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VIA OVERNIGHT DELIVERY

September 16, 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 July 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 Connor S. Buker at 704-382-6245.

Very Truly Yours,



Rocco O. D'Ascenzo

Enclosures

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Duke Energy Kentucky, Inc.

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

	<u>Total Company</u>
<u>Assets</u>	
Utility Plant in Service	2,561,515,362
Construction Work in Progress	86,627,366
Less: Accumulated Depreciation	(1,012,255,235)
Net Utility Plant	<u>1,635,887,493</u>
Nonutility Property	1,230,993
Other Investments	1,500
Other Special Funds	7,158,387
Long Term Portion of Derivative Instrument Assets	92,067
Total Other Property & Investments	<u>8,482,947</u>
Cash	8,702,444
Working Funds	-
Temporary Cash Investments	-
Customer Accounts Receivable	3,902,533
Other Accounts Receivable	3,223,086
Less: Provision for Uncollectibles	(332,015)
Notes Receivable from Assoc. Co.	12,017,039
Accounts Receivable from Assoc. Co.	2,138,784
Fuel Stock	22,939,361
Gas Stored Underground Inventory	2,271,116
Plant Materials & Operating Supplies	18,020,061
Other Materials & Supplies	-
Stores Expense Undistributed	1,869,982
Prepayments	992,937
Emission Allowances	22,380
Derivative Instrument Assets	6,952,833
Interest & Dividends Receivable	-
Misc Current and Accrued Assets	6,279,183
Accrued Utility Revenue	-
Rents Receivable	3,711
Total Current & Accrued Assets	<u>89,003,435</u>
Unamortized Debt Expense	2,320,206
Other Regulatory Assets	133,621,028
Preliminary Survey & Investigation	203,723
Clearing Accounts	119,329
Temporary Facilities	7,922
Miscellaneous Deferred Debits	2,461,369
Unamortized Loss on Reacquired Debt	772,097
Accumulated Deferred Income Taxes	74,861,736
Unrecovered Purchased Gas Costs	(5,067,286)
Total Deferred Debits	<u>209,300,124</u>
 TOTAL ASSETS AND OTHER DEBITS	 <u><u>1,942,673,999</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 2
As of July 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	402,208,854
Accumulated Other Comprehensive Income	-
Total Proprietary Capital	<u>628,482,984</u>
<u>Liabilities</u>	
Bonds	566,720,000
Advances from Associated Companies	25,000,000
Less: Unamortized Discount on Long-Term Debt	(209,892)
Total Long-Term Debt	<u>591,510,108</u>
Obligations Under Capital Leases - Noncurrent	9,105,002
Asset Retirement Obligation	56,681,195
Long-Term Portion of Derivative Instrument Liabilities	4,796,791
Accum. Misc. Operating Provisions	25,137,488
Total Other Noncurrent Liabilities	<u>95,720,476</u>
Accounts Payable	36,800,514
Notes Payable to Assoc. Co.	63,271,000
Accounts Payable to Assoc. Co.	16,401,971
Customer Deposits	10,381,057
Taxes Accrued	6,362,465
Interest Accrued	6,056,224
Tax Collections Payable	1,655,216
Misc. Current & Accrued Liabilities	13,431,249
Obligations Under Capital Leases - Current	233,856
Derivative Instrument Liabilities	5,447,373
Less: Long-Term Portion of Derivative Instrument Liabilities	(4,796,791)
Total Current & Accrued Liabilities	<u>155,244,134</u>
Customer Advances for Construction	1,598,224
Accum. Deferred Investment Tax Credits	3,487,398
Other Deferred Credits	15,291,272
Other Regulatory Liabilities	148,546,333
Accumulated Deferred Income Taxes	302,793,070
Total Deferred Credits	<u>471,716,297</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u><u>1,942,673,999</u></u>

Duke Energy Kentucky, Inc.

