	5,549
Temporary Facilities	1,721
Miscellaneous Deferred Debits	3,553,793
Unamortized Loss on Reacquired Debt	899,752
Accumulated Deferred Income Taxes	71,989,020
Unrecovered Purchased Gas Costs	(1,498,499)
Total Deferred Debits	209,501,264
 TOTAL ASSETS AND OTHER DEBITS	 1,853,512,170

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of January 31, 2019
(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	378,430,546
Accumulated Other Comprehensive Income	-
Total Proprietary Capital	<u>604,704,676</u>
<u>Liabilities</u>	
Bonds	526,720,000
Advances from Associated Companies	25,000,000
Less: Unamortized Discount on Long-Term Debt	(234,677)
Total Long-Term Debt	<u>551,485,323</u>
Obligations Under Capital Leases - Noncurrent	9,421,303
Asset Retirement Obligation	62,822,099
Long-Term Portion of Derivative Instrument Liabilities	3,902,779
Accum. Misc. Operating Provisions	20,626,362
Total Other Noncurrent Liabilities	<u>96,772,543</u>
Accounts Payable	30,962,613
Notes Payable to Assoc. Co.	50,827,000
Accounts Payable to Assoc. Co.	12,053,227
Customer Deposits	10,101,068
Taxes Accrued	14,517,936
Interest Accrued	5,974,989
Tax Collections Payable	2,132,182
Misc. Current & Accrued Liabilities	13,294,751
Obligations Under Capital Leases - Current	654,729
Derivative Instrument Liabilities	4,487,277
Less: Long-Term Portion of Derivative Instrument Liabilities	(3,902,779)
Total Current & Accrued Liabilities	<u>141,102,993</u>
Customer Advances for Construction	1,574,916
Accum. Deferred Investment Tax Credits	3,522,114
Other Deferred Credits	14,822,140
Other Regulatory Liabilities	152,810,464
Accumulated Deferred Income Taxes	286,717,001
Total Deferred Credits	<u>459,446,635</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u><u>1,853,512,170</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Income Statement
For the 12 Months Ended January 31, 2019
(Unaudited)

	Electric	Gas	Total Company
<u>Revenues</u>			
Residential Sales	142,547,704	69,019,185	211,566,889
Commercial Sales	124,870,277	25,229,112	150,099,389
Industrial Sales	59,309,137	1,704,442	61,013,579
Sales to Public Authorities	23,109,536	2,474,033	25,583,569
Public Street & Highway Lighting	1,648,589	1,024	1,649,613
Inter-Departmental Sales	52,238	33,779	86,017
Misc. Service Revenues	1,928,713	360,333	2,289,046
Revenues from Transportation	5	6,467,503	6,467,508
Sales for Resale	9,523,413	-	9,523,413
Rents from Property	985,717	(10)	985,707
Other Revenues	14,588,211	(2,034,667)	12,553,544
Total Revenues	<u>378,563,540</u>	<u>103,254,734</u>	<u>481,818,274</u>
<u>Operating Expenses</u>			
Operation Expense	200,248,148	66,973,410	267,221,558
Maintenance Expense	44,993,375	2,748,869	47,742,244
Depreciation Expense	55,186,278	9,698,506	64,884,784
Amortization and Depletion	2,653,866	2,482,751	5,136,617
Taxes Other than Income Taxes	11,103,935	3,590,874	14,694,809
Income Taxes - Federal & Other	(16,806,106)	(2,120,783)	(18,926,889)
Provision for Deferred Income Taxes - Net	25,482,659	4,518,742	30,001,401
Investment Tax Credit Adjustment	-	-	-
Total Operating Expenses	<u>322,862,155</u>	<u>87,892,369</u>	<u>410,754,524</u>
NET OPERATING INCOME	<u>55,701,385</u>	<u>15,362,365</u>	<u>71,063,750</u>
<u>Other Income & Deductions</u>			
Revenues from Merchandising, Jobbing and Contract Work	802,096	250	802,346
Less: Expense of Merchandising, Jobbing and Contract Work	(106,940)	-	(106,940)
Revenues from Nonutility Operations	773,339	68,987	842,326
Interest & Dividend Income	1,251,280	414,372	1,665,652
AFUDC	2,544,905	465,776	3,010,681
Gain on Disposition of Property	-	-	-
Loss on Disposition of Property	(78,681)	(1,187)	(79,868)
Misc. Income Deductions	(2,398,510)	(803,903)	(3,202,413)
Taxes Other than Income Taxes	(76,375)	(27,313)	(103,688)
Income Taxes - Federal & Other	(1,659,744)	71,695	(1,588,049)
Provision for Deferred Income Taxes - Net	(745,149)	(65,843)	(810,992)
Total Other Income & Deductions	<u>306,221</u>	<u>122,834</u>	<u>429,055</u>
<u>Interest Charges</u>			
Interest on Long Term Debt	(13,623,551)	(5,112,867)	(18,736,418)
Amortization of Debt Disc. And Expense	(272,687)	(59,917)	(332,604)
Amortization of Loss on Reacquired Debt	(186,532)	(79,942)	(266,474)
Interest on Debt to Assoc. Co.	(1,248,283)	(535,270)	(1,783,553)
Other Interest Expense	(1,268,570)	(65,583)	(1,334,153)
Less: Allowance for Borrowed Fund Used During Construction - Credit	1,760,361	274,967	2,035,328
Net interest Charges	<u>(14,839,262)</u>	<u>(5,578,612)</u>	<u>(20,417,874)</u>
Extraordinary Items after Taxes	-	-	-
NET INCOME	<u>41,168,344</u>	<u>9,906,587</u>	<u>51,074,931</u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Capital Structure
January 31, 2019
(Unaudited)

	Actual December 2018	Activity	Actual January 2019
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	424,530,148	(25,295)	424,504,853
Advances from Associated Companies	25,000,000	-	25,000,000
**Obligations under Capital Lease-Noncurrent	184,010	9,237,293	9,421,303
Total Long-term debt	449,714,158	9,211,998	458,926,156
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	320,140,300	49,809,221	369,949,521
Unappropriated Retained Earnings - Current Year Net Income	49,809,221	(41,328,196)	8,481,025
Total Common Stock Equity	596,223,651	8,481,025	604,704,676
TOTAL CAPITALIZATION	1,045,937,809	17,693,023	1,063,630,832

NOTE:

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

** "Obligations under Capital Lease Noncurrent includes \$9.2M of lease liabilities resulting from the implementation of ASC 842 in January 2019.