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

	Electric	Gas	Total Company
<u>Revenues</u>			
Residential Sales	141,946,932	68,826,700	210,773,632
Commercial Sales	128,074,559	25,476,002	153,550,561
Industrial Sales	61,495,817	1,794,559	63,290,376
Sales to Public Authorities	23,345,137	2,422,246	25,767,383
Public Street & Highway Lighting	1,627,951	1,000	1,628,951
Inter-Departmental Sales	70,945	28,571	99,516
Misc. Service Revenues	2,179,970	326,818	2,506,788
Revenues from Transportation	-	6,635,747	6,635,747
Sales for Resale	14,724,069	-	14,724,069
Rents from Property	1,433,047	(27)	1,433,020
Other Revenues	10,750,163	6,286	10,756,449
Total Revenues	<u>385,648,590</u>	<u>105,517,902</u>	<u>491,166,492</u>
<u>Operating Expenses</u>			
Operation Expense	199,232,245	66,122,061	265,354,306
Maintenance Expense	39,899,302	3,020,373	42,919,675
Depreciation Expense	63,412,512	10,143,883	73,556,395
Amortization and Depletion	2,606,190	3,210,764	5,816,954
Taxes Other than Income Taxes	11,780,679	3,626,515	15,407,194
Income Taxes - Federal & Other	(20,137,716)	(1,735,036)	(21,872,752)
Provision for Deferred Income Taxes - Net	29,770,778	3,765,084	33,535,862
Investment Tax Credit Adjustment	-	-	-
Total Operating Expenses	<u>326,563,990</u>	<u>88,153,644</u>	<u>414,717,634</u>
NET OPERATING INCOME	<u>59,084,600</u>	<u>17,364,258</u>	<u>76,448,858</u>
<u>Other Income & Deductions</u>			
Revenues from Merchandising, Jobbing and Contract Work	943,723	100	943,823
Less: Expense of Merchandising, Jobbing and Contract Work	(46,876)	-	(46,876)
Revenues from Nonutility Operations	934,414	45,159	979,573
Interest & Dividend Income	1,363,898	421,145	1,785,043
AFUDC	1,666,508	346,805	2,013,313
Gain on Disposition of Property	79,863	-	79,863
Loss on Disposition of Property	-	-	-
Misc. Income Deductions	(2,361,168)	(798,949)	(3,160,117)
Taxes Other than Income Taxes	(82,560)	(28,234)	(110,794)
Income Taxes - Federal & Other	(1,136,400)	(300,703)	(1,437,103)
Provision for Deferred Income Taxes - Net	(527,992)	(62,017)	(590,009)
Total Other Income & Deductions	<u>833,410</u>	<u>(376,694)</u>	<u>456,716</u>
<u>Interest Charges</u>			
Interest on Long Term Debt	(15,508,745)	(5,620,619)	(21,129,364)
Amortization of Debt Disc. And Expense	(286,331)	(64,441)	(350,772)
Amortization of Loss on Reacquired Debt	(184,622)	(76,269)	(260,891)
Interest on Debt to Assoc. Co.	(1,472,579)	(599,883)	(2,072,462)
Other Interest Expense	(1,293,800)	(58,997)	(1,352,797)
Less: Allowance for Borrowed Fund Used During Construction - Credit	1,602,954	330,697	1,933,651
Net interest Charges	<u>(17,143,123)</u>	<u>(6,089,512)</u>	<u>(23,232,635)</u>
Extraordinary Items after Taxes	-	-	-
NET INCOME	<u>42,774,887</u>	<u>10,898,052</u>	<u>53,672,939</u>

Duke Energy Kentucky, Inc.

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

	Actual June 2019	Activity	Actual July 2019
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	424,606,322	39,990,308	464,596,630
Advances from Associated Companies	25,000,000	-	25,000,000
** Obligations under Capital Lease-Noncurrent	9,127,535	(22,533)	9,105,002
Total Long-term debt	<u>458,733,857</u>	<u>39,967,775</u>	<u>498,701,632</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	50,000,000	-	50,000,000
Unappropriated Retained Earnings Balance	369,949,521	-	369,949,521
Unappropriated Retained Earnings - Current Year Net Income	26,591,532	5,667,801	32,259,333
Total Common Stock Equity	<u>622,815,183</u>	<u>5,667,801</u>	<u>628,482,984</u>
 TOTAL CAPITALIZATION	 1,081,549,040	 45,635,576	 1,127,184,616

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.